What is GameFi?

GameFi meaning gaming and decentralized finance (DeFi). Its also referred to as play to earn (P2E) games. The concept of GameFi relies on the intersection of blockchain technology, gaming, and several forms of decentralized financial products, like non-fungible tokens (NFTs), yield farming, borrowing and lending, and algorithmic stablecoins, etc.

Almost all of these blockchain-based games are accompanied by a corresponding in-game currency, a marketplace, and a token economy, usually managed and governed by the community. Players own their in-game items rather than developers with this model, thereby eliminating the need for any type of server infrastructure and preventing the possibility of game hacking or cheating.

One of the popular reasons why GameFi is so popular is that no centralized authority controls the ecosystem, unlike traditional games. The underlying blockchain technology allows for zero-free transactions so that players can buy, sell, and trade digital assets without incurring fees.

The in-game currency offered by GameFi games can be swapped for other cryptocurrencies and fiat money. Players can also purchase in-game NFTs and trade, rent, or sell them in open marketplaces to gain returns. For instance, you can buy a plot in the game and sell it to another player at your set price. Or, you can rent out the “Level 100 armor” to other players and earn extra income.