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

The proof of importance system also stands apart from the proof of stake system. The proof of stake system prioritizes entities based on how much of the corresponding cryptocurrency they hold. Proof of stake 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.

Proof of importance 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. Proof of importance system may account for additional factors, such as the wallets to and from which transactions are made.

Combinations of proof of importance, proof of stake, and proof of work systems are also possible. For example, an algorithm may account for both wallet transactions and the amount of cryptocurrency held when prioritizing mining. https://www.moneyland.ch/en/proof-of-importance-definition