

Financing innovations in the context of the digital economy through the crowdfunding mechanism

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Abstract: Today, the world society is moving in the conditions of the modern information revolution. The role and importance of the digital economy in accelerating and advancing this process to a new stage is incomparable, and it has the power to influence the economic development of the country greatly. The article reveals the possibilities of using crowdfunding to finance innovative processes through accelerating the digital economy.

1. INTRODUCTION

In the context of the development of the modern market economy, the development of the digital economy is a participant in financial services, i.e. the consumer, in simplifying and reducing the cost of economic opportunities, saving commissions through various payments through the Internet, implementing without long chains of intermediaries, various operations (buying and selling, credit processing, taxes, payment of fees, etc.) expands the possibility of implementation.

The digital economy is the basis for the development of the innovative economy, which is directly related to the effective introduction of modern computer technologies, through which online services, internet banking, internet commerce, etc. improve.

Information and communication technologies are rapidly entering our lives. Digitalization of the economy is developing rapidly. As a result, the implementation of financial relations is improving with the help of Internet technologies. People are voluntarily participating in the development of digital financing cooperation to solve socio-economic problems. It is appropriate to recognize crowdfunding as a financing mechanism. Crowdfunding can be widely used in financing innovative processes as well as solving socio-economic problems.

2. MATERIALS and METHODS

Also, there are many other innovation financing mechanisms in the republic, which constantly provide additional financial resources for the modernization of the economy, the development of related high-tech activities, innovative ideas, and technologies. Resources and efficient methods of financing are needed. Crowdfunding is one such method.

Crowdfunding is a type of voluntary funding of a project by an individual to raise funds for an author or enterprise [1].

"Here is a brief overview of the crowdfunding mechanism:

In the process of financing innovative projects, foreign countries have used various mechanisms, including crowdfunding.

This term was coined in 2006 as a global economic concept.

The term "crowdfunding" is a relatively new concept in our country's economy. It became applicable in the economy of Uzbekistan about five years ago in practical processes, but it hasn't been widely utilized for an extended period. It hasn't demonstrated its performance factors. However, in recent years, the use of the crowdfunding mechanism for financing has been slowly evolving. The term "crowdfunding" is defined as follows in popular scientific publications and economic literature. In particular:

1. According to the Wikipedia Foundation, the term crowdfunding is derived from the English language, and "crowd-people" means "funding - funding". It consists of financing the projects of other individuals or companies through the Internet by people with their funds and other forms of resources [2].

2. According to the definition put forward by Ye. Gavrilin, the founder of the largest and most popular crowdfunding platform (Bloomstarter) of the Russian Federation, "Crowdfunding is a public financing process, in which people pay money and get something they get. In particular, people give money to authors of ideas they are interested in. The author of the idea offers them a product or service" [3]. In short, people buy a product or service that doesn't exist.

3. According to F. Murachovsky, "Crowdfunding is a mechanism of joint financing, which means participation in the creation of any project. A financier can participate in any project, channel his funds and benefit from it" [4].

4. According to A. Osharova, "Crowdfunding is a special type of fundraising (general financing). It differs from fundraising in that it receives a product, service, or prize in exchange for sponsorship. Participates by financing a small part of the crowdfunding process" [5].

In our opinion, crowdfunding involves the voluntary contribution of funds by an individual in the form of sponsorship for innovative projects and ideas. As mentioned earlier, the author provides a product or service as a reward in exchange for sponsorship.

The modern financing method of crowdfunding is structured based on several platforms. At this point, it is possible to compare foreign and national crowdfunding platforms.

It is known that financing through crowdfunding platforms was first utilized in the USA. More than 25 percent of the innovative products created worldwide are funded by U.S. citizens using crowdfunding, venture capital, and other similarly effective mechanisms."

Initially, the crowdfunding platform in the USA was not adopted for large projects requiring high investments, but it is intended to be used for the effectiveness of innovative projects that do not exceed 1 million dollars and require one-time investments. These opinions were announced by Professor E. Mollik of the University of Pennsylvania as a result of the study of 47 thousand crowdfunding projects.

Crowdfunding can change the ongoing competition in the financing of innovations in developed countries. By 2012, the new law "Our Business Startups Act or JOBS Act" was adopted in the USA during the presidency of Barack Obama. This allowed companies to raise their crowdfunding to \$1 million.

