Self sustainable DeFi protocol for Partial or Uncollateralized loans

Team : Ethereal Elites

Param Parekh   Dwij Sawant   Vedhas Naik

Limitations in Traditional banking

- Unsecured loans:

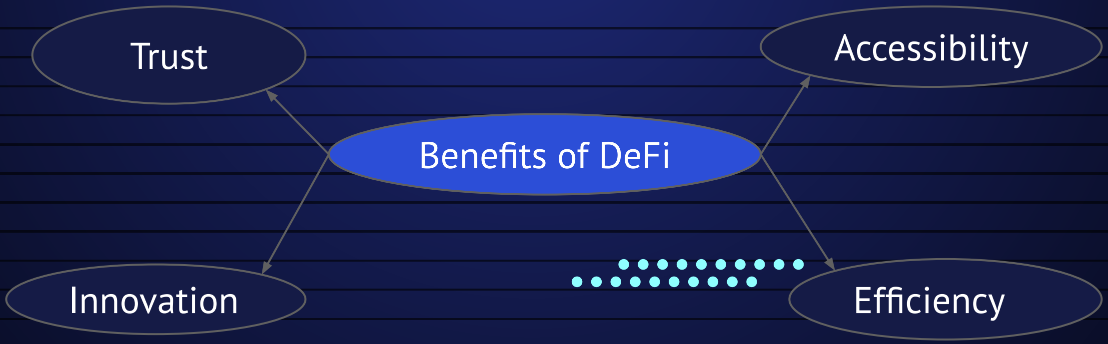
  Banks offer unsecured loans, like student loans or personal loans, but they're subject to strict credit checks and income requirements due to the higher risk involved. Higher interest rates compensate for the lack of collateral, making them more expensive than secured loans. Banks rely on borrower trust and established credit history to assess risk.

- Fractional reserves:

  Banks only keep a specific amount of all deposited money as reserves and remaining portion is used to generate income to bank via lending and investment activities. If banks lend excessively or depositors withdraw their money in large amounts (bank run), it can destabilize the financial system. Interconnectedness of banks can amplify financial problems and lead to economic crises.

Decentralized Finance DeFi

DeFi is Blockchain enabled technology which aims at revolutionizing financial systems by providing peer-to-peer financial services without relying on centralized institutions like banks, brokers or exchanges.



6 Principles of DeFi

Decentralization

- Absence of central controlling authority
- Direct interaction through smart contracts

Transparency

- Transactions are **recorded publicly on the blockchain**, making them **traceable and verifiable**.
- fosters **accountability and trust** within the ecosystem.

Openness

- Open-source platforms so that maximum people can participate and contribute
- Fosters innovation

Interoperability

- DeFi protocols can interact with each other seamlessly.
- This allows for the **composition of different services**, creating **flexible and powerful financial tools**.

Automation

- DeFi heavily relies on **smart contracts**, which **automate the execution of financial agreements**.
- This eliminates the need for manual intervention and reduces the risk of errors, promoting **efficiency and security**.

Insurance

- Purchase coverage against financial losses using smart contracts

OUR PROPOSAL

A SELF-SUSTAINABLE PROTOCOL MECHANISM
WHICH INVOLVES
PARTIAL/UNDER-COLLATERALIZED OR
UNCOLLATERALIZED LOANS WITHOUT
RUNNING OUT OF MONEY

