Indian Economy · GS - III

Examine how the expansion of digital platforms is transforming India's urban service economy. What regulatory challenges does this transformation create?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 26/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~ 250 words

Answer Hint

Platform economy, gig employment, digital intermediation, network effects, labour protection, competition regulation, consumer rights

Model Answer

Transformation of urban services

Digital platforms have reorganised urban services by connecting consumers, service providers and businesses through technology-based marketplaces. Ride-hailing, food delivery, logistics and home services increasingly depend on digital intermediaries.

Economic transformation

1. **Lower transaction costs:** Digital matching, electronic payments and real-time tracking improve convenience and reduce search costs.
2. **Employment opportunities:** Platforms provide flexible earning opportunities, particularly for migrants, young workers and individuals seeking supplementary income.

3. **Market expansion:** Small businesses can reach wider consumer markets without establishing extensive physical infrastructure.
4. **Innovation and competition:** Data-driven services encourage new business models, although network effects may eventually concentrate market power.

Emerging regulatory challenges

1. **Labour protection:** Algorithmic management, uncertain earnings, opaque ratings and limited social security create vulnerabilities for platform workers.
2. **Competition:** Dominant platforms may use preferential ranking, pricing strategies or control over data to disadvantage smaller competitors.
3. **Consumer protection:** Disputes concerning surge pricing, cancellations, service quality, refunds and personal data require effective grievance mechanisms.
4. **Urban governance:** Increased delivery traffic, congestion, road safety concerns and commercial pressure on public spaces require coordination with municipal authorities.

Regulatory approach

India needs proportionate regulation combining worker welfare, competition safeguards, data protection, transparent algorithms and accessible dispute resolution without unnecessarily restricting innovation.

Conclusion: Digital platforms can improve urban economic efficiency, but sustainable growth requires balancing innovation with fair competition, consumer protection and dignified working conditions.

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