



REVENUE RECOGNITION AND GIG ECONOMY: A REGULATORY PERSPECTIVE

* Siddhi Mukesh Bhosale & ** Chinmayee Vartak

** Students' of Vidyavardhini's Annasaheb Vartak College of Arts, Kedarnath Malhotra College of Commerce, E. S. Andrades College of Science NAAC Accredited B+ Grade | Vasai Road (West) - 401 202, Dist.- Palghar, Maharashtra.*

Abstract:

his study aims to investigate the recognition of revenue in Indian gig businesses, the role of principal-agent classification, and the impact of variable consideration and bundled services. Supported by secondary data, the research explores the application of current accounting standards, particularly Ind AS 115 and any other standard apply to gig economy businesses such as Ola, Swiggy, Zomato, and Urban Company which facilitate millions of transactions daily between service providers and customers through various payment modes. It further explores regulatory gaps and proposes updates to better align accounting standards with India's rapidly evolving digital economy. The study also highlights challenge in revenue recognition, tax implications, and the need for a comprehensive regulatory framework.

Keywords – Gig Businesses, Accounting Standards, Regulatory Framework, Revenue Recognition.

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Introduction:

The gig economy operates as an open market system where organizations frequently hire independent workers for temporary roles. A report by the Boston Consulting Group states that India has a gig workforce of approximately 15 million individuals employed in various sectors, including software, shared services, and professional services. According to a 2019 report by the India Staffing Federation, India ranks fifth globally in flexible staffing, following the US, China, Brazil, and Japan. It is estimated that gig economy companies contribute to 56% of new job creation in both blue-collar and white-collar segments. While gig work is more prevalent among blue-collar jobs, there is a rising demand for white-collar professionals such as consultants, sales representatives, web designers, content writers, and software developers. The gig economy has the potential to generate up to 90 million jobs in India's non-agricultural sectors and could contribute an additional 1.25% to the GDP in the long

run. As India progresses toward its target of becoming a USD 5 trillion economy by 2025, the gig economy is expected to play a crucial role in reducing unemployment and bridging income disparities.

Review of Literature:

The review of concerned topic is as follows:

- 1. Dr. Eknath Mundhe (2025)** - This forward-looking paper explores how digital platforms drive the gig economy in India, focusing on their revenue models and regulatory challenges. It discusses how platforms recognize revenue through task-based transactions and critiques the absence of comprehensive regulations, proposing policies for equitable earnings and worker protections. This directly aligns with your topic's intersection of revenue recognition and regulatory perspectives.
- 2. M.V. Sathiyabama and others (2024)** - This study examines how gig economy platforms create employment opportunities across India's diverse regions. It addresses regulatory frameworks

influencing platform operations and indirectly touches on revenue recognition through discussions of income generation and digital infrastructure. The paper provides policy recommendations for equitable revenue distribution, making it relevant to your regulatory perspective.

3. **Pant, J. J and other (2024)** - This paper provides an HR perspective on India's gig economy, estimating over 15 million gig workers. It examines revenue generation through platform ecosystems and discusses regulatory needs to ensure sustainable growth. While not explicitly focused on revenue recognition standards, it offers insights into how revenue flows impact workers and the need for regulatory oversight.
4. **Suman Kharbanda and others (2024)** - This study reviews the gig economy's expansion in India, addressing growth drivers, challenges like income volatility, and regulatory pathways forward. It touches on platform revenue models and the need for policies to address worker earnings, providing a regulatory lens that complements revenue recognition discussions.
5. **Bewtra, P., Kharbanda, S., & Kamna, S. (2023)** - This paper explores the rise of the gig economy in India, focusing on its economic contributions and social implications. It discusses how platforms generate revenue through short-term contracts and highlights regulatory gaps, such as the lack of social security and fair income distribution for gig workers. While revenue recognition isn't the central focus, the economic analysis includes revenue generation models of platforms, offering a regulatory perspective on sustainability and worker welfare.
6. **Vedant Choudhary and others (2022)** - This article analyses the gig economy's growth in India and proposes regulatory methods to address worker challenges. It identifies seven features impacting

gig workers' well-being, including income instability, which ties into revenue recognition from a worker and platform perspective. The regulatory suggestions are tailored to India, offering a robust framework for balancing economic benefits and worker rights.

Research Methodology:

This research employs a qualitative, descriptive design, relying solely on secondary data to examine revenue recognition practices within gig economy businesses and assess the effectiveness of current regulatory frameworks.

Data was gathered from a variety of reputable secondary sources, including academic journals, government reports (such as NITI Aayog's 2022 report), official guidelines (e.g., Ind AS 115 and GST), and digital platforms like ICAI, e-SHRAM, and Google Scholar. These sources were chosen for their academic credibility and their alignment with the research objectives.

