v. 4, n. 23, 2024

Scientific Journal of Applied Social and Clinical Science

Acceptance date: 25/11/2024

BLOCKCHAIN: A REVOLUTION IN FINANCIAL TECHNOLOGY AND BEYOND

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Abstract: The article presents an analysis of the impact of blockchain technology in various sectors, emphasizing its transformative role beyond the financial sphere. Using the proknow-c methodology to carry out an optimized analysis, the article explores the applications of blockchain in sectors such as health, energy, governance and supply chains, illustrating how this technology can offer more secure, transparent and efficient solutions for the exchange of information and transactions. Central to the discussion is the importance of cryptography in blockchain security, ensuring the confidentiality and integrity of data in a decentralized environment, as well as pointing out the ethical issues of the technology. The study highlights how blockchain facilitates fast, decentralized transactions, highlighting its potential to transform existing processes and systems.
Keywords: Blockchain; Public Sector; Governance; Information Technologies.

INTRODUCTION

CONTEXTUALIZING BLOCKCHAIN AS A REVOLUTIONARY INNOVATION

Blockchain technology has revolutionized several sectors by offering a secure way of recording transactions. It is characterized by being a distributed database technology that allows the creation and secure maintenance of digital records. According to (VIANO et al., 2023) the technology stands out for being an innovative and secure way of transferring property such as information, currencies, certificates in a decentralized way without depending on third parties. Blockchain technology basically represents a decentralized digital ledger, shared between various participants in the network. It provides protection against fraud by double-checking the information entered, as well as ensuring the transparency of the data stored on the blockchain network for all authorized users. In addition, blockchain enables faster financial transactions because no party involved needs to wait for confirmation from the other side before transactions are processed and completed quickly in real time.

Blockchain technology is based on the transfer of information, so the basis of the blockchain are blocks of data/sets of information that are added to the chain in a sequential manner and which travel decentralized over the internet. Each set of information contains transactional data, such as financial records, digital contracts, sensitive identifying information, among other categories.

Bitcoin is one of the best-known and most widely used applications of this technology, taking on the role of a decentralized digital currency, i.e. without being under the full powers of an institution or state, allowing direct transactions between users, without the need for intermediaries as in the real world, where large financial institutions take on the role of regulating each country's currency. According to the article (Bitcoin: *A Peer-to--Peer Electronic Cash System*, 2008) by Satoshi Nakamoto, published in 2008, each block of the blockchain contains not only transactional data, but also information about Bitcoin transactions.

In the context of Bitcoin, each transaction is recorded in a block, which is added to a chain of blocks in a sequential manner, very similar to the concept of a linked list in the programming world. This chain is shared between all network participants, ensuring decentralization and transparency of transactions.

This article aims to deepen our knowledge of blockchain technology, exploring its foundations, characteristics, functioning and applications in different sectors. We will address the benefits and challenges of blockchain, as well as analyzing its potential to transform various aspects of society.

JUSTIFICATION FOR CHOOSING THE TOPIC

The choice of the topic "Blockchain: A Revolution in Financial Technology and Beyond" for the article was for information and conclusions from studies of a topic that is so current for our society, we can also see the remarkable transformation that blockchain technology has promoted in various sectors, especially in the financial sphere, but also in other areas. Blockchain technology, initially popularized by Bitcoin, has proved to be much more than just a platform for decentralized financial transactions.

A very relevant fact that influences the efficiency of blockchain is decentralization, which eliminates the need for traditional intermediaries, reducing costs and increasing efficiency. In the financial context, this can mean faster transactions, lower costs and access to financial services for people in underserved regions. Currently, blockchain technology has been experimented with in the new proposal of states and with public sector participation for the public sector together with charities with the aim of helping social causes and social impacts (Doug J. Galen, 2018, Blockchain for Social Impact). For the future, blockchain technology will enable advances in agriculture, energy production, commerce, health and digital certificates (BARTOLETTI et al., 2018).

