

AN EVALUATION OF OPEN NETWORK FOR DIGITAL COMMERCE (ONDC) IMPLEMENTATION FOR MSMEs IN INDIA.

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ABSTRACT

The Department for Promotion of Industry & Internal Trade of the Government of India founded the private, non-profit firm Open Network for Digital Commerce to create open networks for e-commerce. India's e-commerce environment is anticipated to change as a result of the government-imposed Open Network Digital Commerce (ONDC) platform. Customers and sellers will be able to interact and transact online independently of the app or platform they are using. This platform seeks to provide new opportunities, restrain digital monopolies, and assist single proprietors, micro, small, and medium-sized businesses, and other smaller businesses in joining online marketplaces. The purpose of this paper is to illustrate the benefits that ONDC provides to MSMEs—Micro, Small, and Medium-Sized Enterprise, while simultaneously posing a challenge to the major e-Commerce players yet an advantageous platform to all digital businesses.

Keywords: ONDC, MSMEs, e-Commerce players.

I. INTRODUCTION

Digital commerce is here to stay and is en route to taking over as the main method by which most people shop. By 2023, e-commerce is expected to account for 22% of all retail sales, up from 14.1% in 2019 and more than doubling the 10.4% figure from that year. Online shopping may be influenced by COVID-19, however, the trend existed long before the pandemic. Digital commerce provides convenience and other benefits over traditional retail outlets, such as 24/7 access and the absence of traffic, parking, or crowds. These traditional retail outlets are mostly MSMEs which are assisted through ONDC to leverage their businesses creating a huge impact in the market.

The aim of ONDC is to create new opportunities, decrease digital monopolies, as well as enable micro, small, and medium-sized businesses and small traders by making them online. This way it became advantageous to MSMEs and increased competitiveness to the major e-Commerce players in the market. Besides, it creates an open, interoperable

network for MSMEs where buyers and sellers can conduct transactions without being on the same platform. This network can contain a variety of different types of Network Participants, each managing specialized portions of the e-commerce value chain, due to disaggregating and interoperability, which make it simple for diverse platforms to communicate with one another thereby making their businesses digital.

II. LITERATURE SURVEY

The advantages and disadvantages of ONDC as a network-based platform were highlighted and a review of ONDC's digital warfare in India taking on the e-Commerce giants has been discussed by Bibhu Dash et al. [1]. An entire overview of ONDC as an emerging area in the area of e-Commerce technology was detailed by Venugopal et al [2] in their paper. A. Shaji George et al. [3] explain the ONDC concept of democratizing digital commerce and curbing digital monopolies in India.

III. IMPLEMENTING ONDC

The implementation of ONDC is divided into 4 steps:

- Institutional setup
- Role of ONDC entity
- Governance
- Implementation strategy

A. Institutional setup

The human capital and the independence of the management to excel and transform the market. This is also subjected to sound corporate governance norms as in section 8 company thereby removing any incentive for the owners to drive for profit maximization and to retain its purity of intent of establishing a public good.

B. Role of ONDC Entity

Open Network for Digital Commerce entity will be responsible for three roles as shown in figure 1 below:

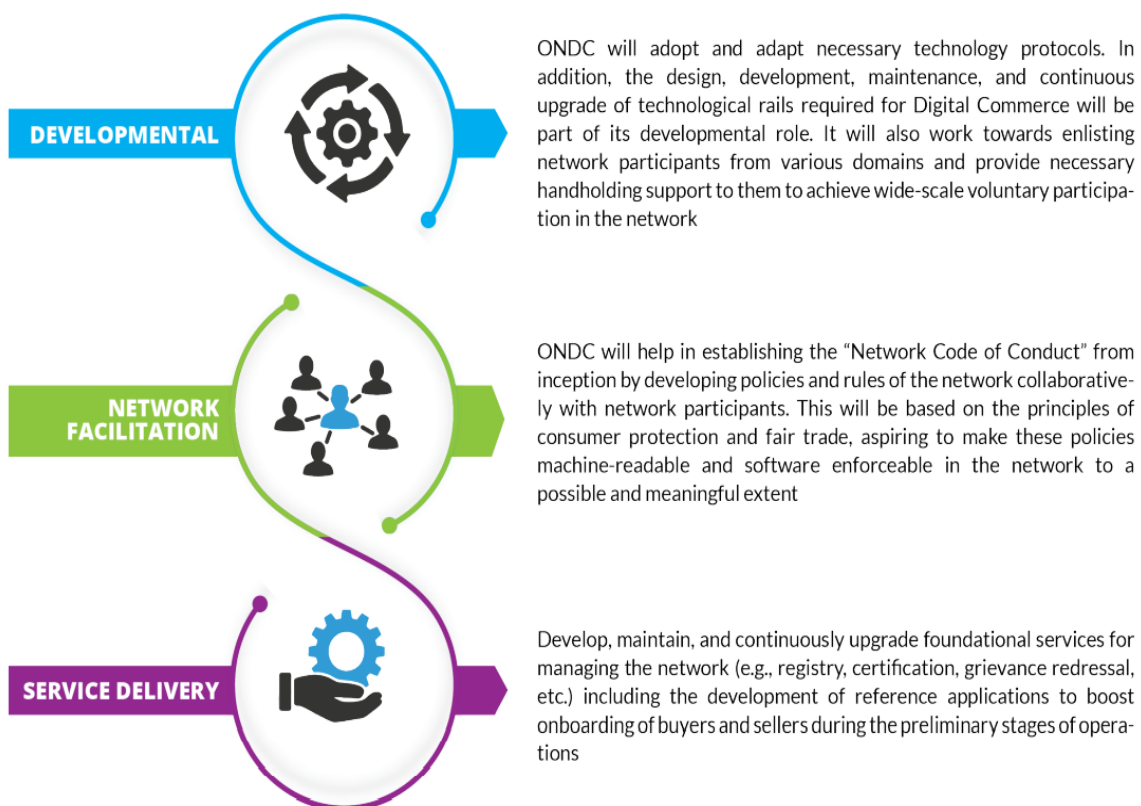


Figure 1: Role of Open Network for Digital Commerce entity [4]

C. Governance

The ONDC as an organization will operate under the regulatory supervision of the current framework given by the pertinent Ministries that have an impact on digital commerce. By jointly creating network policies and regulations based on the values of consumer protection and fair trade from the outset, ONDC, the network enabler, will assist in establishing the Network Code of Conduct. In order to do this, ONDC may create a council with representation from network users who would formally participate in the creation and implementation of network rules and guidelines.

All network members must comply with a basic framework of mutually approved rules and regulations provided by ONDC as the Network Facilitating organization. The ONDC will create a user council made up of members of the network participants, users, and subject matter experts in order to continuously improve network rules and policies enabling speedy adoption of the network by a larger set of participants and users. Therefore, in the context of its function as a network orchestrator, ONDC might expand on the preceding concept of a self-regulatory organization.

D. Implementation Strategy

Implementing ONDC on a population scale to turn it into a public utility is a long-term strategy given the variety of use cases and participants in the ecosystem. The ONDC will confront difficulties in establishing confidence among small and large digital commerce enterprises, managing user expectations, and managing customer and seller fraud/issues given the revolutionary change it will bring to the way the industry currently functions. Therefore, the ONDC's initial phase needs to be implemented as soon as possible in order to obtain acceptance and identify relevant practical factors for implementing it on a broader scale. Technology, business, and institution building are the three main focuses of the

implementation plan for the ONDC execution. Further, it has been focused on a short-term and long-term strategies as explained in the strategy paper of ONDC.

IV. BENEFITS TO MSMEs

Although the Unified Payments Interface (UPI) is on track to surpass the \$100 trillion mark, the Open Network for Digital Commerce (ONDC) for hyperlocal transactions is a ministry of commerce program that can spread the advantages of digitization to a much wider audience. The present focus is on empowering local sellers, who now have less influence over disputes on proprietary platforms. This will significantly alter how micro, small, and medium-sized firms (MSMEs) conduct business and contribute to GDP growth. Among the existing users of the network are Paytm, Dunzo, eSamudaay, and others. It will enable the hyper-localization of small businesses and micro, small, and medium-sized companies (MSMEs). The platform will enable the display of products from all participating e-commerce businesses in search results across all networked apps. As a result, MSMEs can advertise their goods on the platform at a lesser price without there being any distinction between large and small dealers.

