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## Georgia: Reality and Future Perspectives of the Sharing Economy Development

**Maka Kikilashvili**

Economic Development Office, Tbilisi City Hall

Tbilisi, Georgia

makakikilashvili@yahoo.com

m.kikilashvili@tbilisi.gov.ge

### Abstract

This article aims to present the Georgian reality regarding the sharing economy and its future trends based on the market players and already appeared innovative businesses through sharing platforms. The sharing economy, with its in-depth context, is not developed in Georgia either at the national governance or the societal level. However, the sharing of goods and services to each other was a good habit between Georgians historically. Moreover, in the world of the Internet, personal computers, and smartphones, it is simplified today for the parties of sharing to find and connect. However, may this kind of action be considered as a sharing economy, joint consumption, or collective economy? The present article discusses the issues about the sharing economy market in Georgia. There is an overview of the normative base and regulations referring to the sharing economy, expressed the readiness of sharing through people, describes the companies that operate in sharing market so far. There are recommendations for the government and the whole society for future development.

**Keywords:** Sharing, Legislation, Shadow Economy, Platform, Customer Rights

### Introduction

Although in the modern world sharing economy, with its scientific as well as its practical context, takes excellent support and attention day by day from governments and societies, in Georgia, even the exact and concrete definition of the sharing economy is not defined yet. However, there are many different platforms on the web which give customers and suppliers the possibility to connect and change products or services; the existing platforms are perceived as more business opportunities to reach the customer than the sharing economy. It may be concerned as a so-called "platform economy," too. Regardless, most of them successfully operate but mostly in the capital of Georgia and several large cities.

As for the sharing economy context itself, in its authoritative content means "an economic system, that unlocks the value of underused assets through platforms that match 'needs' and 'haves' in ways that create greater efficiency and access" (Petropoulos 2016). It is worth mentioning that people in Georgia used to share goods and services for a long time without Internet communication. Many years ago, it was a common custom for Georgians to distribute used school books to the next generations, to give them to their neighbours or relatives, but without any platforms and free of charge, of course. Also, sharing any household tools and even cars between neighbours or friends was a widespread habit here. However, several authors all over the world think that when sharing happens through the market intermediary, or when the company is an intermediary between users and consumers who are not familiar with each other, it is not the sharing economy concept at all. In the sharing economy model, the customers have direct access to the goods or services and a person who has them (Eckhardt and Bardhi 2015).

Later, people were arranging the market for old things in Tbilisi, the so-called "flea market." They were gathering second-hand items at their homes and sharing them on this market with others. Such practice used happened in the open air without any platform. Recently, the "flea market" moved to the Internet space, but not by the same name. Owners are now spreading information about their old things through various websites to reach the customer and share things not only free of charge but also with a fee.

If sharing economy is an unconventional model of accessing the goods and services in which people rent or share items, automobiles, houses, others based on a mutual agreement, such kind of practice for sharing goods has a long history in Georgia. However, it has a minimal share in the whole economy and is mainly represented by the rental of real estate, cars, and specialised techniques. There are also a small number of people and organizations that rent small household items, such as digital household equipment and sports equipment for hiking or mountaineering.

As already mentioned above, the practice of a sharing economy exists in Georgia. However, the conceptualisation of sharing economy, the formation of legislative or tax measurements do not stand on the agenda either at the local/regional or the state-level so far. Notably, forming, developing, and promoting the sharing economy as a specific direction are future issues for Georgia.

The purpose of this report is:

- To explore the local market of sharing economy.
- To describe the market players.
- To review a legislative/normative base that promotes or addresses the principles of a sharing economy.
- To identify the factors that break the development of sharing economy.
- To make recommendations for further development, research, and promotion of the sharing economy.

## Definition

Nowadays, the phenomenon of the sharing economy is actively spreading around the world between private companies and consumers, as well as modern economic trends of academic researchers. People share what they have—their own tangible and intangible assets for money or for free via Internet-based platforms, which, in turn, creates a new business model and a unique research field. Its most well-known definition is joint consumption, although there are many other explanations of the sharing economy. Sometimes companies, who want to enter the market and establish their business model are calling themselves part of the sharing economy. This kind of description confuses customers (Gorog 2016).

