



Impact of E-startups on Indian economy

Dr. Trapti Mittal

Professor & HOD, Department of Commerce & Management, HEC Group of Institutions, Haridwar,
Uttarakhand, India

Abstract

As a result of large foreign e-platform firms circumventing the nation's retail competition laws, the Indian government has imposed stricter e-trade regulations. The Silicon Valley of India, Bangalore, is ranked 15th in the most recent Compass assessment on the global startup ecosystem. Through a number of initiatives, including the Make in India campaign, Startup India initiative, skill India, and Stand up India, the Indian government supports businesses with their creative ideas and economic growth. Up to 2018, 129 firms in total received capital help via the startup site. India's remarkable increase can be attributed to a number of factors, including its youthful population and vast population (17.7% of the world's population), as well as recent government moves to open its e-commerce sector to foreign investment. To stimulate the Indian economy, the government has started programs to promote entrepreneurship throughout the nation.

Keywords: E-startups, digital India, government, E-retail

Introduction

In recent years, web-based services that share the characteristic of linking supply and demand for a particular purpose have grown significantly due to the rapid development of digital and mobile technologies (Breidbach and Maglio, 2016; West *et al.*, 2018). In the many and profound changes brought about by the global digital and social transformation, one of the most interesting phenomena is the rise of corporate platforms, or new digitally enabled business models. One of the largest and fastest-growing e-commerce markets in the world right now is India. The extent of change required to realize the "Digital India" vision is hard to comprehend; how India's diverse populace reacts to this change will depend on how it is perceived. "Digital India" has already created several billionaire unicorn platform entrepreneurs in addition to thousands of platform-dependent, "independent contractor," and informal sector businesses. This study and synthesis of the literature discusses how words like "entrepreneur," "ecosystem," "co-creation," and "partner" take on new meanings in connection with e-platforms and its related fields. To promote the startups culture. E-businesses have been operating in India for a few years, but until 2016, there was no official website such to StartupIndia, which gives startups a platform for self-registration, fundraising assistance, and mentoring. In order to benefit from different government programs, e-startups must obtain a certificate from StartupIndia. As to the 2018 DIPP study on startup state rating, only 11% of individuals and company owners were aware of these programs. A startup policy has been prepared by all 18 states to support them both financially and non-financially in order to provide money and mentoring assistance with the federal government. Thus, the moment is ideal for the younger generation to profit from startup policies. Through their access to a global customer base, retail entrepreneurs using e-marketing platforms to build global businesses have the chance to amass personal wealth; their achievements can have a positive impact on the local economy and open doors for others (Schumpeter, 2006; Etemad, 2017; Vellody & Bahl, 2019). Brick and mortar stores in India have recently accused Amazon and Flipkart, two massive American e-commerce marketing platforms, of circumventing Indian competition laws by undercutting small sellers and Indian retailers by entering into exclusive agreements with brand retailers (Choudhury, 2015). This study aims to shed light on the several contextual layers that stakeholders and governments use to assess the connections between local start-up entrepreneurs that base their enterprises on foreign-owned e-platforms and e-marketing platforms. India will be the study's main emphasis.

Multiple research studies (Kapoor & Agarwal, 2017; Cennamo, 2019; Cutolo & Kenney, 2019; Miric *et al.*, 2019) readily acknowledge the existence of power gradients that favor e-platform firms over all other complementors, including retail entrepreneurs operating within the e-platform ecosystems these platforms foster. Despite this asymmetry, the word "partnership" is frequently used in research to refer to the connections between complementary and the platform business (Gawer & Cusumano, 2014; Zhu & Liu, 2018; Vellody & Bahl, 2019). This usage of the term "partnership" has been contested by Cutolo & Kenney (2019), who have pointed out a gap in the literature about the origin and magnitude of asymmetries between e-platforms and their complementors. They recommended that the term "Platform Dependent Entrepreneurs" (PDEs) might more accurately describe the limitations that e-platforms place on the independence of retail enterprises. In order to describe these unequal interactions between the platform business and the complementary, this work will attempt to address the causes

of this asymmetry as well as the contextual concerns surrounding the use of terminology like "ecosystem," "partner," "co-creation," and "entrepreneur."

