



Decentralised Finance (De-Fi)

What Is De-Fi?

Decentralised Finance or “De-Fi” is a novel financial system that operates independently and does not rely on centralised financial intermediaries like banks, credit unions, or insurance funds.

Instead, users have the ability to transfer, trade, invest, and transact peer to peer using cryptocurrencies and digital assets via automated smart contracts, eliminating the need for these slow and costly intermediaries. De-Fi is underpinned by advanced distributed ledger technology (DLT) - or blockchain - that aims to disrupt the current financial movement and allow for a more transparent and equitable financial system.

Another distinct feature of De-Fi is that it expands the blockchain from simple data or value transfers to more complex financial use cases such as trading, lending, yield farming, flash loans, and derivatives.



Chainlink



Uniswap



Synthetix

Importance of De-Fi

De-Fi continues to play an important role in the evolution of the financial sector for many reasons. For one, De-Fi expands the functionality and reach of money. Since all you need to participate in the De-Fi sector is a Smartphone, there is huge potential to expand the global economy. Consequently, analysts see this sector as one of the most important currently under development in the crypto space.

This commitment to the development of a De-Fi ecosystem is easy to recognize. Importantly, De-Fi is the fastest growing sector in blockchain. According to recent reports, De-Fi tokens continually outperform their counterparts. Additionally, since this time period represents the beginning of this integration stage, the market now possesses the unique opportunity to see an entirely new industry blossom.

Decentralised applications (DAPPS)

De-Fi depends heavily on Dapps. To understand De-Fi's capabilities, you need to grasp the concept behind Dapps. Dapps are programs designed to function within decentralized networks. These networks can be blockchains, Tor networks, or Distributed Ledger Technologies (DLT). The key component of these protocols is their decentralized nature. There is no central authority, corporations, or agency that monitors and approves the business functions of these applications.



Uniswap

The Uniswap platform introduced an innovative mechanism known as “Automated Market Making”. This protocol enables near-instant settlement between parties. Importantly, the protocol is set to close trades as close to the current market value as possible. You can even lend out your crypto and earn some interest via the platform’s pooling feature.

Global Audience

Dapps represent an expansion in the way developers envision financial platforms. Anyone from around the world can participate in De-Fi platforms. You just need a Smartphone with internet access and you can enter the De-Fi community in minutes.

Consequently, De-Fi Dapps have the ability to provide the unbanked of the world with access to financial services for the first time in recorded history. This openness is a huge upgrade from the current banking system that leaves around 40% of the global population without any form of banking.

Importantly, when you think of unbanked populations it's easy to picture a village somewhere in the tropics or desert but the reality is much different. For example, a recent study found that 25% of US & UK households remain unbanked. It's in these locations that De-Fi has an immediate effect.

Transparency

De-Fi provides the world with new levels of transparency. Since most De-Fi apps function on public blockchains such as Ethereum, all transactions are publicly available. In fact, all activity on the blockchain is public. The main difference in this approach versus a traditional bank account is that the accounts are not tied to anyone directly.

Instead, accounts are pseudo-anonymous and only list a numerical address. While the accounts are not directly linked to anyone's name, in particular, there are ways for researchers to figure out who owns them if required.

Programs such as block explorers can help people track and trace decentralized transactions of non-privacy focused coins.

Why De-Fi is here to stay

As the main systems of our society undergo a transformation towards decentralisation, there will be more demand for De-Fi Dapps in the future. These new-age applications continue to disrupt the current business systems in remarkable ways.

Soon, decentralized applications will set the new standard for the economy moving forward. Consequently, the global economy could receive a huge boost in participation in the coming years. For now, De-Fi provides the world with a glimpse into a more democratic existence.



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