Blockchain: The Technology That Can Be Used to Re-shape Charity

How does blockchain deliver fast transactions without transaction fees?

It's never easy donating money to people in need. In some countries, poor people may not have a bank account where a charity can send them financial aid. In some extreme situations like tsunamis or earthquakes, banks may not even be operating. Can a digital currency that can be accessed and transferred through mobile phones be the solution? That's the way how Libra is advertised. It's a cryptocurrency invented by Facebook and introduced in June. According to Facebook, Libra makes a transaction as cheap and simple as sending a text message or sharing a photo. Although their main goal isn't limited to help out in humanitarian situations, Libra has established a partnership with Mercy Crops, one of the world's largest charity organizations, to build up their credentials.Although not everyone is convinced that starting a collaboration with Facebook is a good way for charity, blockchain, the technology behind Libra, could solve two key problems faced by charity and change the game.

Administrative Costs

When one directly sends money to a charity, the bank would probably charge a 3% fee on this transaction. More fees tend to be involved in third party donations: the fee charged by the donations for facilitating the transaction, the fee charged by the payment processor, the fee charged by the disbursement companies that send money to different charities that may not directly connect to these donations.

Transparency And Accountability

Besides the financial middlemen, there are also government agencies, companies, and individuals that want to take a share of the money passed through. A series of scandals suggest that around 20% to 25% of funds are lost to corruption at the government level. Donors may never know how much of their money is taken by these hidden middlemen and how much actually lands on the donees. Charities face declining donations from young people as increasing concerns about where the donations end up.

The technology that supports Libra, and many other cryptocurrency, is called blockchain. A blockchain could be interpreted as a public ledger that keeps records on the transactions of money and goods. This concept was proposed by Satoshi Nakamoto in 2008 and has been implemented in Bitcoin. Since then businesses in different fields have adapted blockchain to various areas beyond finance. As a distributed and decentralized database, blockchain has the potential to transform the charity system and solve the problems we mentioned above.

One advantage of blockchain is that it's completely immutable. Every node in a blockchain network keeps its own records. Through a process called consensus, each transaction is verified by different groups of users independently. Retractions and modifications are not possible since blockchain only allows users to update the ledger by adding new transactions. With all historical entries viewable, blockchain has guaranteed transparency and prevented further corruption. Alibaba, the biggest e-commerce company in China, developed a blockchain-based donation

called Charities on the Chain. It records donations from Alibaba's users and let donors and other people track information on how donations are being used.

Another benefit of blockchain is that it cuts off the middlemen. Sending money through international channels can be a complex and time-consuming process. However, transactions on the blockchain only take seconds to proceed instead of 2-3 days. Active users in the network are active all-day dedicated to verify newly append entries, ignoring the time difference between two places. No middlemen also mean no transaction fees. Although mainstream digital currencies have a small fee for network maintenance, many new cryptocurrencies have achieved free transactions. In a perfect world, I give a charity $10, donee should also receive $10.