In the US, in most cases, financing of various projects offered by companies is carried out through the crowdfunding platform, through the purchase of shares by its sponsors in small quantities or at low prices.

The world's largest crowdfunding platform is Kickstarter, whose main goal is "all or nothing. They are mainly engaged in publishing and crowdfunding projects for movies, technology, games, food, music, software, and other types of projects. "The Kickstarter" crowdfunding platform differs from other platforms by the presence of certain restrictions on the placement of projects presented by authors on the site [7]. For example, according to the requirements of this platform, if the published project does not collect enough funds within 60 days (without holidays), the author collects the collected funds, if collected, forced to pay back. Another feature of this crowdfunding platform is that it takes 5% of the funds raised for each project as a service fee.

In addition, "Indiegogo" [8], the second largest crowdfunding platform in the world after Kickstarter, is a crowdfunding platform, that is mainly used for placing healthcare, innovative projects, and technologies on the site and raising funds for their financing. 'allows to cloak. Its difference from other platforms is that the author of any ideas and projects can be announced on the crowdfunding platform, regardless of which country he is a citizen of.

In addition, crowdfunding platforms in European countries are also quite developed, in particular, in Great Britain in 2017, 217.7 million were raised to companies through crowdfunding platforms

such as Crowdcube, Seedrs, and SyndicateRoom. pound sterling investment is directed [9].

In April 2017, 50 crowdfunding platforms were established in Switzerland. 193.8 million through crowdfunding in seven years. Swiss franc collected. In Austria in 2015, 6 crowdfunding platforms raised 8.1 mln. collected euros.

In 2017, 20 platforms were operating [10].

There are 9 crowdfunding platforms operating in the Russian Federation. This platform has created a new crowdfunding mechanism for financing innovative projects in all fields. Funding based on the crowdfunding in Russia takes 3 different forms:

1. Paid. In this case, the investor finances projects with a high level of profitability.

2. Non-monetary (non-financial). It is organized on the basis of material incentives.

3. Charitable funds. It is possible to attract social funds to such a platform [11].

It is appropriate to mention bloomstarter.ru (Bloomstarter) and planeta.ru (Planeta) as some of the famous websites operating on the basis of crowdfunding platforms in Russia.

The above-mentioned crowdfunding platforms work based on a simple mechanism, that is, the author places his idea or project on the platform. At the same time, any person will be able to voluntarily register via the Internet and finance it with his funds. If a person wishes to sponsor a project of a large amount to the platform, it will be possible to finance it through online money transfers based on the specified conditions [12].

As of March 1, 2019, the Russian Bloomstarter platform has 202,000 sponsors, 1,866 with a total value of 3 million. financed business projects, new technologies (innovation), initiatives, and creative and social initiatives in the amount of rubles [13].

If we analyze crowdfunding platforms worldwide, they can be divided into 3 types:

1. Platforms in the form of charity. This kind of financing is very common in the countries of the world, especially in Uzbekistan (rehabilitation of health, indiscriminate assistance to low-income families, etc.).

2. Platforms formed in the process of direct lending (financing) of some individuals to other individuals or legal entities. Internet platforms of this type are considered to be formed mainly in developed countries.

3. Platforms that introduce projects to production by encouraging independent investors as individuals.

It can be understood from the above that to date, the crowd-funding platform has practically proven to be a convenient and effective mechanism for financing innovative products.

By 2016, one of the main goals of the implementation of economic reforms based on modern, international standards, increasing the level of competitiveness, liberalization of currency exchange, achieving investment attractiveness, rapid and efficient production of innovative projects, and the

use of alternative mechanisms for financing them has become one of the main goals. Until this period, in the national economy, regulatory and legal documents have been developed in connection with the implementation of the above-mentioned reforms. But the level of their practical use is very low. This created various artificial obstacles in the development of the economy. For example, in some cases, artificial obstacles in the examination of an innovative project created by an author depend on the human factor. This made the innovator less likely to work on himself. Not only the human factor, but the author of the project did not work on effective developments. That's probably why, in the "Innovative Ideas, projects and technologies promotion" competition, which has been held since 2008, the innovations created by innovators are repeatedly presented, as well as in the financing of innovative projects. created an opportunity for abuses to be allowed. This is limited to the funds allocated from the budget as an effective mechanism for the slow development of innovative processes in Uzbekistan and their financing.

