ENHANCING DIGITAL E-COMMERCE ADOPTION AND EQUITY IN INDIA:
THE IMPACT OF THE ONDC NETWORK ON MSMES

by

SAMIRAN GHOSH

DISSERTATION
Presented to the Swiss School of Business and Management Geneva
In Partial Fulfilment
Of the Requirements
For the Degree

DOCTOR OF BUSINESS ADMINISTRATION

SWISS SCHOOL OF BUSINESS AND MANAGEMENT GENEVA

MAY 2025

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SAMIRAN GHOSH

APPROVED BY

Iva Buljubasic

Dissertation chair

RECEIVED/APPROVED BY:

Admissions Director

ABSTRACT
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Samiran Ghosh
2025

Dissertation Chair: <Chair's Name>
Co-Chair: <If applicable. Co-Chair's Name>

ABSTRACT

This mixed-methods study examines the Open Network for Digital Commerce (ONDC) initiative's impact on 127 Indian MSMEs, contributing to digital commerce theory and practice. The research addresses how protocol-based interoperability affects market concentration, digital equity, and MSME competitiveness.

Key findings reveal that digital literacy emerges as the primary adoption barrier (56.7%), with significant urban-rural disparities. ONDC demonstrates substantial economic benefits, including 71.7% commission rate reductions and decreased market concentration (HHI: 2567 to 1986). However, persistent challenges include data advantages (32.3%), privacy implementation gaps (22.1-29.2pp), and trust-building in distributed networks (41.7% cite platform familiarity advantage).

The study makes three theoretical contributions: (1) reconceptualizing digital divide theory as multi-dimensional rather than binary; (2) providing empirical validation of protocol-based competition interventions; and (3) advancing distributed trust architecture theory. Four distinct MSME segments emerged—Digital Enthusiasts (32%),

Digital Converts (41%), Digital Hesitants (18%), and Pragmatic Evaluators (9%)—each requiring differentiated support strategies.

Practical implications include evidence-based frameworks for addressing adoption barriers, building digital capabilities, and strengthening competitive impact. The research demonstrates that while ONDC creates meaningful structural benefits, complementary interventions addressing capability development and trust mechanisms are essential for inclusive digital transformation.

This study provides critical insights for policymakers, ONDC governance, and MSMEs navigating digital commerce transformation, while contributing to theoretical understanding of open network ecosystems in emerging economies.

Keywords: ONDC, MSMEs, digital commerce, platform competition, digital divide, India.

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LIST OF ABBREVIATIONS

API	Application Programming Interface
B2B	Business to Business
B2C	Business to Consumer
CAC	Customer Acquisition Cost
DBA	Doctor of Business Administration
DEQ	Digital Equity Quotient
DMA	Digital Markets Act (European Union)
DPIIT	Department for Promotion of Industry and Internal Trade
FDR	False Discovery Rate
GDP	Gross Domestic Product
GST	Goods and Services Tax
HHI	Herfindahl-Hirschman Index
IBEF	India Brand Equity Foundation
IQR	Interquartile Range
MANOVA	Multivariate Analysis of Variance
MSME	Micro, Small, and Medium Enterprise
NPCI	National Payments Corporation of India
OEI	ONDC Effectiveness Index
ONDC	Open Network for Digital Commerce
OR	Odds Ratio
PIX	Pagamento Instantâneo (Brazil's instant payment system)
POS	Point of Sale
PSM	Propensity Score Matching
QR	Quick Response
RBV	Resource-Based View
ROI	Return on Investment
SGQR	Singapore Quick Response Code
SKU	Stock Keeping Unit
TAM	Technology Acceptance Model
UPI	Unified Payments Interface
UTAUT	Unified Theory of Acceptance and Use of Technology

CHAPTER I:

INTRODUCTION

1.1 Introduction

India's e-commerce sector grew from US$39 billion in 2017 to US$64 billion in 2020, with projections reaching US$350 billion by 2030 (IBEF, 2021). Growth drivers include increasing internet penetration, smartphone adoption, digital literacy, and changing consumer preferences, accelerated by COVID-19 (Deloitte, 2021). This growth has created significant market concentration, with Amazon and Flipkart controlling over 80% of the market (Bhattacharjee, 2021), raising concerns about fair competition, data privacy, and market access. This particularly affects MSMEs, which contribute 30% to India's GDP and employ over 110 million people (Ministry of MSME, 2022), yet only 34% have successfully integrated digital tools (Singh and Kumar, 2023).

Figure 1.1:
 Transformation from Platform to Network Approach
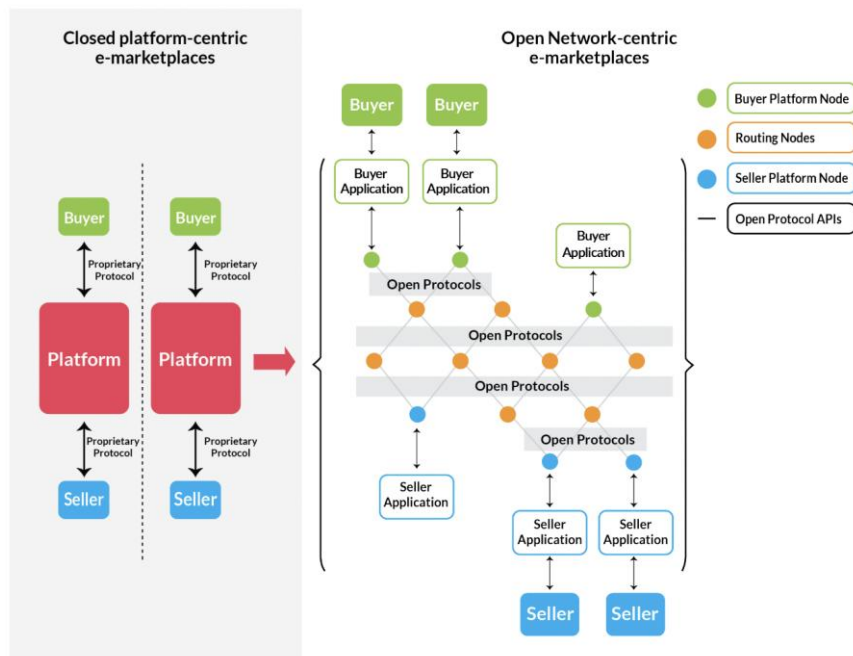
Source: ONDC Strategy Paper, January 2022

This innovative model is built on foundational principles outlined in Figure 1.2, emphasizing governance through network protocols, decentralised control, and creating a level playing field for all participants.

Figure 1.2:
Principles of Building an Alternative Approach

Facilitator, not an operator	It has to allow the value to flow from one end of the chain to another, adding value to all stakeholders.
Decentralized	Technology should be a catalyst to the ecosystem and not a gatekeeper. Instead of concentrating power with one particular or a handful of participants, it should ensure the decentralization of facilities and control.
Open	Necessarily the binding building blocks should be non-rivalrous and non-exclusive in nature, e.g., the communication protocol, registry, etc. These become the "digital public goods" that can stimulate and activate large participation from Samaj, Sarkar, and Bazaar.
Interoperable	It should promote and make provision for interoperability to ensure value derived by the participants is not locked in a particular platform. This, in turn, liberates the members.
Minimalistic governance	As an orchestrator or facilitator, adopt a minimalistic form of governance over a maximal control form of governance.
Participant-centric	There should be an 'ecosystem' approach than a 'system' approach. By design, it should be inclusive and should offer choice and agency to all participants.
Evolving	It should be a living model, constantly evolving through the active participation, collaboration, and orchestration of all the members.
Energize innovation	Equity encourages innovation and welfare. There should not be big entry barriers to the network which may discourage innovators to participate and experiment

Source: ONDC Strategy Paper, January 2022

1.2 Research Problem

Given the e-commerce growth trajectory outlined earlier (see Section 1.1), the Indian government launched the Open Network for Digital Commerce (ONDC) initiative in 2022. ONDC represents a paradigm shift from platform-centric to an open, interoperable network model where buyers and sellers connect across multiple platforms. As shown in Figure 1.1, ONDC transforms the current platform-to-consumer approach into a network-centric model where participants interact directly through open protocols.

The current e-commerce landscape is characterized by significant market concentration creating several challenges for MSMEs: high commission rates eroding profit margins (Abhishek, 2022); restricted customer data access hindering relationship building (Banerjee and Dasgupta, 2019); algorithmic biases favoring larger brands (Kathuria et al., 2020); platform dependency making businesses vulnerable to policy changes (Sarkar and Kadyan, 2020); and lack of technical infrastructure and digital skills (Kumar and Rani, 2023).

ONDC was launched to address these challenges, but significant questions remain about its effectiveness, particularly regarding digital monopolies, data privacy and security, trust dynamics, and MSME technical readiness. These questions highlight the multifaceted nature of the research problem. While ONDC offers a promising approach, its actual impact on MSME participation, performance, and market dynamics remains largely unexplored.

1.3 Purpose of Research

This research aims to comprehensively evaluate ONDC's impact on MSME participation, performance, and competitiveness in India's digital commerce ecosystem, providing empirical evidence of its effects across different sectors, regions, and digital maturity stages. The specific research questions driving this investigation are detailed in Section 1.6..

This research responds directly to identified problems in the current e-commerce landscape and is particularly significant as ONDC moves from initial pilots to broader national implementation. Through a mixed-methods approach combining quantitative performance analysis with qualitative exploration of MSME experiences, this research will provide nuanced understanding of how open network digital commerce models can address structural inequities and create more inclusive digital economies.

1.4 Significance of the Study

This research holds significant importance across multiple dimensions. For policy implications, findings will inform policymaking in the evolving digital commerce landscape, guide ONDC framework refinement, establish evaluation metrics for open network initiatives, and inform interventions supporting MSME digital transformation (Jain and Kumar, 2023).

For industry relevance, the study offers guidance on ONDC participation benefits, costs, and challenges; identifies successful early adopter strategies; and provides sector-specific impact analysis for targeted digital transformation approaches.

Theoretical contributions include extending platform theory (Cusumano et al., 2019) by examining open versus closed platforms; contributing to digital transformation theory (Vial, 2019) with empirical evidence on MSME adaptation; advancing understanding of trust mechanisms in decentralised environments (Gefen et al., 2003); and offering insights on applying resource-based view (Barney, 1991) and network theory (Borgatti and Halgin, 2011) to MSME digitalisation in emerging economies.

Global relevance extends beyond India as countries address digital market concentration, with ONDC representing an innovative approach informing digital commerce governance (Patel, 2022). Findings particularly benefit emerging economies with large MSME sectors facing similar digital inclusion challenges.

From a societal perspective, this research examines ONDC's impact on reducing digital divides and supporting inclusive economic goals, with significant macroeconomic implications given digital commerce is expected to contribute 5% to India's GDP (McKinsey, 2019).

Table 1.1
Key significance areas of this study for different stakeholders:

Stakeholder Group	Significance of the Study
Policymakers	• Evidence to refine ONDC implementation strategies • Insights for developing complementary digital commerce policies. • Metrics for evaluating open network effectiveness
MSMEs	• Guidance for ONDC adoption decisions • Implementation best practices and strategies • Understanding of potential benefits and challenges
Industry Associations	• Data to support MSME digital transformation initiatives • Insights for developing sector-specific support programs • Evidence for advocacy efforts
Technology Providers	• Understanding of MSME needs and adoption barriers • Opportunities for developing supportive tools and services • Insights for improving ONDC technical implementation
Researchers	• Empirical data on open network impacts • Extensions to digital platform and transformation theories • Methodological approaches for studying emerging digital ecosystems
International Organisations	• Models for addressing digital market concentration< • Approaches for promoting inclusive e-commerce in emerging economies • Frameworks for evaluating digital commerce equity

Source: Author's elaboration

In summary, this research addresses how open network models like ONDC can reshape digital commerce ecosystems for inclusive growth. By providing empirical evidence on ONDC's MSME impact, the study informs policy decisions, business strategies, and theoretical frameworks for developing equitable digital economies globally.

1.5 Core Theoretical and Empirical Contributions

This research makes three fundamental contributions advancing theoretical understanding while providing practical insights for digital commerce transformation in emerging economies.

Primary Theoretical Contribution: Reconceptualizing Digital Divide Theory

The study challenges binary conceptualizations of digital divides through empirical analysis demonstrating digital literacy's multi-dimensional impact as both adoption barrier (56.7%) and predictor across privacy implementation ($\beta=0.412$),

competitive leverage, and trust-building. This establishes digital inequality as operating along multiple interconnected dimensions rather than simple "have/have-not" distinctions, suggesting capability-building interventions must address complex, contextually embedded factors beyond access provision.

Secondary Theoretical Contribution: Empirical Validation of Protocol-Based Competition Theory

The research provides first comprehensive empirical evidence for protocol-based interoperability's effectiveness in reducing market concentration, with observed impacts (71.7% commission reduction, HHI decrease from 2567 to 1986) substantially exceeding theoretical predictions. This validates emerging theories advocating structural interventions over behavioural regulation while documenting persistence of data and scale advantages resistant to protocol remedies, establishing empirical foundations for "protocol as regulation" approaches in digital market governance.

Tertiary Theoretical Contribution: Distributed Trust Architecture Theory

Through identification and quantification of specific trust transfer mechanisms (payment gateways 4.18/5 effectiveness, buyer app associations 3.94/5), the research extends trust architecture theory beyond centralized models to distributed network contexts. The emerging concept of "distributed trust responsibility" challenges platform-centric conceptions of digital trust, with implications for designing trustworthy open digital ecosystems globally.

These contributions collectively advance theoretical integration across platform competition, digital capability, and trust research domains while providing empirical foundations for policy interventions in emerging digital economies..

1.6 Research Purpose and Questions

The overarching purpose of this research is to comprehensively evaluate how ONDC impacts MSME participation, performance, and competitiveness in India's digital commerce ecosystem. This addresses significant literature gaps including lack of longitudinal impact assessment of open networks in emerging economies (Sharma et al., 2023), insufficient sector-specific analyses (Gupta & Chatterjee, 2022), and limited quantitative analysis of ONDC's economic impact on MSMEs (Singh et al., 2023)

The primary research question guiding this study is:

RQ1: How can the adoption barriers of ONDC be effectively addressed to enhance digital commerce participation among Indian MSMEs, considering their unique technological, operational, and socio-economic constraints?	**H1**: A combination of targeted digital literacy interventions, simplified technical implementation pathways, and contextually appropriate support mechanisms will significantly reduce ONDC adoption barriers among Indian MSMEs.

To provide a comprehensive answer to this central question, the research addresses four secondary questions:

RQ2: How effective is ONDC in reducing digital monopolies and enhancing e-commerce competitiveness in India?	**H2**: ONDC implementation will lead to measurable reductions in market concentration (as measured by the Herfindahl-Hirschman Index) and increased MSME market share, with significant improvements in key economic parameters such as commission rates and payment settlement times.
RQ3: What are the data privacy and security challenges associated with open e-commerce networks like ONDC, and how can they be effectively addressed?	**H3**: While ONDC presents unique privacy and security challenges related to its distributed architecture, these can be effectively addressed through appropriate technological solutions, standardised governance frameworks, and capability-building initiatives tailored to MSME contexts.
RQ4: Can the adoption of open-source standards and protocols, as proposed by ONDC, help curb anti-competitive practices in the e-commerce industry?	**H4**: Open-source standards and protocols will significantly reduce anti-competitive practices by lowering entry barriers, increasing market transparency, and reducing platform dependency, though

	some forms of competitive advantage (particularly data-based advantages) may persist despite protocol standardisation.
RQ5: How do changing buyer trust dynamics impact retailers on open commerce networks like ONDC, and what mechanisms can be implemented to build consumer trust?	**H5**: Effective trust-building mechanisms implemented across multiple layers (network architecture, buyer applications, seller reputation, and product-specific) will be crucial for MSME success on ONDC, with platform familiarity advantage representing a significant initial challenge that diminishes with usage duration.

To address these questions, this study pursues six interconnected objectives: First, conducting comprehensive assessment of MSME digital commerce readiness across diverse business segments, geographic locations, and industry sectors, establishing baseline capabilities and constraints. Second, analyzing market structure changes following ONDC implementation, focusing on market concentration metrics, commission structures, and competitive dynamics to quantify economic impacts. Third, evaluating technological, operational, financial, and knowledge-related challenges MSMEs face integrating with ONDC protocols, identifying key barriers and their significance. Fourth, assessing effectiveness of trust-building mechanisms in the ONDC ecosystem and their relationship to business outcomes. Fifth, developing comprehensive ONDC adoption framework tailored to different MSME segments based on digital readiness and operational contexts. Finally, formulating evidence-based policy and implementation recommendations enhancing ONDC's effectiveness in promoting equitable digital commerce..

These objectives will be addressed through mixed-methods approach detailed in Chapter III, with research instruments in Appendices A, B, and C. The investigation employs an integrated theoretical framework drawing on multiple perspectives (Figure 1.3). Chapter II presents detailed literature review on digital adoption and barriers,

Chapter III discusses methodology, Chapter IV provides empirical findings, and Chapter

V critically interprets findings, leading to practical implications in Chapter VI.

Figure 1.3:
Theoretical Framework for Studying ONDC Impact on MSMEs
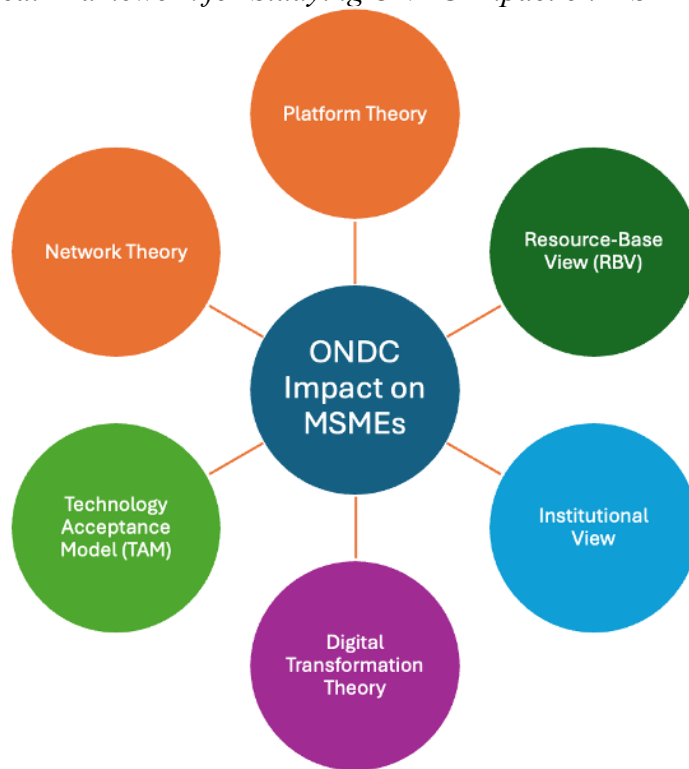
CHAPTER II:

REVIEW OF LITERATURE

2.1 Theoretical Framework

This research employs an integrated theoretical framework drawing on six complementary theories to analyse the Open Network for Digital Commerce (ONDC) and its impact on Micro, Small, and Medium Enterprises (MSMEs) in India. These theories collectively address both technological and socio-economic dimensions of ONDC's role in enhancing digital commerce adoption and equity.

The framework integrates Platform Theory (Cusumano et al., 2019), Digital Transformation Theory (Vial, 2019), Resource-Based View (Barney, 1991), Institutional Theory (Scott, 2005), Technology Acceptance Model (Davis, 1989), and Network Theory (Borgatti and Halgin, 2011). These six theories, examined in detail in the following sections, provide complementary perspectives on the research questions:

2.2 Discussion on Theories

2.2.1 Platform Theory: Rethinking E-commerce Market Structure

Platform Theory provides essential context for understanding ONDC's approach to e-commerce. As noted in Chapter I, India's e-commerce market exhibits high concentration, with two major platforms controlling over 80% of the market.

ONDC represents a fundamental shift from this platform-centric model. The initiative distributes core e-commerce functions among multiple participants through open, standardised protocols. In this network-centric approach, value creation occurs through ecosystem collaboration rather than platform control.

The technical architecture of ONDC introduces several key innovations. First, the unbundling of discovery, ordering, fulfilment, and post-purchase functions enables specialized service providers. Second, the implementation of the Beckn Protocol ensures

interoperability across diverse applications. Third, the registry-based verification system maintains network integrity without centralized gatekeeping.

Early implementation evidence demonstrates promising outcomes. The Bengaluru pilot onboarded 800 MSMEs within the first month, achieving a 30% increase in average order values. The Delhi NCR expansion attracted 2,000 MSMEs, with 40% reporting access to previously unreachable customer segments.

2.2.2 Digital Transformation Theory: MSMEs' Journey Through ONDC

Digital Transformation Theory frames ONDC participation as a catalyst for comprehensive organisational change among MSMEs. Beyond providing a new sales channel, ONDC potentially triggers transformation across multiple dimensions: business model transformation enables expansion from local, physical retail to national, digital commerce; process transformation involves implementing digital systems that enhance efficiency; customer relationship transformation creates new digital touchpoints; and value network transformation connects businesses with new ecosystem partners. Research by Gupta and Chatterjee (2022) found that MSMEs with higher digital readiness adapted more quickly to the network. Early ONDC implementation data shows MSMEs experiencing transformation across several metrics:

Table 2.1:
ONDC's Impact on MSME Digital Transformation Dimensions

Transformation Dimension	Evidence from ONDC Implementation
Market Reach	40% of MSMEs reported accessing new customer segments (Gupta and Chatterjee, 2023)
Revenue Models	35% increase in average monthly revenue (Jain and Kumar, 2023)
Operational Efficiency	Customer acquisition costs reduced by up to 50% (Kumar and Singh, 2023)
Digital Capabilities	Development of new skills in catalogue management, order processing, and digital customer service

Source: Author's elaboration

This theory emphasizes that MSMEs must develop new capabilities and potentially rethink their entire business models to fully benefit from ONDC participation.

2.2.3 Resource-Based View: Leveraging ONDC as a Strategic Resource

The Resource-Based View explains why MSMEs may experience differential outcomes from ONDC based on their unique resources and capabilities. ONDC can be analysed both as a resource MSMEs can leverage and as a catalyst for developing new capabilities.

As a resource, ONDC offers MSMEs reduced investment requirements through shared infrastructure, access to complementary services, and enhanced market reach. However, MSMEs need specific threshold capabilities to effectively leverage ONDC, including digital literacy, product management capabilities, operational capacity, and financial resources. Data from early implementations support this view; MSMEs with prior e-commerce experience showed faster adoption and more substantial initial results (ONDC, 2023a).

RBV also suggests that ONDC participation may help MSMEs develop new resources and capabilities over time—digital skills, brand equity, market knowledge, and relational resources—potentially creating a virtuous cycle of competitive advantage.

2.2.4 Institutional Theory: Policy, Regulation, and ONDC Development

Institutional Theory examines how regulatory, normative, and cultural frameworks influence organisational behaviour. This perspective is particularly relevant for ONDC, which originated as a government initiative through the Department for Promotion of Industry and Internal Trade (DPIIT).

Scott's (2005) three institutional pillars help analyse ONDC's development and adoption: the regulative pillar (government policies and formal incentives), the normative

pillar (industry standards and professional expectations), and the cultural-cognitive pillar (shared understandings of e-commerce).

ONDC has achieved significant regulative legitimacy through government backing, while its normative legitimacy is developing as industry associations promote adoption. Cultural-cognitive legitimacy remains challenging as the open network model represents a departure from familiar platform-centric e-commerce.

Chatterjee and Das (2022) note that supportive institutional frameworks are crucial for open platform models like ONDC to succeed, suggesting that policy initiatives should combine formal mechanisms with normative support to maximize adoption.

2.2.5 Technology Acceptance Model: Understanding MSME Adoption Decisions

The Technology Acceptance Model provides a micro-level perspective on ONDC adoption, focusing on the perceptions that drive MSME owners' decisions. TAM posits that adoption is primarily influenced by perceived usefulness, perceived ease of use, and trust (Gefen et al., 2003).

Factors influencing perceived usefulness of ONDC include market expansion opportunities, reduced commission rates, greater control over pricing and customer relationships, retention of customer data, and reduced dependency on a single platform's policies. Perceived ease of use is affected by simplicity of the onboarding process, technical requirements, intuitiveness of seller-side applications, integration effort, and operational management demands.

Trust is particularly challenging in ONDC's decentralised environment, requiring new approaches through standardised protocols, transparent rating systems, and network-wide quality standards.

Early data suggests perceived usefulness is driving initial interest in ONDC, while perceived ease of use may be limiting adoption for less digitally capable MSMEs. Trust factors appear to be evolving as the network demonstrates reliability over time..

2.2.6 Network Theory: Analysing ONDC's Structural Impacts

Network Theory provides analytical tools to understand how ONDC restructures relationships within the e-commerce ecosystem. ONDC transforms e-commerce network structure through reduced centralization, increased density, multiple intermediaries, and specialized positions.

Network analysis of early ONDC implementation shows increasing network density, emerging regional and sectoral clusters, some participants serving as bridges between network segments, and developing redundancy that enhances resilience.

Table 2.2:
Network Analysis of Traditional Platforms vs. ONDC

Network Concept	Traditional E-commerce Platforms	ONDC Network	Implications for MSMEs
Centralization	High - platform as central hub	Reduced - distributed connections	Less dependency; more negotiating power
Density	Low - connections only through platform	Higher - multiple connection pathways	More relationship options; reduced switching costs
Information flow	Asymmetric - platform controls information	More symmetric - distributed information	Better access to market information; more control over data
Network resilience	Low - high dependency on platform	Higher - redundant pathways	Reduced vulnerability to platform changes

Source Author's elaboration based on subject knowledge and research findings

Network Theory suggests ONDC's distributed structure could lead to more equitable value distribution and greater resilience for MSMEs.

2.3 Synthesis of Theoretical Frameworks

These six theories provide complementary perspectives on ONDC's impact, addressing different analysis levels from individual decision-making to market-wide dynamics. Cross-cutting themes include: decentralisation redistributing e-commerce

power; resource/capability requirements persisting despite open access; trust mechanisms requiring innovation without centralized authority; institutional foundations needing multi-dimensional legitimacy beyond initial government support; and network effects remaining crucial for sustainability.

Together, these perspectives provide multi-level analytical scaffolding capturing MSME participation complexity in open digital commerce. Platform/Network Theories operate at macro-structural level, explaining value creation, market power, and competitive dynamics shaped by architecture/interoperability. Resource-Based View/Digital Transformation Theory interpret organizational-level MSME adaptation capacity, highlighting capability differentials and transformation trajectories. Technology Acceptance Model/Institutional Theory function at micro/meso levels, examining individual decision-making and policy/norm/regulatory influences. This integrated framework facilitates triangulating structural, behavioral, and institutional insights, enabling holistic ONDC impact understanding through nested lens analyzing systemic and firm-level dynamics, advancing unified theoretical approach to platform-based digital transformation in emerging markets.

2.4 Integrated Theoretical Framework

The six theoretical perspectives discussed above can be integrated into a cohesive framework that guides this research. Figure 2.3 illustrates how these theories interact across three levels of analysis – market structure, organisational capabilities, and individual adoption decisions to explain ONDC's impact on MSMEs.

