Asset Ownership in the Indian economy:

Contesting Traditional Conceptions
Abstract

The success of the digital platform economy is in empowering and enabling market access to self-employed individuals to gain a predictable and steady income. Research shows that asset ownership is the surefire way of monetising investments and creating a productive cycle of savings multiplication. However, the Indian economy at large remains low on asset uptake outside of land and gold. This locks up family wealth in illiquid assets and results in poor availability of financial resources. The need to articulate assets beyond conventional ones like land and gold exists, and the first few sections of this paper expand the scope and imagination of what we could consider to be assets. There are divergences observed in the patterns of income earned by asset owners and wage workers in the platform economy, with the former group coming out on top. This may be attributed to physical and non-physical asset acquisition, such as owning a car, or upskilling oneself. This white paper investigates the nuances of asset ownership among lower income groups and the impact it has on their household earnings and the community at large. In doing so, it recommends that access to finance has to be made easier to clear the path for increased asset ownership, and collateral-free, cash flow-based lending is the first step to that. It also identifies the scope for future research to provide greater insights into the interplay between asset ownership among poorer households, the model of platform economy businesses and the state-led aspirations for sustainable asset creation.

Introduction: The Platform Economy of Microentrepreneurship

World over, the technology-driven platform economy has been expanding rapidly over the last decade, wherein digital platforms act as facilitators and connect workers with consumers for on-demand work and services. According to the latest report from the International Labour Organization (2021), platforms globally generated revenue of at least $52 billion in 2019. In just the last decade alone, the number of all such platforms rose from 142 in 2010 to over 777 in 2020. A large share of these platforms i.e. approximately 46% is concentrated in the United States followed by approximately 8% in India.

The platform economy has also become a buzzword in India, particularly in the last couple of years, and is attracting many people, especially the youth, providing first-time and stop-gap jobs as these platforms allow an easy match of demand and supply, and build the required trust among consumers. This has been complemented by India’s growing digital market. As per a report from the McKinsey Global Institute (2019), India is one of the largest and fastest-growing markets for digital consumers, with 560 million internet subscribers in 2018. The popularity of smartphones, lower data costs and huge demand due to the high population has further facilitated the rise in the use of digital platforms, spanning across various services such as logistics and food delivery, ride-hailing, rentals, accommodation etc.

Companies such as Ola, Urban Company, Flipkart, etc. are creating an online infrastructure that enables a wide range of human-centred activities. Platform infrastructure has redefined and opened pathways in the manner that people share, utilise, consume and conduct transactions. The successful adoption of digital platforms is based on the considerable advantages platforms offer to consumers, workers and businesses. Some of the prominent benefits are an alternative flexible form of work, enhanced access across geographies and multiple sources of income generation.

These platforms thrive on circular and iterative mechanisms of creating value and economic activity that emphasise the exchange of value produced through a decentralised network scattered across an ecosystem, enabling last-mile connectivity. The new-age digital platforms have allowed for integration or aggregation of assets for the co-creation of
value for all. Value co-creation among the platform, providers, consumers and complementors is fundamental to the platform's value creation process.

The emerging platform economy ecosystem thereby enables individuals to become micro-entrepreneurs who are able to work on flexible schedules and benefit from these digital platforms. For example, attaching one’s vehicle to a ride-hailing platform such as Ola or Swiggy allows one to unlock the commercial value of the asset. The expansion of the platform economy based on this monetisation capacity has reshaped a large number of economic sectors like finance, mobility, real estate or even emerging knowledge economy simultaneously offering real entrepreneurial opportunities. The productivity unlocked by the digital platform economy is estimated to create 60 million to 65 million jobs by 2025 in India (McKinsey Global Institute, 2019).

**Focus of the study**

The aim of this paper is to evaluate the prevailing asset ownership patterns in the Indian economy and to contextualise it in light of overall saving, wealth creation and livelihoods-related asset purchases in the country. The study also unveils what may be counted as assets, unravelling conventional notions of physical ownership to relate to asset productivity. In this process, it investigates the extent to which physical capital formation is achieved, and the extent of intangible asset creation and utilisation in our economy.

Through secondary investigation of literature that documents many heterodox approaches to viewing asset ownership in low-income geographies, and evaluation of existing asset financing practices, this paper attempts to draw a baseline picture of unit productivity with asset ownership. In this qualitative attempt, we seek to establish that:

- Assets, including the intangible kind, contribute to increased income access
- Asset ownership given the proliferation of the platform economy, is a lucrative enterprise
- Asset poverty can be connected to familial, intergenerational lack of prosperity
- Asset financing is riddled with exclusions, biases and disadvantages for those who do not already have some form of physical asset.

The study is foregrounded against India’s burgeoning digital platform economy. The mobility sector in particular, has presented a great jobs-led growth and continues to hold enormous potential. Therefore, understanding if mobility assets can fuel just job creation in India merits investigation, which is addressed in this paper. While observing these trends, it is also important to acknowledge that current trends indicate a transfer of the onus of ownership to just one actor. This is undesirable as the advantages of the platform model are socialised through the ecosystem, while the costs are incurred by the service provider alone. A revisit to the platform business model itself will be necessary to investigate this aspect in greater deal and is left to a future research attempt in consultation with experts in the area.

