
Formal and Informal Institutions' Changes in the Sharing Economy Development

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Abstract:

Purpose: The purpose of this paper is to identify changes in formal and informal institutions that influence the sharing economy development.

Design/methodology/approach: An approach to the analysis of sharing economy based on institutional economics has been proposed. It considers both formal and informal institutions vital for the sharing economy's development. However, it focuses on the latter as the nature, role and design of informal institutions remain undiscovered while for sharing economy they seem crucial.

Findings: Based on the findings it can be argued that informal institutions are of great importance for the sharing economy development. Despite the often-stressed role of regulations, it becomes clear that in this case, informal institutions may evolve more quickly and fill the gaps left by formal norms. It is of great importance than to support trust growth between the users and strengthen the evolution of property's perception – from owning to sharing.

Practical implications: The results may be useful for the sharing platforms as they stress the importance of their regulations and role in building trust between the users and providers of goods or services. They may contribute to a better design of the platforms and further development. The findings are important also for the users as they need an encouraging environment to operate effectively.

Originality/value: The research is original because of the adopted perspective – rarely is the institutional economics base for sharing economy analysis, still, it offers important insights. The analysis indicates important changes in institutions connected with sharing economy and points which of them are crucial for its further development. Moreover, it stresses the role of informal institutions which despite growing importance are often excluded from the analysis.

Keywords: Sharing economy, formal institutions, informal institutions, trust, platforms.

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1. Introduction

The development of the sharing economy has been very dynamic and today there are thousands of platforms operating in almost every industry, though the most famous companies such as Uber and Airbnb started operating only a bit more than a decade ago. The dynamic development of the sharing economy is associated with important institutional changes. Institutions, as the rules of the game, impose constraints on human interactions (North, 1994: 3) therefore they influence the shape of sharing economy. They consist of formal and informal institutions supervised by the enforcement mechanism. Formal institutions are written down, introduced, and enforced by the state, so they can be perceived as laws. Informal institutions are unwritten but deeply rooted codes of conduct, traditions, customs, conventions of behaviour, sanctions, and taboos. They exist independently of the state as they are created through the interaction between individuals.

Clearly formal institutions concerning the sharing economy are changing. Nevertheless, it is often stressed that their transformation is too slow and that there is a lack of important regulations. As a result, formal institutions are not keeping up with reality. This may be associated, for example, with the lack of consumer protection. Such problems may strongly reduce the demand for services in this area - lack of trust is one of the most important barriers to the sharing economy development. Consumers need externally supported, clear rules for the operation of sharing platforms. This ensures their security and guarantees that there is someone to refer to in case of any problems.

However, despite such disadvantages, the demand for sharing economy services is growing. There must have been some changes in society, which make consumers enthusiastic about the opportunities offered by the sharing economy. We are therefore dealing with changes in informal institutions. Surprisingly, they seem to be faster than the changes in formal institutions. Although in the literature it is stressed that changes in informal institutions are slow and incremental (Williamson, 2000), also examples of quite quick changes in informal institutions can be found (Helmke and Levitsky, 2004: 731-732). This seems to be the case of the sharing economy.

In the early stages of the sharing economy development, such benefits as reducing excessive consumption, a positive impact on the environment and a possibility of building human ties have been recognised (Botsman, 2010). At the same time, the attitude towards property has changed. The awareness that it is not necessary to own goods to consume them has become increasingly widespread. This indicates a clear change in people's attitudes and habits.

It remains striking that we face the lack of formal institutions or their inadequacy to meet consumer needs. At the same time, informal institutions are gradually changing and make sharing economy's development possible despite all shortcomings. These informal institutions help to overcome the lack of trust in new services. Consumers,

for example, use ratings or recommendations from friends and begin to trust them increasingly. Moreover, they appreciate principles which allow for transactions' transparency, competitive price, and ease of conducting. To some extent, their attitudes and informal arrangement seem to be replacing traditional institutions which were supposed to guarantee consumers' safety. Besides, it takes place when formal institutions and the entities responsible for their introduction and enforcement face decreasing levels of trust in society.