In short, the topic was chosen because of the sheer magnitude of the impacts that blockchain technology can have, not just on the financial scene, but on the entire technological, social and political sphere. Exploring how blockchain is revolutionizing the way we deal with data, transactions and trust can provide a deeper understanding of the implications and potential of this innovative technology.

PURPOSE OF THE ARTICLE

The aim of this paper is to provide a comprehensive analysis of blockchain technology and its significant impact on the financial technology revolution and sectors beyond finance. We aim to explore the fundamentals of blockchain, understand how it works and examine the ways in which it is transforming financial transactions, as well as positively influencing diverse sectors such as health, energy and governance.

In addition, we seek to highlight the implications of decentralization, security and transparency offered by blockchain, highlighting practical cases and examples of successful application. We want to present a clear vision of the opportunities and challenges that this technology presents, not only in the financial context, but also in areas such as health, supply chain, governance and more.

By the end of the article, we hope that readers will have an in-depth understanding of how blockchain is shaping a new era in technology, providing innovative solutions to issues of trust, security and efficiency. In addition, we aim to encourage reflection on the disruptive potential of blockchain and how it can continue to positively impact various sectors in the future.

THEORETICAL BACKGROUND

BLOCKCHAIN DEFINITION

It is possible to say that blockchain is the direct translation of block chain, according to (HAYES, 2023) it is a distributed database or ledger shared between the nodes of a computer network. They are best known for their crucial role in cryptocurrency systems. The technology initially gained notoriety as the basis of Bitcoin, a cryptocurrency, but its scope of application has expanded beyond cryptocurrencies to cover a variety of sectors.

Blockchain's great innovation was to store data sequentially, but without the need for an entity to coordinate the process. The users of the network themselves are able to check that the rules are being complied with in a simple way and at practically no cost ("What is blockchain? How does it work and what is it for | Coinext", [n.d.]).

HISTORICAL EVOLUTION

Although the concept of blockchain is relatively new, its foundations go back decades. The idea of a decentralized digital ledger began to be explored in the 1980s, but it wasn't until 2008 that the concept gained prominence with the publication of the article "*Bitcoin: A Peer-to-Peer Electronic Cash System*" by Satoshi Nakamoto. The article introduced the concept of blockchain as the basis of Bitcoin, but the evolution of blockchain was not limited to Bitcoin. The technology began to be explored in other areas, such as smart contracts, property registries, supply chains and much more.

Over the years, blockchain has undergone significant advances. Various platforms have been developed to enable the creation of customized networks, with additional features and greater flexibility.

The technology is currently being used and studied for implementation in the public sector, focusing on digital identity management. With the use of blockchain, it is possible to create a secure and reliable system for storing identification information, such as personal documents, birth records and medical histories. This information can be accessed quickly and securely, allowing for greater efficiency in the provision of public services (ORO BOFF; ALVES FERREIRA, 2016).

Blockchain can also be used to replace countries' paper currency, guaranteeing transparency and security in monetary transactions between bodies. Through the use of smart contracts and cryptography, it is possible to create a system with traceability and a lower rate of fraud and corruption, guaranteeing the integrity of the country's economic system. This can help strengthen citizens' trust in the state process and in democracy as a whole (MOURA; BRAUNER; JANISSEK-MUNIZ, 2020).