The use of effective mechanisms for financing innovation processes in each country and the development of a national innovation system have become one of the main goals. Among them, public and private sector cooperation, venture financing, local and foreign investments, leasing, crowdfunding sites, and alternative financing mechanisms took place.

The introduction of these mechanisms for the national innovation system of Uzbekistan will enable a step-by-step transition to an innovative economy in the future. In particular, using the crowdfunding platform as a modern mechanism, relying on international experience in financing innovative

projects that do not have a high risk, provides an opportunity to achieve the ultimate goals.

To date, opportunities for using the crowdfunding platform in Uzbekistan have expanded and are reflected in regulatory and legal documents. In particular, in August 2018, following the experience of foreign countries, a crowdfunding platform was launched in Uzbekistan.

The probability of using this modern financing platform is low in our country. Of course, it is inappropriate to suggest that the crowdfunding platform is not actively involved in this process. Improving access to public financing will take time. This requires a certain level of knowledge and skills in using the crowdfunding platform and financing the projects presented in it.

At this point, in order to prevent the possibility of embezzlement of funds by the author of the innovative project based on the crowdfunding mechanism, i.e., the possibility of the formation of "financial pyramids", the authors who want to enrich the projects with financial resources on the platform, form a questionnaire on a regulatory and legal basis. or fill out an application. At the same time, it is advisable for the platform to notify the authors and consumers in advance of the violation of legal norms.

Currently, crowdfunding is experiencing a period of active development in several countries. The use of this method is related to the high demand for innovation, which is a necessary condition for the development of existing industries. This method is based on financial resources in cooperation with innovators and local investors in Uzbekistan. Crowdfunding leads to the development and implementation of innovative projects over the Internet. (Figure 1)