**Defining Asset and Asset Poverty**

The emergence of digital platforms has underscored the need for an asset-rich economy, as these platforms rely on the matching of asset providers with those that need them on-demand. The digital platform that aggregates demand and supply in the “sharing” economy depends on an abundance of underutilised assets for its services. Given the proliferation of sharing platforms for everything from cars to battery banks, this begets the question: what is an asset, really?
In the conventional economy, an asset is a resource that is present on account of effort or monetary spending in the past and is capable of yielding a benefit in the future (Barone, n.d; IFRS, 2018; FASB, 2008). The System of National Accounts 2008, which India adopted a few years ago, considers an asset to be “a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another” (United Nations et al., 2009). Taking off of this, the reliance of Indians on real estate and gold as assets is easily justified; ~70% of household wealth is locked up in land and the yellow metal, given that housing has use and holds value, while gold provides the necessary bling and ease of transfer among family members (Reserve Bank of India, 2017). The SNA 1993, in contrast, had taken a different approach, stressing on institutional ownership rights, but still relying on usage over a period of time; “Economic assets are entities functioning as stores of value and over which ownership rights are enforced by institutional units, individually or collectively, and from which economic benefits may be derived by their owners by holding them, or using them, over a period of time” (United Nations et al., 1993).

Several scholars have criticised this temporal reliance on the past and the future. Ao (2015) takes Adam Smith’s value-in-use and value-in-exchange conceptualisation and asserts that an asset need not necessarily be the result of past transactions or events and it may certainly not bring the entity future economic benefits. He says, “an asset must be a present economic resource that the entity owns or controls and is therefore, usable or exchangeable for the entity at present.” Similarly, Tollington (1998) has criticised the boundary within which assets are currently recognised and proposes the establishment of a new boundary based upon “separability” which would allow internally created or home-grown assets, especially intangible ones like software or brands, to fall under the definition (Tollington & Liu, 1998). Both these conceptualisations point to an articulation of assets beyond the norms of property that relies on hold value or exchange value. This is where the context of the digital platform economy becomes important.

**New forms of Assets- Seen and Unseen**

Substantive conceptual alternatives have come from researchers looking at “public sector assets” or development and poverty in the Global South. Burritt et al.(1996) echo the need for a “multicultural” approach to defining assets in light of emerging hybrid forms of public sector reporting entities. They argue that all assets cannot follow the definition espoused for commercial assets, and that public sector assets must be defined in ways that take cognisance of service users’ decision needs and broader public-sector objectives. To illustrate, roads, bridges and other civic infrastructure are part of a larger public investment made to enable the economic potential of individual as well as corporate citizens in the state’s endeavour to maximise productivity. Similarly, state investment in public schools and health infrastructure ensure the existence of an educated and healthy population who can again, contribute to economic productivity of the region. Therefore, public sector asset building and investment is crucial.

Caroline Moser has produced a substantial body of work that studies assets to understand poverty. She draws upon Amartya Sen’s capabilities approach to look at what the poor have rather than what they do not have. Pioneering the use of an “asset vulnerability framework” she takes a holistic and multi-dimensional view of assets and considers the

1 Burritt et al.(1996) characterise public-sector assets as “represent(ing) bundles of resources contributed by the public to entities under the trusteeship of parliament and the management of successive governments”. These assets portray a concern for the “distribution of wealth, the need for equal opportunity, finance to maintain and expand infrastructure, protection and conservation of the environment” which are very different from the imperatives and conceptions of private sector assets which have emerged from” competitive, commercial environments based on unfettered market forces”. Examples may include heritage assets such as wildlife national parks, coral reefs etc. in addition to civic assets such as public parks, roads etc. This makes for an important consideration in our discussion here which interfaces between such public assets and private sector assets to enhance job creation in Indian cities.
impact of asset management on household poverty and vulnerability (Moser, 1998). The Ford Foundation too has taken a broad and multidimensional view of assets and defined them as the “stock of financial, human, natural or social resources that can be acquired, developed, improved, and transferred across generations” (Ford, 2004 as cited in Dickson & Bangpan, 2012). While skeptics may disagree, the effect of such a social capital that takes the shape of an adoptive community when an individual migrates for work, especially in the mobility economy2, is well-documented (Bedi, 2018).

Other researchers have taken a more grounded approach in linking poverty with paucity of assets, and the hindrance to access it represents. de Janvry and Sadoulet (2000) have done seminal work on asset poverty in South America. In "Investing in Rural Development is Good Business", they adopt an asset-based approach to explore relationships between assets, contexts, behaviour and outcomes (de Janvry & Sadoulet, 2001). Their work adopts a multidimensional perspective and includes all of the following as assets (de Janvry & Sadoulet, 2000)-

1. Land and other natural assets: water, animals, trees, soil fertility.
2. Human assets: number of working adults in a household, education, experience.
3. Institutional assets: access to credit, insurance, extension and information, and inclusion in government programmes.
4. Social assets: social capital, membership in corporate communities.
5. Regional context: location in areas with differential income earning opportunities. (p.395)

Writing for the World Bank, Siegel (2005) adopts this approach and broadly defines assets as a stock of productive, social and locational resources that determine the opportunity set for livelihood strategies, which in turn, are used to generate well-being. He identifies human skill as an important component of these assets.