BLOCKCHAIN ARCHITECTURE

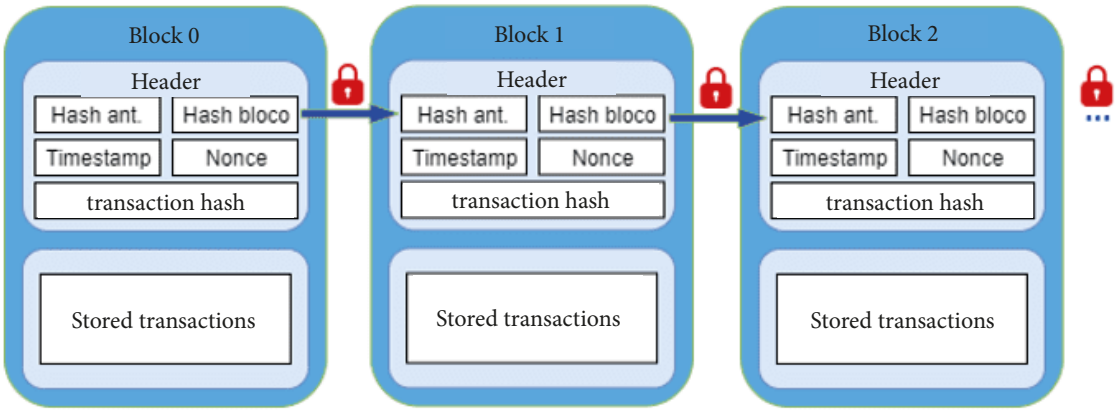
According to the analysis of (GRAAF et al., p.28, 2021) in the book "Law, Technology and Innovation" we can assume that the concept of blockchain can be summarized as:

A blockchain is a database made up of "chained blocks" in which transactions are recorded. When the storage capacity of a block is complete and after being validated - by means of a protocol that will be analyzed throughout the article - it is added to the end of the "chain".

Currently, blockchain technology has been experimented with in the new proposal of states and with the participation of the public sector for the public sector together with charities with the aim of helping social causes and social impacts (Doug J. Galen, 2018, *Blockchain for Social Impact*). For the future, blockchain technology will enable advances in agriculture, energy production, commerce, health and digital certificates (BARTOLETTI et al., 2018).

The blockchain, in essence, is a decentralized technology that operates on a distributed network of computers, called nodes. The ledger, known as the blockchain, is made up of blocks that contain transactions, *timestamps* and unique *hashes*. The interconnection of the blocks creates a chain, where each block has a hash that points to the previous block, ensuring the integrity and chronological order of the transactions.

The diagram below gives an overview of the structure of the blocks and the main fields they contain. According to (MORAIS, 2020) the upper rectangle of each block shows its header, with the fields described above, and the lower rectangle shows the transactions that the block stores.



Source: MORAIS (2020).

This decentralized network operates through consensus algorithms, such as Proof of Work (*PoW*) or Proof of Stake (*PoS*), which ensure that all nodes agree on the current state of the blockchain. In *PoW*, miners solve complex computational problems to validate transactions, while in *PoS* validation is proportional to the amount of digital currency a participant owns. "Most mining processes use the *Proof of Work (PoW)* protocol. In the *PoW* protocol, the miner finds a new block, which may consist of a new transition using a cryptocurrency that must be added to the blockchain. To do this, the miner must solve a new cryptographic function that matches that of the previous block" (NASCIMENTO CUNHA NETO; FERNANDES; MATTOS, 2020).

EMPHASIS ON SECURITY AND ENCRYPTION

Cryptography is imperceptible and is present in every user's day-to-day life, whether on websites, applications or even in more complex systems. It is mainly used to maintain the secrecy of the information that travels on the network, and this is also its importance, precisely to preserve the right to privacy and data protection (CLEBERTON et al., 2022). In the context of blockchain, cryptography is used to ensure that transactions and data stored on the network are immutable and secure against manipulation or unauthorized access.

In 1991 the first secure blockchain based on cryptography was devised, (ZHANG; XUE; LIU, 2019) but a proposal to improve the efficiency of the cryptographic blockchain was presented in 1993, incorporating Merkle trees and placing several documents in a block. The blockchain is built to guarantee a number of inherent security attributes, such as consistency, tamper resistance, resistance to distributed denial of service (*DDoS*) attacks, pseudonymity and resistance to double-spending attacks. However, to use blockchain for secure distributed storage, additional security and privacy properties are required (HABER; STORNETTA, 1991).

One concept used in blockchain is the *hash* function, according to (PASTOR, 2023) hash functions are widely used in blockchain technology in order to add security to them. Bitcoin is a clear example of how hashes can be used to make cryptocurrency technology possible.

