The Sharing Economy and Sustainability: a Case Study of India

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Abstract
The ongoing debates and discussions about sharing economy revolve round its definition, regulations and impact on economy, business and consumers. The paper attempts to develop a theoretical framework that define the sharing economy and analyse the possible association between the sharing economy and sustainability.

The paper also assesses the need for an institutional and regulatory framework to strengthen sharing economy as an economic driver, potentially contributing to the more sustainable growth of the world economy.

Keywords: Sharing Economy, Sustainability, Collaborative Consumption, Regulation, India, Sustainable Development

JEL Classification: Q01, D16, D60

Introduction
Realising the repercussions of ever-growing world population and severe climatic changes, the United Nations recently adopted 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. There is striking need for all nations around the globe to showcase solidarity in supporting these goals and hence better future.

Research scholars and businesses around the world are seeking alternatives to increase efficiency in utilizing resources and attain sustained economic growth. Globally, economies are supporting technological advances to conserve natural resources, promote sustainable environment and impart social welfare.

Natural resources are under pressure due to the ever-rising global population. Increasing urban population also exerts undue pressures on government and public services.
Rising urbanization has also created problems pertaining to public services and community building. Nevertheless, technology savvy present generation is trying hard to devise ways to optimally utilise resources and leave enough for the future generations to live on. They reflect their belief in continual growth through advancement of technology to search alternatives for depleting resources. The inclination toward digitalization is a key to enormous innovations that has altered or disrupted the traditional way of conduction business.

Over the last couple of years, sharing economy has gained global recognition and has been widely discussed, debated and matured to the present day (Belk, 2014; Owyang et al., 2013). The idle and underutilised goods are easily shared with peers, on the temporary basis without permanent ownership, through the help of digital technology.

Technology has been the backbone behind the human march from asset heavy generation which means permanent ownership to asset light generation, relating to temporary ownership (April, 2013). It has a great potential to deliver ecological benefits by enabling more sustainable lifestyles. The policies of sustainable development seek to change the nature of economic growth rather than restricting them. Online peer-to-peer access providers of goods and services such as Airbnb, a classified accommodation provider on rental basis; Ola and Uber, globally known for providing transportation services; We-Work, Regus besides many others are best known for providing shared working spaces and are quite well-known players to relate and understand the working of shared economy.

The augmentation of internet services and mobile penetration has favoured acceptance of sharing economy business model which is fairly evident the way Airbnb, Ola and Uber start-ups turned into present day unicorns in just few years’ time of their inception. Sharing economy has an enormous potential to lay an innovative pathway to sustainable business and consumption practices and thereby challenging traditional business practices for good. Martin (2016) believes that sharing economy could potentially contribute to sustainable economic growth through its fundamental business model facilitating sustainable consumption. It is capable of involving millions of participants to capitalize existing assets and provide spill over effects in the economy. The sharing economic activity complements traditional style of businesses to generate positive economic, social and environmental impacts. It strategically helps in achieving sustainable lifestyle by shifting the attention to the consumption side.

This paper aims to build a theoretical framework to define sharing economy and analyse its contribution in promoting sustainable economic growth, which could be probable source to sustainable lifestyles. The paper also assesses the need for an institutional and regulatory framework to strengthen sharing economy as an economic driver, potentially supplementing sustainable progress of society.

Rest of the paper is structured as follows. Section 2 presents insight about the theoretical ambiguity of the term ‘sharing economy’ whereas section 3 assesses the sharing economy by identifying its main pillars and sustainability impacts. Section four discusses the evolution and regulatory concerns related to sharing economy in India and section five concludes.
Understanding the Sharing Concept

It is overwhelmingly difficult to precisely define ‘sharing economy’ as the notion has been defined in numerous ways by several researchers (Schor, 2016, Belk 2014). Sharing economy has been known by variety of name such as collaborative consumption, peer to peer economy, access-based consumption, gig economy and Mesh among several others.

The socio-economic ecosystem of sharing economy that involves sharing goods like food grains, water, equipment and many more among people living within societies and communities has perhaps been an indispensable form of living since primitive time and is still a mundane day to day tradition worldwide. Nevertheless, the radical and disruptive act of technology driven sharing economy over the last two decades has been a remarkable act.

Sharing platforms reduce transaction cost considerably by enabling a direct link between providers and end user to trade or lease out goods and (Rauch and Schleicher, 2015). According to Belk (2007), sharing deals with the exchange of goods or services between peers without any monetary benefit or financial remuneration. However, going by this definition Airbnb and Uber, the peer to peer asset rental service should be excluded from the sharing economy (Martin, 2016).

Apparently, ‘renting’ seems to be a more accurate term compared to sharing; however, in many different cases it has been used. Sharing economy on one end relates to sharing of an apartment or vehicle for monetary returns though on other it also include sharing on social media or sharing experiences or secrets on another end without any monetary returns.