Objectives:

1. To examine application of existing revenue recognition standards, apply to the gig economy businesses.
2. To propose developing new regulatory frameworks specifically tailored to the gig economy or adapting existing law.
3. To assess challenges in Revenue recognition and Tax Implications.

Data Analysis:

The Gig Economy: Businesses, Workers and Transactions

The gig economy is a sector defined by short-term, contract-based employment where businesses hire independent workers for temporary commitments. Companies like Ola, Swiggy, Zomato, and Urban Company operate as gig businesses, facilitating millions of daily transactions between service providers and customers through various payment

methods. Gig workers, including freelancers, independent contractors, project-based workers, and temporary or part-time hires, play a vital role in this dynamic workforce structure.

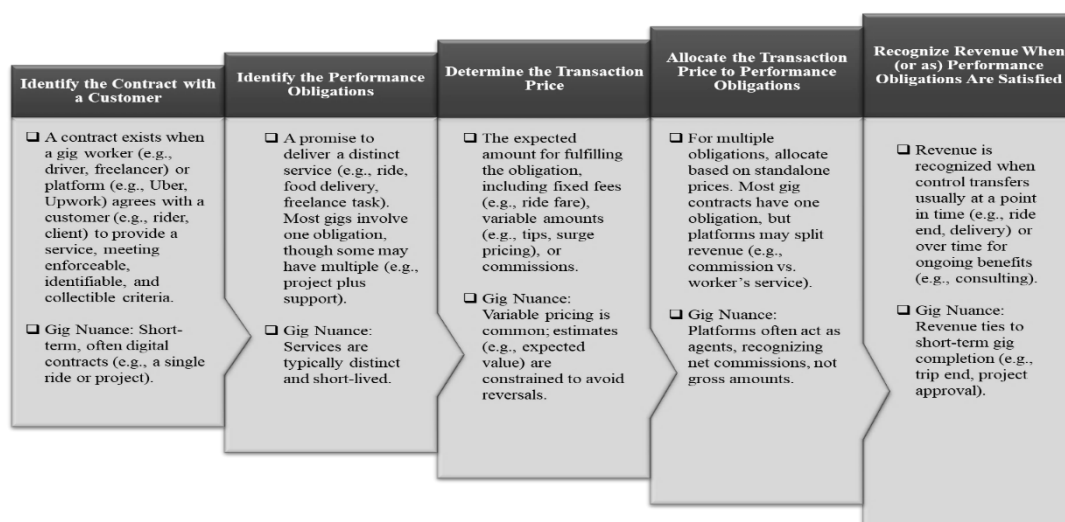
Revenue Recognition Challenges for Indian Gig Platforms under Ind AS 115:

Indian gig platforms, acting as intermediaries between customers and workers, face challenges in applying Ind AS 115's principal vs. agent guidance, often inconsistently. Platforms frequently set prices or terms, leading to varied revenue reporting. Gig businesses, dealing with high volumes of low-value transactions like auto-rickshaw rides and food deliveries, find applying Ind AS 115's five-step model impractical,

particularly for smaller firms with limited resources. The use of surge pricing, discounts, and cashback introduces variable consideration, complicating revenue recognition and misaligning it with cash flows. Additionally, gig platforms typically collect payments, retain a commission, and remit the remainder to workers, but Ind AS 115 does not clearly address this split, causing inconsistent practices. GST rules further complicate matters due to differing tax treatments for principals and agents. These challenges, alongside worker churn, regulatory scrutiny, and revenue volatility, are not adequately captured by Ind AS 115's generic disclosure requirements.

Five-Step Model of Ind AS 115 and Its Application to the Gig Economy:

Ind AS 115, which outlines a five-step model for recognizing revenue from contracts with customers, applies to entities engaged in such transactions, including gig businesses. In the context of gig businesses, the five-step model is relevant in the following ways :



Source 1: indiafreenotes.com

Role of Principal and Agent Classification in Gig Businesses:

A significant issue in the gig economy is whether the platform is a principal (controlling the service) or an agent (arranging the service). For instance, a ride-

sharing platform typically doesn't control the driver's service, so it recognizes only its commission as revenue, not the full fare paid by the rider. This distinction affects the amount and presentation of revenue under Ind AS 115.

