**Identifying and Overcoming Blockchain Adoption Problems in Software Engineering**

**Abstract**

Since blockchains immergence it has become a wide topic of discussion. Yet, a lot of people don’t understand quite what it is, where it came from, and where it is heading. Let alone if it is popular enough in common nomenclature for wide scale adoption. What are these factors that have limited blockchains wide scale adoption? This is a problem because blockchain is a revolutionary construct that has many new principles benefiting from the concept of decentralization. In this discussion, I will include relevant and significant topics on how blockchain has created emerging trends in software engineering, while these trends have also created problems for blockchains adoption. Building from that we will delve into why blockchain is not always the best choice for situations, and guide into when and where to implement one. From that we will lead into issues and problems that affect blockchain security in regards to two popular consensus algorithms. Although blockchain has mainly been associated with innovating financial services, it also has roles in other fields such as e-government, supply chain management, and cyber security. This will ultimately lead to a more wide scale adoption of blockchain technology. The research methodology of this paper will be sources gained from academic journals with professional insight to resolutions. This paper will begin to discuss the wide scale adoption issues of blockchain in software engineering with a goal of how to mitigate or resolve them.

**Chapter 1: Introduction.**

To begin let’s start by defining what blockchain is. This has been a very confusing concept for most because it typically is synonymous with the cryptocurrency Bitcoin. Although, Bitcoin and other cryptocurrencies use blockchain, it’s not blockchains only real world use case. In fact its most basic form Blockchain is simply a digital leger. This digital ledger, is a distributed database that is constantly reconciling new information know as blocks. These blocks are appended onto the end of the data set. This effectively creates a blockchain. The data is then stored in multiple locations in contrast to one central location. This makes blockchain pretty difficult to manipulate considering multiple copies are stored on many machines simultaneously and can be verified from multiple nodes. This is what makes blockchain decentralized and verifiable.

From its conception blockchain snowballed to the market essentially piggy backing off the popularity of Bitcoins financial revolutionary concepts, but behind these concepts driving this new technology was the decentralized ledger technology itself. Of course, the history of this new technology is still argued and somewhat shrowded in mystery simply for the fact we really don’t know who or where this technology came from. When Bitcoin was implemented it also implemented the world’s first public blockchain database. According to The white paper for this technology, it was authored by a pseudonymous entity names Satoshi Nakamoto. (Zohar, 2019, pg. 1). This could also lead to the argument of the validity of blockchains security. Why, so secretive? Who would want to hide their identity from getting credit for a revolutionary new concept? This alone could make someone wary from a security standpoint, and is a valid view on what may have hindered blockchains full scale adoption. The fact that its author is unknown does not make the public trust in it.

Bitcoins conception was the start of blockchains breakthrough phase in its technological innovation cycle. Next would come the replicator phase, the birth of alternate coins, known by the community as “Altcoins”. Originally bitcoin was a store of value on a decentralized digital ledger only to be used to verify transactions between two parties in a peer to peer network. From this the next generation of blockchain advancement came, the advancement of decentralized applications and smart contracts using a Proof of Staking consensus. This technology allowed blockchain to grow from a just a store of value, to building full scale decentralized applications. At a high level smart contracts are back end server code ran on the blockchain network. A decentralized application will have a front end code that makes calls to back end blockchain powered code. This has led to the deployment of applications on the blockchain in a publicly controlled decentralized manner. This concept has become popularized by cryptocurrencies like Etherium and its smart contract programing language “solidity” (Sharma & Chakraborty, 2018, pg.5). Smart contracts are not without fault and come with their own set of security vulnerabilities to keep in mind. We will later discuss these Proof of Stake vulnerabilities.

As the rise of Blockchain and distributed ledger technology continues to grow and mature, we will see it settle into the new global economy. No one can predict the future, but we do have some educated insights into what blockchain technology can evolve into. Most notably e-government as it will allow government entities to easily track information on goods, items, services, people, voting, or even militaristic reasons.