Evidently, the definitional debate is not conclusive; further articulations focus on the liquid nature of monetizable assets, especially in discussions of asset poverty. Haveman and Wolff (2005) narrowly define asset poverty as a state where access to wealth-type resources is insufficient for a household or individual to meet their basic needs for some limited period of time. They conceive of an asset as a safety net, other than gross assets that are essential to livelihood maintenance, which makes it possible for a household to maintain stability by converting an asset into money in times of unexpected loss of income. An asset for them refers to one that is included in computing net worth or one that can be readily monetised in times of need. Evidently, the 3 million-strong platform workforce in India stand testament to the true power of asset ownership, mediated by a market-access digital platform. Typically held as houses, vehicles or human skill, assets in the platform economy have renegotiated the very logic of monetizable assets.

### Asset Ownership: Driver of Welfare

The expansion of digital platforms in India has boosted its business, investment and economic landscape. Through the services offered by the platforms across sectors of mobility, delivery, real estate, today, individuals are leveraging their assets, and deriving economic value out of it. As literature reviewed in the previous section suggests, asset ownership has a strong role to play in the economic well-being of a household, securing individual finances, and unlocking credit access in the long run. However, these advantages come with their own set of challenges, including asset financing and exclusion. This section takes a deep dive into the needs, potentials and challenges associated with asset ownership in contemporary India.

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2 The “mobility economy” is characterised as the whole ecosystem of services that focus on delivering mobility- this includes ridesharing, delivery and logistics services and the actors enabling them. In short, the host of activities surrounding urban mobility makes up the mobility economy.
**Asset Ownership is an Important Driver of Household Well-being**

Evaluations of household well-being are often focused on current consumption patterns. Such conceptualisations undermine the need for contingency planning and disregard consumption-independent factors of well-being. Including assets in our assessment of well-being would allow for a far more comprehensive evaluation. Asset ownership has a demonstrably positive impact on household well-being (Brandolini et al., 2010). Assets can help households generate income both directly - through interest, capital gains, dividends, and the flow of services (such as housing services) - as well as indirectly such as through owning a car and its associated impact on employment enhancement, as noted in an earlier section (Lerman & McKernan, 2008). Assets also help create additional asset stocks, smoothen consumption during periods of uncertainty, and build resilience in the face of external shocks. Beyond these economic benefits, assets provide several other benefits such as “improvements in education, health, future orientation, and political participation” (Kumaraswamy et al., 2020).

**Asset Ownership has Ripple Effects on the Socio-economic Location of the Household and Community at large**

Asset ownership can also have knock-on effects on personal freedom and family welfare. The safety net offered by ownership of sizable assets boosts household stability and allows individuals to pursue desired occupations or choose self-employment. It can lead to increased social well-being and civic engagement. Empirical evidence from the US suggests that financial assets are negatively associated with welfare receipt for women experiencing marital disruption and that home ownership is positively associated with improvement in children’s educational outcomes and a decrease in teenage pregnancy (Lerman & McKernan, 2008).

The most assuring testament to the power of asset ownership comes from Bangladesh. Ultra-poor women in Bangladesh who received asset transfers of livestock “shifted their primary occupation from low-wage casual labour to livestock rearing. Four years after the transfer, the amount of time devoted to livestock rearing increased nearly fourfold while hours devoted to agricultural labor and domestic maid services went down by 17 and 36%, respectively” (Kumaraswamy et al., 2020). While there were many other benefits, the most significant was that households which received these transfers were 15% less likely to fall back into extreme poverty, showing the durability of productive assets to make households more resilient (Bandiera et al., 2017 as cited in Kumaraswamy et al., 2020).

The economic and social well-being of a household in popular literature has been captured only through expenditure and income (Cingano, 2014). National-level surveys by NSSO too captured the contours of the discourse on income, poverty and inequality in India based on household consumption expenditure data. Beyond such economic benefits, they provide personal and social benefits, including improvements in education, health, future orientation, and political participation. A study as early as in the 2000 by the World Bank established that asset inequality appears to remain as a major causal determinant of countries’ growth performance. This inequality inadvertently has an impact on the success of educational policies too, directly impacting the growth of human capital.

In addition to asset inequality, yet another impediment to asset value maximisation is the relative difficulty in converting assets into productive capital in developing countries, many of which often lack formal, unified and well respected legal property protection systems. The prominent Peruvian economist Hernando de Soto tussles with this problem in his seminal work *The Mystery of Capital*. de Soto argues that while assets in developing countries are restricted to serving immediate physical purposes, those in developed countries lead additional lives as facilitators or generators of productive capital thereby furthering the chain of economic activity. The platform economy potentially
offers a mechanism for easier conversion of dormant assets into productive capital by increasing both the frequency and use case scenarios as well as by putting a chain reaction of productive activities into motion.

