

Real Yield

Where Yield Comes From: Mapping the Real Economy Behind On-Chain and Off-Chain Capital Flows



AN IN-DEPTH REPORT BY SENTORA
JUNE 2025

Foundational Thesis

My basis thoughts around yield:

- *"Sustainable yield in DeFi (and TradFi) can only emerge from ecosystems that generate real economic value. Without utility or growth, capital has nothing to extract yield from — it's just circulating."*
- *"Sustainable yield in DeFi and TradFi-connected ecosystems can only exist if capital has productive places to go — i.e., if there are 'yield payers' who need funding for growth, usage, or refinancing."*

Yield is not magic — it's payment for capital used productively. In traditional markets, that might mean buying a machine or expanding a service business. In crypto, the equivalent can be liquidity provisioning, operating infrastructure, or financing real-world trade. This report introduces a simple framing: two parties drive the yield economy — yield seekers (those who have capital) and yield payers (those who need it). DeFi has matured in onboarding yield seekers. But the sustainable growth of the system depends on expanding the universe of credible, revenue-generating yield payers.

This report also examines how DeFi and TradFi are beginning to interconnect — and why understanding the roles on *each side of that bridge* is essential for creating real, sustainable capital markets.

The Two Core Roles: Yield Seekers and Yield Payers

Yield Seekers:

These are capital allocators — investors, DAOs, treasuries, funds — looking for risk-adjusted returns on idle capital. Their key questions: What's the source of yield? What are the risks? How liquid is the opportunity? Sentora's primary client base falls into this category.

Yield Payers:

These are protocols, services, or businesses that need to borrow capital — not to speculate, but to grow. In crypto, this includes infrastructure operators, leveraged traders, RWA platforms, and emerging Actively Validated Services (AVS). The maturity and diversity of this group will determine the health of the ecosystem.

Real Yield Payers (On-Chain)

What Makes a “Real” Yield Payer?

Yield is compensation for risk, time, and opportunity cost. But yield doesn't *appear* — someone must actively *need* capital for a reason that justifies paying for it.

In TradFi, that's typically a company, a government, or a household borrowing to invest in:

- A project (capex)
- Inventory or trade cycle (working capital)
- Acquisition or expansion

In crypto, we're looking for equivalents — entities or protocols that:

- Have revenue or value creation mechanisms
- Need upfront capital to function or grow
- Can repay or share returns with the capital provider

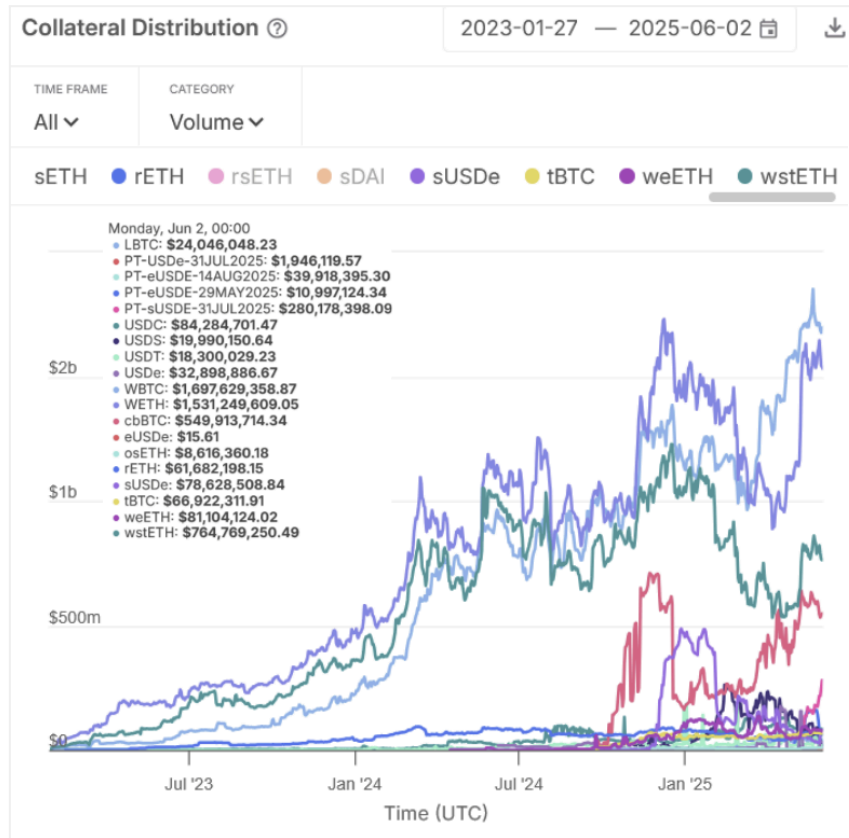
If those three don't exist, there's no reason anyone should provide them capital for yield.

