American Journal of Social and Humanitarian Research
Vol. 7 Issue 9 | pp. 135-143 | ISSN: 2690-9626
Available online @ https://globalresearchnetwork.us/index.php/ajshr

Article

The Institution of Crowdfunding and Prospects for Its Development in Uzbekistan: A Theoretical and Legal Analysis

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Abstract: This article examines crowdfunding as a promising mechanism for capital raising and analyzes its potential for development in Uzbekistan. The research draws upon fundamental economic theories, including agency theory, signaling theory, and value co-creation theory, to explain the essence of this phenomenon. The paper provides a detailed analysis of the barriers constraining the development of the crowdfunding market in Uzbekistan, ranging from legal uncertainty to challenges related to payment infrastructure and the protection of investors' rights. Based on the analysis, a comprehensive set of measures aimed at improving the regulatory framework and stimulating the growth of crowdfunding in the Republic is proposed.

Keywords: Crowdfunding, alternative finance, Uzbekistan, legal regulation, investment platforms, financial technologies, startups, digital economy.

Citation: qizi Khamidova F. A., qizi Karimova A. A. The Institution of Crowdfunding and Prospects for Its Development in Uzbekistan: A Theoretical and Legal Analysis. American Journal of Social and Humanitarian Research 2026, 7(9), 135-143

Received: 09th Jun 2026
Revised: 10th Jul 2026
Accepted: 20th Aug 2026
Published: 18th Sept 2026

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1. Introduction

The digitalization of the economy has fundamentally transformed approaches to investment, bringing crowdfunding to the forefront as a system of direct project financing through online platforms [1], [2].

The study of this phenomenon in Uzbekistan is of particular importance for several reasons. First, crowdfunding has demonstrated impressive growth rates worldwide, increasingly serving as an important source of financing for small businesses (OECD and Statista data confirm the rapid expansion of the market in recent years). Second, this instrument promotes financial inclusion by providing access to capital for individuals and businesses that have traditionally faced limitations in obtaining bank loans [3]. Third, there is a clear gap between the active adoption of crowdfunding practices and the lack of in-depth academic research on this phenomenon in developing countries.

The development of crowdfunding in Uzbekistan remains at an early stage. According to Karimova [4], this financing instrument represents a promising alternative to traditional sources of funding, particularly for the startup ecosystem, social initiatives, and creative industries. Key drivers of its growth include digital transformation, youth engagement, and diaspora participation. However, its full-scale development is constrained by an underdeveloped regulatory framework and insufficiently developed financial infrastructure [4].

The aim of this study is to examine the potential of crowdfunding as an alternative financing instrument in Uzbekistan and to systematize theoretical approaches to its development. The study seeks to clarify the terminology, analyze the legal framework and the current state of the market, as well as develop practical recommendations for improving crowdfunding mechanisms in the country.

Theoretical Foundations of Crowdfunding as an Institution of Alternative Financing

The Concept and Essence of Crowdfunding

The term "crowdfunding" represents a combination of the English words "crowd" (a large number of people) and "funding" (financing). In the broadest sense, crowdfunding is understood as the practice of raising financial resources from a large number of individuals through online platforms for the implementation of specific projects or the support of initiatives.

In the academic literature, three key approaches to the interpretation of crowdfunding can be distinguished. The institutional paradigm considers it as a mechanism of financial intermediation, in which platforms serve as a link between suppliers and users of capital. The behavioral approach focuses on the psychology and motivations of the parties involved, namely project creators and investors. In turn, the technological approach postulates the primary role of digital platforms as the fundamental infrastructure of this process [1], [2].

The European Securities and Markets Authority (ESMA) has provided the following definitions: the European Commission defines crowdfunding as an open call to the public, generally through the Internet, to provide funding for a specific startup project; the UK Financial Conduct Authority (UK FCA) defines it as a means by which individuals raise funds through online portals (crowdfunding platforms) to finance or refinance project activities and business activities; the U.S. Securities and Exchange Commission (US SEC) defines crowdfunding as "an emerging method of raising capital used to raise money not through the securities market, but through the Internet for the implementation of crowdfunding projects"; and IOSCO defines it as an "umbrella term used to describe a form of raising certain small amounts of money from a large number of individuals or organizations through an online platform to finance a project, business, or loan for personal purposes (credit), as well as other needs" [5].

