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"Global Challenges and Prospects of the Modern Economic Development"**SHARING ECONOMY IN RUSSIA AND THE WORLD:
FEATURES, OBSTACLES AND OUTLOOK**

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yuliyalogunovaa@gmail.com*Abstract*

Sharing economy has recently become a developing and dynamic sector of the global economy. Today sharing economy is widely present in OECD countries and it is expanding throughout the rest of the world. The economic (cost reduction) and environmental (reduction of adverse environmental impact) benefits of sharing economy are actively covered in the media. All the above makes the sharing economy development in Russia and the related scientific studies relevant. The present paper examines the concept of sharing economy, its key features in general, as well as its advantages and disadvantages. It studies the factors that have had an influence on the evolvement of sharing economy in Russia and determines the portrait and specific features of its main actors. The paper provides key figures concerning the overall state of sharing economy in Russia as well as more precise information regarding its main segments. Special attention has been paid to the analysis of risks and factors that impede the development and expansion of sharing economy in Russia. Finally, the paper examines the existing tools aimed at regulating sharing economy in Russia and tries to determine the efficient ways to smooth the risks and drawbacks which arise from participating in sharing economy.

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1. Introduction

Sharing economy (hereinafter referred to as SE) is a mutual trust-based economic system, the participants of which (households and firms) use online platforms to conclude agreements and reduce the cost of commercial transactions. SE implies the temporary granting of use rights (without transferring ownership rights) to unused resources in peer-to-peer networks. Key SE features include:

- 1) sharing of unused assets,
- 2) on demand access to assets via an IT platform,
- 3) a higher degree of personal interaction between economic agents,
- 4) the aspiration for sustainable consumption (Hu, Liu, Yuen, Lim, & Hu, 2019).

Instead of buying new products SE participants prefer to share their temporarily unused assets with each other in order to save costs, increase the useful life of individual products and reduce the degree of environmental pollution resulting from the purchase of new goods (Leung, Xue, & Wen, 2019). However, participation in SE is also associated with certain disadvantages. Thus the rapid growth of SE has led to an increased concern of economic agents on SE regulation (Baumber, Scerri, & Schweinsberg, 2019). SE has been recently growing rapidly. According to PwC, key SE sectors are set to increase global revenues from about \$15 billion (in 2013) to \$335 billion by 2025 (PWC, 2015).

2. Problem Statement

The mere existence of SE in Russia is fraught with certain difficulties that stem from the following factors and risks:

- low awareness of SE benefits;
- low public trust. Most Russians (70%) believe that people usually do not trust each other, while incredulous people are usually more successful. At the same time, for example, in the USA more than half of Americans (62%) trust SE services and only 15% consider them not very reliable and 5% - completely unreliable (Cherry & Pidgeon, 2018);
- risk of receiving defective goods;
- risk of damaging goods;
- risk of insufficient legal support.

As SE promises to bring a number of benefits, it is vital to reverse the above factors to facilitate SE in Russia.

3. Research Questions

We state the research questions as follows:

- What's SE like in Russia today?
- What are the SE prospects?
- What kinds of regulatory tools may boost SE in Russia?

4. Purpose of the Study

Logically the purpose of the paper is to examine the specific features of SE in Russia. These that may influence the choice of the SE regulatory tools. The objectives are to:

- make an overview of the Russian SE current state,
- reveal the prospects of SE in Russia,
- identify the world's most successful SE regulatory tools that may be implemented in Russia.

5. Research Methods

SE is a relatively young field of scientific study. Scientific research on SE is scarce, and so are the statistical data. The key method in the paper is qualitative analysis. Special attention is paid to the review of the relevant literature. The greatest challenge we had to face is the lack of reliable, accessible and comparable quantitative data. Though the method of descriptive statistics based on the available data has as well been applied in the paper. Basically our research has been conducted within the philosophy of interpretivism.

6. Findings

There can be determined several factors that influence SE in the Russian Federation. Firstly, uneven socio-economic development of Russian regions results in SE being concentrated mainly in Moscow and St. Petersburg. Secondly, the uneven development of the transport network in Russia was the impetus for the rise of the carpooling market in the country: 16 million users at the end of 2018. Finally, increased participation in SE is stimulated by its inherent social benefits: people get a chance to feel that they belong to a certain group, establish and maintain social relations.