So why raise capital on-chain?

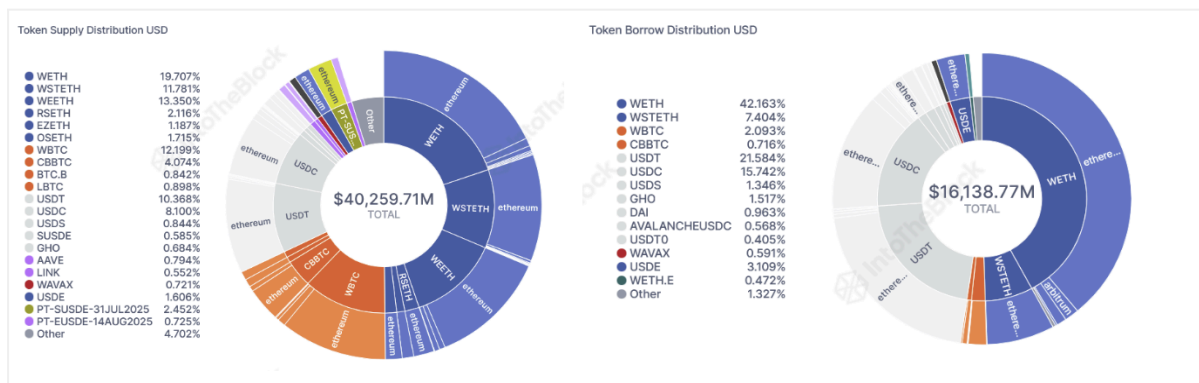
The following four conditions are often present when TradFi-adjacent yield payers decide to turn to DeFi yield seekers:

1. Access to Capital That Is Not Available (or More Expensive) in TradFi
 - SME or early-stage firm with weak credit history
 - Operating in a geography with poor financial infrastructure or underbanked status
 - Market segment where banks are over-regulated or unwilling to lend (e.g., crypto-mining, cannabis, politically sensitive jurisdictions)
2. On-Chain Assets Used as Collateral or Operational Base (see charts below)
 - Firms that hold capital in form of crypto tokens (the higher the quality the better) and prefer to *borrow against them* vs. selling
 - DAOs or protocols with revenue flows but no bank account
 - Entities building or operating *on-chain infrastructure*

(AAVE total collateral value and its distribution - major collateral capital is in WBTC, WETH, wstETH and CBBTC to borrow USDC)



(AAVE token supply and token borrow distribution)



3. Need for Programmability / Transparency

- Capital flows that require escrow, milestone-based release, tokenized repayments

- Real-time performance tracking (e.g., RWA repayments, validator uptime)

4. Global, Permissionless Capital

- Raise capital from *non-domestic* or *retail* investors across borders without complex legal wrappers - This approach is not intended to deceive anyone; rather, it offers a practical solution for situations where the available capital is insufficient to navigate the traditional legal TradFi framework, which would otherwise make the transaction prohibitively expensive for the borrower
- Taps into a new class of capital allocators (yield seekers from the crypto ecosystem)