Therefore, I propose an approach to the analysis of sharing economy based on institutional economics, which takes into consideration both formal and informal institutions. The study aims to identify changes in formal and informal institutions that influence the sharing economy development. Emphasis will be put on informal institutions. Though the role of informal institutions is not called into question we still know little about their nature, role, and design. Nevertheless, I claim they seem important for sharing economy development and may complement the lacking formal institutions.

The paper is structured as follows. Section 2 describes the development of the sharing economy and the role of institutions. Section 3 outlines what has changed in formal and informal institutions and what still needs to be altered. The final section 4 contains conclusions.

2. The Role of Institutions in the Functioning of the Sharing Economy

The sharing economy concerns business models where activities take place on platforms creating an easily accessible market for the temporary use of goods or services, often provided by private individuals. It involves three categories of actors: service providers who are sharing their goods, resources, time or skills, users of those services and intermediaries connecting providers with users and facilitating transactions between them, i.e., online platforms (European Commission, 2016: 3).

The sharing economy undoubtedly has great potential for development. Its most frequently mentioned advantages relate to making shared goods and services available on an unprecedented scale, allowing for savings for users and additional income for the others, a greater choice of goods and services, the convenience of using them, reducing the need for owning and excessive consumption, reducing the carbon footprint, creating trust between strangers, and building social capital (see for instance: Rinne, 2018). Today, it is difficult to find platforms that practise the principles traditionally attributed to the sharing economy (Rinne, 2019). There are many doubts concerning which types of activities and which companies can be classified as sharing economy. This relates to the confusion of definitions - the "sharing economy" is interpreted differently, and besides, alternative terms such as "collaborative consumption," "gig economy," or "access economy" are used in the literature (Schlagwein *et al.*, 2020: 817). Botsman (2013) clearly emphasises that these

commonly used and interchangeable terms have different meanings and cover a different range of activities.

The sharing economy operates within the framework of rules that we define as institutions. These include both formal and informal constraints. A lot of attention in the literature is paid to the role of formal institutions, which is also the case of the sharing economy. The problem of gaps in the law is often raised. Such gaps concern for instance ensuring the safety of users or the payment of taxes by the providers. However, informal institutions are also attracting the increasing attention of economists, and their role is considered no less important (Williamson, 2009; Glaeser *et al.*, 2004; Platje, 2008; Chavance, 2008). It seems that informal institutions are also crucial for sharing economy.

Formal and informal institutions are linked and the interactions between them are complex. Both types of institutions may be related to the same area and their common impact is reinforced, or, on the contrary, the institutions may be inconsistent and work against each other. Informal institutions can also complement the gaps in formal institutions, modify existing formal institutions or lead to new solutions. Of course, one cannot expect that informal norms will be a perfect substitute for lacking or weak formal rules, especially as the economy becomes more complex (Eggertsson, 2006: 22). However, they often fill the gaps that arise, at least to some extent.

The relationship between institutions is analysed in different contexts. An interesting example is the matrix explaining four results of the interaction between formal and informal institutions (Helmke and Levitsky, 2004: 728). It considers the convergence of formal and informal institutions and the effectiveness of the former. If following formal and informal institutions gives similar outcomes, they are considered as convergent. If the outcomes are different, they are assumed to be divergent. Formal institutions are effective when individuals believe that they must comply with them and that there is an effective mechanism of enforcement. Otherwise, formal institutions are ineffective.

