

Crowd Investing as a New Form of Investment

Umarov Muzaffarbek Shavkatovich ¹

Abstract

In the current market economy, the issue of raising funds for the launch and further development of a business is of no small importance. Existing ways of financing entrepreneurial activity are often not available at the early stages and generally have their drawbacks, whether it is dependence and pressure on the investor or the “high cost” of the method. All the more interesting and more and more in demand is a relatively recently appeared financing model called “crowdinvesting”.

Keywords: *crowd investing, crowd funding, startup, entrepreneurship, investors, crowd investing platforms.*

¹ Doctoral student of the Academy of Public Administration under the President of the Republic of Uzbekistan

Relevance of the topic: The relevance of this work is due, first of all, to the novelty of crowd investing. This method has appeared recently and is of interest both to venture investors and startup creators, and to the entire business community as a whole.

Second, when other sources are not available, crowd funding can help an organization stay afloat. Moreover, there is no doubt that one of the main reasons for the ruin of small and newly created companies is the lack of funding at the initial stages. It also enables companies to achieve their goals while avoiding investor pressure on the course of the company's development. As you know, start-ups are very dependent on the investments of a business angel, who, in turn, having a good financial leverage, can impose his will, instruct the implementation of certain actions that seem irrational to the founders of the company or infringe on their freedom.

Thirdly, any entrepreneur can find in crowd investing a way to additionally finance their activities. However, a number of questions that require methodological solutions arise: does a company using crowd investing bear any obligations to the crowd that financed it; whether one of them has the right to a share in the company or to intellectual property created at the expense of third parties, and many others. In addition, at the moment the problem of the practice of using this method remains open, especially in Uzbekistan, a country where, according to many experts, there is an extremely low level of public confidence in innovations.

The purpose of the study is, based on the analysis of existing models and platforms, to propose a procedure for the creation and implementation of crowdinvesting projects for the implementation of startups.

In accordance with the goal, the following tasks are being solved that determine the structure of the work:

- Consider the method of crowdinvesting, the specifics of its application;
- Explore existing models of crowdinvesting;
- Identify the advantages of this method of financing, as well as limiting and stimulating factors;
- Assess the applicability of the method in Uzbekistan and abroad;
- Identify features of using the crowdinvesting method in financing projects in Uzbekistan.

The object of the study is the models and platforms of crowdinvesting as a way to finance projects in Uzbekistan and abroad.

The subject of the research is the tools and methods of crowdinvesting (mechanism) in project financing.

Theoretical basis of the study.

The effectiveness of the use of crowdinvesting as a financing model is influenced by many factors. Of course, the interest of potential consumers in the project matters, because if it is not clear or interesting to the population, no one will invest in its development and promotion. For the same reason, the focus of the business is important, whether it is a social project in support of a certain category of people or the creation of a film funded by crowdinvesting. Consideration must be given to the age of the consumer, the generation to which he belongs, and the benefits that the investing people receive. These can be both ordinary written thanks, and exclusive versions of the product during its implementation.

Research methodology

Since crowdfinancing is a fairly young and little studied phenomenon in Uzbekistan, this study tried to analyze its viability as a method of financing, its pros, cons and features of updating on the example of the activities of the largest crowdfinancing platform in the world, called Kickstarter.com, which began its existence. April 28, 2009 in the United States, and today a number of experts is recognized as the most successful.

In recent years, it has become obvious that by joining the efforts of many people, it is much easier to achieve a big goal - be it a charity fundraiser, a protest flash mob, or the launch of a promising project.

Such an ideology of joint work has led to the emergence of many directions - they all begin with the word "crowd", which means "crowd" in English. Here you have crowdsourcing, and crowdfunding, and crowdsourcing. One of the new phenomena that has received great development in Western countries is crowdfinancing.

Crowdfinancing is a financial instrument based on joint investment. With its help, capital is attracted to start-ups and small companies from a large number of micro-investors. As in crowdfunding, participants invest money, but in return they receive not a product or a discount on it, but a share in the company.

Types of crowdfinancing.

Today there are three main schemes of crowdfinancing.

1. **Royalty** - when an investor receives a share of income or profit from the company's activities, as well as some non-financial benefits. Often this investment model is used in the development of games or software, music projects and films.
2. **Crowdlending** - "people's" lending, in which borrowers receive a loan on simpler and more favorable terms than in a bank. In this way, you can get financing for purposes that the bank would not consider.
 - speed, efficiency and comfort of obtaining funds by the borrower in case of interest from the investor;
 - the possibility for the borrower to receive funds on terms more attractive than in the financial market;
 - access to a wide range of industries of activity to the possibility of obtaining financing, including those who, due to the specifics of their business, cannot count on a bank loan;
 - Legal registration of documents: a clear schedule for the repayment of debt, an indication of the specific timing of the transaction, designation and fixation in the contract of the amount of financial remuneration.
1. **Equity crowdfinancing** - investors buy securities and become shareholders of the company they finance. This model is the most widespread because it is the most attractive for investors.