Literature review

Since platform technology is still in its infancy, the Indian government is less aware of the risks than of the opportunities that e-platforms offer (Bhattacharya, 2019; Thomas, 2019; Vellody & Bahl, 2019; CCI, 2020). These risks include known and conjectured risks (ESCAP, 2018)^[7] as well as unthinkable, incalculable risks that will only become apparent with time (Beck, 2006). In order to draw in foreign investment and foster economic growth, the Indian government is currently actively supporting Indian entrepreneurship on a massive scale (Dhoot, 2015)^[6]. There is no denying India's potential for digital entrepreneurship; by 2021, there will be over 800 million online Indians, up from the current 650 million (Vijay, 2020). The e-commerce business, which makes up only 5% of India's retail market and is currently valued at about USD \$600 billion, is still mostly unexplored (Jiang, 2019). Entrepreneurs and the investor community have been skeptical of the exaggerated potential and business models of e-commerce and m-commerce endeavors since the dotcom boom and bust in the early 2000s. Negative press about e-business models has plagued the media, and during this time, a number of venture capital firms were investing in tech-related projects. During this time, there were some high-profile exits and investments, but they were only temporary, as was the case with Hotmail. Hotmail creator Sabeer Bhatia became the face of the dotcom boom after being able to exit his business endeavor to Microsoft. Since that transaction, the investor community has overvalued the majority of e-businesses. A number of venture capital funds have failed as a result of revenue models that turn out to be unrealistic. Due to this occurrence, a number of Silicon Valley dotcom enterprises declared bankruptcy in the early 2000s.

After 2010, a new age began. The achievements of companies like Google, Facebook, Amazon, iTunes, and others have signaled a bright spot in the otherwise bleak sky. As of January 2018, India has about 425 million internet users, and by 2023, that figure is projected to jump to over 650 million. With almost 750 million online users in January 2018, India is the second-largest market in the Asia-Pacific region, after China (Kalyani, 2019; "Internet users in India Statista", 2020). With 17.7% of the world's population living in India, the country has enormous e-commerce potential, which is drawing major businesses like Amazon and Walmart, who have been making significant investments to get India online (Choudhury, 2018; As stated by Bhattacharya (2019), India's digitization and the rising start-up culture that has established itself there are closely related. Galvanized by the success of Silicon Valley start-ups, Indian business owners have partnered with multinational corporations (MNEs) to access the social capital of pre-existing business networks. This enables start-ups to connect product suppliers with consumer preferences and needs. Indian entrepreneurs have developed culturally specific "X-as-service" model solutions; Ola Cab, Flipkart, Zomato, and Paytm are a few examples.

The Government of India: E-Platforms

New regulations concerning foreign direct investment were put into effect by the Indian government on February 1, 2019 (DIPP, 2017; ESCAP, 2018; Choudhury, 2018)^[7]. The rules were implemented in response to local retailers' allegations that e-marketing platform companies were giving retail customers steep discounts because of exclusive trade agreements they had made with international brand marketers (Choudhury, 2015; DIPP, 2017; Kamble & Walvekar, 2017). To ensure a "level playing field" for all Indian shops is the government's stated objective in the FDI legislation ("CCI defends its Probe Order," 2020).

India's e-commerce business is now valued at USD 3.1 billion yearly (excluding travel websites), and it is projected to reach USD 22 billion in the next five years, according to Techcrunch, an online IT news.

Over the past five years, the Indian e-commerce business has grown at an astounding compound annual growth rate (CAGR) of around 30%, reaching a valuation of roughly \$13 billion in 2013. In 2013, the e-commerce sector expanded by 88%. The country's smartphone boom, which has made buying simple with a single click, is largely responsible for this. E-commerce growth will not only continue but also increase given the low level of internet access and the always rising need for shopping. (DNA, July 21, 2014, Mumbai) Organized retail penetration in India is expected to increase from 7.9 percent in 2013–14 to 10 percent by 2018–19, according to CRISIL Research.