Typology of Crowdfunding Models

In contemporary research, the classification of crowdfunding into four key models, differentiated by the type of consideration provided to the investor, is widely accepted [2]:

- Donation-based model: characterized by the absence of any material benefit to the donor. It is predominantly used in the charitable and socially oriented sectors.
- Reward-based model: involves the investor receiving non-financial benefits, such as goods or services. Historically, this was the first crowdfunding model and remains particularly popular in the creative industries.
- Equity-based model: involves transferring a share of ownership in a company to the investor. This format is the closest to conventional investment instruments and requires compliance with strict regulatory requirements.
- Lending-based model: is based on the provision of a loan with subsequent repayment of the principal and interest. In essence, it resembles bank lending but is implemented through direct interaction between the parties via specialized online platforms.

According to the classification proposed by V. A. Kuznetsov, crowdfunding is divided into four main types: donation-based crowdfunding, conditionally repayable crowdfunding, equity crowdfunding, and lending-based crowdfunding. As emphasized in the World Bank report [3], developing markets, including Uzbekistan, are characterized by the predominance of donation-based and conditionally repayable financing models, while the equity-based and debt-based crowdfunding segments are still at an early stage of development.

Theoretical Mechanisms of Crowdfunding

Information Asymmetry Theory and Signaling Theory

The concept of information asymmetry provides a fundamental basis for studying crowdfunding mechanisms. In this context, it is multidimensional, encompassing relationships between project creators and contributors, interactions within the investor community, as well as communication between the crowdfunding platform and its users [6], [7]. The uneven distribution of information gives rise to two fundamental risks: adverse selection, associated with the difficulty of assessing the quality of a project at the initial stage, and moral hazard, which arises after funds have been received, when the project initiator may reduce the intensity of efforts devoted to the project.

To provide a visual representation of the mechanism for overcoming information asymmetry, Figure 1 presents an author-developed flowchart illustrating the logic of interaction among participants in the crowdfunding process.

