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Something You Need to Know About Cryptocurrency Mining

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In order to understand the mining process, it is important that you clear the basic knowledge of cryptocurrency. Digital currency relies on cryptography to ensure transaction security and control the creation of new cryptocurrency units.

Basic Knowledge of Cryptocurrency

Cryptocurrency runs on different blockchains - public distributed ledgers are programmed to record almost everything of value, including financial transactions. Each transaction is data stored in a specific block of the blockchain.

Cryptocurrency is produced through the mining process. This process involves miners solving complex computational problems to release blocks, and then receiving new coins. Miners (people running mining software) do this instead of people in financial institutions to ensure the legitimacy of transactions.

Mining is not a stable activity. The mining process is deliberately designed to control the supply of coins. In addition, the number of digital currencies that can be mined is limited. For example, the total supply of bitcoin includes 21 million units. Once the last bitcoin BTC is mined, no more bitcoin will be added to the system. This logic applies not only to bitcoin, but also to most cryptocurrencies that use proof of work (POW) consensus algorithms.



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Is Cryptocurrency Mining Profitable?

Recently, mining has rarely been mentioned. Everyone is concerned about the continuous changes in the price of cryptocurrency for a reason. In the year-long bear market in 2018, mining has become less and less profitable for individual miners. Even for large companies, these times are difficult to control. Bitmain, one of the largest cryptocurrency mining companies, recently laid off 50% of its employees. For most of the year, the function of mining activities was below the threshold of profitability. Fortunately, the price rebound in 2019 helped some miners continue to stay in the game for a while.

It is not easy to find out which digital currencies are most profitable. Is it bitcoin BTC or Wright coin LTC, or other cryptocurrencies? The cryptocurrency market is very unstable, so it is important to pay close attention to market fluctuations and other factors affecting mining profits.