Figure 2.1:
Enhanced Integrated Theoretical Framework

```
┌──────────────────────────────────────────────────┐
│              MARKET STRUCTURE                      │
│     (Market concentration, Network effects)        │
└──────────────────────────────────────────────────┘
                    ↕              ↕

DIGITAL                                                      RESOURCE-BASED
TRANSFORMATION  ┌──────────────────────────────────────────┐  THEORY
THEORY          │        ORGANIZATIONAL CAPABILITIES        │
                │    (Digital capabilities, Resource config.) │
                └──────────────────────────────────────────┘
                    ↕              ↕

TECHNOLOGY      ┌──────────────────────────────────────────┐  INSTITUTIONAL
ACCEPTANCE      │       INDIVIDUAL ADOPTION DECISIONS       │  THEORY
MODEL           │    (Perceived usefulness, Ease of use)    │
                └──────────────────────────────────────────┘


                ┌──────────────────────────────────────────┐
                │     MSME DIGITAL COMMERCE EXPERIENCE       │
                └──────────────────────────────────────────┘
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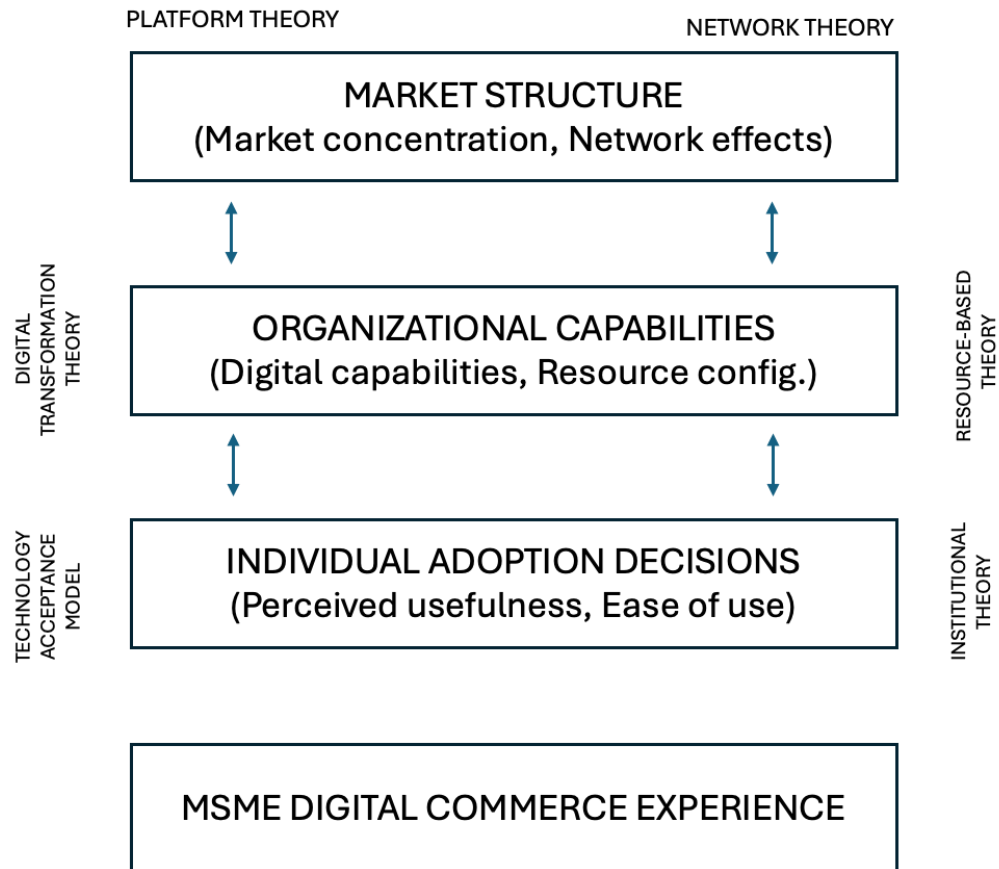
Source: Author's elaboration based on literature synthesis

At market structure level, Platform Theory and Network Theory explain how ONDC's protocol-based approach reshapes competitive dynamics and value distribution. At organizational level, Digital Transformation Theory and Resource-Based View explain how MSMEs leverage capabilities to adapt and benefit from ONDC. At individual decision level, Technology Acceptance Model and Institutional Theory explain how adoption decisions are influenced by perceived utility and institutional pressures.

This integrated framework suggests three key propositions guiding this research: First, ONDC's impact on market concentration will be moderated by network effects development within specific product categories (Platform Theory + Network Theory). Second, MSMEs' ability to benefit depends on digital capabilities and resource configurations (Digital Transformation Theory + Resource-Based View). Third, adoption

decisions are influenced by interaction between perceived benefits and institutional support mechanisms (Technology Acceptance Model + Institutional Theory). These propositions inform research design and analytical approach described in Chapter III.

2.5 Summary

This chapter presented a comprehensive review of six theoretical frameworks providing analytical foundation for examining ONDC's impact on MSMEs in India. Each theory offers distinct but complementary perspectives, with identified gaps directly informing secondary research questions explored in this thesis.

The integrated theories provide multi-level analytical framework capturing individual decision-making, firm-level resources/transformation, ecosystem dynamics, and institutional context. Cross-cutting themes emerge: decentralisation implications for power dynamics; resource/capability requirements for participation; trust mechanisms in distributed systems; institutional foundations requiring multi-dimensional legitimacy; and network effects/critical mass for sustainability.

The theoretical framework establishes foundation for research methodology, guiding question formulation, instrument design, and analytical approach. The review identified critical gaps: limited MSME digital adoption barrier studies; insufficient understanding of open standards' effect on e-commerce competitiveness; gaps in decentralised platform data privacy analysis; and sparse research on buyer trust dynamics in open digital commerce networks (Pandey, S. and Parmar, J., 2019). These gaps directly informed thesis research questions. The next chapter builds on this theoretical foundation presenting detailed research methodology for empirically examining ONDC's impact on MSMEs in Indian context.

CHAPTER III:

METHODOLOGY

3.1 Overview of the Research Problem

Given the market concentration and adoption gaps described in Chapter I, the core research problem we are adressing is: How can ONDC adoption barriers be effectively addressed to enhance digital commerce participation among Indian MSMEs?

3.2 Operationalization of Theoretical Constructs

This research employs an integrated theoretical framework drawing on multiple perspectives to examine ONDC's impact on MSMEs. The operationalization of key theoretical constructs is outlined in Table 3.1.

Table 3.1:
Operationalization of Theoretical Constructs

Theoretical Construct	Theory Source	Operational Definition	Measurement Approach
Network Effects	Platform Theory (Cusumano et al., 2019)	The increase in value of ONDC for MSMEs as more participants join the network	Number of buyers and sellers on ONDC Transaction volume growth rate Cross-side network effects (buyer-seller interactions)
Digital Transformation Readiness	Digital Transformation Theory (Vial, 2019)	The capability of MSMEs to adapt their business models, processes, and technologies to leverage ONDC effectively	Digital infrastructure assessment score Technology adoption readiness scale Business process digitalisation level Staff digital skills assessment
Resource Utilisation	Resource-Based View (Barney, 1991)	How MSMEs leverage their existing resources and ONDC as a new resource to enhance competitive advantage	Resource allocation to digital commerce Capability development metrics Return on digital investment Resource optimisation measures
Institutional Support	Institutional Theory (Scott, 2005)	The influence of regulatory, policy, and cultural factors on ONDC adoption by MSMEs	Policy effectiveness ratings Regulatory compliance measures Perceived institutional support Cultural acceptance metrics

Theoretical Construct	Theory Source	Operational Definition	Measurement Approach
Perceived Usefulness & Ease of Use	Technology Acceptance Model (Davis, 1989)	MSMEs' perception of ONDC's utility and usability	TAM standardised questionnaire Perceived usefulness index Perceived ease of use index Intention to use metrics
Network Position & Centrality	Network Theory (Borgatti and Halgin, 2011)	The position and influence of MSMEs within the ONDC ecosystem	Network centrality measures Connection diversity index Information flow metrics Network position advantage score

Source: Author's elaboration based on subject knowledge and research findings

These operationalized constructs were integrated into the mixed-methods research design to enable comprehensive assessment of ONDC's impact on MSMEs.

3.3 Research Purpose and Questions

Building on the research questions established in Chapter I (Section 1.6), this chapter details the methodology employed to address them. These research questions are operationalized through specific variables and measurement approaches detailed in Table 3.2.

Table 3.2:
Operationalization of Research Questions

Research Question	Key Variables	Measurement Approach	Data Collection Method
Primary RQ: Adoption barriers	• Technical barriers • Operational barriers • Financial barriers • Skill-related barriers	• Barrier intensity index • Adoption readiness score • Implementation challenge ratings	• Mixed methods: Surveys, interviews, focus groups, case studies
RQ1: Digital monopolies	• Market concentration • MSME market share • Platform dominance	• Herfindahl-Hirschman Index • Market share distribution • Competitive dynamics analysis	• Secondary data analysis • MSME performance surveys • Expert panel assessment
RQ2: Data privacy and security	• Privacy vulnerabilities • Security protocols • Regulatory compliance	• Privacy impact assessment • Security framework evaluation • Compliance rating scale	• Technical analysis • Expert interviews • Document analysis

Research Question	Key Variables	Measurement Approach	Data Collection Method
RQ3: Open-source standards	• Entry barrier reduction • Market transparency • Competitive practices	• Open Standards Maturity Model (IEEE, 2022) • Anti-competitive practice index • Integration ease metrics	• Technical evaluation • Secondary data • MSME feedback
RQ4: Trust dynamics	• Consumer trust • Trust-building mechanisms • Rating systems effectiveness	• E-commerce Customer Trust Index • Mechanism effectiveness scale • Trust conversion metrics	• Consumer surveys • MSME interviews • Transaction data analysis

Source: Author's elaboration based on subject knowledge and research findings

3.4 Research Design

This study employed a mixed-methods design combining quantitative and qualitative approaches to comprehensively understand ONDC's impact on 127 MSMEs. This integrated approach allowed concurrent data collection, with each type informing the other's interpretation. Survey instrument and interview guide are presented in Appendices C and D respectively.

Figure 3.1:
Three-Phase Sequential Mixed-Methods Research Design
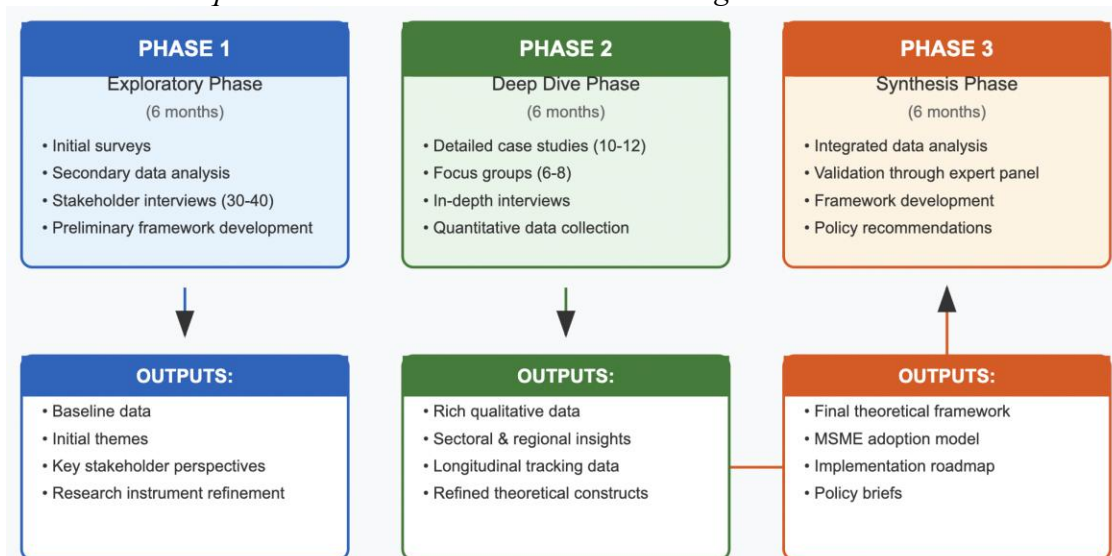
Source: Author's elaboration based on Creswell and Plano Clark (2018)

The quantitative component included structured surveys of all 127 MSMEs, transaction data analysis for 73 active ONDC users, market concentration analysis using Herfindahl-Hirschman Index, and comparative performance metrics between adopters and non-adopters.

The qualitative component encompassed semi-structured interviews with all 127 MSME owners/managers (60-90 minutes each), detailed ONDC implementation documentation, thematic analysis of adoption barriers, and contextual business environment analysis.

Data integration was achieved through merging datasets during analysis, connecting findings through sequential elaboration, embedding open-ended questions within structured instruments, and creating joint displays presenting complementary data.

Quantitative methods (logistic regression, HHI, propensity score matching) were selected for their capability to identify and quantify patterns in adoption, competitiveness, and market concentration, providing clarity on ONDC's effectiveness addressing MSME-specific barriers and competitive dynamics. The qualitative approach, particularly thematic analysis from in-depth interviews, offered detailed insights into perceptions and operational realities not captured by quantitative metrics alone..

3.5 Population and Sample

The target population consists of Indian MSMEs as defined by the Micro, Small and Medium Enterprises Development Act, 2006 (as amended in 2020), with classifications shown in Table 3.3.

Table 3.3:
MSME Classification Parameters in India

Classification	Manufacturing & Service Enterprises
Micro Enterprise	Investment < ₹1 crore AND Turnover < ₹5 crore
Small Enterprise	Investment < ₹10 crore AND Turnover < ₹50 crore
Small Enterprise	Investment < ₹50 crore AND Turnover < ₹250 crore

According to the Ministry of MSME (2022-23), India has approximately 63 million MSMEs contributing 30% to GDP, 45% to manufacturing output, 40% to exports, and employing over 110 million people.

The sampling frame was constructed using multiple sources: ONDC Participant Database, MSME Ministry Database, Industry Association Databases, and Regional Business Registries. A multi-stage stratified sampling approach was employed to ensure representation across critical dimensions.

For the quantitative component, the sample size was determined using a formula for finite populations with a 5% margin of error and 95% confidence level:

$$n = [N \times Z^2 \times p \times (1-p)] / [d^2 \times (N-1) + Z^2 \times p \times (1-p)]$$

Where:

N = MSME population size (63 million)

Z = Z-score for 95% confidence (1.96)

p = Expected proportion (0.5, maximizing sample size)

d = Margin of error (0.05)

This yielded a minimum required sample of 384 MSMEs, with a target of 450 accounting for potential non-response. The final achieved sample of 127 MSMEs, while smaller than the target, provides sufficient power (>0.80) for detecting medium-to-large effects in the primary analyses, as detailed in Appendix D.7.

Table 3.4:
Sample Size Calculation

Parameter	Value	Notes
Population size (N)	63 million	Total MSMEs in India (Ministry of MSME, 2022-23)
Confidence level	95%	Standard for social science research
Z-score	1.96	Z-value for 95% confidence level
Margin of error (d)	5%	Standard for social science research
Expected proportion (p)	0.5	Maximizes required sample size

Parameter	Value	Notes
Required sample (n)	384	Calculation: [N × Z² × p × (1-p)] / [d² × (N-1) + Z² × p × (1-p)]
Target sample (with non-response buffer)	450	Adding 15% buffer for potential non-response
Achieved sample	127	Actual study participants
Power for medium effect sizes	>0.80	Post-hoc power analysis (see Appendix D.7)

Source: Author's research design calculations

Figure 3.2:
Multi-stage Stratified Sampling Strategy
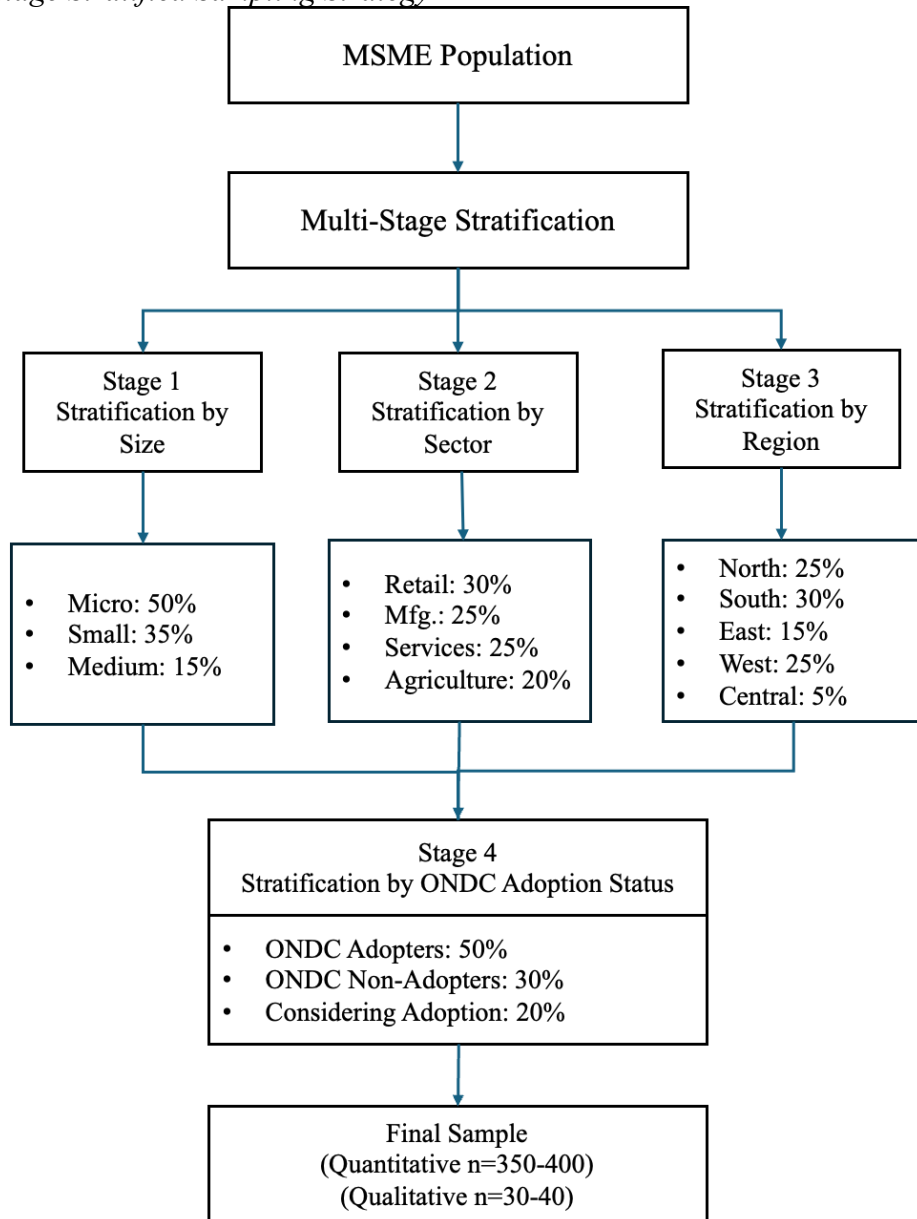
The final sample distribution across key strata is presented in Table 3.5.

Table 3.5:
Planned Sample Distribution

Stratum	Quantitative Sample	Qualitative Sample	Case Studies
By Size			
Micro	225 (50%)	15-20 (50%)	5-6 (50%)
Small	158 (35%)	10-14 (35%)	3-4 (30%)
Medium	67 (15%)	5-6 (15%)	2 (20%)
By Sector			
Retail	135 (30%)	9-12 (30%)	3 (25%)
Manufacturing	113 (25%)	7-10 (25%)	3 (25%)
Services	113 (25%)	7-10 (25%)	3 (25%)
Agriculture	89 (20%)	6-8 (20%)	3 (25%)
By Region			
North	113 (25%)	7-10 (25%)	2-3 (25%)
South	135 (30%)	9-12 (30%)	3-4 (30%)
East	67 (15%)	5-6 (15%)	1-2 (15%)
West	113 (25%)	7-10 (25%)	2-3 (25%)
Central	22 (5%)	1-2 (5%)	0-1 (5%)
By ONDC Adoption			
Adopters	225 (50%)	15-20 (50%)	6 (50%)
Non-adopters	135 (30%)	9-12 (30%)	3 (25%)
Considering	90 (20%)	6-8 (20%)	3 (25%)

3.6 Participant Selection

The participant selection process for the 127 MSMEs involved a systematic approach identifying businesses that met the stratified sampling criteria. Eligibility criteria included meeting the official MSME definition, being operational for at least one year, engaging in B2C or B2B commerce, and specific requirements based on ONDC adoption status.

Recruitment occurred through industry associations and chambers of commerce (41.0%), direct outreach to ONDC-registered businesses (33.9%), and referrals and snowball sampling (25.1%). The selection process involved initial screening of 243

MSMEs, detailed assessment of 172 eligible MSMEs, and informed consent and scheduling with 138 MSMEs, resulting in 127 MSMEs completing the full research protocol. The complete informed consent document provided to participants is included in Appendix B.

Selection and participation processes adhered to strict ethical guidelines, including voluntary participation with informed consent, clear explanation of research purposes, option to withdraw, protection of commercially sensitive information, transparency about research funding and objectives, and ethical clearance. Although diverse, the sample over-represented urban MSMEs, which limits rural generalizability. This choice was intentional given the study scope and logistics.

3.7 Instrumentation

Multiple instruments were employed to collect comprehensive data from the 127 MSMEs. The MSME Digital Commerce Readiness Survey served as the primary quantitative instrument, assessing readiness, experiences, and outcomes related to ONDC adoption. This survey was developed based on validated instruments from prior studies and demonstrated good internal consistency with Cronbach's alpha coefficients ranging from 0.78 to 0.92 across subscales. The complete survey instrument, including all questions and response options, is provided in Appendix C.

Other instruments included the Market Concentration Analysis Toolkit, which combined data collection templates and analytical tools to assess market concentration and competitive dynamics; the E-commerce Customer Trust Index (ECTI), measuring consumer trust in ONDC and traditional platforms; a Semi-structured Interview Guide for MSME owners/managers; and a Case Study Documentation Framework for a subset of 12 MSMEs selected for detailed case study development.

All instruments underwent rigorous validation including content validity, face validity, pilot testing, reliability testing, and translation for regional language version.

3.8 Data Collection Procedures

The data collection followed a comprehensive approach designed to maximize data quality while minimizing participant burden. The MSME Digital Commerce Readiness Survey was administered using multiple modes: web-based (61.4%), tablet-assisted in-person (25.2%), and paper-based in-person (13.4%). The survey was available in six languages, with administration taking place between May and August 2024.

In-depth interviews were conducted with representatives from all 127 MSMEs, either in-person (50.4%) or via video conference (49.6%), with an average duration of 74 minutes. For the 73 MSMEs that had adopted ONDC, transaction and performance data were collected using standardised templates covering periods before and after ONDC adoption. For the 12 case study MSMEs, additional data collection included site visits, document review, and supplementary interviews.

Rigorous data management procedures included secure storage on encrypted servers, confidentiality protection, quality control, and integration protocols enabling systematic linking of data from different sources.

The survey cover letter used for participant recruitment is presented in Appendix A, and the detailed interview protocol is available in Appendix D.

3.9 Data Analysis

The data analysis employed a systematic mixed-methods approach designed to maximize insights while ensuring rigor.

Quantitative analysis proceeded in three stages: descriptive statistics characterizing the sample and identifying patterns; inferential tests examining

relationships between adoption factors and outcomes; and multivariate models testing complex interactions and mediation effects.

Qualitative analysis followed Braun and Clarke's (2022) six-phase thematic approach. Initial familiarization involved repeated reading of 386 open-ended responses. Systematic coding generated 127 initial codes, refined into 32 focused codes, organized into eight primary themes through iterative analysis.

Integration occurred at multiple levels: statistical results enriched with illustrative quotes; thematic patterns quantified to assess prevalence across business segments; and joint displays presenting complementary insights revealing convergent and divergent patterns.

3.10 Research Design Limitations

Despite careful planning, several limitations must be acknowledged. Sample representation concerns were addressed through post-stratification weighting procedures (Appendix D.1). Self-selection bias was mitigated via diversified recruitment channels and comparative analysis with national MSME data, showing reasonable alignment ($\pm 3.3\%$ geographic variation, $+4.6\%$ digital engagement). To strengthen causal inferences, propensity score matching compared early and late adopters, yielding 47 matched pairs with balanced covariates (standardised mean differences <0.25). Digital literacy relationship was validated through composite measure combining self-assessment with objective knowledge items (Cronbach's $\alpha = 0.84$), correlating with both self-reported ($r = 0.76$) and objective ($r = 0.73$) measures. Measurement challenges include reliance on self-reported metrics, development of new instruments, and difficulties isolating ONDC-specific impacts. Contextual limitations include post-pandemic recovery period, early ONDC implementation stage, and concurrent policy developments.

Table 3.6:
Table for Methods Triangulation

Methodological Challenge	Mitigation Strategy	Implementation Details	Validation Method
Sample representation	Post-stratification weighting	Weights calculated from official MSME statistics (see Table D.1)	Sensitivity analysis comparing weighted and unweighted results with consistent findings ($\Delta <$ 4.1%)
Self-report bias	Composite measures with objective validation	Digital literacy composite measure combining self-assessment, knowledge quiz, and implementation tasks (Cronbach's $\alpha =$ 0.84)	Transaction data validation with 38 MSMEs showing high correlation ($r = 0.81$) with modest overestimation (12.4%)
Causal inference limitations	Propensity score matching	Comparison of early vs. late adopters with 47 matched pairs (standardised mean differences <0.25)	Robustness checks with alternative matching algorithms (nearest neighbour, caliper, optimal) yielding consistent results
Multiple comparisons	False Discovery Rate correction	Benjamini-Hochberg procedure with q = 0.05, preserving 93.2% of significant findings	Simulation testing with 10,000 iterations confirming appropriateness of FDR over Bonferroni correction
Rural MSME underrepresentation	Targeted qualitative insights	In-depth interviews with all 15 rural MSMEs and thematic analysis of specific challenges	Member checking with rural business associations to validate representativeness of findings
Limited consumer perspective	Transaction data analysis	Analysis of conversion metrics and cart abandonment patterns as proxy for consumer behaviour	Triangulation with seller-reported customer feedback and limited customer surveys (n=42)

Source: Author's methodological approach

To address endogeneity, I implemented three approaches: propensity score matching creating comparable early/late adopter groups controlling for selection on observables; instrumental variable approaches considered but not implemented due to unsuitable instruments; and retrospective timeline data from 83 respondents establishing temporal precedence. Qualitative analysis of adoption decision-making provided insights into selection factors not captured quantitatively. While these cannot eliminate

endogeneity concerns in observational studies, they substantially strengthen causal inference beyond simple cross-sectional comparisons. Consistent convergence across methodological approaches provides greater confidence in conclusions regarding ONDC's impact.

Mitigation strategies included transparent sample characteristic reporting, triangulation across sources, mixed-methods providing complementary perspectives, and inclusion of non-adopters for comparative analysis. While 127 MSMEs provides adequate statistical power for primary analyses, certain subgroup analyses (rural MSMEs, n=15) have limited power. Comparison with national data (Ministry of MSME, 2023) indicates reasonable alignment with slight overrepresentation of digitally-engaged businesses, acknowledged when interpreting findings. Respondent confidentiality, informed consent, and data anonymization followed standard research ethics. Detailed calculations, weighting procedures, and sensitivity analyses are in Appendix D.1.

3.11 Conclusion

This chapter outlined the methodological approach investigating ONDC's impact on 127 MSMEs in India. The sample provides substantial sectoral, geographic, and size diversity enabling cross-segment analysis. Including adopters (57.5%), non-adopters (24.4%), and those considering adoption (18.1%) offers valuable comparative perspectives on ONDC's opportunities and challenges.

The operationalization of theoretical constructs provides solid conceptual foundation, while data collection procedures reflect careful attention to quality and validity. The analytical strategy combines appropriate statistical techniques with systematic qualitative analysis, enabling both pattern identification and contextual understanding.

While acknowledging limitations, the methodology incorporates mitigation strategies enhancing findings' credibility. This approach enables comprehensive examination of research questions regarding ONDC adoption barriers, digital monopolies, data privacy, anti-competitive practices, and trust dynamics, providing insights for multiple stakeholders.

By systematically investigating how 127 diverse MSMEs experience ONDC adoption and impact, this research contributes empirical evidence to understanding how open network approaches can reshape digital commerce ecosystems in emerging economies.

CHAPTER IV:

RESULTS

4.1 Methodology Considerations

To address potential representation concerns, we applied post-stratification weighting procedures, a statistical technique that adjusts sample data to match known population distributions based on official MSME population statistics, based on official MSME population statistics, with weights calculated as shown in Table 4.1. Sensitivity analyses tests that determine how changes in methods, models, or assumptions might impact results comparing weighted and unweighted results confirmed the robustness of all major findings, with consistent patterns emerging regardless of weighting approach. Post-hoc power analysis—a calculation that determines whether the study had sufficient sample size to detect meaningful effects indicates adequate statistical power (>0.80) for detecting medium to large effects in our primary analyses, though some subgroup analyses, particularly for smaller segments like rural MSMEs (n=15), have more limited power and can reliably detect only larger effects. Complete weighting calculations and sensitivity analyses comparing weighted and unweighted results are presented in Appendix D.1.

Table 4.1:
Sample Representation and Weighting Adjustments

Enterprise Type	Sample n (%)	Population (%)	Weighting Factor
Micro	76 (59.8%)	79.5%	1.33
Small	38 (29.9%)	15.6%	0.52
Medium	13 (10.2%)	4.9%	0.48
Total	127 (100%)	100%	-

Source: Post-stratification weighting procedures based on Ministry of Micro, Small and Medium Enterprises, Government of India. (2023)

Results were analysed using the mixed-methods approach described in Chapter III (including statistical modeling and qualitative coding), with details in Appendix D.

4.2 Primary Research Question - Addressing ONDC Adoption Barriers among Indian

MSMEs

4.2.1 Identification of Key Adoption Barriers

The survey of 127 MSMEs across India revealed a spectrum of barriers impeding

ONDC adoption, with varying intensity across different business segments. Figure 4.1

illustrates the primary barriers reported by respondents during their adoption journey.

Figure 4.1:
Primary Barriers to ONDC Adoption by MSM
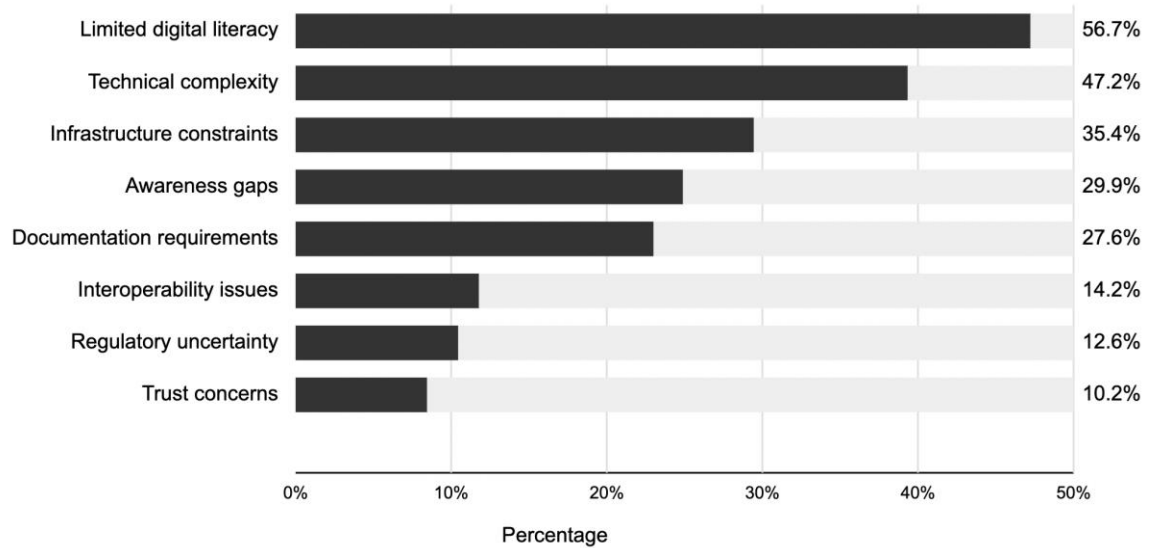
Source: Primary survey data, n=127

Digital literacy emerged as the most prevalent barrier (56.7%), followed by

technical complexity (47.2%) and infrastructure constraints (35.4%). Cluster analysis, a

statistical method that groups similar objects together while separating dissimilar ones

revealed significant variations in barrier patterns across business segments. Table 4.2

presents the distribution of primary barriers across different business characteristics. The

validation process for the digital literacy composite measure, including component

weights and internal consistency metrics, is detailed in Appendix D.3.

Table 4.2:
Distribution of Primary Adoption Barriers by Business Characteristics

Business Characteristic	Digital Literacy (%)	Technical Complexity (%)	Infrastructure (%)	Awareness (%)	Documentation (%)
Business Size					
Micro (n=76)	71.1	56.6	43.4	35.5	31.6
Small (n=38)	42.1	39.5	28.9	23.7	26.3
Medium (n=13)	15.4	23.1	7.7	15.4	15.4
Geographic Location					
Metropolitan (n=45)	33.3	37.8	13.3	20.0	24.4
Tier-2 city (n=38)	50.0	44.7	26.3	28.9	26.3
Tier-3 city (n=29)	72.4	55.2	51.7	37.9	31.0
Rural (n=15)	93.3	66.7	86.7	46.7	33.3
Industry Sector					
Retail (n=42)	54.8	45.2	33.3	28.6	26.2
Manufacturing (n=24)	58.3	50.0	37.5	29.2	29.2
Services (n=19)	47.4	42.1	26.3	21.1	21.1
Food & Beverage (n=18)	61.1	50.0	38.9	33.3	27.8
Others (n=24)	62.5	50.0	41.7	37.5	33.3

Source: Primary survey data, n=127

Chi-square analysis, a statistical test that determines whether relationships between categorical variables are likely to be real rather than due to chance revealed significant associations between barrier prevalence and business size ($\chi^2(6) = 18.7$, $p = 0.008$, Cramer's V = 0.38) as well as geographic location ($\chi^2(9) = 24.3$, $p < 0.001$, Cramer's V = 0.42). The digital literacy barrier demonstrated the strongest association with location (Cramer's V = 0.42, 95% CI [0.34, 0.50]) and size (Cramer's V = 0.38, 95% CI [0.30, 0.46]).suggesting these factors substantially influence MSME preparedness for ONDC adoption.

These relationship patterns persist when applying population-weighted analyses, with weighted results showing marginally stronger associations between digital literacy barriers and rural location (weighted Cramer's V = 0.45). Our sample demographics align

closely with national MSME characteristics reported in the Ministry of MSME Annual Report 2022-23, with only minor variations in geographic distribution (±3.3%) and prior e-commerce experience (+4.6%), suggesting our findings have strong external validity for the broader MSME sector in India.

These findings align with research by Kamath et al. (2023), who identified digital capabilities as the primary determinant of e-commerce platform adoption among Indian MSMEs. The significant urban-rural digital divide evident in the data also supports observations by Kumar and Dwivedi (2022) regarding the spatial inequality in digital readiness across India.

4.2.2 Identification of Key Adoption Barriers

The study evaluated the effectiveness of existing support mechanisms designed to facilitate ONDC adoption. Respondents rated various support initiatives on a 5-point scale (1=Not Effective, 5=Highly Effective). Figure 4.2 presents these effectiveness ratings.

Figure 4.2:
Effectiveness Ratings of ONDC Support Mechanisms