As more time is spent critiquing and perfecting blockchain architecture more vulnerabilities will be discovered, while more advancements will be made in its field.

This will ultimately lead to a more wide scale adoption.

**Chapter 2: Blockchain: When and Where to use it.**

Now that we have a better understanding on what blockchain is, where it came from, and the directions it can head, we will dive into when and why we should implement a blockchain solution along with the problems of implementing one at the improper time.

There are certain questions one must ask yourself when implementing a blockchain solution. Such as, if the data I am using going to be shared across multiple parties? Decentralized ledgers are records that are stored on multiple nodes with different parties agreeing to the changes. This creates a situation where any one can essentially read or add changes to the database. In a centralized operation, if you were to want to keep a database with all your top secret information off of a network on a single system then a blockchain solution would not be ideal and traditional database would be recommended. That way only you would have access to the confidential data inside. The beauty of sharing information between parties is it eliminates the distrust between them because data is transparently stored on the decentralized ledger. (Zhao, Yang, & Lou, 2019, pg. 18). A far use case would be if all big business was stored on a decentralized ledger, then fraud would be exponentially more difficult because all transactions in and out would be monitored by all parties on the blockchain. If one company where to try and manipulate the data other companies could review their digital ledgers to the point where communication error occurred, and effectively point the finger back at fraudulent company. This has been a hurdle for blockchains adoption because companies are not so quick to change from their legacies systems. These concepts are factors to think about when considering a blockchain solution and whether information should be centrally governed or not.

Next question is whether data should be dynamic, and if it needs an auditable history. Blockchains are immutable, meaning that once information is added to the ledger it cannot be changed. This immutable data is left as an audit trail for other entities to verify. So if you don’t want your transactions to have a paper trail or want the contents of its history to be changed then a traditional proof of work blockchain is not a an option.

Another issue on when choosing to deploy a blockchain solution is speed. If you want a high performance application, that is dependent on millisecond transactions, then it is best to lean towards a traditional centralized system, or an algorithm designed with speed. Keep in mind you might be gaining speed for other features you do not desire. Blockchains are typically still pretty slow in comparison to traditional model-client architecture. If you are customer waiting to verify a debit card transaction you probably are not willing to wait minutes for the transaction to go through. This obviously creates the problem of speed and is one of the heavy hitters when identifying issues that have stagnated blockchains adoption.

**Chapter 3: Problems in Blockchain Security.**

When implementing new technology you must keep in mind the concept of zero day exploits, because the technology is so new there could be a multitude of issues still to be discovered. In the security realm nothing is impenetrable, even multilayered security can have its flaws and this certainly holds true in the case of blockchain. Being a new construct always comes with some kickback. Due to its rapid development many crucial mistakes were taken advantage of in the cryptocurrency market. Although blockchain itself can be secure, the way businesses utilized it was questionable. One of the most infamous examples of a cryptocurrency hack was the incident that happened at Mt.Gox. (Chen, Wu, Zheng, Chen, & Zhou, 2019). The Mt.Gox hack at a high level was due to poor software development methodologies involving the blockchain applications for cryptocurrency trading and storage. Another issue was that certain standards were not yet created in the blockchain community to adhere to security. It is still contested on what truly happened in the Mt.Gox hack but the underlying basis is that wallet private keys were not yet encrypted at the time, so someone was able to access wallets private keys in clear text. This in turn led to the standard practice in blockchain to encrypt wallet private keys when at rest, and is a prime example of how the blockchain space, and software in general, evolves to meet the needs of security. The Mt.Gox hack was one of the most infamous of all of cryptocurrency history, and has easily left a stain of distrust on the public and corporate sectors. Thus, hindering blockchains development to the masses.