**The Concept of Poverty is Not Only Limited to Income**

Poor households earn less and are inevitably forced to spend almost all of their income on consumption expenses in order to sustain themselves. They are able to save very little. With low savings, they are unable to produce or invest enough to break the vicious cycle of poverty. This is the familiar income trap. Assets can play a vital role here. By acting as a stock of resources, assets can generate hold, use and exchange value without necessarily compromising on current consumption needs. For poor people, assets allow for the diversification of livelihoods, creation of access to markets and essential services (Kumaraswamy et al., 2020). Indeed, the “question of how to help the poor get rich is, in essence, the question of how to help them build assets” (Schreiner et al., 2005). This draws a direct line between stable incomes, creation of family wealth and breaking out of poverty.

Not all assets are, however, equal. Low quality assets combined with debilitating public infrastructure and physical distance from the markets limit the scope for benefit maximization. Examples of low quality assets would include financial instruments that offer meagre returns or a two-wheeler that frequently breaks down and has little resale value. Moreover, the absence of suitable market services for risk mitigation from external shocks compel investments in low-risk economic activities which further lowers the returns on asset investment. Income- and asset-vulnerable households often find themselves unable to improve their incomes or increase asset stocks and get ensnared in an “asset poverty trap” (Carter & Barrett, 2006). Some even have to adopt “adverse strategies such as liquidating productive assets, taking children out of school, or reducing consumption of food or essential services” (Kumaraswamy et al., 2020).

There seems to be considerable overlap between income, expenditure and asset poverty. A study conducted in Turkey to see the extent of compatibility of an asset index with expenditure and income revealed that more than 60% of those in the lowest expenditure quintile were also in the lowest asset index quintile (Ucar, 2015). Suitable credit or other facilitating mechanisms can, however, lead to poverty reduction through asset ownership. There are several examples of where this has happened successfully. Farmer households from the poorest municipalities in the Philippines that adopted mobile phones saw a rise in their farm incomes as a result of greater access to market information, which in turn, allowed them to strike better deals (Kumaraswamy et al., 2020).

### Monetising Assets on the Platform Economy

Platforms have enabled a peer-to-peer sharing economy wherein heterogeneous assets - both physical (example: vehicles, house/property) or skill-based (example: driving, dog walking etc.) - can be shared to meet consumers’ demands for better capacity utilisation of underutilised resources. Benkler (2004) first elaborated on the central idea of the platform economy as the optimisation of under-utilised assets (physical or knowledge-based) by pooling or sharing them through digital platforms. From this initial idea, the platform economy emerged as a popular avenue to facilitate initiatives that provide access to services to individuals instead of exclusive and singular use, thus intensifying the use of assets.

Traditional forms of sharing and access to physical platforms have always existed in India. Sharing unused, underutilised resources or exchanging accessibility to these resources for money is timeless such as through farmer’s market or autorickshaws shared by drivers to do both day shift and night shifts. Recent advances in technology have, however,
enabled dramatically improved matching of capacity and demand and thus access to shared assets and resources that previously had to be owned or leased (Wirtz et al., 2019). In other words, the sharing economy enables a more instantaneous form of renting, and collectively brings down the cost of ownership across the economy.

The linear model of traditional businesses was one wherein roles were defined such as manufacturers were restricted to manufacturing, distributors to distribute, and consumers buy the products, becoming owners. However, moving away from this model, with the emergence of platforms, there has been a shift in consumption patterns, which involves no actual ownership, but access to goods and services is available.

Asset sharing is the foundation of the platform business model. The digitalisation of asset sharing, as seen in the platform economy, comes with advantages like operational scale, better logistical coordination, and technological efficiency, while redistributing costs of asset ownership. In the sharing economy backed by digital platforms, almost anything can be shared- battery banks, couture, home appliances & furniture, and in these Covid times, even medical equipment like oxygen concentrators. We consider assets in three categories- real estate, vehicles and skills- for their enduring and scale of applicability, and elaborate these cases in the rest of this paper.

**Real Estate**

The last decade has seen the emergence, and subsequent mainstreaming, of a host of prop-tech innovations which have resulted in the real-estate sector becoming thoroughly enmeshed in the sharing economy. Platform real estate entities are facilitating diverse ownership and usage patterns of real estate assets, boosting price transparency and easing brokerage procedures in the process.

Globally, we are witnessing the growth of space-as-a-service (SPaaS). This is based around three key principles: “efficiently employing spare capacity; minimising the cost of a transaction; and adding attractive benefits beyond space (Said Business School, University of Oxford, 2020). Asset owners are increasingly keen to share underutilised portions of their property without giving up on their proprietary rights. North America and Western Europe are experimenting with a wide range of platform services, going beyond room rentals and homestays. Co-living businesses such as Six Peak, OpenDoor Co-Living or The Collective are creating collaborative living spaces for millennials and young professionals. AppearHere, on the other hand, is enabling small boutiques and independent shops to either hire a single clothes rail within an existing store or to take control of a vacant shop on a short lease, commonly known as a pop-up store (Said Business School, University of Oxford, 2020). The likes of LiquidSpace or Marriott are even bringing some aspects of the sharing economy into the traditional B2B context by allowing for the increased use of idle meeting rooms (Constantiou et al., 2017).