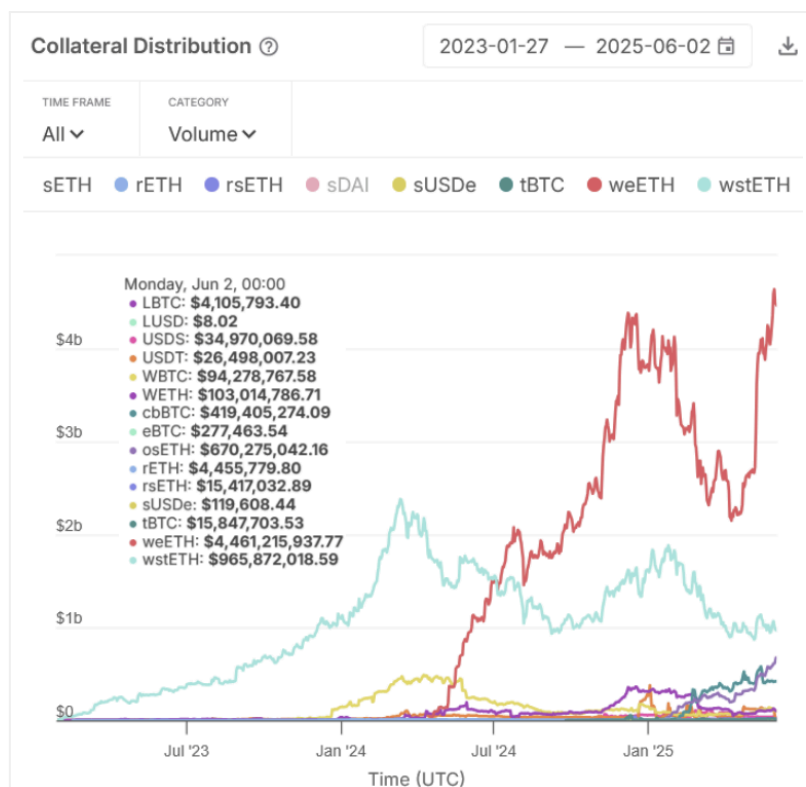
Categories of Yield Payers — TradFi-Adjacent or Hybrid

We can now classify credible, economically rational yield payers into several overlapping buckets:

1. Crypto-Native Leverage or Infra Operators (On-Chain Only)

- Market Makers & Leveraged Traders
Need stablecoin liquidity for directional or neutral trades; capital is used to extract alpha.
- Staking-Related Yield Payers
Restaking and LST/LRT loops require short-term borrowing for yield strategies (see chart below).
- Cross-Chain & Interoperability Services (AVS)
Services like oracles, messaging, or sequencing generate protocol revenue and need operating capital.
- Validator Networks / Security Layers & Insurance
Projects like Babylon, EigenLayer require bonded capital — a new class of borrowers.
- Infrastructure Protocols (Rollups, Indexers)
Bootstrapping infra requires liquidity for security deposits, slashing coverage, or uptime guarantees.

(AAVE collateral is being used to leverage and looping)



2. RWA-Enabled On-and-Off-Chain Borrowers with On-Chain Integration

These are TradFi-adjacent but bridge in or out because they:

- Own crypto
- Are funded by DAOs or crypto investors
- Seek transparency or new capital sources

Examples:

- Miners: Use BTC as treasury collateral to raise USDC for power bills or expansion
- Tokenized Credit Funds: Either lend to off-chain borrowers via tokenized notes (e.g. Mapple Finance) or borrow from on-chain lenders (e.g. iSNR or uMINT)
- Exporters / Importers: Finance invoices or receivables, repaid with real cashflows but capital is raised on-chain
- Real Estate Developers (small): Tokenize future rental income or presales to fund buildout

All these are yield payers when capital is scarce or expensive locally — DeFi becomes a funding arbitrage.

3. DePIN / Physical Infrastructure Providers

These are capital-heavy businesses that build *public goods with cashflow* (examples of three industries):

- Helium (telecom)
- Filecoin (storage)
- Render (GPU/rendering)

They:

- Have real users and payers
- Need upfront investment (nodes, hardware)
- Can finance themselves partially via on-chain capital

They blur the lines: are they TradFi? DeFi? Doesn't matter — they're capital-intensive and their growth is constrained by available funding.