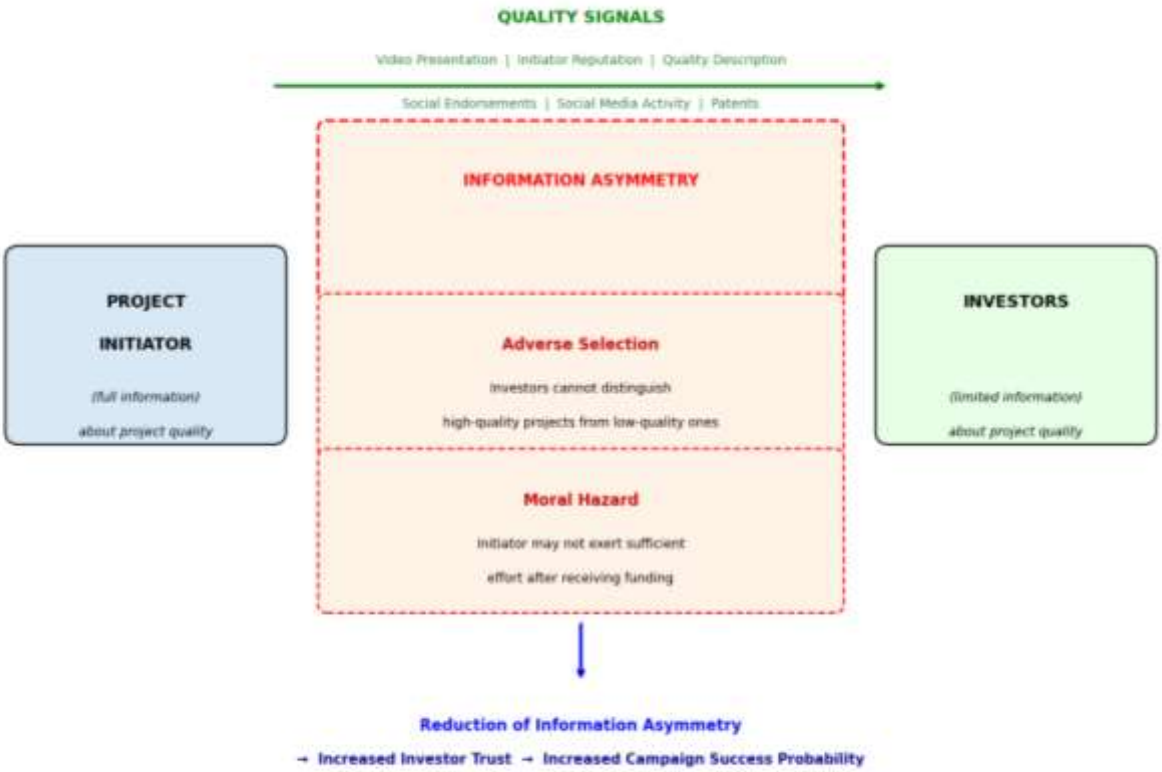

Figure 1. Mechanism for Overcoming Information Asymmetry in Crowdfunding through Quality Signals

Source: Compiled by the author based on [6], [7], [8]

According to signaling theory (Figure 1), information asymmetry in crowdfunding can be reduced through the communication of the qualitative characteristics of a project [8]. Such trust indicators include the professionalism of the project team, the quality and comprehensiveness of the content (video and project description), expert engagement, the dynamics of project implementation, social activity, and the initiator's reputational capital. Empirical evidence confirms a correlation between the use of these signals and campaign performance. The aggregated findings of studies by [8], [9], [10] make it possible to assess the degree of influence of these factors (Figure 2).

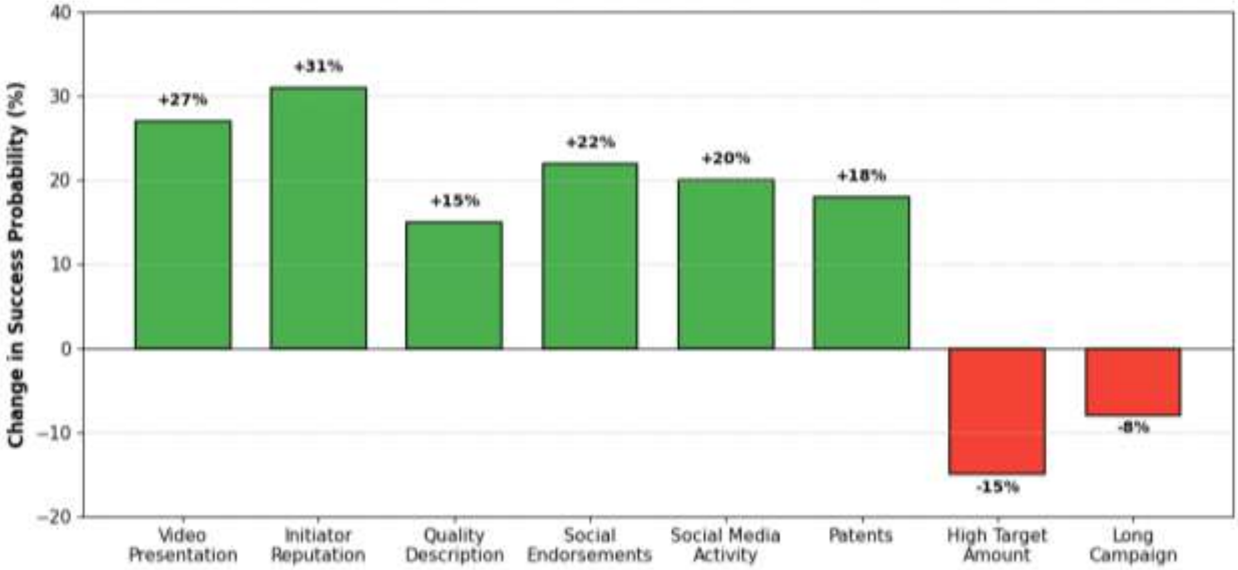

Figure 2. Impact of Quality Signals on Crowdfunding Campaign Success

Source: Compiled by the author based on [8], [9], [10]

