

DeFi

A Beginner's Guide: Passive Income in DeFi

OCTOBER 21, 2021 BY ALIFF AZHAR



Decentralized finance (DeFi) has been around for quite some time now. However, many people still do not know enough about DeFi.

In this article, we will explain how you can earn passive income with it.

What is DeFi?

Decentralized finance is a new financial technology that allows users to transfer money directly from one person to another without using a third party such as a bank.

This allows individuals to control their own finances and to be able to trade and invest in assets without having to rely on a central authority.

How does decentralized finance work?

Decentralized finance is a new way of financing that no central authority is involved in, making it safer for both lenders and borrowers. This means no middleman between lender and borrower.

How to Make Passive Income with Decentralized Finance

Passive income opportunities in DeFi are numerous. Here are some ways you can earn passive income with DeFi:

Lending

Lending is the most recognized DeFi activity. Most of the early DeFi platforms like MakerDAO specialized in this type of lending protocol.

Smart contracts govern the entire lending and borrowing process without risk of failure.

Becoming a liquidity provider

Liquidity comes from pooled tokens belonging to liquidity providers (LPs) who place their tokens into the smart contract controlling the pool in question.

The LPs then receive interest payments based on the amount they have lent out. The rate at which these interest payments come in depends on the market conditions.

Staking

The token incentive is to reward users for locking up their tokens in smart contracts. In addition, the staked tokens act as collateral for loans made within the platform.

If an LP defaults or fails to pay interest payments, the user's stake gets liquidated.

Yield farming

Earned by pools share. Tokens earned from LP's default get transferred among LPs based on the size of their holdings.

It is essential that when pursuing yield farming, conduct due diligence on the platform.

Conclusion

All in all, DeFi is here to stay. It offers a unique way to invest while also providing better returns.

Related

[Passive Income for Filipinos: The Meta Way](#)

October 23, 2021

In "Blockchain"

[What Is Trading: The Meta Way](#)

October 2, 2021

In "Blockchain"

[What is Binance Savings? The Meta Way](#)

October 4, 2021

In "Blockchain"

Share    

You might also like...




CRYPTO WALLET

BLOCKCHAIN

What Is a Crypto Wallet, and How Can I Securely Store My Cryptocurrencies With It?

DIANNA LAYNO - JANUARY 29, 2022



BLOCKCHAIN

The Rise of Shiba Inu

MA GEORGINA BABAO - DECEMBER 27, 2021



BLOCKCHAIN

Twitter as the Best Crypto Remittance Platform

MA GEORGINA BABAO - DECEMBER 25, 2021

Stay in the Loop

Get the daily email from CryptoNews that makes reading the news actually enjoyable. Join our mailing list to stay in the loop to stay informed, for free.

Your email address


I've read and accept the [Privacy Policy](#).

Latest stories




BLOCKCHAIN

What Is a Crypto Wallet, and How Can I Securely Store My Cryptocurrencies With It?




BLOCKCHAIN

The Rise of Shiba Inu



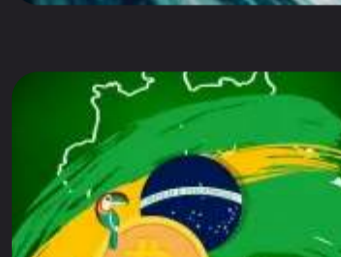
BLOCKCHAIN

Twitter as the Best Crypto Remittance Platform



BLOCKCHAIN

Is the MiamiCoin Faster Than Bitcoin?



BLOCKCHAIN

What is Brazil's Take On Bitcoin

- Advertisement -

Level up your currency exchange skills



Stay in the Loop

Get the daily email from CryptoNews that makes reading the news actually enjoyable. Join our mailing list to stay in the loop to stay informed, for free.

Your email address

I've read and accept the [Privacy Policy](#).