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## **Decentralized Finance Survey**

Measuring Awareness and Adoption of DeFi

May 2020

## Research and Insights

Survey Report



Senior Research Analyst  
Kendrick Lau

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# 1. Executive Summary

We collected 4,129 responses during the course of the survey. The main takeaways from the survey are listed below.

## Key Takeaways

- 79% of survey respondents have heard of decentralized finance, but only 48% have an intermediate to good understanding;
- Among users who have heard of DeFi, 53% have not used it before. Only 15% use DeFi just as often or more often than they use centralized products or services;
- The two main use cases for DeFi among survey respondents who have used DeFi are earning passive income and trading on decentralized exchanges, with 25% and 18% of responses respectively;
- Respondents were most interested in seeing improvements in passive income and making payments through DeFi;
- Greatest adoption barriers for DeFi are as follows: 1) lack of understanding/accessibility, 2) DeFi is new and has unknown risks;
- Regarding centralized exchanges, the two most cited pain points for users were deposits/withdrawals, and high fees. These are potential areas where DeFi can outcompete centralized services;
- Surprisingly, 57% of respondents who have some understanding of DeFi believe it will fully replace centralized products in the future

## 2. Introduction

Cryptocurrencies were the first widely adopted decentralized financial instruments. They have grown tremendously since their invention, with the proliferation of many different types of tokens in use today for all kinds of purposes.

Despite this growth, however, until the past couple of years, the only way for users to make financial transactions has been to go through centralized exchanges. With the invention and rise of decentralized finance (DeFi) applications, users can finally do crypto transactions in a trustless manner. This includes buying and selling, borrowing and lending, and more. Most types of financial transactions that you can imagine have a DeFi-equivalent app.

We conducted this survey in order to study the following:

- The crypto community's awareness, understanding, perception, and adoption of DeFi protocols
- How different user segments and demographics affect the above
- Potential opportunities and roadblocks for future DeFi adoption

In addition to this survey report which is open to the public, we would like to introduce another proprietary research offering. Every month, we will select a special theme for our Feature Article, to be shared exclusively with [Crypto.com Private](#) clients via our newsletter.

As you can see, the theme this month is DeFi. We have dedicated resources to this research project in the hopes of ensuring the Feature Article will bring perspective-changing and in-depth analysis. If you are interested, please upgrade your card to get access to this monthly newsletter.

## 3. Results

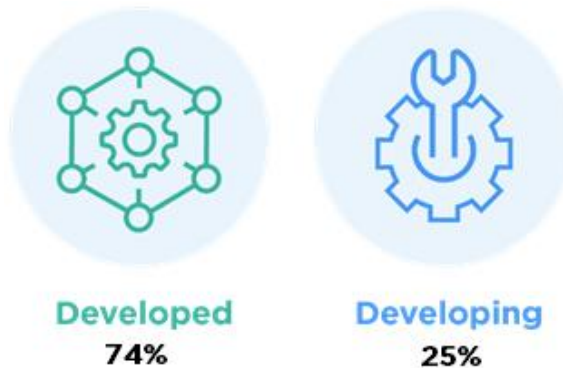
In this section we analyze the survey data from 4,129 respondents.

### 3.1 Demographics

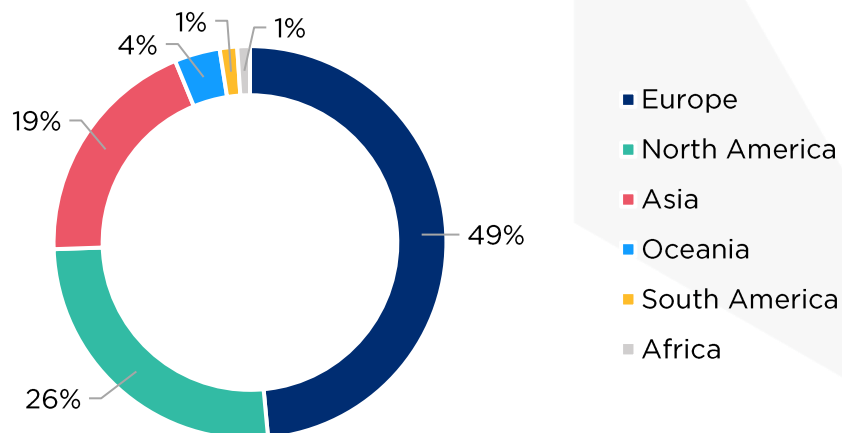
We will first describe the demographic breakdown of respondents. Note: these demographic questions were optional, so the data below does not encompass the full group, but likely a representative subset.

#### Geographic Location

We collected responses from 108 different countries. 74% of respondents live in developed countries, while 26% are in developing countries. Classifications are obtained from [this UN report](#).

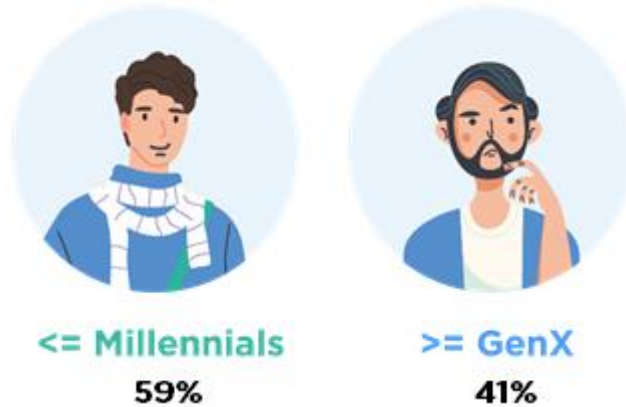


The most survey respondents are from Europe (49%), followed by North America (26%) and Asia (19%). The remaining 6% live in Oceania (4%), South America (1%), and Africa (1%).



