

# Digitization and Platform Economy in Africa: A Comparative Study of Ride-Hailing Sectors in Nigeria and Ethiopia

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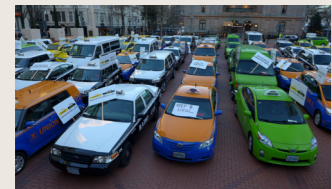
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## Abstract

Africa is at the forefront of both population growth and technological advancement in the 21st century. With its rapidly expanding population and largely untapped market potential, the digital transformation of Africa's economy, particularly its emerging industries, is critical to fostering sustainable development and economic growth.

Among the countries leading this digital evolution are Ethiopia and Nigeria. Both countries have witnessed the rapid growth of the ride-hailing industry as a result of digital platformization. This paper explores the development of ride-hailing industries, comparing the two countries' regulatory environments, business models, and individual market trends.



## Introduction

By 2100, the population of Sub-Saharan Africa is projected to reach a staggering 3.07 billion and account for 35 percent of the global population. By 2030, over 42 percent of Africa's population is expected to belong to the middle class. By 2025, Africa is expected to have over 600 million unique phone subscribers.

These defining characteristics have created an ideal environment for digital growth across a variety of industries in Africa, most evident in the ride-hailing industry in Ethiopia and Nigeria. Both countries have experienced a significant boom in ride-hailing services within their tech sectors. Yet, each country has taken a different approach to policy and regulation, resulting in distinct market environments.

## Literature Review

### Decent Work & Informality

Workers in the ride-hailing sector occupy a unique position: their work is often categorized as gig work in the informal sector without clear classification or formal recognition. The informal economy accounts for a staggering 60-90 percent of the working population in Africa, contributing to about 39 to 58 percent of its GDP. While ride-hailing drivers do gain from "platform affiliation," which provides access to services like insurance, credit, and cash transfers, they remain largely unprotected by social safety nets or labor standards.

Ride-hailing drivers can be seen as a transition stage between formal and informal sectors; they are not recognized as employees but have a history of earnings, volume, and performance ratings that ideally with better regulation and definition, will allow formality.

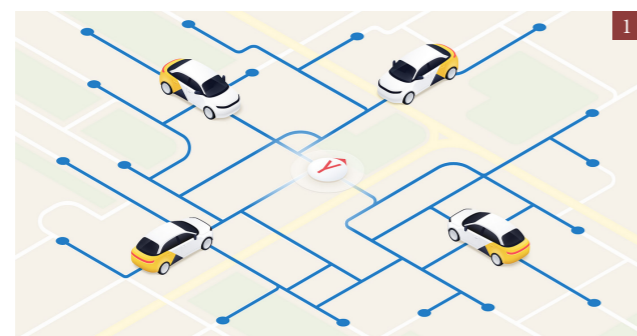
### Hidden Resistances

In addition to the visible resistances faced by ride-hailing drivers, there also remains a slew of hidden algorithmic encounters that drivers must combat. If being classified as independent or gig workers, employers can offer a false sense of autonomy while inadequately rewarding labor. Due a lack of official capacities to dispute unfair algorithmic and employment practices, ride-hailing gig drivers have utilized numerous unofficial practices such as manipulating platform algorithms, gaming spaces and rewards as a way of falsifying compliance, and overall larger-scale sabotaging of ride-hail platforms to fight for better conditions.

Drivers have implemented a variety of strategies to combat the lack of transparency they face within digital platforms, including communicating with one another to cause price surges, distorting location and accuracy of GPS systems to make more money, and utilizing the rider apps themselves to complete rides. While these methods do allow drivers to fight back against the platform that is platform algorithms, it also tends to hurt riders and the market as a whole, leaving strategies increasingly dispersed, varied, and inconsistent over time.

### Platform Methods

In order to counter the algorithmic unknown and opacity facing ride-hailing drivers in their combat against platforms, scholars argue that instead of focusing on regulation that simply requires more transparency, practices must keep in mind the dynamics platforms play in the shaping of urban life. The three approaches that can combat this murkiness include narratives, counter-mapping, and proxying.



