The Future is DeFi: Going Beyond the Traditional Norm



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The idea of decentralized finance was born around 2017, a few years after the launch of the Ethereum Blockchain. Since then, the DeFi space has increasingly attracted attention from many different key opinion leaders, influencers and investors.

The general idea is to decentralize financial activities and bring financial control to individuals. DeFi has been reshaping the financial world, and for that reason, many analysts and participants in the financial space consider the network to be the future.

Bringing near instant and secure transactions

The space is going beyond traditional norms by offering speedy and secure transaction options. Traditional transaction networks always lack speed, convenience and security.

Large transaction throughput will always require several visits to the bank and lots of paperwork. Banking institutions are highly centralized – and hacking the institutions could easily lead to loss of funds for all accounts. Even highly reputable financial institutions are susceptible to such hacks.

Decentralized finance is a transparent and very secure payment solution. It decentralizes services, making investors' assets more secure. Completing transactions in platforms that leverage the technology is palatable for anyone – with no paperwork involved.

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Easier borrowing and lending

Decentralized financial networks are streamlining the process of borrowing and lending. Traditionally, getting loans often takes lots of time. The banks check your credit score and require fixed asset collateral before giving the loan.

In DeFi, things are pretty simple for anyone. The only thing needed is collateral, which could be another crypto asset.

Decentralized finance goes beyond the traditional norms by removing intermediaries in lending and borrowing. Hence, you don't need to work with intermediaries like banks to get loans. Instead, you can get a loan directly from the lender.

The networks often use over-collateralization to ensure loan repayment. It’s where you give more collateral than the loan you want to take. Therefore, the lender is sure that the funds will be repaid.

Cross communication and the ability to exchange assets

The traditional financial space provides some limited degree of interoperability. For instance, tools like Swift help connect one banking institution to another one.

However, DeFi offers utmost interoperability across blockchains and between two different financial worlds (crypto and traditional). At the moment, some projects are already tapping decentralization into fiat systems in various ways, including;

- Trading traditional financial assets in DeFi as Synthetic assets.
- Some platforms offer peer to peer payment opportunities.
- NFTs are already reforming the conventional payment systems used in the music industry for royalties and others.

Cross communication is vital to make it easy to convert a DeFi or Crypto token into fiat (and vice versa).

Earning passive income

One of the biggest benefits of DeFi is the possibility of actually earning yields. Unlike traditional finance, the space introduces many options for the average investor. Among the yielding options: Staking, yield farming, liquidity mining, gaming for earnings and trading.

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Honesty and trust

Dishonesty has been a prevalent attribute of the traditional financial system. During the 2008 financial crisis, banking institutions were corrupt with the mortgages they offered, helping lead to the recession.

DeFi is offering more honesty, transparency and trust. Its applications are based on blockchains. All transactions are public and permanent for future review. Anyone can view and audit blockchain and DeFi data.

Improving customer services and accessibility

Most banks work five days per week, eight hours a day. Hence, it could be inconvenient if you want to transfer cash urgently, especially during a weekend.

There is no need for third party approvals within the DeFi space. The network works 24/7, meaning you can make transactions quickly whenever the need arises.

Availability and ease of access is vital. In 2017, there were 1.7 billion unbanked adults since traditional finance failed to streamline accessibility for all. DeFi makes financial services accessible to all in a mission to bank the unbanked.

There are only two requirements for accessing DeFi services – the internet and a computing device. These minor requirements make access to the fintech platforms relatively easy for anyone.

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Is DeFi the future of asset management?

The failure of banking institutions to bank over 1 billion people is mainly because of accessibility, security and reliability issues. However, DeFi is very accessible, safe and reliable to all parties involved.

Unlike traditional financial institutions, DeFi also allows you to remain in custody of your financial assets. This is a very modern and decentralized way of doing things. DeFi technology is the future since it brings solutions to traditional financial problems.

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