4. Emerging Markets Use Cases

- Unbanked or Underbanked SMEs
On-chain credit rails can reach where banks won't.
- DAOs funding local projects (e.g., solar, education, co-ops)
Use crypto capital to finance off-grid or mission-aligned businesses.

DeFi becomes not just alternative capital — it is primary capital because of lack of domestic financial inclusion.

Closing Insight

Not every borrower is a yield payer — and not every yield payer is a good fit for on-chain capital.

The critical job for institutional allocators, platforms like Sentora, and DeFi credit protocols is to identify and enable capital flows toward the *right* side of the risk/reward equation.

We should be actively seeking real yield payers — not those simply looking to recycle incentives, but entities that:

- Operate or build revenue-generating services (on- or off-chain)
- Have predictable or growing cashflows

- Require capital to scale, optimize, or unlock new opportunities
- Can offer reasonable risk-adjusted returns in exchange for that capital

Whether it's a validator network paying for bonded security, a trade finance borrower with tokenized invoices, or an AVS charging fees for uptime guarantees — these actors are not borrowing for speculation, they are *buying growth*.

That is the distinction that defines the future of sustainable yield in DeFi.

The DeFi ecosystem must now shift from facilitating *yield loops* to underwriting *yield logic*. And that logic begins with identifying businesses — on-chain or off-chain — that turn capital into cashflow.

This is where Sentora, as a gateway between yield seekers and emerging yield payers, can play a catalytic role: curating credible opportunities, vetting the fundamentals, and enabling yield to flow where it is earned, not just emitted.

Yield Seekers – What They Want and How They Think

While much of the attention in DeFi has historically focused on new protocols and yield strategies, the real foundation of the ecosystem is capital. And capital comes from yield seekers — the funds, treasuries, and investors looking to deploy idle assets into productive opportunities. They are the quiet force behind every vault, every loan, every incentive pool that gets filled.

Yet, as the ecosystem matures, these actors have become more selective. It's no longer enough to promise a high APY. Sustainable yield needs to come from sustainable use of capital — and that begins with asking the right questions.

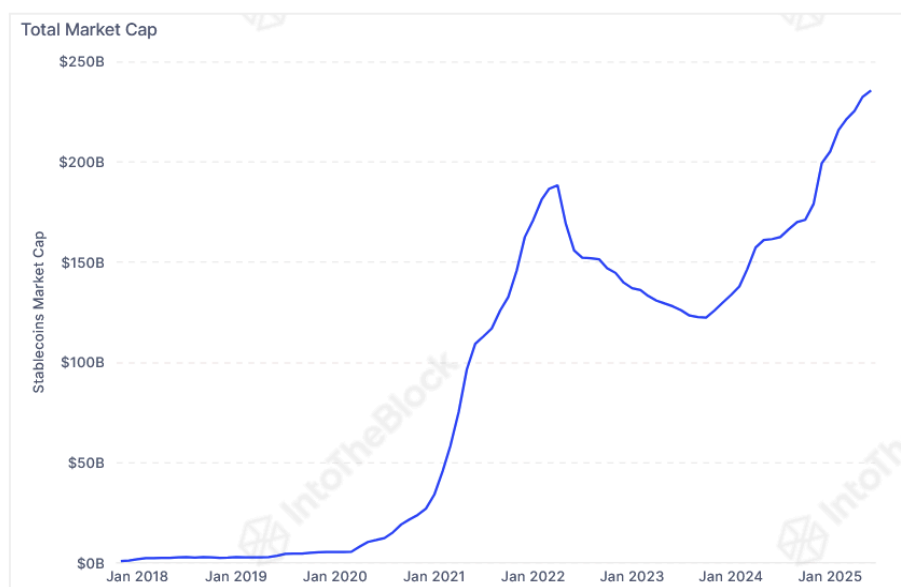
Who Are the Yield Seekers?