Table 1. Matrix of formal and informal institutions

<i>Outcomes</i>	<i>Effective formal institutions</i>	<i>Ineffective formal institutions</i>
<i>Convergent</i>	Complementary	Substitutive
<i>Divergent</i>	Accommodating	Competing

Source: G. Helmke, S. Levitsky, *Informal Institutions and Comparative Politics: A Research Agenda*, "Perspectives on Politics", vol. 2, No. 4, 2004, p. 728

Formal and informal institutions shall be considered complementary when following both gives similar outcomes and when formal institutions are effective. In this case, informal institutions fill any gaps in formal institutions and strengthen their effectiveness (e.g., legal system widely accepted in the society like in the USA). With

accommodating institutions, the formal rules are also effective, but following the informal institutions would not lead to the same outcomes. Informal institutions provide incentives for behaviours different than that, which has been formally adopted, although they do not directly break them (e.g., individuals in Soviet Union did not violate the rules, but they dealt with many issues unofficially). Institutions are competing when informal institutions produce different outcomes than ineffective formal ones. Informal institutions, therefore, compete with them and create a kind of alternative rules (e.g., countries with corruption and highly developed clan politics). Finally, institutions are substitutive when convergent informal institutions coexist with inefficient formal institutions. Entities can violate the formal rules here. However, they would like to achieve the results they encourage.

Therefore, the informal institutions manage to achieve what the formal institutions were destined for but have failed. Gradually, informal institutions can contribute to the development of appropriate formal institutions (e.g., countries with weak state structures). Many similarities to this substitutive combination of institutions can be found in the sharing economy. Informal institutions seem to be a significant substitute for inadequate formal institutions. Important observation on the role of informal institutions can be found in Ostrom's works (Ostrom, 1990; 2000; Ostrom *et al.*, 1992; 1999). They indicated that solutions created by the communities can be surprisingly effective, sometimes even better than exogenous regulations. Their creation is impossible without favourable conditions created by informal institutions like trust, willingness to cooperate, positive attitudes toward sharing.

In the analysing of the sharing economy development, two issues should be considered - what motivates consumers to use it and what are the barriers to its development? The research show (Nwaorgu, 2018; Wallenstein and Shelat, 2017; PWC, 2015a) that the most important benefits encouraging consumers to the sharing economy are: the favourable price of goods and services, ability to access a variety of goods and services, often of high quality, the opportunity to gain unique experiences, to meet new people, participation in a new cooperative lifestyle, convenience of conducting transactions, lack of burden connected with cost, maintenance, choice. The most important reasons for not participating in the sharing economy relate to attitudes toward ownership – some consumers are still enjoying the convenience of ownership and lack of trust in platforms offering such goods and services (Wallenstein and Shelat, 2017). Strengthening the benefits' impact and reducing the influence of barriers requires further changes in formal and informal institutions.

3. Changes of Institutions

The sharing economy development is associated with significant institutional changes. First, there are changes which enable its development, but of great importance are also the adjustments which are forced by this development. The first group of changes includes, for example, changes in consumer attitudes towards owning goods. The second type of changes comprises, for example, legal regulations intended to ensure

the security of transactions on the platforms, or rules introduced voluntarily by the platforms to increase transparency and users' trust.

Due to the wide variety of platforms, it is difficult to consider all the formal institutions concerning the sharing economy. However, by giving examples of such institutions, it can be shown that they are not always relevant to consumers or at least that other factors are no less vital. For example, having a taxi driver's licence may turn out to be less important than good ratings of a driver on the platform. Similarly, good ratings for accommodation may compensate consumers for the requirement every hotel needs to meet to be considered safe. Such rating systems are created by the sharing platforms. They allow for building trust between actors who conduct transactions and thus support informal institutions. Individuals gain the feeling that they can find a reliable partner with whom they can agree on conditions vital for everyone.