With blockchain offering enhanced transactional benefits and auditability of micro-payment solutions, there are even talks of a “Shared Economy 3.0” being ushered in through space-as-a-service in the digital realm- facilitating the sharing of digital assets such as hard drive storage through utility tokens and micropayments (Said Business School, University of Oxford, 2020). India’s response to these potential opportunities for platform real-estate has, thus far, been muted. A paucity of assets that can be monetised, prevailing ownership patterns, and socio-cultural predispositions around property are some of the obstacles that have hindered a warmer reception.

Being a developing country, most asset creation is oriented towards use-value and hold-value with scant possibilities for exclusive wealth enhancement for the majority of the population. Socio-cultural norms play a part too, prescribing “Roti, Kapda aur Makaan” (bread, clothing and personal housing) as the legitimate order of asset securing priorities. In this light, it is understandable that Indian households hold a large majority of their wealth in real-estate and other
physical goods (Reserve Bank of India, 2017). This is despite the fact that returns from owning housing real estate have plunged dramatically from a peak of 26.3% in December 2011 to a paltry 5.5% per year from June 2015 to June 2020 (Kaul, 2020). While real estate can act as a reservoir of value and help households swim against the tide during a recession, it usually does not perform as well as liquid financial instruments during periods characterized by healthy economic growth. The crucial factor to be noted here is that these holdings are mostly consumed (i.e., family lives and works in the property), and not necessarily monetised as well as they could be in a circulating property market. These portfolio trends are in stark contrast to wealthier countries that hold just a third of their household wealth in real estate, as evidenced in the cases of the US (44%) or Germany (37%) (Reserve Bank of India, 2017).

A heartening trend is that rental and homestay services have done reasonably well in India, albeit not as well as they could have. According to a recent report by Oxford Economics, Airbnb contributed over INR 2,200 crore to India’s GDP in 2019, advertising 55,000 listings and supporting close to 50,000 jobs (Tewari, 2020). While this is impressive, these figures dwarf in front of the scale of business the platform has seen at certain other locations. London alone, for example, has more than 64,000 listings (Manthorpe, 2018).

The sharing economy is not new to India. It is deeply embedded in our social and cultural ethos. But we need to find ingenious ways to bring existing practices of hospitality and real-estate asset sharing within the economic realm to boost monetary returns from assets.

**Vehicles**

Flannery (2018) in his article “In A Shared Economy, Who Will Own Cars?” in the Forbes contends with the question of “who is actually going to own the industry “assets” – cars and the like -- and maintain them?” with individuals preferring to rent and share means of personal commute. This predicament, while valid, seems thoroughly misplaced in India’s context. Unlike real estate which is an almost mandatory purchase irrespective of its need or return on investment, vehicle ownership, especially with respect to private four-wheelers, continues to have an aspirational and emotive value for a vast number of Indians. Rising disposable incomes and a burgeoning middle class is expected to increase the desire for private vehicles rather than diminish it. Besides, the sharing economy has not manifested itself uniformly across countries. In North America, ridesharing services did cause a decrease in car sales (Rayle et al., 2014). The same access-based consumption pattern did not, however, repeat in China. The introduction of ridesharing platforms actually increased new vehicle purchases (Guo et al., 2018).

Vehicles are one of the most strategic asset investments one can make to participate in the platform economy. They are relatively affordable; have substantially greater use and exchange value over many other types of assets; and allow for engagement with ridesharing, hyperlocal delivery, logistics and many other forms of platform services. Most importantly, with the economy opening up again post lockdown albeit with self-isolation norms being in place and public transport being shunned, cab aggregator and delivery services are seeing a steady recovery in their business. In the past year alone, “Swiggy [has] launched Instamart, its 45-minute grocery delivery service in Bengaluru and Gurugram; started alcohol delivery in non-metros; tied up with bookstores to provide academic books to students in Kerala and West Bengal; launched online stores focusing on pet food, gourmet groceries, wellness essentials, meat deliveries among other things” (Bhalla, 2020). The possibilities are endless. India might be behind on cars per 1000 individuals, but enough opportunities exist for leveraging the benefits of existing assets and increasing ownership to further the ends of the sharing economy.
Skills

The sharing economy makes skills monetizable assets at scale; besides hosting or driving as services, a number of platform services simply require individuals who have the requisite skills to sign up. Skills are generally seen as “investments” and “assets” to the worker to move up in the career ladder, but do not have the hold-value or exchange-value of a traditional asset such as real estate or gold in India. Like Siegel’s (2005) framework illustrates, skills do have great sale value, and unlock higher earning potential for individuals. This is pertinent given the nature of the platform economy of skills: Consider the business model of home-based services aggregators—they offer a variety of services via a single mobile interface, and onboard skilled tradespeople like plumbers, electricians, cleaners and beauty & body workers to service different kinds of at-home needs. The operative word here is skill; without the skill required to perform the jobs, the worker would not be eligible to access opportunities offered by the platform. This is true across the spectrum of platform services—those in the mobility economy are required to be licensed to drive commercial vehicles in the jurisdictions, and homeowners advertising their property on bed-and-breakfast sharing platforms need to possess interpersonal skills such as good communication and genuine interest in interacting with strangers (Quest Alliance & Tandem Research, 2020). These are not always quantifiable, or taught skills, but skills that now have economic value. The platform economy allows the monetisation of such soft skills.