The term "sharing economy" and its context is not clear for the majority of the population of Georgia, too. A part of the society thinks that the sharing economy allows one to access the property person free of charge. Others believe that the sharing economy is a secondary market, where consumers can purchase and consume items with low costs; one perception is that the sharing economy is a model in which individuals connect to person-to-person without the involvement of third parties, and they reach an agreement to exchange by negotiation. According to this point of view, the electronic business of the company is not part of a sharing economy. In contrast, others consider that simply renting can be an example of a sharing economy. The only issue everyone agrees about is that the models of sharing economy have platforms on the web.

It is worth noting that there are a lot of buying/selling rental real estate platforms operating in Georgia. One has to pay a fee to post an announcement for a specific time. But the model runs as an electronic business.

In 2014, the information about sharing economy appeared in journals for the first time in Georgia. The meaning referred to the concept that accessibility the products and services is more important than ownership of them. The sharing economy model gives a way to share something at any price or for free ("Forbes Georgia: What is Shared Economy?" 2014).

Later, in 2017, the phrase "sharing economy" appeared in the web journal, by the meaning of a hybrid economy, or as "peoples' economy," because humans are the main actors of the production exchange process. They participate in the process individually, in groups, by companies/organizations and associations in the "sharing economy." People are the leading suppliers of goods, products, and services. They create, work out, produce, and distribute. The process goes on between people, person-to-person (P2P) way. The sharing economy allows individuals and groups to earn income from their assets.

In this approach, sharing economy, along with having financial benefits, reduces resource-wasting. Joint consumption or sharing of different items that we own but do not use for some time supports the sustainable development of the household economy and the country's economy, too ("Forbes: What is sharing economy, and why it means peoples' economy?" n.d.).

## Key Questions

By the quick overview of government, legislation, and society in Georgia, it is clear that the term "sharing economy" is not established yet here. However, normative acts

regulate essential aspects of mortgaging, purchasing, or hiring of real estate as well as transferring passengers.

One of the essential issues is who represents the driving force of the sharing economy in Georgia. Although thanks to the Internet and smartphones, finding and connecting parties to each other is simplified, also, buying/selling websites appeared in Georgia many years ago. Can these actions be considered as a sharing economy, joint consumption, or collective economy? Is there P2P sharing, or are they merely digital business platforms?

While the income from real estate renting is subject to taxation, the revenue from renting anything besides real estate—is not. Anybody who rents small household items is free of any taxes until registering as a business organization. As mentioned above, some people and organizations rent digital household equipment and sports equipment for hiking or mountaineering without charges. Will it somehow support the development shadow economy in Georgia?

## Examples

In Georgia, presently, there are 589 websites of electronic commerce on the Georgian web, 1383 for business, trade, and advertising, and 840 service platforms. Several of them may be considered as a model of sharing economy platforms.

Recently, Airbnb Market has been emerging in Tbilisi. Since 2016 Airbnb has been a high-yielding investment for individual properties. Buying or renting flats for sub-renting has become a successful business model. The market seems oversupplied; almost 65% of property does not get booked at all for three years until 2019 (Bochorishvili and Samkurashvili 2019). [www.ka.airbnb.com](http://www.ka.airbnb.com)

Another example of the sharing economy is [www.damemgzavre.ge](http://www.damemgzavre.ge), which connects the passengers and owners of vehicles. If a client's desire and a driver's route coincide, they will meet and ride together, such as Uber. Passengers do not pay the expensive market price and travel at a low price. The driver gets additional income by taking the customer, and at the same time, he does not change his route. So, they both have mutual benefits. But it has not many customers yet. [www.damemgzavre.ge](http://www.damemgzavre.ge)

Recently, Tbilisi Mayor introduced a new initiative, which is a private business in Tbilisi. AiCar is the first car-sharing service in Georgia with electric cars. The mission of AiCar is to provide the residents and guests of Georgia with the most ecological, innovative, and comfortable alternative to a taxi or a personal car. Car-sharing is a short-term car rental. Cars with keys in the lock are parked all over the city and are waiting for their drivers. One does not need to come to the office and pay in advance. The project runs by the car-sharing mobile application. One can just download the app and enjoy the freedom of movement with one click. [www.aicar.ge](http://www.aicar.ge)

