

Fulfilling the promise of blockchain

 By Lee Naik

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An [internet of finance](#). The [renaissance of money](#). If the previous decade was the age of mobile banking, the next looks set to be the era of blockchain. No other technology has more potential to change the very face of how banking takes place.



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People get tangled in the technical side of what blockchain is – skip to 29:00 of [this podcast](#) for a fantastic explanation from *Stuff* editor Craig Wilson – so I want to rather focus on the incredible implications of this technology.

Currently, our model for managing the flow of money is antiquated. Transactions take place across multiple payment engines that all need central brokerage, which takes time, incurs cost and introduces needless complexity. As a decentralised ledger of transactions, blockchain introduces a standardised framework for transactions rather than the individual payment 'language' of each bank.

Just how much of a game-changer is this? Just think of the Tower of Babel. Taking place in a time where everyone spoke the same language, humanity came to an agreement to build what was effectively an Old Testament version of the Burj Khalifa. God, realising what was about to happen, said a few holy words and caused the builders to suddenly speak a multitude of extremely confusing languages so they couldn't cooperate properly.

The story shows the power of having a single unified language. A real life example would be the use of Sanskrit throughout the ancient world. Blockchain shows the same promise by offering a lingua franca for transactions across different banks and nations. This is what makes the technology such a game changer. As a vehicle for universal, transparent communication, blockchain's potential for innovation is huge. Just like the Babel story, it allows us to reach right up to the heavens.

A world shaped by blockchain

What does this mean for the business world? At the moment, no-one's entirely sure, although it's sure to be disruptive. Blockchain's decentralisation and community-based assurance means it allows for faster and more secure transactions, comprehensive audit trails and greatly reduced costs, among other things. I'm incredibly excited about the potential applications across all industries.

Banks take note: Blockchain is effectively borderless, potentially enabling instant money transfers from any location. With Africa standing out as one of the largest and fastest-growing remittance markets in the world, blockchain could potentially free up [billions in costly brokerage fees](#). Numerous startups and some large banks are already testing out bitcoin and other wallet services in Kenya, Nigeria and South Africa.

Then there is the possibility for smart assets to drastically change models of ownership. Blockchain currencies like Ethereum and Ripple could allow for the risk-free exchange of real-world assets in a single transaction. Imagine being able to enter into an instant smart bond that pays for itself and has a risk-free interest rate.

It's not just banks that will feel the effects either. A [blockchain-based energy network](#) for example could effectively allow consumers to bypass traditional utilities providers and enjoy 'peer-to-peer' electricity. Need some energy? Who needs a service provider when you have a neighbour with solar panels willing to sell.

And that's just a tiny sampling of [potential use cases](#) – there's the possibility of specialty lending, tamper-proof digital record-keeping, transparent e-voting and much, much more. Here's what I believe enterprises should be doing in order to sniff these out.

Just do it

Not every application is necessarily [suited for distributed ledgers](#). There's just one way to find out – by jumping into the sandbox and playing around with the toys available. Dedicate some resources to testing out possible use cases and developing potential proofs-of-concept. Partner with fintech companies and startups who already have some blockchain knowledge and set up a space for experimentation, free of the pressure of short-term monetisation.

Join the community

The best way of keeping ahead of the blockchain curve is to become part of the conversation. There's a thriving cryptocurrency community out there that covers every industry and talking point. Immerse yourself in the discussions and you'll be up to date on what the evangelists, sceptics and early adopters are really thinking.

Start having the conversation

One of the biggest obstacles to mainstream blockchain adoption is that of regulation. Similar to Uber, which faces regulatory roadblocks in many of the countries it launches in, blockchain players will also have an uphill battle to fight. In Africa especially, legislation tends to be somewhat silent on the basics of IT systems. Similarly, there needs to be an understanding among your own staff on what blockchain is, how to use it effectively and what exactly it can do. Start preparing the narrative now so that the educational foundation is there when the time comes to launch distributed ledger applications into operation.

Go for glory

Blockchain isn't going to [become mainstream overnight](#), but many companies – from small startups to major financial institutions – are already testing use cases in an attempt to be first to market. It's tempting to either try outrace the competition or sit back and wait until use cases are fairly established to swoop in as a best in class alternative. But why not both? It's always preferable to be a disruptive force, but this calls for a strategy that is as bold as it is structured. Start with what your customer wants, utilising existing use cases – other organisations' as well as your own – as tools to build experiences that go above and beyond.

Have you begun to explore the possibilities for blockchain in your enterprise? How far along is your industry in the adoption of cryptocurrencies?

ABOUT LEE NAIK

Lee Naik is the CEO of TransUnion Africa.

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