Such a newly articulated framework includes future-forward skills like digital proficiency and digital financial literacy. The WESO-2021 by the ILO (2021) highlights the monetisation potential of skills through the platform economy. Coyle (2017) chronicles this in her paper, understanding the role of skills as central to the very nature of platform work. Depending on the maturity of the market, platforms may set these skills as prerequisites or focus on providing interested candidates with skill training programmes so they can be part of the platform economy. In talking about the human capital contribution of platforms, de Jong Mckenzie (2020) argues that platforms invest in skills that are pertinent to their operations. When broken down and understood as parts- or as microskills- this theorisation gains further currency as these microskills could very well be the biggest contributor to human capital formation in contexts like India. Be it the ability to navigate a mobile app, or using the GPS to complete a trip, these skills can be the point that convert digital literacy to proficiency. Ola Mobility Institute’s report on the potential of the platform economy (2021) finds that the usage of mobile phones by workers in the platform economy has spurred smartphone purchase and usage among individuals working outside of the platform economy as well.

To push the agenda for skilling at a national level, we have to rethink skill financing. There exists little institutional incentive to invest in human capital, as research by Matraeva et al (2020) in Russia shows. In their work, they examine the various traps encountered in human capital formation paths and identify the necessity of investment to close the gap between technological change and upskilling of workers. They opine that it is important for digital platforms to rise up to the challenge, “and recognise investment in human capital as an asset, rather than as equity” (Matraeva et al., 2020).

Skilling needs to be provided with consumption incentives, just like for vehicles and real estate in a time of unprecedented consumption drop: demand for skilling fluctuates in response to economic trends, but skilled workers will always be in demand. Therefore, a concerted effort has to be made to achieve higher levels of skilling and consider it a priority in financing as we would other kinds of assets.
Distributional and Qualitative Challenges with Asset Ownership

As mentioned earlier, just the presence of assets is no panacea for households or the larger community. Asset portfolios should be wisely cultivated, ensuring prudent distribution between the different forms of assets while carefully investing in high quality assets and weeding out the less productive ones. As per a Reserve Bank of India (2017) report compiled by its Household Finance Committee, a large fraction of the wealth of Indian households is in the form of physical assets, in particular, gold and real estate. The average Indian household holds 84% of its wealth in real estate and other physical goods, 11% in gold and the residual 5% in financial assets.

Most of the low-income households in India own illiquid physical assets such as farming or uncultivable lands, houses, and low-value financial assets, piled with informal and formal financial liabilities creating a debt burden (Chandrasekar et al., 2020). Studies suggest that when mapped even over their lifetime, both urban and rural households do not increase their allocation to financial assets and continue investing in real estate and gold (Reserve Bank of India, 2017).

Understanding the Wealth Gap in Asset Creation

The existing literature clearly highlights that asset distribution in India is highly unequal. In international comparisons too, India has been placed as a country with highly unequal wealth distribution. The Global Wealth Report 2020 published by Credit Suisse (2020) found India to be one of nine countries that experienced a ‘rapid rise’ in wealth inequality. It suggests the top 10% of the Indian population holds 77% of the total national wealth. The reasons for rising inequality cut across issues of access to different forms of livelihood opportunities, access to formal credit through government-mandated financial institutions or lack of institutional mechanisms to guarantee against debt. Another reason for this gap is attributed to inherited assets or wealth. Thomas Piketty in “Capital” argued that inherited assets across generations are an important source of perpetuating inequality of wealth and income around the world (Sarma et al., 2017).

Rural India is at a comparative disadvantage due to a lack of technological and financial resources to gain access to assets. However, empirical research (Imai & Malaeb, 2016) suggests that while inequality has risen in both rural and urban India, urban inequality is much higher than rural inequality. Also, the pace towards higher inequality is much faster in urban areas than in rural India.

The Gender Gap

Another discrepancy in India’s asset ownership patterns is its highly gendered ownership rates. India is a very patriarchal and gender unequal society- coming in at a rank of 140 on the Global Gender Gap Index out of a total of 156 countries surveyed (World Economic Forum, 2021). That this inequality is reflected in the realm of asset ownership should come as no surprise. Since most surveys take the household as the unit of analysis, there is no systematic gender disaggregated data to measure. The only element of gender analysis feasible is a study of the differential ownership patterns on account of a female household head instead of a male one. Some studies have been undertaken, however, which try to measure asset ownership in India through a gendered lens.