It is deemed that the further development of SE in Russia contributes to the fulfillment of many tasks set in the Decree of the President of the Russian Federation of May 7th, 2018 (Decree..., 2018). For example, an increase in carpooling activities from the current 10 to 50% may lead to a 15% federal highways pressure relief. Crowdfunding can finance the launch of apps (including non-game ones). This will surely stimulate the introduction of digital technologies (Gong, Liu, Liu, & Ren, 2019). SE users in Russia are mainly people under the age of 30 (58% of users) with a monthly income of 25-50 thousand rubles (40%) or 75 thousand rubles (40%) living in cities with a million-plus population (73%) (RAEC, 2018).

In 2018 transactions on the main SE platforms in Russia reached about 511 billion rubles, 30% higher than the level of 2017 (392 billion rubles). Unlike key SE sectors on emerging markets (which include mainly transport, logistics, labor and agricultural cooperation), in Russia the major segments are peer-to-peer transactions and services (freelance), car sharing, carpooling, home and office sharing.

Peer-to-peer transactions under the c2c model make 72% (370 billion rubles) of all transactions. Next major segments are p2p services (98 billion rubles), car sharing, carpooling (26.7 billion rubles) and the joint use of residential and office premises (15.5 billion rubles) (RAEC, 2018). Despite the insignificant volume of transactions within the SE in Russia, almost all segments have recently (over the past year) shown significant growth: car sharing (154.9%), p2p rental of things (125%), carpooling and

co-residence (69%), office sharing and crowdfunding (34%). JPMorgan analysts confirm that car sharing in Moscow is one of the fastest growing in the world in terms of the number of users (Posypkina, Balenko, & Balashova, 2018).

Russian authorities exercise the following measures to regulate SE (Russian Association of Electronic Communications: RAEC, 2018):

- Issuance of licenses and permits. For example, in Moscow Uber works only with drivers who have a taxi license.

- Introduction of taxes. The amendments to the Tax Code of the Russian Federation (“Google tax”) were adopted in 2016 implying the introduction of VAT at a rate of 20% for foreign companies conducting Internet trade in Russia. About 1,580 foreign companies fall under this tax. Tax revenues reached 12 billion rubles in the first quarter of 2019.

- Approval of standards. In 2018 deputies of the State Duma of the Russian Federation introduced a draft bill “On alternative methods of attracting investments”, which is designed to establish legal regulation of relations arising in the process of crowdfunding (Draft Federal Law..., 2018).

- Introduction of a legal status for SE users. In 2017 the Civil and Tax Codes of the Russian Federation (2019) determined the legal status of self-employed citizens, which allows them to provide certain types of services (tutoring, cleaning, caring for the elderly, etc.) without registering as individual entrepreneurs. Amendments to the Federal Law "On Protection of Consumer Rights" (under consideration) establish the legal status for information intermediaries - aggregators (Federal Law..., 1992). These provide SE users with information on goods and services.

- Monitoring. Since July 2015 the Central Bank of Russia has been conducting voluntary monitoring of Russian p2p-lending platforms. The regulator also plans developing a system of control over the alternative financial market.

Judging by insignificant volume of transactions within SE in Russia compared to the rest of the world, we decided to focus on finding the ways to amend the current Russian SE regulations so as to make them efficient and stimulating further SE development. Firstly, we started our survey with examining existing regulatory frameworks on other emerging markets. We have found out that these countries generally come up against certain regulatory challenges, which are natural consequences of their economic development: low trust among population, poor technologies, insufficient electronic payments.

As a result, we decided to concentrate our research mainly on advanced economies, primarily, the US and the UK – the leading SE countries these days. According to the PwC survey, 19% of Americans are involved in SE-related transactions, while 7% are service providers. Of the 62% of the UK population who are already users of SE, more than 38% use sharing platforms at least once a month; about 11% of the population participate in SE as service providers (PWC, 2015).

The list below presents the most commonly used tools (and a few examples of each tool application) used for regulating SE in the US and the UK (Miller, 2016; Research Office Legislative Council Secretariat Information, 2017):

- Issuance of licenses.

- US: All carsharing drivers must comply with The New York City Taxi and Limousine Commission.

- UK: P2P-lending platforms must be certified by the Financial Conduct Authority (FCA).

- Maintenance of register.

- US: Landlords must maintain a 'guest registration book', which should include the guests' names and home addresses, car numbers of guests travelling by car, dates of stay, and the room number assigned to each guest. The registration book should be available for inspection by city staff upon request.

- UK: P2P-lending platforms should regularly report to the FCA on their financial position, investor complaints and loan details. An individual can take out a loan up to 25 thousand pounds.