Another topic of discussion is the concept of environmental costs, mining takes extreme power consumption through the use of electricity and the raw materials used to create mining hardware that supports the network. In its current state blockchain solves complex algorithms with large amounts of computing power to provide security (Zhang, Xue, & Liu, 2019, Pg. 20).This could cause a problem if you are intending to deploy a large network and is not really scalable. Each node verifying hashes is using equipment and energy that can quickly add up. Bitcoins mining nodes have been known to use more electricity than some very small countries. So if you are trying to be environmentally conscious with your network, you would not deploy a large scale blockchain application. Because early blockchains were environmentally taxing and not scalable, they were not widely adopted. This is being taking care of with new consensus algorithm architectures.

One of the biggest issues facing blockchain adoption today is its complexity for end users to understand. Certain growth has been made in this field such as cloud wallets to store your coins with ease, disconnected physical wallets for security, and updated software wallets with nice graphical user interfaces for the everyday user. The initial command line interface architectures was hard to learn and led to a slow adoption. On top of the deep underlying technical architecture behind blockchain the average person fails to realize its real world use potential. The most popular concept the hit the ground running during blockchains conception is that it would be a disruptor in the traditional banking system. Most people who have even heard the terms Bitcoin or blockchain are because of its theoretic real world use of being able to create a worldwide decentralized ledger for financial transactions. Going beyond being a bank killer, most do not realize its true technological core or other real world use cases. One could argue that blockchains lack of public thorough understanding and common nomenclature is a problem it is still facing today.

The next issue with blockchain technology adoption is that since it is a new idea, its interoperability and standardization comes into question. With so many new players coming into the blockchain market, there needs to be a standardization of technology and how they interact. (Duy, Hien, Hien, & Pham, 2018, Pg 3). This has been in issue moving forward in blockchain design. Creating blockchains that can communicate freely with other blockchains becomes a cumbersome design along with getting a wide spread community of players to agree on a single standard is pretty difficult. Creating standardization could help with application development, validate proof of concepts, as well as helping with integration. The lack of interoperability and standardization is a problem in blockchain adoption but will gradually increase as time goes on.

One of the more recognizable issues in blockchain adoption is scalability. As a network grows with more miners validating transactions it then takes more confirmation to make a change on the ledger. This effectively creates a more secure network at the expense of speed. So the larger a network is the more secure it will become, while simultaneously becoming slower. This creates a huge scalability problem when creating a large blockchain applications for instant transactions. Of course advancements have been made in this field and every day companies are working toward making blockchains more instant without giving up speed or security. One example of this is the development of the Proof of Stake algorithm mentioned earlier compared to the traditional Proof of Work consensus mechanisms. The Idea that consensus algorithms still need to be improved for scalability is just another problem facing blockchains mass adoption.

**Chapter 4: Consensus Algorithms PoW and PoS.**

Blockchains conception was the first time the world would see the Proof of Work algorithm deployed on a public network. Arguably the beauty of the proof of work algorithm is it takes up resources, just for the sake of taking up resources. As in it is designed to take up a lot of energy and computational power. The hashing algorithms are designed in a way that it is very taxing on the system. Network miners will use time and energy in hopes of solving a hashing function. If they solve it they add a block to the chain and get a reward. This is why it is called proof of work because you are working for a reward. Proof of Work was initially intended to be decentralized but is not as decentralized as it is initially hoped for. To begin on this issue, special computer chips were designed specifically for calculating these hashing functions. These specialized chips are called application specific integrated chips and have dominated the Proof of Work market. This forces everyday people who want to mine, to invest in high end equipment, and effectively raises the difficulty rate for mining new blocks. Because Proof of Work algorithms can be dominated by ASIC miners it can lead us to the next issue with PoW. The 51% problem. If 51% of the network agrees on lie, then it becomes the truth. This would not be an issue if it was truly decentralized but considering there are large mining pools who own good chunks of the network, they could theoretically team up to create false transactions. (Zhao, Yang, & Lou, 2019, Pg 21). This of course is an adherent flaw to the PoW algorithm and is a good example of how this new concept didn’t outweigh the advancements in physical hardware. This is an adherent issue in adoption because the decentralized credibility is at risk.

Moving forward from the PoW, the Proof of Stake consensus came into being.

