DeFi Is the New Lemonade Stand



March 16, 2021 8 min read

Opinions expressed by *Entrepreneur* contributors are their own.

Despite banking services becoming increasingly digital and accessible through mobile devices, there are still 1.7 billion adults without an account at a financial institution. Although The World Bank's 2017 report confirms some improvement in this regard, only 300 million individuals succeeded in overcoming this hurdle between 2014 and 2017. At this rate, the imbalance of financial access will remain a pressing problem for some time to come.

The current decentralized finance (DeFi) trend may be capable of turning the tide. As an industry, it brings financial services and products to the entire world by removing

intermediaries and gatekeepers altogether. As financial access can boost local society's living quality and prosperity, it is paramount to bring these tools to as many people as possible.

More importantly, the time has come to address the most significant issue in centralized finance: Too few people are in control. When a consumer deposits funds at a bank, they essentially give up any control over that money. The same idea applies to investing, where most people will do so through an account manager or financial expert, relenting control over their funds.

While the above approach still works in the Western world, the situation is different in regions like Argentina, Venezuela and Zimbabwe. When you as a consumer cannot access your money because someone else deems it "less opportune" to do so, a severe problem is created. Finding a solution to that problem is a different matter altogether.

Related: **How DeFi Will Reshape Financial Services**

The growing appeal of DeFi

For an industry that is still in its infancy, DeFi seems to be going places. There have been substantial increases in the different platforms, products and services and the number of assets under management by these projects. One can clearly see this growth by looking at the individual market capitalizations of projects active in the DeFi space.

However, it remains crucial to look beyond these platforms' prices and their AUM and figure out what they are trying to achieve. These projects need to maintain a long-term game plan, a roadmap with manageable goals, and ways to frequently bring value to the ecosystem. It is not sufficient to gain traction and then let the infrastructure taper off. The value of DeFi assets in the cryptocurrency space can be very misleading in that regard.

To achieve disruption of the financial sector, DeFi needs to push the envelope to empower users and leverage innovative technology. Blockchain technology and smart contracts can offer ample potential, but only if sufficient code audits take place. There are still many risks in the current landscape, including impermanent loss, to contend with in the DeFi industry.

Going back to the lemonade-stand approach

Creating the next generation of DeFi products and services requires technology, making it easier to turn new ideas into working solutions. One can compare it to operating a lemonade stand on your porch; if you have the ingredients, simply slap them together and start providing the product. DeFi needs a similar approach instead of creating more hurdles for developers willing to usher in the new finance paradigm.

Contrary to what most may think, the concept of a lemonade stand remains applicable to finance, perhaps now even more than ever before. The idea behind this concept is simple: You want to provide a valuable product to people around you, and they pay you in exchange. There is no need for intermediaries like banks, regulators or tax agencies trying to meddle in the lemonade stand. Everything occurs between the person operating the stand and their customer, creating a robust yet elegant financial construction.

What makes the lemonade-stand concept so exciting is how it requires very little to no money to begin making money. Anyone can set up a booth in their yard or driveway and begin selling lemonade to passerbys. As the business grows and expands, one may think about branching out and attracting investment capital. This is where things get unnecessarily complex today.

Furthermore, operating a lemonade stand isn’t just about creating a business. It is also a way to give people something for free in exchange for a favor down the road, creating a network of people to interact with, and so forth. Preventing such a concept from existing is akin to blocking off access to financial innovation.

Unnecessary complexity erodes the appeal

Anyone looking to raise external capital from investors has to go through many hoops to be even given permission. First of all, your business needs to be a corporate structure. Second, you need starting capital in the form of shares of stock, which need to be sold to external investors. Third, a new business may often need to loan money until investors contribute financial support. Having to dig a hole before a business can even take off is not an ideal approach, especially during uncertain times like these.

Making matters even worse is how running a business as simple as a lemonade stand is technically illegal in dozens of states across the United States. The people making the law and regulations try to erode instilling a business sense in young children, creating an adverse effect. Without a permit, one cannot operate any business, even if it is just an innocent lemonade stand.

Even though the centralized powers that be would prefer to not let anyone run a lemonade stand, the core business concept remains crucial. It is a business idea that anyone can participate in with little to no overhead or paperwork to worry about. Creating opportunities for anyone to explore the business side of life without stringent requirements is an absolute necessity in the current financial sector, yet those who make the rules prefer not to exert this option.

A decentralized twist on the lemonade stand

As the government and most authorities do not want people to freely explore the benefits of running a lemonade stand anymore, the time has come to look for other options. Using blockchain technology and smart contracts can bring the lemonade stand concept to the digital world, providing global access to this simple-yet-effective business concept.

Anyone in the world should be able to create a marketing strategy for their project or product without facing multiple insurmountable roadblocks along the way. Creating an open, fair and transparent financial ecosystem is necessary if the individual is to be empowered. Such a decentralized lemonade stand platform or service has tremendous potential and will transform the financial industry for the better.

More importantly, this concept can prove beneficial to any type of business model, idea or concept, regardless of one’s access to financial services or location. All it requires is a good idea, an internet connection, and a few minutes to set everything up. Potential use cases include building new decentralized finance solutions, disrupting the insurance industry and so forth.

Teams capable of building cross-blockchain solutions to create and launch new DeFi protocols and tokens will play a crucial role in the years to come. The time has come to develop an industry standard of quality assurance, brand amplification and offering verifiable data to the public. As the world will tokenize more and more real-world assets in the future, such crucial infrastructure to promote financial inclusion and transparency is direly needed.

By tokenizing real-world assets, developers can launch new ideas, products and services for finance, payments, supply

chains and so forth. The lemonade-stand approach applies to DeFi in many ways, as the focus needs to shift to openness, accessibility and fairness. Entering this space needs to spark one's imagination to unlock new possibilities. It's a very different approach from traditional finance, where everyone is laid out in advance to fit specific categories rather than facilitate innovation.

Related: How 2020 Became the Year of DeFi and What's to Come in 2021

The centralized finance industry has paved the way for allowing consumers and corporations to access specific products and services that would otherwise not exist. Unfortunately, these products and services have seen little to no innovation over the past few decades. What people perceive as the financial system today is an analog industry desperately trying to remain relevant. However, the primary issues — lack of inclusion and innovation, high fees and top-down management structures — are not going away.

On the other hand, DeFi can address all of these drawbacks and promote open, transparent, accessible and fair financial products and services. That can only happen with the correct infrastructure to help people build new ideas without forcing them to spend years learning how a blockchain works. A lemonade-stand approach to building the next generation of financial tools is an absolute necessity.

https://www.entrepreneur.com/article/366444