

POLICY BRIEF



Making Open-Commerce Work for Small Sellers

2025

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02

Digital Transformation



Abstract

This policy brief explores India's Open Network for Digital Commerce (ONDC) as a Digital Public Infrastructure (DPI) aiming to democratise e-commerce for micro, small, and medium enterprises (MSMEs). It highlights the challenges small sellers face in the current digital marketplace and proposes key principles and interventions for inclusive and equitable open-commerce development. The brief emphasises the need to move beyond technology adoption and digitalisation to develop more holistic ecosystem-driven approaches that can strengthen financial, institutional and regulatory support for open-commerce. Ultimately, it seeks to provide a roadmap for G20 countries to foster inclusive and sustainable development through open-commerce initiatives.

Keywords: Digital Public Infrastructure (DPI), Open Commerce, MSME Digitalisation, E-commerce Adoption, Inclusive Digitalisation

Diagnosis

This policy brief contributes to two important G20 priorities (1) leveraging Digital Public Infrastructures (DPIs) for inclusive opportunities and growth (2) enabling digitalisation of micro, small and medium enterprises (MSMEs) for sustainable development. There are three developments that frame context for this brief: high barriers that MSMEs (particularly small sellers¹ and micro-enterprises) face in leveraging current digital marketplace opportunities², increasing importance of DPIs for advancing the Sustainable Development Goals (SDGs)³, and the need to continually validate simplistic assumptions about potential of DPIs to serve the most marginalised populations⁴. A core concern at the intersection of these developments is: How do 'open' digital marketplace models promote economic growth and social inclusion of small sellers?

Our policy brief speaks about this issue through the lens of India's Open Network for Digital Commerce (ONDC), a DPI that was launched by the Government of India in April 2022 with the objective of democratising digital commerce and creating a level playing field for MSMEs. ONDC promotes open digital networks for all aspects of exchange – goods and services, allowing buyers and sellers to transact across platforms or application⁵. Figure 1 provides a visual representation of ONDC⁶ and details of the network are available on the ONDC website.

¹ *Small sellers is used as a container concept to refer to socio-economically disadvantaged sellers who are likely to be new to selling on e-commerce platforms.*

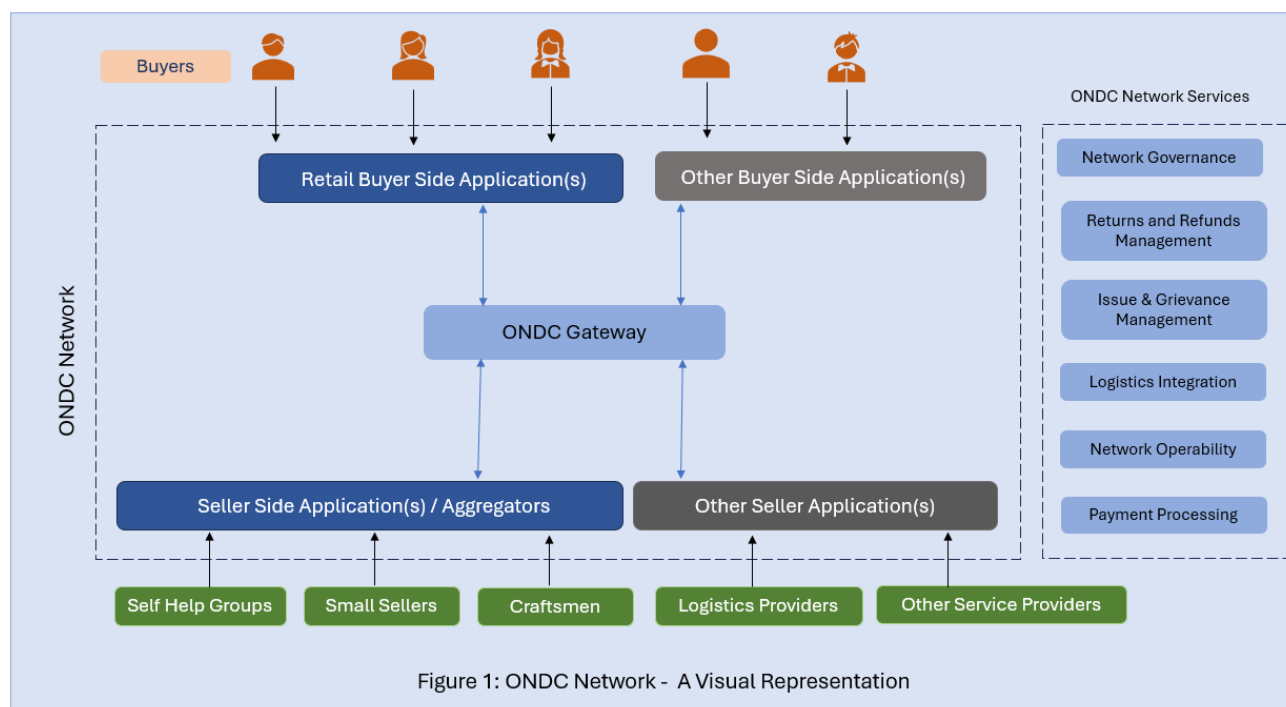
² "How digital connectivity can empower MSMEs," World Economic Forum, accessed April 7, 2025, <https://www.weforum.org/stories/2023/12/empowering-msmes-through-digital-connectivity/>