For example, a tourist going to Barcelona simply needs an overnight stay, not a sanitary certificate confirming the place meets the requirements regarding equipment or the size of the premises. For such tourist, it may be more important that he can easily book the stay, cancel it, that he can compare prices and that he knows exactly how much he will pay finally. He can decide what conditions he needs, and, thanks to the available photos, descriptions, and opinions, he can easily evaluate a particular place. Therefore, to some extent, the newly established informal institutions - relations between the users of the platform and trust in others' assessments seem to replace traditional formal regulations. We may distinguish four groups concerning evolving institutions, which are linked to each other and simultaneously influence sharing economy development:

- Formal institutions introduced by the state to ensure the security of all actors involved in the sharing economy;
- Formal institutions introduced by the platforms to ensure safety and transparency of transactions and thus to increase trust;
- Informal institutions related to the perception of ownership;
- Informal institutions related to trust in transaction partners;

3.1 Formal Institutions

The dynamic sharing economy development is an important challenge for formal institutions. The problem of the law not keeping up with changes is often raised here. The key areas of necessary regulation concern:

- Safety of users (e.g., by Uber rides) and third parties (e.g., accidents involving city scooters),
- Assuring the high quality of goods and services provided,
- Elimination of externalities (e.g., pollution of the environment by rented cars or shifting the residents from the centre and invasion of tourists in popular cities),

- The free-rider effect and the moral hazard connected with avoiding responsibility for the goods' destruction or the improper performance of services,
- Tax issues.

These examples of regulation show how broad their spectrum is and how important the challenges for regulators are. It is difficult to indicate any universal solution or any strategy for designing effective regulations. Different countries take different approaches, and one can even observe different approaches even in different cities (more on regulation introduced see: PWC, 2015b). Still, existing regulations were created in a different reality, for traditional enterprises with clearly defined business models. As a result, they are not suitable for companies operating in the sharing economy. Moreover, many regulations concern problems which are outdated or not necessary for consumers. Until recently some problems were supposed to be solved by the state regulations, for example, the quality of accommodation at the hotel. However, it is no longer the state only that can be responsible for such quality, as it can be guaranteed by the platforms providing necessary reputation mechanisms. The PWC study (PWC 2015a: 16) shows that 64% of respondents declared the platform regulations to be more important than the government regulations.

So, there are not only the government regulation influencing sharing economy development. Not less important are the formal regulations introduced by the platforms. They determine the ease of conducting transactions, ensure transparency of conditions and payment, guarantee safety thanks to their enforcement mechanism, decrease the anonymity of goods and service providers. The most successful platforms are those that have made the transaction process extremely efficient (Kessler, 2015) as although people appreciate many advantages of the sharing economy, finally, it is their convenience that matters.

Besides the platforms try to influence the shape of the regulations introduced by the state. The PWC's report (PWC, 2015c: 3) on key factors for the sharing economy development points out that the regulation may become a major roadblock for sharing economy and it is crucial for the platforms to engage with local policymakers and interest groups at an early stage. The emphasis should be put on local authorities because the approach to the sharing platforms differs not only between countries but also between cities. An example here may be Airbnb, as in 2016 it developed a Policy Tool Chest, which is a code of good practice showing effective regulation of the rental market in different cities. Thanks to such initiatives, the platforms can at least to some extent influence the regulations and minimise their negative impact.

It is also worth stressing that the regulations, or at least not all of them, are encouraging the sharing economy development. The Timbro analysis shows that in countries with greater economic freedom, the sharing economy is better developed (Bergh *et al.*, 2018). It, therefore, contradicts the thesis, that the sharing economy development is better if the authorities provide more regulation.

Another important problem concerning regulations and their perception in society is the declining trust in traditional institutions. The Edelman Trust Report (2000) shows that none of the four types of institutions examined: government, business, non-profit organisations, or the media are trusted. Moreover, none of them is seen as both competent and ethical, while the government and the media are not considered to have any of these qualities. One could even say that people no longer trust the surrounding system. Various scandals have gradually undermined trust in institutions: the business world, including even the largest companies (e.g., after the Volkswagen scandal), the financial world (2008 crisis), the Catholic Church (hiding paedophilia), tax systems (tax evasion of famous people) (Botsman, 2017). The lack of trust is a wider problem, not only relating to the sharing economy, though also affecting it. People may feel that the state is not keeping up with the changes, that there will always be gaps in the law, that the regulator will not consider their interests. Besides trust in institutions does not fit in with the new digital economy (Botsman, 2017).

