



NEW OPPORTUNITIES OF CROWDSOURCING AND CROWDFUNDING IN BUSINESS

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Abstract

This article analyzes the role of crowdsourcing and crowdfunding in modern business, their importance in the development of entrepreneurial activity, and the use of these technologies in Uzbekistan. Through crowdsourcing, companies have the opportunity to attract ideas and skills from a wide audience, which serves to improve products and services. Crowdfunding is an alternative to traditional methods of financing projects and is carried out by collecting small amounts of funds from the general public. The article also discusses the prospects for the development of these technologies in Uzbekistan and the advantages of their use.

Keywords: Crowdsourcing, crowdfunding, collective financing, innovative business, digital economy, entrepreneurship, Uzbekistan, startups, financial technologies, public idea generation.

Introduction

In many areas of the economy, intermediaries can be replaced by automated network services (a sufficiently well-functioning website or mobile application) to increase profitability. Such a business organization, in addition to allowing a significant reduction in the cost of services, can lead to a new economic structure in which the role of part-time employment and various forms of individual production will prevail.

Crowdfunding and crowdsourcing technologies can also be considered as technologies of the digital economy. The elimination of intermediaries, the development of the Internet and the creation of “smart” automated services are also a transition from an economy based on the acquisition of added value to an economy based on cooperation and exchange of goods (including the “sharing economy”). Therefore, competition gives way to mutually beneficial cooperation



and interaction, and is based more on equal relationships, the provision of complementary services, rather than on vertical ties. This is where the growth of e-commerce and the volume of services and the growth of the number of services come from. According to World Bank experts, a 10% increase in the number of users of high-speed Internet can increase annual GDP growth by 0.4% to 1.4%. The fact that the share of countries' GDP in the e-economy increases by about 20% per year is a recognition of the importance of such an economy, in developed countries this figure is on average seven percent. If the growth rate is maintained, in 10-15 years the share of such an economy in world GDP, according to forecasts, may reach 30-40%. New social models of organizing interactions based on the integration of modern information platforms lead to the embodiment of economic technologies (NET). The main principles of NET are as follows:

- development of completely new business models;
- optimal integration of various information technologies and their use in organizational and technological processes in the real sector of the economy;
- minimizing transaction costs and material resources used in the development of material resources.

The digital economy develops on the basis of modern information technologies and in accordance with real economic conditions. If earlier production, trade and financial technologies developed sequentially, now the NET has emerged, which is the basis of a modern information economy, which is based mainly on horizontal interactions (self-organization and singularity), innovative entrepreneurship (self-development), information engineering (self-improvement) and auto-formalization of economic processes (auto-structuring). The material basis of the NET is data centers and modern IT platforms designed for systematization and analytical processing of information. Thanks to the crowdfunding platforms known and popular to all of us, small businesses have found their way to capital via the Internet. The Oculus Rift and Pebble Watch platforms used in foreign countries are the first steps of this model. But as before, participants will buy capital directly. The new law on supporting startups in the US allows small investors to invest directly through crowdfunding campaigns, but investors and entrepreneurs still need intermediaries such as Kickstarter or Indiegogo and a traditional payment method, usually a bank card or PayPal. The



intermediary is the arbiter of these matters, including who owns what. Equities on the blockchain (this is one option) take this concept further. Companies can now raise funding “on the blockchain”, issuing tokens or virtual securities that correspond to the tangible value of the company. They can reflect the positions of market participants quoted on the platform, giving their owners the right to decide which prediction markets the company opens, as is the case with stocks, bonds or others. Ethereum has achieved even greater success by funding the development of a completely new blockchain for the sale of its token, ether, on pre-orders. Ethereum is currently the second-longest and fastest-growing public blockchain. The average investment in Augur crowdfunding was \$750, but it is not difficult to imagine minimum subscriptions of \$1 or even 10 cents. Anyone in the world - even the poorest and most remote regions - can become an investor in the stock market. The Augur leadership team believes that the only practical limit to prediction markets is imagination. Anyone can post a specific prediction on Augur with a specific end date. Augur creates a decentralized platform for prediction markets that rewards users for accurately predicting future events - sports competitions, elections, new product launches, the future of famous people's children.

Augur relies on the “wisdom of crowds” – a scientific principle that a large group of people can predict the outcome of an event more accurately than a single expert or a few experts. In other words, Augur uses a market mechanism to increase the accuracy of predictions.

