



## ‘Platform Economy’: The Booming Business Model In India

Ms. Madhura Apte

Asst. Professor (Economics)

DES's Shri. Navalmal Firodia Law College, Pune, India

**Abstract:** Indian economy is riding on new wave of economic transformation pioneered by platform economy, driven by convergence of several factors such as strong digital ecosystem, tech – savvy people, fast pace of urbanization, increasing preference for freelancing, growing entrepreneur spirit among others. As a result, consumers, workers and business organizations look beyond traditional ways of doing business and employment and search for elements such as convenience, flexibility and autonomy, backed by trust and accountability in their day – to – day work and business transactions. Platform economy has the potential to offer these elements and emerge as win – win situation for all its stakeholders. It is also changing the traditional employer – employee relationship. ‘**Code of Social Security 2020**’ would prove to be a ‘game – changer’ in future. The present paper aims to analyse ‘platform business’ model in India, key growth drivers of this model, weighing its benefits and challenges and way ahead.

**Keywords** - Digital ecosystem, Employability, Empowerment, Freelancing, Social Security

### I. INTRODUCTION

India is emerging as a hub of economic transformation powered by rapidly growing platform and gig economy, facilitated by strong labour force, the world’s youngest population, fast-paced urbanisation, and the widespread use of smartphones and digital tools. According to NITI Aayog report, this sector has the potential to employ over 1 crore workers in 2024–25, with the number expected to grow to 2.35 crore by 2029–30.<sup>1</sup>

Platform economy is defined as an economy, which facilitates diverse set of economic and social transactions including exchange of commodities, provision of services, information among others, driven by digital platforms acting as intermediaries to connect two or more different yet interdependent groups such as buyers and sellers; consumers and service – providers. These platforms - based enterprises create and coordinate connections within a digital ecosystem and earn commission on every transaction. Platform economy as a business model is popularly witnessed in e-commerce; ride-sharing services; travel and transportation services; delivery of day – to – day essential commodities such as food, medicines and grocery; home services among others. Many start-ups, driven by innovation and backed by digitalization operate on platform economy.

The individuals, who are associated with platform economy, work as independent contractors; carry out temporary and flexible tasks, as demanded by the customers, depending on the skill sets, which they possess. These tasks/jobs are made available to them by digital platforms, and receive payment on a per-task or project basis from the customers. Such workers are popularly known as platform workers (a subset of much larger term – ‘gig workers’). Their nature of employment goes beyond traditional employer-employee relationship.

## II. FACTORS CONTRIBUTING TOWARDS PLATFORM ECONOMY BOOM

Rapid growth of platform economy in India is an outcome of confluence of several factors such as technological advancements and digital revolution, dynamic demographic pattern, changing lifestyles of the people, evolving labour market dynamics and supportive government policies. These factors are broadly categorised into demand – side factors/pull factors and supply side factors/push factors

- **Demand - side factors**

With increasing penetration of smartphones in India, the number of internet users is rapidly growing every year. These tech – savvy Indians, with rising disposable income, serves as a vast consumer base ready to avail of online services. This generates necessary demand, creates business opportunities for these start-ups, and builds a large pool of potential platform workers. Even success of United Payment Interface (UPI) and resulting digital payment revolution has made online transactions seamless, secure, and accessible to millions of people, which acts as a crucial factor for smooth functioning of platform-based businesses.

Platform ecosystem flourishes on the Unique Selling Proposition (USP) of ‘Convenience and flexibility’, which it offers to people. The rapid growth of urban centres has led to a greater demand for convenience, which has led to rapid growth of certain services such as on-demand delivery, cab services, home care services among others.

- **Supply – side factors**

Digital payment revolution has created a pool of tech – savvy people who pursue new ways of working especially ‘freelancing’, rather than traditional employment model. This in turn has created a large supply of platform workers. Likewise, platform economy offers flexibility and autonomy to the workers, which attracts people especially, students, homemakers and those who seek supplementary income.

High unemployment and underemployment have necessitated many workers to seek self – employment. As a result, many individuals look forward to associate with platform economy as a source of on - demand work, which match their skills.

The rise of the start-up ecosystem has created a ‘backward – linkage effect’ in the economy in the form of increased requirement for skilled and semi-skilled workers on a project or task basis (freelancers). This enables start – ups to increase their workforce without incurring the overheads, which are typically seen in traditional employment.

Several government initiatives such as Start – up India, Digital India among others have been instrumental in promoting digital literacy, building digital infrastructure, and encouraging vibrant entrepreneurship. This in turn has contributed to the success of platform businesses.

Through recent legislative reforms, such as the **Code on Social Security, 2020**, may prove to be a trailblazer in ensuring welfare of platform workers, as it aims to extend benefits such as health insurance, maternity benefits and old age protection to all the workers, including platform workers. For this purpose, the law proposes to create a national database of platform workers, which helps in identification of the workforce and enables their access to welfare schemes and benefits

This legislation, for the first time in Indian law, has formally defined and recognized "gig workers" and "platform workers" and aims to provide a safety net for this emerging segment of the labor market. For the purpose of financing welfare schemes of these workers, the Code provides for the creation of a **Social Security Fund**, wherein the platform – based enterprises are mandated to contribute a certain percentage of their annual turnover.

This ensures welfare measures and social security to these workers and imparts legitimacy to this form of work.

Through these measures, many workers would get an opportunity to utilise their skills without entering into formal employment.