3.2 Informal Institutions

The changes in informal institutions are mainly related to changes in societies' attitudes, which supported the sharing economy popularisation and changes connected with building trust in the sharing economy. The generation of people born after the 1980s has developed a new approach to ownership, the convenience of consuming, as well as the use of technology or relying on recommendations. For this generation, the traditional saying "You are what you own" changes into "You are what you share" (Belk, 2014: 1599). Consumerism starts to be perceived as negative. Of greater concern are also environmental issues. PWC (2015a: 9) indicates a new attitude towards owning as 43% of the US respondents perceive it as a burden and 57% consider access a new type of ownership. Moreover, 81% of respondents appreciate that sharing goods is less expensive than owning them. Consumers, therefore, notice the benefits of sharing and become more aware of the different forms of ownership advantages and disadvantages.

Another important change in consumer attitudes is the different perception of transaction partners. They start interacting with new partners, even though they are 'strangers'. Gebbia, one of the Airbnb founders, points out that we witness the significant change of the attitudes in this field – every child used to be taught not to trust strangers. But not everyone has to be a stranger and today people who traditionally were seen as strangers become friends waiting to be discovered (Gebbia, 2016). Until recently it seemed that even shopping on the Internet auctions requires overcoming a huge mental barrier. It was difficult to imagine sending money to an unknown seller and expect him to send the purchased goods. However, platforms like eBay have made such purchases a commonplace. Surely the created systems of sellers and buyers' ratings helped to overcome the barrier. However, changes in society's attitudes were prerequisite.

Therefore, the second crucial change for the further sharing economy development is building trust in in the sharing platforms and their users. Trust can be understood as the positive individual's expectation that no harm will come from another member of the community (individual or organization) even if he can be neither monitored nor controlled (Camussi and Mancini, 2019: 489). Trust in the context of the sharing economy is rarely considered in the literature (Czernek *et al.*, 2018). Building trust in the sharing economy requires three stages (Botsman, 2018: 60-61):

- Trust in the idea of service. For instance, with BlaBlacar, this is the acceptance that the ride-sharing can be safe and worth trying.
- Trust in the platform. Here people decide on a particular platform, believing that it will help them to solve their problems if anything goes wrong.
- Trust in an individual. People who have information from the platform decide to choose a specific offer that they consider to be trustworthy.

The sharing economy is based on building relationships between dispersed groups of suppliers and consumers. It requires the creation of direct relations between entities, limiting anonymity, acceptance of trustworthiness' verification procedures. Still, it is necessary to change attitudes towards data processing and sharing information about oneself. Every user must agree on being assessed by partners. Building relations with formal and informal groups helps to increase trust. And societies with higher levels of trust are less dependent on formal institutions to enforce agreements. (Knack and Keefer, 1997: 1253). Such groups do not need to know each other traditionally - it is enough that they are members of the same community of individuals using a given platform. What characterises trust in the sharing economy is that it concerns strangers (Czernek *et al.*, 2018: 33). The studies on trust show that people with a full profile on BlaBlaCar are trusted almost as much as members of the family and friends (Mazzella and Sundararajan, 2016: 29).

The platforms' credibility is becoming crucial to the sharing economy development. Basing on their knowledge the platforms use applicable institutional solutions and introduce systems for evaluating users. Through such actions, they limit the users' anonymity. BlaBlaCar emphasizes that online trust in sharing platforms is created through a combination of six pillars constituting the DREAMS framework (Mazzella *et al.*, 2016: 27):

- Declared - declared personal information disclosed by users and intended to eliminate anonymity;
- Rated - ratings and opinions of other users necessary to build trust;
- Engaged - confirmation of commitment, e.g., a financial commitment that arises before the service is used;
- Active - level and frequency of user's activity on the platform, e.g., the number of rides;

- Moderated - verification of information by a third party, i.e., a platform, ensuring its authenticity;
- Social - connecting the profile with other existing social networks such as Facebook or LinkedIn.