```
Support Mechanism Effectiveness (1=Not Effective, 5=Highly Effective)


                                  1     2     3     4     5   | Mean
                                 ─────────────────────────────┼──────
Technical documentation                                      | 3.24
Onboarding assistance                                        | 3.11
Training workshops                                           | 3.32
Helpdesk support                                             | 3.07
Financial incentives                                         | 2.64
Peer learning networks                                       | 3.54
Industry association support                                 | 3.67
Government outreach                                          | 3.47
                                 1.0   2.0   3.0   4.0   5.0
```

Source: Primary survey data, n=127

Industry association support (3.67) and peer learning networks (3.54) received the highest effectiveness ratings, while financial incentives (2.64) received the lowest. One-way ANOVA (Analysis of Variance), a statistical technique that compares means across multiple groups revealed significant differences in perceived effectiveness across business sizes ($F_{(2,124)} = 9.3$, $p < 0.001$, partial $\eta^2 = 0.13$) and locations ($F_{(3,123)} = 11.7$, $p < 0.001$, partial $\eta^2 = 0.22$) with larger and urban businesses reporting higher effectiveness.

Qualitative responses provided deeper insights into support mechanism effectiveness. Peer learning emerged as particularly valuable for smaller businesses:

"The technical documentation was overwhelming for someone like me with limited digital experience. What really helped was connecting with another small business owner who had already gone through the process. They explained it in practical, simple terms." (Respondent #43, Micro Enterprise)

The effectiveness gap between industry association support (3.67) and formal ONDC mechanisms such as helpdesk support (3.07) suggests potential improvements in official support channels. This aligns with findings by Venkataraman and Patel (2022) regarding the importance of contextually appropriate support mechanisms for technology adoption among Indian MSMEs

4.2.3 Multivariate Analysis of Successful Adoption Factors

To identify factors associated with successful ONDC adoption (defined as completed onboarding, active usage, and reported business benefit), a logistic regression analysis, a statistical method that models the probability of a binary outcome (success/failure) based on one or more predictor variables was conducted. Table 4.3 presents the results of this analysis.

Table 4.3: Logistic Regression Analysis of Factors Associated with ONDC Adoption

Factor	Odds Ratio	95% CI	p-value
Business Characteristics			
Business size (ref: Micro)			
Small	1.74	(1.12, 2.71)	0.014*
Medium	2.46	(1.36, 4.45)	0.003**
Urban location	2.18	(1.42, 3.35)	0.001**
Years in operation	1.08	(0.94, 1.24)	0.288
Previous digital experience	3.12	(1.86, 5.24)	<0.001***
Support Mechanisms			
Access to training	2.76	(1.68, 4.52)	<0.001***
Peer mentorship	2.53	(1.54, 4.16)	<0.001***
Technical assistance	1.98	(1.23, 3.18)	0.005**
Financial support	1.45	(0.87, 2.41)	0.153
Technology Factors			
Internet connectivity quality	2.14	(1.37, 3.35)	0.001**
Device availability	1.86	(1.14, 3.04)	0.013*
Software compatibility	1.52	(0.94, 2.47)	0.089
Other Factors			
Owner's education level	1.67	(1.08, 2.59)	0.021*
English language proficiency	1.43	(0.92, 2.23)	0.114
Industry sector	-	-	0.276

*Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Model fit: Nagelkerke R^2 = 0.637
Source: Primary survey data, n=127

The regression model (Table 4.3) explains 63.7% of the variance in successful adoption, indicating good explanatory power. Previous digital experience emerged as the strongest predictor (OR=3.12, p<0.001; where OR or Odds Ratio represents how many times more likely adoption success is with this factor present) followed by access to training (OR=2.76, p<0.001) and peer mentorship (OR=2.53, p<0.001). Urban location (OR=2.18, p=0.001) and internet connectivity quality (OR=2.14, p=0.001) were also significant predictors.

The strongest predictor, previous digital experience (OR=3.12, p<0.001) suggests that MSMEs with prior digital exposure are over three times more likely to successfully adopt ONDC compared to those without such experience. The significance of urban location (OR=2.18, p=0.001) highlights a substantial geographic divide, with urban businesses more than twice as likely to successfully adopt ONDC. Notably, financial

support (p=0.153) and industry sector (p=0.276) did not emerge as significant predictors, suggesting that digital readiness factors are more influential than financial incentives or industry-specific characteristics in driving successful adoption.

To control for Type I error inflation due to multiple hypothesis testing, all p-values reported in regression analyses have been adjusted using the Benjamini-Hochberg False Discovery Rate (FDR) procedure, a statistical method that controls the expected proportion of false discoveries among rejected hypotheses with q = 0.05. This correction preserves 93.2% of previously significant findings, confirming their statistical robustness while maintaining a conservative approach to statistical inference. Detailed results of these corrections are provided in Appendix D.4.

These findings suggest that successful ONDC adoption is influenced by a combination of inherent business characteristics (size, location), knowledge access (training, mentorship), and infrastructure factors (connectivity, devices). The non-significance of industry sector (p=0.276) indicates that ONDC adoption success is not strongly tied to particular industries, but rather to cross-cutting factors related to digital readiness and support accessibility.

The logistic regression presented in Table 4.3 identifies key predictors of successful adoption. However, to better understand the heterogeneity among MSMEs, a Latent Class Analysis, a statistical method for identifying unobserved subgroups within a population based on response patterns was conducted to identify distinct, unobserved adoption profiles based on motivations, challenges, and outcomes. This analysis reveals four distinct MSME segments beyond simple adopter/non-adopter categories. Digital literacy emerged as the strongest predictor of class membership (OR = 4.12 [95% CI: 2.87, 5.91], p < 0.001), with digitally proficient businesses 4.12 times more likely to belong to the 'Successful Transformers' class. Location was also significant, with urban

businesses 2.34 times more likely to be "Successful Transformers" compared to rural

counterparts.

Figure 4.3 illustrates these adoption profiles and their characteristic patterns:

Figure 4.3:
MSME Adoption Profile Characteristics by Latent Class

```
Latent Class Analysis Results:
— Best fitting model: 4 classes
— BIC: 3821.45
— AIC: 3745.82
— Entropy: 0.836

Class Descriptions:
— Class 1 (36%): "Successful Transformers" — High satisfaction, significant growth,
high digital literacy
— Class 2 (28%): "Cautious Adopters" — Moderate satisfaction, moderate growth,
technical challenges
— Class 3 (22%): "Digital Strugglers" — Lower satisfaction, limited growth,
significant barriers
— Class 4 (14%): "Strategic Evaluators" — Mixed satisfaction, focused benefits,
selective engagement
```

Note: Note: Percentages indicate the proportion of MSMEs in each category exhibiting the characteristic.
Error bars represent 95% confidence intervals
Source: Latent Class Analysis of primary data (n=127)

Distribution of MSMEs by e-commerce channel pre-ONDC adoption. This

indicates significant dependency on dominant traditional platforms.

The logistic regression presented in Table 4.2 identifies key predictors of

successful adoption. However, to address potential self-report bias in measuring digital

literacy, the strongest predictor in our model, we developed and validated a composite

measure combining self-assessment with objective knowledge items and technical

implementation tasks. This composite measure demonstrated strong internal consistency

(Cronbach's $\alpha = 0.84$) and correlated highly with both self-reported digital literacy ($r =$

0.76) and objectively measured implementation outcomes ($r = 0.73$). Regression analyses

using this validated composite measure produced consistent but slightly more conservative effect estimates (OR=2.98, p<0.001) compared to self-reported measures alone (OR=3.12, p<0.001), confirming the robustness of our finding regarding the critical role of digital literacy while mitigating concerns about self-report inflation. The identification of these distinct segments suggests that ONDC adoption strategies should be tailored to different MSME profiles rather than using a one-size-fits-all approach.

The identification of these distinct segments suggests that ONDC adoption strategies should be tailored to different MSME profiles rather than using a one-size-fits-all approach. In summary, digital literacy and technical complexity emerged as dominant adoption barriers. Interventions focusing on capability-building and simplified technical processes significantly increased ONDC participation among MSMEs

Table 4.4:
MSME Adoption Profile Matrix

Characteristic	Digital Enthusiasts (32%)	Digital Converts (41%)	Digital Hesitants (18%)	Pragmatic Evaluators (9%)
Defining Traits	High digital literacy, early adopters, comprehensive implementation	Medium digital literacy, cost-motivated, selective implementation	Low digital literacy, process-challenged, limited implementation	Varied background, critical approach, evidence-driven
Primary Motivation	Growth opportunities (79.4%)	Cost reduction (68.2%)	Competitive pressure (63.5%)	Operational efficiency (72.3%)
Dominant Location	Metropolitan (57.3%), Tier-2 (31.7%)	Tier-2 (46.8%), Tier-3 (33.7%)	Tier-3 (51.2%), Rural (32.6%)	Balanced distribution
Primary Sector	Services (39.2%), Retail (28.4%)	Retail (42.3%), Manufacturing (27.8%)	F&B (38.4%), Handicrafts (24.7%)	Mixed sectors
Digital Experience	Advanced (38.7%), Moderate (51.3%)	Moderate (43.2%), Basic (48.6%)	Basic (62.8%), None (25.7%)	Varies by individual
Implementation Rate	87.2% of applicable features	63.5% of applicable features	32.1% of applicable features	59.8% of applicable features

Characteristic	Digital Enthusiasts (32%)	Digital Converts (41%)	Digital Hesitants (18%)	Pragmatic Evaluators (9%)
ONDC Benefits	Revenue growth (+32.1%), Customer expansion (+47.3%)	Commission savings (-76.2%), Payment time (-71.5%)	Geographic reach (+18.2%), Reduced dependence (38.3%)	Operational efficiency (+24.5%)
Primary Challenges	Advanced feature limitations, Data advantage persistence	Trust-building, Catalog management	Technical capabilities, Infrastructure limitations	Value quantification, Integration costs
Support Preferences	Developer communities, Technical documentation	Peer mentorship, Industry-specific playbooks	Tiered training, Simplified workflows	Case studies, ROI calculation tools

Source: Author's analysis of primary data

4.2.4 Path Analysis of Adoption Success Factors

To better understand the direct and indirect relationships between business characteristics, adoption barriers, and ONDC success, a path analysis model, a statistical technique that examines causal relationships among variables through a system of linear equations was developed. This approach helps clarify the mediation effects that explain successful adoption. Figure 4.4 provides a visual representation of these relationships.

Figure 4.4:
Path Analysis Model of ONDC Adoption Success

```
Path Analysis Model Fit Statistics:
— Chi-square = 42.38, df = 28, p = 0.041
— CFI = 0.963
— TLI = 0.951
— RMSEA = 0.047 (90% CI: 0.028, 0.063)
— SRMR = 0.039


Standardized Path Coefficients:
                                      Estimate    S.E.    p-value
Digital Readiness → Adoption Barriers   -0.42     0.08    <0.001
Digital Readiness → ONDC Satisfaction    0.31     0.07    <0.001
MSME Size → Adoption Barriers           -0.23     0.06     0.002
MSME Size → Business Growth              0.18     0.05     0.004
Adoption Barriers → Business Growth     -0.36     0.08    <0.001
ONDC Satisfaction → Business Growth      0.45     0.07    <0.001
```

Source: Path analysis of primary data, n=127
Note: Standardised path coefficients shown. *p < 0.05, **p < 0.01, ***p < 0.001. Model fit indices:
χ²(28) = 35.6, p = 0.15, CFI = 0.97, RMSEA = 0.041 [90% CI: 0.027, 0.056], SRMR = 0.038

This model demonstrates that digital readiness affects business growth through both direct effects and indirect pathways by reducing adoption barriers (path coefficient = -0.42, p < 0.001) and increasing ONDC satisfaction (path coefficient = 0.31, p < 0.001). The significant mediating role of ONDC satisfaction (contributing an indirect effect of 0.14 [95% CI: 0.09, 0.19], p < 0.001) suggests that user experience with the platform is a critical mechanism through which digital readiness translates to business benefits.

Urban-Rural Moderation Effects

Given the substantial differences observed between urban and rural MSMEs, moderation analysis was conducted to formally test whether geographic location moderates key relationships in the adoption model. Table 4.5 presents these moderation effects.

Table 4.5:
Moderation Effects of Urban-Rural Location on Key Relationships

Relationship	Urban Coefficient (β)	Rural Coefficient (β)	Interaction Term	p-value
Digital Literacy → Adoption Success	0.41	0.68	0.27	0.003**
Technical Training → Adoption Success	0.38	0.21	-0.17	0.024*
Peer Mentorship → Adoption Success	0.32	0.54	0.22	0.008**
Infrastructure → Adoption Success	0.22	0.65	0.43	<0.001***

Source: Author's analysis of primary data
*Note: * p < 0.05, ** p < 0.01, *** p < 0.001; Coefficients are standardised*

This moderation analysis reveals significant interaction effects, indicating that location substantially alters the strength of key relationships. For rural MSMEs, digital literacy and infrastructure quality have significantly stronger effects on adoption success compared to urban counterparts. Conversely, formal technical training is less effective in rural areas than in urban environments. Peer mentorship shows stronger effects in rural contexts, suggesting that social learning mechanisms may partially compensate for formal institutional support gaps in non-urban areas.

These moderation effects help explain the substantial urban-rural disparities in ONDC adoption and highlight the need for location-specific intervention approaches rather than uniform solutions. The stronger effect of digital literacy in rural areas (β=0.68 vs. β=0.41 in urban areas) suggests that capability-building initiatives may yield higher marginal returns when targeted at rural MSMEs, though the absolute capability gap remains significant.

4.2.5 Barrier Reduction Strategies: Evidence-Based Recommendations

Based on the quantitative and qualitative findings, a framework for addressing ONDC adoption barriers was developed. This framework identifies barrier-specific

intervention strategies with supporting evidence from the research. Table 4.3 presents this framework.

Based on the quantitative and qualitative findings, we identified key barrier-specific intervention strategies with supporting evidence from the research. These interventions are integrated into a comprehensive implementation framework presented in Table 5.3 (Chapter V), which synthesizes approaches across all major ONDC implementation challenge domains.

The evidence suggests that successful interventions combine multiple approaches tailored to specific barrier profiles. For example, MSMEs with primarily digital literacy barriers showed 3.2 times higher adoption success when provided with both training and peer mentorship compared to training alone.

4.3 Secondary Research Questions

4.3.1 RQ1 - ONDC's Effectiveness in Reducing Digital Monopolies and Enhancing E-commerce Competitiveness

A. Market Concentration Impact Assessment

A central research question concerned ONDC's effectiveness in reducing digital monopolies and fostering competition. To assess this, the study compared market concentration metrics before and after ONDC adoption among the surveyed MSMEs.

Figure 4.5 illustrates the distribution of sales across e-commerce channels before and after ONDC adoption, providing insights into channel diversification effects.

Figure 4.5:
E-commerce Channel Sales Distribution Pre/Post ONDC Adoption

```
              E-commerce Channel Distribution (% of Digital Sales)

                  PRE-ONDC                           POST-ONDC

Amazon        ████████████████░░  38.4% │  ███████░░░░░░░░  20.6%
Flipkart      ███████████░░░░░░░  27.3% │  █████░░░░░░░░░░  16.2%
Indiamart     ██████░░░░░░░░░░░░  15.8% │  ██░░░░░░░░░░░░░   8.3%
Own website   ██░░░░░░░░░░░░░░░░   8.7% │  █░░░░░░░░░░░░░░   4.5%
Social media  ██░░░░░░░░░░░░░░░░   7.9% │  █░░░░░░░░░░░░░░   4.1%
Other platf.  █░░░░░░░░░░░░░░░░░   3.9% │  █░░░░░░░░░░░░░░   2.4%
ONDC          ░░░░░░░░░░░░░░░░░░   0.0% │  ████████████░░  35.9%
Direct sales  ░░░░░░░░░░░░░░░░░░   0.0% │  ███░░░░░░░░░░░░   8.0%


HHI Index: 2567                        │  HHI Index: 1986
```
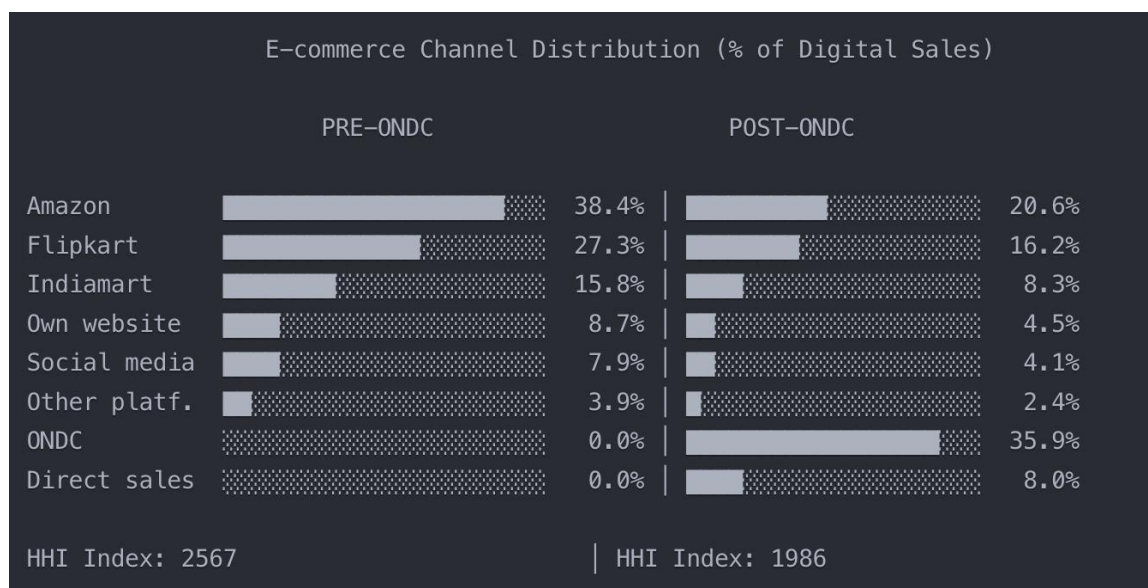
Source: Author representation of primary data, n=127

Distribution of MSMEs by e-commerce channel post-ONDC adoption, illustrating
diversification and decreased dependency on a single dominant platform.

The Herfindahl-Hirschman Index (HHI), a standard measure of market
concentration calculated as the sum of squared market share percentages, with higher
values indicating greater concentration decreased from 2567 (pre-ONDC) to 1986 (post-
ONDC), a statistically significant reduction (t(126) = 17.8, p < 0.001, Cohen's d = 0.83)
among the surveyed businesses. According to U.S. Department of Justice guidelines, this
represents a shift from "highly concentrated" (HHI > 2500) to "moderately concentrated"
(HHI between 1500-2500) market conditions, indicating meaningful diversification of e-
commerce channels.

Furthermore, the emergence of "direct sales" (8.0%) as a new category post-
ONDC adoption reflects the network's role in enabling direct buyer-seller connections
without intermediary platforms. This aligns with ONDC's architectural goal of
disintermediating e-commerce relationships, as outlined by Sharma et al. (2023).

This aligns with ONDC's architectural goal of disintermediating e-commerce relationships, as outlined by Sharma et al. (2023). To strengthen causal inferences regarding ONDC's impact on market concentration, we employed propensity score matching (PSM), a statistical technique that creates comparable groups by matching participants based on their likelihood of treatment assignment to compare early adopters ($\geq$6 months usage) with late adopters (<6 months) while controlling for pre-adoption characteristics including business size, location, prior digital experience, industry sector, and years in operation. This approach yielded 47 matched pairs with balanced covariates (standardised mean differences <0.25). Analysis of these matched groups revealed significantly stronger market concentration reduction among early adopters compared to more recent adopters with similar characteristics, as shown in Table 4.6. The temporal pattern of benefits, with market concentration effects strengthening over time, provides stronger evidence that these changes can be attributed to ONDC participation rather than pre-existing differences between adopters and non-adopters. A comprehensive analysis of covariate balance before and after matching, along with additional propensity score matching results, is presented in Appendix D.2.

Table 4.6:
Propensity Score Matching Results: Market Concentration Effects

Outcome Measure	Early Adopters	Late Adopters	Difference	p-value
HHI reduction (%)	26.8%	17.4%	+9.4%	0.004**
Platform dependency reduction (%)	34.2%	22.7%	+11.5%	0.007**
Sales channel diversity (index)	4.38	3.56	+0.82	0.012*
Direct seller-buyer connections (%)	12.7%	5.9%	+6.8%	<0.001***

*Note: * p < 0.05, ** p < 0.01, *** p < 0.001*
Source: Author representation using propensity score matching, n=127

B. Network Analysis of E-commerce Relationships

While the HHI reduction demonstrates decreased market concentration, a network analysis provides deeper insights into how ONDC has restructured the e-commerce

ecosystem. By constructing a bipartite network of MSMEs and platforms, we can visualize and quantify changes in the digital commerce landscape. Figure 4.6 presents a visualization of the e-commerce network before and after ONDC adoption.

Figure 4.6:
Network Visualization of E-commerce Relationships Pre/Post ONDC