Yield seekers are not a monolith. But they do share a common objective: to find yield opportunities that align with their risk parameters, liquidity preferences, and strategic goals. Today, they can be grouped into a few key categories:

- Crypto-native funds and DAOs managing substantial treasuries in stablecoins, ETH, BTC or USD-stables. Post-2022, many have shifted to more conservative allocations — preferring low-volatility, collateralized yield opportunities over speculative plays.
- TradFi funds and family offices entering DeFi slowly, often through structured products, tokenized fixed income, or partnerships with regulated crypto platforms. For them, DeFi is a high-potential extension of alternative credit markets, but only if risk controls are transparent and professionalized.

- Stablecoin whales and OTC desks who operate large cash-like balances and are constantly seeking safe, short-duration yield. These participants don't want directional exposure — they want capital preservation and liquidity, with incremental return.
- Protocol treasuries looking to extend runway or activate idle assets without taking undue risk. These players are often balancing governance constraints with yield generation mandates.

(Total market capitalization of USD stablecoins - This is capital which needs to find a home)



These actors represent billions in latent capital — and in many cases, their biggest constraint is not willingness to lend, but lack of confidence in the other side of the trade.

How Yield Seekers Evaluate Opportunities

For sophisticated allocators, yield is only meaningful when framed through the lens of risk. A 15% APY from an unvetted protocol is less attractive than a 6% APY from a battle-tested counterparty with real cashflows and clear liquidation logic.

Key dimensions of evaluation include:

- Counterparty Risk

Who is the borrower or yield payer? Are they identifiable? Are they credit scored, KYC'd, or reputationally accountable on-chain? Yield seekers have little appetite for faceless

borrowers with no track record — especially after multiple collapses in undercollateralized lending.

- Collateral Profile

What backs the capital being deployed? Is there on-chain collateral — and if so, is it liquid, volatile, overcollateralized? In the case of off-chain assets (RWAs), is there legal enforceability, transparency, and trusted intermediaries?

- Volatility & Directional Risk

Is the yield a product of volatility harvesting (e.g., LPing, restaking strategies) or pure lending? Does the opportunity carry basis risk, token risk, or structural leverage? Many yield seekers are avoiding directional exposure altogether.

- Liquidity Terms

Can they redeem capital early? Are lockups fixed or rolling? This is particularly relevant for DAOs and family offices, who may need to rebalance quickly or report NAV frequently.

- Platform and Smart Contract Risk

Is the protocol audited? Has the code been live for multiple market cycles? Is there insurance, bug bounty coverage, or multi-sig governance? Institutional allocators are no longer willing to ignore these questions.

The combination of these factors determines whether an opportunity is yield-generating or simply risk-emitting.

Sentora's Role: Curating, Filtering, Enabling

As yield seekers grow more risk-conscious, they're not just looking for APY — they're looking for trust, structure, and access.

This is where platforms like Sentora play a key role:

- Curation
Sentora surfaces credible yield payers — whether on-chain (e.g., infrastructure protocols, trading desks) or off-chain (e.g., RWA platforms) — that meet institutional due diligence standards.
- Structuring
Yield opportunities are packaged in risk-adjusted formats: fixed-term vaults, secured lines, or tokenized notes — not opaque staking loops or flywheel mechanics.

- **Monitoring & Reporting**
Real-time dashboards, risk analytics, and counterparty transparency allow yield seekers to make informed decisions — and to meet internal governance and reporting standards.
- **Access & Execution**
Sentora simplifies the operational complexity of interacting with DeFi: from wallet infrastructure and custody integrations to seamless capital deployment.

Ultimately, Sentora serves as the bridge between capital that's ready to be deployed and opportunities that deserve to receive it. In a world flooded with yield noise, it's the clarity, credibility, and curation that matter most.

Closing Insight

Yield seekers are not chasing magic numbers — they are underwriting risk with intention.

The era of naïve capital allocation in DeFi is ending. Today's yield seekers — whether crypto-native or institutionally curious — are looking for clarity, consistency, and compensation for the real risks they take. They are no longer content with yield for yield's sake. They want to understand *who* is on the other side of the trade, *what* drives the economics, and *why* the capital they provide is genuinely needed.

