

## **ONDC- An Revolutionary Initiative Creating New Markets for Small Businesses in India**

Asha K.,

*Research Scholar, SRCW & Asst. Prof, Nehru Academy of Law*

Dr. V. Seetha,

*Associate Professor, Sri Ramakrishna College of Arts and Science for Women*

Dr. R. Sumesh,

*Associate Professor, Nehru Academy of Law*

**Abstract:** The Open Network for Digital Commerce (ONDC) denotes a gradual change from platform-centric to network-centric digital commerce in India. It is not a shopping app or marketplace. Instead, it is a set of open protocols and standards that enable interoperability among multiple buyer-side and seller-side applications. It is a transformative aimed at democratizing e-commerce and creating equal opportunities for businesses of all sizes. Unlike conventional e-commerce platforms that operate as closed ecosystems, ONDC works as an open interoperable network where buyers, sellers, logistics providers, and payment gateways can transact seamlessly. This initiative is a step towards creating a technological framework with a vision for a more equitable digital future. This research article examines how ONDC is creating new markets for small businesses, Micro, Small and Medium Enterprises (MSMEs), local retailers, artisans, and start-ups across India by decreasing entry barriers, reducing transaction costs, and facilitating interoperability. It also explores the benefits, challenges, economic significance, and future potential of ONDC in building an inclusive digital economy. Depicting the policy documents and early adoption cases, the study has found that, ONDC has the potential to democratize e-commerce, though challenges around digital literacy and fulfilment remain.

**Keywords:** ONDC, MSME, Digital Commerce, Inclusive Growth, Market Access, India

### **Introduction:**

The new scope for e-commerce expansion is rapidly felt by the businesses over the past few years. The people has become more reliant on the online shopping because of the covid-19 pandemic. India as a world leader in demonstrating the successful adoption of infrastructure at population scale. It has witnessed rapid digital transformation over the last decade due to initiatives such as Digital India, UPI, Aadhaar, and increasing smartphone penetration. India's e-commerce market is projected to exceed 150 billion by 2026, yet MSMEs account for less than 5% of online sellers remained concentrated among a few large platforms, making it difficult for small sellers to compete due to high commissions, limited visibility, and dependency on proprietary ecosystems. To recover over this situation the government of India introduced yet another tech-based initiative to transform the way e-commerce functions in the country by enabling e-commerce through an open protocol based on open source specifications. ONDC(Open Network for Digital Commerce),Launched in 2022 by DPIIT, this will not only facilitate the rapid adoption of e-commerce but also boost and strengthen the growth of start-ups in India. By facilitating scalable and cost effective e-commerce through the open-protocol, ONDC will empower start-up to grow collaboratively.

### **Review of Literature:**

Prior studies highlight that e-commerce in India has largely been controlled by two to three large platforms, creating a "winner takes most" market structure. Research by ICRIER (2023) notes that while e-commerce penetration reached 8% of total retail, MSME participation remained below 5% due to high entry costs and information disproportionateness. The platform model leads to data dominations, where large aggregators control customer relationships and seller visibility. The MSME Ministry's Annual Report (2024-25)

states that commission rates of 15-30%, combined with advertising spend to gain visibility, make online selling impossible for micro enterprises with thin their capability. KPMG (2023) found that 68% of small sellers cite "lack of control over logistics and payments" as a key cause for quitting marketplaces. Scholarly work by Mukhopadhyay and Roy (2024) claims that platform dependency restricts innovation because MSMEs cannot build independent digital identities.

### **Overview of ONDC:**

India's e-retail penetration was relatively low compared with several countries, indicating untapped market potential. ONDC was introduced to bridge this gap and expand participation in online trade. MSME limits in Digital Commerce, Traditional e-commerce platforms charge high commissions of fifteen to thirty percent and levy algorithmic visibility procedures that support large sellers. MSMEs also face severe problems like lack of customer data and difficulty in supply chain particularly in rural areas. This creates a digital divide between large businesses and small businesses. At the end ONDC operates on a spread out protocol where buyers and sellers interact through independent apps. It aims at turning the e-commerce experience a fairer one, much more convenient. It creates user-friendly platform eliminating the need for multiple delivery system. it makes an attempt to 80% of India's offline kirana stores must be included in online stores.