Platform's rating systems ensure greater transparency of users and thus of the transaction itself. This can be described as social verification. Positive opinions allow for building one's brand on the platform. Each transaction gives the user a chance to show that he is trustworthy and to increase trust. Growing trust, in turn, allows to gather more information about partners' needs and to adapt the offer to their expectations (Gansky, 2010: 26). The threat of getting bad ratings and negative opinions motivates the parties to offer the best quality of goods and services and to follow the arrangements. Any opportunistic actions can be quickly detected and visible to other partners. Thanks to the sharing economy development we have returned to a time when doing something wrong or embarrassing becomes known to the whole community (Botsman and Rogers, 2011). People who are likely to care about their reputation behave less opportunistically.

Gebbia of Airbnb emphasises that a well-designed reputation system is key for building trust. Studies show that people are more likely to trust someone alike, for example in terms of the age. However high reputation on the platform is more important than high similarity, so it helps to overcome even deeply rooted biases (Gebbia, 2016). Today, every platform tries to convince its users that it is actively taking care to guarantee safety and satisfaction e.g., Uber has created "Uber community guideline" supposed to increase the sense of security of the users. Looking at the past, trust seems to have different chapters (Botsman, 2017; 2018: 7-9).

1. Local trust on accountability base. Close relationships with well-known community members - for centuries, until the mid-19th century, people trusted tight-knit relationships. They rarely changed their place of residence, remained in the circle of people whose reputation they knew and who also were aware of their trustworthiness. When someone did something wrong, he betrayed the trust, and everyone knew about it.
2. Institutional trust on commission base - the mobility of people in the mid-19th century increased. Local relationships and trust began to lose importance. Instead, trust in the authority of institutions that guaranteed clear conditions and effective transactions became crucial. For example, people did not need to know the banker personally to entrust money to the bank he represented.
3. Distributed trust - is developing in the digital economy. Such trust is no longer top-down, opaque, or linear. Once again it is distributed amongst people and is accountability-based. Past behaviour influences the trustworthiness and trust depend on the rating systems.

Many studies confirm that good ratings and trust are crucial to the prosperity of goods and services providers. The breakthrough for the Alibaba was introducing the so-

called "trust pass", i.e., a certificate for sellers, which confirmed their credibility. The sellers who obtained such certificate received on average 6 times more orders than the unregistered ones (Botsman, 2018: 23). The studies for eBay also confirm the importance of reputation. A seller who received a negative comment suffered an average 8% decrease in weekly sales. So, reputation has a measurable financial impact. Besides, one negative comment increases the risk of further negative opinions by 25% (Cabral and Hortacsu, 2010). The influence of reputation on financial terms is also visible on the electronics market - trust reduces information asymmetry and risk of conducting transactions, which allows sellers with a better reputation to obtain higher prices (Ba and Pavlou, 2002). Today 99% of transactions on Swaptree are successful and only 1% of transactions receive negative comments mainly due to trivial reasons such as delayed delivery (Botsman, 2010). An interesting example of the reputation's effectiveness can be seen in case of the Silk Road service (closed by the FBI). It was involved in trading illegal articles, e.g., drugs, so customers could not appeal to the court in case of problems with the transaction. The only guarantee of security was therefore provided by the opinions of other users (more on the problem of trust in unlicensed trading: Botsman, 2018: 138-153).

