

Service Sector Platformisation in India: New Frontiers and Policy Challenges

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Abstract: *The platformisation of services, defined as the increasing reliance on digital platforms for delivering and managing services, is transforming India's service economy. Sectors such as e-commerce, fintech, healthcare, education, and transportation have undergone significant structural shifts driven by technology-enabled platforms. While these platforms have created opportunities for innovation, efficiency, job creation, and expanded market access, they also pose critical challenges related to regulatory uncertainty, labor rights, digital exclusion, and risks of monopolistic practices. This paper examines the dual impact of platformisation in India, identifies key socio-economic implications, and suggests policy interventions for sustainable and inclusive growth.*

Keywords: Platformisation, Digital Economy, Service Sector, E-commerce, Fintech, Data Governance, Labour Rights, Digital Inclusion, Regulatory Challenges, India

1. Introduction

India's services sector contributes over 53% to national GDP and remains a primary driver of economic growth (Government of India, Economic Survey 2023–24). The rapid digitalization of services has led to the emergence of platform-based ecosystems, including e-commerce (Flipkart, Amazon, Meesho), fintech (Paytm, PhonePe, UPI), mobility (Ola, Uber, Rapido), healthcare (Practo, 1mg), and education (Byju's, Unacademy). Platformisation has redefined consumption and production patterns by integrating technology, data, and network effects. However, this transformation raises concerns regarding the future of work, data governance, regulatory compliance, and inclusive access. This study investigates both the opportunities and challenges of service platformisation in India and highlights the need for a balanced policy framework.

2. Literature Review

1) Rochet & Tirole (2002)

Summary & approach: Rochet and Tirole develop a formal economic model of *two-sided markets* in which a platform mediates between two distinct user groups (for example, buyers and sellers or riders and drivers). The paper characterizes pricing structures, welfare outcomes, and platform governance choices (for-profit vs non-profit) under network externalities. It remains the foundational theoretical treatment explaining why platforms may subsidize one side of the market and extract surplus from the other.

Key findings: The model shows that (i) optimal price allocation depends on cross-side externalities and multihoming costs, (ii) welfare maximization does not generally imply equal price-sharing across sides, and (iii) platform differentiation and multi-homing change competitive outcomes and welfare. The paper provides testable implications for how platforms set fees, steer users, and invest in reducing transaction frictions.

Strengths & limitations: Strengths: rigorous formalism and clear comparative-statics that explain many observed pricing decisions of real platforms (e. g., free apps with merchant

fees). Limitations: the model abstracts from data-driven learning, algorithmic governance, and labor relations that are central to modern digital platforms; it is partial-equilibrium and assumes simplified user preference structures.

Relevance: Rochet & Tirole's framework is directly useful to analyse Indian cases like UPI ecosystems and e-marketplaces (pricing of merchants vs consumers) and to explain regulatory levers (e. g., market-share caps, interoperability). It offers an economic lens for policy sections on competition, platform tariffs, and the potential welfare gains vs distributional concerns in India's platformised services.

2) Kenney & Zysman (2016)

Summary & approach: Kenney and Zysman provide an empirical and analytical account of how cloud computing, big data, and algorithmic coordination are reorganizing industries into platform ecosystems. Rather than a formal model, this paper synthesizes technology trends, firm strategy, and policy implications—asking whether platforms will catalyse productivity and inclusive growth or concentrate power and displace workers.

Key findings: The authors argue platforms create new productive possibilities (scale, reduced transaction costs, novel services) but pose governance dilemmas: data control, market concentration, and shifting labour relations. They emphasize that outcomes depend on institutional choices—regulation, labour policies, and public infrastructure. The analysis highlights that platforms are not technology-determined; public policy shapes whether benefits are diffused or captured by a few firms.

Strengths & limitations: Strengths: timely synthesis connecting technology to broader political-economic choices; prescriptive in identifying policy levers. Limitations: (a) less formal rigour than economic models, (b) limited India-specific empirical data in the original article—so the paper functions more as a conceptual scaffold than case evidence.

Relevance to India & your paper: Kenney & Zysman's emphasis on institutional responses is vital for the Indian context: policies like ONDC, UPI governance, data-

localization debates, and competition interventions will determine whether platformisation delivers inclusive development. Use this review to motivate policy recommendations and to frame platformisation as a governance challenge, not only a technological change.

3) Nick Srnicek (2017)

Summary & approach: Srnicek provides a political-economy critique that situates platforms within contemporary capitalism: platforms extract and monetize attention, data, and network effects. He classifies platform business models (advertising, cloud, industrial, productized services) and examines how accumulation strategies, surveillance, and scale define modern platform firms. The book is theoretical and critical, drawing on political economy and business history.

Key findings: Srnicek contend that platforms centralize control over data, foreground rent extraction over productive investment, and can intensify labour precarity. He also explores policy responses (public ownership, UBI) and strategic alternatives, arguing that technological capacity alone cannot guarantee equitable outcomes.

