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CHAPTER ➢ 1

DEMYSTIFYING MACRO-ENVIRONMENT OF AN E-STARTUP

Corporate world is undergoing a transformation and structural upheaval globally. Recent epidemic, COVID-19 has had tremendous impact on not just society but also on business dynamics. The pandemic has impacted customer behaviour as well as increased the usage of technology to address many disruptions in business processes and distribution. Though, COVID-19 has caused the crisis to many businesses, yet it has also provided several opportunities for entrepreneurs.

COVID-19 has accelerated the transition to a more digitally integrated era. Business activities as well as consumer buying patterns have been impacted by the lockdown and social distance laws. Customers are learning to adapt and develop new behaviours (Jo, Shin, and Kim 2021). Consumers who previously avoided utilising online channels due to concerns about trust and data security are now encouraged to use them to meet even their most basic demands (Sheth 2020; Mehta, Saxena, and Purohit 2020). The epidemic has increased e-spread and the scope of commerce, pushing it into new setups, client categories, and product types. It gave users access to a variety of items with improved convenience and safety. It has allowed businesses to continue operating in the face of contact limitations and other restraints. Meanwhile, e-commerce has increasingly transitioned from luxury goods and services to everyday necessities. Many businesses saw an opportunity in this situation and decided to bring stores and services to customers' homes (Savastano and Marco 2019). Lockdowns and aversion to leaving the house resulted in a large number of first-time online product and service providers, making these digital startup businesses to actively focus on and promote to survive and excel in competition. Due to the rise in B2C commerce, various companies are looking for innovative ways to better understand the business environment. This chapter investigates the extent to which government policies and macro ecosystem can encourage and support digital start-ups in order to "level the playing field" for entrepreneurs.

Digital Entrepreneurship: Digital entrepreneurship, is difficult to define, numerous concepts are employed in practice. In order to suite the policy measures to harness the potential of the digital economy; many attempts were made to define digital entrepreneurship by different experts and agencies equally. The first attempt to define Digital entrepreneurship was quite wide and difficult to quantify, it says that Digital entrepreneurship encompasses all new initiatives as well as the transformation of existing businesses that create and use novel digital technology to deliver economic and/or social value. Digital firms are distinguished by a high intensity of use of innovative digital technologies (especially social, big data, mobile, and cloud solutions) to enhance company operations, innovate new business models, refine business intelligence, and communicate with consumers and stakeholders. Few experts proposed another approach to include the digitization of entrepreneurs and SMEs (i.e. the adoption of cloud computing, mobile technologies, social media, and big data by entrepreneurs and SMEs, as well as the proportion of enterprises' income derived from e-commerce), as well as start-ups in ICT industries. While this definition is significantly more concrete than the previously discussed one, it introduces certain measuring difficulties; like measuring digital technology adoption in new and current organizations is challenging since adoption rates vary widely among sectors and firms within each sector. While assessing start-ups in ICT industries is conceivable, the ability to analyse the digitalization of self-employed and SMEs is now restricted to a few fundamental indicators, for example daily computer usage.

Another attempt was made to describe digital entrepreneurship as "the phenomena associated with digital entrepreneurial activity, which is enterprising human effort in pursuit of creating or expanding economic activity, by recognising and utilising new ICT or ICT-enabled goods, processes, and related markets". Given the difficulty in identifying ICT-enabled goods, processes, and markets, estimating the number of digital entrepreneurs using this criteria would be a monumental undertaking. However, the concept recognises that digital entrepreneurship is not limited to the ICT industry only but also includes services, goods and processes.

The digital transformation is fundamentally affecting the way firms operate and organise production. The advancement of new digital technologies such as the Internet of Things, Blockchain, Artificial Intelligence, Big Data, Cloud Computing, Next-generation Wireless Networks, and others is driving this transition. Each of them is made possible by huge advancements in computer power and a concurrent decrease in its cost. Although digital entrepreneurship will not be a panacea for increasing entrepreneurship diversity, developing an effective e-startup eco-system can play a role in removing barriers to the formation of digital enterprises by potential e-entrepreneurs. This chapter investigates the extent to which government policies and macro ecosystem can encourage and support digital start-ups in order to "level the playing field" for entrepreneurs.