## Methods and Framework

Most of the existing literature has focused on the issues surrounding digital urbanism within platforms, the response and actions of ride-hailing drivers to these issues, and policy approaches and considerations. This paper adopts a slightly different conceptual approach by applying a comparative lens. By examining the development of ride-hailing in two distinct contexts—Ethiopia and Nigeria—this study highlights the differences in policy and market environments.

This study also adopts a "southern" perspective. By taking a comparative lens and focusing the study on two Africa countries, the narrative will be allowed to emphasize African experiences while resisting attempts to place them as case studies for global concepts. That is to say, the dramatic expansion of platform urbanism in Africa is not simply a case of global finance landing there, it also encapsulates infrastructural investments made by states, as well as strategic marketing and policy implementation.

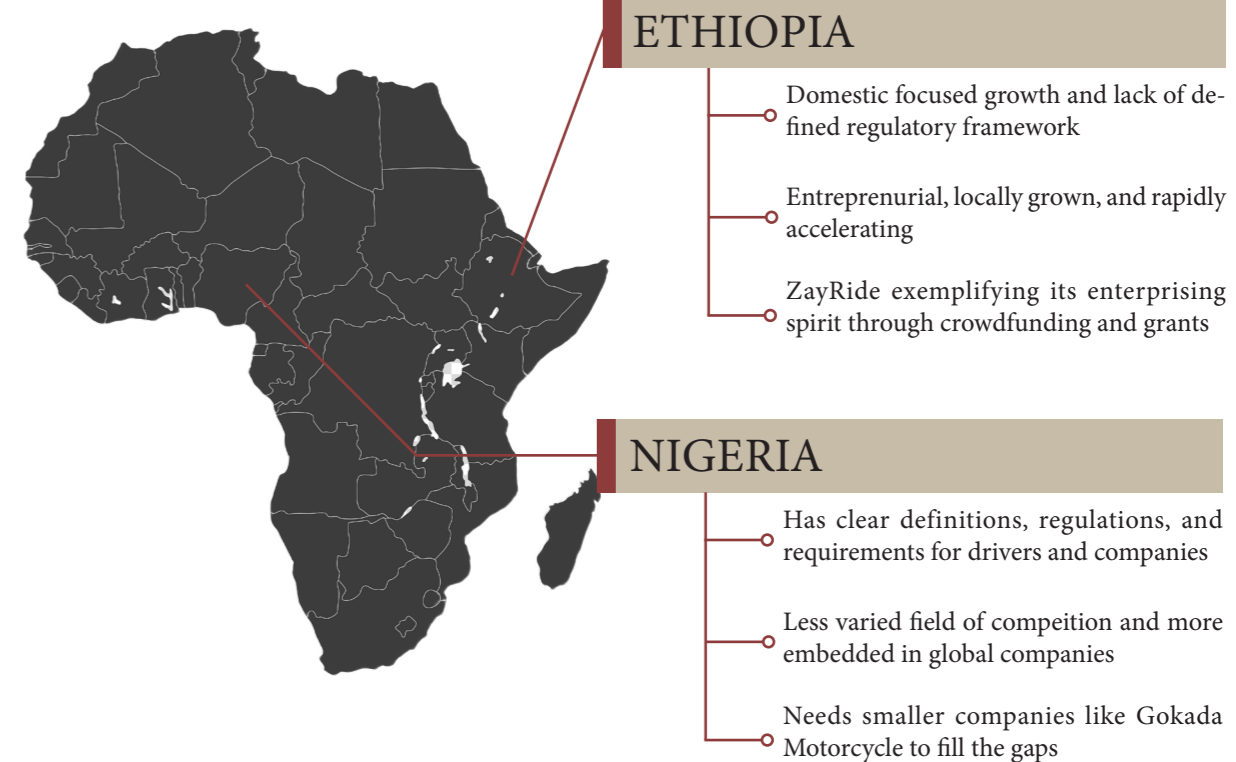
The methods for this paper primarily involve policy analysis, examining documents from both Ethiopia and Nigeria to understand their regulatory frameworks and implications. In addition, market developments were tracked, and individual case studies of specific digital platforms were evaluated. Lastly, secondary research and data were reviewed to support both the policy analysis and market evaluation for the two countries.