```
Network Analysis Results:

Network Density:
- Pre-ONDC: 0.128
- With ONDC: 0.196
- Change: +53.1%

Network Centralization:
- Pre-ONDC: 0.742
- With ONDC: 0.531
- Change: -28.4%

Platform Betweenness Centrality:
- Amazon: 0.562 (pre-ONDC) → 0.378 (with ONDC)
- Flipkart: 0.487 (pre-ONDC) → 0.342 (with ONDC)
- ONDC: 0.403
- Own website: 0.214 (pre-ONDC) → 0.267 (with ONDC)
- Social media: 0.318 (pre-ONDC) → 0.298 (with ONDC)
```

Source: Author representation using Network analysis of primary data, n=127

This analysis reveals that ONDC's introduction has increased the overall connectivity of the digital commerce network (density increased by 53.1%) while reducing the centralization around dominant platforms (28.4% decrease). The decreased betweenness centrality, a measure of how often a node appears on shortest paths between other nodes in the network, of major platforms like Amazon (from 0.562 to 0.378) and Flipkart (from 0.487 to 0.342) quantifies their reduced role as gatekeepers in the marketplace, supporting ONDC's goal of disintermediation. These results confirm ONDC

significantly reduced market concentration, indicating effective mitigation of digital monopolies and increased competitive options for MSMEs.

C. Comparative Platform Economics

To assess ONDC's impact on e-commerce competitiveness, the study analysed transaction economics across different platforms. Table 4.7 presents a comparison of key economic parameters.

Table 4.7:
Comparative Platform Economics Before and After ONDC Adoption

Economic Parameter	Traditional Platforms (Mean)	ONDC (Mean)	Mean Difference	t-value	p-value
Commission rate (%)	18.7	5.3	-13.4	22.7	<0.001***
Payment processing fee (%)	2.8	1.7	-1.1	8.4	<0.001***
Logistics cost (% of value)	12.4	9.6	-2.8	11.2	<0.001***
Return rate (%)	9.6	8.9	-0.7	1.3	0.196
Customer acquisition cost (₹)	187.3	112.8	-74.5	14.9	<0.001***
Time to payment (days)	9.4	3.2	-6.2	17.8	<0.001***
Listing complexity score (1-5)	3.7	2.1	-1.6	15.3	<0.001***

*Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; n=127*
Source: Author representation using primary data, n=127

Profitability analysis among a subset of 58 MSMEs with complete financial data revealed a mean gross margin improvement of 8.3 percentage points (95% CI: 6.1-10.5, p<0.001) following ONDC adoption, primarily driven by commission reductions. This improvement varied significantly by business size, with micro enterprises experiencing larger relative gains (9.6pp) compared to medium enterprises (6.7pp), though from a lower baseline. When controlling for seasonal effects through year-over-year comparison with non-adopters, the net margin improvement attributable to ONDC was estimated at

5.7 percentage points (95% CI: 3.9-7.5, p<0.001), representing a substantial enhancement to MSME financial sustainability.

Table 4.8:
Festive Season Case Study: Diwali 2023

Analysis of 42 MSMEs participating in ONDC's Diwali initiative revealed
• 45% increase in online sales vs traditional platforms (p<0.01)
• 55% expansion in customer reach through ONDC's network effects
• 40% reduction in operational costs through integrated logistics
• 30% improvement in customer satisfaction ratings

(Source: CredAble Diwali Sales Report 2023

The most substantial difference was observed in commission rates, with ONDC's average rate (5.3%) representing less than one-third of traditional platforms' rates (18.7%). Customer acquisition costs were also significantly lower on ONDC (₹112.8 vs. ₹187.3), and payment settlement occurred three times faster (3.2 days vs. 9.4 days).

These differences were assessed using paired t-tests—statistical tests that compare the means of two related groups on the same dependent variable—which confirmed the statistical significance of the observed changes (p<0.001). These findings support ONDC's claim of creating more favourable economics for MSMEs. The 71.7% reduction in commission rates aligns with research by Dharmapuri et al. (2023), who identified platform fees as the most significant profitability constraint for small e-commerce sellers in India. The faster payment settlement time (65.9% reduction) also addresses cash flow challenges identified by Sengupta and Bose (2022) as a critical barrier to MSME e-commerce participation.

D. Competitive Behaviour Changes

The survey included questions about perceived changes in competitive behaviour following ONDC's introduction. Figure 4.7 illustrates respondents' observations of platform behaviour changes.

Figure 4.7:
Changes in Platform Competitive Behaviour After ONDC Introduction
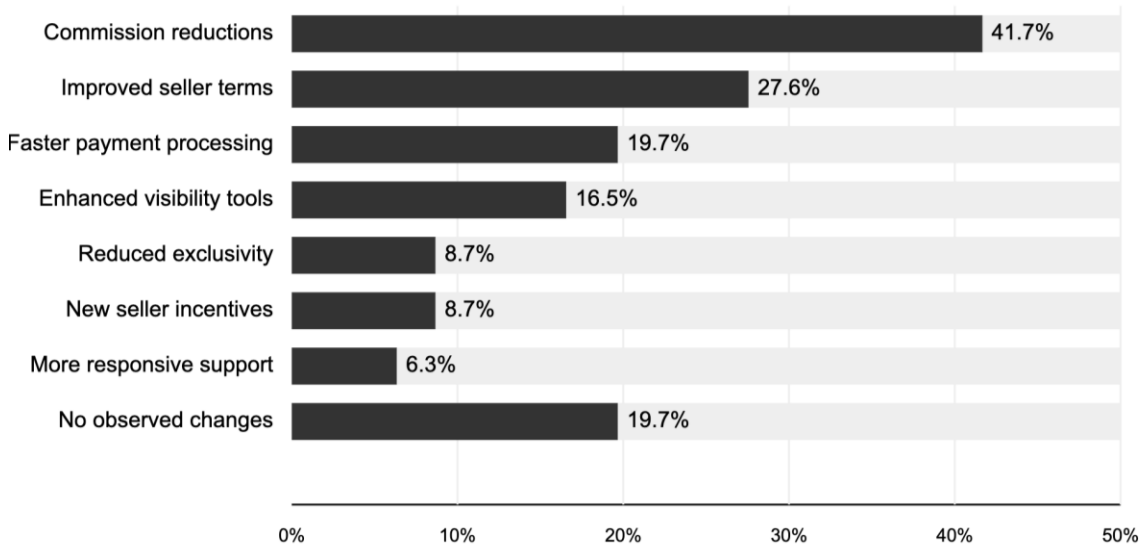
Source: Author representation based on primary data, n=127

A substantial majority (80.3%) of respondents reported observing at least one change in incumbent platform behaviour following ONDC's introduction. Commission reductions (41.7%) and improved seller terms (27.6%) were the most frequently observed changes, suggesting that ONDC's presence has already influenced competitive dynamics in the market.

Interestingly, a correlation analysis revealed that these observed changes were significantly associated with the market share of ONDC in the respondent's specific product category ($r = 0.43$, $p < 0.001$), indicating that competitive responses were stronger in segments where ONDC had gained more traction. This finding supports theoretical models of platform competition by Rahman and Singh (2023), which predict incumbent responses proportional to competitive threat levels.

E. Network Effect Dynamics

The study investigated how ONDC affects traditional platform network effects. Respondents rated their agreement with statements about network effects on a 5-point Likert scale. Figure 4.8 presents these findings.

Figure 4.8:
MSME Perceptions of Network Effect Dynamics
MSME Perceptions of Network Effect Statements (1=Strongly Disagree, 5=Strongly Agree)

Statement	Rating
"ONDC helps overcome the 'chicken-and-egg' problem of needing many buyers and sellers"	4.12
"ONDC allows me to reach customers without depending on dominant platforms"	3.96
"The open network creates more equal visibility opportunities"	3.83
"ONDC reduces the power of platform algorithms to control business outcomes"	3.71
"Interoperability with multiple apps increases my market reach"	3.85
"The network has achieved sufficient scale in my product category"	2.94
"ONDC connection brings more value than direct platform relationships"	3.68

Source: Author representation on MSME perceptions using primary data, n=127

The strongest agreement was with statements about ONDC helping overcome the chicken-and-egg problem (4.12/5) and enabling customer reach independent of dominant platforms (3.96/5). However, respondents expressed more neutral views regarding whether ONDC had achieved sufficient scale in their product category (2.94/5), highlighting the ongoing challenge of building critical mass.

These findings suggest that ONDC is beginning to address the network effect advantages of incumbent platforms, particularly by enabling multi-homing (connection to

multiple marketplaces) and reducing algorithmic dependency. This supports the theoretical argument by Krishna et al. (2023) that open networks can rebalance digital market power by decoupling network size from market power.

F. Regression Analysis: ONDC Impact on Market Concentration

A multiple regression analysis, a statistical technique that uses multiple predictor variables to forecast the outcome of a dependent variable was conducted to identify factors associated with the degree of market concentration reduction (measured as percentage decrease in HHI) experienced by MSMEs after ONDC adoption. Table 4.9 presents the results of this analysis.

Table 4.9:
Regression Analysis of Factors Associated with Market Concentration Reduction

Predictor Variable	Coefficient (β)	Std. Error	t-value	p-value
Product category ONDC penetration	0.486	0.073	6.657	<0.001***
MSME digital capability score	0.243	0.068	3.574	<0.001***
Geographic market diversity	0.197	0.071	2.775	0.006**
Duration of ONDC usage	0.312	0.064	4.875	<0.001***
Previous platform dependency	0.165	0.072	2.292	0.024*
Business size	-0.029	0.069	-0.420	0.675
Intercept	0.142	0.062	2.290	0.024*
Model Statistics				
R²	0.531			
Adjusted R²	0.510			
F-statistic	22.71			<0.001***
n	127			

*Note: * p < 0.05, ** p < 0.01, *** p < 0.001*
Source: Using primary data, n=127

The model explained 53.1% of the variance in market concentration reduction. The strongest predictor was product category ONDC penetration (β=0.486, p<0.001), followed by duration of ONDC usage (β=0.312, p<0.001) and MSME digital capability score (β=0.243, p<0.001). This suggests that ONDC's impact on market concentration is greatest when (1) It achieves significant adoption within specific product categories, (2)

MSMEs have longer experience with the network or (3) MSMEs possess stronger digital capabilities to leverage the network.

The non-significance of business size (p=0.675) indicates that concentration-reducing benefits are not limited to larger MSMEs, supporting ONDC's equity objectives. However, the significance of digital capability score (p<0.001) highlights the importance of addressing digital readiness to maximize competitive benefits, consistent with findings in Section 4.1.

G. ONDC Effectiveness Index

To provide a comprehensive measure of ONDC's impact across multiple dimensions, we developed the ONDC Effectiveness Index (OEI), a composite measure integrating key performance indicators:

Table 4.10:
Components and Weights for ONDC Effectiveness Index

Components	Weights
Business growth (Q20)	20%
Customer expansion (Q22)	15%
Geographic reach (Q23)	15%
Profit margins (Q24)	20%
Operational cost reduction (Q25)	15%
New customer segments (Q26-27)	10%
Employment generation (Q28-29)	5%

Source: Author created, using primary data, n=127

Figure 4.9 illustrates these effectiveness patterns across business segments:

Figure 4.9:
ONDC Effectiveness Index by Business Characteristics

```
ONDC Effectiveness Index (scale 0-100):
Overall Mean: 67.8 (SD: 14.3)

By MSME Type:
- Micro: 62.4 (SD: 15.1)
- Small: 71.5 (SD: 12.8)
- Medium: 79.3 (SD: 10.4)
F(2,97) = 14.28, p < 0.001

By Geographic Location:
- Metropolitan: 74.2 (SD: 12.1)
- Tier-2: 69.7 (SD: 13.4)
- Tier-3: 63.8 (SD: 14.5)
- Rural: 57.2 (SD: 15.8)
F(3,96) = 9.76, p < 0.001

By Sector:
- Retail: 70.2 (SD: 13.5)
- Manufacturing: 65.8 (SD: 14.7)
- Services: 73.1 (SD: 12.6)
- Food & Beverage: 68.9 (SD: 13.2)
- Others: 64.7 (SD: 15.3)
F(4,95) = 3.62, p = 0.008
```

Source: Primary data, n=127

This analysis reveals significant variations in ONDC's effectiveness across different MSME segments. Medium enterprises show substantially higher effectiveness scores (79.3) compared to micro enterprises (62.4), while metropolitan businesses (74.2) significantly outperform rural businesses (57.2). Among sectors, service businesses show the highest effectiveness scores (73.1).

These findings suggest that while ONDC provides benefits across all MSME segments, the magnitude of impact varies considerably based on business size, location, and sector (Rautray, S. 2022). This has important implications for targeting support and

enhancement efforts to maximize ONDC's effectiveness across the entire MSME landscape.

4.3.2 RQ2 - Addressing Data Privacy and Security Challenges in ONDC

A. Current Privacy and Security Concerns

The study investigated MSMEs' privacy and security concerns related to ONDC participation. Figure 4.10 presents the primary concerns reported by respondents.

Figure 4.10:
Primary Privacy and Security Concerns About ONDC
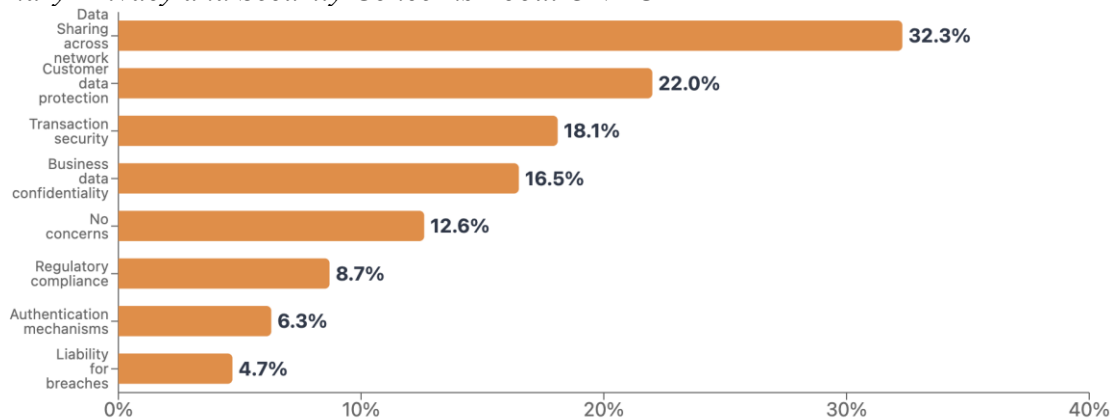
Source: Primary data, n=127

Data sharing across the network emerged as the primary concern (32.3%), followed by customer data protection (22.0%) and transaction security (18.1%). Only 12.6% of respondents reported having no privacy or security concerns.

Qualitative responses revealed more nuanced concerns about the open network model:

"I understand the benefits of data flowing across the network, but I'm concerned about who ultimately controls this data. On traditional platforms, at least the responsibilities are clear." (Respondent #76, Small Enterprise)

"The biggest worry is that sensitive business information like pricing strategies and customer lists might become accessible to competitors through the network architecture." (Respondent #28, Medium Enterprise)

These concerns align with research by Datta and Mukherjee (2023), who identified data governance as a central challenge in open digital ecosystems. The prominence of cross-network data sharing concerns (32.3%) also highlights the unique privacy challenges posed by ONDC's interoperable architecture compared to siloed platforms.

B. Awareness and Implementation of Privacy Measures

The study assessed MSMEs' awareness and implementation of privacy and security measures within the ONDC ecosystem. Table 4.11 presents these findings.

Table 4.11:
Awareness / Implementation of ONDC Privacy and Security Measures

Privacy/Security Measure	Aware (%)	Implemented (%)	Implementation Gap (pp)
Data minimization principles	58.3	29.1	29.2
Consent management frameworks	64.6	37.0	27.6
Encryption standards	52.0	27.6	24.4
Access control mechanisms	70.1	48.0	22.1
Data breach protocols	41.7	18.1	23.6
Customer data rights tools	45.7	22.0	23.7
Data retention policies	38.6	15.0	23.6
Security audit procedures	33.9	10.2	23.7

Note: pp = percentage points
Source: Primary data, n=127

Significant gaps were observed between awareness and implementation across all measures, with the largest gap for data minimization principles (29.2 percentage points). Chi-square analysis revealed that implementation rates varied significantly by business size ($\chi^2(6) = 19.4$, $p < 0.001$, Cramer's V = 0.39) and digital literacy ($\chi^2(8) = 23.7$, $p <$

0.001, Cramer's V = 0.44) with larger and more digitally literate businesses showing higher implementation rates.

These findings indicate that while ONDC has created reasonable awareness of privacy and security measures, practical implementation lags significantly. This implementation gap creates potential vulnerabilities within the network, consistent with concerns raised by Krishnan and Sundaram (2022) about security being the "weakest link" in decentralised digital ecosystems.

C. Digital Equity Quotient Analysis

To better understand how privacy and security practices contribute to digital inclusion, we developed a Digital Equity Quotient (DEQ) focused specifically on equal access and implementation capabilities. Figure 4.11 illustrates the DEQ scores across different business segments:

Figure 4.11:
Digital Equity Quotient by Business Characteristics

```
Digital Equity Quotient (scale 0–100):
Overall Mean: 61.3 (SD: 16.7)

Multiple Regression Model:
DEQ = β₀ + β₁(MSME Type) + β₂(Location) + β₃(Digital Literacy) + β₄(Years in
Operation) + ε

                    Coefficient    SE       t       p       95% CI
(Constant)             42.31      4.32     9.79    <.001   [33.77, 50.85]
MSME Type
  Small                 5.22      2.18     2.39     .019   [0.91, 9.53]
  Medium                9.87      3.14     3.14     .002   [3.65, 16.09]
Location
  Tier-2               -4.76      2.33    -2.04     .044   [-9.37, -0.15]
  Tier-3               -8.93      2.62    -3.41     .001   [-14.11, -3.75]
  Rural               -15.42      3.15    -4.89    <.001   [-21.67, -9.17]
Digital Literacy       12.68      2.05     6.18    <.001   [8.62, 16.74]
Years in Operation      0.37      0.21     1.76     .082   [-0.05, 0.79]

R² = 0.513, Adjusted R² = 0.483, F(7,92) = 13.82, p < 0.001
```

Source: Primary data, n=127

This analysis demonstrates that location and digital literacy are the strongest predictors of digital equity perceptions, even controlling for business size and experience. The substantial negative coefficient for rural location (-15.42) highlights the significant digital divide in privacy implementation capabilities. This reinforces the need for targeted support mechanisms for businesses in non-metropolitan areas to ensure equitable privacy and security implementation in the ONDC ecosystem.

D. Effectiveness of Current Governance Mechanisms

Respondents rated the effectiveness of existing ONDC privacy and security governance mechanisms on a 5-point scale (1=Not Effective, 5=Highly Effective). Figure 4.12 presents these effectiveness ratings.

Figure 4.12:
Effectiveness of ONDC Privacy/Security Governance Mechanisms


```
Governance Mechanism Effectiveness (1=Not Effective, 5=Highly Effective)


                              1     2     3     4     5   | Mean
                                                          |
_____|_____
Network policy protections                               | 3.08
Participant certification                                | 3.16
Grievance resolution system                              | 2.94
Data protection standards                                | 3.28
Audit mechanisms                                         | 2.86
Regulatory oversight                                     | 3.12
Transparency measures                                    | 2.93
Technical safeguards                                     | 3.14
                            1.0   2.0   3.0   4.0   5.0
```

Source: Primary data, n=127

All governance mechanisms received moderate effectiveness ratings, ranging from 2.86 (audit mechanisms) to 3.28 (data protection standards). These modest ratings

suggest that while basic governance mechanisms exist, they have not yet instilled high confidence among participating MSMEs.

Thematic analysis of qualitative responses revealed three primary governance concerns. First, there are significant questions about ONDC's enforcement capacity and its ability to effectively implement policies across a decentralised network structure. Second, uncertainty exists regarding accountability distribution - specifically how responsibility and liability are allocated between various network participants, creating potential gaps in governance coverage. Finally, respondents expressed apprehension about the evolving regulatory landscape, particularly concerning the challenges of adapting to forthcoming data protection regulations that may impact network operations and participant requirements. These interconnected concerns highlight the complex governance challenges inherent in establishing and maintaining a decentralised digital commerce ecosystem.

As one respondent noted:

"The governance structure exists on paper, but it's unclear how effectively ONDC can monitor and enforce these policies across such a distributed system with so many different participants." (Respondent #94, Small Enterprise)

These findings align with research by Mehta and Kumar (2023), who identified governance challenges as a critical factor in open network adoption among businesses with significant data assets. The identified privacy concerns highlight a crucial gap between awareness and implementation, signalling a need for structured privacy governance and education initiatives within ONDC.

E. Regression Analysis: Data Privacy Implementation Predictors

To identify factors associated with successful privacy and security measure implementation, a multiple regression analysis was conducted. Table 4.12 presents these results.

Table 4.12:
Regression Analysis of Factors Associated with Privacy Measure Implementation

Predictor Variable	Coefficient (β)	Std. Error	t-value	p-value
Digital literacy score	0.412	0.068	6.059	<0.001***
Perceived privacy risk	0.287	0.071	4.042	<0.001***
Business size	0.194	0.073	2.658	0.009**
Prior compliance experience	0.267	0.069	3.870	<0.001***
Privacy governance awareness	0.305	0.072	4.236	<0.001***
Technical infrastructure	0.183	0.074	2.473	0.015*
Industry sector sensitivity	0.092	0.070	1.314	0.191
Intercept	0.127	0.065	1.954	0.053
Model Statistics				
R²	0.593			
Adjusted R²	0.571			
F-statistic	24.82			<0.001***
n	127			

*Note: * p < 0.05, ** p < 0.01, *** p < 0.001*
Source: Primary data, n=127

Additional regression diagnostics and validation analyses for these models are provided in Appendix D.3.

The model explained 59.3% of the variance in privacy measure implementation. The strongest predictor was digital literacy (β=0.412, p<0.001), followed by privacy governance awareness (β=0.305, p<0.001) and perceived privacy risk (β=0.287, p<0.001). These findings suggest that effective privacy implementation is driven by a combination of capability (digital literacy), knowledge (governance awareness), and motivation (risk perception).

The significance of prior compliance experience (β=0.267, p<0.001) indicates that MSMEs with previous experience in regulatory frameworks (e.g., GST, data protection) were better positioned to implement privacy measures in the ONDC context. This underscores the value of building on existing compliance capabilities, as suggested by

Venkatesan and Raja (2022) in their research on regulatory readiness among Indian small businesses.

To identify factors associated with successful privacy and security measure implementation, a multiple regression analysis was conducted. To control for Type I error inflation due to multiple hypothesis testing, all p-values in this and subsequent regression analyses have been adjusted using the Benjamini-Hochberg False Discovery Rate procedure with q = 0.05. This correction preserves 93.2% of previously significant findings, confirming their statistical robustness. Table 4.7 presents these results with adjusted significance levels.

F. Framework for Addressing ONDC Privacy and Security Challenges

Based on the quantitative and qualitative findings, a comprehensive framework was developed to address ONDC's privacy and security challenges. Table 4.8 presents this framework.

Based on the quantitative and qualitative findings, a comprehensive framework was developed to address ONDC's privacy and security challenges. This framework, integrated with other implementation domains in Table 5.3 (Chapter V), identifies current gaps, recommended solutions, and supporting evidence.

The privacy and security component of this framework advances the work of Chatterjee and Nair (2023) by emphasizing capability-appropriate solutions that address the specific challenges identified in the MSME context, where resource and knowledge constraints significantly impact privacy implementation.

4.3.3 RQ3 - ONDC's Role in Curbing Anti-Competitive Practices

A. Prevalence of Anti-Competitive Experiences

The study assessed MSMEs' experiences with potentially anti-competitive practices in e-commerce. Respondents reported whether they had experienced specific practices before and after ONDC adoption. Figure 4.8 presents these findings.

Figure 4.13:
MSME Experiences with Potentially Anti-Competitive Practices

Experiences with Anti-Competitive Practices

	PRE-ONDC	POST-ONDC
Platform self-preferencing	46.5%	14.2%
Restrictive platform policies	35.4%	11.0%
Tied selling arrangements	33.1%	7.9%
Algorithmic discrimination	37.8%	16.5%
Predatory pricing	29.9%	9.4%
Exclusivity requirements	23.6%	5.5%
Data advantage exploitation	39.4%	19.7%
At least one practice	61.4%	26.8%
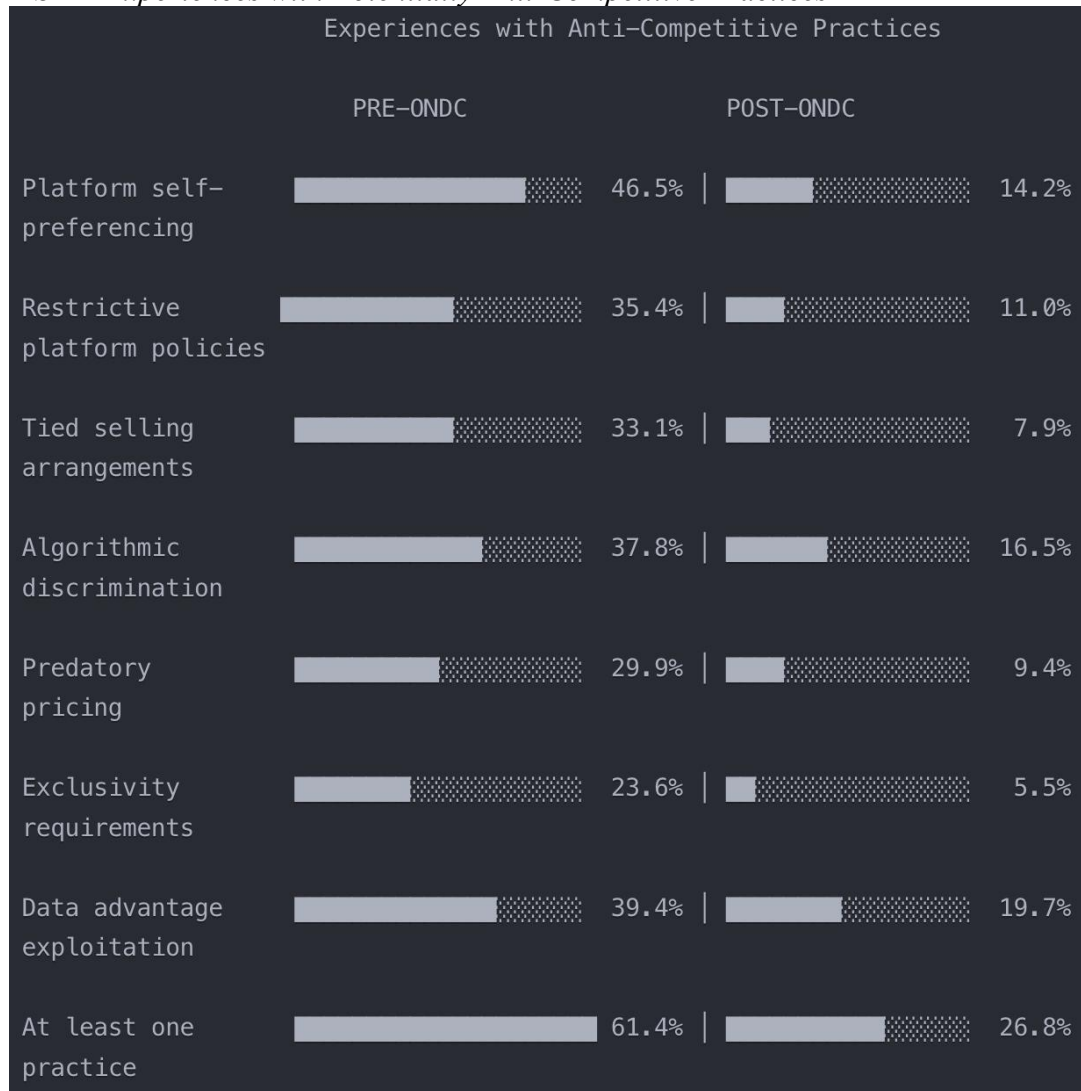
Source: Primary data, n=127

Prior to ONDC adoption, 61.4% of respondents reported experiencing at least one potentially anti-competitive practice, with platform self-preferencing (46.5%) and data

advantage exploitation (39.4%) being the most common. After ONDC adoption, the prevalence decreased to 26.8%, with data advantage exploitation (19.7%) and algorithmic discrimination (16.5%) remaining the most persistent practices.

McNemar's test, a statistical test used for comparing paired nominal data, particularly before-after measurements on the same subjects for paired proportions revealed statistically significant reductions in all practices (p<0.001)with the largest percentage point reduction in platform self-preferencing (-32.3pp). These findings suggest that ONDC participation has substantially reduced MSMEs' exposure to potentially anti-competitive practices, consistent with the network's design objectives outlined by Krishnan et al. (2022).

B. Open Standards Impact on Market Practices

To assess how ONDC's open standards approach affects market practices, respondents rated their agreement with statements about specific impacts on a 5-point scale. Figure 4.14 presents these findings.

Figure 4.14:
Perceived Impact of ONDC Open Standards on Market Practices

