



Could Blockchain Change The World Forever?

Description

Technological change has historically been a key driver of improving profitability for various industries and stocks. Without it, the world economy would be far less efficient and growth opportunities would be far more limited.

The challenge for investors, of course, is in identifying which forms of new technology have the potential to transform profitability. In recent years, the prospects for the use of blockchain technology have become a major talking point for investors. Does it have the potential to transform the financial performance for a wide range of stocks? Or, are investors being overly optimistic about its outlook?

The technology

Blockchain is a relatively simple technology in theory, but one which could prove to be highly effective. It is essentially a digital ledger of economic transactions which is updated in real time by a network of computers. The ledger is continually reconciled and shared, and could provide a more effective means of recording not just financial transactions, but any information that is deemed to be of value.

The applications for blockchain appear to be wide-ranging. It could be used in the financial services industry, for example, for transferring money. It would cut out the middleman and may lead to greater efficiency. This could lead to enhanced savings across a number of different industries, which may create improving levels of profitability. And with the data used across its network not being stored in a centralised location, it could lead to enhanced security for businesses and consumers.

Adoption

So far, it appears as though businesses are relatively open to the idea of utilising blockchain technology. Although it is most closely associated with [Bitcoin](#) at the present time, since the virtual currency utilises its technology, it is gradually becoming clear in the minds of potential users that the two are separate. It could even be the case that while [Bitcoin](#) proves to be an investment bubble, the blockchain technology on which it was built has a positive impact on a number of different industries across the globe.

Caution

Clearly, any new technology is likely to encounter teething problems. Although the security and reliability of blockchain appear to be sound, there are known unknowns surrounding adoption on a larger scale in new industries. As such, its use may prove to be an evolution rather than a revolution, and it could take a sustained period of time for it to have an impact on the way transactions are undertaken. Therefore, it may be a source of gradual efficiency and security improvements, rather than a sudden change.

Outlook

However, as far as new technology goes, blockchain appears to offer significant appeal in a variety of applications. While at the present time it may not be possible for investors to take advantage of it directly, focusing on investments in areas where it could be used may prove to be a sound strategy.

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