³ "Digital Public Goods for the SDGs," United Nations Development Programme, accessed April 7, 2025, <https://www.undp.org/publications/digital-public-goods-sdgs>

⁴ "A Governance Framework for Digital Public Infrastructure: Learning from the Indian Experience," T-20 India Policy Briefs, accessed April 7 2025, <https://t20india.org/research/a-governance-framework-for-digital-public-infrastructure-learning-from-the-indian-experience/>

⁵ "Revolutionizing Digital Commerce: The ONDC Initiative," Press Information Bureau, Government of India, accessed April 7, 2025, <https://pib.gov.in/Pressreleaseshare.aspx?PRID=2090097#:~:text=Launched%20in%20April%202022%2C%20ONDC%20is%20an%20initiative,open%20network%20protocols%20independent%20of%20any%20specific%20platform.>

⁶ Abhishek Modi et al., "Open Network for Digital Commerce (ONDC)," Sattva Knowledge Institute, accessed April 7, 2025, https://www.sattva.co.in/wp-content/uploads/2023/04/DP_ONDC-Primer_14042023.pdf#:~:text=Consulting%20www,2030%2C%20driven%20largely%20by%20a.



Since its launch in April 2022, ONDC has onboarded over 700,000 sellers across 600+ towns and cities in India⁷. While many aspects of ONDC continue to unfold, our fieldwork and ongoing dialogues with ecosystem partners (including small sellers) suggest that there is an opportunity to create and disseminate a foundational agenda for inclusive and sustainable e-commerce. This agenda can become the basis for G20 member country's action plans reflecting national context and priorities for open-commerce initiatives. The G20 can catalyse and inform these country-led actions by creating a favourable international context that promotes global standards for inclusive open-commerce and supports the creation of a robust policy framework. Our brief provides an input towards building this agenda, and our recommendations are aligned to SDG 11 (decreasing inequalities) and SDG 9 (inclusive digital transformation).

⁷ "ONDC Turns 3! Seven Lakh Sellers Including Ola, 150 Million Transactions, and Counting," Outlook Business, accessed April 7, 2025, <https://www.outlookbusiness.com/start-up/news/ondc-turns-3-seven-lakh-sellers-including-ola-150-million-transactions-and-counting>

Challenges in ONDC Implementation

- **Lack of a formalised social infrastructure:** Social infrastructures refer to human intermediaries, community networks, and local organisations that do the work of making technical deployments function in complex local realities⁸. In the ONDC context, civil society organisations (CSOs) are critical social infrastructures that provide end-to-end value-chain support to small sellers, starting from onboarding to order fulfilment. Currently, these roles are operating within loosely defined accountability structures with no formalisation, leading to small sellers facing fragmented adoption and limited access to sustained support. Design and implementation of open-commerce must include not only technical architecture, but also account for formalising such social infrastructures that facilitate adoption on the ground.
- **Generating and sustaining buyer demand:** Interoperable architecture alone cannot ensure discoverability in the online marketplace or build muscle to compete with larger, well-established brands. As more and more sellers, including established brands, crowd the marketplace, without mechanisms to generate and maintain a robust demand pipeline, small sellers are likely to disengage from the network to focus on their offline operations. With sale volume remaining largely stagnant on the ONDC platform⁹, this becomes a key focus area for intervention.
- **Narrow focus on technology adoption.** While seller onboarding on the network is a necessary step, seller count and transaction metrics per se are not robust indicators of value creation. The socioeconomic value of open-commerce can only be catalysed by strengthening its social and

⁸"Digital Public Infrastructure at a Turning Point," Open Futures, Accessed April 7, 2025, <https://openfuture.eu/publication/digital-public-infrastructure-at-a-turning-point/>

⁹ <https://opendata.ondc.org/retail>

institutional layers¹⁰ – i.e., creating ecosystem linkages, institutional collaborations, and innovative service models.