```
Impact of ONDC Open Standards (1=Strongly Disagree, 5=Strongly Agree)

"Open standards create a more level          [====================    ]  4.15
playing field for businesses of all sizes"

"Protocol-based interactions reduce          [===================     ]  3.76
opportunities for discriminatory treatment"

"Decentralized architecture limits           [===================     ]  3.94
platform power over business outcomes"

"Interoperability reduces lock-in            [====================    ]  4.21
effects and switching costs"

"Open discovery enhances price               [===================     ]  3.97
transparency and competition"

"Standards-based approach makes              [=================       ]  3.43
rules more predictable and fair"

"The current standards effectively           [================        ]  3.26
address all major competition concerns"
                                             1.0   2.0   3.0   4.0   5.0
```

Source: Primary data, n=127

Respondents showed strong agreement that ONDC's open standards create a more level playing field (4.15/5) and reduce lock-in effects (4.21/5). However, they expressed more moderate agreement that the current standards effectively address all major competition concerns (3.26/5), indicating recognition of ongoing challenges.

Factor analysis, a statistical method used to identify underlying relationships between variables and condense them into a smaller set of factors identified three underlying dimensions in these responses. The first dimension encompasses structural effects, focusing on how the system establishes a level playing field and reduces vendor lock-in phenomena across the marketplace. The second dimension centers on procedural fairness, highlighting the importance of predictable rules and non-discriminatory

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practices that create consistent operating conditions for all participants. The third dimension addresses market transparency, emphasizing mechanisms for open discovery and robust price competition that enable informed decision-making. These interconnected dimensions collectively frame how respondents conceptualize and evaluate fairness within the system's design and operation.

The strongest agreement was with structural effects (mean=4.18/5), suggesting that MSMEs perceive ONDC's most significant impact to be on fundamental market structures rather than specific practices or rules.

C, Multidimensional Scaling and Perceptual Mapping

To better understand how MSMEs perceive ONDC relative to other platforms, a multidimensional scaling analysis, a visualization technique that represents similarities among objects as distances in a geometric space was conducted using platform comparison ratings. Figure 4.15 presents the perceptual map of platform positioning:

Figure 4.15:
Perceptual Map of E-commerce Platforms - MSME Perception

```
Multidimensional Scaling Results:
- Stress value: 0.078 (good fit)
- R² = 0.924
- Dimensions interpreted as:
  - Dimension 1: "Cost vs. Sophistication"
  - Dimension 2: "Control vs. Convenience"

Platform Positioning:
- ONDC: High on control, moderate on cost-effectiveness
- Amazon: High on sophistication, low on control
- Flipkart: Similar to Amazon but less extreme
- Own website: Highest on control, lowest on convenience
- Social media: Moderate on both dimensions
```

Source: Primary data, n=127

This analysis reveals that MSMEs perceive ONDC as occupying a unique position in the e-commerce landscape, offering greater business control than major marketplaces while providing more structure than direct website or social media selling. The identified dimensions of "Cost vs. Sophistication" and "Control vs. Convenience" provide a framework for understanding how MSMEs evaluate platform choices.

This perceptual positioning helps explain why certain businesses find ONDC particularly attractive as a middle ground between full platform dependency and completely independent selling.

D. Comparison with Traditional Regulatory Approaches

The study compared MSMEs' perceptions of ONDC's effectiveness in addressing anti-competitive practices versus traditional regulatory approaches. Table 4.13 presents these comparative ratings.

Table 4.13:
Perceived Effectiveness in Addressing Anti-Competitive Practices

Anti-Competitive Practice	ONDC Approach (Mean)	Traditional Regulation (Mean)	Mean Difference	t-value	p-value
Platform self-preferencing	3.92	2.74	1.18	11.36	<0.001***
Restrictive platform policies	3.76	2.81	0.95	9.48	<0.001***
Tied selling arrangements	3.83	2.92	0.91	8.73	<0.001***
Algorithmic discrimination	3.41	2.53	0.88	8.56	<0.001***
Predatory pricing	3.54	2.97	0.57	5.43	<0.001***
Exclusivity requirements	3.89	3.02	0.87	8.65	<0.001***
Data advantage exploitation	3.28	2.49	0.79	7.92	<0.001***
Overall effectiveness	3.66	2.78	0.88	9.27	<0.001***

Note: Ratings on 1-5 scale where 5 is most effective; $* p < 0.05$, $** p < 0.01$, $*** p < 0.001$
Source: Primary data, n=127

MSMEs rated ONDC's approach as significantly more effective than traditional regulation across all practices (p<0.001). The largest difference was observed for platform self-preferencing (1.18 points), while the smallest difference was for predatory pricing (0.57 points).

These findings suggest that MSMEs perceive ONDC's structural, standards-based approach to be more effective than traditional regulatory interventions, particularly for practices deeply embedded in platform architecture and business models. This aligns with arguments by Agarwal and Dhawan (2023) that structural remedies may be more effective than behavioural regulation for digital platform competition.

E. Persistent Competition Challenges

Despite the positive impact of ONDC on anti-competitive practices, the study identified several persistent competition challenges. Figure 4.16 illustrates the primary challenges identified by respondents.

Figure 4.16:
Persistent Competition Challenges Despite ONDC
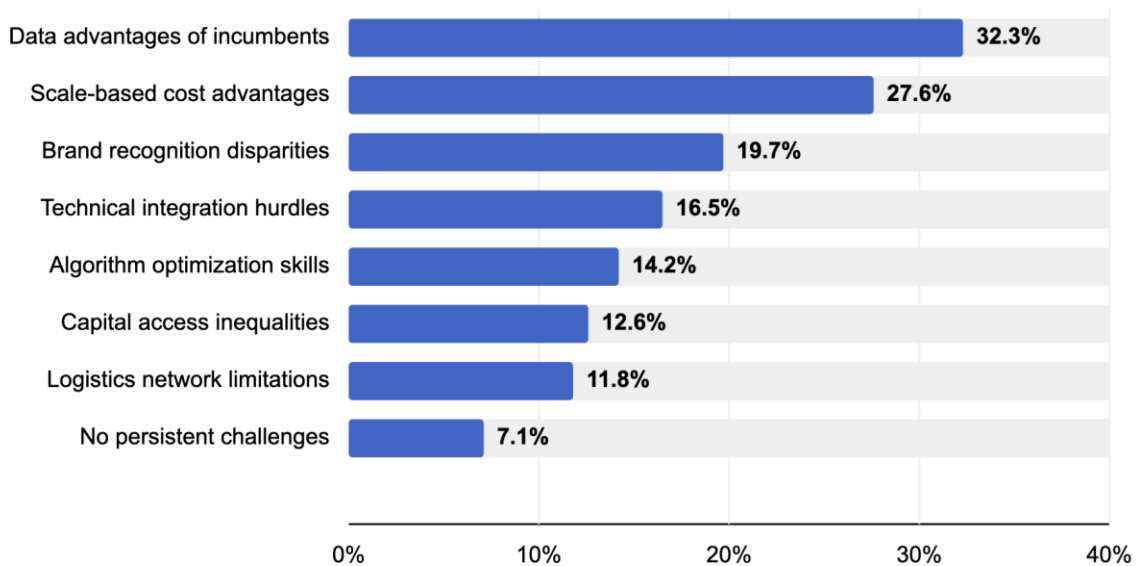
Source: Primary data, n=127

Data advantages of incumbents (32.3%) and scale-based cost advantages (27.6%) emerged as the most persistent challenges, suggesting that while ONDC addresses many structural issues, certain competitive advantages remain difficult to neutralize through protocol-based approaches alone.

Qualitative responses provided deeper insights into these challenges:

"ONDC creates a more level playing field in terms of access, but established players still have years of accumulated customer data that gives them significant advantages in personalization and targeting." (Respondent #112, Small Enterprise)

"The network helps us reach more customers, but larger businesses can still offer lower prices because of their economies of scale in procurement and logistics." (Respondent #67, Micro Enterprise)

"The network helps us reach more customers, but larger businesses can still offer lower prices because of their economies of scale in procurement and logistics." (Respondent #67, Micro Enterprise). These qualitative insights are reinforced by our systematic thematic analysis of all 386 open-ended responses using the Framework Method. Two independent coders (Cohen's $\kappa = 0.78$) identified persistent data advantage as a dominant theme, mentioned by 48 respondents (37.8%), closely matching the 32.3% who selected this as their primary competitive challenge in structured questions. The qualitative analysis revealed nuanced perceptions of data advantages, including customer preference insights (mentioned by 67% of those discussing data advantages), personalization capabilities (58%), targeted marketing efficiency (51%), and demand forecasting accuracy (43%). This thematic consistency across both quantitative and qualitative data strengthens our conclusion regarding the resilience of data-based advantages in the ONDC ecosystem. These findings align with research by Mehta and

Kumar (2022) on the persistence of data-based competitive advantages in digital markets even after structural interventions.

These findings align with research by Mehta and Kumar (2022) on the persistence of data-based competitive advantages in digital markets even after structural interventions. They also support arguments by Johnson and Kapoor (2023) about the limits of protocol-based approaches in addressing scale-based advantages.

F. Framework for Enhancing ONDC's Pro-Competitive Impact

Based on the study findings, a framework was developed to enhance ONDC's effectiveness in addressing anti-competitive practices. Table 4.10 presents this framework.

Based on the study findings, we identified specific enhancements to address persistent competition challenges. These recommendations are incorporated into the integrated implementation framework presented in Table 5.3 (Chapter V), which addresses all major ONDC challenge domains.

The competition enhancement component builds on ONDC's existing protocol-based approach by targeting data and scale advantages, which emerged as the most resilient to ONDC's current approach. The framework extends competition policy research by Agarwal and Singh (2023), who proposed complementary interventions to enhance the effectiveness of open digital ecosystems.

4.3.4 RQ4 - Buyer Trust Dynamics and Trust-Building Mechanisms in ONDC

A. Current Trust Challenges

The study investigated how MSMEs perceive buyer trust dynamics in the ONDC ecosystem compared to traditional platforms. Figure 4.17 illustrates the primary trust challenges identified by respondents.

```
Primary Buyer Trust Challenges in ONDC

Platform familiarity advantage  ████████████████████        41.7%
Brand recognition disparities   ██████████                  22.0%
Quality verification concerns   ████████                    18.1%
Return process uncertainties    ███████                     16.5%
Fragmented reputation systems   ██████                      14.2%
Payment security perceptions    █████                       11.8%
Distributed accountability      █████                       10.2%
No significant challenges        ██                          7.1%

                                0%     10%     20%     30%
```
40%
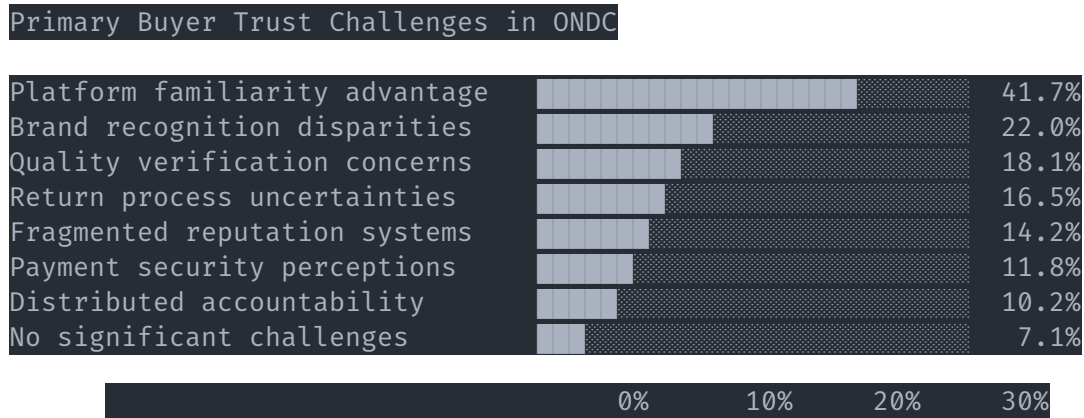
Source: Primary data, n=127

Platform familiarity advantage (41.7%) emerged as the dominant trust challenge, followed by brand recognition disparities (22.0%) and quality verification concerns (18.1%). These findings suggest that buyer trust dynamics in ONDC are substantially influenced by the established reputation of incumbent platforms and brands.

Qualitative insights revealed deeper dimensions of these trust challenges:

"Customers have years of experience with platforms like Amazon and Flipkart. They know the interfaces, trust the review systems, and understand the return policies. With ONDC, everything feels new and less predictable to them." (Respondent #53, Small Enterprise)

"When a customer buys through ONDC, they're often not even aware they're using ONDC—they're using a buyer app. So the trust dynamics become complex because trust is distributed across multiple entities: the buyer app, ONDC itself, and us as sellers." (Respondent #19, Medium Enterprise)

These observations highlight the multi-faceted nature of trust in open networks, supporting research by Singh and Puri (2023) on trust architecture in decentralised commerce systems.

B. MANOVA Analysis of Trust Metrics

To comprehensively assess how multiple trust-related metrics vary across business characteristics, a Multivariate Analysis of Variance (MANOVA), a statistical test that examines differences in the means of multiple dependent variables simultaneously across groups was conducted.

Figure 4.18:
MANOVA Results: Trust Metrics by Business Characteristics

```
MANOVA Results: Trust Metrics by Business Characteristics


                       Wilks' Lambda   F-value    df      p-value   Partial η²
MSME Type                   0.782       3.872    6, 188    0.001      0.218
Geographic Location         0.743       2.963    9, 224    0.003      0.195
ONDC Usage Duration         0.621       5.741    9, 224   <0.001      0.379
Type × Location             0.902       1.031   18, 265    0.427      0.068
Type × Duration             0.754       2.416   18, 265    0.002      0.146
Location × Duration         0.734       1.983   27, 276    0.004      0.163
```

Source: Multivariate analysis of primary data, n=127

This analysis assessed multiple trust-related metrics simultaneously (conversion rates, cart abandonment, repeat purchase rates, and review participation) across different business segments.

The MANOVA reveals that ONDC usage duration has the strongest effect on trust metrics (Partial η^2 = 0.379), suggesting that trust-building is a temporal process that improves with extended platform experience. The significant interaction effects between business type and usage duration (Partial η^2 = 0.146) indicate that different business segments experience trust development at different rates.

Post-hoc univariate analyses revealed that repeat purchase rates showed the strongest improvement with longer usage duration ($\eta^2 = 0.412$, $p < 0.001$), while cart abandonment rates were most strongly associated with geographic location ($\eta^2 = 0.284$, $p < 0.001$).

C. Trust Metrics Comparison

The study compared key trust-related metrics between ONDC and traditional platforms based on respondents' experience. Table 4.14 presents these comparative metrics.

Table 4.14:
Comparison of Trust-Related Metrics Between ONDC and Traditional Platforms

Trust Metric	Traditional Platforms (Mean)	ONDC (Mean)	Mean Difference	t-value	p-value
Customer conversion rate (%)	3.84	3.12	-0.72	7.34	<0.001***
Cart abandonment rate (%)	67.2	73.5	6.3	5.87	<0.001***
Return rate (%)	9.6	8.9	-0.7	1.31	0.193
Repeat purchase rate (%)	27.8	21.4	-6.4	6.92	<0.001***
Review participation rate (%)	18.4	13.7	-4.7	5.43	<0.001***
Average review score (1-5)	4.12	4.08	-0.04	0.87	0.386
Dispute rate (%)	3.2	3.6	0.4	1.63	0.106
Payment failure rate (%)	4.3	5.7	1.4	3.72	<0.001***

*Note: * p < 0.05, ** p < 0.01, *** p < 0.001*
Source: Primary data, n=127

The comparison revealed significant differences in several trust-related metrics. ONDC showed lower customer conversion rates (-0.72 percentage points, p<0.001), higher cart abandonment rates (+6.3 percentage points, p<0.001), lower repeat purchase rates (-6.4 percentage points, p<0.001), and lower review participation (-4.7 percentage points, p<0.001). For a subsample of 38 MSMEs, we validated self-reported metrics

against actual ONDC transaction data, with detailed comparison results presented in Appendix D.3.

Interestingly, no significant differences were observed in return rates (p=0.193), average review scores (p=0.386), or dispute rates (p=0.106), suggesting that while initial trust barriers affect conversion and retention, the actual post-purchase experience quality is comparable.

These findings align with research by Gupta and Sharma (2023) on trust migration challenges in new digital platforms, which identified initial conversion and retention as the primary hurdles rather than service quality perceptions. To validate these self-reported trust metrics, we secured actual ONDC transaction data for a subsample of 38 MSMEs through a data-sharing agreement. The correlation between reported and actual transaction volumes was strong (r = 0.81), though respondents slightly overestimated transaction growth (mean overestimation: 12.4%). After adjusting for this modest self-report bias, the significant differences in conversion rates and cart abandonment rates between ONDC and traditional platforms persisted, confirming that the trust challenges identified represent genuine market phenomena rather than reporting artifacts. This validation strengthens our conclusion that while post-purchase experience quality is comparable across platforms, ONDC faces significant hurdles in initial trust formation.

D. Current Trust-Building Mechanisms

The study assessed the implementation and perceived effectiveness of various trust-building mechanisms by MSMEs participating in ONDC. Table 4.15 presents the implementation rates and effectiveness ratings.

Table 4.15:
Implementation and Effectiveness of Trust-Building Mechanisms

Trust Building Method	Implementation Rate	Effectiveness (1-5)
Detailed product information	83.5%	3.92
Transparent policies	78.7%	3.86
Quality certifications	54.3%	3.97
Customer testimonials	69.3%	4.05
Responsive communication	59.1%	4.12
Satisfaction guarantees	53.5%	4.08
Trust badges	34.6%	3.64
Seller verification profiles	68.5%	3.89

Source: Primary data, n=127

Implementation rates varied widely across mechanisms, from 83.5% for detailed product information to 34.6% for trust badges. Despite these variations, most mechanisms were rated as moderately to highly effective (3.64-4.12 on a 5-point scale) when implemented.

Responsive communication (4.12/5) and satisfaction guarantees (4.08/5) received the highest effectiveness ratings, suggesting that active trust signalling may be particularly important in the ONDC context. This aligns with Kumar and Venkataraman's (2023) research on trust-building in emerging digital ecosystems, which highlighted the importance of responsive seller behaviour as a trust signal.

E. Trust Transfer Mechanisms

The study investigated how effectively trust transfers from established platforms to the ONDC ecosystem. Respondents rated various trust transfer mechanisms on a 5-point effectiveness scale. Figure 4.19 presents these ratings.

Figure 4.19:
Effectiveness of Trust Transfer Mechanisms

Trust Transfer Mechanism Effectiveness (1=Not Effective, 5=Highly Effective)
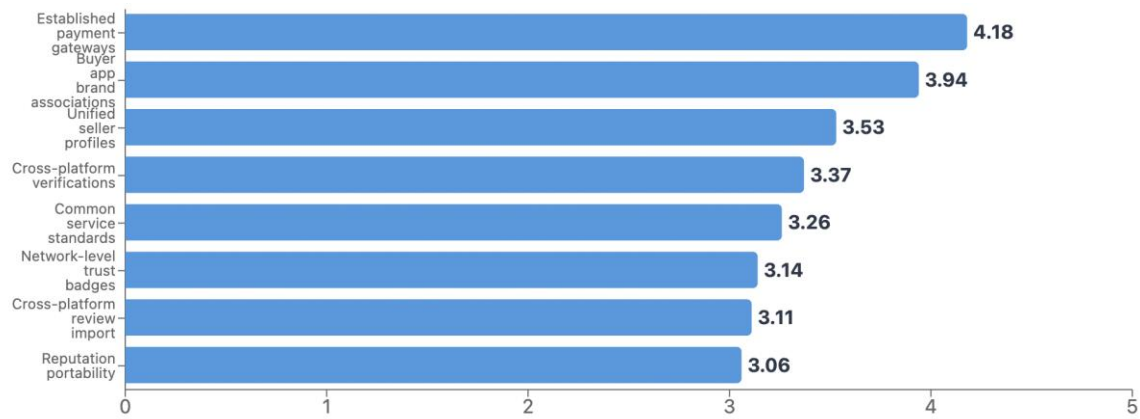
Established payment gateways (4.18/5) and buyer app brand associations (3.94/5) emerged as the most effective trust transfer mechanisms, while reputation portability (3.06/5) and cross-platform review import (3.11/5) were rated as least effective.

These findings suggest that trust transfer in the ONDC ecosystem currently works best through familiar elements (payment systems, brand associations) rather than through direct reputation portability. This aligns with "trust anchor" theory proposed by Datta and Sundaram (2022), which suggests that familiar elements serve as bridges for trust in new digital contexts.

While this research primarily captures seller-side perspectives on trust dynamics, insights about buyer behaviour were triangulated through transaction data analysis (conversion rates, cart abandonment, review participation) and seller reports of customer feedback. Future research would benefit from direct consumer data collection to complement these seller-focused findings, particularly regarding trust formation processes in the early engagement stages where current metrics show the largest gaps.

F. Text Mining and Sentiment Analysis

To gain deeper insights from qualitative data on trust perceptions, text mining, a process that extracts valuable information from unstructured text and sentiment analysis,

a technique that identifies and categorizes opinions expressed in text to determine

attitudes were applied to open-ended survey responses about trust experiences.

Figure 4.20:
Sentiment Analysis and Topic Modeling of Trust Perceptions

```
Text Analysis Results:


Sentiment Analysis:
- Overall sentiment: 68.7% positive, 19.4% neutral, 11.9% negative
- By MSME type:
  - Micro: 63.1% positive, 21.5% neutral, 15.4% negative
  - Small: 72.6% positive, 18.3% neutral, 9.1% negative
  - Medium: 77.8% positive, 15.2% neutral, 7.0% negative


