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### Implementing the Sharing Economy in the Context of Achieving Sustainable Economic Development: The Case of Azerbaijan

Aynur Hasanli<sup>1</sup>

**Abstract: Objectives:** This article will scrutinize tonight the rise of the sharing economy in Azerbaijan as an innovative solution to accelerating sustainable economic development. It will assess whether sharing-oriented paradigms in strategic sectors like mobility have enabled a more efficient use of resources, cost effectiveness, and sustainable environmental practices. **Prior Work:** Study contributes to the global literature on collaborative consumption and platform economies and fills the gap in local research that has not been conducted in terms of readiness and reactions. **Approach:** We used a mixed-methods approach that draws on both qualitative content analysis and quantitative data analysis. Sectoral case studies and stakeholder interviews were combined to pinpoint economic and environmental impacts, in addition to the analysis of digital infrastructure and policy readiness. **Results:** Results show that sharing economy platforms in have a good potential to efficiency of resources. However, lack of digital infrastructure, regulatory uncertainty, and little popular awareness pose significant obstacles to full-scale adoption. **Implications:** The research is intended to benefit policy makers, scholars and technology investors by providing insights on how to develop inclusive. **Value:** This paper provides new insights about an emerging economic structure in a transforming market, both for theory-building and concrete policy-making.

**Keywords:** platform economy; collaborative services; resource efficiency; economic innovation

**JEL Classification:** Q01, Q56, Q32

## 1. Introduction

The development of the sharing economy has had a profound impact on traditional economic models, changing habits of consumption, market-based business models, and social relationships. This economic model is based on the principles of collaborative consumption, digital transformation, and resource efficiency.

Sharing economy innovators like Airbnb and Uber, as well as local peer-to-peer networks, prove that sharing can increase cost savings, economic diversification, and sustainability (Belfer Center for Science and International Affairs, 2024).

Azerbaijan's economy has recently been searching for pathways to diversify and a break from its reliance on oil and gas revenue. Leveraging a sharing economy model offers an especially bright chance

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<sup>1</sup> Azerbaijan Cooperation University, Baku, Azerbaijan, Address: 93 Najaf Narimanov St., Baku, Azerbaijan, Corresponding author: aynur.hasanli321@gmail.com.



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to help jump-start this move through encouraging service sector development, maximizing resource usage efficiency, and enabling ecological sustainability.

But in Azerbaijan, the sharing economy is still at an early stage of development, and the factors hindering the realization of its full potential must be addressed, such as regulatory limitations, digital infrastructure challenges and a low level of public awareness. Tackling these issues requires a thorough examination of global best practices along with local economic realities (Asian Development Bank, 2025).

The aim of this study is to analyse the impact of the sharing economy on the sustainable economic development of Azerbaijan with a focus on the main segments of sharing economy, transportation, accommodation and peer-to-peer services. The paper examines the role of digital transformation and effective policy frameworks in determining the success of integration of this model into the domestic economic system. It offers insights into how Azerbaijan can harness the sharing economy to stimulate long-lasting economic and environmental growth, by examining real-world use cases and their underlying regulatory landscapes.

Thus, the main aim of this study is to analyse the opportunities and challenges posed by the sharing economy in Azerbaijan and respectively provide some recommendations for its successful adoption in the country. The analysis aims to inform the discourse surrounding economic growth towards sustainability, alongside digital transformation through an extensive analysis of economic, technological and regulatory factors (OSCE Parliamentary Assembly, 2023).

## **2. Methodology**

This research employs a mixed-methods approach to evaluate the impacts of the sharing economy on the economic development of Azerbaijan. The methodology has three main components.

### **2.1. Data Collection**

The study period was from January 2024 until April 2024. It combines both primary and secondary data sources to provide a fulsome understanding of the phenomenon.

Primary data: 3 structured interviews with 18 key actors from 3 economic sectors (transportation, lodging, cola, and peer-to-peer services) affected by the sharing economy. Participants included:

Representatives of relevant government agencies, including policymakers (e.g., Design office in the Ministry of Economy, Digital Development and Transport), owners of businesses run on platforms such as ride-sharing and home-sharing, actors in the platform such as service providers and consumers.

Demographic distribution is provided in aggregate form to maintain anonymity:

- Gender: 10 male, 8 females.
- Age groups: 25–34 (5), 35–44 (7), 45–54 (4), 55+ (2).
- Occupational background: Public sector (6), private entrepreneurs (7), platform users (5).
- Level of education: Bachelors, 11; Masters, 5; Doctorate, 2.