To increase the value of rating systems further, there are models introduced to assess their credibility. They are supposed to verify the quality of the comments made. An example of a rating system evaluation project is the 'Trustmark' launched in 2015. It is a top-down project introduced by the UK authorities, which was the first country to recognise that consumers should be helped to assess the reliability of sharing platforms and their applications (Moules, 2015). Similar initiatives are also taken by private companies like Traity and TrustCloud, which allow the aggregation of information from different platforms, social media and on their basis, they build the reputation of users. This allows using information from a platform on another one, which is important for consumer starts using a new service with no history of transactions or ratings of users. Although it is difficult to assess trustworthiness, the information that everyone leaves during online operations allows discovering certain patterns of reliable behaviour. For instance, it may be possible to assess behaviour in social media like responsibility or predictability and link it to the ratings on different platforms.

Any confidence-raising measures are important for the sharing economy. They play a crucial role in countries with a low level of trust, such as Poland. According to the 2014 European Social Survey, in terms of general trust, it is at the end of the ranking. The low level of trust is also confirmed by research conducted in Poland. According to the Statistics Poland (GUS), Poles trust mainly their closest family (98%) and friends (93%). Strangers are much less trustworthy – only about 39% of respondents trust them (GUS, 2015:4). Reports of the Public Opinion Research Centre in Poland show that 74% believe that one should be cautious in relations with other people (CBOS, 2016: 3). It is to be noticed that Poland was ranked 92nd in the Timbor Sharing Economy Index among 213 countries analysed (Bergh *et al.*, 2018: 10-11). This rather low position may be the result of low trust in society.

However, the role of general trust in society is not necessarily as simple and unambiguous as it might seem. It is stressed in the literature, that there needs to be an appropriate level of trust for the economy to develop (Finley, 2013). Still, some studies show that the sharing economy does not need a high level of trust in society as even low trust can be overcome by institutions that increase the credibility of the parties (Bergh and Funcke, 2016). Also, the authors of the Timbro Sharing Economy Index report did not confirm the simple thesis that the functioning of the sharing economy requires a high level of trust in society. Of greater importance is building trust among the users of its services and the role of platforms that try to rise the credibility of the parties and therefore build trust even in societies where its level is low (Bergh *et al.*, 2018: 5, 37).

Therefore, today it seems that platforms are crucial for building trust in the sharing economy. However, this may gradually change as each individual operating on different platforms will be able to build trust in himself. The reputation gained there is becoming a measure of how much society can trust him. However, it is crucial to aggregate data from different platforms and services properly as reputation is difficult to pull out of a particular context. The fact that someone is a nice host on Airbnb does not guarantee his reliability on TaskRabbit. There is a great challenge for data aggregation, their proper selection and processing. Nevertheless, according to Botsman (2012), it is a matter of time when we will be able to find on the Internet a complete picture of someone's behaviours in different contexts over time. This will be one's reputation capital, more important than traditional credit history.

4. Conclusion

The paper aims to offer a new approach to the sharing economy analysis of based on institutional economics. The analysis helps to identify changes in formal and informal institutions that influence the sharing economy functioning and development. It shows that in the case of the sharing economy, informal institutions change relatively quickly and therefore fill the gaps or inadequacies of formal institutions. This corresponds to a combination of formal and informal institutions described in the presented matrix as substitutional.

Formal rules changes comprise both: the new regulation introduced by the state and the regulation of the platforms determining rules of conducting transactions. The evolution of informal institutions involves changes in people's attitudes connected with owning and being aware of sharing economy's benefits. The second area of changes concerns building trust between users, who without evolution in informal institutions, should find it difficult to transact with "strangers". The rules introduced by the platforms where transactions are conducted enable the transformation of informal institutions. The formal norms they create seem more important than regulations introduced by the state.

Despite the often-emphasised shortcomings in the formal institutions, the emerging informal institutions allow for the sharing economy development and efficient use of resources, which is one of its advantages. This is an initial approach to examining the outlined problems. The issues raised in the study require further in-depth analysis. Above all, it is worth examining in greater detail how the platforms increase trust between users and how relations between in sharing economy are built.

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