

DEFI'S TRAJECTORY

A DATA-DRIVEN ANALYSIS



Introduction

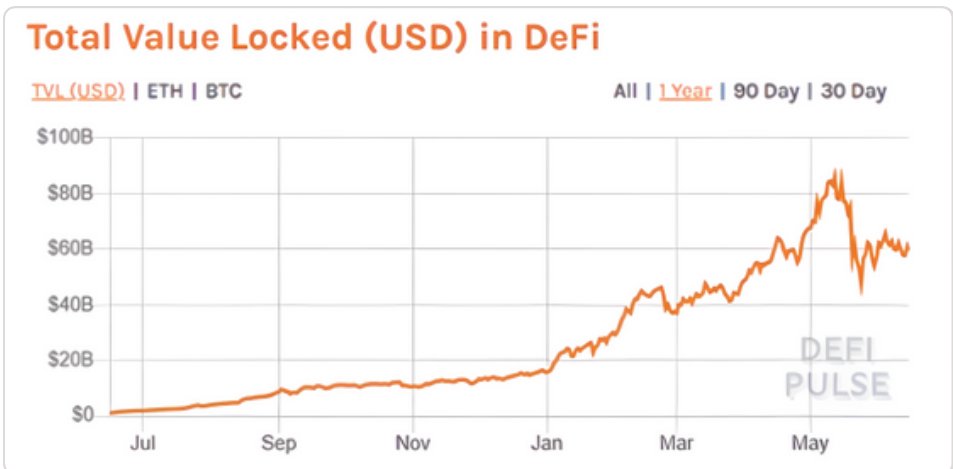
Decentralized Finance (DeFi) has carved a niche in the financial world, offering an alternative to traditional financial systems through blockchain technology. This article delves into the quantitative progress of DeFi, examining its growth through a statistical lens.

The Genesis of DeFi

The concept of DeFi, which originated in a 2018 Telegram chat among Ethereum developers, has its roots in Bitcoin's launch in 2008. Initially conceptualized as a decentralized peer-to-peer money system, DeFi has evolved to encompass a suite of financial services on the blockchain.

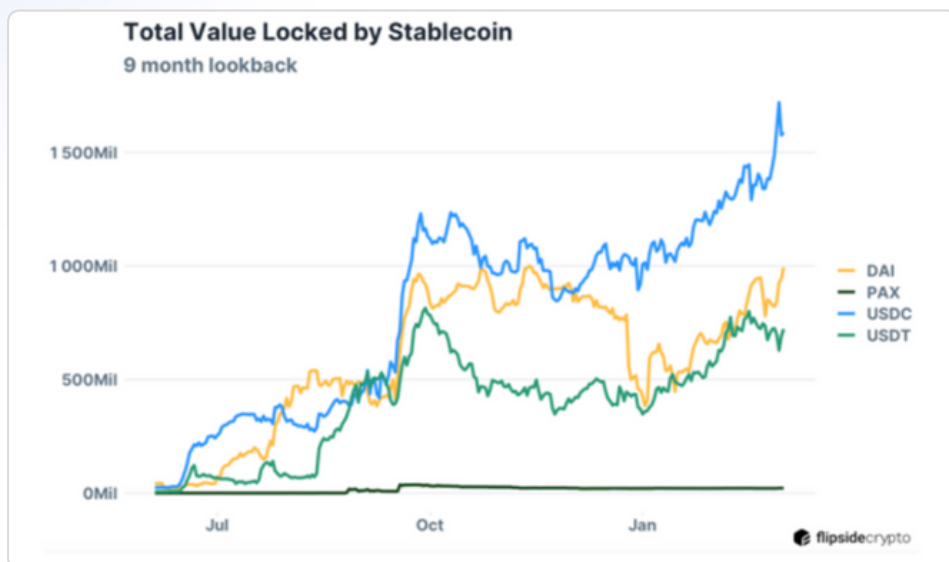
The Meteoric Rise

The Total Value Locked (TVL) in DeFi—a critical measure of capital committed to the sector—soared from approximately \$1 billion in June 2020 to a staggering peak of \$86 billion in May 2021. This represents an 8600% increase within a year, signaling a burgeoning interest in DeFi's potential.



2021: A Year of Expansion and Volatility

Despite market volatility, DeFi's expansion continued, with DEXs experiencing a monumental 8000% increase in Q1 2021 trading volumes compared to Q1 2020. Stablecoins like USDC saw their market cap surge from \$25 billion in January to over \$109 billion by June 2021, underscoring their pivotal role in the ecosystem.



The DeFi Renaissance Amidst a Bear Market in 2022

2022 was marked by a bear market, with DeFi's TVL declining by 76% in dollar terms. However, the number of unique DeFi users increased from 4.7 million at the start of 2022 to over 6.5 million, indicating a 38% growth in the user base despite the downturn.

Ethereum: The King of DeFi

Ethereum remained the dominant force in DeFi, with over 58% of the total DeFi liquidity. The network's transition to a deflationary asset post-Merge led to a decrease in ETH supply, bolstering its investment appeal.

The DeFi Ecosystem: A Closer Look

Leading protocols like Lido and MakerDAO accounted for a significant portion of the TVL, with Lido alone locking in over \$6.3 billion. Uniswap, the leading DEX, handled the majority of the \$854 billion traded on decentralized exchanges in 2022

The Future Outlook

Despite the 2022 market fallout, DeFi's projected CAGR stands at 42.5% from 2022 to 2030. The resilience of DeFi is evident in the cumulative revenue, which grew from \$3.7 billion at the beginning of 2022 to \$5.22 billion by year-end.

Conclusion

The data underscores DeFi's significant strides and enduring resilience. With its capacity to innovate and adapt, DeFi continues to redefine the boundaries of finance, promising a future where financial systems are more inclusive, transparent, and efficient.

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