

Proof of Importance (PoI)

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Proof of Importance (PoI) is a system used to determine which users are eligible to perform the calculations necessary to add a new block of data to a [blockchain](#) and receive the associated payment.

A PoI algorithm prioritizes miners based on the number of transactions in the corresponding [cryptocurrency](#) that they perform. The more transactions are made to and from an [entity's](#) cryptocurrency [wallet](#), the higher that entity's chances of being given [mining](#) projects are.

This sets PoI apart from the [Proof of Work \(PoW\)](#) system which was introduced by [bitcoin](#). PoW algorithms prioritize entities based on the number of [coins](#) they mine. This means that the more computing power an entity can provide to a PoW cryptocurrency network, the more coins that entity will be able to mine. The PoW system does not encourage the circulation of cryptocurrency. The pure PoW system is not immune to centralization because priority is automatically given to the entity capable of providing the highest amount of computing power.

The PoI system also stands apart from the [Proof of Stake \(PoS\)](#) system. The PoS system prioritizes entities based on how much of the corresponding cryptocurrency they hold. The PoS algorithm automatically assigns mining tasks to miners based on the amount of the corresponding cryptocurrency in their wallets. This provides little incentive to use cryptocurrency as a means of exchange.

PoI systems is designed to reward users who actively transact in a cryptocurrency by prioritizing miners based on the amounts and sizes of transactions made from their wallets. PoI system may account for additional factors, such as the wallets to and from which transactions are made.

Combinations of PoI, PoS, and PoW systems are also possible. For example, an algorithm may account for both wallet transactions and the amount of cryptocurrency held when prioritizing mining.

Source: <https://www.moneyland.ch/en/proof-of-importance-definition>

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