Many researchers believe that Uber or Ola are not precisely sharing platforms rather Olashare and Uberpool are the genuine sharing platforms which involve sharing in a real sense. They are the real ridesharing platforms as it facilitates the commuter to share the cost of the ride with co-commuter whose travel route is more or less the same. Several online platforms categorize themselves as sharing economy players due to its emblematic importance of sharing. Frenken & Schor (2017) argues that performativity of the expression ‘sharing economy’ breeds perplexity regarding the scope of its dealings.

According to Botsman (2015), Sharing economy encompasses peer to peer business platforms that primarily deals in sharing of underused assets or services, with or without monetary returns such as Airbnb, Oyo, Ola, RelayRides, etc. Botsman regarded sharing economy businesses as one that creates value of unused or under-utilized assets by sharing with peers either for financial or non-financial paybacks. It is an obvious value-based task with meaningful principles.

The providers of goods and services should be appreciated and empowered whereas the consumers should be entitled to access without ownership more efficiently.

The business built on such distributed marketplace should target the mutual benefit the community. Stephany (2015) also suggests that sharing economy is all about creating value by making under-utilized assets available to users on temporary payment basis, which thereby minimises the ownership demand.
Accessing the Sharing Economy

According to Schor (2016) ‘stranger sharing’ is something novel about this new age sharing economy as historically people engaged in sharing with relatives and neighbourhoods. Present day sharing platforms aid the sharing between unfamiliar individuals which possibly involves higher degree of risk. Sharing our personal belongings with strangers is truly a cause of concern, especially when these sharing platforms enable sharing of one’s private asset such as home or a car.

Trust and reputation are two main pillars that facilitate the frictionless functioning of the sharing economy. The trust and faith of people build up over time through frequent exchanges, interactions, communication and better understanding of the processes. Individual’s trust is based on the reputation of the platform.

The information gathered through ratings and reputations make these digital sharing platforms less risky and more satisfying for the users to interact. Most of the sharing platforms provide an option to rate their services or products post-consumption. UberPool and OlaShare give opportunities to rate and give feedback on drivers and ride experiences whereas, Airbnb and Oyo rooms provide options for feedback and ratings related to staying and accommodation facilities. Trust is the key to strengthen sharing economy however consumers are equally interested in cost-efficient and handiness of the service too. Significant evidence about the inaccuracy of rating, usually inflated, have come into the limelight; however; its significance cannot be undermined as these rating still influence many people to experience these sharing platforms (Zervas et al., 2015). There is dearth of regulations when it comes to transparency of the entire business conduct. Several discrepancies have surfaced regarding sellers concealing relevant facts about the service or good. The need for an infallible grievance redressal process is also felt among the customers (E&Y, 2015).

The entire gusto about the sharing economy is based on its expected sustainability impacts both in terms consumption and environment (Tussyadiah, 2016) as neither the upcoming generation want to inhabit the world with depleted value nor do the people today want to exhaust the scarce natural resources. Sharing economy predicts economical access to shared goods by surmounting ownership burden. Studies suggest that on an average a car is driven approximately 5 percent of its life time and rest of the time it stands idle, which could ideally be rented out to encourage sustainable consumption (Bates & Liebling, 2012). There has been substantial interest in sharing economy as a means of promoting sustainable consumption and environmental practices (Tussyadiah, 2016, Hamari et al., 2015). Several researchers deem sharing economy as an upcoming socio-economic activity that could contribute significantly to sustainable development by minimising environmental hazards and promoting human welfare (Plewnia & Guenther, 2018). Monetary rewards are widely acknowledged as an extrinsic driver of sharing economy (Bocker & Meelen 2017; Tussyadiah, 2016, Bellotti et al., 2015; Mohlmann, 2015) nonetheless, several studies have also acknowledged sustainability as a motivator or a driving force for participation (Schor and Wengronowitz, 2017; Schor 2017). Sharing economy is undoubtedly facilitating micro-entrepreneurs to conceptualize new markets to improve their earnings by renting assets besides knowingly or unknowingly contributing to the environmental sustainability (Heinrichs, 2013) by increasing the efficiency of the goods in use and sparing scarce resources in producing new products.
Social aspect is also contributing (Ozanne and Ozanne, 2011) to the acceptance of sharing economy. However, whatever be the motivation for the people to participate in the sharing economy, the economic and social benefits gradually leads to environmental sustainability which is a positive outcome for the future generations and depleting scare resources.

Sustainability rightly defined by Lozano (2008) comprises of environmental, social and economic benefits by cost-effectively and efficiently using underutilised assets. By tapping into idle capacities, sharing could help in meeting our current needs without compromising with resources needed by the future generations (Brundtland, 1987).