Since 2016 in Georgia appeared Russian Yandex taxi with the damping prices, which, indeed, competed with local taxi companies. As a result, many corporations went bankrupt and went out of the market. The mobile and online platform of Yandex has a very convenient way to call the vehicle, fast-tracking system, possibility of individual and additional requirements of the passenger, detailed information about the driver and its vehicle, the ability to control the driver's motion on the map. The company has quickly managed to establish its market share in the Georgian market and can

strengthen its position with its multifunctional and comfortable application. Yandex operates only in large cities in Georgia. [www.taxi.yandex.com.ge](http://www.taxi.yandex.com.ge)

One of the oldest websites in Georgia is [www.mymarket.ge](http://www.mymarket.ge), which is an online marketplace, and the main focus is almost every type of secondary item, except automobiles. Here one can find agricultural items, animals, plants, antiques, audio-video and photo equipment, books, stationery, art and industrial equipment, children's products, clothing and accessories, computers and electronics, furniture and decor, health and medicine, home techniques, jewellery, mobiles and communication, music instruments, repair and building materials, souvenirs, hand-made items, sports, tourism, and recreation, weapons, and security systems. "MY" is a mother page that has several daughter pages. One of them is "[www.mymarket.ge](http://www.mymarket.ge)," another is "[myhome.ge](http://myhome.ge)" where are advertisements about apartments or houses for rent or sale. It is like Airbnb but without the possibility of indicating check-in and check-out dates. A customer has to ring the owner and ask for free dates. "Myauto.ge" is another page under "MY" where one can buy/sell or rent cars, "myjobs.ge" is a website where there is information about job vacancies ([www.mymarket.ge](http://www.mymarket.ge)).

Menu Group is a delivery provider system that delivers food, floral, festive cakes, alcoholic/non-alcoholic beverages, and other products to the desired location. While cooperating with restaurants and shops, this service is available in Georgia since October 2014. The Group itself has British origin, and it is the holding company of the former CIS countries and venture funds. "Menu.by" that established in Minsk in 2016 may regard as a part of this holding, too. The company has a successful delivery system and is a sample of e-commerce. Menu Group is one of the leading holders in the restaurant market in the former CIS countries (or former Soviet Union countries), apart from Russia.

"Menu.ge" is the Georgian branch of UK Company MENU GROUP UK LIMITED. The company operates in Georgia, Armenia, and Belarus. Recently "Menu.ge" announced that it adds service delivery with DRONI. As the company representatives say, the service concerns the central areas of Tbilisi. It covers the orders that will be 10–12 minutes away from the restaurant. DRONI will solve the traffic and weather problems and will always deliver on time. [www.menu.ge](http://www.menu.ge)

Glovo—a Spanish origin start-up founded in 2015 in Barcelona, is a delivery service-based ordering application. The service is provided by independent couriers called glovers, who deliver the service for less than an hour. The service is currently available in several countries: Spain, France, Portugal, Italy, Romania, Turkey, Georgia, Ukraine, Egypt, Morocco, Chile, Argentina, Uruguay, Brazil, Peru, Costa Rica, Panama, Guatemala, and the Dominican Republic. The app allows customers to order any item that will fit on the motorcycle. The majority of glovers use motorcycles and bicycles. Among the types of products are food, medicine, books, gifts, and others. Once placing an order on Glovo, the consumer can seek the Glover by GPS at any moment. [www.glovo.com](http://www.glovo.com)

Recently, the Estonian company Taxify entered on Georgian market by the name of Bolt but cannot compete with existing taxi companies because of high prices. Supposing, it will not be able to strengthen the positions on the market. [www.bolt.eu/ka](http://www.bolt.eu/ka).