## Empirical Analysis and Discussion

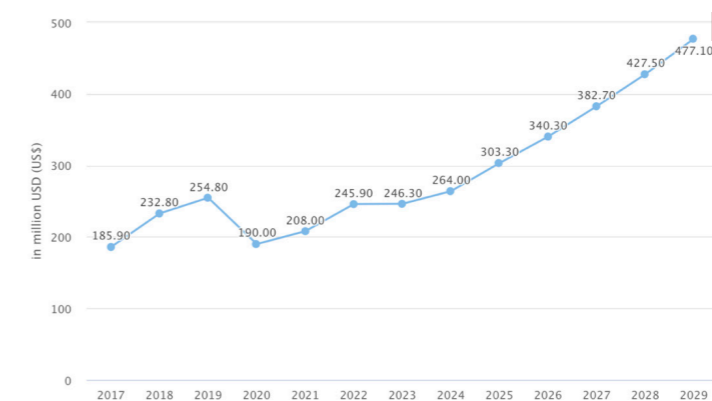
Ranked by estimated Net Revenue	Estimates for FY 2024-25, Birr mns		In percent of total	
	GTV	Net Revenue	GTV	Net Revenue
1 Digital Finance	2,845,384,814.409	8,644,662,036	94.9%	36.4%
2 Airtime credit	43,059,427,829	4,305,942,783	1.4%	18.1%
3 Digital Airtime distribution	88,953,827,047	3,242,366,996	3.0%	13.6%
4 Ride-hailing	15,475,439,580	1,392,789,562	0.5%	5.9%
5 Digital media	--	1,134,329,250	--	4.8%
6 E-classifieds/marketplaces	--	1,033,293,215	--	4.3%
7 Software companies	--	1,018,462,366	--	4.3%
8 Delivery	--	1,009,792,141	--	4.2%
9 Telecom Value Added Services	1,957,058,035	980,072,304	0.1%	4.1%
10 Sports betting	3,103,657,289	775,914,322	0.1%	3.3%
11 E-commerce	1,151,179,634	146,922,934	0.0%	0.6%
12 Business process outsourcing	347,513,050	88,704,900	0.0%	0.4%
13 Paid digital entertainment	4,728,228	2,364,114	0.0%	0.0%
<b>GRAND TOTAL, Birr:</b>	<b>2,999,437,645,101</b>	<b>23,775,616,934</b>	<b>100.0%</b>	<b>100.0%</b>
Total, % GDP:	38.6%	0.3%	--	--
Total, USD: \$	\$4,141,473,738	\$429,162,760	--	--

There are significant differences between both the policy landscape and market structure of the ride-hailing industry in Ethiopia and Nigeria. In Nigeria, the market is dominated by a few major companies, with Uber and Bolt controlling a large share. In contrast, Ethiopia's market is more diversified, with several local businesses competing for market share. This reflects the impact of Ethiopia's anti-foreign investment policies, which have shaped its industries, resulting in top ride-hailing companies being homegrown entrepreneurial efforts.

Furthermore, Nigeria's policy guidelines and implementations have been more explicit and clearly defined compared to Ethiopia's. The formal classification of ride-hailing services and higher levels of regulation in Nigeria have favored larger companies that have the resources to meet regulatory requirements and overcome entry barriers.



On the other hand, Ethiopia's regulatory framework is more complex, informal, and inconsistently enforced, creating gaps that allow a variety of local, less-structured business models to thrive. Ultimately, the differences in the ride-hailing markets of Ethiopia and Nigeria can be attributed to their contrasting policy approaches and regulatory environments. Despite their differences, both Ethiopia and Nigeria are experiencing tremendous growth in not only their ride-hailing industry, but their digital economy as a whole. Yet their market structures are differentiated by their contrasting approaches to policy. As seen with Nigeria's case study, due to its more rigid structure, its gaps must be filled with more formalized endeavors whereas Ethiopia, due to its existing informality and wide scope of established work at the urban margins, has an overall greater number of ride-hailing companies.



## References

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