This shift marks a critical evolution in DeFi's capital markets: from passive participation to active capital stewardship.

For Sentora and other platforms serving this group, the task is clear: Help yield seekers navigate the complexity, separate noise from signal, and connect their capital to opportunities rooted in real economic activity and sound risk frameworks.

As the ecosystem matures, the most trusted intermediaries won't be the ones offering the highest APYs — but the ones offering the highest-quality access to sustainable yield.

Yield Payers Off-Chain – Real Businesses, Real Capital Needs

As the digital asset ecosystem grows more interconnected with traditional finance, a new category of borrower is emerging: off-chain businesses with real economic activity that choose to access capital from the DeFi side of the fence.

At first glance, this might seem counterintuitive. Why would a real-world company raise funds through on-chain channels when TradFi offers abundant credit, deeper markets, and lower perceived risk?

But the answer becomes clear when you look closer: not all borrowers have equal access to capital — and not all capital is equal.

Why Would Off-Chain Yield Payers Turn to DeFi?

For a growing number of real-world businesses, tapping into on-chain capital markets isn't just novel — it's strategically or operationally advantageous. The key reasons include:

1. Access to Untapped, Global Capital

Many businesses — especially SMEs and those in emerging markets — face limited or prohibitively expensive credit in their local banking systems. On-chain capital, in contrast, is global, always-on, and sometimes more risk-tolerant if underwritten with transparency and collateral.

2. Crypto-Rich Treasuries with Real-World Ambitions

Some businesses — particularly those emerging from the crypto ecosystem (e.g., miners, DAOs, token projects) — already hold substantial on-chain assets like BTC or ETH. Rather than selling, they seek to borrow against these assets to fund off-chain operations, expansions, or infrastructure.

3. Need for Programmable, Transparent Capital

DeFi infrastructure offers composability, conditional disbursement, milestone-based repayments, and real-time transparency — ideal for structured, high-trust capital flows.

4. Faster Time-to-Finance

In certain cases, accessing capital through on-chain protocols or tokenized financing platforms can be faster and more flexible than going through banking credit committees or institutional fundraising processes.

In short: on-chain capital becomes compelling when traditional credit is inaccessible, slow, restrictive, or misaligned with the borrower's asset base.

Who Are the Real Yield Payers Off-Chain?

Off-chain borrowers with genuine yield logic can be grouped into several categories:

1. Bitcoin-Rich Businesses with Fiat Needs

- Example: a mining company generates BTC, but needs USD to pay for energy, hardware, or expansion.

- Instead of liquidating BTC holdings, they post BTC as collateral and borrow stablecoins via DeFi platforms.
- The interest paid becomes yield for the capital provider.

These are some of the clearest real-world yield payers, as their operations are economically productive and on-chain aligned.

2. RWA Protocols Serving Trade Finance, Invoices, or Credit

Platforms like Centrifuge, Goldfinch, Credix or Sentora tokenize real-world credit instruments (e.g., supplier invoices, SME loans) and structure them as yield-generating assets.

- The underlying borrower is an off-chain business with cashflow.
- The tokenized structure allows crypto-native capital to fund it.
- If repayment logic is sound, this creates a legitimate risk-adjusted yield stream.

This is an area where institutional DeFi is already building meaningful traction.

3. Asset-Backed Off-Chain Businesses (Real Estate, Equipment, Infrastructure)

Some off-chain entities are beginning to tokenize *future income* or *collateralizable assets* to raise DeFi-native capital.

Examples:

- Rental income tokenization for property development
- Equipment leasing tied to tokenized revenue flows
- Solar installations financed by tokenized pay-as-you-go contracts

While still early, these models are promising — particularly in frontier markets where capital access is limited.

4. Emerging Market SMEs and Co-Ops

In jurisdictions with high capital costs or weak banking infrastructure, on-chain capital can offer better rates and faster access.

- Borrowers tokenize receivables, crop yields, or community business income
- Repayment is tracked via escrow oracles or fiat rails
- Yield seekers earn interest by supporting productive activity

These models require trusted intermediaries or protocols to manage underwriting, repayment, and legal recourse — but the social and economic potential is high.

