

6 Ways Blockchain Revolutionized Asset Management

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In brief

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Organizations face many challenges when it comes to managing their assets. One of the biggest is ensuring that all assets are properly accounted for. It's followed by the challenge of keeping track of asset information and its different pieces. Additionally, it can be challenging to maintain their accuracy.

In recent years, asset management has become increasingly popular. This has led to industry growth in size and complexity. The trend is expected to continue with a CAGR of 34.7% from 2023 to 2030.

Asset management offers a systematic process of ensuring that an organization's assets are managed most efficiently and effectively as possible. It comes in creating, managing, and preserving assets by achieving targets, controlling costs, and meeting goals. As a result, it provides more stable and predictable results.

This sounds like a perfect solution that makes you sit back and wait for the wealth rain shower. The reality is, however, far from that. The traditional system comes with cracks like any other system. However, the good news is that we can make it better.

This article will show how blockchain in asset management can bring revolution in the race to capture and create new value, optimize business ecosystems, and reduce risk.

Blockchain In Asset Management

Blockchain benefits can be visible on several levels. To understand the transformative power of blockchain in asset management, let's start by explaining the technology.

What is blockchain

A blockchain is a decentralized digital database stored across a computer network. It provides an unchangeable record of all transactions, ensuring they are secure and tamper-proof.

Take cryptocurrency as an example as the most related to blockchain for a wide audience.

When a user sends cryptocurrency to another user, the blockchain records this transaction. Each node on the network verifies the transaction, and a new block is created once it is confirmed. This block contains a unique code linked to the previous block that creates a chain. Once a block is added to the chain, it cannot be altered or deleted. Each node on the network has a copy of the blockchain, an insight into transactions that have taken place.

Blockchain benefits

I was looking into the most common areas that scream for help: accuracy, security, and traceability in asset management; how can blockchain implementation heal these wounds?

1. New Opportunities

Blockchain can bring only a few new options within and between business networks.

Cryptocurrency

Cryptocurrency is here, and it has come to stay. With all ups and downs, not a secret; you can see this wave coming closer. But, as with every other financial innovation, trust is essential.

More favorable regulations and asset managers' development and launch of more crypto-related products are expected to engage more investors. Referring to Elon Musk's actions over Dogecoin, staying tuned for situation development can be interesting and, above all, a question of the right moment.

You might be one of those who found this situation beneficial or whose focus was directed and interest-driven to buy DOGE coin. As this currency stands, its good side is that it has been around for a while. It has a devoted community, and many crypto exchanges accept it due to its popularity with retail traders. However, investment-wise, there is an opinion that is best suited to risk-seeking investors.

Depending on the currency features on one and the interest parties' needs on the other, individual or group interests might be driven to some other choice. But, among the wide range, whatever the choice is, it is a way to a new avenue paved with possibilities.

Asset tokenization

The blockchain can split any asset into unlimited virtual shares, each represented by a separate token. This can bring liquidity to the market, where previously, it was impossible.

A recent study indicates that almost all institutional investors (91%) are interested in tokenized products. Allowing the opportunity of tokenizing assets means opening the window towards growth and diversification of assets in the market.

Tangible or intangible assets can all be subject to tokenization. Not only can assets be turned into tokens, but also tokens can be generated from projects.

2. Cryptography

With blockchain, asset management is more secure than ever before. This power comes from cryptography which is used for converting information into codes. Jeopardizing data confidentiality by storing them on a shared database would make one freak out, but only in a traditional system. Cryptography is here to serve security.

Participating in transactions in such an environment is enabled with public and private keys for data encryption/decryption. In addition, blockchain-based asset management systems offer additional security features, such as multi-signature wallets for key storage. These features add an extra layer of security, making it difficult for hackers to access your assets.

3. Decentralization

If the central entity collapses, the whole system fails risk is prevented with a decentralized system.

The technology relies on block verification by all participants, and the creation of it requires the completion of agreed-upon rules. This builds consistent records; in other words, incomplete or missing data are past perfect tense throughout an asset's life.

No single point of failure increases resilience for hackers in compromising the system. Here they would need to gain control of multiple nodes to alter the blockchain. What are the odds?

Excluding intermediaries or lowering their number equals faster, more efficient, cheaper, and more secure interactions.

4. Transparency

Transparency means being open, honest, and straightforward. This is an important point to question when establishing relationships of any kind. However, parties are not always willing to show information relating to performance, revenue, sourcing, pricing, etc., for what they are.

Recently we had a chance to see how a laTheypany health insights can be a stumbling stone. Loss of confidence and trust can create a severe shakeup of survival.

Using blockchain - a distributed ledger, transactions and data are recorded identically in multiple locations. More precisely, all parties on the network with permission access see the same information. Thanks to peer-to-peer communication, all transactions can be traced back to the source. In a blockchain world, "companies would compete to be more and more transparent", says Forbes.

5. Immutability

One of the key features of blockchain technology is its immutability. Once a transaction is recorded on the blockchain, it cannot be altered or deleted without permission from the network. In addition, thanks to its consensus-based nature, dispute resolution problems will be solved, and the time it takes to solve discrepancies will be improved.

It is good to know that any incorrectly-entered information will remain on the chain indefinitely and can never be deleted. The inability to edit will give a sort of push in the data verification off-chain before being captured.

Such rules and behavior ensure high data accuracy maintenance.

6. Smart contract

An intelligent contract innovation is a sort of software of a blockchain. It allows automatic execution when the terms of the agreement between nodes are met; excluding the need for third-party involvement creates an environment with reduced risk of fraud and errors and cost. Asset transfer can be automatically enabled between organizations, government agencies, or private individuals.

How revolutionary is this?

Blockchain can potentially transform the way that assets are managed by institutions and individuals alike. Moreover, it brings multiple benefits as a tool for process inefficiencies and loopholes.

Blockchain-based asset management adoption can be more efficient. Because all activities are transparent and recorded on the blockchain, there is no need for paper-based documentation or manual record-keeping. This can save a lot of time and resources.

Blockchain can help to prevent fraud. Since all asset management activities are tracked on the blockchain, committing fraud without anyone noticing would be very difficult.

Finally, blockchain can help to create a more efficient market for assets. For example, someone who wants to sell an asset can do so directly on the blockchain without going through a third-party broker.

You can do the math. As technology develops, we will likely see even more innovative ways of using blockchain in asset management.

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