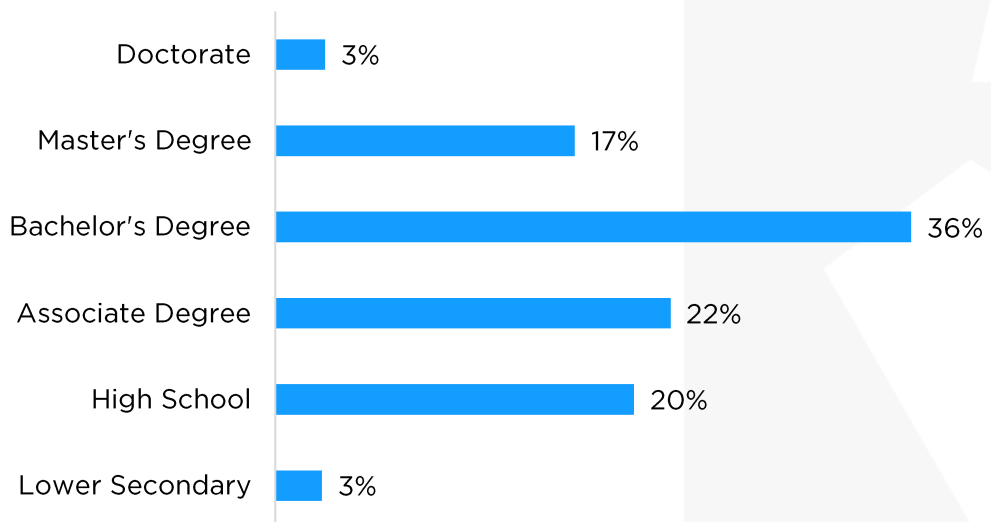
## Age

59% of survey respondents are millennials or younger (born after 1980), while 41% are GenX or older (born before 1981). The classification for Millennials / GenX is obtained from [this article](#) by the Pew Research Center.



## Education

Overall, 55% of respondents have Bachelor's degrees or higher. The breakdown by specific sub-type is shown below.



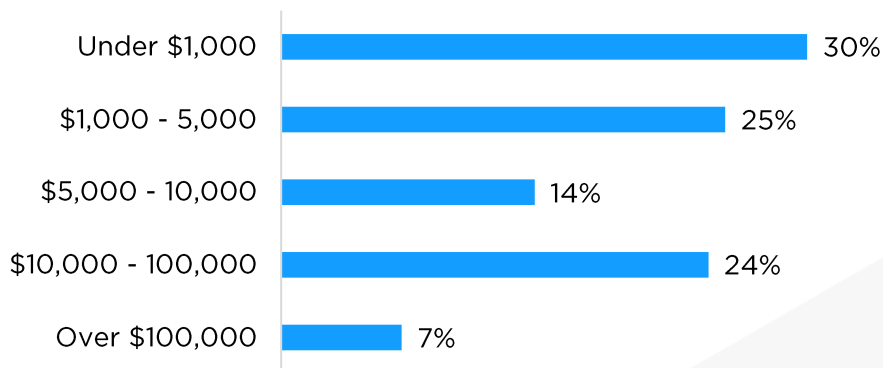


## Crypto Net Worth

We asked users about their crypto net worth, in both dollar amounts, and as a percentage of their total net worth. Hopefully these groups will give us a useful demographic tool to further analyze the data.

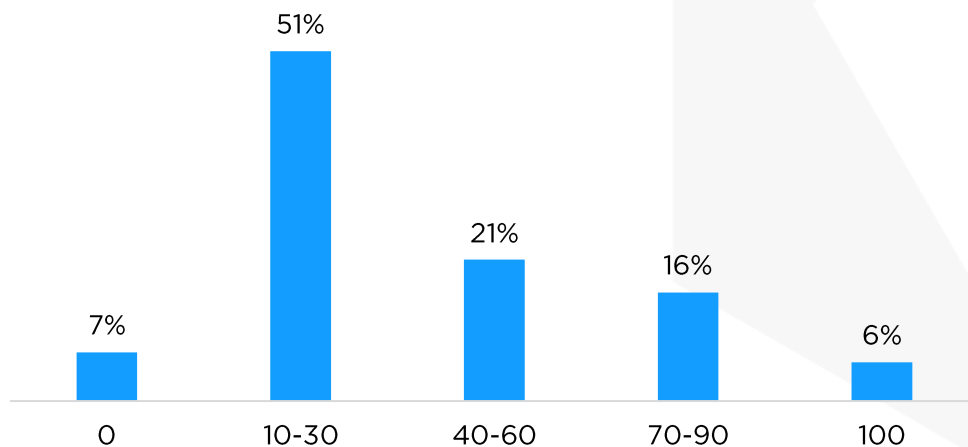
Most respondents (55% in total) have under \$5,000 invested in cryptocurrencies. Those with larger dollar amounts invested are relatively few, at 7%.

### What is your crypto net worth? (US\$)



We also asked users about their cryptocurrency investment as a percentage of their overall net worth. Most respondents fall into the 10-30% range. The smallest groups are those who have no investment (7%) and those who have their entire net worth in crypto (6%).

### Roughly what percentage of your net worth is in crypto?



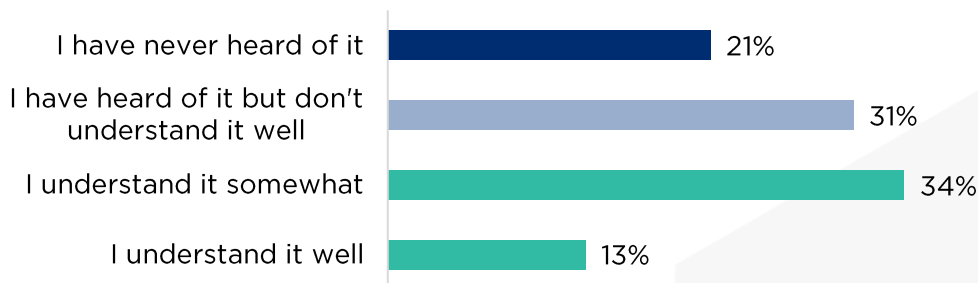
## 3.2 Awareness and Adoption

### General Awareness

We studied respondents' awareness and understanding of DeFi. Although the majority of respondents have heard of DeFi (79%), their understanding varies.

