RISKS AND RISK MANAGEMENT ISSUES IN CROWDFUNDING OF ENTREPRENEURIAL ACTIVITIES

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Abstract: *This thesis systematically analyzes the main risks arising in the process of crowdfunding entrepreneurial activities and the mechanisms for managing them. The relevance of the study is explained by the increasing volume of financing through digital platforms, the growing number of investors, and the escalation of risks such as information asymmetry, fraud, and project failure.*
Keywords: *crowdfunding, investment risk, platform risk, information asymmetry, risk management, diversification, financial innovation, startup financing.*

In recent years, crowdfunding has rapidly developed as an alternative and innovative form of financing entrepreneurial activities. Through this model, startups and small business entities have gained the opportunity to attract capital from a wide range of investors without relying on traditional financial institutions.

However, the crowdfunding process is characterized by a high degree of uncertainty and risk. Investors often do not have complete information about the actual status of a project, which may lead to incorrect investment decisions. Furthermore, platform-related issues, insufficient legal regulation, and inadequate financial monitoring further increase these risks.

Therefore, identifying risks in crowdfunding and developing effective risk management mechanisms have become important scientific and practical tasks in modern entrepreneurship.

The risks arising in the crowdfunding process can be divided into several main categories: investment risk, information asymmetry risk, platform risk, legal risk, and operational risk.

Investment risk refers to the possibility that a project may fail and investors may not receive the expected return. This risk is associated with the high uncertainty of startup activities.

Information asymmetry risk occurs when project initiators and investors do not have equal access to information. This increases the likelihood of misjudgment and fraudulent activities.

Platform risk is related to technical failures, cybersecurity issues, or poor management of crowdfunding platforms.

Legal risk arises from insufficient regulatory mechanisms or ambiguities in legislation governing crowdfunding activities.

Operational risk refers to organizational and technological challenges encountered during project implementation.

To manage these risks, the following modern mechanisms are commonly applied in crowdfunding:

1. Preliminary platform-based due diligence. Projects are reviewed and evaluated before being listed on crowdfunding platforms.
2. Ensuring information transparency. Investors are provided with complete and reliable information about projects.
3. Diversification. Investors reduce risks by allocating capital across multiple projects.
4. Digital monitoring and audit systems. Platforms monitor the movement of funds and the progress of project implementation.
5. Legal regulation. Government regulation of crowdfunding activities contributes to risk reduction.
6. Rating and evaluation systems. Projects and project initiators are assessed through rating mechanisms.

The analysis indicates that effective risk management in crowdfunding requires a multi-level approach involving integrated measures at the platform, investor, and government levels.

Crowdfunding is an important financial instrument for entrepreneurial development; however, it is also accompanied by significant risks. In the absence of an effective risk management system, investor confidence decreases and market growth slows down. Based on these findings, the following recommendations are proposed:

1. Introduce comprehensive and rigorous due diligence procedures on crowdfunding platforms.
2. Improve information transparency for investors and implement standardized reporting systems.
3. Encourage investment diversification as a means of reducing risk exposure.
4. Strengthen digital monitoring, cybersecurity, and risk control systems on crowdfunding platforms.
5. Improve the legal framework regulating crowdfunding activities through government initiatives.
6. Develop national crowdfunding platforms and establish risk management standards tailored to the conditions of Uzbekistan.

CONCLUSION

In conclusion, improving the risk management system in crowdfunding is essential for enhancing the financial stability of entrepreneurial entities and supporting innovative projects. Effective risk management contributes to greater investor confidence, sustainable market development, and the successful financing of entrepreneurial initiatives.

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