PoS allows validators to lock up funds in escrow and validate transactions in less taxing manor. If a validator thinks a block should be appended to the chain and the other validators agree, they will add it to the chain. If it is appended successfully they will get a reward. If they are caught lying they will lose their funds in escrow and their validating positions. This is the concept of staking your funds in an escrow account to be able to validate blocks on the network. This makes validation way more resource conservative and faster than PoW. (Zhao, Yang, & Lou, 2019, Pg 10). The PoS consensus does come with its own issues too, one being called the “Nothing at Stake” exploit. If there is a true primary chain and a faux branched chain, a validator can put its escrow on both chains effectively winning either outcome. (Zhao, Yang, & Lou, 2019, Pg 22). Because it can get a guaranteed pay out from either chain it is called the “Nothing to Stake” issue. The Proof of Work algorithm mitigates this because miners will mine the longest chain and not the new branch, because it is more profitable and risk free to do so. So here we see how the Proof of Stake protocol can be susceptible to malicious forks hindering adoption. Although advancements in this architecture are still underway and there are many deviations of the PoS consensus to be discussed.

**Chapter 5: Conclusion.**

From this discussion we have seen the contributing factors that have stopped blockchain from wide scale adoption. Blockchains mysterious origins, lack of consumer trust, and missing of standards have all contributed to hindering its growth. One of the factors for this is the lack of wide spread basic knowledge of what blockchain really is and what it is capable of. One of the strongest arguments hindering blockchain wide scale adoptability is creating a blockchain that fits the needs of everyday people in everyday financial transactions. It needs to be fast enough for the everyday consumer, it needs to be secure enough, but also the perfect global chain will be truly decentralized so that not one central governing entity can’t tamper with it. Time is the ultimate factor here for eventual growth in the blockchain sector and is imminent. In conclusion time and user education our both the answer to why blockchain has not reached wide scale adoption yet. In just a decade it has made waves throughout the technological and financial communities with only more room to grow. The realm of blockchain is very fast paced and invigorating, and in my future work I will dive into a more technical analysis into consensus algorithms and how they are evolving to meet the needs of society.

**Reference List.**

Chen, W., Wu, J., Zheng, Z., Chen, C., & Zhou, Y. (2019). *Market Manipulation of Bitcoin: Evidence from Mining the Mt. Gox Transaction Network*. Paris, France: IEEE. doi: 10.1109/INFOCOM.2019.8737364

Duy, P. T., Hien, D. T. T., Hien, D. H., & Pham, V.-H. (2018). *Proceedings of the Ninth International Symposium on Information and Communication Technology*. New York NY: ACM. doi: 10.1145/3287921.3287978

Sharma, R., & Chakraborty, suchetana. (2018). *2018 International Conference on Advances in Computing, Communications and Informatics (Icacci)*. Bangalore, India: IEEE. doi: 10.1109/ICACCI.2018.8554369

Zhang, R., Xue, R., & Liu, L. (2019). *Security and Privacy on Blockchain*. New York, NY: ACM New York. doi: 10.1145/3316481

Zhao, W., Yang, S., & Lou, X. (2019). *Icbct 2019 Proceedings of the 2019 International Conference on Blockchain Technology* . New York, NY: ACM New York. doi: 10.1145/3320154.3320162

Zohar, A. (2019). *Recent trends in decentralized cryptocurrencies.* (49th ed.). New York, NY: ACM New York. doi: 10.1145/3055399.3079074

**Certification of Authorship.**



Submitted to: Professor Jeffrey Kane

Student’s Name: Eric Webb

Date of Assignment: 10/27/2019

Title of Assignment: Assignment No. 2 – Research Paper

Certification of Authorship: I hereby certify that I am the author of this document and that any assistance I received in its preparation is fully acknowledged and disclosed in the document. I have also cited all sources from which I obtained data, ideas, or words that are copied directly or paraphrased in the document. Sources are properly credited according to accepted standards for professional publications. I also certify that this paper was prepared by me for this course.

Student's Signature: ERIC WEBB