Equity crowdfunding involves the following forms of financial reward:

- ✓ part/share of ownership (assets) of the borrowing company;
- ✓ shares of the borrowing company;

- ✓ dividends from participation in the capital of the borrowing company;
- ✓ In addition, there may be a provision of the right to vote when making managerial decisions at meetings of owners.

Characteristics of crowdfunding as a type of crowdfunding.

The economic content of crowdfunding is the opportunity to participate not only for venture capital companies, but also for individuals in financing fintech startups. The financing scheme with the help of crowdfunding is simple: a company that needs investments posts information about its activities on a special platform and, using a public offer, attracts investors' funds only if it finds among them a high level of interest in the project and faith in its success. Table 1 presents the biggest advantages and disadvantages of this investment method (Sanin, 2015).

Table 1. Advantages and disadvantages of crowdfunding

Flaws	Advantages
The most important risk is the risk of default by the borrower of obligations and plans. To this end, platforms should notify all participants of possible risks	Fast and easy fundraising method
Potentially high risk of fraud	Mobilization of free capital of citizens within the country
Lack of professional expertise	Way around IPOs and corporate red tape for startups
Low liquidity - limited exit opportunities from small businesses	Company and product marketing
Public reaction to unsuccessful cases, non-return of funds	Demand check
Leakage of ideas, openness	Diversification of financing schemes for startups and use of funds for the people
Loss of livelihood by citizens is solved by limiting the amounts that people can invest	Democratization and acceleration of financial relations
	Simplification and increase of transparency of contractual relations

Thus, the most serious disadvantages of crowdfunding are the high risks of non-repayment of funds, as well as possible losses of equity, the long period of the investor's participation in the project, and the leakage of ideas due to the openness of the sites. However, as a way of investing, crowdfunding has many advantages, such as the influx of a wide range of economic agents into investment activities, the growth of technological and innovative development, the acceleration of financial relations, and others.

Conclusion.

Crowdfunding is generally a modern way to raise funds. Like all forms of investment, crowdfunding, which is a form of crowdfunding, has both advantages and disadvantages. In general, this type of crowdfunding continues to become more popular with investors both abroad and in Uzbekistan. The multiplicity of types of crowdfunding allows you to choose the appropriate option for each investor.

As for Uzbekistan, although here, although slowly, there are changes in the worldview of investors towards the use of this form of investment. Over time, it will be possible to develop crowdfunding in general and crowdinvesting in particular and use it as a tool for development and profit. To do this, it is necessary to develop legislation that would regulate the crowdinvesting market, it is also necessary to create new online platforms. It is important to provide tax incentives for investors. However, the most important development tool should be the development of financial literacy of the population, thanks to which people will be able to understand that investing money is not always risky and it is not necessary to have large savings for this.

With the help of these changes, the Uzbek crowdinvesting market will develop faster and better and will be able to compete in volume with foreign ones.

List of used literature.

1. Demidov M. How does crowdinvesting work?. Rusbase is an independent technology and business publication. [Electronic resource]. URL: <http://rusbase.com/opinion/crowdinvesting/>.
2. Kievich A.V., Koipash D.A. Crowdinvesting as an alternative model for financing an investment project. Economics and banks. - 2016. - No. 1. - p. 58-65.
3. Official website of the StartTrack crowdinvesting platform. [Electronic resource]. URL: <https://starttrack.ru/promo/results>.
4. Sanin M.K. The history of the development of crowdfunding. Classification of species. Analysis of development prospects and benefits // The history of the crowdfunding. The classification of species. Analysis of development prospects and benefits. – 2015. – № 4
5. Yurchenko A.A., Kuznetsova V.A. Crowdfunding - a new way of financing // Actual problems of aviation and cosmonautics. - 2015. - No. 11. - p. 830-832.
6. Fur-Grunder.de GmbH. (2013). Crowdfunding und Crowdinvesting Monitor 2013.
7. Crowdfunding Monitoring Switzerland 2014 by Prof Dr Andreas Dietrich, Simon Amrein; Institute of Financial Services Zug IFZ, Lucerne University of Applied Science and Arts, 2014.