

ABSTRACT

Decentralized Finance (DeFi) has revolutionized the financial landscape through blockchain technology, offering innovative solutions for efficiency and transparency in finance. However, its mechanisms still need to be explored. This study examines DeFi products, services, benefits, and emerging threats through a detailed literature review, phenomenological research, and interviews, presenting valuable insights and proposed solutions. The study aims to be a critical scholarly reference and inspire decentralized innovation by robustly understanding DeFi's evolutionary dynamics. It highlights significant benefits like increased financial inclusion, transparency, and efficiency while addressing risks such as smart contract vulnerabilities, over-collateralization, liquidity challenges, and regulatory uncertainties. The novelty lies in its comprehensive examination of DeFi mechanisms, offering unique insights into user experiences and practical applications. Detailed insights are provided into various DeFi mechanisms, including lending and borrowing, Automated Market Makers (AMMs), yield farming, staking, decentralized exchanges (DEXs), stablecoins, payments, and insurance. Future research should focus on enhancing security measures, exploring scalable solutions, and assessing DeFi's long-term impact on traditional financial systems. By addressing these concerns, DeFi can continue to evolve and provide innovative financial solutions.

Keywords: Decentralized Finance (DeFi), Blockchain Technology, DeFi mechanisms, Financial Industry, Cryptocurrency.