**Sharing Economy in India & Regulatory Concerns**

Indian economy has displayed mounting acceptance to sharing economy in transport, hospitality and co-working space segments despite being in its budding phase. In India, the sharing economy business model evolved with the inception of Uber’s operation in the Indian markets. The business gained acceptance due to increased internet and mobile access coupled with people’s enthusiasm to try-out with new things (E&Y, 2015). India has witnessed momentous growth of over 250 percent in the number of mobile subscriptions over the last decade. The smart phone users in India have exponentially grown from a meagre 29 million users to 382 million users over 2012-16 (PWC, 2015).

The rental accommodation business model provides an online platform that connects home provider or accommodation owner to the prospective client who is looking for accommodation. The provider charges commission from the accommodation owner however subsidises the customer; that’s generally the pricing strategy practised worldwide. The well renowned accommodation providers, Airbnb and OYO rooms charge processing fee to list the accommodation providers on their platform.

Airbnb was founded by Nathan Blearchczyk, Joe Gebbia, and Brian Chesky in 2008 and is headquartered in San Francisco. The idea contrived when the three friends decided to rent out the free space in their apartment to accommodation seekers alongside morning breakfast. Airbnb has expanded its footprints in leaps and bound just not domestically but overseas, spanning across 190 countries. They acquired numerous competitors and outshined the InterContinental Hotels Group and Hilton Worldwide as the world’s largest room service provider in a very little time (Hansen et al., 2016).

Oyo rooms, is a home grown Indian start-up establish by Ritesh Agarwal in 2015. It is headquartered in Gurgaon, adjoining the Indian capital, New Delhi. Oyo distinguishes its functioning by providing not just affordable accommodation but also ensuring the quality of services on various parameters. Oyo rooms, branded as budget hotels have raised US$1 billion funding from soft bank in October 2018 with the plan to foray into long term housing rental segment. They are in the process of leasing properties from individual as well as large builders to accommodate housing needs of young professionals especially in metro cities like New Delhi, Bangalore, Pune, Gurgaon etc. Oyo rooms have expanded their international presence across 6 countries i.e., Malaysia, Thailand, Dubai, Nepal, China and latest to the list in London.

Uber, cab service provider was founded by Travis Kalanick and Garrett Camp in 2009 and is headquartered in San Francisco and California. Uber is planning to go public by launching initial public offer (IPO) in the first half of 2019. It is targeting close to $120bn valuation and has hired lead underwriters from Goldman Sachs and Morgan
Stanley. It is preparing itself for direct competition with a smaller US rival Lyft. Uber has marked its presence across North America, Central and South America, Europe, Middle East, East Asia, South Asia, Australia and New Zealand. It is a perfect example of a marketplace model that connects customers to the cab drivers, whom it has partnered with on its platform. Uber has been a pioneer in the sharing economy by practicing inventory light on-demand business model, as it neither possess vehicles nor employ drivers. The carpooling service ‘UberPOOL’ initiated by Uber in 2014 is a remarkable contribution to sharing economy and sustainable growth. UberPOOL enables cost effective ride shared by co-passengers travelling in the same direction without much of search and transaction hassles.

The platform facilitate search with real-time ridesharing options.

Ola is again an Indian start-up promoted by Bhavish Agarwal and Ankit Bhatia in 2010 and is headquartered in Bangalore. Ola is an on-demand service provider that connects cab drivers to the customers through its online platform. Like Uber, it also became a celebrated sharing economy player by introducing ‘Ola Share’ in 2015 and operates on the same business model as of UberPool. It emerged to be a long awaited solution to the ever-rising traffic congestions on roads and hazardous pollution. Indian government is also promoting the usage of these sustainable ride sharing platforms by increasing its association with them. These aggregators are listed on the government e-marketplace (GeM) to provide transportation services at economical rates.

Cab-hailing services, Ola and Uber generate revenues from the commission they charge to their drivers. Over the last five years, Ola has been aggressively competing with Uber in Indian market, though yet have not claimed net profit margin. Both the companies have Japan’s Soft Bank as its common investor. With $4 billion valuation in 2016-17, Ola claims to have achieved 70 percent growth in its revenues and is anticipating positive net profits in early 2019 (Sen, 2017).

These ride-sharing platforms have undoubtedly transformed the city transport, nevertheless, it is equally demanding for the industry professionals and regulatory bodies to legalize and manage their operations. Sharing platforms often bend the fine line between personal and professional lives forming gray areas for all the stakeholders. The businesses directly or indirectly impacts the bystander, hence calls for more deliberation. Ola and Uber cab-service providers are by and large criticised publically for superseding Delhi High court’s order of refraining from surge pricing. Delhi government imposed a price cap on the cab charges, but these providers are not abiding the law. State governments have issued notices to end surge pricing in response to the grievances raised by several customers and taxi unions besides threatening to ban their services in certain states especially Karnataka.

