



# DeFi in Blockchain

# Introduction to Decentralized Finance

Decentralized finance is made up of financial applications that operate through a decentralized blockchain, thereby removing the need for users to trust any third-party.

Decentralized Finance, or DeFi, is at the heart of the recent cryptocurrency bull market. DeFi is the hottest topic in crypto space right now, similar to how Initial Coin Offerings (ICOs) were all the rage in 2017.

It transforms traditional finance services from centralized to decentralized play of execution.

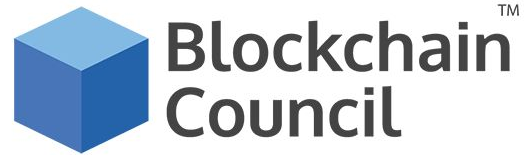
It serves as an alternative to the traditional financial world and thus reduces inefficiencies and alleviates pain points.

Based on Blockchain technology, it aims to give people access to new financial opportunities, and more control of their assets.

We can also define DeFi as a programmable money.

# Characteristics of DeFi

- **Involves no third parties:** Decentralized applications rely on smart contracts instead of the humans responsible for operations.
- **Governed by users:** When it comes to governance, DeFi is unique, and this is because it moves towards decentralization.
- **Easy to enter:** Due to its permissionless nature, anyone in any corner of the world can start using the platforms without disclosing any personal information and applications for access.
- **Community-driven:** Since DeFi applications and protocols are open source and decentralized, it facilitates community developers to add new features and build new apps as per their needs.
- **Truly global:** It means the products are not customized for specific countries and are developed in such a way that a person sitting in Europe and a person sitting in India will have the very same experience and access to features.



# DeFi Use-Cases



# Stablecoins

# Understanding Stablecoins

Stablecoins are cryptocurrencies designed to reduce the uncertainty of a coin's price as compared to a "stable" asset or a basket of assets. Stablecoins can be pegged to currencies or securities traded on exchanges.

- Stablecoins are available all around the world and can be submitted via the internet. Once you have an Ethereum account, receiving and sending them is easy.
- Since stablecoins are in high demand, you can gain interest by lending yours. Before you lend, make sure you're mindful of the risks.
- Stablecoins can be exchanged for Ethereum tokens such as ETH and other Ethereum tokens. Stablecoins are used by many dapps.
- Cryptography is used to encrypt stablecoins. No one can work on your behalf and forge transactions.

# Uses of Stablecoins

Stablecoins are a form of cryptocurrency that can be used for decentralized finance operations such as liquidity mining, lending, and borrowing.

Stablecoins may be used as a substitute for fiat money. Since transactions are settled on the blockchain, they are frequently quicker and less expensive than fiat currency.

Stablecoins have the potential to change people's lives in impoverished countries all around the world. In addition to their Visa relationship, Circle recently assisted medical staff in receiving USDC during Venezuela's economic crisis. It is the first time stablecoins have been used to combat hyperinflation.



# Lending and Borrowing



# DeFi - Lending and Borrowing

Users may deposit and lock their cash into smart contracts on DeFi lending and borrowing platforms, from which other users can borrow and pay interest on them.

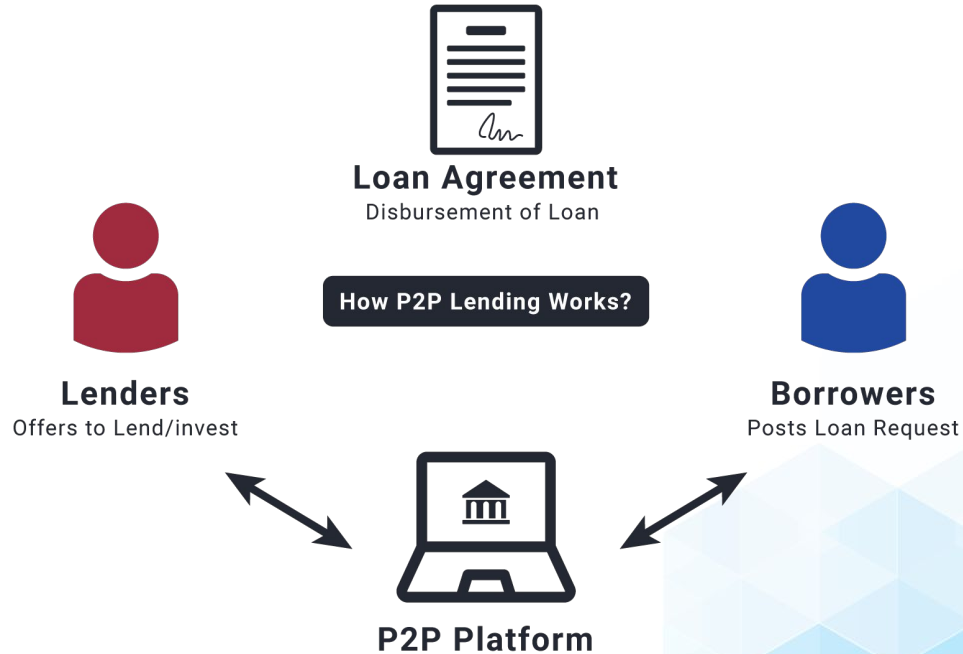
DeFi allows users to lend and borrow money directly from each other, bypassing the need for a banking middleman.