Hema Swaminathan, Rahul Lahoti and Suchitra JY looked at data collected from the Karnataka Household Asset Survey, 2010-11 and concluded that there was widespread asset inequality in Karnataka. “In the rural areas, at least 70% of the households, principal residence, agricultural land and other real estate were owned exclusively by men. Mixed-sex ownership was prevalent in less than 6% of households. This implies that women had some ownership claim on these assets in at most 30% of the households (through exclusive or mixed-sex ownership). Urban areas and
Bengaluru showed a similar picture where these assets were owned exclusively by men in at least 60% of the households. The intra-household disparities persisted even for low-value assets such as vehicles and cell phones where exclusive ownership by men was almost as high as mixed-sex ownership. Overall, at least 35% of households had mixed-sex ownership of jewellery, primarily considered a women's asset, showing a more egalitarian distribution when compared to men's assets like residence and land” (Swaminathan et al., 2012).

A detailed analysis of the gendered inequity in asset ownership and its fallouts have been discussed extensively in an issue brief by Ola Mobility Institute (2021). It traces the impact of this differential in the labour force participation rate of Indian women, their creditworthiness, ability to participate in the digital platform economy of jobs, and their overall productivity. The brief outlines the interplay of gender and asset ownership and makes a case for increasing asset ownership among women by opening up cash flow-based lending.

**Financial Exclusion on Account of a Lack of Credit History**

Yet another challenge for India is the presence of a massive population that is outside the purview of formal banking institutions. The extent of this financial exclusion is truly astounding. India has one of the largest unbanked populations in the world (Demirgüç-Kunt et al., 2018). Even with the coming of the Jan Dhan Yojana, a lot many accounts remain underutilised or inoperative. This could be on account of an over-reliance on some, and an undermining of certain other, aspects of the six pillars for the goal of “comprehensive inclusion of India’s unbanked population”- universal access to banking facilities, an overdraft and RuPay Debit card to all households, financial literacy programmes, credit guarantee fund, micro insurance and pension schemes (Abraham, 2019). A large number of India’s poor are unable to make use of affordable and accessible credit due to their marginalisation and exclusion from the formal banking system.

Those who may be a part of the system are often unable to partake of the credit opportunities on offer since they lack either a strong credit history or a suitable collateral. Even among those who may have these attributes, only a third of credit-worthy consumers are currently being tapped by banks (Just A Third Of Credit-Worthy Consumers Tapped By Banks: Cibil Report, 2018). “While 300 million Indians have a credit report and between 100 to 150 million people apply for loans annually, only between 3 to 5 million people actually keep track of their credit score” (Dash, 2018). This imbalance makes it hard for the majority to secure formal loans to finance an asset.

The absence of a credit history becomes an even bigger impediment for young individuals, who may be eager to obtain a loan for financing an asset they can utilise through the platform economy, but lack a record to prove their creditworthiness. Fortunately, some startups like CreditMantri, ClearScore and MoneyTap are coming up with innovative mechanisms to assess potential borrowers. They look at alternate data such as mobile payments, data from social media sites etc. to evaluate the possibility of default for a given individual (Dash, 2018). These steps, taken in the direction of unlocking the potential of cash flow-based lending, stand to benefit scores of individuals disadvantaged by legacy factors like gender, familial credit history, educational attainment etc.

**The Buyer to User: Journey of an Asset Owning Entrepreneur**

Digital platforms, as discussed, aggregate many kinds of infrastructures in the form of assets like homes, vehicles, and skills. The underlying principle is of “sharing” by which ownership is disassociated from usage, for a fee. This is in direct response to the desire for a growing class of consumers to simply own the experience, rather than the object/asset itself- an example from the mobility economy shows how the ride is replacing the drive (Shah, 2019). Therefore, by enabling peer-to-peer sharing, this model unlocked a lot of latent potential for the mobility (and other sector) markets
to grow, facilitating Mobility-as-a-Service (MaaS). With the platformization of these services, the market size expands, and asset-lite countries like India can start to see investments in providing MaaS, SPaaS and other such shared services. This is evident from the fact that car purchases in India peaked in 2017-18 (Figure 1), at the peak of platformization (Chin et al, 2018; Shrivastava, 2019).

![Figure 1: Number of motor vehicles (commercial and private) sold in India 2005-2019. Source- Statista 2021](image)

It is clear that the “buyer” and “user” are not always the same person. Buyer is the owner/financier of the asset in the platform economy, while the user is the driver who puts in the work to make the asset economically productive. Where the two roles meet, the platform entrepreneur is born. In instances where that is the case on the platform economy, an income differential is observed, as the asset-owning platform entrepreneur has an advantage. In Ola Mobility Institute’s report on the mobility economy (2021), we find that grouped hourly earnings among platform workers differed depending on their asset ownership status. Overall, asset-owning, self-employed platform workers emerged as the highest earning group, compared to platform wage workers, and entrepreneurs in the non-platform economy. Therefore, there are clear advantages to being an asset buyer and a buyer-user given the advent of the platform economy.