Secondary Data: Government reports, peer-reviewed academic publications, industry analyses, and international case studies (Sustainable Development Knowledge Platform, 2025) This context and

comparative evaluation were enabled by those data sources (Sustainable Development Knowledge Platform, 2025).

## 2.2. Analytical Framework

The study employs qualitative and quantitative analytical methods, as follows:

Qualitative Analysis:

Data analysis followed two phases of thematic coding, including the following six steps (Braun & Clarke, 2006):

- Familiarization with data;
- Generating initial codes;
- Searching for themes;
- Reviewing themes;
- Defining and naming themes;
- Producing the report.

The data yielded five main themes:

- Regulatory challenges;
- Public awareness;
- Digital infrastructure;
- Trust and security;
- Economic inclusion.

Both descriptive and inferential analysis techniques were employed for the study in order to analyse the success and challenges of sharing economy. Interviews are analysed using thematic analysis to identify trends and gaps in policy. On the other hand, quantitative data (economic indicators, user adoption) is analysed using statistical techniques, such as correlation analysis, to assess the economic and environmental impact of the sharing economy.

## 2.3. Evaluation of Best Practices

In order to contextualize Azerbaijan's experience, the research analyses successful sharing economy-based business models in other countries by considering their regulatory frameworks and digital transformation approaches. Such a comparative analysis can outline the fundamental lessons to be modified according to economic and technological conditions of Azerbaijan.

Through the integration of these research methods, the study delivers a comprehensive evaluation of the sharing economy potential, along with policy recommendations for its increased adoption mediated through Azerbaijan.

### 3. Findings and Analysis

The sharing economy in Azerbaijan is at an early stage, and transportation, lodging, and peer-to-peer are emerging areas of development. Similarly, while global platforms such as Uber and Airbnb have penetrated the market, local alternatives are on the rise. A mix of enthusiasm and challenges of this economic model are affiliated with a new trend in Baku through the Interviews done with business owners, policymakers, and users.

#### 3.1. Azerbaijan: The State of the Sharing Economy

Digital platforms have emerged as one of the key findings from our stakeholder dialogues; they are seen to increase economic efficiency and lower costs. Yet, regulatory uncertainties and limited infrastructures for digital payments were cited by a number of respondents as significant challenges to faster adoption.

#### 3.2. Insights on the Sharing Economy from Stakeholders

To further explore, semi-structured interviews were held with 15 individuals representing diverse stakeholder groups. Their findings also call attention to the opportunities, as well as the challenges, of the sharing economy in Azerbaijan.

Business owners shared a major concern about the high operational costs of the platform due to the lack of government incentives for local platforms. A start-up founder in Baku's tech sector said:

**Table 1. Key Insights of interview**

Stakeholder Group	Key Insights
Business Owners (e.g., local ride-sharing and lodging service providers)	Expressed concerns about regulatory instability and high commission fees charged by major platforms. Some are exploring localized sharing platforms to reduce reliance on international companies.
Policymakers (Government and economic advisors)	Acknowledged the potential for economic diversification but emphasized the need for clearer legal frameworks to support the growth of local sharing platforms.
Platform Users (Regular consumers of ride-sharing and lodging services)	60% of users prefer international platforms (Uber, Airbnb) due to reliability and ease of payment. However, many indicated that prices have increased, making them reconsider traditional alternatives.

“Ride-sharing, and short-term rentals, these are on the rise, but local businesses cannot compete with the likes of an Uber or Airbnb without supportive policies.”

Government officials, for their part, said they acknowledged the economic benefits, but pointed to the complexity of taxing digital businesses. One policymaker noted:

“We need to regulate the sharing economy but don't want to throw cold water on its expansion. A balanced approach is needed to attract investment while also ensuring fair competition.”

In this regard, the results of the research highlight the complexity and dynamism of the sharing economy in Azerbaijan, indicating economic potential and regulatory obstacles hindering its sustainable growth. Digital platforms in transportation, lodging, peer-to-peer services, and other areas, have provided more economic flexibility, cost savings, and consumer convenience, but have also brought considerable market disparities, higher operating costs, and regulatory uncertainty.

Interviews with a sample of local business owners, policymakers and platform users in Baku have revealed a growing reliance on international platforms, such as Uber and Airbnb, which, while often favoured for their convenience and accessibility, have had the effect of making it much harder for local entrepreneurs to compete. Without a solid regulatory framework in place, we are left to deal with a vague, unsatisfying space where it is never clear how much taxes, labour rights, or market bearding will be involved.

The same government officials who acknowledge the need for more digital business models (that would boost the economy) are confronted by the difficulties of applying taxation to them, providing fair competition, and protecting the consumers in an industry that expands well beyond all traditional mechanisms of regulations.