- **Market dominance and abuse:** A few large e-commerce monopolies exercise excessive and unfair control over key marketplace levers such as pricing and discoverability, adversely impacting small sellers, particularly in the context of developing countries. For example, in India, venture-capital backed quick-commerce firms have been accused of engaging in anti-competitive practices such as deep discounting and predatory pricing that harm small sellers. We need robust regulation to deter such practices, while also creating favourable economic opportunities for small sellers¹¹.

Recommendations

Way forward: The G20's Role

As is the case for all DPIs, the success of open-commerce rests as much on the institutional organisations, governance structures, funding, and social infrastructures as on the technology and its adoption. With this in mind, we outline an agenda for G20, emphasising the role that it can play in anchoring and shaping the design and implementation of fair, equitable and sustainable open-commerce models.

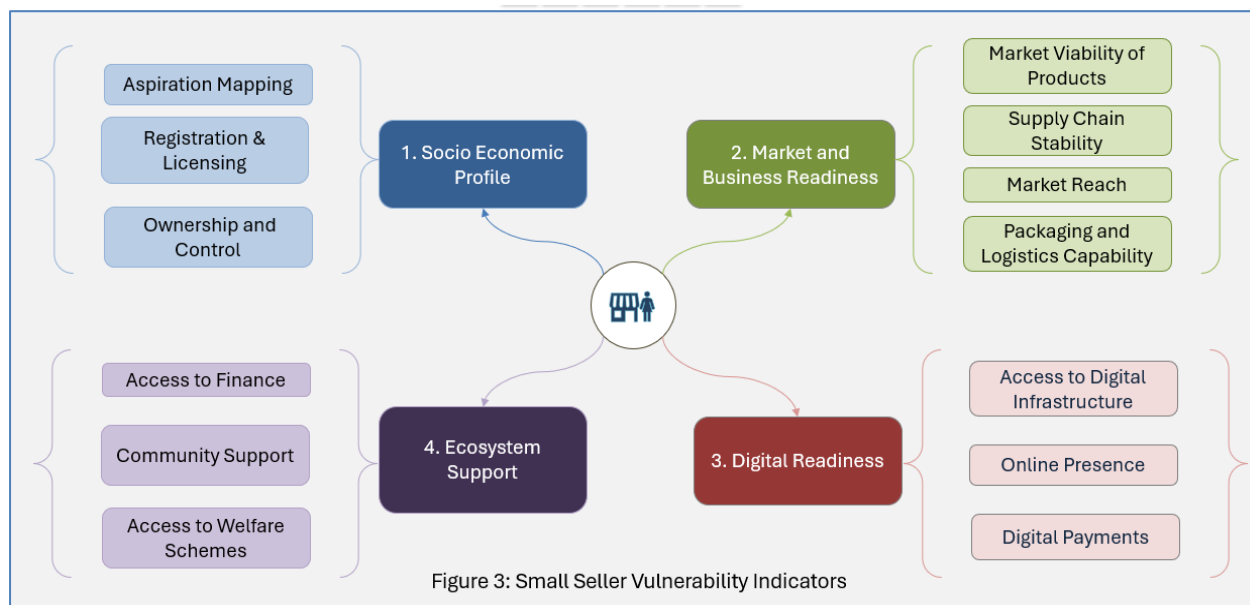
¹⁰ Ibid

¹¹ "Trouble for Zomato's Blinkit, Zepto and Swiggy Instamart ahead? FMCG distributors file 'antitrust' complaint with CCI," ET Now, Accessed April 7, 2025,

Initiate development of standards and guidelines guiding applicability and suitability of open-commerce for small sellers.

These can be developed collaboratively and used by policy makers, technology service providers and CSOs to strategically channel resources and investments into areas where open-commerce can have maximum impact:

- **Mapping aspirations:** Aspiration mapping tools provide insights into which sellers could benefit from open-commerce and how. Small sellers who lack the aspiration to scale through digital platforms, or who may consider digitalisation to be irrelevant or burdensome can be provided tailored interventions outside of the open-commerce framework.
- **Assessing vulnerabilities:** Alternate classification frameworks beyond business-focused metrics such as size and revenue can be developed in order to assess and map small seller vulnerabilities. We offer an example of one such framework (Figure 3) highlighting vulnerability indicators across four key areas: socioeconomic profile, market and business readiness, digital readiness, and ecosystem support. (Refer Appendix A for a more detailed account).
- **Tailoring sector specific approaches:** Country-level sector specific frameworks can be developed, responding to variability in inventory, packaging, lead times, and logistics across different sectors, as opposed to more rigid one-size-fits-all models of large e-commerce platforms.