Wolt is a Finnish company that uses a mobile app to help the customer find the best restaurants and dishes in the city. The company currently operates in eleven European countries and 31 cities, including Georgia. "Wolt" entered the Georgian market in May 2018 and won many loyal customers in 5 months. [www.wolt.ge](http://www.wolt.ge)

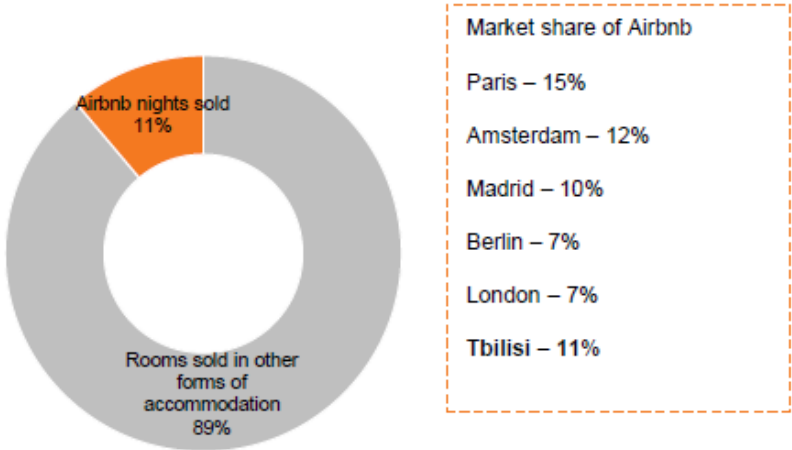
# Context

Although there are no specific regulations, strategies, or mechanisms concerning the sustainable future development of sharing economy in Georgia, companies are operating on the Georgian market, which we consider as a part of sharing economy. Moreover, no private, public or academic researchers in Georgia are focused on the sharing economy as a research question. Accordingly, there are no valid market studies about the sharing economy. It is challenging to define leading market players, their shares, number of users and transactions.

In 2019 Galt and Taggart surveyed the Airbnb market of Tbilisi and presented some crucial figures in the report (Bochorishvili and Samkurashvilli 2019). Airbnb generated a market worth US\$ 23mln in 2018, which is 91% more than in 2017. The Airbnb market of Tbilisi is unregulated. It accounts for 11% of the accommodation market, similar to regulated cities share, which illustrates the growth potential of Tbilisi in the future.

Figure 1. Airbnb Accommodation in Tbilisi (Part 1)

## Airbnb accounts for 11% of accommodation market in Tbilisi

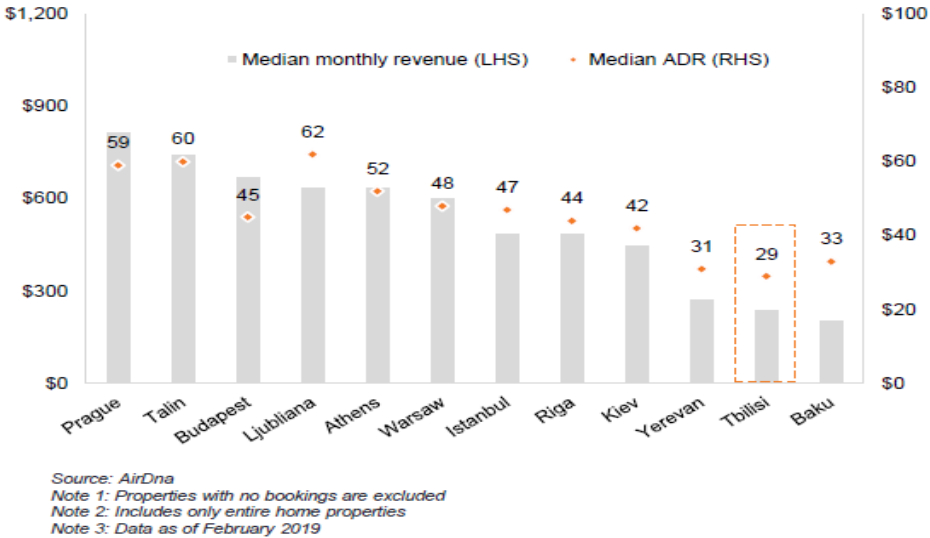


Source: G&T Research, AirDna, Colliers International  
Note: Properties with no bookings are excluded

Source: Bochorishvili and Samkurashvilli (2019).

