The sharing economy in developing countries

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Introduction

The sharing economy has been increasingly important in the digital economy the last couple of years. Several businesses have successfully made use of this upcoming economy, such as airBnB and Uber. Sharing economies allow individuals to share owned products or service to each other, either paid or for free. This sharing economy has an interesting effect on the market, and the people in it. The sharing economy affects people, increasing economic welfare through increasing productivity, individual innovation and consuming behavior [1]. At the same time, products bought are more regularly being used, increasing the sustainability of these products. This can be an incentive for some to rent a product, rather than buying it. Of course, depending on the frequency someone is using a product or service, renting can be more economically beneficial.

It may be interesting to bring this concept of (digital) sharing economy to developing countries and let it flourish. Right now, technological infrastructure in these countries is being established and the adoption of technology, in particular mobile phones and internet, is increasing [2]. More and more people are getting connected to the web, providing benefits to these people. This could be a good timing to develop ICT applications and service in developing countries and to profit of the benefits this may bring. In this essay a brief look will be given on the effects of a sharing economy what the benefits are to such an economy. However the mistake that often is being made is that there is a one size fits all solution to everything. In other words, a sharing economy may not be the right fit (right now) for developing countries. This essay is concluded with discussing some of the limitations to establishing such a economy in developing countries.

The sharing economy

Web 2.0 has brought several important developments that allowed all people connected to web to create and extract information on the web [5]. This allowed more advanced collaborations between people, being able to share their work over the web. This not only allowed for easier collaboration between researchers across the globe, but also the possibility of collaboration between all connected people.

This technological development allowed for collaboration focused platforms to grow. These platforms support the act of sharing products and services between users through the web [3,4]. Products and services shared can be either physical, for example lending or renting a tool or giving someone a ride, or nonphysical, for example sharing a picture over the web or developing an app together. Platforms and applications that allow this sharing through the web together make up the sharing economy.

The benefits of a sharing economy are mostly at a user-level, which takes shape in the form of (socio-)economic benefits [4]. The costs of the actions taking place on platforms are lower or even free, because the transactions take place between users directly. This also means that there is minimal information inequality, something that is particularly common when a consumers contacts institutional organisations. Moreover, products are more often utilised, essentially making them more worth their cost and increasing the sustainability of the product. Furthermore a sharing economy changes the dynamics of the overall economy, increasing competition. Lastly it provides a way to make informal processes that are already happening more accessible, improving the gain of this market.

These effects all seems positive towards consumers. A study looking at the motivations of people participating in the sharing economy, suggest that people are mostly motivated by factors including sustainability, enjoyment and economic advantages [3]. It is noted that sustainability is only important to people with a positive attitude towards the sharing economy. The study concludes that people like the idea of a sharing economy and would participate in these platforms, however there is still a gap between wanting to participate and actually taking action to participate.

The sharing economy in developing countries

The sharing economy has become a vital part of the economy of developed countries. They have severely impacted the consumer behavior and some of the traditional businesses and organisations. The economic benefits have been presented in the previous section and certainly are important to the consumers.

With the rise of technological infrastructure and adoption of devices such as the smartphone or computers in developing countries, a sharing economy could be established there. Looking at the sharing economy in developed countries, there is a lot of potential that could be unlocking with sharing economy based platforms [6]. In particular reduction in transaction costs and improved access to goods and services in these countries are interesting benefits to look into. Basic challenges that limit businesses in developing countries, such as transport, could be effectively and efficiently tackled with a sharing economy [7].

In rural areas, where basic infrastructure is lacking and goods are scarce, these kind of platforms could be helpful to these consumers. For example initial investment costs for equipment are normally quite high, which is why such investments are not interesting to most small business owners. However renting equipment until they've grown enough to afford one themselves is a good course to run. The reduction of transaction costs the sharing economy brings, combined with the sustainability of goods and gains for others in the community may provide a solution to these regular problems.

However, there are some implications to bringing the sharing economy to developing countries [4,6,8]. It is argued that technological skills are still to low for people in developing countries to properly make use of its benefits. Most people with a smartphone have limited understanding of how to use it to its capacity. Properly making use of sharing platform takes at least basic understanding of how to use an application, which is something a lot of consumers still do not have. This limits the value a sharing economy can bring. Furthermore there is a problem of not being connected to the web at all. People not owning a (smart)phone have a risk of being excluded to the benefits of new platforms. This can be detrimental to the economical ecosystem of small businesses. A related risk is people being excluded on purpose by other, which negatively impacts the business on a individual level.

Another risk of the sharing economy is that it impacts institutional organisation. Looking at transport for example, Uber has had a negative impact on the taxi industry. Uber drivers cannot be controlled as easily by the government as taxi drivers. Even in developed countries, Uber has caused great shifts in power. Some argue that less organised governments often seen in developing countries, may not be able to handle this change which can negatively impact the transport industry without proper actions.

At last there is the problem of governance and accountability. Recently, developed countries have adopted numerous rules to deal with the sharing economy. In countries where this isn't the case, problems regarding accountability, governance or liability may be of great impact.

Conclusion

The sharing economy has put its mark on the world, especially in developed countries. It has brought (socio-)economic benefits to consumers. Bringing the sharing economy to developing countries can be a positive development. However there are still lots of issues with the sharing economy, ones that already developed countries are still struggling with. It may not be wise to introduce developing countries to a phenomenon with such a great impact, as these countries may not be ready for it. However once developed countries have found ways to properly handle and harness the effects of the sharing economy, it is definitely interesting to explore sharing economy platforms in developing countries.

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