Advance an agenda for open-commerce that encompasses broader development objectives (beyond technology adoption)

Open-commerce has the potential to become the foundational digital infrastructure that can catalyse innovative models of e-commerce, foster entrepreneurship and employment, enable social and economic value creation for communities. G20 can do the following to further these objectives:

- Coordinate efforts to embed social infrastructures such as CSOs into the solution architecture and institutional design of open-commerce, with formal mandates in areas such as grievance redressal, dispute resolution and seller representation. Rather than viewing CSOs as ancillary entities, their roles should be linked to tangible livelihood outcomes, and incentivised through revenue mechanisms such as transaction-based fees and service provisioning.
- Direct member countries need to ensure that open-commerce implementation works in consultation with state governments, local bodies,

CSO's, and worker-led groups to create social and economic value for communities. These collaborations can focus on creating ecosystem linkages, institutional partnerships, and innovative service models.

Encourage member countries to direct more resources towards sustainable demand generation models.

Open-commerce initiatives need to be supplemented with robust demand generation models tailored for the small sellers outside the traditional ecommerce / social-media led mechanisms. The G20 can play a crucial role in ensuring that member countries allocate sufficient resources to support the creation of these models. These may include:

- Financing collectives and cooperatives to create micro-market models that facilitate intra-community transactions and enable the creation of a sustainable B2B ecosystem.
- Incentivising private brands to adopt small sellers in their visibility and distribution strategies to leverage private-sector led demand aggregation strategies.
- Creation of an umbrella brand for small sellers, co-owned by private-sector organisations, CSOs and small sellers to showcase and promote seller capabilities in domestic and global markets.

Foster the creation of legal and institutional safeguards alongside sectoral adoption

As a DPI, open-commerce initiatives must prioritise the delivery of public benefits by levelling the digital commerce playing field for small sellers. The G20 can provide the necessary impetus for countries to implement robust economic

regulation that addresses uneven and often exclusionary distribution of opportunities within current e-commerce markets. This may include:

- Introducing ceilings on platform discounts to prevent predatory pricing.
- Banning anti-competitive practices by dominant e-commerce players.
- Enabling preferential pricing mechanisms for sellers operating on state-backed open-commerce platforms.

Additionally, the G20 can encourage sector-specific institutional adoption of open-commerce models by trade and industry associations, ensuring these models are anchored in real world use cases.

To conclude, this brief addresses how the G20 can shape the implementation of fair and equitable open-commerce ecosystems, using India's ONDC as a case study. It highlights that some of the key challenges faced by small sellers, such as weak social infrastructures, demand generation gaps, and unfair competition, cannot be solved through technology adoption alone, and proposes a G20 agenda that integrates broader development objectives. This includes establishing global standards and frameworks that guide applicability and suitability of open-commerce, catalysing opportunities to unlock social and economic value, ensuring adequate funding and institutional support, and providing the impetus for appropriate regulation. Such a blueprint can help member countries align open-commerce efforts to principles of inclusion, equity and fairness.

Appendix A: Small Seller Vulnerability Indicators

1	Socio-Economic Profile	Aspiration Mapping	Readiness and need for expanding the business on digital platforms.
		Registration & Licensing	Tax registration, food safety and quality clearances, government regulations on online businesses
		Ownership and Control	Ownership of the assets (tools, shops, business licenses), control of the finances and decision-making authority
2	Market & Business Readiness	Market Viability of Products	Potential of the product to find market demand, product's ability to find government or private patronage to increase sale-ability
		Supply Chain Stability	Raw material availability and procurement challenges
		Market Reach	Reliance on local intermediaries for accessing local markets vs digital platforms.
		Packaging and Logistics Capability	Ability to maintain product quality and manage inventory, accessibility and serviceability of the location by third party logistics partners. Readiness for reverse logistics
		Access to Digital Infrastructure	Availability of smartphones, internet access, and digital literacy.
3	Digital Readiness	Online Presence	Product cataloguing, branding, and digital marketing capabilities.
		Digital Payments	Ability to use digital payment systems (bank accounts, digital wallets, internet banking etc).
		Access to Finance	Easy access to funds to start or upgrade the production capabilities
4	Ecosystem Support	Community Support	Access to cooperatives, self-help groups, and trade bodies.
		Access to Welfare Schemes	Access to the subsidies from government and benefits rolled out for the social sector specifically

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