To overcome critics Uber of late introduced ‘upfront fares’ whereas Ola responded to the legal warning by introducing ‘low peak pricing’ concept, which are just new ways of representing same elevated charges without explicitly showing the hike.

The issue of discriminatory pricing through unjustified discounts has been a cause of concern among cab service providers which is under the investigation of anti-trust regulator, the Competition Commission of India. In January 2018, the taxi drivers in Chennai went on a strike to protest against the measly incentives, ambitious targets and lack of transparency in fare charges of cab service providers Ola and Uber. CEO of Meru Cabs (car rental service in India), Nilesh Sangoi proposes to launch a marketplace model enabling its drivers to set dynamic fares in response to their dropping market share since the inception of Uber and Ola. The unrest is also evident in Hong Kong with taxi drivers
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protesting against Uber’s unfair competitive practices that are menacing their livelihood (BGR, 2018).

The Indian Government has initiated the amendment in the transportation bill to include aggregators like Ola and Uber under better regulatory supervision. The present provisions of the Motor Vehicles Act are not stringent enough to effectively regulate cab aggregators hence the centre and state governments together are planning to implement new legislation with adequate provisions for verification of drivers, installation of GPS and certain other imperative features facilitating economic and safe operations of these ride sharing platforms. Many small room aggregators operate in India in addition to the renowned room aggregators like Oyo or Airbnb nevertheless they do not promise standard quality service. There are also legitimate concerns related to the trustworthiness, misinformation and misrepresentation of facts which results in compromising the safety factor. These providers do not share the location and contact details of accommodation provider on the pretext of loosing commission in case consumers directly contact the provider. Profit making is the key reason for asymmetric information. Such providers also restrict genuine reviews from being posted on their website, as it may dampen their business. Airbnb and tripadvisers share the location and contact details of accommodation providers listed on their website hence customers consider their reviews also more genuine and authentic.

‘Home-stay’ is another ubiquitous term quite popular in India. Unlike standard sharing accommodation providers like Airbnb, it also enables travellers to stay in shared accommodation which could possibility not even be authorised by the state tourism regulatory authorities. Several unauthorised home stays have cropped up in holiday friendly destinations in India. Most of them evade taxes and pass on the benefit to the end user making is economical but insecure. Several of these home stays are home to illegal activities such as rave parties, prostitution etc. Appropriate government law and regulations could only be a probable solution to such social and communal problems. Frenken & Schor (2017) rightly believes that sustainable economic and communal gains ensuing from sharing economy are more complicated to achieve then they formerly emerged. The externalities faced by the third party especially the neighbours due to a family in vicinity providing sharing accommodation with strangers is quite common. Similar to the problem of unauthorized home stays in India, neighbourhoods in New York, Paris, Barcelona, etc. have also objected to home sharing activities, and in response to it, municipal authorities have formulated stringent regulations for home sharing platforms (Woolf, 2016).

Cohen and Sundararajan (2015) advocates that excess supply of certain services results in negative externalities however ineffective internalization of positive externalities could possibly result in shortages that requires appropriate regulatory intervention. There are enough evidences to establish the environmental, sustainable and social benefits of the sharing economy however, it has been repeatedly felt that enforcement of regulations and policy initiatives could surmount the likely negative externalities for betterment of human civilisation.

A latest simulation study by Getaround, the US based peer to peer rental service provider suggest that the ride sharing business will substantially contribute to the wellbeing of consumers across below-median income group (Fraiberger and Sundararajan, 2015) by providing better-quality services (Minifie, 2016).

Regulatory intervention ensuring authentication of drivers, GPS system etc will strengthen the safety mechanism, further enhancing commuters confidence in using these
ridesharing services. Hence, legalizing ridesharing platforms in future is expected to promote more economical, trustworthy and sustainable alternative of transportation.

Conclusion

The potential benefits of sharing economy could not be undermined though a regulatory or legal framework besides self-regulatory structure will strengthen it further, especially in an emerging nation like India. There seems to be substantive evidence to support that sharing economy potentially has a strong competence to transform current unsustainable patterns of consumption to more sustainable lifestyles.

There is a probability of radical change other than the incremental improvements accomplished by technological progress and economic instruments; together they are capable of improving the existing milieu of mass consumerism. By legalising these platforms and enforcing regulations, government could promote efficient operation of such businesses leading to better and optimal utilisation of public resources.

Indian government is promoting start-up culture through its most acknowledged ‘start-up India’ reform’. Several institutes and government bodies are encouraging and mentoring these start-ups to make a better India for future generations to come and sharing economy, undoubtedly is quite promising on that aspect.

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