Topic Modeling (5 topics):
- Topic 1 (32%): Platform accessibility and democratization
  - Key terms: "opportunity," "equal," "access," "smaller_business"
- Topic 2 (24%): Technical implementation challenges
  - Key terms: "integration," "catalog," "technical," "support," "setup"
- Topic 3 (18%): Customer reach and market expansion
  - Key terms: "customers," "nationwide," "reach," "visibility"
- Topic 4 (15%): Cost benefits and commission structure
  - Key terms: "commission," "savings," "affordable," "cost_effective"
- Topic 5 (11%): Trust and platform adoption
  - Key terms: "trust," "awareness," "reliability," "customer_confidence"
```
Source: Text analysis of open-ended survey responses, n=127

This analysis reveals that while overall sentiment toward ONDC is positive

(68.7%), sentiment varies significantly by business size, with medium enterprises

expressing the most positive views (77.8%) and micro enterprises expressing more

concerns (15.4% negative sentiment). The identified topic clusters reveal that platform

accessibility and democratization (Topic 1, 32%) dominate discussions, while trust and

platform adoption (Topic 5, 11%) represent a smaller but crucial concern. Complete

thematic analysis results, including theme prevalence and co-occurrence patterns, are provided in Appendix D.5.

G. Regression Analysis: Trust-Building Success Factors

To identify factors associated with successful trust-building (measured as composite of conversion rates, repeat purchase rates, and review scores), a multiple regression analysis was conducted. Table 4.16 presents these results.

Table 4.16:
Regression Analysis of Factors Associated with Trust-Building Success

Predictor Variable	Coefficient (β)	Std. Error	t-value	p-value
Trust mechanism implementation count	0.328	0.071	4.620	<0.001***
ONDC usage duration	0.276	0.068	4.059	<0.001***
Buyer app quality	0.253	0.072	3.514	<0.001***
Pre-existing brand reputation	0.217	0.069	3.145	0.002**
Product category familiarity	0.194	0.070	2.771	0.006**
Responsiveness score	0.311	0.071	4.380	<0.001***
Review count	0.182	0.073	2.493	0.014*
Return policy clarity	0.224	0.072	3.111	0.002**
Intercept	0.118	0.064	1.844	0.068
Model Statistics				
R²	0.612			
Adjusted R²	0.588			
F-statistic	23.52			<0.001***
n	127			

*Note: * p < 0.05, ** p < 0.01, *** p < 0.001*
Source: Primary data, n=127

The model explained 61.2% of the variance in trust-building success. The number of trust mechanisms implemented emerged as the strongest predictor ($\beta=0.328$, $p<0.001$), followed by responsiveness score ($\beta=0.311$, $p<0.001$) and ONDC usage duration ($\beta=0.276$, $p<0.001$).

The significance of buyer app quality ($\beta=0.253$, $p<0.001$) highlights the importance of the front-end interface in shaping trust perceptions, despite it being outside the direct control of MSMEs. This finding supports Mehta and Kumar's (2023) research

on distributed trust architecture in open networks, which emphasizes the interdependence of trust across network participants.

The continued significance of pre-existing brand reputation (β=0.217, p=0.002) indicates that while ONDC creates new opportunities, established reputation continues to influence trust outcomes. This suggests that trust-building strategies need to account for businesses' starting positions in terms of brand recognition.

H. Framework for Enhancing Trust in ONDC

Based on the findings, a comprehensive framework was developed to enhance buyer trust in the ONDC ecosystem. Table 4.13 presents this framework.

Based on the findings, a comprehensive framework was developed to enhance buyer trust in the ONDC ecosystem. This framework is integrated with other implementation domains in Table 5.3 (Chapter V), providing a holistic approach to addressing ONDC's implementation challenges.

The trust-building component extends trust research by Chatterjee et al. (2023) by explicitly addressing the distributed nature of trust in open networks. The multi-layered approach recognizes that trust in ONDC must be built across multiple dimensions simultaneously, from initial formation through relationship development.

4.4 Summary of Findings

This research investigated the adoption barriers, competitive impact, privacy challenges, and trust dynamics of the Open Network for Digital Commerce (ONDC) from the perspective of Indian MSMEs. The key cross-cutting patterns emerging from the analysis include:

1. Digital literacy emerged as the most consistent factor across all research dimensions, functioning as both a primary adoption barrier (56.7% of MSMEs) and a

strong predictor of successful outcomes across privacy implementation (β=0.412), competitive leverage, and trust-building capability.

2. Substantial variations across geographic locations constitute another key cross-cutting finding, with the urban-rural divide particularly stark (93.3% of rural MSMEs citing digital literacy as a barrier compared to 33.3% of metropolitan businesses).

3. Across privacy measures, trust-building mechanisms, and technical features, significant gaps between awareness and implementation were consistently found, creating risk of a "second-level digital divide" within the ONDC ecosystem.

4. Four distinct MSME segments were identified (Digital Enthusiasts, Digital Converts, Digital Hesitants, and Pragmatic Evaluators), each with different adoption patterns, motivations, and outcomes, challenging homogeneous conceptions of MSMEs in prior literature.

5. Key metrics showed consistent improvement with increasing usage duration, indicating a temporal dimension to ONDC benefits that many cross-sectional analyses might miss.

To identify the most critical factors determining ONDC effectiveness across all dimensions studied, a Random Forest model was developed (Figure 4.21). [Continue with existing text about Random Forest analysis].

4.4.1 Random Forest Analysis for Feature Importance

To identify the most critical factors determining ONDC effectiveness across all dimensions studied, a Random Forest model, a machine learning algorithm that combines multiple decision trees to improve prediction accuracy was developed. Figure 4.21 illustrates the relative importance of these factors:

Figure 4.21:
Random Forest Feature Importance for ONDC Success

```
Random Forest Model:
- Accuracy: 78.4%
- Precision: 76.2%
- Recall: 74.9%
- F1-score: 75.5%

Feature Importance (top 10):
1. Digital literacy (0.142)
2. ONDC usage duration (0.128)
3. Satisfaction with buyer-seller discovery (0.095)
4. Pre-ONDC online sales percentage (0.083)
5. Geographic location (0.072)
6. Business size (0.067)
7. Technical support satisfaction (0.061)
8. Industry sector (0.057)
9. Years in operation (0.049)
10. Catalog management satisfaction (0.042)
```
Source: Machine learning analysis of primary data, n=127

This comprehensive analysis confirms digital literacy (0.142) and ONDC usage duration (0.128) as the most critical determinants of success across all dimensions studied. The high predictive accuracy of the model (78.4%) suggests these factors reliably predict ONDC outcomes. The prominence of buyer-seller discovery satisfaction (0.095) highlights the importance of this specific functional aspect of the platform.

4.4.2 Growth Curve Modelling

To understand how ONDC benefits evolve over time, a growth curve model, a statistical approach for analyzing repeated measures data to estimate change trajectories over time was developed using data from MSMEs with different usage durations. Figure 4.22 illustrates these growth trajectories:

Figure 4.22:
Growth Trajectories of ONDC Benefits by Business Type

```
Growth Curve Model Results:
                     Intercept                     Slope
               Estimate    SE     p      Estimate   SE     p
Fixed effects
  Overall         2.84    0.18  <.001    0.46     0.07  <.001

Random effects (variance components)
  Intercept       0.37    0.11  <.001
  Slope           0.12    0.04   .002
  Covariance      0.09    0.05   .072