Once the requirements are defined, balance verifications are performed on a blockchain, assets are transferred to a smart contract as collateral, and interest rates are subtracted without the need for human interaction.

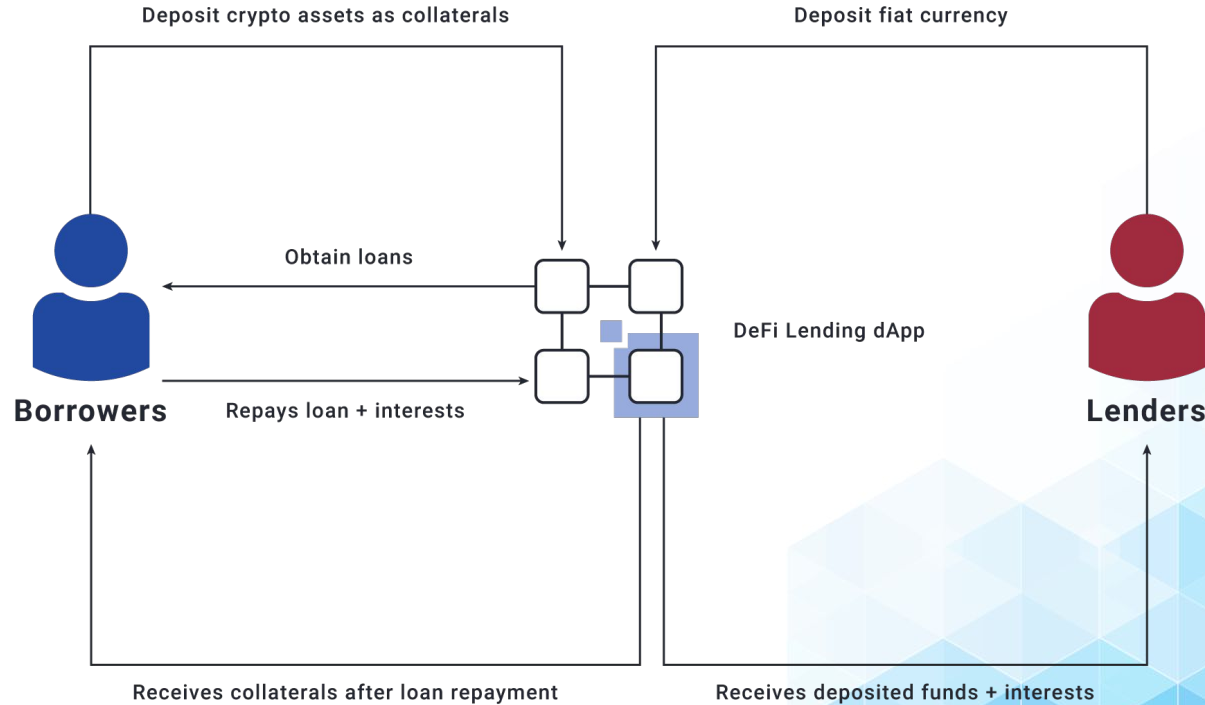
To avoid liquidation when market prices vary, these loans demand a high collateralization rate.

DeFi P2P Lending platforms are platforms that provide these types of lending services, and there are more popular decentralized applications (Dapps) accessible in the crypto market that give DeFi P2P lending alternatives.

# Working of DeFi Lending



# Working of DeFi Borrowing



# Key Advantages of DeFi Lending and Borrowing

- Highly Flexible lending and borrowing process
- Faster Fund Transfer
- Ultra Transparency in Transactions
- Lender Passive Income
- Higher Interest Rates over Traditional Saving
- Permissionless Processing
- Open access to everyone
- Immutable, that no one can edit or delete any transactions