



2 Top Cryptocurrencies Operating in the DeFi Space

Description

DeFi, or decentralized finance, are financial systems that enable decentralized blockchain technology. The players in this space aim to lower transaction costs as well as eliminate third-party authorities such as banks and financial institutions. Right now, there are several fintech companies that are leveraging the DeFi tech to offer products including savings accounts, loans, and insurance, among many others.

The DeFi ecosystem is expanding at a rapid pace and has grown from just a million dollars in September 2017 to more than US\$90 billion in October 2021. According to Industry experts, the DeFi industry to touch \$800 billion by the end of 2022, driven by an increase in the number of players operating in this vertical as well as the rise in investments.

For example, yesterday New Order announced that it raised US\$4 million to launch a DAO (decentralized autonomous organization) incubator, which will onboard multiple DeFi projects each year.

New Order is an open and permissionless venture DAO that will look to connect with market participants that include developers and community builders to support DeFi projects. New Order will evaluate projects and decide the criteria for resource allocation, which will be derived from an extensive partner network and community-driven incubation.

The investment round was funded by several big names including FalconX, Youbi Capital, Mapleblock Capital, Moonwhale Ventures, and Outlier Ventures.

New Order's investment is just one of many such examples in the DeFi space. Now, let's see which cryptocurrencies are poised to benefit from an expanding DeFi market.

Ethereum and Solana are top players in DeFi

Ethereum is the largest DeFi ecosystem and has close to US\$175 billion locked across DeFi products. It is the perfect platform for several reasons. No user owns the smart contracts that are live on the blockchain network, and it's not possible to change the rules of the contracts.

Several tokens and [cryptocurrencies](#) are built on the Ethereum platform. So, you can lend tokens on one platform and exchange them on a different application without breaking a sweat.

This is the key reason for the increase in the prices of the Ether token. For example, in the last five years, Ethereum investors would have returned close to 45,000%. Ethereum will continue to gain momentum in the future and is likely to add to its current market cap of US\$510 billion.

Another cryptocurrency that has gained rapid traction in the DeFi segment is **Solana**. The SOL token has risen almost 14,000% year to date, making it the fifth-largest crypto token right now.

Compared to Ethereum, [Solana's network](#) is significantly faster, cheaper, and decongested. While the Ethereum blockchain can process between 15 and 45 transactions each second, Solana can process close to 50,000 transactions each second.

Right now, Solana has 350 projects [running on its platform](#) including DeFi applications, NFT (non-fungible token) projects as well as gaming applications.

The Foolish takeaway

While there is no fundamental way to value cryptocurrencies, you can take a look at the number of projects on a particular blockchain network. In order to complete projects or execute smart contracts, the participants need to purchase the corresponding crypto token, increasing demand for the digital asset in the process.

Therefore, it makes sense to place your bets on Ethereum and Solana, given their widening presence in the DeFi market.

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