The analysis of Figure 2 makes it possible to identify the factors determining the success of crowdfunding projects. The leading positions are occupied by the initiator's reputation (+31%) and the quality of video content (+27%), followed by social metrics (+20–22%). The negative impact of excessively high funding targets and lengthy campaign durations indicates the "donor fatigue" effect, emphasizing the importance of realistic planning.

Empirical evidence confirms the effectiveness of quality signals in attracting funding. For developing markets, particularly Uzbekistan, this aspect is crucial, as trust in new financial mechanisms is primarily established through the communication of quality and reliability.

Agency Theory

Agency theory [6], [7] makes it possible to analyze crowdfunding through the lens of the "principal–agent" relationship, in which the project initiator acts as the agent, while investors act as principals. The key characteristics of such relationships include information asymmetry, incomplete contracts, and limited opportunities to monitor the agent's activities.

In the context of crowdfunding, a specific problem arises: the presence of multiple investors and a single project initiator creates difficulties related to collective action. Individual contributors have limited incentives to engage in active monitoring because they bear the associated individual costs, while the results of such monitoring constitute a public good. Within this structure, the crowdfunding platform acts as an intermediary that minimizes agency risks by implementing reputational control mechanisms, standardizing processes, and providing partial oversight of projects.

Value Co-Creation Theory

Value co-creation theory offers an alternative perspective, viewing crowdfunding not as a transaction involving the exchange of resources, but as a process of jointly creating value by all participants. According to this approach, value in crowdfunding is created not only by the project initiator but also by investors, who contribute not only financial resources but also ideas, feedback, social capital, and legitimacy. The platform, in turn, creates value by providing the infrastructure for interaction and reducing transaction costs.

3. Method

This study adopts a qualitative and analytical methodology combined with comparative legal and empirical synthesis to analyze the crowdfunding institutional landscape in Uzbekistan. The methodological framework encompasses the following stages:

1. **Systematic Literature Review:** Synthesis of economic and financial theories (Information Asymmetry Theory, Signaling Theory, Agency Theory, Value Co-Creation Theory) based on foundational academic studies [1]–[10] to establish a conceptual paradigm.
2. **Comparative Legal and Institutional Analysis:** Comparative evaluation of regulatory frameworks across leading international jurisdictions (United States, European Union, France, Germany, Russia) [5] in relation to existing presidential decrees, regulatory sandboxes, and executive enactments in Uzbekistan [11]–[15].
3. **Empirical Synthesis of Quality Signals:** Secondary analysis and aggregation of empirical data from previous quantitative studies [8]–[10] to measure the quantitative impact of various signal variables on crowdfunding campaign success rates.
4. **Market & Platform Mapping:** Qualitative examination of active and emerging crowdfunding platforms in Uzbekistan (*Imkon VC*, *Crowdfunders.uz*, *MFond.uz*, *Inson uchun*) [16]–[19] to identify operational models, structural bottlenecks, and infrastructural readiness.

2. Results and Discussion

Crowdfunding in Uzbekistan: Current State and Institutional Barriers

Emergence and Development of Crowdfunding in Uzbekistan

Crowdfunding as a financing instrument for innovative and entrepreneurial projects in Uzbekistan is at an emerging stage. Although this sector in the country has not yet reached the level of development observed in the mature markets of the United States, Europe, or East Asia, it demonstrates a stable positive trend (Karimova, 2025). The development of this area is driven by several factors, including increasing digitalization, a high level of technological literacy among the younger generation, government support, and growing awareness of the benefits of collective investment for the development of businesses and social initiatives.