Information search is one of the most important stages in the consumer purchase process. Before making a purchase, consumers look for information about alternatives that might meet their needs. Good information helps consumers learn about products and make better decisions. They may look for information about brands, features, functionality, quality, prices, and other aspects. Some criteria used to evaluate the quality of information include completeness and accuracy of information (Ahn, 2005). Some researchers have looked at e-retail store characteristics that are important to consumers during various stages of online shopping. Online customers are significantly influenced by pertinent and user-friendly information (Ranganathan, 2002; Ho C. F., 1999). It has been discovered that managers and designers of e-business enterprises, as well as online consumers, ranked information relevance as one of the most important aspects of website quality (Lee, 2006).

In their research work, (Rami Mohammad Al-dweeri, 2017)^[15] examined how e-loyalty and e-service quality affect online purchasing. Using the TAM model, (Qinchang Zhu, 2016) investigated how B2C store attributes affected consumers' inclinations to buy. The success elements for B2C e-commerce websites in the Indian context were described by (Akalamkam, 2016). He discovered eight elements that are pertinent to internet

buying. Mpinganjira (2015) conducted a study on South African online shoppers' perceptions of service quality. There aren't many studies in Indian literature about how millennials feel about online buying.

Different E-Retail stores in India

Specialized E-store: It provides the option to order the product online and pick it up at the customer's preferred retailer. This combines all the advantages and services that specialty concept stores provide with the convenience of buying from the comfort of your home.

Generalized E-store/malls: These establishments use a single website to provide a range of goods and services.

Direct sale by the manufacturer: Wholesalers have the chance to sell directly to retail clients through this online shopping channel. For instance, Procter and Gamble (P&G).

E-Broker: In exchange for some brokerage, an internet broker performs deals for an investor electronically, just like a traditional broker. An online broker can also provide real-time prices, charts, and timely news and information by utilizing the internet.

E-services: "E-services are online services that are accessible over the Internet that enable a legitimate transaction of buying and selling (procurement), as opposed to traditional websites that only provide descriptive information and do not facilitate online transactions."

How to Set Up E-Retail: A Guide

1. Market research and planning: Identify the customer and analyze the competitors.
2. Business Planning: Create a business plan which include objectives, budget, marketing strategy and growth plans etc.
3. Set up legal and financial foundations
4. Develop an E-commerce Platform
5. Set Up inventory and logistics
6. Marketing and Branding
7. Launch the store
8. Monitor the performance and improve as required

E-Retailing Benefits

1. It helps to access a global customer and work as beyond the economic boundaries.
2. The online store help to reduce expenses like rent and staffing etc.
3. With the help of data analytics it is easy to track customer behaviour.
4. It provides the growth opportunities.
5. The online process of payment helps to speed up transactions and improving the customer experience.