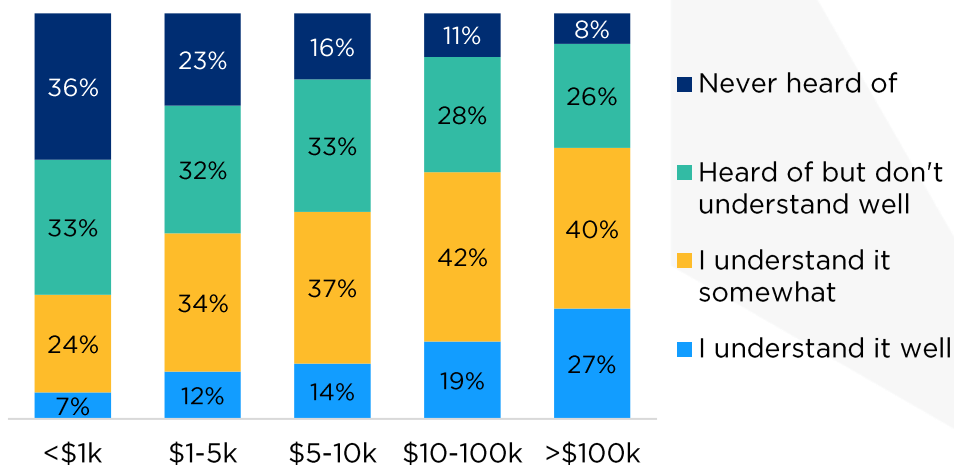
Those who either don't know what DeFi is or don't understand it well make up 52% of respondents, while only 48% have an intermediate to good understanding. This is expected, given DeFi only started to become a popular topic last year.

#### How familiar are you with DeFi?



When broken down by crypto net worth, we find that users with more investment in crypto tend to have a higher awareness and understanding of DeFi. This is also expected, given that the investment size should be positively correlated with understanding and confidence in the crypto industry as a whole.

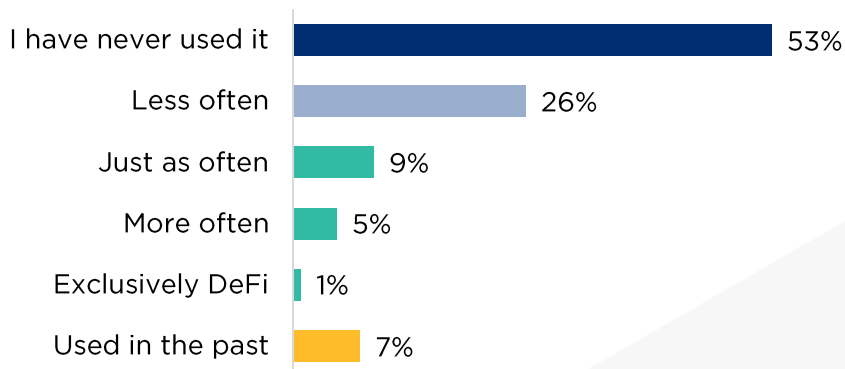
#### User Understanding by Crypto Net Worth



## Usage

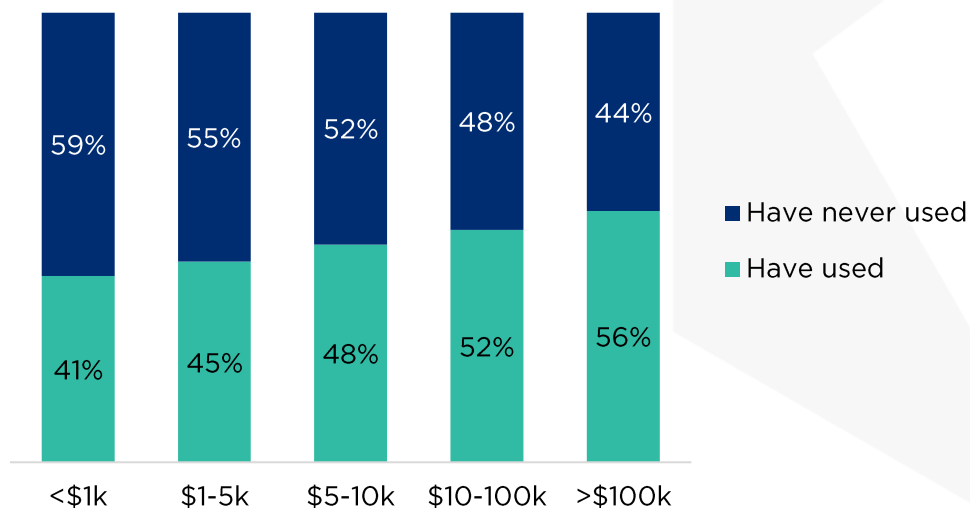
Among those who have heard of DeFi, most have never used a DeFi application (53%). Even for those who used DeFi, their usage is still lower than that of centralized counterpart (26%). There are relatively few heavy users of DeFi who use it just as or more often than centralized products (15%). The smallest group are those who have used DeFi in the past, but no longer do (7%).

### How often do you use DeFi versus centralized products?



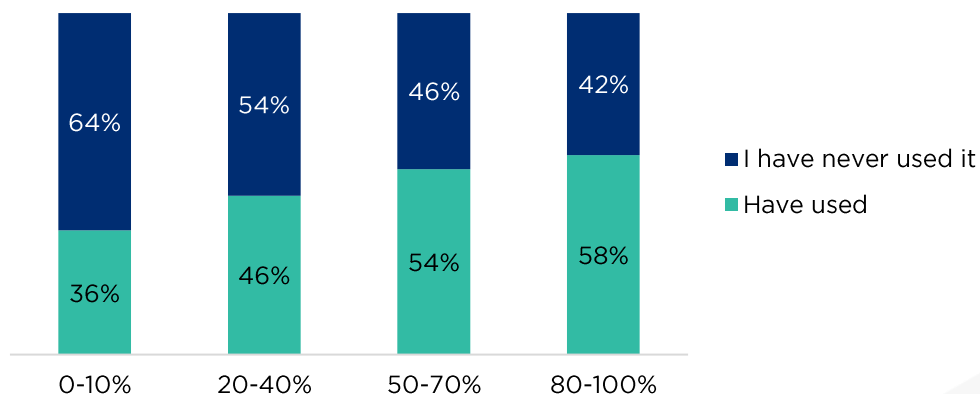
Once again, we see a similar pattern occurring where higher net worth correlates with a higher rate of DeFi usage. It is important to note that even though higher net worth users are more likely to have used DeFi, there are still a substantial portion who have not (44-48%).