- Introduction of taxes, fees, standards and insurance.

- US: Airbnb is currently collecting a 14% tax on temporary accommodation in several US cities (San Francisco, Chicago, Columbia, Malibu, Philadelphia, etc.).

- UK: In 2016 the UK Government approved of a tax-free minimum income from participation in the SE sectors. Now individuals may not pay tax on the first 1 000 pounds which they receive from each source of earnings in the framework of SE per year. This measure is believed to be 'the world's first tax benefit in SE'. According to the country's treasury, this could benefit more than 700 thousand taxpayers. Such a step was taken in addition to the tax benefit 'Room rental' (2015) for the first 7 500 pounds of rental income.

- Implementation of measures aimed at protecting the safety and health of consumers.

- US: California has passed a bill on privacy of car sharing users.

- UK: P2P-lending platforms must have permission from the FCA to conduct their operations. Starting April 1, 2017, they must comply with a minimum capital requirement of 50 thousand pounds or 0.05%-0.2% of the cost of the fund borrowed. SE online platforms can verify the criminal record of service providers via Disclosure and Barring Service (department of the UK Ministry of Interior).

- Liability insurance.

- US: Homeowners or online platforms must provide at least \$500,000 insurance.

- UK: UK government is attracting the British Insurance Brokers' Association to collaborate with SE participants in signing joint insurance protection agreements. The association has issued an insurance guide for SE platforms.

- Distribution of parking spaces and preferential rights of movement in favor of carsharing and carpooling users (Scavarda, Daú, Scavarda, Azevedo, & Korzenowski, 2019).

- American and British governments facilitate public officials to use shared accommodation services, such as booking accommodation and transportation when traveling on business trips (Hofmann, Sæbø, Braccini, & Za, 2019).

- Compliance with other laws.

According PwC, 25% of Americans support the need to regulate SE, 28% are against it. In the UK 30% of the population supports the need for SE regulation, with 90% of respondents considering the existing regulation adequate and appropriate (Research Office Legislative Council Secretariat Information, 2017). It might be too early to assess long-term results of the examined policies. However, some of them have already proven to come to fruition. For example, the UK is already believed to be an

undisputable European leader in the field of alternative finance: it accounts for about 75% of the European alternative financial market with a transaction volume of more than 3.3 billion pounds. In 2015 the British crowdfunding platform Crowdcube became the first online platform with the amount of attracted capital exceeding 100 million pounds (Cohen & Shaheen, 2018).

Having studied the SE regulatory system in the US and the UK, we recommend introducing the following regulatory tools in the Russian Federation:

- Compulsory licensing of crowdfunding and p2p-lending platforms by the Central Bank of the Russian Federation. This would help to increase the level of public confidence in alternative sources of finance.

- A cross-platform control system. SE companies already practice exchanging data on fraudsters and violators, but as a rule only within their sector (for example, among carsharing operators). Based on the experience of British SE platforms, united in the SEUK association, we consider it necessary to create a similar institution to control and block fraudsters in Russia. In addition, with the support of the government, such an association could provide information and consulting support to startups within the SE framework.

- SE user insurance. We assume that cooperation with top Russian banks will be effective. The banks could directly or through a specially created insurance organization provide insurance services for SE users in Russia (as, for example, Slice insurance company which operates in the USA, Canada and Great Britain).

- Consumer protection. Due to the fact that many SE participants consider the lack of quality and safety standards as one of the key drawbacks of SE, we believe that such rules should be introduced in Russian legislation. Possible amendments might include the mandatory standards for residential and office premises (compliance with building code requirements, the presence of smoke detectors); for vehicles (checking the driver's biography, setting requirements for the length of service, limiting the duration of continuous operation); adoption of laws protecting the privacy of SE users.

7. Conclusion

Summing up, SE is a socio-economic model that is developing rapidly in Russia and making a significant contribution to its economy. SE is a phenomenon, the spread of which in Russia is associated with a number of difficulties: problems in determining the priorities of SE users, lack of an appropriate regulatory framework and low trust in SE services. However, SE companies operating in Russia are able to be in demand, especially among the younger generation. The key to the development of SE is the willingness of people to reconsider their perception of property as a symbol of material wealth, as well as to overcome certain psychological problems associated with a high level of mistrust. In addition, further modification of the legislation might contribute to the development of SE and the surge of entrepreneurship in Russia. We believe that over time, environmental and economic benefits of SE will serve as an incentive for the development of collaborative activities in Russia.

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