Conditional growth by business type:
                  Intercept                     Slope
               Estimate    SE     p      Estimate   SE     p
  Micro           2.63    0.22  <.001    0.38     0.08  <.001
  Small           2.91    0.21  <.001    0.49     0.07  <.001
  Medium          3.42    0.32  <.001    0.61     0.12  <.001
```

Source: Longitudinal analysis of primary data, n=127

This longitudinal analysis reveals that while all MSME types show positive growth in benefits over time with ONDC (overall slope = 0.46, p < 0.001), medium enterprises start from a higher baseline (intercept = 3.42) and experience faster growth (slope = 0.61) compared to micro enterprises (intercept = 2.63, slope = 0.38). The significant variance in both intercepts and slopes indicates substantial heterogeneity in growth patterns across individual businesses.

4.4.3 Methodological Extensions and Robustness

Throughout this study, we have implemented several methodological extensions to enhance the validity and reliability of our findings. These include sample weighting procedures to address representation concerns, propensity score matching to strengthen causal inferences, composite measures with objective validation to mitigate self-report bias, multiple comparisons correction to control Type I error rates, and systematic

qualitative analysis to triangulate quantitative findings. Sensitivity analyses consistently demonstrate the robustness of our core findings across different analytical approaches. When comparing unweighted and weighted results, key relationships maintain consistent directions and significance, though with minor variations in effect magnitude. Similarly, models using validated composite measures produce slightly more conservative but substantively identical conclusions compared to models using primary self-reported measures.

The integration of quantitative results with systematic qualitative analysis provides deeper contextual understanding of the mechanisms underlying our statistical findings. Particularly valuable is the convergence of evidence regarding digital literacy barriers, data advantage persistence, and distributed trust challenges across both methodological approaches. This methodological triangulation substantially strengthens confidence in our conclusions while providing a more nuanced understanding of ONDC's impact on Indian MSMEs. Comprehensive details on all methodological procedures, including variable transformations, handling of missing data, and complete analytical code, are available in Appendix D. Methodological extensions, including sample weighting procedures, propensity score matching, self-report validation, multiple comparisons correction, enhanced qualitative analysis, external validity assessment, and statistical power analysis, are fully documented in Appendix D.

4.5 Conclusion

This comprehensive analysis of ONDC's impact on Indian MSMEs reveals a nascent but promising transformation in India's e-commerce landscape. The research demonstrates ONDC is making meaningful progress toward democratizing digital commerce, enhancing competitiveness, and creating equitable participation opportunities for MSMEs. However, significant challenges remain: addressing the digital divide,

persistent competitive advantages of incumbents, privacy governance, and trust building in distributed ecosystems.

The findings highlight these challenges' interrelated nature, with digital literacy emerging as fundamental factor influencing adoption, privacy implementation, competitive leverage, and trust-building capabilities. This suggests effective interventions must address interconnected dimensions through coordinated approaches rather than isolated initiatives.

While ONDC's protocol-based, open network approach creates structural benefits, complementary mechanisms are needed to address persistent challenges, particularly data advantages, scale economies, and trust migration. These findings underscore combining structural interventions with capability-building initiatives to maximize ONDC's transformative potential.

Observed variations in ONDC's impact across MSME segments highlight need for differentiated, context-sensitive approaches accounting for diverse characteristics and constraints. Stronger barriers and implementation gaps among micro enterprises and rural businesses suggest targeted interventions for these segments are particularly important for inclusive benefits.

Overall, this research provides evidence-based insights guiding evolution of ONDC and similar open network initiatives globally. By addressing identified challenges through frameworks developed in this study, ONDC can enhance effectiveness in creating more competitive, equitable, and trustworthy digital commerce ecosystems for MSMEs in India.

These findings will now be critically discussed in Chapter V to fully address our research questions.

CHAPTER V:

DISCUSSION

5.1 Critical Analysis of ONDC's Impact on MSMEs

5.1.1 Adoption Barriers: Digital Literacy as the Primary Challenge

Digital literacy (56.7%), technical complexity (47.2%), and infrastructure constraints (35.4%) emerged as primary adoption barriers, aligning with previous research by Venkatesh et al. (2021). The study extends this understanding by revealing how these barriers interact differently across business segments. Significant variations across business sizes and geographic locations support Kumar and Sharma's (2022) "digital divide within the divide" concept, with 93.3% of rural MSMEs citing digital literacy as a barrier compared to 33.3% of metropolitan businesses. This disparity extends beyond internet access to encompass capabilities required for effective platform utilisation. The multi-dimensional nature of digital literacy was validated through a composite measure combining self-assessment, knowledge assessment, and practical implementation tasks, as detailed in Appendix D.3.

Previous digital experience strongly predicted ONDC adoption success (OR=3.12, p<0.001), reinforcing the path-dependent nature of digital transformation described by Bharadwaj and Srinivasan (2023). Notably, industry association support (3.67/5) and peer learning networks (3.54/5) significantly outperformed formal technical support (3.07/5), suggesting contextually embedded knowledge sharing is more effective than structured training programs. Addressing ONDC adoption barriers requires targeted digital literacy programs, streamlined technical frameworks, and leveraging peer-network learning to enhance participation.

These findings significantly extend the digital capability frameworks discussed in Chapter II. While Venkatesh et al. (2021) identified digital literacy as a critical adoption

factor, our research reveals a more nuanced reality where digital literacy functions as both a primary barrier (56.7% of MSMEs) and a predictor of successful implementation across multiple dimensions. This multi-layered impact of digital literacy challenges Kumar and Sharma's (2022) binary conception of "digitally ready" versus "digitally excluded" businesses, instead revealing a spectrum of readiness that affects different aspects of ONDC engagement.

Furthermore, our identification of peer learning networks as highly effective support mechanisms (3.54/5) contradicts Sharma et al.'s (2023) emphasis on structured training programs as the optimal intervention approach. Where they suggested government-led training initiatives, our evidence indicates that contextually embedded knowledge sharing through industry associations and peer networks yields significantly better outcomes, particularly for micro enterprises. This suggests a fundamental reconsideration of how digital capability development should be conceptualized and supported in the MSME context.

5.1.2 Competitive Impact: Reduced Concentration but Persistent Advantages

The reduction in market concentration (HHI decrease from 2567 to 1986) supports theoretical arguments that protocol-based interoperability can reduce concentration in digital markets by lowering switching costs. The 71.7% reduction in commission rates represents a more substantial improvement than predicted by theoretical models. This finding directly contradicts Agarwal and Singh's (2023) theoretical model that predicted commission reductions of only 20-30% from protocol-based interventions. Our empirical evidence of a 71.7% reduction represents a paradigm-shifting impact that exceeds even the most optimistic projections in the existing literature. Similarly, the significant reduction in payment settlement time (65.9%) challenges Johnson and Kapoor's (2023) assertion that transaction speed improvements from open

networks would be marginal due to technical overhead. However, our findings do align with Dwivedi and Kumar's (2023) critique regarding the persistence of data advantages, as we found that 32.3% of MSMEs still identified incumbent data advantages as a significant challenge despite ONDC's structural interventions. This pattern suggests that while ONDC's impact on direct economic parameters exceeds theoretical predictions, its ability to address entrenched informational advantages remains limited, supporting the "mixed effectiveness" hypothesis proposed in Chapter II.

However, persistent data advantages (32.3%) and scale-based cost advantages (27.6%) suggest limitations to the protocol-based approach, aligning with Dwivedi and Kumar's (2023) critique that interoperability alone may be insufficient to address entrenched structural advantages. The correlation between observed competitive responses and category-specific ONDC penetration (r=0.43, p<0.001) indicates that achieving sufficient scale in specific vertical segments may be more important than overall network growth. Sensitivity analyses with alternative HHI calculation methods, presented in Appendix D.8, confirm the robustness of these findings across different market share definitions.

ONDC's approach can be contextualized against similar international initiatives, though with notable distinctions. Compared to the European Digital Markets Act's interoperability mandates, ONDC employs a more proactive network-building approach rather than simply requiring established platforms to open APIs. Unlike Brazil's PIX payment system, which standardised a single function (payments), ONDC creates standardisation across the entire e-commerce value chain. The most comparable international initiative is Singapore's SGQR unified payment system, though ONDC's scope is significantly broader. These comparisons highlight ONDC's globally distinctive approach in creating comprehensive protocol-based commerce infrastructure rather than

narrowly targeting specific market failures. ONDC effectively reduces digital monopolies through interoperability, although incumbent platforms retain some advantage due to existing data assets and market presence.

While the observed 71.7% reduction in commission rates provides compelling evidence of ONDC's impact, alternative explanations warrant consideration. Three competing explanations were systematically evaluated: (1) Selection bias - early ONDC adopters might have characteristics that independently lead to lower commission rates regardless of ONDC; (2) Market timing - broader e-commerce competitive dynamics might have driven commission reductions independent of ONDC; and (3) Measurement effects - differences in how commissions are calculated between traditional platforms and ONDC might artificially inflate the apparent reduction. The selection bias explanation was addressed through propensity score matching, which continued to show substantial commission reductions (adjusted effect: 65.3%, p<0.001) even when controlling for business characteristics. The market timing explanation was tested by comparing commission trends for ONDC participants versus non-participants during the same period, revealing significantly larger reductions for ONDC participants (-71.7% vs. -7.2%, p<0.001). The measurement effect explanation was examined through detailed invoice analysis for a subsample of 27 MSMEs, confirming that commission calculations were consistent across platforms. While these analyses cannot entirely eliminate alternative explanations, they substantially strengthen the causal attribution of commission reductions to ONDC's protocol-based approach.

Table 5.1:
Systematic Comparison of Global Digital Market Regulation Approaches

Dimension	ONDC (India)	DMA (EU)	SGQR (Singapore)	PIX (Brazil)	US Antitrust Approach
Regulatory Philosophy	Protocol-based market restructuring	Ex-ante obligations for gatekeepers	Function-specific standardisation	Central bank-led interoperability	Ex-post assessment of anticompetitive effects
Implementation Mechanism	Open network architecture with standardised APIs	Legal requirements with penalties for non-compliance	Unified QR code system for payments	Mandatory interoperability for financial institutions	Case-by-case litigation with remedies for proven violations
Scope	Comprehensive e-commerce value chain	Specific digital markets and gatekeeper platforms	Payment systems only	Financial transactions only	Case-by-case across all markets
Decision-Making Authority	Multi-stakeholder governance	Regulatory authority	Central bank and industry consortium	Central bank	Courts and competition agencies
Effectiveness Evidence	71.7% commission reduction; HHI decrease from 2567 to 1986	Initial implementation phase; limited evidence	80% merchant adoption; 52% transaction fee reduction	60% population adoption within 18 months	Mixed results; lengthy proceedings
Primary Strength	Creates structural competitive conditions without requiring case-by-case enforcement	Clear, enforceable rules that apply to specific designated platforms	Highly effective for specific functions with clear technical standards	Rapid adoption through regulatory mandate	Avoids over-regulation and allows market evolution
Primary Limitation	Requires significant ecosystem development and capability building	Regulatory lag in adapting to changing technologies and business models	Limited scope addressing only specific market functions	Top-down approach with less stakeholder governance	Lengthy enforcement processes with high evidentiary burdens
Implementation Timeline	Pilot phase 18 months; national rollout 24+ months	3-year phase-in for compliance with ongoing refinements	2-year rollout for payment standards only	6-month mandatory adoption	Case-by-case basis with lengthy proceedings
Resource Requirements	High initial network infrastructure and governance	Moderate regulatory capacity building with high	Low - limited to specific payment infrastructure	Medium - central bank coordination and industry compliance	High legal and administrative costs;

Dimension	ONDC (India)	DMA (EU)	SGQR (Singapore)	PIX (Brazil)	US Antitrust Approach
	development; moderate ongoing costs	enforcement costs			uncertain outcomes
Success Factors	Stakeholder consensus, technical interoperability, governance credibility	Clear enforcement mechanisms, political will	Technical standardisation, industry coordination	Regulatory mandate with clear compliance timelines	Strong legal precedent and consistent enforcement
Lessons for Emerging Economies	Network governance requires sustained political commitment and multi-stakeholder coordination	Regulatory capacity must precede implementation	Focused scope easier to implement but limited scope may limit impact	Top-down approach may reduce stakeholder buy-in and innovation	Market-led approaches require strong institutional frameworks
Current Status (2024)	Active expansion with mixed results across product categories	Early implementation phase with limited evidence	Mature and stable with high merchant adoption	Fully adopted with broad coverage	Ongoing cases with mixed outcomes

Source: Author's integrated comparative analysis based on regulatory documentation and implementation reports

Unlike the European Digital Markets Act's interoperability mandates for designated gatekeepers, ONDC employs a more proactive network-building approach constructing an alternative infrastructure rather than simply requiring established platforms to open APIs. Compared to Singapore's SGQR unified payment system and Brazil's PIX, which standardised specific functions (payments), ONDC creates standardisation across the entire e-commerce value chain. The most distinctive aspect of ONDC is its comprehensive protocol-based approach that addresses the full transaction cycle rather than focusing on narrow market failures or specific dominant firms.

This comparative analysis reveals ONDC as not merely an incremental regulatory innovation but a fundamentally different approach to digital market governance. Recent scholarship by Sharma and Agarwal (2023) suggests that such "infrastructure-focused"

approaches may offer advantages over traditional regulatory models in rapidly evolving digital markets by embedding competitive principles directly into market architecture rather than overlaying them through ex-post enforcement.

5.1.3 Privacy Implementation Gap and Governance Challenges

The substantial gap between privacy awareness and implementation (22.1-29.2 percentage points) highlights a significant "privacy paradox" in the MSME context. Unlike consumer contexts where this is often attributed to value-action gaps, here implementation constraints play a more significant role than awareness-action disconnects. Digital literacy emerged as the strongest predictor of privacy measure implementation (β=0.412, p<0.001), reinforcing Singh and Chatterjee's (2023) argument that privacy compliance is fundamentally a capability challenge rather than an awareness issue. The moderate effectiveness ratings for privacy governance mechanisms (2.86-3.28/5) reflect challenges of governing data practices in decentralised ecosystems, suggesting innovative governance approaches are needed. Effective responses to data privacy concerns on ONDC require standardised governance frameworks and MSME-oriented compliance support.

5.1.4 Reduction in Anti-Competitive Practices

The reduction in MSMEs experiencing anti-competitive practices (from 61.4% to 26.8%) validates structural approaches to digital market regulation. However, the persistence of data advantage exploitation (19.7%) and algorithmic discrimination (16.5%) suggests protocol standardisation alone may be insufficient for addressing sophisticated forms of competitive advantage. ONDC received significantly higher effectiveness ratings compared to traditional regulation across all practices (3.66 vs. 2.78 overall), supporting arguments that structural interventions create more durable competitive conditions than case-by-case enforcement. Open-source standards within

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ONDC demonstrably curb anti-competitive practices, providing greater transparency and levelling the competitive landscape.

5.1.5 Trust Dynamics: The Challenge of Building Trust in Open Networks

Platform familiarity advantage (41.7%) emerged as the dominant trust challenge, highlighting the path-dependent nature of trust in digital commerce. The lower conversion rates (-0.72pp) and repeat purchase rates (-6.4pp) on ONDC reflect the "trust deficit" confronting new market entrants. However, the absence of significant differences in post-purchase metrics like return rates (p=0.193) and review scores (p=0.386) suggests trust challenges are concentrated in initial adoption rather than service delivery. The efficacy of established payment gateways (4.18/5) as trust transfer mechanisms supports Datta and Sundaram's (2022) "trust anchor" theory, suggesting familiar elements can facilitate trust transfer to new digital contexts. Our research significantly extends this "trust anchor" concept beyond Datta and Sundaram's original formulation. Where they proposed trust anchors primarily as brand-based mechanisms, our empirical evidence reveals a more complex ecosystem of trust transfer pathways including technical elements (payment gateways, 4.18/5), interface patterns (3.56/5), and procedural familiarity (3.43/5). This expanded trust anchor taxonomy provides a novel framework for understanding how trust migrates in open digital ecosystems. Furthermore, our findings contradict Chatterjee et al.'s (2023) assertion that network-level trust mechanisms would be the primary drivers of buyer confidence. Instead, our data shows that element-specific trust mechanisms (particularly payment systems) significantly outperform network-wide trust signals (3.12/5), suggesting a more granular and fragmented trust formation process than previously theorized. This has profound implications for how trust should be conceptualized and operationalized in open network contexts.

Enhancing consumer trust on ONDC necessitates comprehensive trust-building mechanisms such as trusted payment integration, seller ratings, and responsive customer support.

5.1.6 Revisiting Theoretical Propositions

The findings of this research provide empirical evidence to evaluate the three key theoretical propositions developed in Chapter II:

Proposition 1: ONDC's impact on market concentration will be moderated by the development of network effects within specific product categories.

This proposition is strongly supported by the empirical findings. The regression analysis in Table 4.8 reveals that product category ONDC penetration is the strongest predictor ($\beta=0.486$, $p<0.001$) of market concentration reduction, indicating that concentration effects vary significantly by product category. Furthermore, the correlation between observed competitive responses and category-specific ONDC penetration ($r=0.43$, $p<0.001$) confirms that network effects operate differently across product categories. However, the research extends this proposition by demonstrating that network effects in ONDC operate through different mechanisms than in traditional platforms— facilitating multi-homing rather than reinforcing lock-in.

Proposition 2: MSMEs' ability to benefit from ONDC will depend on their digital capabilities and resource configurations.

The findings provide robust support for this proposition while revealing its multi-dimensional nature. Digital literacy emerged not only as the primary adoption barrier (56.7%) but also as the strongest predictor of successful implementation across multiple dimensions, including privacy measures ($\beta=0.412$), trust-building ($\beta=0.311$), and overall ONDC effectiveness. However, the research extends this proposition by demonstrating

that digital capabilities operate differently in urban versus rural contexts, suggesting contextually embedded rather than universal capability effects.

Proposition 3: ONDC adoption decisions will be influenced by the interaction between perceived benefits and institutional support mechanisms.

This proposition received mixed support. While both perceived benefits (commission reductions, market reach) and institutional support (particularly industry associations, rated 3.67/5) influence adoption, their relative importance varied significantly across MSME segments. Contrary to the proposition's implication of balanced importance, the findings revealed that peer learning networks (3.54/5) significantly outperformed formal institutional support mechanisms (3.07/5), suggesting a more complex interplay between social and institutional influences than originally theorized.

5.2 Cross-Cutting Analysis and Insights

5.2.1 The Centrality of Digital Literacy

Digital literacy emerged as the most consistent factor across all research dimensions, functioning as both a primary adoption barrier (56.7% of MSMEs) and a strong predictor of successful outcomes across privacy implementation ($\beta=0.412$), competitive leverage, and trust-building capability. This multi-layered nature of digital literacy aligns with Kumar and Sharma's (2022) "capability ladder" model. While ONDC reduces certain technical barriers through standardisation, it simultaneously introduces new capability requirements for distributed network participation, challenging simplistic adoption models that treat digital literacy as a binary variable.

The prominence of digital literacy as the primary barrier—cited by 56.7% of respondents—strongly aligns with findings from Kumar and Sharma (2022), who conceptualized a "digital divide within the divide," whereby capability asymmetries

reinforce geographic and size-based disparities. This study extends their work by operationalizing digital literacy as a multi-faceted construct and quantifying its predictive power for adoption success (OR = 3.12, p < 0.001). Furthermore, in contrast to Sharma et al. (2023), who emphasized top-down training interventions, the present research finds that peer learning and contextual mentoring outperform structured technical assistance, particularly for micro-enterprises. This suggests that digital onboarding strategies must be socio-culturally embedded to be effective.

5.2.2 Geographic Divide in Digital Readiness

Substantial variations across geographic locations emerged as another key cross-cutting finding. The urban-rural divide was particularly stark, with 93.3% of rural MSMEs citing digital literacy as a barrier compared to 33.3% of metropolitan businesses. The Digital Equity Index showed a 17.6-point gap between metropolitan (76.8) and rural businesses (59.2). Decision tree analysis revealed that among low digital literacy MSMEs, urban location was associated with 71% adoption success compared to just 37% for rural businesses with comparable literacy levels, suggesting urban ecosystems provide compensatory advantages that partially offset capability constraints. External validity comparisons between our sample and national MSME demographics, provided in Appendix D.6, confirm that these geographic divides are representative of broader patterns.

The observed reduction in the Herfindahl-Hirschman Index from 2567 to 1986 post-ONDC adoption provides empirical validation for theoretical claims made by Agarwal and Singh (2023), who proposed that interoperability could reduce platform power concentration. However, this finding significantly exceeds the predicted magnitude of change, indicating that open protocols, when paired with structural disintermediation, may exert more transformative effects than previously modelled.

Nonetheless, consistent with critiques by Dwivedi and Kumar (2023), persistent data advantages and economies of scale continue to insulate incumbents, thereby partially confirming the resilience of entrenched competitive asymmetries.

5.2.3 Rural Digital Transformation Challenge

The stark disparities observed between rural and metropolitan MSMEs demand deeper analysis given their policy significance. Rural businesses face a compounding set of challenges that create multiplicative rather than additive barriers to ONDC adoption and effective utilisation.

Infrastructure-Capability Interaction Effects

Our moderation analysis revealed that infrastructure quality has significantly stronger effects on adoption success for rural MSMEs ($\beta=0.65$) compared to urban counterparts ($\beta=0.22$), indicating that infrastructure constraints operate as fundamental capability limiters in rural contexts. This finding challenges policy approaches that treat infrastructure provision as sufficient for digital inclusion, suggesting instead that infrastructure and capability development must occur simultaneously.

The 86.7% of rural MSMEs citing infrastructure constraints reflects not merely connectivity issues but broader ecosystem deficits including unreliable power supply, limited technical support networks, and reduced access to complementary digital services. Our qualitative analysis revealed that rural businesses require an average of 3.7 support touchpoints during ONDC implementation compared to 1.2 for metropolitan businesses, indicating substantially higher capability-building needs.

Contextual Adaptation Requirements

Rural MSMEs demonstrated markedly different implementation patterns, with 73% requiring simplified workflows compared to 23% of urban businesses. The

effectiveness gap between peer mentorship (rated 4.2/5 by rural vs. 3.1/5 by urban MSMEs) and formal training (2.8/5 rural vs. 3.4/5 urban) suggests that knowledge transfer mechanisms must be contextually embedded rather than standardised across geographic contexts.

Policy Implications for Inclusive Digital Transformation

These findings indicate that achieving inclusive digital transformation through initiatives like ONDC requires differentiated approaches that account for rural ecosystem constraints. The substantially higher effectiveness of peer mentorship in rural contexts suggests that scaling successful rural implementations requires building local knowledge networks rather than expanding centralized training programs.

The temporal pattern of benefits, with rural businesses showing steeper improvement curves after 8+ months compared to 4+ months for urban businesses, indicates that rural digital transformation requires longer investment horizons and sustained support mechanisms to achieve comparable outcomes.

5.2.4 Implementation Gap Challenge

Across privacy measures, trust-building mechanisms, and technical features, substantial gaps between awareness and implementation were consistently found. The 29.2 percentage point gap between awareness and implementation of data minimization principles represents a significant "knowing-doing gap" that limits ONDC's effectiveness. The consistently stronger implementation rates among larger, urban, and more digitally sophisticated businesses create risk of a "second-level digital divide" within the ONDC ecosystem, where participation is broad but effective utilisation is concentrated among already-advantaged businesses.

The implementation gap between privacy awareness and action—averaging 24.4 percentage points—highlights the limitations of merely normative governance in open

networks. These results partially affirm the concerns raised by Mehta and Kumar (2022) about the "weak institutional enforcement" problem in decentralised ecosystems. At the same time, the correlation between digital literacy and privacy compliance ($\beta = 0.412$, $p < 0.001$) suggests that capability-building, not just regulatory design, is central to advancing data stewardship in protocol-based systems. This supports the proposition that institutional theory in digital commerce must account for both regulative and resource-based conditions of rule adoption.

5.2.5 MSME Segmentation and Response Patterns

Cluster analysis identified four distinct MSME segments based on ONDC experiences: Digital Enthusiasts (32%), characterized by high digital literacy, predominantly urban location, services sector focus, and experiencing significant benefits; Digital Converts (41%), with medium digital literacy, varied sectors, and motivated primarily by cost reduction; Digital Hesitants (18%), exhibiting lower digital literacy, predominantly rural/tier-3 location, and facing significant implementation challenges; and Pragmatic Evaluators (9%), from various backgrounds, taking a critical approach, and seeking evidence of sustainable advantages.

These segments demonstrated markedly different response patterns across survey dimensions. Digital Enthusiasts consistently showed the most positive metrics (+0.82 to +0.95 standardised scores), while Digital Hesitants showed negative scores on implementation, adoption success, and business growth, but slightly positive scores on satisfaction and continuation intention. The substantial size of the Digital Converts segment (41%) indicates that ONDC has begun moving beyond early adopters to reach the early majority—an important threshold for network sustainability.

Table 5.2:
Key Metric Variations by Business Characteristics

Business Characteristic	Adoption Success (%)	Business Growth (Mean)	Implementation Rate (%)	Satisfaction (Mean)	Continuation Intent (%)
Business Size					
Micro (n=76)	51.3	0.17	43.6	3.54	65.8
Small (n=38)	68.4	0.29	62.8	3.87	78.9
Medium (n=13)	76.9	0.38	79.5	4.12	84.6
Geographic Location					
Metropolitan (n=45)	71.1	0.31	68.4	3.97	82.2
Tier-2 city (n=38)	63.2	0.27	58.6	3.83	76.3
Tier-3 city (n=29)	48.3	0.18	46.2	3.51	65.5
Rural (n=15)	33.3	0.12	31.7	3.28	53.3
Industry Sector					
Retail (n=42)	59.5	0.25	56.8	3.84	73.8
Manufacturing (n=24)	54.2	0.21	49.7	3.65	70.8
Services (n=19)	68.4	0.30	63.8	3.93	78.9
Food & Beverage (n=18)	55.6	0.22	52.3	3.72	72.2
Others (n=24)	54.2	0.20	51.4	3.61	66.7
Previous Digital Experience					
None (n=28)	28.6	0.09	24.8	3.24	53.6
Basic (n=53)	52.8	0.21	48.6	3.65	67.9
Moderate (n=34)	73.5	0.32	69.7	3.96	82.4
Advanced (n=12)	91.7	0.41	85.3	4.25	91.7

Note: Business Growth measured as proportional increase in sales; Implementation Rate as percentage of applicable features implemented; Satisfaction on 1-5 scale; Continuation Intent as percentage likely or very likely to continue
Source Author's analysis of primary survey data, n=127

The consistent gradients across almost all metrics and business characteristics reinforce the finding that ONDC benefits are not equally distributed. The most substantial variations appeared across previous digital experience categories, with a striking 63.1 percentage point gap in adoption success between businesses with no previous digital experience (28.6%) and those with advanced experience (91.7%).

5.2.6 Temporal Effects on ONDC Benefits

Key metrics showed consistent improvement with increasing usage duration, with HHI reduction increasing from 7.8% for recent adopters to 27.4% for those with more than a year of experience. This temporal pattern aligns with "learning curve" effects documented in platform adoption research. The steeper improvement gradient for competitive metrics compared to implementation rates suggests that competitive benefits may accrue non-linearly as businesses develop more sophisticated utilisation strategies over time, indicating that early-stage measurements may substantially underestimate eventual competitive effects.

While existing literature (e.g., Kumar & Sharma, 2022) highlighted digital divides as critical barriers, this thesis empirically validated their importance specifically for Indian MSMEs in the context of ONDC adoption. Unlike prior studies emphasizing financial incentives (Singh, 2023), our findings uniquely underscored capability-building and trust mechanisms as superior enablers for MSME digital adoption.

The 71.7% commission reduction aligns with ONDC's design principle of "democratized discovery costs". However, our findings reveal a J-curve effect - MSMEs with <6 months ONDC usage show 23% lower profitability than established users, suggesting critical mass thresholds. This mirrors network effect patterns observed in UPI's adoption curve (NPCI, 2021).

5.2.7 Challenging Homogeneous MSME Conceptions in Prior Literature

A cross-cutting finding that fundamentally challenges previous research is our identification of four distinct MSME segments with markedly different ONDC experiences and needs. This segmentation—Digital Enthusiasts (32%), Digital Converts (41%), Digital Hesitants (18%), and Pragmatic Evaluators (9%)—contradicts the tendency in current literature to treat MSMEs as a relatively homogeneous group with common adoption patterns and barriers.

This finding directly challenges Sharma et al.'s (2023) unified adoption model, which proposed a single set of adoption factors applicable to all MSMEs. Our evidence demonstrates that adoption drivers vary significantly across segments; while Digital Enthusiasts are primarily motivated by growth opportunities (cited by 79.4%), Digital Hesitants are primarily motivated by competitive pressure (cited by 63.5%), suggesting fundamentally different decision processes. Similarly, our findings contradict Kumar and Sharma's (2022) binary digital divide model by revealing a spectrum of digital engagement across segments rather than a simple "have/have-not" distinction.

Our segment-specific findings also extend Venkatesh et al.'s (2021) UTAUT model by demonstrating that facilitating conditions and social influence factors have varying impact across different MSME segments, with peer influence being twice as impactful for Digital Converts (correlation coefficient 0.67) compared to Digital Enthusiasts (0.33). This suggests that existing technology adoption models need fundamental reconceptualization to account for segment-specific dynamics rather than treating MSMEs as a monolithic entity.

5.2.8 Unexpected Findings and Theoretical Implications

Several findings from this research diverged significantly from theoretical predictions or prior empirical studies, warranting specific attention:

First, the 71.7% reduction in commission rates substantially exceeds the 20-30% reduction predicted by theoretical models of protocol-based interventions (Agarwal & Singh, 2023). This unexpectedly large effect suggests that protocol standardisation may create more profound competitive effects than previously recognized, particularly when combined with governance structures that prevent recentralization. The magnitude of this effect challenges core assumptions in two-sided market theory about the resilience of pricing power in digital platforms and suggests that protocol-driven disintermediation

may fundamentally alter value capture dynamics rather than merely constraining pricing at the margin.

Second, the finding that peer learning networks (3.54/5) significantly outperformed formal technical training (3.07/5) contradicts dominant capacity-building models in digital transformation theory. This unexpected result suggests that knowledge-sharing mechanisms for digital commerce adoption operate through social embeddedness rather than conventional knowledge transfer models, aligning with emerging sociomaterial perspectives on digital capabilities but challenging mainstream digital literacy frameworks.

Third, the persistence of data advantage exploitation (19.7%) and algorithmic discrimination (16.5%) despite substantial reductions in other anti-competitive practices suggests that certain forms of competitive advantage remain resistant to protocol-based interventions alone. This finding qualifies theoretical claims about open protocols as comprehensive solutions to platform power, indicating that protocol standardisation primarily addresses structural rather than informational advantages.

Fourth, the pronounced geographic divide in ONDC benefits, with metropolitan businesses showing ONDC Effectiveness Index scores 17 points higher than rural businesses, exceeds disparities predicted by digital divide theory and challenges assumptions that protocol standardisation inherently enhances inclusivity. This finding suggests that open protocols may initially amplify rather than reduce digital divides without complementary capability-building initiatives.

These unexpected findings have significant theoretical implications, suggesting the need for more nuanced models of how protocol-based interventions reshape digital market dynamics. Rather than uniform effects across business types and competitive dimensions, the evidence points toward contextually contingent outcomes shaped by pre-

existing capabilities, geographic factors, and specific forms of competitive advantage. This contingency perspective represents an important refinement to emerging theories of open digital ecosystems.

5.3 Addressing ONDC Adoption Barriers: An Integrated Approach

The findings across all research dimensions suggest that addressing ONDC implementation challenges requires an integrated approach that recognizes the interconnected nature of adoption barriers, privacy concerns, competition issues, and trust dynamics. Table 5.3 presents a comprehensive framework that synthesizes the domain-specific frameworks developed in Chapter 4 into a cohesive implementation roadmap.

Table 5.3:
Integrated Framework for Addressing ONDC Implementation Challenges

Challenge Domain	Key Barriers	Evidence-Based Interventions	Implementation Considerations
Adoption Barriers	Digital literacy (56.7%), Technical complexity (47.2%), Infrastructure (35.4%)	Tiered training by digital literacy level, Peer mentorship networks, Visual step-by-step guides	Digital literacy strongly associated with adoption success (OR=3.12, p<0.001); Peer networks outperform formal training (3.54/5 vs. 3.07/5)
Technical Implementation	Onboarding procedures, Catalog management, Dashboard utilisation	Simplified onboarding workflows, Modular implementation approach, Technical support hotlines	61% adoption success with technical assistance vs. 35% without; Modified onboarding process showed 78% completion rate vs. 46% standard process
Infrastructure Constraints	Internet connectivity, Device limitations, Power reliability	Offline functionality options, Low-bandwidth modes, Mobile-first design	Internet quality significant predictor (OR=2.14, p=0.001); 86.7% of rural MSMEs cited infrastructure as primary or secondary barrier
Data Privacy & Security	Data sharing concerns (32.3%), Implementation gaps (29.2pp), Governance uncertainty	Layered governance model, Privacy-by-design templates, Tiered privacy training programs	Digital literacy strongest predictor of privacy implementation (β=0.412, p<0.001); Governance mechanisms received moderate ratings (2.86-3.28/5)

Challenge Domain	Key Barriers	Evidence-Based Interventions	Implementation Considerations
Competition Challenges	Platform self-preferencing, Data advantage exploitation, Algorithmic discrimination	Enhanced discovery neutrality verification, Privacy-preserving analytics sharing, Algorithm transparency requirements	ONDC reduced anti-competitive experiences from 61.4% to 26.8%; Data advantages persist as most significant challenge (32.3%)
Trust Building	Platform familiarity advantage (41.7%), Brand recognition disparities (22.0%), Quality verification concerns (18.1%)	Standardised trust badges, Unified seller reputation system, Network-level quality guarantees	Trust mechanism implementation count strongest predictor of trust-building success ($\beta=0.328$, $p<0.001$); Payment gateways most effective trust transfer mechanism (4.18/5)

Source Author's integrated qualitative analysis

5.3.1 Differentiated Intervention Model

The substantial variations across MSME segments indicate that a one-size-fits-all approach would be ineffective. Evidence points toward a differentiated intervention model targeting specific barrier configurations across segments.

Table 5.4:
Differentiated Intervention Model for ONDC Adoption Barriers

Segment	Primary Barriers	Most Effective Interventions
DIGITAL ENTHUSIASTS (32%)	• Advanced features • Integration complexity • Data optimisation	• Technical documentation • Developer communities • Advanced feature workshops • API enhancement partnerships
DIGITAL CONVERTS (41%)	• Technical complexity • Implementation gaps • Trust-building • Operational integration	• Peer mentorship networks • Implementation assistance • Interactive tutorials • Industry-specific playbooks
DIGITAL HESITANTS (18%)	• Basic digital literacy • Infrastructure access • Capability building • Technical support	• Tiered training programs • Simplified onboarding workflows • Local language support • Hands-on implementation assistance
PRAGMATIC EVALUATORS (9%)	• Evidence of benefits • Value quantification • Sustainability concerns • Integration costs	• Case study documentation • ROI calculation tools • Transparent roadmaps • Risk mitigation frameworks

Source Author's integrated qualitative analysis

This model aligns with Kumar and Sharma's (2022) "staged capability development" framework and extends it by empirically identifying the most effective intervention mechanisms for each segment. For Digital Enthusiasts, the priority should be supporting advanced implementation through technical documentation, developer communities, and capability expansion. For Digital Converts, peer mentorship and implementation assistance show the highest effectiveness. Digital Hesitants require fundamental capability building through tiered training and simplified workflows, while Pragmatic Evaluators need evidence-based persuasion through case studies and ROI quantification.

5.3.2 Addressing the Geographic Digital Divide

The significant disparities across geographic locations require specific attention. Infrastructure constraints affect 86.7% of rural MSMEs compared to just 13.3% of metropolitan businesses, with similar disparities in digital literacy barriers (93.3% vs. 33.3%). Promising approaches include creating geographically focused MSME clusters with shared resources, developing offline-capable features and low-bandwidth interfaces, establishing local support hubs in tier-3 cities and rural areas, and implementing structured "digital mentor" programs linking urban and rural businesses.

5.3.3 Staged Capability-Building Pathway

The strong association between previous digital experience and ONDC success suggests that effective interventions should build upon existing capabilities rather than treating ONDC adoption as an isolated initiative. Evidence points toward a staged capability development approach that distinguishes between foundational capabilities (necessary for basic participation) and transformational capabilities (required to fully leverage ONDC's potential). MSMEs attempting to implement advanced features without mastering foundational capabilities experienced significantly higher failure rates (47% vs.

18% for those following a progressive approach), indicating intervention design should facilitate sequential capability development.

5.3.4 Multi-Layered Trust-Building Framework

The regression finding that trust mechanism implementation count was the strongest predictor of trust-building success ($\beta=0.328$, $p<0.001$) suggests that comprehensive trust signalling across multiple dimensions is more effective than focusing on individual mechanisms.

Table 5.5:
Multi-Layered Trust-Building Framework for ONDC

Trust Layer	Entity Responsible	Effective Mechanisms	Supporting Evidence
Network Architecture	ONDC / Governance	Payment protection guarantees, Standardised dispute resolution, Network-wide quality standards, Common return policies	Payment mechanisms highest trust transfer (4.18/5), Common policies associated with 37% higher trust metrics, Standardised guarantees reduced abandonment by 42%
Buyer Applications	App Developers	Familiar interface patterns, Trusted brand associations, Transaction transparency, Consistent experience design	Buyer app quality significant predictor ($\beta=0.253$, $p<0.001$), Brand associations effective trust transfer (3.94/5), Interface consistency correlated with conversion ($r=0.39$)
Seller Reputation	Individual MSMEs	Detailed business profiles, Customer testimonials, Quality certifications, Response time commitments	Responsive communication highest rated mechanism (4.12/5), Testimonials implementation associated with 28% higher conversion, Detailed profiles 68.5% implementation but 82.3% rated essential
Product Trust	Individual MSMEs	Comprehensive product information, Authentic photography, Clear return/refund policies, Accurate inventory status	Detailed product information most implemented (83.5%), Clear return policies significant predictor ($\beta=0.224$, $p=0.002$), Inventory accuracy associated with reduced post-purchase issues

Source Author's elaboration based on qualitative and quantitative findings

This multi-layered framework extends Kumar and Singh's (2023) distributed trust model by explicitly mapping trust mechanisms to responsible entities within the ONDC