### DeFi Usage by Crypto Net Worth



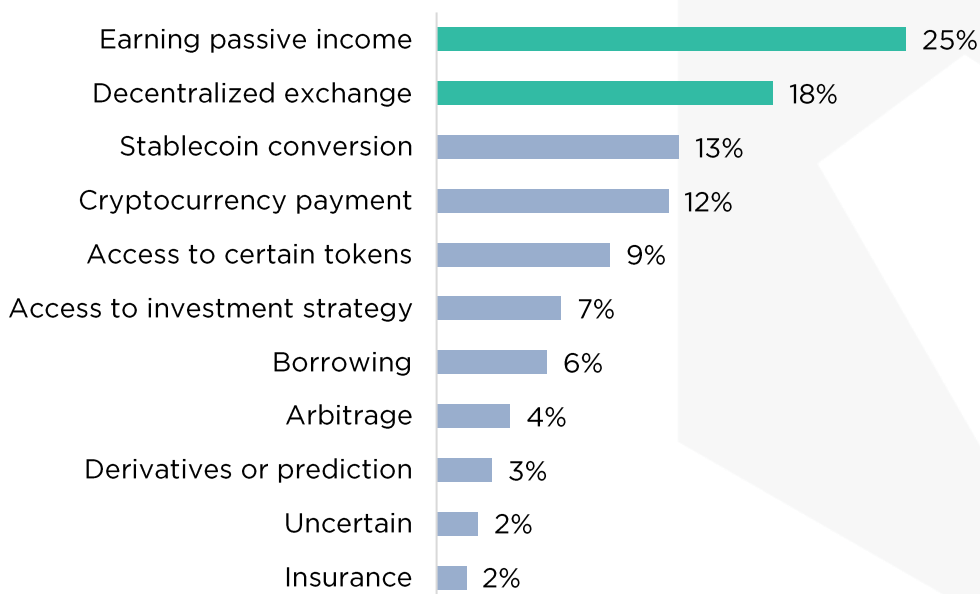
A similar, but stronger pattern exists for respondents' usage when broken down by the percentage of their net worth invested in cryptocurrencies. On average, a higher commitment to crypto correlates strongly with DeFi usage.

### DeFi Usage by Percentage Net Worth Invested



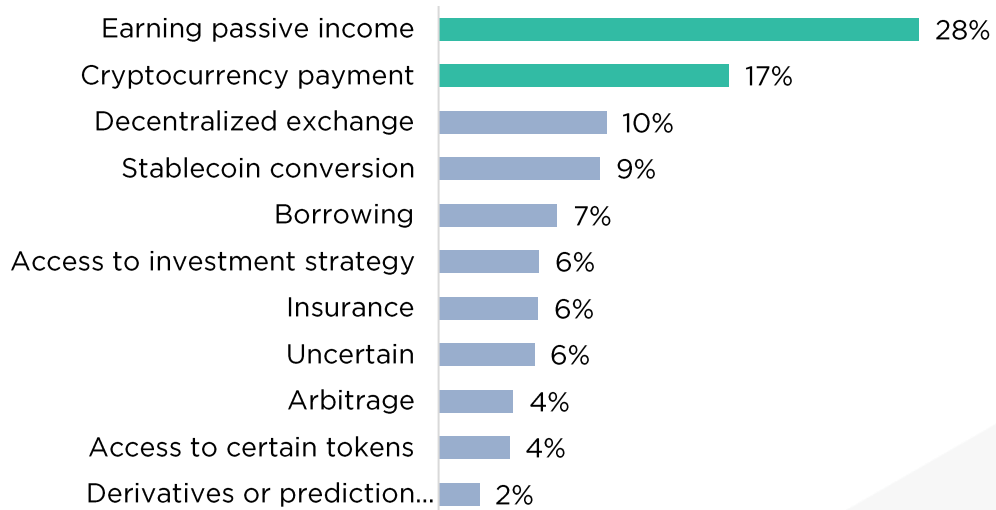
People's reasons to use DeFi are varied. The most common, as expected, are earning yield (25%) and trading on decentralized exchanges (18%).

### For what purpose(s) have you used DeFi?



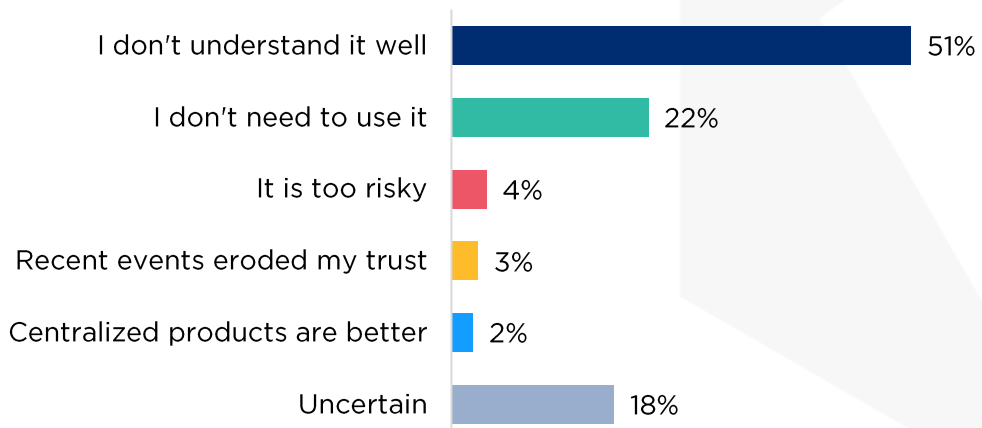
Users are most interested in seeing more DeFi developments in earning passive income (28%) and making payments (17%).