01

Flash Loans

Definition: Instantaneous loans requiring repayment within the same block

Benefits: High-speed liquidity provision, no collateral required

02

For tokenomics

Protocol Token

Purpose: Reducing interest fees for borrowers

Additional Function: Acts as an insurance pool for loan defaults

Credit Score

Definition: Reflects borrower's repayment history

Impact: Determines loan amount eligibility, enhancing risk assessment

03

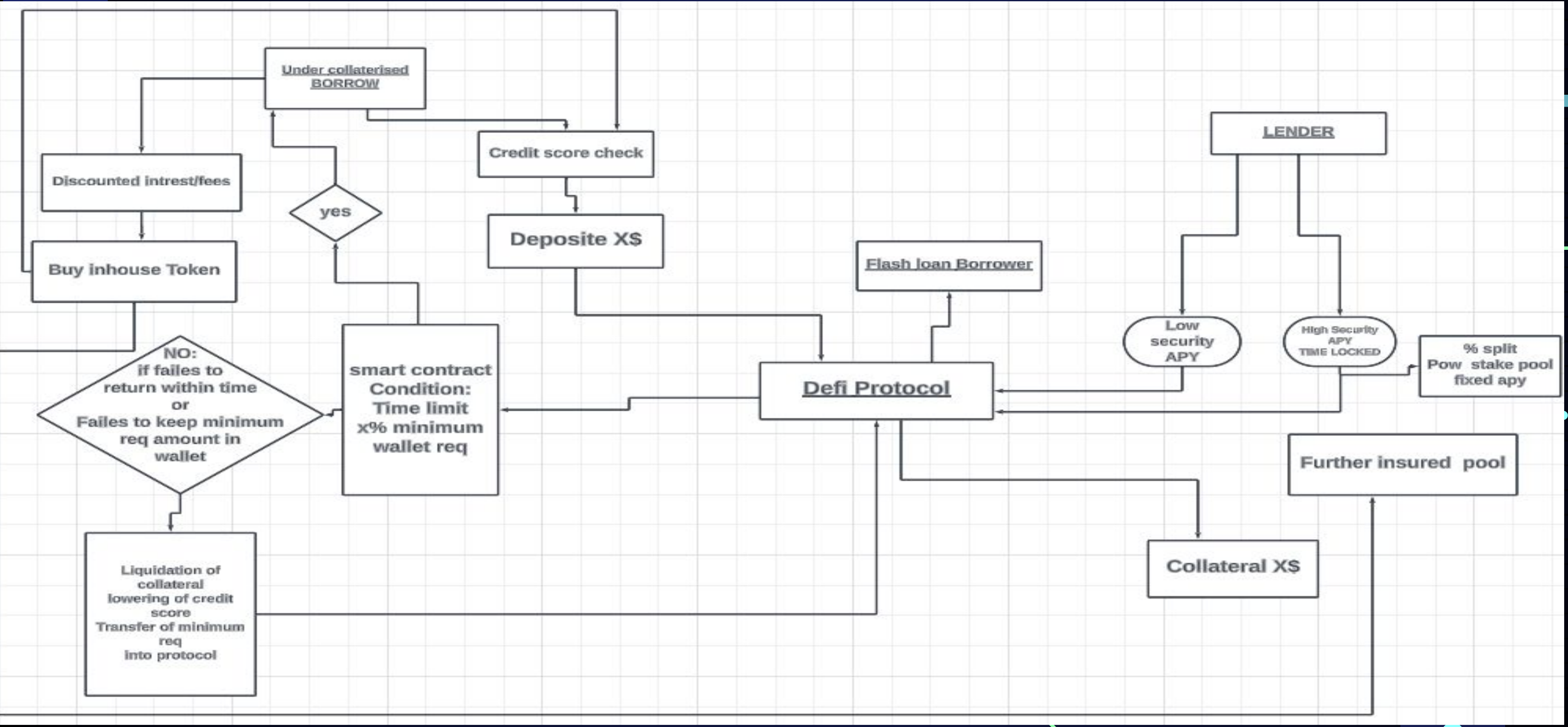
Under-Collateralized Loans

Description: Borrowers stake amount maintain % amount minimum during lending

Smart Contract Enforcement: Tracks time and minimum wallet requirement

Risk Mitigation: Collateral liquidation and penalty for non-compliance

The Big picture



Teckstack

Frontend - Next.js
Smart Contracts - Solidity
Integration - Wagmi
Storage - IPFS (Filecoin if needed) through Pinata
Tokenomics - Protocol Tokens , Staking Pool

Thank you