At present, several crowdfunding platforms operate or are being developed in Uzbekistan:

1. **Imkon VC** — a new venture capital and crowdfunding platform officially launched in Uzbekistan in February 2026. Founded by entrepreneur Muhammad Khalil, the platform is focused on developing the country's rapidly growing startup ecosystem. Imkon VC enables both experienced and novice investors to identify and support promising startups through a digital interface, reducing traditional barriers, including high entry thresholds and complex legal procedures. For startups, the platform provides an integrated solution for attracting investment, from project listing to end-to-end investment management, enabling founders not only to raise capital but also to build a community of supporters around their products.
2. **Crowdfunders.uz** — a crowdfunding platform expected to be launched in the near future. The platform offers both a conventional crowdfunding model and equity crowdfunding, under which investors may receive an ownership stake in a company in exchange for their contribution to a project (Podrobno.uz). The authors of the first

50 projects will participate in a coaching program free of charge, while five selected projects will receive promotional videos designed to facilitate fundraising.

3. **MFond.uz** — the first online crowdfunding platform launched by the Ministry of Education of Uzbekistan. The platform enables charitable donors, parents, and school alumni to provide sponsorship support to educational institutions.
4. **Inson uchun** — a charitable platform established at the initiative of the National Agency for Social Protection of Uzbekistan for collecting donations (Podrobno.uz).

Main Barriers to the Development of Crowdfunding in Uzbekistan

The development of crowdfunding in Uzbekistan is constrained by a number of significant institutional and regulatory limitations. A key challenge is the absence of a comprehensive legal framework: the existing regulations are fragmented and do not adequately address the specific characteristics of crowdfunding operations. In a context where businesses face limited access to traditional financial instruments, alternative methods of capital raising, including venture capital investment, SAFE agreements, grants, and crowdfunding, are becoming increasingly important. Nevertheless, the existing legal framework does not provide the necessary conditions for the full-scale functioning of these mechanisms.

The issue of investor protection should also be taken into account.** The legal vacuum in the field of crowdfunding poses threats to investment security, including the risks of dishonest behavior by project initiators and the absence of legal protection mechanisms. The academic literature rightly indicates that the sustainability of crowdfunding models is determined by the level of qualification of market participants. Consequently, public policy should be aimed at improving the population's financial literacy in the field of digital financial instruments.

Existing infrastructure limitations in Uzbekistan's payment system create certain barriers to transactional activity on crowdfunding platforms. Nevertheless, a positive trend can be observed: the integration of platforms with local payment systems, such as Payme, Upay, and Click, as well as international payment systems, including Visa and Mastercard, contributes to the gradual overcoming of these obstacles.

Another key challenge is the low level of digital and financial literacy. The success of crowdfunding depends on the competencies of market participants. Since the development of this sector relies on the digital skills of society, Uzbekistan requires systematic efforts to educate the population and promote citizens' participation in crowdfunding projects.

Furthermore, tax incentives for crowdfunding participants have not yet been established in Uzbekistan. Meanwhile, international practice demonstrates that tax incentives are a key factor in making crowdfunding more attractive to both investors and project initiators.

Legal Regulation of Crowdfunding in the Republic of Uzbekistan

Current State of Legislation

Crowdfunding in Uzbekistan remains insufficiently regulated, as a comprehensive legal framework specifically governing crowdfunding activities has not yet been established. Consequently, participants in crowdfunding transactions are required to rely primarily on general provisions of civil law, which do not adequately address the specific characteristics of crowdfunding and may result in significant legal uncertainty for both businesses and investors.

However, in recent years, there has been an increasing focus on legislative development in this area. In accordance with the Decree of the President of the Republic of Uzbekistan "On Measures to Create Conditions for the Accelerated Implementation of

Artificial Intelligence Mechanisms" (PP-4996 dated February 17, 2021), mechanisms for crowdfunding and co-financing of startup projects in the field of artificial intelligence have been envisaged. An important step forward was the adoption of Resolution No. PQ-59 of the Cabinet of Ministers of the Republic of Uzbekistan dated February 11, 2026, "On Measures to Introduce a Comprehensive Startup Support Ecosystem," which provides for the regulation of crowdfunding activities and instructs the Cabinet of Ministers to develop proposals for regulating crowdfunding.