Currently, ONDC has a large number of participants, including vendors like Bizom, Digiit, Enstore, eSamudaay, Growth Falcons, etc., buyers like Craftsvilla, Paytm, IDFC, Kotak, etc., and logistics operators like Delhivery, Dunzo, Grab, LoadShare, and Shiprocket. When a customer looks for a product on one of the buyers' applications, like Paytm, the ONDC platform connects the customer to listed sellers who display retailers from which the customer may make a purchase.

The government's action shows that it is providing an open network protocol that enables any network-enabled application to find and engage in location-aware local commerce across industries. Small

business owners and MSMEs aiming to scale their operations through digital commerce will benefit the most from this. This will be a ground-breaking effort to level the playing field for digital trade on the size of a nation like India. Overall, it will support fair trade and provide small, independent business owners more control as they will once again be able to engage with their clients directly and won't be separated from them by an intermediary barrier.

With ONDC, trust portability is advantageous. Consider a decent taxi firm that provides excellent customer service but lacks brand recognition due to its dependence on aggregator apps like Uber or Ola. By enabling a taxi fleet company like this to be seen by many more potential clients, ONDC hopes to change this and raise the trustworthiness of small and independent brands and services.

This network in Bengaluru began its beta testing phase with small shops from 16 different pin codes. The ONDC, which is built on open specifications, would increase the e-commerce scale of small businesses and weaken the power of major firms like Amazon and Walmart-backed Flipkart. The Ministry of Commerce and Industry is behind the project. On the first day of the beta testing, three buyer apps—Paytm, Spice Money, and Mystore—were available on the platform. On the first day, the system was also integrated with as many as 11 vendor apps, which essentially act as aggregators of small shops and kirana stores.

V. ONDC & MAJOR E-COMMERCE PLAYERS

ONDC is in talks with 200 firms, including banks, corporates, and payment firms, to onboard them on the network and as ONDC accelerates e-Commerce adoption, existing players like Amazon, and Flipkart stand to benefit and additionally unicorns such as OYO, Swiggy, Zomato will be onboarded during the coming phase of the ONDC initiative. Clearly, ONDC is not here to challenge Flipkart and Amazon. It is essentially making e-commerce enablers helping small retailers leverage the digitization of commerce

through our network. In order to create a homogeneous market, ONDC would, at its heart, be a system that enables a network to onboard millions of retailers, sellers, and potential customers via buyer-seller-facing applications. The objective is to increase the population-scale penetration of e-commerce from 4–5%. Nothing is intended to change the current 4-5% marketing shares. Majors in e-commerce have a business risk if they choose not to participate in ONDC but also stand to gain from it.

VI. ONDC IN SHAPING GLOBAL E-COMMERCE

Due to the contribution of the government's ambitious ONDC project, which aims to democratize e-commerce for India and provide a level playing field for small and medium businesses, India is well-positioned to emerge as a global pioneer in reinventing the digital commerce landscape. India has advanced to the point where it is now a pioneer not just in this country but also on the entire planet when it comes to digital commerce. And for this reason, there is interest worldwide in how and when India will succeed through its businesses from small to large scale with the aid of ONDC specifically due to its immense focus in the areas of digital commerce in the market.

VII. CONCLUSION

Over the past twenty years, the way individuals do business has swiftly changed from traditional brick-and-mortar establishments to online commerce. E-commerce platforms, which have played a key role in this evolution, have to consider carefully how to address the challenge of building confidence in a situation where the customer and vendor are never in person. The approach that has so far been successful calls for the central platform to take complete command of the value chain and develop into the main repository of trust. But this centralized strategy is not without its flaws.

In summary, the ONDC is positioned to become the upcoming innovation in internet infrastructure. It will

alter how individuals conduct business and give MSMEs better funding and negotiating choices. Enhanced seller visibility across the network will surely promote GDP growth and benefit sellers as well. Additionally, in order to support the national push, ONDC claimed that it has created an incentive program for three groups of people: first, seller network participants to encourage seller onboarding; second, sellers themselves to encourage transactions, including but not limited to converting offline customers to online sales; and third, buyer network participants to encourage demand generation on the network.

The king is the consumer. The seller-friendliness of the platform is irrelevant to them. They only consider convenience and enjoyment. ONDC would be well to keep this in mind. Hence, the ONDC is not against major e-Commerce players to pull down its businesses in the market upon competition and posing challenges; however, this network provides an equal opportunity to all the firms in the field of digital commerce.

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