### In which of the following use cases are you most interested to see DeFi solutions develop or improve?



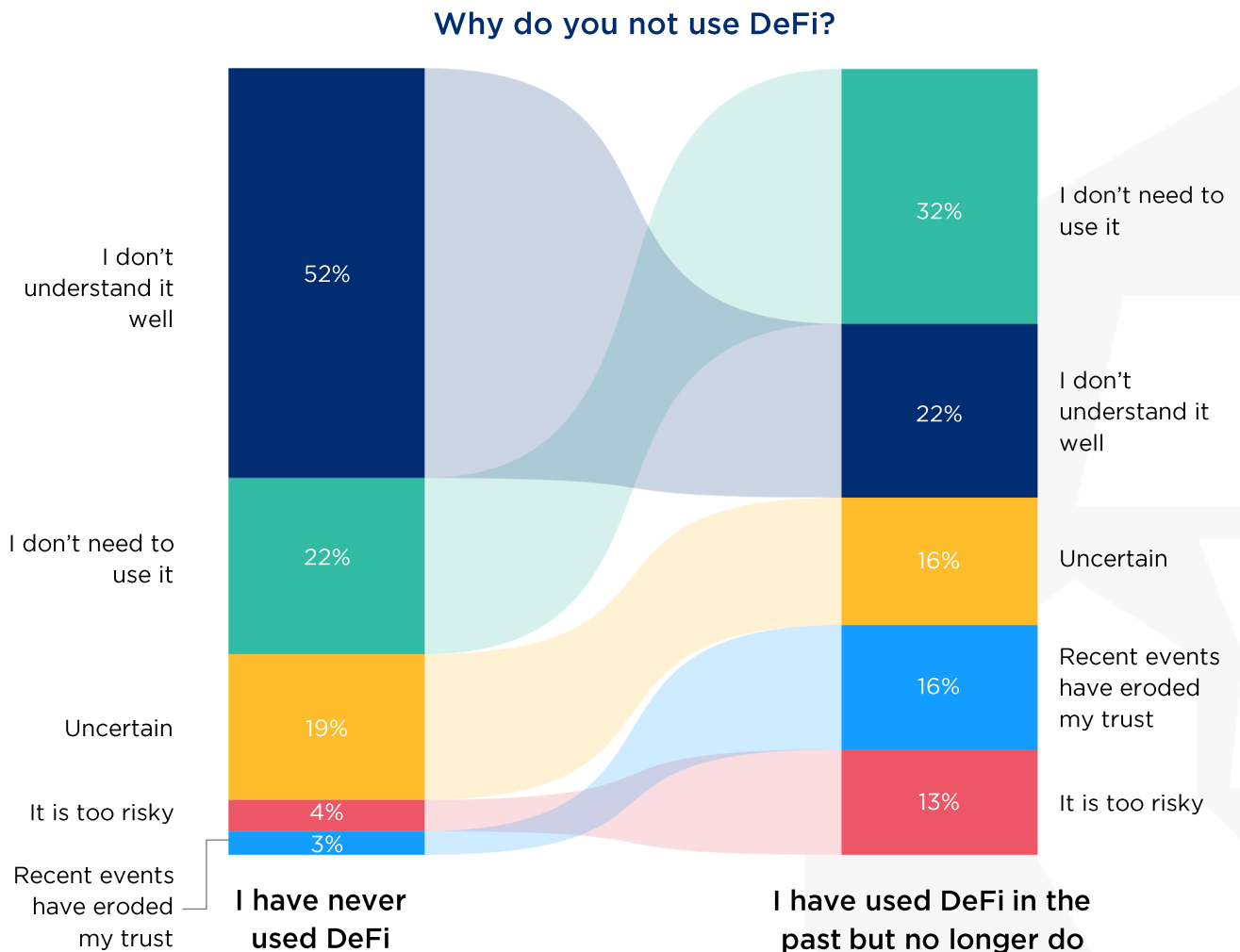
Next, we sought to find reasons for why non-DeFi users have not used it before. The majority of respondents cited a lack of understanding as the main reason they have not used DeFi (51%), with the second most stating a lack of necessity (22%). A significant portion also could not give a specific reason (18%), which we can safely assume are people who also lack understanding or necessity.

### What are the main reasons you have not used DeFi?



Those who have used DeFi in the past but no longer do gave very different reasons for why they don't use DeFi. Much fewer people cited a lack of understanding (22% versus 51% above), and more cited a lack of necessity (32% versus 22%). This indicates that these users have tried DeFi and don't believe it is significantly better than centralized products.

This subgroup also seems more cognizant of the risks present in the nascent DeFi landscape, with many more responding with "it is too risky" or "recent events eroded my trust" as a reason (29% versus 7% from the group above).



We also investigated the individual responses of respondents who chose "Other" for why they are not using DeFi. Most of these responses cite a lack of liquidity.

### 3.3 Perceptions

#### Trust

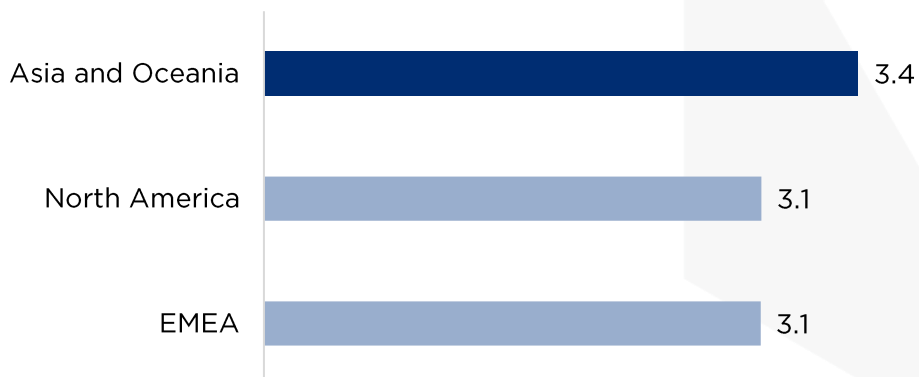
We asked respondents to rate the trustworthiness of centralized and decentralized products on a scale of 1-5 with 5 being extremely trustworthy. After compiling weighted average scores, we found that respondents generally found decentralized products (average score 3.5) more trustworthy than their centralized counterparts (average score 3.2).