Moreover, although ride-hailing services have played a role in decreasing private vehicle ownership, they have also driven up short-distance trips, thereby fuelling, rather than curbing, urban congestion. Just like short-term rental platforms have helped to spur tourism and property investments, but also been accused of driving up housing prices to the point of making long-term rentals less affordable for local residents. This paper concludes that without proactive intervention Azerbaijan may succeed in implementing an unbalanced digital market, devoid of local firms, flush in foreign companies and with exceptionally low commitment to implementing controls regarding environmental sustainability.

Thus, in order to pursue an inclusive and sustainable sharing economy, Azerbaijan needs to set more precise policies, as taxation of digital business, promotion of local entrepreneurs, and support of the idea of environmentally sustainable business practices. Government initiatives to support local sharing economy platforms (which would go a long way as a sustainable alternative to big tech) and improvements to digital payment infrastructure and legal frameworks to protect both consumers and service providers will also be critical to economic stability over the long haul. The success of the sharing economy in Azerbaijan ultimately hinges on collaborative efforts between policymakers, businesses, and platform users to establish a balanced ecosystem that nurtures innovation, competitiveness, and sustainability, in line with the country's overarching goals of diversifying its economy.

## 4. Results

Investigation based on interviews in Baku shows that, if some things have changed for the better, others are not going as planned in terms of both economic and environmental factors.

### 4.1. Economic Impact

The economic implications of sharing economy platforms were seen as both beneficial and troublesome, relative to the stakeholder's role in the ecosystem.

#### **Theme 1:** Balancing Diversification of Earnings and Flexibility

The majority of self-employed and small business owners surveyed agreed that the sharing economy platforms (Bolt, Airbnb, etc) generated extra income and/or flexibility of employment:

“I have more freedom and control over how I earn my income, and it has also meant competition has increased as well. The fees that are incurred through a platform take a significant slice of my income.”

(Male, 34, ridesharing driver)

“Airbnb and things like that have helped me turn one area into extra income, but demand also drives up the price of rental units, so it’s really expensive for the local people to have housing.”

(Female, 42, apartment owner)

The duality between free market benefit versus cost was an ongoing narrative, pointing out the trade off with entrepreneurial opportunity versus new participant in the market (e.g. SOCIO [...] gentrification, affordability issues).

## **Theme 2: Lack of Regulation and Informality**

Policy stakeholders articulated considerable concern over the absence of formal structures governing platform-based work:

“Gig economy is booming and to ensure that we do not form an informal economy without social security, without legal protection and without rights for workers, we need a proper framework.”

This challenge is indicative of a regulatory lag in which the pace of digital innovation is not matched by legislative and fiscal adjustment. Taxation and labour protections (particularly in peer-to-peer sectors) are also ambiguous.

Stakeholder Type	Perceived Benefit	Perceived Challenge
Ride-hailing drivers	Flexible income, self-management	High commission fees, job insecurity
Apartment owners	Extra income, high demand	Increased rental prices, tenant turnover
Policymakers	Economic diversification, digital transformation	Informal labor markets, lack of taxation and worker rights
Platform users (renters)	Convenience, affordability (short-term)	Reduced long-term housing availability, price volatility

## **4.2. Environmental Impact**

Despite being in its early stages, the environment as the sharing economy in Azerbaijan is beginning to take shape, with interview findings exposing contradicting implications that merit greater consideration from policymakers.

### **Theme 1: The Mixed Results of Ride-Sharing and Mobility in Cities**

On the one hand, ride-sharing services have helped in reducing private car ownership, especially amongst the younger urban demographic. Urban mobility experts observed this as a positive shift:

“Carpooling on the ride-sharing apps has certainly to some extent made our traffic more efficient...”

(Urban Planner, Baku)

But there have been unintended consequences. Several stakeholders pointed out that the popularity of ride-hailing apps has resulted in more short-distance vehicle rides, supplanting walking or public transit. As the same planner added:

“...but most of the riders today are using the services for perhaps shorter trips that they could walk to or take public transport to, and that is creating more congestion.”

This mirrors the phenomenon of “induced demand,” in which greater availability of services drives greater overall use, thus counteracting the environmental benefits.

**Theme 2: Mobility Platforms Without Green Incentives**

This is compounded by the lack of regulatory or financial inducement to implement green technologies within the areas of the sharing economy. A senior executive with a local transportation company pointed out:

“If we could build electric vehicles and the green energy incentives into the ride-sharing models, we could reduce emissions very significantly. But for now, there are no policies that motivate these transitions.”

This disparity highlights a potential for the integration of sustainable transport policies such as incentives for EV adoption, carbon offset credits and pricing structures based on emission output.