Strengths & limitations: Strengths: deep critique of power asymmetries, useful typology of platform business models, and strong normative prescriptions. Limitations: tends toward macro-normative claims with less empirical micro-evidence for the Indian context; some policy proposals are politically ambitious and lack implementation pathways.

Relevance to India & your paper: Srnicek's diagnostics—data concentration, surveillance tendencies, and rent extraction—are highly relevant for India's debate on data governance and platform monopolies (e. g., dominant e-commerce and payment players). This review strengthens the normative/policy argument in your paper around antitrust, data protection, and worker protections.

4) ILO (2021) — *World Employment and Social Outlook: The Role of Digital Labour Platforms*

Summary & approach: The ILO report synthesizes global evidence on how digital labour platforms transform work—using cross-country data, platform case studies, and labour market analysis. It maps types of platforms (crowdwork vs location-based), worker profiles, employment relationships, income volatility, and regulatory responses.

Key findings: The report finds that platforms expand access to income opportunities and can boost flexibility, but also increase precarity: unpredictable earnings, lack of social protections, opaque algorithmic management, and limited bargaining power. It documents the scale of platform workers, varying regulatory experiments, and the need for social protection adaptation. The report recommends a mix of sectoral regulation, social protection extension, and data-transparency mandates.

Strengths & limitations: Strengths: comprehensive, policy-oriented, and grounded in labour statistics and global case studies. Limitations: global aggregation can mask national

heterogeneity—India's large informal sector and state capacities make direct transfer of solutions nontrivial. Nevertheless, the policy menu is adaptable.

Relevance to India & your paper: This ILO analysis is directly applicable to the Indian gig-work debate—justifying calls for portable benefits, mandated platform contributions to social security, and algorithmic transparency. Use the ILO findings to support policy recommendations (e. g., expanding the Code on Social Security to cover platform workers and introducing platform data reporting requirements).

5) BCG & Michael & Susan Dell Foundation (2021)

Summary & approach: This high-profile empirical study examines the size, demographics, and economic impact of India's gig workforce using surveys, platform data, and market analysis. It quantifies gig-work growth, the contribution to incomes, and barriers faced by workers and firms.

Key findings: The report estimates millions of gig workers in India (with forecasts for rapid growth), shows gig incomes as meaningful supplements for low-income households, and highlights gaps: lack of social protection, skills mismatches, on boarding barriers, and uneven geographic spread. It also recommends interventions—skill programs, digital ID/verification improvements, and portable benefits—to scale gig work sustainably.

Strengths & limitations: Strengths: India-focused, data-rich, and pragmatic—tailored policy levers and stakeholder actions. Limitations: private-sector authorship introduces an emphasis on scaling market solutions (digital platforms and upskilling) which may under-weight redistributive or regulatory options; causality (platforms → better livelihoods) is complex and context-dependent.

Relevance paper: This report provides empirical grounding for claims about job creation and the socio-economic role of platforms in India. It is especially useful in your manuscript's findings section to quantify employment and to derive feasible policy recommendations (skills, on boarding, and benefit portability). Pair it with ILO recommendations to balance market and regulatory responses.

3. Methodology

This study employs a qualitative and secondary research methodology, drawing upon:

- Academic literature on digital platformisation.
- Policy documents from NITI Aayog, RBI, and Ministry of Electronics & IT.
- Case studies from leading Indian digital platforms.
- International comparative insights (OECD, ILO, World Bank).

Discussions, Findings and Analysis

Opportunities

- Market Expansion – Platforms have increased participation of SMEs and local artisans (e. g., ONDC initiative).

- Financial Inclusion – UPI-based fintech platforms processed over 12 billion transactions monthly in 2024 (NPCI, 2024).
- Healthcare Access – Telemedicine adoption grew by 300% during COVID-19 (NITI Aayog, 2021).
- Employment Generation – Gig platforms employ around 7.7 million workers in India (BCG & Michael & Susan Dell Foundation, 2022).

Challenges

- Regulatory Uncertainty – Lack of clarity in taxation, competition law, and consumer protection.
- Labor Precarity – Gig workers face irregular income, absence of social security, and algorithm-driven wage cuts.
- Digital Divide – Rural-urban disparities in digital access limit inclusivity.
- Data Governance Risks – Data monopolies raise concerns of misuse, surveillance, and privacy violations.
- Market Monopolization – Large platforms dominate, reducing bargaining power for smaller firms.

Policy Implications

- Regulatory Framework: Strengthen data protection laws and enforce Digital Competition Bill.
- Labor Rights: Extend social security to gig workers under Code on Social Security, 2020.
- Inclusive Growth: Scale Digital India initiatives to bridge rural-urban divides.
- Support for MSMEs: Promote ONDC to counter monopolistic practices and enable small business participation.
- Global Cooperation: Align with OECD's work on digital taxation and platform regulation.

Niti Aayog- Key Policy Positions To Platformisation

Recognition of scale and measurement: NITI Aayog's report on India's gig and platform economy presents a first-of-its-kind methodology to estimate the current size and job-creation potential of India's platform/gig sector and emphasizes that platform work already constitutes a significant and growing share of urban livelihoods.