IMPACT ON FINANCIAL TECHNOLOGY

The blockchain is the base technology for the creation of the first cryptocurrency, bitcoin, and although it has the function of being the structure or basis of cryptocurrencies, it surpasses this and becomes the star by discovering several functions beyond what it was created to interpret/exercise (DIEZ, 2020).

Blockchain technology has had a transformative impact on the financial industry, redefining various aspects of the sector. One of the most notable changes is disintermediation, eliminating the need for traditional intermediaries such as banks and financial institutions. This direct approach between the parties involved not only reduces costs, but also improves the efficiency of transactions. The transparency inherent in blockchain is one of the pillars driving its application in the financial sector. All transactions are recorded in a distributed ledger, accessible by all network participants. This visibility promotes trust and simplifies auditing processes, making it easier to verify the legitimacy of transactions.

According to (DENIO; LUDWIG, 2021) the goal of blockchain implementation is to dramatically reduce and improve transaction and verification times, as well as increase the overall scalability of the network. In contrast to individual mining, parallel mining provides a significant improvement in transaction speed and throughput.

CASE STUDIES IN FINANCIAL INSTITUTIONS

Several case studies highlight how financial institutions are using blockchain technology to improve efficiency, security and innovation in their processes. The Spanish banking giant, Santander, made headlines last year when it allowed its investors to vote at its annual meeting via blockchain. A year ago, Santander launched the *One Pay* FX mobile app, a foreign exchange service using *RippleNet*, which allows individuals to transfer money to other people in a foreign country in less than a day (Castillo, 2019).

According to (DIEZ, 2020) in March 2018, IBM announced IBM *Blockchain World Wire*, a global real-time payment network for regulated financial institutions, which was officially accessible to a growing number of markets. Designed to optimize and accelerate foreign exchange, cross-country payments and international remittances, *World Wire* is the first blockchain network of its kind that integrates payment, clearing and settlement messages into a single unified network, while allowing its users to dynamically choose a variety of digital assets for settlement.

These case studies illustrate how financial institutions are actively exploiting blockchain technology to modernize processes, reduce costs, increase efficiency and offer innovative services to customers. Each example demonstrates how blockchain is becoming a key player in the evolution of the financial sector.

BEYOND THE FINANCIAL SECTOR

BLOCKCHAIN IN HEALTH, LOGISTICS, GOVERNMENT AND EDUCATION

Blockchain technology is not limited to the financial sector; it has influenced and transformed many areas, offering innovative solutions in a variety of sectors. Let's explore some case studies that illustrate the impact of blockchain in a variety of contexts. In healthcare, MIT's *MedRec* project uses blockchain to create a more secure and interoperable electronic medical records system. This project puts patients in control of their data by guaranteeing the integrity of information through blockchain.

There is constant discussion in society about the best type of voting system. A good voting system should be easy to use, scalable, secure, transparent and preferably auditable. There are different methods currently in use in different countries, some electronic, as in Brazilian electoral voting, and others paper-based, as in US elections. Paper voting involves logistical difficulties when scaling up the number of voters, while the electronic version can have security vulnerabilities that are natural to the digital en-

vironment. Blockchain technology has the capacity to revolutionize this sector (DE JANEIRO, 2021). Bringing this to the Brazilian reality, where voting is carried out electronically, one can understand the benefits and cons of using blockchain technology and the reason behind its popularity today and its use in a voting system (DA et al., 2022).

We can understand that blockchain is a technology that covers several areas and is not limited to the financial sector. Part of this thinking arises precisely from the fact that the technology gained strength in this sector with the creation of cryptocurrencies, as mentioned above. Nowadays, this thinking is changing as this technology gains more strength and information about it is disseminated.