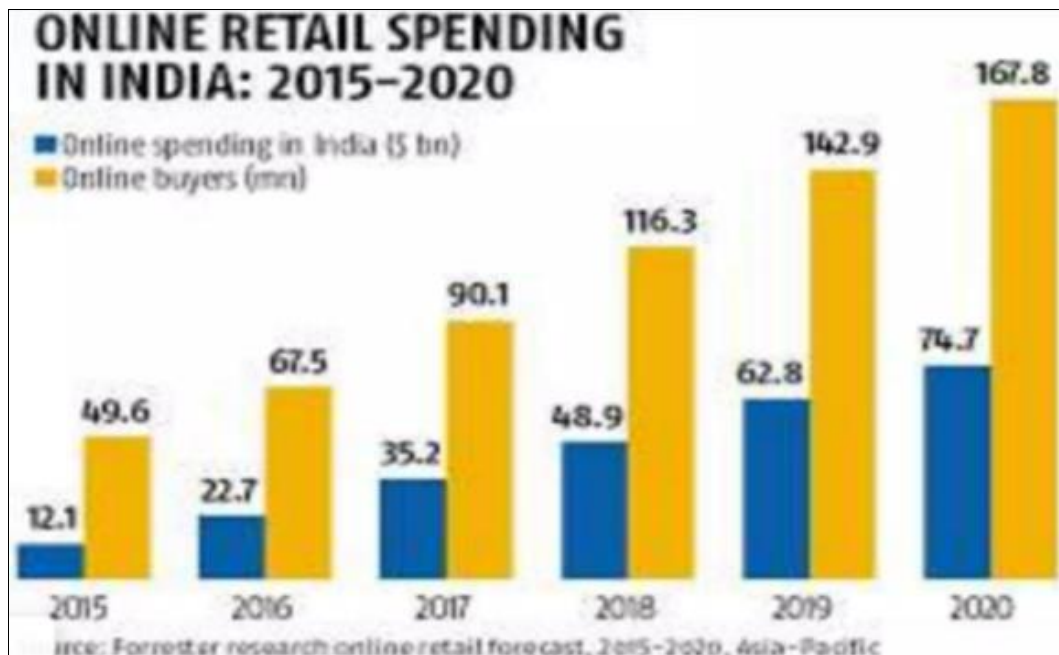
E-commerce's reach in India

1. GDP will grow 5 times by 2030
2. Tier-II cities are expanding quickly. Every year, the number of people living in cities rises by 90 million.
3. After the US and China, India is currently the third-largest Internet user nation in the world, and its ranking could soon rise. 71 million people use the internet regularly, growing at a rate of 51% in only a single year. Forrester predicts that between 2012 and 2016, the e-commerce market in India would expand at the fastest rate in the Asia-Pacific region, with a compound annual growth rate (CAGR) of more than 57%.
4. Online retail made up only 0.9% of all retail sales in India in 2010, but it is expanding at a rate of 35% each year.
5. 200% increase in venture capital funding over 2011-2012.
6. Global E-commerce players like amazon.com are about to enter India.
7. A recent report from the Internet and Mobile Association of India (IAMAI) estimates that the Indian e-commerce market is worth around Rs 50,000 crore, of which travel e-commerce (online train, bus, and airline tickets) accounts for 80%, or Rs 40,000 crore, while non-travel or retail e-commerce accounts for only 20%, or Rs 10,000 crore.
8. Cash on Delivery : as a preferred mode of payment. 80% of Indian e-commerce is often Cash on Delivery due to the country's thriving cash economy.

E-retail venture capitalists' scope

Venture investors believe that the e-retail industry has a lot of promise and are prepared to invest a large sum of money in it. We have a lot of instances. Notable is the instance of Flipkart.com, the biggest retail e-commerce company in India, which has raised \$20 million in its third round of venture capital (VC) funding, valuing the company at more than Rs 1,000 crore. Despite having previously secured \$31 million, there are speculations that a very big venture capital fund intends to invest an additional \$150 million, increasing the company's worth to \$1 billion or Rs 5,000 crore. In August 2012, Flipkart.com raised approximately US\$18 million in one of the largest

fund-raising events, which Accel Partners invested. Then there are others like Myntra.com which raised \$40 million, Indiaplaza that raised \$8 million so far, and daily deals site Snapdeal.com's parent Jasper Infotech that recently raised \$40 million from VCs. Even global majors like eBay.com (entered six years ago) and Amazon.com are present in the Indian space. There are also major Indian offline groups involved, like as Future and Times of India. VCs are reportedly still searching for more innovative concepts with a deluge of cash after investing \$300 million in the Indian retail e-commerce market. According to estimates, the top 10 retail e-commerce sites do about 20,000 deal transactions and 50,000 product transactions daily.