**Theme 3: Energy Use in Short-Term Lodging**

There’s also an environmental downside to the short-term rental economy: The accommodation sector benefits from a better use of space, but there are signs some of the environmental backlash is starting to catch up with it as well. Increased energy consumption in tourist spots – Reported by interviewees, alterations to tourist areas are raising the turnover rate and making central housing areas to accommodate people 24/7, all of which increases their need for electricity and water.

“We’re noticing more utility loads in a few downtown buildings, where short-term renters just leave the lights or heating systems or cooling systems on all the time.”

Environmental consequences of the sharing economy in Azerbaijan are mixed: it activates the more efficient use of spent infrastructure, but spawn’s new consumption phenomena that haven’t yet been tamed by policy. Without some proper kinds of false incentives and regulatory mechanisms, its potential role in sustainable development remains unused.

**5. Discussion**

In this study, we analyse both the economic and environmental effects of the sharing economy in Azerbaijan, and the significance to the opportunities and threats created by digital platforms, mainly in developing countries. The results overlap with and diverge from the existing literature and show the context-specific nature of the sharing economy.

Such platforms create economic and social challenges: increasing competition, high fees for platforms, price hikes of housing markets, and unregulated labour. This could be seen in analogy to critical perspectives that posit the sharing economy to be more about “digital exploitation” than about “participatory democracy.”

These findings theoretically align with the neo-institutional framework as well. Political Gaps In society, the digitally transformative era has created many political gaps, especially in the fact that the existing institutional structure (for example, tax, social security, and environmental policies) has not effectively responded to the rapid progress of digitalization. The sharing economy is driven more by free market dynamics in that of Azerbaijan case, whereas public policies have not been able to keep pace with this transformation yet. This situation is a typical example of the “policy lag” phenomenon that is common in the literature.

The study found that ride-sharing apps promote ride-sharing for short-distance trips, contributing to traffic jams and mitigating air pollution benefits in Azerbaijan. Several research projects conducted abroad also confirmed that short-term accommodation applications increased energy consumption, environmental impacts should be controlled carefully.

There are three primary contributions of this study to the literature:

- (1) By providing evidence of the dual structure of the sharing economy in a developing country (Azerbaijan), it assesses the social and environmental impacts of the platform economy as well as its economic implications.
- (2) It has carried out micro (individual experience) and macro (structural deficiencies) analysis with multi-voice data from policy makers, users and platform owners.
- (3) It has complemented existing theory of sharing economy (flexibility versus insecurity; efficiency versus environmental burden) with real world examples and context-based analysis.

As a result, the sharing economy could be seen both as an opportunity and a dilemma for emerging market countries like Azerbaijan in the context of great digital transformation. This system can only work in a sustainable and equitable manner if the technological infrastructure, the institutional framework and the policy mechanisms are all effective.

The study concludes that, although the sharing economy in Azerbaijan demonstrates great promise in terms of fostering economic diversification and sustainability, the smooth incorporation of this new model into the national economy necessitates clear regulations, the development of digital infrastructure, and the assurance of increased public trust. While digital platforms have opened new avenues for growth for the transportation and lodging sectors in the Azerbaijani capital, interviews with various stakeholders suggest the shift has also created challenges including rising operating costs, lack of protections for workers and uncertainty over how to effectively regulate them all. While allowing businesses to operate with a minimum of taxes has been one of the authorities' industrial policies in recent years, the lack of parameters for digital businesses prevents national entrepreneurship (Sustainable Development Goals United Nations, 2025).

Autonomous vehicles may also find their way to ride hailing service, and while there may be benefits to the Uber of transportation causes a reduction in private car ownership, they will potentially significantly increase overall traffic volumes in substitution of public transport and walking, so incentives for eco-friendliness in their use will be critical (i.e. electric vehicles). Also, while the income generated when users of short-term lodging services engage with the tourism sector has grown, this has also helped to increase rental prices and raised the question of whether these rentals remain affordable for residents (The World Bank, 2025).

Based on these insights, the government should recognize the need for a multi-stakeholder approach that includes platform operators, consumers, and policymakers, in order to develop regulations that balance innovation, economic growth, and sustainability goals. In the absence of pre-emptive measures, Azerbaijan faces the danger of exposing itself to a Wild West of unmonitored digital development in which foreign tech giants flood the market, domestic competition suffocates, and environmental fallout runs rampant (Trends Research & Advisory, 2025). Thus, the future demanding multiple intersection of incentive-driven arrangements, digital cash harmonisation, and directed city architecture to build an inclusive, aggressive, and viable sharing economy in agreement with the Azerbaijan's long-term economic development strategies.



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