There have been centralized prediction markets in the past, such as the Hollywood Stock Exchange, Intrade, and HedgeStreet (now Nadex), but most of them have either closed or never launched due to legal and regulatory issues. The use of blockchain technology makes the system more robust, more accurate, more robust to fraud, coercion, and liquidity problems, and leads to what the Augur team calls “regulation by obsolete jurisdictions.” On the Augur platform, judges are called “referees,” and their legitimacy is determined by their authority. More authority points are awarded for “correct behavior” – that is, for the outcome of an event, election, or game. Adhering to ethical standards in the system also brings other material benefits: the more reputation points a user has, the more markets they can create and the more money they can earn. Augur claims that its



prediction markets eliminate the risks associated with third-party, centralized servers and create a global market using cryptocurrencies, including blockchain, ether, and stablecoins. All funds are stored in smart contracts, and funds cannot be stolen. Augur also solves the problem of unethical contracts by implementing a zero-tolerance policy for violations.

Prediction markets are useful for investors who are interested in taking bets on eventual events, such as: Will IBM's earnings grow by at least 10 cents this quarter? The current estimate of corporate earnings is simply the average or median of several expert analysts' forecasts. Using the wisdom of the crowd, we make realistic predictions for the future, which makes markets more efficient. Prediction markets can also serve as a hedge against abnormal events and global uncertainty. Prediction markets can act as an impartial early warning system for investors around the world. Prediction markets can complement and ultimately transform many aspects of the financial system. Imagine prediction markets for reports on acquisitions, management changes, and so on. Prediction markets can be used to hedge and insure values, and in the future they will even replace mystical financial instruments such as options, interest rate swaps, and credit default swaps. Of course, prediction markets are not needed everywhere. They will not be liquid enough to attract attention until enough people are interested. But their potential is still huge and open to everyone. Blockchain technologies affect all types and functions of the financial services market, from retail banking and capital markets to accounting and regulation. They will also force us to reconsider the role of banks and financial institutions in society.

If the old world was rigidly hierarchical, sluggish, closed, and opaque, resistant to change, and controlled by powerful intermediaries, the new world will be flatter, more peer-to-peer, more frequent, more reliable, more transparent, more integrated, and more innovative. Of course, change will lead to disruption and instability, but industry leaders have the opportunity to take action today. The financial services industry is set to experience both decline and growth in the coming years: fewer intermediaries will be able to offer more products and services to more people at lower costs. We think that's a good thing. Whether open and closed blockchains can find a place in a decentralized world is a controversial issue. We believe that the unstoppable force of blockchain



technology is currently attacking the entrenched, regulated, and stagnant infrastructure of modern finance. Their collision will change the landscape of the financial system for decades. We hope that it will finally transform from an industrial-age money machine into a platform. Several companies, attracted by the potential for profit, are working on search engines for blockchains. Google has taken on the mission of collecting and organizing all the information in the world, and it is not surprising that the company has invested a lot of human resources in researching this issue. There are three main differences between searching on the Internet and searching on the blockchain. First, it is the privacy of the user's personal data. At the same time, transactions are transparent, everyone owns their own personal data and decides for themselves how to deal with it. The process can be anonymous, pseudonymous (under an assumed name - anonymous), or pseudo-anonymous (partially anonymous). Many companies will have to rethink and reorganize their recruitment processes.

Another reason for conflicts in companies is the cost of the contract, the negotiation of prices, the description and volume of the terms of the provision of goods or services, the enforcement and regulation of these agreements, and the measures to be taken in case of their non-fulfillment. Contracts and agreements are a relatively new phenomenon, having appeared when we began to exchange obligations, not property. Oral agreements turned out to be unreliable: they were easy to distort, misremember, and witnesses could not always be relied upon. Suspicion and distrust prevented us from working together with new people. Contracts had to be performed immediately, and the fulfillment of the terms could only be achieved through the threat of force - there were no formal mechanisms for this. A written contract became a way to record obligations, establish relationships based on trust, and describe the results expected from each other. Written contracts indicated what to do if one of the parties did not fulfill their obligations or an unexpected event occurred. But they could not exist in a vacuum - a legal framework was required that recognized contracts and ensured that the rights of each party were respected. Blockchain, by reducing the costs of contracts, allows companies to open up and develop new relationships beyond their borders. Consensus, for example, can create relationships with a diverse group of participants both within and outside its territory, because these relationships are



managed by smart contracts, not traditional managers. Participants themselves set goals that satisfy everyone and receive rewards for achieving them - all this is done on the blockchain.

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