Source: <https://www.slideshare.net/slideshow/impact-of-e-commerce-on-an-indian-economy/192190493#13>

Chart 1: Future of e-commerce in India

Government rules pertaining to online shopping

With the introduction of the Information Technology Act (IT ACT) and effective telecom policies, the Indian government is establishing the administrative and legal framework required for the expansion of e-commerce. The Controller of Certifying Authority (CCA) established PKI (Public Key Infrastructure), or electronic authentication through digital signatures, to boost public trust in online commerce. This will prevent cybercrimes and ensure that no one goes unpunished. Our government has made a number of actions to lower costs and provide appealing plans for businesses and end users with high-speed communication services that are growing daily in response to demand in an effort to boost internet usage.

An international legal framework is required in order to facilitate the mutual recognition of different nations' legal systems. User identification, improved risk assessment and evaluation, application-specific security identification, better and appropriate network security policies, information resource protection, improved security management policies, retraining and retransformation of human resources in terms of role and responsibility identification, and enhanced physical and environmental security are all necessary for electronic commerce security planning and management. Concerns about the expansion of e-commerce are raised by additional issues with the IT Act that pertain to cybercrimes that are not entirely covered. In this regard, it is also maintained that law enforcement organizations lack the necessary tools and training to handle cybercrimes. The Act does not address measures to preserve the privacy of commercial and personal information gathered online. Regarding the protection of intellectual property (patents, trademarks, copyrights), including domain names, the IT Act is likewise mute.

Lastly, payment gateways must advance to the point where Real Time Gross Settlement (RTGS) is used to facilitate interbank settlement. These are a few of the obstacles that have been found and must be removed in order for e-commerce to expand, along with increasing PC and Internet usage. The Indian e-commerce industry is expanding and becoming enormous in spite of all of these social, political, and economic circumstances.

Conclusion

The younger generation is constantly searching for novel and distinctive methods to shop. The retail industry in India is expanding quickly and offers a lot of job opportunities. However, due of the fierce competition and lack of predictability, it is incredibly difficult to keep loyal online clients.

A variety of marketing strategies, including direct marketing, promotions, public relations, advertising, and Internet advertising, should be employed in order to retain. Programs for customer loyalty ought to be started. E-retailers need to cater to customers who are tech-savvy and provide them with a safe and easy shopping

experience. Additionally, they need to convince hesitant customers that the Internet is a viable alternative to traditional retail. The usage of consumer assurance brands and improved levels of convenience, personalization, options, service, and cost are a few possible explanations.

In summary, the primary recommendations of the Indian e-commerce industry are:

- As is the case with top internet businesses, customer service should be given first priority. Online shoppers are harder to keep since they are more sensitive and observant.
- Customers should feel safe and secure while making purchases online, according to the industry.
- Groupon's Warikoo predicts that the backend will see the next wave of innovation. Potential competitors might emerge and provide backend services, build a warehouse, and stock the goods of all e-commerce companies. According to him, such a strategy would lead to economies of scale and efficiencies, freeing up the web businesses to concentrate on their primary function of product marketing and sales.
- New ideas can also be beneficial, like the current Cyber Monday shopping extravaganza. Cyber Monday, a popular idea in the West, was first organized in India last week. It takes place on the Monday following Thanksgiving. Although Google provided the platform, 50 e-commerce businesses from travel and goods to classified sites took part in the festival. Stock ran out within hours of the festival starting, according to several businesses who reported strong sales. According to Google, this was the first time a large-scale industry-wide program was launched to provide customers with a reason to benefit from online sales that they can locate in a single day.
- To prevent cannibalizing sales and productivity from physical stores, businesses must concentrate on integrating the channels through appropriate assortment, pricing, and execution because e-tailing has distinct dynamics than brick and mortar retail.
- Notwithstanding the difficulties encountered, e-commerce is here to stay, and brick and mortar stores are finding it more and more crucial to embrace and include this channel into their sales plan; this present-day potential could turn into a future requirement.

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