Furthermore, within the framework of Presidential Decree No. PF-50 of the Republic of Uzbekistan dated March 19, 2025, "On Measures to Increase the Role of Small and Medium-Sized Businesses in the Economy," the development and improvement of the regulatory framework for crowdfunding-based financial instruments is envisaged, along with the introduction of mechanisms to stimulate the activities of business angels through a "regulatory sandbox."

Another significant step is the introduction, from October 1, 2025, to October 1, 2026, of a special legal regime, the "Regulatory Sandbox," for investment platforms. This mechanism will enable new crowdfunding models to be tested on an experimental basis.

The Need for the Adoption of a Special Crowdfunding Law

An analysis of international experience indicates that the successful functioning of crowdfunding requires the establishment of dedicated legislation. Different jurisdictions have developed specific legal and regulatory mechanisms:

- United States: The "JOBS Act," adopted in 2014, is aimed at actively promoting crowdfunding activities.
- European Union: Regulation (EU) 2020/1503 (ECSPR) harmonized the rules governing crowdfunding platforms across all EU Member States.
- France: Legislation adopted in 2014 established a maximum fundraising threshold of EUR 1 million.
- Germany: In 2015, a financing limit of EUR 1,000 per project was established.
- Russia: Federal Law No. 259, regulating the activities of investment platforms and capital raising through such platforms, has been in force since January 1, 2020.

An analysis of foreign crowdfunding platforms demonstrates that crowdfunding can serve as a viable alternative for supporting and financing startups, enabling small and medium-sized enterprises (SMEs) to raise funding through online platforms in the form of loans and equity investments from a broad range of investors. For crowdfunding to become an additional non-bank method of fundraising in Uzbekistan, effective and timely legal measures are required.

3. Conclusion and Recommendations

Based on the theoretical and empirical analysis conducted, it can be concluded that crowdfunding represents an innovative alternative financing instrument that transforms traditional relationships between project initiators and investors. This is supported both by theoretical frameworks—including information asymmetry theory, signaling theory, agency theory, and the concept of value co-creation—and by empirical evidence regarding the impact of quality signals on campaign success. In particular, video presentation (+27%), initiator reputation (+31%), and social proof (+22%) positively influence the likelihood of campaign success, whereas a high funding target (−15%) and a lengthy campaign duration (−8%) reduce it.

In Uzbekistan, crowdfunding is at an early stage of development. Despite the emergence of the first platforms (Imkon VC, Crowdfunders.uz, MFond.uz, and Inson uchun) and increased legislative activity (Presidential Decree No. PF-50 dated March 19, 2025; Cabinet of Ministers Resolution No. PQ-59 dated February 11, 2026; and the introduction of a “Regulatory Sandbox” for investment platforms from October 1, 2025), significant barriers remain. These include an insufficiently developed regulatory framework, risks to investors, limitations in payment infrastructure, and a low level of financial literacy among the population (Rakhmedova, 2026; Karimova, 2025).

Based on the analysis conducted, the following practical recommendations are proposed: for project initiators — to invest in high-quality video presentations, demonstrate their reputation and previous success, maintain activity on social media, and set realistic financial targets; for crowdfunding platforms — to improve project verification mechanisms, implement intelligent ranking algorithms, ensure transparency in fee policies, and develop tools for community building; for regulatory authorities — to adopt a dedicated crowdfunding law (following the example of Federal Law No. 259-FZ of the Russian Federation or the EU ECSPR Regulation), amend the Civil Code by establishing the concept of crowdfunding and the legal nature of crowdfunding agreements, expand the application of the “regulatory sandbox,” introduce tax incentives for investors and project initiators, invest in programs aimed at improving the population’s financial and digital literacy, and harmonize national regulation with international standards to facilitate cross-border capital flows.

Promising areas for future research include the analysis of the long-term effects of crowdfunding on company development, the study of cross-cultural factors, the integration of blockchain technologies and smart contracts into crowdfunding platforms, as well as an in-depth examination of regional markets, taking into account the specific features of the regulatory environment and national characteristics of entrepreneurial culture.

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