**Figure 2. Airbnb Accommodation in Tbilisi (Part 2)**

**...making Tbilisi lowest income Airbnb market among peers**



Source: Bochorishvili and Samkurashvili (2019).

Recently, the Timbro, which is a free-market think tank and publishing company located in Stockholm, Sweden, presented the Sharing Economy Index, which is the first global index of the sharing economy. The index has been compiled using traffic volume data and scraped data and provides a unique insight into the driving factors behind the peer-to-peer economy. The index is compiled using traffic volume data and scraped data for services in 213 countries. In the ranking, Georgia is in 28th place after the United Kingdom (Bergh et al. 2018).

**Development**

One of the most developed platforms of sharing economy in Georgia is real estate selling/buying, renting platforms. The next developed is taxi with applications. Recently appeared a car-sharing service in Tbilisi, too. Other platforms are like electronic businesses of books, food delivery, online lessons, information-sharing, mobile applications for tourists, job vacancy pages, second-hand items, and others.

All mentioned websites mainly operate in Tbilisi and large cities of Georgia; they almost do not work in rural spaces because both—the supplier and consumer prefer traditional and non-electronic ways of exchange. The approach refers to new, as well as to the second-hand items, while the only issue everyone agrees about is that the models of sharing economy have platforms on the web.

From 2019 by the initiative of Tbilisi City Hall, a business accelerator launched for small and medium business sectors. All companies that are registered or operated in Tbilisi have access to the "accelerator" for free working areas, consultations, financial

statements, tax legislation, and human resources management, including legal and brand positioning issues.

If a person or a company registered in Tbilisi has an idea or wants to develop it, it can express on the web platform [www.spark.gov.ge](http://www.spark.gov.ge). After the registration, one will have the opportunity to use free workspaces, to consult with business experts, to use spaces for meetings, and to take consultations from mentors, also, to pass essential and free engaging training for their businesses.

The number of cars in Tbilisi has reached a critical maximum. In the city with a population of 1.2 mln, there are officially registered almost 500 000 automobiles, and by unofficial sources, nearly 700 000 cars are moving here (Tbilisi City Hall 2018). Also, according to several different calculations, there are at least 20,000 taxis in Tbilisi every day. The main reason for such an abundance of taxis is the problem of unemployment in the country; some people leave villages and move to the cities to take passengers and keep family expenses (Tax Licence 2018).

Although for many years now, there was no taxi licence in Georgia, and accordingly, the drivers were free of taxes. Recent legislative changes adopted by the Parliament of Georgia, Tbilisi City Hall and the City Council have guided rules for regulating taxis. Taxi reform obliged the drivers to get licences based on technical inspection of vehicles and other vital requirements. The improvement was positively assessed by the population, on the one hand, following safety standards, and on the other hand, by the revenue that will go to the local budget.

Implementation of ride-sharing projects will be very much appreciated, as it will reduce the number of automobiles, provide comfortable travelling, reduce the negative impact on the environment in terms of emissions, and at the same time, it will be affordable compared to the ordinary taxi fee. Taking into consideration the social conditions of Georgian citizens, it will be mutually beneficial; drivers will have additional income, and passengers will have cheap travelling, too.

FLOW2 is a platform that will appear in Georgia soon, thanks to the company "Alliance Group Holding." Recently businesses have started to share their assets in Georgia; for example, construction companies are renting out daily equipment, rent offices, and other assets. FLOW2 will bring all this up, and the user will be able to find the desired asset safely and transparently in a single space.

## Issues

However, it is worth noting that historically Georgians were helping each other without any fee. They share things in the neighbourhood and not only. The mentality of the citizens inside the country direct towards doing something unselfishly. They could take someone from someplace to another without charges. So, it is very complicated for a person to take his colleague to the place near his house and take money from him, even if it is vital for both parties.

Another problem of developing a sharing economy in Georgia is legislation. There are no precise frames not only for sharing platforms but also for consumer rights protection. Paradoxically, Consumer Protection Act was repealed in 2012. The consumers in Georgia are left vulnerable to misadventure and problems. So, they need more caution and attention. They try to less deal with second-hand p2p markets than official businesses.