- **Policy recommendations for worker protections and ecosystem building:** The report recommends a package approach: (a) policies for portable social protections and benefits for gig/platform workers; (b) skilling and on boarding interventions to improve worker quality and safety; and (c) institutional arrangements to ensure dispute resolution, worker representation and social protection coverage tailored to non-traditional employment relationships.
- **Enabling digital public infrastructure (DPI):** NITI highlights the importance of interoperable digital public infrastructure to expand access, enable small businesses and lower transaction costs — recommending use of open standards and public-good building blocks (for example, fast payment rails, digital ID and APIs) to democratize platform access.
- **Evidence-based regulation and measurement:** NITI calls for improved, regular data collection and measurement of platform activity to inform targeted policy interventions rather than ad-hoc regulation.

Reserve Bank of India (RBI) — Key Policy Positions to Platformisation

- **Digital payments as foundational infrastructure:** RBI reporting and commentary stress that India is a global leader in real-time retail payments (driven by UPI), and that resilient, safe payment rails are central public infrastructure underpinning many service platforms — making payments policy essential to platform governance and inclusion. RBI's payment system indicators document this rapid scale-up.
- **Regulatory architecture for fintechs and payment intermediaries:** RBI frames fintechs, PSPs and third-party app providers as participants in a layered ecosystem, calling for proportionate yet robust oversight — including industry self-regulatory organization (SRO-FT) guidance to raise standards on consumer protection, cybersecurity, and governance. In 2024–25 RBI issued guidelines to facilitate industry-led SROs for fintechs to improve standards and oversight.
- **Public digital platform thinking and resilience planning:** RBI's reports (and related industry handbooks) discuss conceptualizing digital public tech platforms (e. g., for frictionless credit/LPSS) and exploring new rails (LPSS, CBDC pilots) to ensure continuity, inclusion and resilience of payment and credit flows that platforms rely upon. These indicate RBI's dual focus: innovation facilitation and systemic safety.
- **Consumer protection / operational risk emphasis:** RBI continues to emphasise customer protection, cyber resilience and governance standards for entities operating on platform rails, signalling that platforms that intermediate payments face both competition and prudential/compliance requirements.

Ministry of Electronics & Information Technology (MeitY) — Key Policy Positions to platformisation (paraphrased)

- **Intermediary obligations and accountability (IT Rules 2021):** MeitY's Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 set out due-diligence obligations for intermediaries (including certain platform operators): grievance officers, traceability requests for certain intermediaries, content moderation responsibilities, and reporting/cooperation with authorities. These rules materially affect platform governance and obligations in service sectors that mediate user interactions.
- **Data governance and privacy reform trajectory:** MeitY has been rolling out the legal and regulatory architecture for data protection (Digital Personal Data Protection Act implementation rules and related drafts in 2024–2025). These initiatives aim to regulate how platforms collect, store and process user data (data protection, portability and safeguards), which is central to platform business models and competition/data-power issues.
- **Interplay with digital public infrastructure and standards:** MeitY's policy and rules emphasise the role of open standards, secure APIs and interoperability as enablers; these priorities intersect with ONDC, UPI and other DPIs intended to reduce lock-in and promote competition. MeitY's intermediary rules also indicate the

government's intent to hold large intermediaries to higher operational standards (traceability, grievance redress).

- **Source (s) (MeitY):** Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (updated versions) and MeitY drafts/guidance on data protection implementation.

4. Challenges

Measurement & Evidence: NITI's call for improved measurement supports your empirical recommendation to track platform employment, revenues, multi-homing and regional adoption. (NITI).

- 1) **Social protection & labour law adaptation:** NITI and the ILO (elsewhere) push for portable, tailored protections for gig workers. This validates the policy argument that the Code on Social Security and other schemes require operational extensions to cover platform workers.
- 2) **Digital public infrastructure & interoperability:** RBI's focus on robust payment rails (UPI, LPSS, CBDC) and NITI/MeitY's emphasis on DPIs suggest policy emphasis on open standards and interoperable networks to reduce vendor lock-in and foster competition.
- 3) **Data governance & platform accountability:** MeitY's intermediary rules plus evolving data protection rules indicate the state's approach: raise operational obligations for intermediaries and require stricter data governance — central to reining in monopolistic data advantages and protecting consumers.
- 4) **Regulatory architecture & industry self-regulation:** RBI's SRO proposals for fintechs signal an approach that combines industry self-regulation with statutory oversight — a model that could be adapted to platform sectors to balance innovation with standards.

5. Conclusion

The platformisation of services is both a catalyst for innovation and a source of systemic risk in India's digital economy. While it expands opportunities in accessibility, efficiency, and financial inclusion, it simultaneously generates challenges in regulation, labor rights, and equitable access. Policymakers must adopt a balanced approach that fosters innovation while safeguarding inclusivity and fairness. A multi-stakeholder model involving government, private sector, and civil society is essential to ensure that India's platform economy contributes to sustainable and equitable growth.

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