CHALLENGES AND ETHICAL ISSUES

The lack of standardization and interoperability between different blockchains is another challenge, hindering efficient communication between networks. The issue of privacy also arises, as the transparency inherent in blockchain can conflict with the protection of users' sensitive data. The lack of clear regulation in various jurisdictions is a challenge for the widespread adoption of blockchain, and there are ethical concerns about the misuse of the technology in illegal activities. In addition, the complexity in implementing smart contracts can result in insecure code, raising ethical questions when these contracts are exploited or misused.

This ease of unmonitored transactions opens the door for the technology to be misused and used as an illegal means of circumventing the justice system. Blockchain is a decentralized technology, which means that there is no central authority controlling it. This can lead to accountability and governance problems. For example, if a blockchain is used to record illegal transactions, it can be difficult to hold those responsible to account.

FINAL CONSIDERATIONS

RECAP OF THE MAIN POINTS

Blockchain is indeed a revolutionary technology that is having an impact on many areas, especially the financial sector, where it was born. In short, blockchain technology has transcended its initial application in the financial sector, extending to a variety of sectors. By examining case studies that highlight its impact in areas such as health, supply chain, real estate, electronic voting, music, education, energy and identity management, we can see its remarkable versatility.

In the financial segments, blockchain offers benefits such as disintermediation, transparency, efficiency, risk reduction and financial inclusion. However, it faces technological challenges, including scalability, energy consumption, interoperability and issues related to the security of smart contracts.

In addition to the technical challenges, the implementation of blockchain raises important ethical issues, such as environmental concerns, privacy, regulation, concentration of power, data security and socio-economic impacts. The global community is actively engaged in addressing these challenges by promoting a sustainable and ethical implementation of the technology.

FUTURE PROSPECTS FOR BLOCKCHAIN

According to (ARÃO; MORI ALVES DA SILVA, 2023) there are several challenges that need to be overcome in order to increase confidence and adoption of Blockchain in Industry 4.0. Firstly, the storage and processing limitations of *IoT* devices require the construction of innovative storage models, network structuring with separation of responsibilities, simplifications to the basic data structure, as well as energy-efficient consensus mechanisms.

Blockchain could bring about profound changes in the very way business takes place, impacting everything from the stock market to smaller transactions such as car sales. It's about the possibility of an economy without intermediaries, in which trust is no longer a primary element. Think of a kind of *Uber* where drivers deal directly with consumers or a *Spotify* that connects musicians and listeners. Add smart contracts and decentralized autonomous organizations to this list of possibilities and you have a context in which even the way entities are controlled would change (TAVARES; TEIXEIRA, [n.d.]).

CONCLUSION

A comprehensive overview of blockchain technology was presented, highlighting its transformative influence not only in the financial sector, but in several other areas. The technology, initially popularized by Bitcoin, proves to be much more than a platform for decentralized financial transactions. It offers innovative and efficient solutions for the exchange of information and transactions in various sectors, such as health, education, government and logistics, emphasizing the importance of decentralization, security and transparency.

In conclusion, blockchain is emerging as a transformative technology with vast potential to redefine the way we conduct transactions, manage data and structure systems in a variety of sectors. Its ability to provide transparency, security and efficiency has unleashed a wave of innovations and applications beyond the financial domain. By examining specific case studies, it became clear that blockchain is already impacting areas such as healthcare, supply chain, real estate, e-voting, music, education and energy. The versatility of the technology is evident, highlighting its adaptability and its potential to improve efficiency and reliability in a variety of contexts.

However, blockchain is not without its challenges, from technical issues such as scalability to ethical dilemmas related to privacy, sustainability and socio-economic impacts. Addressing these challenges is crucial to ensuring responsible and sustainable adoption of the technology. As we move forward, the widespread adoption of blockchain is expected to intensify, with continued improvements in areas such as interoperability, smart contract security and the evolution of consensus algorithms. Integration with other emerging technologies and the expansion of asset tokenization promise to open up new frontiers of innovation.

Therefore, the future of blockchain is promising, and its trajectory seems destined to reshape not only the financial landscape, but also the structure of various industries, contributing to a more transparent, efficient and innovative environment.

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