



Why Polkadot Should Be Part of Your Cryptocurrency Portfolio!

Description

With over 12,000 [cryptocurrencies](#) in circulation, it might be overwhelming for a novice investor looking to enter this space. However, while there is no fundamental way of valuing this asset class, you can shortlist cryptocurrencies by market cap and utility. One such digital asset that should be on your radar right now is **Polkadot**, which has a market cap of US\$42.3 billion, at the time of writing, making it the eighth-largest cryptocurrency in the world.

What is Polkadot?

Polkadot allows cross-blockchain transfers of any type of data or asset and is not limited to tokens. It provides users the ability to interoperate a variety of blockchains on the Polkadot network. The network offers economic scalability by facilitating a common set of validators to secure multiple blockchains. You can also benefit from transactional scalability, as the user can spread transactions across parallel blockchains.

Another feature of the Polkadot network is the ability to upgrade without hard forks to integrate additional features. Its innovative data availability and validity scheme enable chains to interact in an eloquent manner. Polkadot's robust governance system ensures that network upgrades are coordinated and implemented autonomously.

It's basically a multi-chain application environment or an ecosystem of connected blockchains where you can transfer data across public, open, and permissionless blockchains as well as private and permissioned blockchains.

The central chain which is also called the relay chain provides security to the entire network and the parachains or side chains increase the network's capacity. Each parachain can be optimized for a primary purpose as they have their own blockchain. Additionally, Polkadot supports its own ecosystem as well as integrates with other networks to permit communication between the two platforms.

The utility of the Polkadot network

The number of transactions processed on **Bitcoin** and **Ethereum** networks each second stands at three and 15, respectively. However, by leveraging parachains, Polkadot can process a significant number of transactions per second, as it can conduct multiple transactions parallelly. In fact, the Polkadot community believes the [number of transactions per second](#) might be closer to one million on its network.

Polkadot enables trustless communications between blockchains. It means you do not have to involve a third party to execute transactions on your behalf. An investor looking to convert Bitcoins into Ether will have to use a cryptocurrency exchange or a centralized service such as **Binance** for the swap. However, Polkadot solves the problem, as it allows direct swaps between investors and creates a trustless system, where blockchains can communicate with each other, making the processes cheaper and efficient in the process.

The Foolish takeaway

Similar to Ethereum, Polkadot is also considered a potential disruptor in the DeFi (decentralized finance) space and is poised to generate massive returns to investors. According to data from CoinMarketCap, Polkadot has already returned close to 1,400% to investors since August 2020.

We can see that Polkadot offers multiple real-world use cases while solving significant pain points that have been largely ignored by other blockchain networks. But similar to most other cryptocurrencies, investing in Polkadot carries massive risks due to the volatility associated with this highly disruptive asset class.

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Date

2025/07/07

Date Created

2021/11/18

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