### **Key Objectives of the ONDC Initiative:**

#### **1. Democratisation of commerce:**

This platform enables interoperability across networks thus resulting in avoiding the dominance of large e-commerce platforms.

#### **2. Inclusivity:**

This give an access to the digital market place for the small business owners, retailers and local artisans.

#### **3. Reduction in cost:**

This platform help in achieving the cost efficiency by reducing the cost of customer acquisition and transaction processing for sellers.

#### **4. Customer empowerment:**

It increases options for buyers that is providing access to a broader array of sellers.

### **Impact on Indian Economy:**

ONDC can play a major role in strengthening India's economy in the following ways:

#### **✚ Formalization of Small Businesses**

By creating digital transaction records, ONDC enables small businesses to become part of the formal economy, improving their access to loans and government schemes.

#### **✚ Employment Generation**

The expansion of sectors like warehousing, packaging, logistics, software services, and digital marketing through ONDC drives new job opportunities.

#### **✚ Strengthening Domestic Supply Chains**

ONDC allows small producers and manufacturers to reach consumers and retailers directly, making supply chains more efficient and resilient.

#### **✚ Inclusive Growth**

It brings sellers from remote areas and marginalized groups into the digital marketplace, promoting equitable economic participation.

### **Benefits of ONDC for MSMEs**

The ONDC platform seem to be very beneficial to the small scale business and MSME. they enjoy Economic Benefits like Higher sales opportunities, Wider customer reach, Lower digital acquisition cost, Better

price realization. The operational benefits like Easier logistics integration, Access to digital payments, Inventory digitization, Data-driven decision making other than this the MSMEs get social benefits such as Women entrepreneur empowerment, Job creation in logistics and delivery, Inclusion of traditional artisans and local producers. Other competitive benefits like Level playing field with large companies, Increased innovation and product diversity.

**Challenges and Limitations:**

Despite potential, MSMEs face several hurdles such as :

- Digital capability, i.e., many micro enterprises lack adequate training to manage online orders and their returns.
- Supply chain reliability: Last-mile delivery remains inconsistent outside metros.
- Trust and quality: Deficiency of a centralized review system affects buyer confidence.

**Suggestions of the Study:**

To maximize ONDC's success:

1. Increase awareness campaigns among small businesses
2. Provide training in digital selling
3. Simplify on boarding processes
4. Strengthen logistics partnerships
5. Ensure consumer protection mechanisms
6. Promote rural entrepreneurship through ONDC

**Conclusion:**

Thus ONDC is a revolutionary initiative that can transform India's commerce landscape by creating new markets for small businesses. It shifts e-commerce from a closed platform model to an open network model where every seller has a probable chance to participate and grow. For India's MSMEs, kirana stores, artisans, and startups, ONDC offers a remarkable opportunity to reach customers nationwide, reduce dependency on large platforms, and become a huge part of the digital economy. If effectively implemented, ONDC can become for commerce just like the UPI became for payments—an inclusive and scalable public digital infrastructure for India.

**References:**

- [1]. Department for Promotion of Industry and Internal Trade. ONDC Strategy Paper. Government of India, 2022.
- [2]. Ministry of MSME. Annual Report 2024-25. Government of India, 2025.
- [3]. ONDC. Network Participants and Protocols. Accessed May 2, 2026. [ondc.org](https://ondc.org)
- [4]. Reserve Bank of India. Report on Fintech and Digital Lending. RBI, 2024.
- [5]. SIDBI. Impact of Digital Platforms on MSME Credit. Small Industries Development Bank of India, 2023.
- [6]. ICRIER. State of India's Digital Economy Report. 2023. Ministry of MSME, Government of India. Annual Report 2024-25.
- [7]. Mukhopadhyay, A., & Roy, S. "Platform Capitalism and Small Firms in India." Economic & Political Weekly, 2024