Start ups Scenario in India: With few active investors and support organizations, the Indian start-up ecosystem was in its infancy in early 2000s. Over the last decade, however, the Indian start-up ecosystem has experienced rapid transformations. Recently, the Indian start-up landscape has grown tremendously, as the Indian government has taken pragmatic steps to foster a constructive and conducive environment to nurture entrepreneurship. The country has risen 14 positions since last year (Doing Business 2020) to become a leading business-conducive economy, ranking 63rd out of 190 countries. By the middle of December 2020, Indian start-ups raised US $9.3 billion in funding from investors, according to the NASSCOM Report ("Retail 4.0" 2021). The report estimates that there will be around 8900 tech start-ups in India by the year 2021. India ranks third in the world in terms of start-ups, behind only to U.S. and UK. Additionally, expanding entrepreneurship education in accordance with global initiatives enhances start-up growth in the country (Acs and Audretsch 2012; Bosma et al. 2020). There has been an emphasis on solving problems rather than simply existing in start-ups recently, with the primary areas of focus being financial technology, analytics, Artificial Intelligence (AI), and the Internet of Things. There was a high level of investor confidence in the Indian start-up ecosystem, as evidenced by the NASSCOM report, Indian Start-up Ecosystem – Traversing The Maturity Cycle (2017). E-commerce was seen as a growth market by investors. Consequently, 70% of the funds were allocated to various e-commerce verticals including Supply Chain Management (SCM), hospitality, food technology, and financial technology.

The Department defines a start-up for Promotion of Industry and Internal Trade (DPIIT) as "*The organisation:*

a) *should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership,*
b) *shall be considered as a start-up up to 10 years from the date of its incorporation,*
c) *the turnover for any of the financial years since its incorporation should be less than INR 100 crores,*
d) *should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth. An entity formed by splitting up or reconstruction of an existing business shall not be considered a Start-up."*

Founders of start-ups envision, develop, and validate scalable business models with the aim of enabling success. A successful start-up must have multiple solutions, as well as innovative ideas. However, not all of the ideas generated will result in a final product. In order for those ideas to succeed, the surrounding environment and other factors that contribute to the creation of an ecosystem must also play a role. Since an organisation doesn't exist and operates in a vacuum, their success depends on the surrounding environment and other factors as well.

The macro and microenvironmental factors have an impact on the functionality and operations of all existing commercial entities. Analyzing and comprehending a company's environment aids in the development of effective strategies and policies. Because the business environment is constantly changing, understanding environmental factors will keep the organisation dynamic and sustainable. Furthermore, it will allow entrepreneurs to anticipate business opportunities and growth. Understanding environmental factors influencing business would also help entrepreneurs adjust to current conditions to make them more conducive to business.

Macro- Environment Factors affecting the success of start-ups: A startup is influenced by the macro and microenvironmental factors that surround it.

All existing commercial entities' functionality and operations are affected. Understanding and analysing a company's environment helps to develop effective strategies and policies. Understanding environmental factors will keep the organisation dynamic and sustainable, as the business environment is constantly changing. It will also enable entrepreneurs to forecast business opportunities and growth. Understanding the environmental factors that influence business would also aid entrepreneurs in adapting to current conditions to make them more conducive to business.

A start up's -performance is ascertained by macroeconomic occurrences and environmental factors; thus, a sustainable ecosystem fosters the growth of small businesses. The startup ecosystem includes government agencies, incubators and accelerators, investors, service providers, educational and research institutions, and large corporations. The start-up ecosystem brings all of these components together, which enables in the development of enterprises. Entrepreneurs should be proactive in taking advantage of the ecosystem's benefits. Apart from venture capital or financial support from investors or other sources, the two extremely important things an entrepreneur can gain from a start-up ecosystem are experience and knowledge. The increased number of investors and support organisations such as incubators, accelerators, event platforms, and academic programmes clearly shows the industry growth.

Policies may help to remove barriers to digital entrepreneurship by implementing programmes that foster digital and entrepreneurship skills, such as education, training, and peer-learning. While most public initiatives are still in their early stages, past experiences indicate that, in addition to developing digital and entrepreneurship skills, it is critical to develop an understanding of macro-environmental factors and responsiveness to assist digital entrepreneurs. This will improve their access to funds, opportunities, clients, partners, and suppliers. These specific steps could be supplemented by broader policy initiatives aiming at enhancing connectivity, promoting innovation, and strengthening the regulatory environment.

Many macro-environmental factors, including government policy, institutional backing, organisational skills, and market demand, are driving the expansion of e-Commerce in India. To coordinate their business models efficiently, e-commerce enterprises must scan and comprehend these influences.

