

# Blockchain Powered Decentralized Finance: Assessing the Economic Impact on Traditional Financial Systems

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## ABSTRACT

Blockchain technology, characterized by its decentralized and transparent attributes, has initiated a disruptive shift in the financial sector, leading to the emergence of decentralized finance (DeFi) platforms. These blockchain-based financial services are engineered to function without intermediaries, providing customers with greater control, reduced costs, and improved security. This research analyzes the economic implications of DeFi on conventional financial systems, investigating both the prospective advantages and obstacles it poses. This study evaluates how the foundational concepts of DeFi, including smart contracts, tokenization, and decentralized governance, challenge traditional financial systems such as banking, lending, and asset management. DeFi is affecting traditional financial systems and the influence of DeFi on trust in financial institutions. The paper examines the ramifications for traditional financial system and market liquidity. The findings indicate that although DeFi has the capacity to democratize financial services, its integration with conventional systems may generate competitive pressures as well as collaborative opportunities.

**Keywords:** Blockchain Technology; Decentralized Finance (DeFi); Traditional Financial Systems.