We have already seen how the future of work in India and across the world will be played out through opportunities mediated by the platform economy, and asset-based services like MaaS, SPaaS and home-improvement and wellness are going to see a further uptick. The question then becomes about converting more users to buyers in this economy. In order to bolster economic activity and viability of operations for workers, developing asset financing tools is an imperative. This will make an even bigger difference to first-time asset owners, who can also immediately monetize their assets on the platform.
Asset Financing: Lines of Credit & Collateral Conundrums

India's workforce is overwhelmingly young and male, and there are many advantages to that. The platform economy too, witnesses a high degree of participation from the young, mobile-first population in the service provider roles. Most youngsters value digital platforms as they provide first-time and stop-gap jobs, allowing them secure employment. At an average age of 35, the platform workforce in India is more “locked in” than other countries, as we are still a fast-urbanising country. However, availability of credit is not always very easy for this group. There exists a clear relationship between asset purchase and unlocking of earning opportunities- but, this is easier noted than achieved.

Figure 2: Age-wise distribution of asset ownership and access to finance in India’s mobility economy. Source- OMI, 2021

Ola Mobility Institute’s report (2021) finds that there are promising trends in asset penetration, with 62% of all platform workers (as opposed to 52% of non-platform workers) driving their own vehicles; asset ownership especially peaks with increase in age. This signals the heralding of a new class of asset owners in India, with the platform economy catalysing this change. Platforms also currently mediate access to a variety of formal credit options- predominantly NBFCs (Non-Banking Financial Institutions)- which can also explain the higher asset penetration in the platform economy. However, this still leaves much to be desired.

The prevailing lending ecosystem in India favours an asset or collateral-based lending model whereby accessing formal credit is contingent on presenting a physical asset such as real estate or vehicle against the borrowing. The logic becomes circular when considering the requirement placed on a first-time asset buyer in the formal credit environment. To break out of this and to radically expand collateral-free lending, it is important to look into a cash flow-based model. This has been explored minimally in prior sections, but here we take a closer look.
In a cash flow-based lending regime, the guarantee of repayment is on the borrower’s account activity, signalling payback capacity. Emphasis is placed on the age and vocation of the borrower to determine their creditworthiness, rather than the holding of physical assets (The Economic Times, 2020). In the platform economy, payments are all processed through a digital portal, where earnings and withdrawals are clearly made available. With added layers of security ensured through new ledger technology like blockchain, these transactional records can reliably serve as proof of account activity.

Boosting formal credit access through cash flow-based lending would prove to be a dramatic shift in the way we do business. This proposal has attracted support from across the spectrum (Bhargava, 2020). The expansion of cash flow-based lending from its current limited beneficiaries can usher in a new wave of prosperity through increasing fixed asset creation, and the expansion of platform infrastructures. By leveraging digital tools available as well as by squaring off against other databases, it should be possible to identify eligible beneficiaries for this endeavour. Through increasing the number of “buyers” and “users” in the economy, overall economic activity and platform services will also expand, increasing productive output. This lending reform would also move us one step closer to financial inclusion.

### Conclusion & Way forward

Asset purchases indicate many trends in the economy- more than a show of customer confidence, it is also influenced by the stature of the platform economy in the relevant sector. As we look beyond the usual crop and consider first-time asset buyers as an economic group, the untapped potential is apparent. We have seen the evolution in the articulation of an asset, especially in the context of the platform economy where physical assets and otherwise (skills) can be monetised.

System-level changes are needed to boost consumer confidence in asset buying and to support the platform services economy. This ranges from lending reform and achieving greater financial inclusion. Nowhere is this more evident than in the lending platforms that have tailored their products to platform and other blue-collar workers (Mishra, 2020). These platforms rely on the cash flow transactions statements to determine creditworthiness of the candidate and extend credit based on the repayment capacity. These programmes have shown a reasonable degree of success and uptake among workers as well.

There is an argument to be made to discuss the potential of the platform economy in increasing the ease of converting an asset into productive capital. Perhaps de Soto’s work needs to be reexamined in light of the democratisation of asset usage and furtherance of economic activity that has been made possible on account of the platform economy.

Most importantly, our research as well as literature in this domain leaves much to be desired in thinking about the business model at play here: when platforms and consumers move to asset-lite ways of fulfilling their needs and services, what happens to the ultimate asset owner- entrepreneur? What are the costs of asset ownership and how is it evenly divided between actors for an equitable outcome? Where do asset owners figure in the financial ecosystem and what steps can governments take to support these upstart individuals? How should our institutions support sustainable and efficient asset growth in the economy? These are the questions we hope to explore in our subsequent studies in this space, and we welcome new ideas and collaborations to this end.
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References


Ola Mobility Institute (OMI) is a new-age policy research and social innovation think tank, focused on developing knowledge frameworks at the intersection of mobility innovation and public good. The Institute concerns itself with public research on electric mobility, energy and mobility, urban mobility, accessibility and inclusion, and future of work and platform economy. All research conducted at OMI is funded by ANI Technologies Pvt. Ltd. (the parent company of brand Ola).

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