Notable entrepreneurial research clearly illustrates the "macro view," which holds that the success of a firm is reliant not only on an individual's behaviour and personal qualities, but also on the environment in which the business continues to operate (Lee and Peterson 2000). Studies have documented market influences, government policies (Dobbin 1997), regulatory environment (Baumol 1990), physical infrastructure (Agboli and Ukaegbu 2006), cultural environment (Mungila Hillemane 2020), economic environment (Satar and John 2016), and political environment as constituents of this schema (Al-tit and Omri 2019). These forces either constrain or stimulate new business ventures. Gnyawali and Fogel (1994) define the entrepreneurial environment as "the overall economic, socio-cultural, and political factors that influence people's willingness and ability to engage in entrepreneurial activities."

Dynamism in the environment is viewed by organisational theory as a range of criteria to which organisations must respond, or as a specific fact that firms develop through one's perception as a'strategic choice' (Starbuck 1976; Weick 1979; Aldrich 1979). As a consequence, it is crucial to examine the external "pushes" and "pulls" that affect start-ups. This study focuses on five macro-environmental conditions that affect e-commerce start-ups: government policies and programmes, regulatory environment, entrepreneurial finance, cultural and social norms, and market competition.

GOVERNMENT POLICIES AND PROGRAMMES

The political environment of a country has an influence on businesses operating in a global environment, whether actively or passively. The ideology of the government, fiscal policies, and agency associations do have an impact on business. Several studies have investigated the effects of internal and external factors on the firm development in its early stages. Start-ups require a supportive environment in order to be successful and function properly. A encouraging and nurturing government, according to (Feindt 2001), encourages entrepreneurial activities in the country predominantly by allowing market acceptance and facilitating the development and endorsement of the region's innovation cluster through multiple mechanisms such as fee reductions, taxation laws, and norms.

The Government of India's position on start-ups is unambiguous towards encouraging, nurturing, and expanding the country's start-up culture in order to increase self-reliance and employment prospects through a self-sustaining and friendly ecosystem. The Indian government has launched a multidimensional initiative known as Startup India (2016), as well as Rurban (2016) and Make in India (2014), to encourage and enhance start-up culture in the country in order to promote and inculcate entrepreneurial qualities in the nation's youth.

The Indian government issued the 'E-Commerce Draft Policy (2019)' to promote e-commerce growth in the country, which enables FDI in the E-commerce marketplace model. Digital India Programme (2015), Internet Sathi (2015), and Udaan (2016) have also multiplied internet usage in the country. India's government policies to assist e-commerce entrepreneurs are noticeably advancing their growth. E-business owners can reap the benefits of the internet's wider availability and proceed strategically.

REGULATORY ENVIRONMENT

The statutory system of the economic-geographical area represents the legal framework under which the companies operate. It regulates the operation of organisations. A accommodating regulatory environment facilitates the start-up culture. Firms are typically required to be registered with applicable government authorities in order to initiate business operations and must abide to regulatory requirements with distinct laws, such as the Information Technology Act of 2000 (IT Act), consumer protection laws, General Data Protection Regulations (GDPR), labour laws, FDI policy, Draft Policy, and so on. These provisions are time-consuming and ambiguous, culminating in additional latency and subtleties that can lead to restrictive regulatory action; and have a negative influence on entrepreneurs (Djankov 2002).

The Indian government is keen on encouraging new business ventures in the country. As a consequence, the start-up India action plan streamlines particular regulations and rules and enables for "self-certification" to make these standards more accessible to start-ups. Companies can apply to the Department for Promotion of Industry and Internal Trade (DPIIT) to be identified as "Start-ups" to obtain access to a wide range of potential advantages such as self-certification under Labour and Environment laws, tax benefits, simpler compliance, relaxation in public procurement standards, Intellectual Property Rights (IPR) benefits (filing, fast-tracking, and rebate), Fund of Funds for Start-ups (FFS), and faster exit for Start-ups.

ENABLING INSTITUTIONS

Institutions provide substantial support to entrepreneurs all through their start-up journey in the form of catalysts, innovation centers, governmental institutions, investment firms, and academic institutions. The institutions facilitate as well as provide a foundation for acquiring market-related relevant data, guidance, financial assistance (capital and loans), and assist in improving infrastructure, recruitment, or even training and education. The accessibility to these institutions determines how often new business ventures are established in any given country. Given the lack of relevant information and guidance, several start-ups fail to realise their full potential. To address this, the Government of India established Startup India in 2017 as a single point of contact for exploring, integrating, and sharing information with government agencies, investors, incubators, corporate entities, academic institutions, R&D institutions, and other stakeholders.