The concept of tenancy, the subject, the form, and rights of parties, contract termination basis and others are determined under the law. Besides rental, the Civil Code defines lease, requests, borrowing, recruitment (“Civil Code of Georgia” n.d.) The income from a rented car in Georgia is illegal and contributes to the shadow economy. Under the law, the property owner has to pay taxes for the income which he received from a rental property. However, unfortunately, property owners often avoid paying taxes (“Tax Code of Georgia” n.d.). In most cases, citizens are not recognised, and they are under secret agreements. Encouraging a sharing economy will bring out unfavourable results without improving legislation.

As for transferring passengers, it is regulated under the law, which allows transferring seven people without special permission. In this case, a citizen can take passengers in his car. However, taxi drivers are obliged to have a licence (Georgian Law of Transport n.d.). The legislation mentioned above is generally not explicitly directed to the sharing economy, although it still has to be developed before new and preliminary regulations will be written in terms of a sharing economy.

The next issue is awareness and promotion. There are no associations or development agencies for sharing economy; even private researchers at universities and research institutes do not have focused on it, yet.

## Other Major Players

One of the other major players for the maintenance and support of sharing economy development through ride-sharing is the Georgian Alliance for Safe Roads. The Alliance is a member of the Global Alliance of NGOs for Road Safety. It aims to save lives, reduce injuries and suffering due to road traffic accidents in Georgia and supports the initiatives for safe riding. The Alliance provides sharing of international experience to Georgia with objectives to advocate for feasible regulatory and other solutions.

Another player is the Consumer Rights Federation—a non-government organization that aims to identify the violations of consumer rights and lobby the legislation changes. It is a paradox, but in Georgia, the Consumer Protection Act was repealed in 2012. The project of the action was initiated two or three times so far but was not adopted by the Parliament of Georgia yet. Presently, consumers in Georgia are vulnerable to problems. In order to the proper operation of the customer market, consumers need to be able to choose and receive the products they want and need. As a minimum, a consumer has a right to receive correct and precise information about the characteristics of a product or service. Moreover, defective products should be repaired free of charge, or reimbursed, certainly.

It is worth mentioning that Georgian National Real Estate Association operates in Georgia, which is a member of the Realtor Association of the USA and cares for the real estate market development of Georgia. The aim of the association is to improve services and to offer the most flexible platform for customers that will make the Georgian real estate market more stable and reliable. The association is working on a code of ethics that the Association of Realtors pays special attention to, as its primary goal is to protect the rights of consumers.

## Future Directions of Research

As for the future directions of research, it seems that examples of the sharing economy activities take place in the Georgian market, but it has no particular name and is not under the umbrella of the sharing economy. So, the market size, shares of players and the dynamics of market development, as well as the growth tendencies/prognoses, is crucial to be studied precisely near future.

## Summary

As a summary, although examples of the sharing economy have existed in Georgia for a long time, the definition of the term, as well as other legislative and conceptual directions, has not been outlined and planned. However, awareness of the word “sharing economy” appeared recently and did not get actuality yet. Accordingly, raising awareness of the sharing economy is crucial at this stage. The issue has not yet been focused on by researchers, either academic or practice professionals. Subsequently, there is extremely little information accessible about the market.

Taking under consideration the behavioural characteristics of Georgians, while they do not like to make money from acquaintances and prefer to serve or lend without charges, rapid development is not expected. However, Georgia is a low income, developing country, and access to the product/services at lower than market prices is probably essential.

About the concept of sharing economy development and its legislative frames, it is better to speak in the future. Because without legislative frames, existing market players seem to function chaotically. Presently, consumers in Georgia are vulnerable to consuming/service problems. In order to operate the customer market properly, as a minimum, the consumer needs to be able to choose and receive the products they want and need.

However, the market is evolving; the establishment of initiative groups and future support is needed. First of all, a legislative framework should be created, which on the one hand, will encourage the parties to feel more secure and involve in the sharing economy actions, and on the other hand, will prevent the formation of a shadow economy in the country, as well as the sharing economic benefits, will be highlighted.

Using the sharing economy model is inevitable in the modern world. Probably for the next few years, sharing economy will pay more attention, and society will prefer borrowing instead of buying.

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