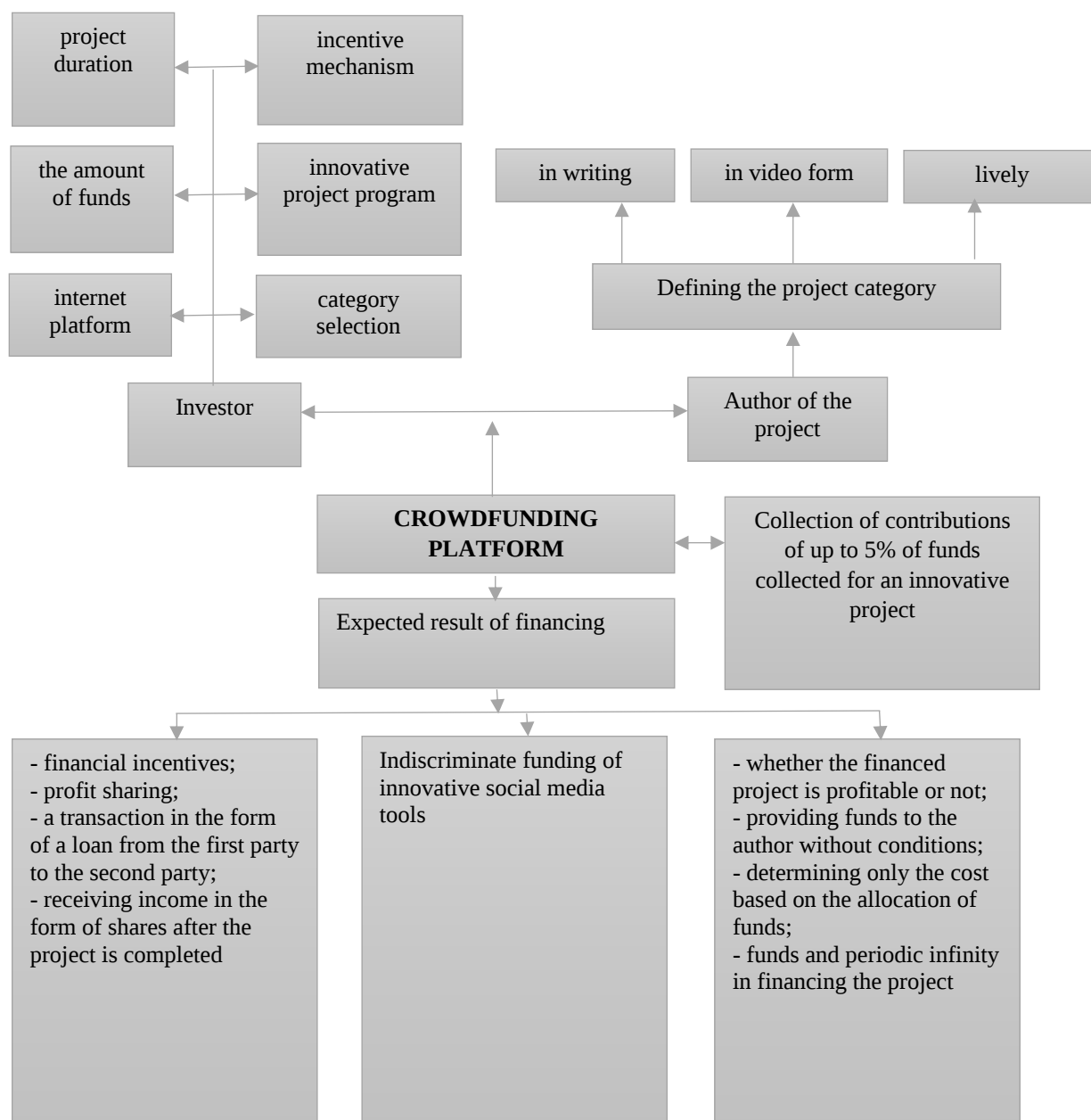


Figure 1. A model of financing innovative projects by crowdfunding method¹

Crowdfunding is an effective way of financing innovations, which depends on the popularity of the innovative project. If an innovative project is considered a concrete tool for solving existing problems, crowdfunding can be considered as the main method of financing. This type of financing mechanism exists in Uzbekistan, and as an effective mechanism for financing innovative processes, the level of state encouragement is high, and it is considered necessary to regulate them based on regulatory legal documents.

It is worth noting that crowdfunding depends on a certain level of development of the society, the increase of financing possibilities of the population, and the knowledge of consumers in forecasting the

innovative projects presented by the author. It can be recognized that such a layer of society has been formed in Uzbekistan to a certain extent.

Taking into account the above, the following suggestions can be made:

1. Currently, cases of informally using the crowdfunding method can be observed among the population of Uzbekistan. Taking this into account, it is important to develop and put into practice regulatory documents on the crowdfunding platform in the legislation of the Republic of Uzbekistan.

2. Concerning the active formation of the crowdfunding platform in our country, it is necessary to develop normative legal documents using the legal norms developed by the USA, Great Britain, France,

¹ Compiled by the author.

Russia, and other similar countries, where this method of financing is highly developed and has sufficient experience.

3. It is possible to expand the number of sites of the national crowdfunding platform to properly direct the idle funds of the people of Uzbekistan, thereby improving the production environment and providing employment to the unemployed population that does not require high skills.

4. Granting benefits for the financing of projects presented by a person or company placed on the public crowdfunding platform, in the display of advertisements on social sites and mass media for a certain period based on the specified conditions.

5. Taking measures to reduce the risks in the financing of innovative projects with various purposes, attracting idle funds of the population. It is important to develop the possibility of concluding electronic contracts for the provision of products or services by the manufacturer in exchange for receiving these funds.

6. For the crowdfunding platform not to depend only on state grants, budget funds, or foreign investors for the financing of innovative developments, it is possible to widely use the activities of local investors.

7. It is necessary to develop a mechanism for the legal protection of innovative projects placed on the crowdfunding platform as intellectual property.

8. The crowdfunding platform can be actively used to finance startup projects and business incubators.

CONCLUSIONS

In conclusion, it should be noted that the limited economic resources and the constant increase in human needs increase the demand for innovative products. This determines the need for the socio-economic and innovative development of the country.

The use of the crowdfunding platform has become widespread in international experiments. Using these experiences, the use of the crowdfunding platform as a modern mechanism for financing the ideas, projects, and technologies created in Uzbekistan on this basis can lead to a reduction in budget costs through the rational use of idle funds of the population in the future. As a result, the efficiency of local production will increase, and the probability of turning

to foreign investments and bank loans by the authors of innovative projects will decrease.

In general, the mechanism of financing innovation processes may seem like a very narrow scope in theory. The above-mentioned is one of the widely used mechanisms in international experience.

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