

Crowdfunding platforms are a method to reduce the shadow economy and improve the investment climate in the Republic of Uzbekistan..

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***Abstract:** The main obstacles to the development of crowdfunding platforms are the legal frameworks in all countries of the world, including the developed countries such as the United States and China, as well as European countries. There are positive aspects to the development of this industry. For example, the Jumpstart Our Business Startups Act, or JOBS Act, was passed in the United States. The law was signed into law by President Barack Obama in 2012. It aims to encourage small business financing in the U.S. by easing securities regulations. We came to a number of findings about the benefits of crowdfunding platforms for owners of current projects as a result of our research.*

***Keywords:** Crowdfunding platforms, capital, shadow economy*

Relevance of the topic: Equity crowdfunding platforms, or crowdfundering, were first initiated as a proposal in Russia in 2000, on one of the "Rosstat" projects. Such platforms are very young in origin, and the market share of equity crowdfunding platforms is mostly in the United States, accounting for 50% of the overall market in 2013, with a market value of approximately \$500 million. One of the first companies to successfully enter the market in 2005 was EquityNet. Today this list is headed by WeFunder, StartEngine, Republic, Netcapital, MicroVentures, SeedInvest, MainInvest, Nextseed, Equifund, Trucrowd. WeFunder has raised more than \$70 million in capital in 2020, which shows the importance of developing this segment of financial technology and also clearly shows the benefit to non-tech sector projects in need of funding. Equity crowdfunding platforms help hundreds of small companies get funding and get into a segment that has been ignored by venture capitalists and business angels. The main difference between equity crowdfunding and crowdfunding platforms is equal shares and the risk of loss of investment, and the amount of profit is not fixed as in peer to peer lending.



Fig1. Source iKuznetsov.com.

As can be seen in the graph (Figure 1), the figures have attracted investment since the first platforms, which are quite serious and can compete with the exchanges of many countries.

The purpose of the study The main obstacle to the development of equity crowdfunding platforms is the legal framework in all countries of the world, including the development of countries such as the United States and China, as well as in European countries. There are positive aspects to the development of this industry. For example, the Jumpstart Our Business Startups Act, or JOBS Act, was passed in the United States. The law was signed into law by President Barack Obama in 2012. It aims to encourage small business financing in the U.S. by easing securities regulations. From our research, we drew a number of conclusions about the benefits of equity crowdfunding platforms for owners of ongoing projects:

- Project owners' access to the large financial resources of venture capitalists.
- Venture capitalists who are ready to invest in projects have a lot of experience and can become full-fledged mentors for project founders.
- Networking and making useful contacts through venture capitalists, investors of equity crowdfunding platforms.
- Benchmark for partners and suppliers in obtaining funding from solid investors.

Along with the advantages, equity crowdfunding platforms have a number of disadvantages in the form of the difficulty of obtaining funding, fighting with investors over the price of the company, control and attempts to gain control through different tools from investors, and other difficulties in financial activities.



Fig2. Source iKuznetsov.com.

As you can see, the graph shows the initial expectations in the estimates of future projects and their real capitalization. It can be assumed that recently there has been a cautious assessment of the growth of companies, and in contrast to this fact, the growth of the real capitalization of the implemented projects.

According to the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, in 2019 the share of the shadow economy in the GDP of the Republic was about 53% (calculations based on the MIMIC model), comparable to neighboring Kazakhstan, a similar figure is about 37%, and the losses from the large share of the shadow economy in the country are about 16-17 billion dollars. By comparison, the share of the shadow economy in the U.S., where many financing instruments are developed and large funds are available to project owners, is only 8%. The shadow economy has a major impact on slowing economic growth, reducing tax revenues for the state budget, disrupting the competitive environment, and complicating the position of taxpayers who provide social benefits.

It is worth noting the issued Presidential Decree No. PD-6098 of 30.10.2020 "On organizational measures to reduce the shadow economy and improve the efficiency of tax authorities", which gave impetus to the recognition and understanding of existing problems in this direction and gave guidance to state agencies to develop measures to reduce the shadow economy. *"The president is emphasizing this very approach - making it easier to do business: elimination of excessive licensing and permissive procedures, improvement of tax system, reduction of powers and control functions of state agencies, clearing the sphere of state procurement, investment projects and customs control of corruption,"* says economist Yuliy Yusupov.

It should be noted that the successful implementation of motivational programs for customers was made possible through the creation of an application for scanning sales receipts. We cite this fact to prove the effectiveness of the introduction of the latest technology to reduce the shadow economy. We assume that the proposal to amend the legal framework and the creation of legal conditions for the creation of crowdfunding platforms in the Republic of Uzbekistan will lead to the development of such platforms in our country. And also created the first companies that, on the basis of the open and legal processes of investment crowdfunding platforms, will be able to attract and place large amounts of investment. Take large amounts of shadow investment out of the shadows, create new companies, and create new jobs. Tax revenues from the creation of new projects on equity crowdfunding platforms, will increase.

The theoretical basis of the study At the moment, in Uzbekistan, there are several prototypes of equity crowdfunding platforms, which provide the opportunity to carry out crowdfunding operations in parallel. Companies such as halfana.uz, Crowdfunders.uz, Uzinvest.uz.

It is impossible not to mention the first experience of creating a crowdfunding platform, Crowdfunders.uz in the Republic of Uzbekistan. This platform was launched in 2018. Crowdfunding platform Crowdfunders also provided Crowdfunding services. A number of reasons led to the stoppage of the project. In our opinion, the reasons for stopping the project are:

- Unpreparedness of the market for new financial technologies in 2018, given the new government reforms that have just begun.

- Lack of legislative support and regulations governing the industry. -Lack of funding for the creation of a quality platform and business model (platforms require large expenditures in the technological part of the project and IT base).



Fig 3. Source iKuznetsov.com.

Novelty of work Advantages of creating equity crowdfunding platforms in the Republic of Uzbekistan:

- Growth of financing of non-technological projects and the creation of new enterprises based on new ideas by the authors.
- Creation of new jobs and an increase in GDP growth by a corresponding share.
 - Facilitation of obtaining funding for categories not subject to bank lending, leasing, securities issues, and projects that do not have an annual balance sheet.
- The possibility of attracting foreign investment, the development of new tools to protect foreign investment, introduced as the basis of equity crowdfunding platforms.
- Improvement of the overall investment climate of the Republic of Uzbekistan both abroad and the emergence of large domestic capital from the shadows.

Conclusion.

Reducing the shadow economy in the Republic of Uzbekistan is a complex task that requires systemic reforms. However, creating a solid foundation for the development of equity crowdfunding platforms will bring about favorable changes in the overall share of the shadow economy. The economy in a changing world requires new and flexible approaches to solving the problems that emerged during the existence of the old non-market-oriented economies of the post-Soviet space. Rapidly changing existing rules and regulations to further development is the foundation of the economics of a changing world.

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