START-UP FINANCING

Funding from angel investors and venture capital firms can only be obtained after a 'proof of concept' is presented, which makes it difficult for start-ups to raise funds at the early phase. Likewise, banks look for applicants with sufficient financial resources. Government programmes such as the Pradhan Mantri Rozgar Yojana (PMRY), the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGFTMSE), and MUDRA loans are available to new businesses. These initiatives were established to support small entrepreneurs by offering collateral-free loans to start a business without fear of default. In this case, reviewed research indicates that guidelines that facilitate easy access to bank credit, low-interest credit rates, and credit guarantees contribute considerably to the development of newer businesses (Gnyawali 1994; Gelderen 2006).

Regardless of the fact that research has lucidly identified the importance of entrepreneurship in strengthening the economy, start-ups are more inclined to seek external funding (Audretsch 2006). Entrepreneurs cannot raise the required funds solely from personal savings and other private sources like family, friends, lenders, and self-funding. Besides that, because of an absence of collateral security, limited cash flows, and informational discrepancies, acquiring capital from investors, such as bank financing, is challenging.

Ghosh (2020) reveals in his research that small businesses encounter apparent financing difficulties than larger ones. Sabarinathan (2017) researched to find that angel investor investments in India have nearly funded 600 projects , with online services accounting for one-third of them. Another 20% were associated with IT products. Equity-based crowdfunding has emerged.

SOCIO-CULTURAL NORMS

There were still some funding possibilities previously, but multiple sources of financial support is now available at different stages of the start-up life cycle. Active e-commerce penetration in India is 74%, according to Statistica (2020) (https://www.statista.com/topics/2454/e-commerce-in-india/). Internet users in India will reach nearly 914 million by 2027, according to a report titled "India's Digital Economy in a Post-Covid-19 World" (2020). The number of online shoppers increased from 190 million in 2020 to 590 million in 2020. Consumption patterns and attitudes are changing, according to data. COVID-19 has influenced consumer preferences and purchasing habits. Customers prefer to make purchases online because it is more convenient and safe.

MARKET AND COMPETITION ENVIRONMENT

Competitiveness for an organisation can be determined by number of competitors and the number of market places (Matusik and Hill 1998). While funding and affiliations are important players in venture creation, start-ups must also be capable of responding to a dynamic and volatile environment. Numerous studies have focused on the flexibility and responsiveness of start-ups in a volatile business environment (Muhamad, Hj, and Khairudin 2019; Dess and Beard 1984). By being flexible and adaptive , a start-up could gain a competitive advantage in rapidly changing environments.

Porter (1980) investigated various aspects of a firm's competitive environment in a particular industry. Porter's work considers five environmental factors that affect organisations: entry barriers, the presence of existing competitors and rivalry, the availability of substitute products, buyer's bargaining power, and supplier's bargaining power.

Different business structures present unique challenges for start-ups when entering new markets. Markets with an intense competition have a sizable number of competing firms and little differentiation (Porter 1980). On the contrary, product differentiation is significant in markets with low levels of competition. Firms tend to have larger market shares and substantial profit margins, making it difficult for start-ups to stay competitive.

The digital transformation of business has caused a spike in the number of diverse range of online product offerings. This exponentially growing range has prompted digital startups to differentiate their products in the e-commerce marketplace by prioritising quality and innovation to meet the needs of their customers on a continual basis (O'Neill, Palmar, and Knight. 2003). The pragmatic and ever-demanding consumer intends to buy highly specialised and customised goods and services. In intensely competitive environment, consumption patterns are typically homogeneous. As a result, significant innovation has the potential to increase market share substantially.

Service quality and competence are important in today's competitive e-business world (Rowley 2006; Hagg 2000). As a direct consequence, start-ups and existing firms have to develop a unique and different strategies and tactics to compete at different levels of market competitors in the market. The innovativeness of products has a significant effect on those initiatives. It is essential to comprehend how e-businesses can improve service by developing better mechanisms and systems. As a result, a focused and competitive environment can influence success of any start-up if competing businesses is quick to respond; or failure in case the organisation fails to respond quickly.

Conclusion: A business's success depends on the ability to make precise decisions in all circumstances of the business. Macro environmental analysis is a key tool in understanding and making decisions. Through analysing the macro environment, a digital startup firm will be able to determine which option is most likely to lead to success and growth. Understanding macro environmental factors is a key component since it offers insight into future external influences that may affect the startup. The information gathered will allow leadership to plan proactively for those impacts. Deciphering the macro environmental factors may help in optimizing the utilization of resources for the business. Reduced wastage and optimum utilisation of resources efficiently and economically would be a way possible to sustain for a startup.

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