#### To what extent do you perceive centralized/decentralized products or services to be trustworthy?



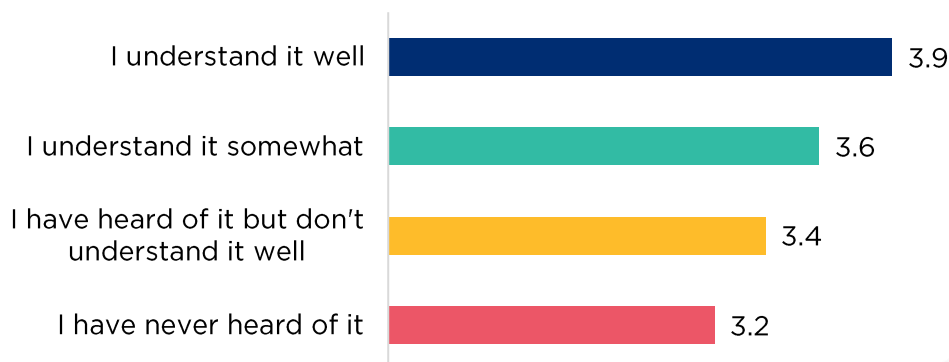
We found two significant patterns among different groups. Firstly, respondents from Asia tend to trust centralized products more than those from the rest of the world.

#### To what extent do you perceive centralized products or services to be trustworthy?



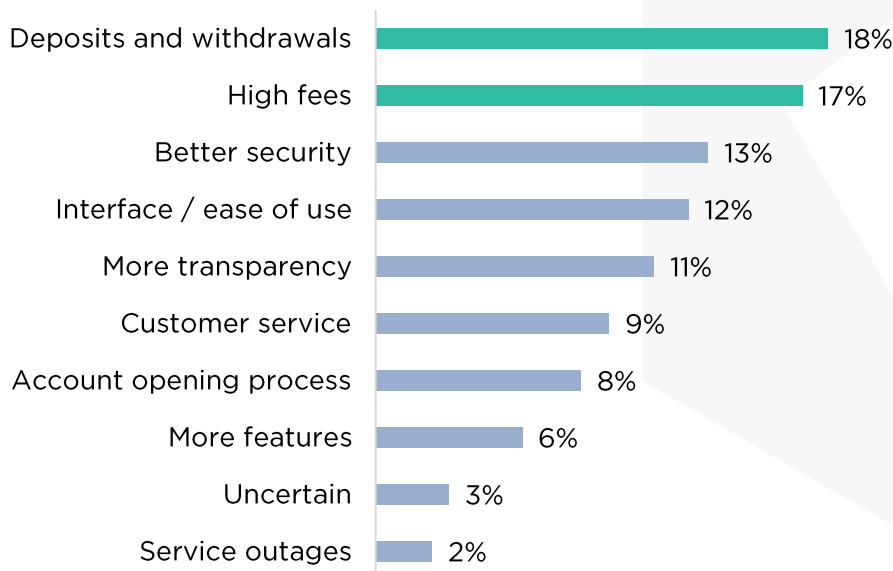
Secondly, those who have a better understanding of DeFi tend to trust decentralized products more. The relationship between understanding and trust is significant, which means that as users' understanding of DeFi grows, trust and adoption should also increase.

### To what extent do you perceive decentralized products or services to be trustworthy?



In our overall sample, the two most cited areas of improvement for centralized exchanges are deposits/withdrawals and fees – these are likely areas in which DeFi can outcompete centralized exchanges in the future.