In short, success of platform businesses banks upon offering ‘**convenience and flexibility**’ to the consumers and ‘**autonomy and flexibility**’ to the workers, with an element of **trust and accountability** being upheld and rewarded at every stage.

### III. BENEFITS AND CHALLENGES: AN ECONOMIC ANALYSIS

Platform economy confers benefits to consumers, workers as well as start – ups. Likewise, it also poses certain challenges.

#### Benefits

##### 1) Enhances employability

At present, India's population is youngest in the world with around 65% of its population in the working age group of 15 – 64 years and likely to increase further. To create human capital and reap demographic dividend, India has to enhance competencies of its people and ensure employability of the people. Currently, Indian economy is marred with twin problems of 'unemployment among educated youths' and 'underemployment'. As a result, our youth population is deprived of decent work in formal sector and earnings and thereby fail to upgrade their standard of living. This, in turn, has economic, social and psychological ramifications for the country and its people.

Given this economic scenario, nature of platform economy can play a phenomenal role in addressing the 'twin job market problems'. These platforms serve as digital intermediaries between clients (consumers) and service providers (platform workers), and earn their revenue through commissions. Facilitated through digital platforms, these workers, being classified as independent contractors, fulfil short-term, on-demand work orders of the clients and earn income on a task-by-task basis. This ensures the employability of each person who is competent and willing to work in helping to improve the standard of living of the people<sup>2</sup>.

Eventually, platform business will emerge as a viable and dignified employment option.

##### 2) Economic empowerment and inclusive growth

Platform economy, with its emphasis on digital, short-term, on – demand and flexible work engagements, unlocks diverse employment avenues and new ways of economic participation. Individuals can harness their skills and resources to capitalize on multiple income – augmenting opportunities. Across sectors such as transportation, hospitality, retail, home care services etc, the platform economy has democratized access to work, empowering millions of people with varied skill sets to become entrepreneurs of their own labour.<sup>3</sup> Thus, it has the potential to emerge as a transformative force, reshape traditional employment structure and foster economic empowerment and inclusive growth.

##### 3) Work – life balance

Through flexibility and autonomy in employment, platform workers may enjoy some control over work-life balance.

For example, platforms like ride – sharing services enable workers to decide their schedules, locations, and working hours.

##### 4) Improves skill sets of the workers

Many of these start-ups provide capacity building and career mobility programmes that eventually allow entry-level workers to move up to the positions such as supervisors and trainers. Additionally, these programmes also enhance worker efficiency and competencies, which translates into customer satisfaction. Improved competencies give them a competitive edge in the job market and higher earnings. For many platform workers, skill sets inculcated through these programs also open the gates of formal sector.<sup>4</sup>

Although, platform economy confers several benefits to its stakeholders, but this model is not without its limitations.

#### Challenges

##### Workers

Since platform economy provides short term, flexible and on – demand jobs, workers often lack long-term contracts. As a result, their income stream becomes irregular and unpredictable, which can lead to financial stress and anxiety.

Ironically, while platforms promote flexibility and autonomy, but these workers are often subjected to 'digital surveillance' as algorithms, performance ratings, GPS tracking are used to manage and control workers. This results in stress among workers and can limit their autonomy.

Likewise, as these workers are categorised as independent contractors, which makes it difficult for them to form trade unions and engage in collective bargaining to improve their working conditions. These workers have to take the prices as set by the concerned company for a particular task.

Additionally, other challenges such as variable working hours, high work pace, road accidents, pressure of constant performance evaluation through customer rating become the source of physical exhaustion and mental stress.

### Economy

The platform economy has the potential to disrupt and displace traditional businesses and service providers, which may lead to job losses in established sectors such as transportations, retail among others. As a consequence, dominant platforms can control significant market power, reduce competition, limit consumer choice, and exploit both workers and consumers.

### Legal challenge

While Code on Social Security 2020 and inclusion and formal recognition of 'platform workers' in its ambit is a landmark step, but there are several challenges associated with its implementation and extension to platform workers. The implementation of this legislation is still pending with many rules and regulations yet to be framed by the states. Another challenge pertains to difficulty in establishing a 'contribution mechanism' wherein the government, the aggregator/platform, and potentially the workers themselves contribute. However, determining the appropriate contribution mechanisms for workers is complex issue, as many of these workers might be associated with several platforms simultaneously. Similarly, many platform workers earn low wages, due to which it becomes difficult for them to contribute to social security. Even though, e – shram portal aims to register the workers, but registration of the large number of platform workers is likely to emerge as a logistical challenge, as these workers are part of the informal sector. Many workers might be unaware of their rights and entitlements prescribed in the Code, which may undermine their ability to access benefits.

### **Conclusion**

Given the dynamic demographic pattern, tech – savvy individuals, evolving equations of the labour market, fast – paced lives in urban areas and an urge to become the master of one's own skills, such a business model proves to be a win – win situation for consumers, workers/service providers and start-ups who run these platforms.

As the sector grows, continued support, awareness, and innovative policy interventions would become the need of the hour in ensuring that every platform worker work with dignity, security, and opportunity.

For such business models to become successful and sustainable, trust of the consumers on such models, quality of services offered, fair pricing and other dealings need to remain intact in every transaction.

Though India's platform economy is rapidly transforming the labour market, but it does pose unique challenges in terms of social security and welfare. Various initiatives undertaken by government like the Code on Social Security (2020) and the e-Shram portal, aim to recognise, protect, empower platform workers and bring them into the mainstream, thereby strengthen the nation's workforce.

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