What Are the Risks and Constraints?

Even when there's strong economic rationale, off-chain yield payers introduce a new risk layer: jurisdiction, enforceability, fiat volatility, and fraud potential.

Key challenges include:

- **Legal risk** – If a borrower defaults, how is collateral seized or repaid?
- **Information / data integrity** – Are cashflows and KPIs verifiable?
- **Currency / volatility exposure** – Do on-chain stablecoins hold value locally?
- **Underwriting complexity & Credit scoring** – Can DeFi protocols assess creditworthiness effectively?

For on-chain yield seekers, these risks must be priced, structured, and transparently disclosed.

That's where intermediaries like Sentora, or protocols specializing in RWA underwriting, are essential.

Closing Insight

The next generation of yield in DeFi may come not from the next protocol, but from the next productive off-chain business tapping into crypto-native capital.

These businesses — whether they're miners, exporters, or microfinance borrowers — may not be part of the DeFi narrative today, but they're rapidly becoming part of its capital flow reality.

They are not “crypto experiments.” They are yield payers with economic engines — they just happen to prefer programmable, transparent, and sometimes borderless capital.

For Sentora and its clients, these use cases are not edge cases — they are growth cases. The challenge ahead is to underwrite them, structure them, and scale them responsibly.

Conclusion: No Yield Without Purpose

DeFi has come a long way in building the infrastructure for capital markets — lending protocols, tokenized vaults, automated underwriters, cross-chain bridges. But beneath the surface of innovation, one truth remains: without real yield payers, there is no real yield.

We can engineer the rails, but unless someone needs the capital for a productive reason — and is willing to pay for it — the system becomes circular at best, and extractive at worst. Without real economic inputs, yield becomes circular or self-referential. It must come from services rendered, growth funded, value created.

This report reframed the credit ecosystem through a simplified, but essential lens:

- Yield seekers: those with capital, looking for risk-adjusted returns
- Yield payers: those with real capital needs, willing to pay for access

When both parties are real — and the capital is moving for the right reasons — yield becomes sustainable, transparent, and scalable.

But when one side is missing — especially the payer — we are left with synthetic incentives, temporary arbitrage, and unstable lending markets masked by high APYs and short-term gains.

The Bridges Are Forming — But We Must Know What's on Each Side

The good news: TradFi and DeFi are starting to meet in the middle.

The capital bridges are being built — we've written previously about these pathways, where institutional liquidity meets on-chain opportunity.

But these bridges are not magical conduits — they are two-way systems, and capital only flows when there's a reason to cross.

- On one side stands a yield seeker — a stablecoin-rich fund, a DAO treasury, a crypto-native desk.
- On the other side stands a yield payer — perhaps a rollup project bootstrapping sequencer uptime, or a miner in need of stablecoins, or an SME in a country with broken credit rails.

Sometimes the roles are obvious. Sometimes they're not.

Sometimes a TradFi fund wants on-chain leverage — making it a yield payer.

Sometimes a DAO wants passive income in tokenized T-Bills — making it a yield seeker.

The challenge is not just identifying the roles — it's understanding what *each party needs to make the deal work*.

Final Thought

We don't need more lending protocols.

We need more legitimate reasons to borrow.

That means spending less time designing mechanisms around yield — and more time understanding where economic value is being created.

Because only when value is created can yield be justified, priced, and paid.

For Sentora, and for the broader institutional DeFi ecosystem, the future is clear:

Be the marketplace that brings real capital together with real opportunity.

Not just to lend.

But to build.

About the author



Patrick Heusser - Head of Lending (Sentora)

Patrick is a seasoned investment banker, trader, and portfolio manager with over two decades in global interest-rate markets. His core expertise lies in risk management, yield-curve construction, and portfolio design, complemented by deep proficiency in quantitative analytics and cash-management strategy. An early adopter of digital assets, Patrick now applies his rigorous market insight to building robust lending and trading solutions across both traditional finance and crypto markets.