Revenue Recognition and Standards Followed by Ola, Swiggy, Zomato and Urban Company:

Revenue recognition by some reputed gig businesses namely Ola, Swiggy, Zomato and Urban Company operational in India are complying with Ind AS 115 and those are platforms that provides services. Analyzing recognition of revenue by *Ola* (acts as agent) is as payment collected from customers are typically recorded as liability i.e. amount payable to drivers until the ride is completed, after which Ola recognizes its commission as revenue and for subscription-based services it recognizes as deferred revenue. *Swiggy* acts as agent and earns revenue through commissions from restaurant partners (typically 15-25% of the order value), delivery fees from customers, advertising revenue, and sales of goods through quick commerce platform (Instamart) here Swiggy acts as principal. *Zomato* (acting as agent) generates revenue from commissions, delivery fees, advertising (deferred revenue), subscription plans (deferred revenue) (Zomato Pro), and sales of goods via Blinkit (Quick Commerce, where Zomato acts as principal) and Hyperpure (B2B supplies) revenue is recognized when goods are delivered to the restaurant. *Urban Company* earns revenue through commissions (when urban company acts as agent) from service providers and, in some cases, by selling branded products/equipment to professionals Urban Company acts as a principal, recognizing the full sale amount as revenue when the products are delivered. Subscription or membership fees (if any) from professionals are recognized over the subscription period.

Regulatory framework for gig businesses other than Ind AS 115:

The regulatory framework for gig businesses includes the Code on Wages, 2019, ensuring minimum wage and timely payment; the Code on Social Security, 2020, extending benefits like provident fund, health, and

maternity coverage; and the e-SHRAM portal for gig worker registration, providing access to social security schemes and benefits. Social Security Benefits: The Code provides a range of benefits for gig and platform workers through various schemes, including (i) insurance for life and disability, (ii) coverage for accidents, (iii) support for health and maternity needs, (iv) retirement benefits, and (v) access to crèche services, along with any additional provisions specified by the Central Government.

Findings:

1. The five-step model of Ind AS 115 is valid for gig economy businesses, but it requires careful consideration of the unique operational models, multiple performance obligations, variable considerations, and principal-agent relationships inherent in such businesses.
2. The existing law and regulatory framework need to be adapted and updated to effectively accommodate the unique and evolving nature of gig businesses over time.
3. The demand for blue-collar jobs is observed to be rising compared to white-collar jobs.

Limitations:

1. Collection of data is secondary based which may be prone to inaccuracies, biases, or inconsistencies, as it was collected for purposes other than our research.
2. The collected secondary data might not perfectly align with our research objectives,

Suggestions/Recommendation's :

Proposal for updates to Ind AS 115 to better align revenue recognition for gig businesses in India. First, Define the Customer in Platform-Based Transactions – Clarify the customer in platform models based on who primarily benefits from the services; specify principal (gross revenue) or agent (net revenue) roles with India-specific examples such as Ola and Swiggy; Second, Simplify Revenue Recognition Micro-Transactions –

allow portfolio approach for similar gigs for instance daily rides; recognize revenue at service completion for cash-based deals; Third, Handle Variable Consideration in Dynamic Pricing and Discounts – recognize surge pricing or discounts when service is delivered if determinable, estimate based on historical data with disclosure and address cashback as separate performance obligation only if it represents a material right otherwise treat it as reduction in transaction price; Fourth, Standardize Platform Fees and Worker Remittances – Treat commission as revenue, worker payouts as costs unless agent and disclose gross or net revenue and align with GST rules; Lastly, Enhance Disclosures for Gig Economy Risks and Metrics – disclosures such as volume of transactions (e.g., rides, deliveries), revenue by category (e.g., customer fees, subscription income), key estimates for variable consideration (e.g., surge pricing trends, discount impacts), worker dependency (e.g., potential reclassification as employee) and qualitative disclosure of how market dynamics (e.g. cash transactions, rural penetration) affect revenue recognition.

The Institute of Chartered Accountants of India (ICAI) should issue guidance notes or educational material tailored to gig businesses, leveraging these updates. Collaborate with the GST Council to ensure revenue recognition aligns with tax reporting, avoiding dual compliance burdens. Offer a 12–18-month transition period, with optional early adoption, to allow gig firms many of which are MSMEs to adapt. Encourage cloud-based accounting tools to track micro-transactions, with ICAI providing a list of approved vendors for smaller entities.

These updates aim to bring clarity, consistency and practicality to revenue recognition in India's evolving gig economy.

Conclusion:

The study has regulatory perspective about revenue recognition for gig economy. Understanding Ind AS

115 that majorly been followed by gig businesses in India and its five-step model to recognize revenue however they need updates to overcome challenges which are there in Ind AS 115 and other regulatory frameworks. The updates refine Ind AS 115 to fit India's gig economy, characterized by rapid growth (e.g., a \$100 billion market by 2030, per NITI Aayog estimates), informal labor, and tech-driven platforms. Current standards, while robust, were designed for traditional businesses and don't fully address gig-specific nuances like cash transactions, dynamic pricing, or GST implications. By tailoring the framework, India can foster consistent financial reporting, support gig startups, and enhance investor confidence without deviating from global convergence.

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