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## Are Blockchain and Distributed Ledger the Same?

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Is **blockchain** the same as distributed ledger technology? No, this is a common misconception among many people. In this article, we will explore what blockchain is and its differences with distributed ledger technology.

### What Do Distributed Ledger Mean?

Although acronyms such as DLT are confusing in financial and fintech circles, the good news is that the technology is relatively easy to understand. A distributed ledger is a database that exists in multiple locations or among multiple participants. In contrast, most companies currently use a centralized database that exists in a fixed location. A centralized database essentially has a single point of failure. However, distributed ledgers are decentralized and do not require central institutions or intermediaries to process, verify or authenticate transactions. Enterprises use distributed ledger technology to process, verify or authenticate transactions or other types of data exchange. Generally, these records will be stored in the account book only after the relevant parties reach a consensus.

Then, all documents in the distributed ledger are time stamped and given a unique cryptographic signature. All participants in the distributed ledger can view all relevant records. This technology provides a verifiable and auditable history of all information stored on this particular data set.



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## **Blockchain Definition**

Think about blockchains and distributed ledgers, just as you might think of Kleenex and facial tissues. The former is a type of the latter, but it has become so popular that it is deeply rooted in people's minds that it is a product.

Blockchain is essentially a shared database full of entries that must be confirmed and encrypted. A simple way to understand it is to think of it as a highly secure and authenticated office 365 file. Each file entry depends on the logical relationship with all predecessors. The name blockchain refers to the "block" added to the transaction record chain. To facilitate this, the technology uses an encrypted signature called hash.

## **The Difference Between Blockchain and Distributed Ledger**

The most important difference to remember is that blockchain is only one type of distributed ledger. Although a blockchain is a sequence of blocks, such a chain is not required for distributed ledgers. In addition, distributed ledgers do not require proof of work and provide - in theory - better expansion options.

Removing intermediaries from the equation is why the concept of distributed ledger technology is so attractive. Unlike blockchain, distributed ledger does not necessarily need a block data structure. Distributed ledger is just a database distributed across multiple websites, regions or participants.

On the surface, the distributed ledger sounds just like the blockchain you might imagine. However, all blockchains are distributed ledgers, but remember that not all distributed ledgers are blockchains. Although blockchain represents a distributed ledger, it is only a subset of them.