### Which areas could be improved in centralized exchanges to make your experience better?

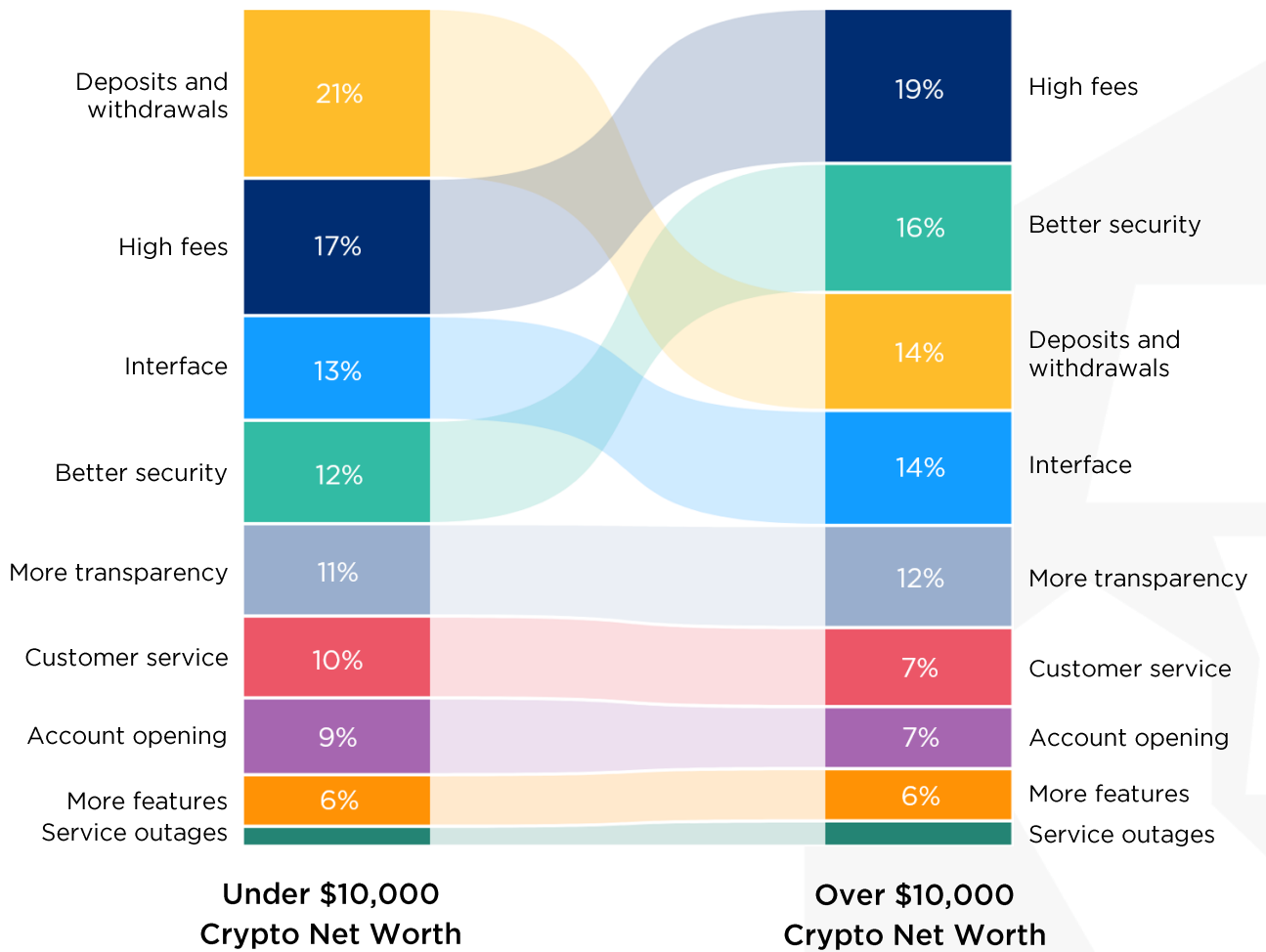




When broken down by crypto net worth, we find that high net worth respondents are more concerned with fees, security, and transparency than the ease of deposits and withdrawals. They also believe fees are the area where centralized exchanges could improve the most.

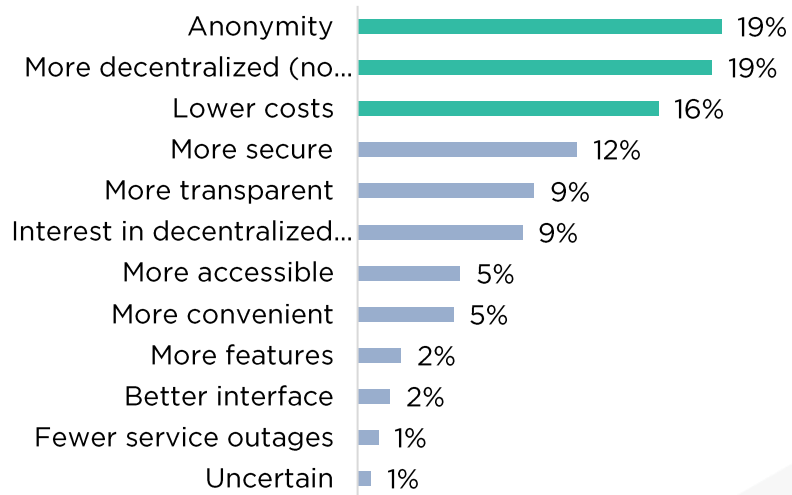
Users with less than \$1,000 invested in crypto, on the other hand, prioritize deposits and withdrawals much more than high net worth users. They do not prize security nearly as much.

### What could centralized exchanges improve most to make your experience better?



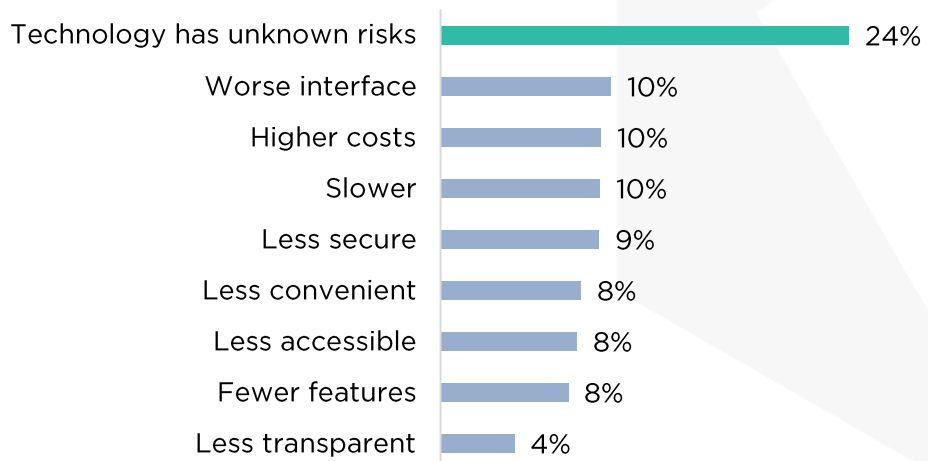
In our respondents' opinion, the top three reasons to use decentralized products were anonymity, decentralization, and lower costs. The reasons given were remarkably consistent across demographic groups.

### In your opinion, what are the main reasons to use decentralized products?



When asked for the main reasons not to use decentralized products, respondents across all demographic and user type groups answered “new technology carries yet unknown risks” at a very high rate. This indicates that the novelty of DeFi protocols could be a big reason why DeFi is not more widely adopted.

