



Is Solana the Next Bitcoin?

Description

The potential of cryptocurrencies to increase wealth at an exponential rate makes it an extremely attractive asset class. For example, \$100 invested in **Bitcoin** back in 2010 would be worth more than \$7 billion today. In the last five years, Bitcoin prices have soared at an annual rate of 138.6%, indicating cumulative gains of over 7,500%.

The launch of several crypto-focused exchange-traded funds has driven institutional investment higher in the [cryptocurrency](#) segment. Further, the widespread adoption of these digital assets all over the world has been the primary driver of crypto prices since March 2020.

At the time of writing, Bitcoin remains the world's largest cryptocurrency valued at a market cap of US\$1.08 trillion. While Bitcoin has been a massive wealth creator for investors in the last decade, there are over 12,000 cryptocurrencies in circulation right now.

One top cryptocurrency that you should consider adding to your portfolio is **Solana**. This digital asset has returned close to 10,000% in the last year. Solana is now the fifth-largest cryptocurrency in the world, valued at a market cap of US\$67.5 billion.

The bull case for Solana

Solana was created by Anatoly Yakovenko, a former engineer who was previously employed by semiconductor giant **Qualcomm**. Solana is a programmable blockchain network, which means it supports the creation and execution of smart contracts. Basically, [smart contracts](#) are computer programs that are executed without any third-party interference or oversight.

These contracts form the crux of DeFi, or decentralized, applications that allow market participants to borrow, lend, and even trade cryptos without relying on financial institutions such as banks or brokers. As these contracts are executed without any intermediary, smart contracts can cut costs, lower transaction fees, and improve as well as accelerate access to financial services.

The total value of DeFi applications locked on the Solana blockchain stands at US\$14.2 billion, already

making it the third-largest platform after **Binance** and **Ethereum**.

However, Solana enjoys certain competitive advantages that make it one of the top blockchain platforms in the world. Its blockchain network offers a [throughput of almost 50,000 transactions per second](#) (TPS) as well as real-time finalization. Comparatively, the Ethereum blockchain can process just 30 TPS.

In order to access the DeFi ecosystem, users need to pay transaction fees in the form of cryptocurrencies. So, any smart contract executed on the Solana platform will require payment in the form of the SOL token, raising demand for the latter.

The Foolish takeaway

The Solana blockchain has already processed 35 billion transactions until now, with the average cost of transaction at just \$0.00025. Additionally, Solana has also gained traction in the NFT space. NFTs, or non-fungible tokens, are similar to a digital certificate of authenticity; they can be used to buy a piece of original artwork, among other things.

According to data from CryptoSlam, Solana is the fourth-biggest platform in terms of sales volume in the NFT segment.

Solana beats most other cryptocurrencies in terms of costs and transaction speed, making it one of the most popular blockchain networks in the world. As this network onboards additional projects, the price of the SOL token is bound to increase in the future.

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