

Cryptocurrency upheaval could be a blessing in disguise for the future of blockchain technology

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Credit: AI-generated image ([disclaimer](#))

Every cloud has a silver lining. So whether or not the sun sets on cryptocurrencies, its underlying technology, blockchain, has a bright future beyond just coins.

Sam Bankman-Fried was the darling of the cryptocurrency world, then he became its black sheep. In November of this year, the cryptocurrency company he founded, Futures Exchange (known widely as FTX), collapsed in a spectacular way.

The exchange, a [digital platform](#) where users can buy and sell cryptocurrencies, filed for bankruptcy after allegedly mishandling customer funds. Bankman-Fried had previously been well-liked by investors and media, which applauded his generous donations to charity and for calling out unethical practices in the industry. The bankruptcy destroyed that image. The collapse also came on the heels of a massive crash of cryptocurrency prices, and the failure of several big players in the industry.

Behind this crash and claims of fraud, companies remain surprisingly optimistic about the potential of blockchain.

One of those is Motoblockchain, a small start-up from Malaga, Spain. They created a system where all the [relevant information](#) about a motorcycle (its parts, usage and repairs) can be stored on a blockchain. Everyone, from mechanics to riders wanting to buy a second-hand bike, can access the records in this system to verify the origin and history of a motorcycle.

'Having a trustworthy way to show the provenance of a product, or its parts, is really important in a lot of industries,' said João Fernandes, analyst at the Portuguese investment fund Bright Pixel Capital, which supported Motoblockchain through the EU-funded project [BlockStart](#). 'It's also something blockchain excels at. It gives an extra layer of credibility to information in an ecosystem.'

This trust is one of the many advantages that blockchain technology might offer the European economy. It is keeping [start-ups](#) like

Motoblockchain hopeful about blockchain despite the spectacular boom and bust cycles of crypto. Stimulating their growth, and convincing European companies to use the technology, might be crucial for the long-term success of blockchain.

'The impact of blockchain will only be fully fulfilled if we convince SMEs to use it,' said Fernandes. 'Over 90% of the economy is composed of these businesses. And plenty of those companies can really benefit from using blockchain-based technologies.'

No intermediary

Blockchain allows cryptocurrencies to digitally register transactions without one party controlling the currency. In contrast to regular databases, which are generally controlled by one party, it's decentralised.

What's most important is that blockchain technology (distributed ledgers) can be used to record anything of value without an intermediary—not only financial transactions.

This is a concept with applications far beyond cryptocurrency. For example, it is useful to track the history of a motorcycle, as Motoblockchain does. The motorcycle might pass through dozens of inspections, visits to the mechanic and sales throughout its lifetime. A range of actors, such as users, motorcycle companies and repair shops, need to pass along this information. Which is hard using centralised systems. A motorcycle company might not want to use a centralised tracking system owned by one of its competing motorcycle manufacturers. A decentralised, neutral blockchain offers an alternative here.

'Blockchain shines when there are multiple different stakeholders that need to access the same system and share information in a decentralised

way,' said Robert Richter who coordinated the EU-funded [Blockpool](#) project at the Frankfurt School of Finance & Management. 'It creates a system where you don't need an intermediary.'

In this way blockchain might underlie some of the software regular people rely on in the future, without knowing it.

'Look at the internet,' said Richter. 'Today everyone uses it without understanding how it works. But in the past, it was something new that had to be developed. The same thing is happening now with blockchain.'

For that to happen, start-ups will need to develop blockchain applications that make the complex technology accessible for regular companies, like SMEs. A problem that BlockStart and Blockpool worked on for several years. Both projects set up programmes that selected interesting blockchain start-ups, gave them funding and mentoring, and linked them to possible clients. On top of that, they educated existing companies about the potential of blockchain.

'We found that one of the key hindering effects to the success of blockchain is that business executives don't have enough knowledge about the potential of the technology,' said Richter. 'Which is why educating SMEs, and other companies, is so important.'

BlockStart supported 60 start-ups, linked them up with 67 SMEs, and also gave €20 000 to the start-up finalists. Blockpool did something similar, 25 start-ups went through their programme, during which they each received up to €30 000 in equity-free investment.

One of the SME's that participated in BlockStart is [AlBicchiere](#), an Italian company that offers a "Nespresso for wine" device to customers. The company wanted to be able to chart the journey of their wine, from the grape grower to the customer, and a blockchain system was built by

Datarella, one of BlockStart's start-ups, for this purpose.

Crypto winter

Surviving crypto winter won't be easy. Most of these start-ups now need to deal with a technology market that is in upheaval. Even regular technology companies are in trouble, with large players such as Meta, Amazon and Spotify announcing mass layoffs. This might put a damper on the growth of the start-ups supported by BlockStart and Blockpool.

'The current crypto winter will, I believe, delay the implementation of blockchain,' said Fernandes. 'Some projects will have a tougher time raising investment, and finding customers.'

But for the wider blockchain and cryptocurrency space, this crash might be a blessing in disguise, according to Richter and Fernandes. For instance, it could weed out the weaker companies, in favour of the ones with the biggest potential.

'There are some blockchain projects and cryptocurrencies out there that don't really serve a purpose,' said Richter. 'That's always the first question I ask: does it have a use-case?'

Fernandes agrees. 'The [blockchain](#) space was too crowded before. Now, only the best projects will survive. The survivors of this winter will be the first movers of the future. In five to 10 years they will become the winners.'

More information: [BlockStart](#)
[Blockpool](#)

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