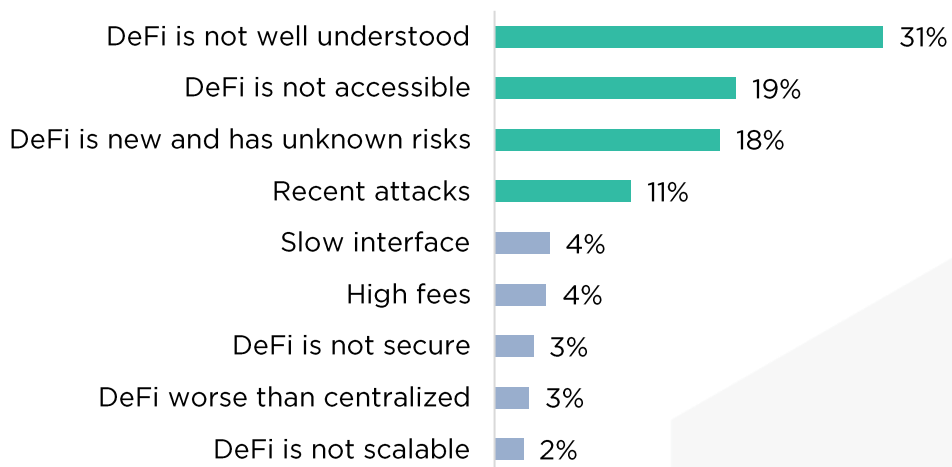
### In your opinion, what are the main reasons NOT to use decentralized products?



## Adoption Barriers

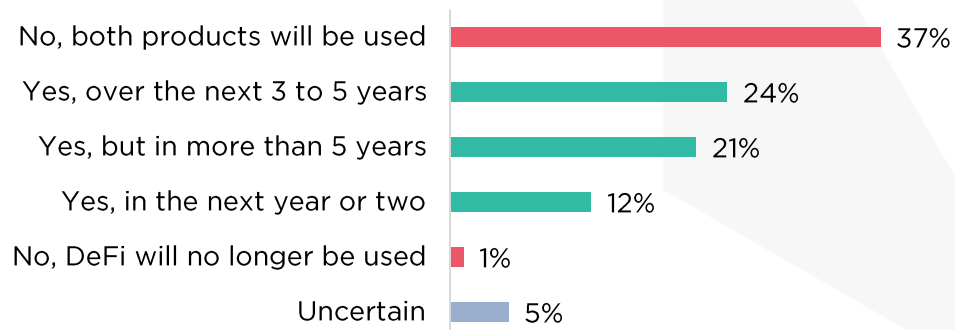
Similarly, respondents were remarkably consistent when asked what they thought were the main barriers against DeFi adoption. A large number of respondents gave “DeFi is not well understood” as a reason (31%). Issues of accessibility (19%), novelty (18%), and recent events (11%) were also raised.

### In your opinion, what are the greatest barriers against DeFi adoption?



Most respondents who understood DeFi at least somewhat believed that DeFi products would fully replace centralized products sometime in the future (57%). There were 38% of users who did not believe DeFi could fully replace centralized products. Another 5% were uncertain.

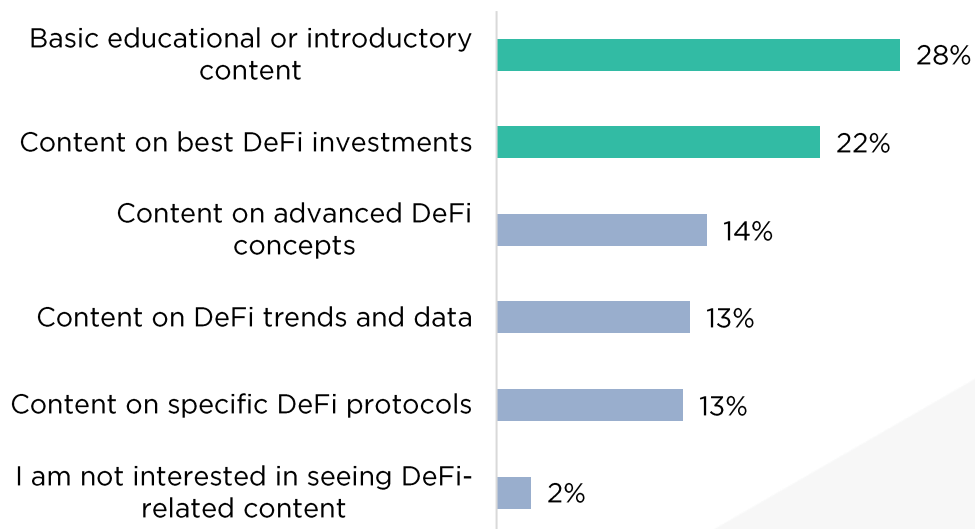
### Do you believe DeFi applications will fully replace centralized products in the future?



## Future Content

Respondents in general favored seeing basic educational or introductory content and also content on good DeFi investments.

### What types of content related to DeFi would you be most interested in seeing?



Looking at the data, we noticed a gap in the responses between users with a decent understanding of DeFi and those who don't. Users who understand DeFi better tended to favor seeing more advanced content. Rest assured, we will be putting out all kinds of content for both advanced and novice users alike, so please do stay tuned for more!

## 4. Conclusion

### Key Takeaways

- 79% of survey respondents have heard of decentralized finance, but only 48% have an intermediate to good understanding;
- Among users who have heard of DeFi, 53% have not used it before. Only 15% use DeFi just as often or more often than they use centralized products or services;
- The two main use cases for DeFi among survey respondents who have used DeFi are earning passive income and trading on decentralized exchanges, with 25% and 18% of responses respectively;
- Respondents were most interested in seeing improvements in passive income and making payments through DeFi;
- Greatest adoption barriers for DeFi are as follows: 1) lack of understanding/accessibility, 2) DeFi is new and has unknown risks;
- Regarding centralized exchanges, the two most cited pain points for users were deposits/withdrawals, and high fees. These are potential areas where DeFi can outcompete centralized services;
- Surprisingly, 57% of respondents who have some understanding of DeFi believe it will fully replace centralized products in the future

## 5. References

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