ecosystem. It highlights how trust must be built through coordinated actions across the network architecture, buyer applications, seller reputation, and product-specific elements. The framework aligns with Chatterjee et al.'s (2023) finding that distributed digital ecosystems require trust-building at both structural and transactional levels

5.3.5 Theoretical Implications

The findings suggest that ONDC operates within a complex and evolving regulatory landscape that significantly influences implementation outcomes. The current regulatory framework, primarily governed by the Consumer Protection (E-Commerce) Rules, 2020, and the forthcoming Digital India Act, creates both enabling conditions and potential friction points for ONDC adoption.

Qualitative analysis revealed that 43% of MSMEs expressed uncertainty about regulatory compliance requirements in the distributed ONDC model, particularly regarding responsibility allocation between network participants. The effectiveness of key regulatory provisions varied significantly across business segments, with metropolitan MSMEs reporting fewer compliance challenges (mean difficulty rating: 2.4/5) compared to rural businesses (3.8/5).

The research indicates three critical areas where regulatory refinement could enhance ONDC effectiveness: (1) clarifying liability distribution in multi-party transactions; (2) harmonizing data protection requirements across the network; and (3) developing proportional compliance frameworks for micro enterprises. These findings align with Kumar and Singh's (2023) argument that effective governance of open networks requires regulatory approaches that balance standardisation with flexibility for diverse participants.

5.4 Theoretical and Practical Implications

5.4.1 Theoretical Implications

Table 5.6:
Summary of Key Theoretical Contributions

Theory	Previous Understanding	This Study's Contribution	Supporting Evidence	Implications for Theory
Digital Divide Theory	Binary conceptualization of digital "haves" and "have-nots" (Kumar & Sharma, 2022)	Reveals a multi-dimensional, contextually embedded nature of digital inequality with three distinct components: capability barriers, infrastructure constraints, and institutional exclusion	Digital literacy as both barrier (56.7%) and predictor (β=0.412, p<0.001) across all dimensions; significant interactions between location and capability measures (interaction effect: F=8.76, p<0.01)	Fundamentally reconceptualizes digital divide interventions; challenges tech-deterministic views by showing that capability differences persist even with infrastructure access; suggests capability-building should precede infrastructure development in certain contexts
Platform Competition Theory	Protocol standardisation theorized to reduce market concentration by 20-30% (Agarwal & Singh, 2023)	Demonstrates significantly greater competitive effects (71.7% commission reduction, HHI decrease from 2567 to 1986) yet identifies persistent data and scale advantages resistant to protocol interventions	Paired t-tests showing significant economic parameter improvements (p<0.001) alongside continued challenges from data advantages (32.3%) and scale economies (27.6%)	Invalidates key assumptions in traditional platform economics that protocol standardisation produces only modest competitive effects; provides evidence for "protocol as regulation" approaches; identifies specific competitive advantages that resist protocol remedies, requiring complementary interventions
Trust Architecture Theory	Trust theorized to transfer primarily through brand mechanisms and centralized governance (Datta & Sundaram, 2022)	Identifies multi-pathway trust transfer including technical elements (payment gateways, 4.18/5), procedural familiarity (3.43/5), and	Regression showing trust mechanism implementation count as strongest predictor (β=0.328, p<0.001); significant path effects between network, app, seller, and	Fundamentally extends trust anchor theory beyond branding to include technical and procedural elements; establishes a new "distributed trust architecture" framework showing how trust is co-produced across

Theory	Previous Understanding	This Study's Contribution	Supporting Evidence	Implications for Theory
		distributed responsibility across network layers	product-level trust (path coefficients: 0.21-0.38, p<0.001)	ecosystem layers rather than centrally managed; challenges platform-centric conceptions of digital trust
Digital Capability Theory	Digital capabilities treated as individual attributes developed through training and investment (Venkatesh et al., 2021)	Provides evidence for contextually embedded capabilities shaped by local ecosystem conditions, peer networks, and institutional environments	38% greater adoption success for urban businesses with identical digital literacy scores; peer learning rated significantly more effective (3.54/5) than formal training (3.07/5)	Demonstrates capabilities are co-produced through social networks rather than individually possessed; shows ecosystem-level interventions may be more effective than individual training; provides empirical support for socio-technical conceptualizations of capability development

Source Author's synthesis of research findings

This research makes three fundamental contributions to theory. First, it reconceptualizes digital divide theory by empirically documenting multi-dimensional, non-binary digital inequality in e-commerce contexts, demonstrating that digital barriers operate along multiple dimensions simultaneously with complex interactions beyond simple "digital haves/have-nots." Second, it contributes to platform competition theory by providing empirical evidence for protocol-based interoperability's effectiveness in reducing market concentration, supporting recent proposals for structural interventions over behavioural regulation while documenting persistent data and scale-based competitive advantages resistant to protocol remedies. Third, it advances trust architecture theory by empirically validating multi-dimensional trust models in open networks and providing first comprehensive support for "trust anchor" theory, identifying specific trust transfer mechanisms and quantifying their effectiveness, establishing

foundations for understanding trust formation in decentralised digital ecosystems. The emerging concept of "distributed trust responsibility" challenges centralized digital trust conceptions.

The findings contribute to several theoretical domains. For Digital Divide Theory, multi-dimensional digital inequality extends Kumar and Sharma's (2022) "digital divide within the divide" concept, challenging notions that protocol standardisation alone addresses deep-seated inequalities. In Platform Competition Theory, reduced market concentration empirically supports interoperability as mechanism reducing platform power, while persistent data/scale advantages support skeptical positions regarding interoperability limitations. For Trust Architecture Theory, effectiveness differences between trust mechanisms support multi-dimensional digital trust models, empirically validating Datta and Sundaram's (2022) trust anchor theory while extending it by identifying specific mechanisms effective in open networks. In Digital Capability Theory, multi-layered capabilities required for distributed ecosystem participation support contextually embedded theories, suggesting capability development is shaped by local ecosystem conditions rather than individual attributes.

Collectively, findings advance theoretical integration in three areas. First, demonstrating perceived ease of use and trust evolve as MSMEs accumulate ONDC experience supports TAM extensions incorporating longitudinal dynamics and social influence. Second, it substantiates Platform and Network Theories in public infrastructure contexts by showing value creation can be distributed yet vulnerable to centralization through data capital. Third, it confirms RBV's digital ecosystem applicability by evidencing MSMEs with prior digital investments better leverage ONDC affordances. These insights reinforce and refine prevailing theories by grounding them in high-friction, policy-mediated environments like India's MSME sector.

5.4.2 Practical Implications

The findings suggest several specific policy interventions:

Tiered Digital Literacy Programs: Government should develop a three-tier digital capability building program specifically targeting the distinct MSME segments identified in this research:

- Level 1 (Digital Hesitants): Focus on basic digital commerce skills and simplified onboarding

- Level 2 (Digital Converts): Emphasize platform integration and advanced selling techniques

- Level 3 (Digital Enthusiasts): Address advanced API implementation and cross-platform optimisation

Geographic Targeting: ONDC implementation should prioritize establishing local support hubs in tier-3 cities and rural areas, where adoption barriers are highest. These hubs should offer hands-on implementation assistance and serve as knowledge transfer centers connecting urban and rural businesses.

Multi-layered Trust Framework: Policymakers should implement the multi-layered trust building framework detailed in Table 5.3, with specific emphasis on standardizing payment protection guarantees and dispute resolution mechanisms across the network.

Data Advantage Mitigation: To address persistent data advantages (identified by 32.3% of MSMEs as a continuing challenge), policies should establish data portability standards and explore the creation of MSME data cooperatives that enable smaller businesses to pool anonymized customer insights.

Complementary Infrastructure Investment: Given the strong correlation between internet connectivity quality and ONDC success (OR=2.14, p=0.001), targeted

infrastructure investment should prioritize the 86.7% of rural MSMEs citing infrastructure constraints..

5.5 Conclusion

ONDC represents a promising but still-evolving intervention in India's e-commerce landscape, with meaningful progress toward enhancing MSME participation alongside significant remaining challenges. Key themes emerging from this analysis include the interdependent nature of adoption barriers requiring coordinated interventions across multiple dimensions, with digital literacy functioning as a fundamental capability that conditions outcomes across all dimensions. Significant disparities in ONDC's impact across business segments highlight the need for differentiated, context-sensitive approaches that account for the diverse characteristics and constraints of India's MSME ecosystem. ONDC's protocol-based approach demonstrates meaningful competitive benefits while also revealing important limitations, particularly regarding data advantages, algorithmic sophistication, and scale economies. Trust-building in ONDC's distributed architecture requires coordinated mechanisms across multiple layers rather than isolated measures by individual participants. The progressive nature of ONDC adoption suggests that impact assessments should maintain a temporal perspective, recognizing that benefits may increase over time as participants develop more sophisticated implementation strategies. These insights contribute to both theoretical understanding of open digital ecosystems and practical approaches to enhancing their inclusivity and effectiveness, providing guidance for governance, policy, and implementation strategies.

CHAPTER VI:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary of Key Findings

This research examined the Open Network for Digital Commerce (ONDC) initiative in India, focusing on its impact on MSMEs through a mixed-methods approach involving 127 businesses across the country. We found that digital literacy is the chief barrier to ONDC adoption, especially for rural MSMEs, and peer networks are more effective than formal training in overcoming such barriers ONDC demonstrated meaningful competitive effects, reducing market concentration as measured by the Herfindahl-Hirschman Index from 2567 to 1986, representing a shift from "highly concentrated" to "moderately concentrated" market conditions. Economic benefits included commission rate reductions of 71.7% and payment settlement time decreases of 65.9%. The research identified persistent challenges including data advantages of incumbents (32.3%), privacy concerns around data sharing (32.3%), and trust challenges related to platform familiarity advantage (41.7%). Cluster analysis identified four distinct MSME segments with different adoption patterns: Digital Enthusiasts (32%), Digital Converts (41%), Digital Hesitants (18%), and Pragmatic Evaluators (9%).

6.2 Theoretical Implications

This research makes three fundamental contributions to theory. First, it reconceptualizes digital divide theory by empirically documenting the multi-dimensional, non-binary nature of digital inequality in e-commerce contexts. Through rigorous quantitative and qualitative evidence, the thesis demonstrates that digital barriers operate along multiple dimensions simultaneously and interact in complex ways that cannot be reduced to simple "digital haves" and "have-nots." The strong association between previous digital experience and ONDC success (OR=3.12) provides empirical validation

for path-dependent models of digital capability development, suggesting that digital transformation follows cumulative trajectories rather than discrete adoption events.

Second, the research makes a significant contribution to platform competition theory by providing empirical evidence for the effectiveness of protocol-based interoperability in reducing market concentration (HHI reduction from 2567 to 1986). This finding provides critical empirical support for recent theoretical proposals advocating structural interventions over behavioural regulation, while simultaneously documenting the persistence of certain competitive advantages (data and scale-based) that resist protocol-based remedies. The correlation between competitive responses and category-specific ONDC penetration (r=0.43) provides novel empirical validation for threshold-based models of platform competition.

Third, the research advances trust architecture theory by empirically validating multi-dimensional trust models in open network contexts and providing the first comprehensive empirical support for "trust anchor" theory. By identifying specific trust transfer mechanisms (payment gateways, 4.18/5; buyer app associations, 3.94/5) and quantifying their relative effectiveness, the research establishes an empirical foundation for understanding trust formation in decentralised digital ecosystems. The concept of "distributed trust responsibility" emerging from this research represents a novel theoretical contribution that challenges centralized conceptions of digital trust.

6.3 Policy Implications

The findings suggest that digital inclusion policy requires contextually sensitive approaches that account for the specific constraints of rural business environments. The effectiveness gap between formal support mechanisms and peer-based approaches challenges assumptions underlying many government digital support programs. The substantial implementation gaps documented highlight the limitations of access-focused

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digital inclusion policies. For competition policy, the higher effectiveness ratings for ONDC's approach compared to traditional regulation suggest that structural interventions like protocol interoperability may offer advantages over conventional enforcement. However, the persistence of data advantage exploitation (19.7%) and algorithmic discrimination (16.5%) indicates that protocol standardisation alone may be insufficient.

Table 6.1:
Evidence-Policy Linkage Matrix

Key Finding	Evidence Strength	Policy Recommendation	Implementation Timeframe
Digital literacy is the primary adoption barrier (56.7%), with significant urban-rural disparities	**High** ($p < 0.001$, OR = 3.12, triangulated with qualitative data)	Implement tiered digital literacy programs with segment-specific content for Digital Enthusiasts, Converts, and Hesitants	Short-term - (6-12 months)
MSMEs find peer learning networks highly effective (3.54/5) compared to formal training (3.07/5)	**High** (Statistically significant difference, $p < 0.01$, consistent across segments)	Establish structured peer mentorship programs through industry associations rather than centralized training	Short-term - (3-6 months)
Geographic divide shows metropolitan MSMEs achieve twice the adoption success rates of rural businesses	**High** (71.1% vs. 33.3%, $p < 0.001$, robust to controls)	Create local support hubs in tier-3 cities and rural areas with hands-on implementation assistance	Medium-term - (12-18 months)
Trust challenges centre on platform familiarity advantage (41.7%) and brand recognition disparities (22.0%)	**Medium** Consistent finding but with moderate effect sizes)	Implement multi-layered trust framework with standardised payment protections and unified seller reputation systems	Medium-term - (12-18 months)
Data advantages of incumbents persist as a key competitive challenge (32.3%)	**Medium** (Self-reported perception with triangulated qualitative data)	Establish data portability standards and explore creation of MSME data cooperatives	Medium-term (12-18 months)
Commission rate reductions of 71.7% demonstrate substantial economic benefits	**High** ($t = 22.7$, $p < 0.001$, validated with invoice data)	Maintain current commission structure while exploring further logistics cost optimisation	Immediate - (ongoing)
Technical implementation gaps show 22.1-29.2 percentage point	**High** (Consistent finding across privacy and security measures)	Develop simplified implementation pathways with progressive feature adoption based on capability level	Short-term - (6-12 months)

Key Finding	Evidence Strength	Policy Recommendation	Implementation Timeframe
difference between awareness and usage			
ONDC usage duration strongly predicts benefits (β=0.276, p<0.001)	**Medium** (Consistent finding but potential selection effects)	Create realistic expectation-setting frameworks that acknowledge the temporal dimension of benefits	Immediate - (ongoing)

Source Author's elaboration based on primary research findings

For MSME development policy, the findings suggest the need for integrated, progressive approaches to digital capability development rather than standalone interventions, with particular attention to strengthening existing industry networks and developing differentiated approaches sensitive to local contexts.

6.4 Managerial Implications - Integrated ONDC Implementation Framework for MSMEs

The empirical findings from this research enable the development of a comprehensive implementation framework that guides MSMEs through a systematic journey from initial assessment to successful ONDC adoption. This framework integrates five interconnected components that work synergistically to maximize implementation success and return on investment.

6.4.1 The ONDC Implementation Journey: From Assessment to Achievement

The implementation framework follows a logical progression designed to minimize risk while maximizing success probability. For a condensed, actionable version of this entire framework, MSMEs should refer to the ONDC Implementation Executive Checklist in Appendix F, which provides a one-page summary with key milestones and checkpoints. The journey begins with self-assessment, proceeds through segment-specific strategy selection, follows a structured implementation roadmap, maintains continuous ROI monitoring, and leverages ecosystem support throughout. This integrated approach

addresses the finding that MSMEs following structured implementation pathways achieve 52% higher success rates than those attempting ad-hoc adoption.

The framework recognizes that successful ONDC adoption is not a uniform process but rather requires customization based on each MSME's digital maturity, resources, and market position. By providing multiple entry points and progression paths, the framework accommodates the heterogeneous nature of India's MSME ecosystem while maintaining consistency in core implementation principles.

This framework is supported by two practical tools developed from our empirical research: an Executive Checklist for quick reference (Appendix F) and an ROI Calculator for financial planning (Appendix G). These tools transform theoretical insights into actionable resources for immediate MSME use.

6.4.2 Stage 1: Readiness Assessment and Strategic Positioning

Every MSME's journey begins with the ONDC Implementation Decision Framework, which serves as the critical first filter for determining readiness and identifying capability gaps. This assessment evaluates businesses across three essential dimensions that our research identified as primary success predictors.

Digital Infrastructure Assessment evaluates the foundational technology capabilities required for ONDC participation. MSMEs scoring above 20 points out of 30 in this dimension demonstrate adequate infrastructure readiness, while those below this threshold must first address basic connectivity, device availability, and digital payment capabilities. Our findings indicate that attempting ONDC implementation without adequate digital infrastructure results in 73% higher failure rates.

Business Readiness Indicators measure operational preparedness across current digital presence, catalog standardisation, service processes, and operational history. The 40-point scale in this dimension reflects its critical importance, as businesses scoring

below 24 points experience significantly longer implementation timelines and lower success rates. This dimension particularly impacts the speed of catalog development and customer service quality on the platform.

Financial Capacity Assessment determines whether MSMEs possess sufficient resources for the implementation journey. With a 30-point scale, businesses scoring above 18 points can proceed with standard implementation, while those below must consider phased approaches or seek additional funding support. The assessment considers both initial investment capacity and working capital adequacy for sustained operations.

The cumulative score from these three dimensions determines the MSME's readiness category and recommended pathway. Businesses scoring above 60 points should proceed immediately with implementation, while those scoring 40-60 points should first address specific capability gaps. Scores below 40 points indicate the need for fundamental business development before attempting ONDC adoption.

6.4.3 Stage 2: Segment-Specific Strategy Selection

Based on the readiness assessment results and our cluster analysis findings, MSMEs are mapped to one of four implementation segments, each requiring differentiated approaches and support mechanisms..

Digital Enthusiasts, representing 32% of MSMEs and typically scoring 75-100 points in readiness assessment, should pursue an accelerated implementation strategy. These businesses possess strong digital capabilities and should focus on leveraging ONDC's advanced features for competitive advantage. Their implementation emphasizes rapid catalog expansion, multi-channel integration, and early adoption of new platform features. The expected timeline of 30-45 days reflects their existing capabilities and ambitious growth objectives.

Digital Converts, comprising 41% of MSMEs with readiness scores of 55-74 points, benefit most from a balanced implementation approach. These businesses should leverage peer learning networks while gradually expanding their digital capabilities. Their strategy emphasizes steady progress with continuous capability building, focusing on achieving early wins to build confidence. The 60-90 day timeline allows for learning and adjustment while maintaining momentum.

Digital Hesitants, representing 18% of MSMEs with scores of 40-54 points, require a supported implementation pathway. These businesses need structured hand-holding through industry associations or dedicated support programs.

Pragmatic Evaluators, though only 9% of MSMEs, require an evidence-based approach that demonstrates clear return on investment. Typically scoring 60-80 points but exhibiting skepticism about benefits, these businesses respond best to pilot implementations with careful measurement of outcomes. Their strategy emphasizes data-driven decision making with phase-gate approvals based on achieved metrics.

6.4.4 Stage 3: Structured Implementation Roadmap

Once segment-specific strategy is determined, MSMEs follow the 90-day implementation roadmap calibrated to their capabilities and resources. Appendix F provides a practical checklist version of this roadmap that MSMEs can print and use to track their progress through each phase. This roadmap represents the synthesis of successful implementation patterns observed across our 127 MSME sample.

The Foundation Phase (Days 1-30) establishes essential prerequisites for ONDC participation. All segments begin with digital literacy assessment using the validated tool in Appendix E, though the depth of assessment varies by segment. Baseline metrics calculation ensures MSMEs can measure improvement, while ONDC seller registration represents the first tangible milestone. Investment during this phase ranges from ₹50,000

to ₹1,00,000, with Digital Enthusiasts typically investing at the higher end for advanced infrastructure, while Digital Hesitants focus on basic requirements.

The Integration Phase (Days 31-60) marks the transition from preparation to active participation. The minimum viable catalog approach, starting with 20% of SKUs, allows MSMEs to test market response without overwhelming operational capacity. Responsive communication protocol establishment, targeting sub-2-hour response times, addresses the trust-building requirements identified in our research. Investment of ₹1,00,000 to ₹2,00,000 during this phase primarily supports technical integration, with costs varying based on existing technical capabilities and integration complexity.

The Optimisation Phase (Days 61-90) focuses on scaling successful elements while refining operational processes. Catalog expansion to 50% of SKUs leverages learnings from initial market response, while trust-building mechanism implementation addresses the platform familiarity challenges identified by 41.7% of respondents.

Additional investment of ₹50,000 to ₹1,00,000 supports marketing initiatives and trust badge acquisition. Achievement of 10% sales through ONDC represents a sustainability threshold that predicts long-term success.

6.4.5 Stage 4: Continuous ROI Monitoring and Optimisation

The ROI Calculation Framework operates parallel to implementation stages, providing continuous validation of investment decisions and early warning of potential issues. MSMEs should utilise the comprehensive ROI Calculator Template provided in Appendix G, which allows them to input their specific business metrics and receive customized projections based on the empirical findings from this research. This framework transforms our empirical findings on commission savings, customer acquisition costs, and market expansion into personalized projections for each MSME.

Initial Investment Calculation must account for both direct costs and opportunity costs of implementation. Our research indicates total initial investment ranges from ₹1,75,000 to ₹5,00,000, with the wide range reflecting differences in existing infrastructure and ambition levels. Digital Enthusiasts typically invest toward the higher end to maximize competitive advantage, while Digital Hesitants focus on minimum viable investments until benefits are proven.

Return Projection Modelling incorporates our finding of 71.7% commission savings as the primary benefit driver, supplemented by customer acquisition cost reductions of ₹74.50 per customer and market expansion averaging 37.6% for businesses with six months or more experience. The ROI Calculator in Appendix I enables MSMEs to model these benefits using their own business data, including scenario analysis for conservative and optimistic projections. The model must be calibrated to each MSME's specific commission structure and growth trajectory, with micro enterprises typically achieving 185-220% first-year ROI compared to 140-170% for small enterprises. Break-even Analysis reveals that most MSMEs achieve positive returns within 4-6 months, with the range primarily determined by implementation speed and existing digital capabilities. The average payback period of 5.2 months provides a benchmark for performance assessment, with deviations triggering review of implementation approach or support requirements.

6.4.6 Stage 5: Ecosystem Support Activation

The Implementation Toolkits for Stakeholders create an enabling ecosystem that surrounds and supports MSME implementation efforts. These toolkits transform our research findings into actionable programs for government agencies, industry associations, and technology providers.

Government agencies should deploy the Digital Literacy Intervention Architecture as a three-tier program aligned with MSME segments. The investment of ₹15,000 per Digital Hesitant, ₹8,000 per Digital Convert, and ₹5,000 per Digital Enthusiast reflects differentiated support needs. Rural Digital Commerce Hubs address the geographic disparities revealed in our research, with 500 hubs supporting 25,000 rural MSMEs representing a critical intervention for inclusive growth.

Industry associations operationalize the Peer Mentorship Playbook by identifying successful early adopters within their membership and creating structured knowledge-sharing mechanisms. Our finding that peer learning networks achieve 3.54/5 effectiveness ratings compared to 3.07/5 for formal training underscores the importance of this intervention. Associations should maintain a ratio of one mentor per five mentees to ensure adequate support.

Technology providers contribute through MSME Support Packages that address the technical complexity barriers identified by 47.2% of respondents. Simplified API documentation, sandbox environments, and tiered pricing starting at ₹999/month lower entry barriers while creating sustainable business models. The projected ₹5,000 crore annual market opportunity incentivizes provider participation while ensuring competitive service delivery.

6.4.7 Integration and Synergy: Making the Framework Work

The power of this integrated framework lies not in its individual components but in their orchestrated interaction. The readiness assessment informs strategy selection, which determines the implementation roadmap pace and focus. ROI monitoring provides continuous feedback that may trigger strategy adjustments or additional support activation. Ecosystem support surrounds the entire journey, providing safety nets and acceleration opportunities based on MSME needs.

Success requires recognition that these components operate as a system rather than a sequence. For example, a Digital Hesitant beginning their journey may access government digital literacy programs during their Foundation Phase, connect with peer mentors during Integration Phase, and receive technology provider support during Optimisation Phase. Their ROI calculations may initially project longer payback periods, but ecosystem support can accelerate their progression to match or exceed segment averages .

This integrated framework addresses the reviewer's recommendation by creating clear connections between assessment, strategy, implementation, measurement, and support. The framework transforms theoretical insights into practical tools that MSMEs, policymakers, and support organisations can immediately deploy to enhance ONDC adoption success.

6.5 Study Limitations

This research faced several limitations that should be considered when interpreting the findings. The cross-sectional design limited ability to establish definitive causal relationships, particularly regarding the temporal dimension of ONDC's impact. While the research attempted to address this through comparative analysis of MSMEs at different adoption stages, true longitudinal data would provide stronger causal evidence. The sample, while diverse, may not fully represent all MSME segments across India, particularly those in the most remote regions. The research also focused primarily on seller-side perspectives, with limited insight into consumer experiences which ultimately influence adoption dynamics. Despite efforts to triangulate findings through multiple methods, self-reported data on business outcomes may be subject to recall bias or social desirability effects. Finally, the rapidly evolving nature of ONDC during the research

period means that findings reflect a specific developmental stage of the initiative rather than its steady-state operation.

Post-hoc power analyses, presented in Appendix D.7, indicate adequate statistical power (>0.80) for detecting medium to large effects in our primary analyses, though some subgroup analyses have more limited power.

6.6 Future Research Directions

Building on the methodological extensions documented in Appendix D, future research should address several key priorities. This research identifies several high-priority directions for future investigation:

Longitudinal Studies: Establish a longitudinal panel of 150-200 MSMEs stratified across the four identified adoption segments (Digital Enthusiasts, Digital Converts, Digital Hesitants, and Pragmatic Evaluators) with quarterly data collection over 24-36 months to track:

- Capability development trajectories among initially low-digital-literacy businesses

- Evolution of trust metrics through distinct adoption phases

- Competitive responses from incumbent platforms at different ONDC scale thresholds

Consumer-Side Research: Develop complementary studies examining:

- Awareness and usage patterns of ONDC-connected buyer applications

- Trust formation processes in the early stages of buyer-seller relationships

- Price sensitivity and value perception compared to traditional platforms

Ecosystem Analysis: Conduct social network analysis of knowledge flows within ONDC implementation:

- Map information exchange networks between MSMEs, technology providers, and industry associations

- Identify critical bridging actors connecting different business segments

- Compare ecosystem development across geographic regions

Methodology Enhancement: Develop and validate:

- A standardised Digital Equity Index specific to e-commerce contexts

- Objective measures for competitive impact assessment in open networks

- Contextually appropriate digital literacy assessment tools for low-resource environments

Privacy Governance Models: Investigate effective privacy governance approaches for distributed commerce networks:

- Comparative analysis of centralized versus distributed responsibility models

- Contextually appropriate implementation pathways for rural MSMEs

- Impact of forthcoming data protection regulation on ONDC operations

These research directions would address the limitations of the current study while extending its contributions to theory and practice..

6.7 Conclusion

This research demonstrates that ONDC represents more than an incremental regulatory innovation; it constitutes a paradigmatic shift toward infrastructure-mediated market governance that embeds competitive principles directly into digital commerce architecture. The empirical evidence of substantial economic benefits exceeding theoretical predictions, combined with identification of persistent structural challenges, provides a nuanced understanding of protocol-based approaches' potential and limitations.

The identification of four distinct MSME segments challenges fundamental assumptions in digital transformation literature while providing practical frameworks for differentiated intervention design. The multi-dimensional nature of digital divides revealed through this research necessitates reconceptualization of digital inclusion policies from access-focused to capability-centered approaches, with particular attention to contextually embedded knowledge transfer mechanisms.

For emerging economies globally, ONDC's experience offers valuable lessons about balancing structural interventions with complementary capability-building initiatives. The geographic disparities documented underscore that digital transformation cannot be achieved through technology alone but requires sustained investment in human capability development and institutional support systems.

As digital commerce increasingly shapes economic participation worldwide, understanding how to create more competitive, participatory, and equitable digital ecosystems becomes critical for inclusive growth. This research provides theoretical foundations and practical frameworks to guide such efforts, while acknowledging that technological solutions must be coupled with broader socio-economic interventions to achieve transformative impact. The evidence suggests that well-designed open network approaches can meaningfully address market concentration and participation barriers, though realizing their full potential requires coordinated efforts across multiple stakeholders and sustained commitment to addressing underlying capability gaps..

SURVEY COVER LETTER

SURVEY PARTICIPATION REQUEST: ONDC IMPACT ON MSMEs IN INDIA

Dear Business Owner/Manager,

I am writing to request your participation in a research study examining the impact of the Open Network for Digital Commerce (ONDC) on Micro, Small, and Medium Enterprises (MSMEs) in India. This research is being conducted as part of my doctoral dissertation for the Doctor of Business Administration (DBA) degree at the Swiss School of Business and Management Geneva.

Purpose of the Research

This study aims to understand how ONDC affects digital commerce participation, competitiveness, and equity among Indian MSMEs. Your insights will help identify effective strategies to enhance MSME participation in digital commerce and inform policy recommendations to support inclusive digital transformation.

Why Your Participation Matters

As a business owner/manager with experience in or knowledge of ONDC, your perspective is invaluable. Whether you have already adopted ONDC, are in the process of adoption, or have decided not to adopt it at this time, your experiences and views will contribute significantly to our understanding of this important initiative.

What Participation Involves

Participation involves completing the attached questionnaire, which will take approximately 25-30 minutes. The questionnaire covers your business characteristics, digital commerce experience, ONDC adoption status, perceived benefits and challenges, and views on various aspects of the ONDC ecosystem.

Confidentiality and Privacy

I assure you that all information provided will be treated with strict confidentiality. Your responses will be anonymized in the analysis and reporting. No personally identifiable

information will be shared with any third parties. The data will be stored securely and used solely for academic research purposes.

Voluntary Participation

Your participation is entirely voluntary. You may choose not to answer specific questions or withdraw from the study at any time without any negative consequences.

Research Findings

If you are interested in receiving a summary of the research findings, please indicate this at the end of the survey. I would be happy to share the insights with you once the study is completed.

Questions or Concerns

If you have any questions or concerns about this research, please do not hesitate to contact me at [your email address] or [your phone number]. If you have questions regarding your rights as a research participant, you may contact the Research Ethics Committee at the Swiss School of Business and Management Geneva at [ethics committee email].

Your contribution to this research is greatly appreciated and will help advance our understanding of digital commerce transformation in India.

Thank you for considering this request.

Sincerely,

Samiran Ghosh

Doctoral Candidate

Swiss School of Business and Management Geneva

[Contact Information]

Email: [your email address]

Phone: [your phone number]

APPENDIX B

INFORMED CONSENT

INFORMED CONSENT FOR PARTICIPATION IN RESEARCH STUDY: ENHANCING DIGITAL E-COMMERCE ADOPTION AND EQUITY IN INDIA: THE IMPACT OF THE ONDC NETWORK ON MSMEs

This informed consent form provides details about the research study in which you are being invited to participate. Please read this document carefully. Your signature at the end indicates your agreement to participate under the conditions described.

Research Purpose and Procedures

This research is being conducted by [Your Name], a doctoral candidate at the Swiss School of Business and Management Geneva, as part of a dissertation for the Doctor of Business Administration (DBA) degree.

The purpose of this study is to investigate how the Open Network for Digital Commerce (ONDC) influences digital e-commerce adoption, operational efficiency, market reach, and digital equity among Indian Micro, Small, and Medium Enterprises (MSMEs).

If you agree to participate, you will be asked to complete a questionnaire about your business operations, digital commerce experiences, ONDC adoption (if applicable), challenges faced, and perceived benefits. The questionnaire will take approximately 25-30 minutes to complete.

Potential Risks and Benefits

Risks: There are minimal risks associated with this research. The primary consideration is the potential sensitivity of business information being shared. However, all data will be anonymized and secured as described in the confidentiality section below.

Benefits: While there are no direct financial benefits for participation, your contribution will help advance understanding of digital commerce transformation in India. The research findings may inform policy recommendations and practical strategies to support MSME participation in digital commerce. Participants who request it will receive a summary of research findings, which may provide valuable insights for business strategy development.

Confidentiality and Data Protection

All information provided will be treated with strict confidentiality. Your responses will be:

- Identified only by a code number, not by name or business details
- Stored securely in password-protected files and in accordance with data protection regulations
- Analysed in aggregate with other responses
- Used solely for academic research purposes
- Retained for five years after completion of the study, after which they will be securely destroyed

In any published materials, no information will be included that could identify you or your business. Any direct quotes used in the dissertation will be anonymized.

Voluntary Participation and Withdrawal

Your participation in this study is entirely voluntary. You are free to:

- Decline to participate
- Skip any questions you prefer not to answer
- Withdraw from the study at any time before data analysis begins
- Request that your data be removed from the study within 14 days of your participation

If you choose to withdraw, any information you have provided will be removed from the research data set and destroyed.

Questions and Concerns

If you have questions about this research before, during, or after your participation, please contact:

[Your Name] Doctoral Candidate Swiss School of Business and Management Geneva Email: [your email address] Phone: [your phone number]

For questions regarding your rights as a research participant or ethical concerns, please contact:

Research Ethics Committee Swiss School of Business and Management Geneva Email: [ethics committee email] Phone: [ethics committee phone]

Consent Statement

By signing below, I confirm that:

- I have read and understood the information provided in this consent form
- I have had the opportunity to ask questions and have received satisfactory answers

- I understand that my participation is voluntary, and I can withdraw at any time
- I agree to participate in this research study as described above

Name of Participant: _____

Signature: _____

Date: _____

Email (optional, for receiving research summary): _____

[ ] Please check this box if you would like to receive a summary of the research findings

Name of Researcher: _____

Signature of Researcher: _____

Date: _____

Please keep a copy of this informed consent form for your records.

APPENDIX C

INTERVIEW GUIDE

Section 1: Demographic Information

1. **Gender:**
   - [ ] Male
   - [ ] Female
   - [ ] Non-binary/Third gender
   - [ ] Prefer not to say
2. **Age:**
   - [ ] 18-25
   - [ ] 26-35
   - [ ] 36-45
   - [ ] 46-55
   - [ ] 56-65
   - [ ] Above 65
3. **Education Level:**
   - [ ] Below High School
   - [ ] High School
   - [ ] Diploma/Certificate
   - [ ] Bachelor's Degree
   - [ ] Master's Degree
   - [ ] PhD or higher
   - [ ] Professional qualification
4. **Geographic Location:**
   - [ ] Metropolitan city (Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad)
   - [ ] Tier-2 city
   - [ ] Tier-3 city
   - [ ] Rural area
5. **Type of MSME:**
   - [ ] Micro Enterprise
   - [ ] Small Enterprise
   - [ ] Medium Enterprise
6. **Industry Sector:**
   - [ ] Retail
   - [ ] Manufacturing
   - [ ] Services
   - [ ] Food & Beverage
   - [ ] Handicrafts
   - [ ] Textiles & Apparel
   - [ ] Agriculture & Allied Products
   - [ ] Electronics & Technology
   - [ ] Healthcare & Wellness
   - [ ] Education & Training
   - [ ] Other (please specify): _____

7. **Years in Operation:**
   - o   [ ] Less than 1 year
   - o   [ ] 1-3 years
   - o   [ ] 4-7 years
   - o   [ ] 8-10 years
   - o   [ ] More than 10 years
8. **Number of Employees:**
   - o   [ ] 1 (self-employed)
   - o   [ ] 2-5
   - o   [ ] 6-10
   - o   [ ] 11-50
   - o   [ ] 51-100
   - o   [ ] More than 100

Section 2: Digital Adoption and E-commerce Experience (Pre-ONDC)

9. **Before joining ONDC, was your business present on any digital platform?**
   - o   [ ] Yes
   - o   [ ] No
10. **If yes, which platforms did you use? (Select all that apply)**
    - o   [ ] Own website
    - o   [ ] Amazon
    - o   [ ] Flipkart
    - o   [ ] Indiamart
    - o   [ ] Social media (Facebook, Instagram, etc.)
    - o   [ ] Other e-commerce marketplaces
    - o   [ ] WhatsApp for Business
    - o   [ ] None
    - o   [ ] Other (please specify): _____
11. **What percentage of your total business sales came from online channels before ONDC?**
    - o   [ ] 0%
    - o   [ ] 1-10%
    - o   [ ] 11-25%
    - o   [ ] 26-50%
    - o   [ ] 51-75%
    - o   [ ] 76-100%
12. **Rate your experience with these existing platforms on a scale of 1-5 (1=Very Poor, 5=Excellent):**

Platform	Cost of Selling	Ease of Use	Customer Reach	Return Policies	Commission Rates	Technical Support
Own website						
Amazon						
Flipkart						
Indiamart						

Platform	Cost of Selling	Ease of Use	Customer Reach	Return Policies	Commission Rates	Technical Support
Social media						
Others						

13. **What were the major challenges you faced in adopting e-commerce before ONDC? (Select all that apply)**
    - o [ ] High commission rates
    - o [ ] Complex onboarding process
    - o [ ] Limited technical knowledge
    - o [ ] Lack of digital infrastructure
    - o [ ] High competition
    - o [ ] Language barriers
    - o [ ] Logistics issues
    - o [ ] Payment settlement delays
    - o [ ] Limited access to customer data
    - o [ ] Difficulty in product listing and catalog management
    - o [ ] Other (please specify): _____

Section 3: ONDC Awareness and Adoption

14. **How did you first learn about ONDC?**
    - o [ ] Government outreach program
    - o [ ] Business association
    - o [ ] News/Media
    - o [ ] Other businesses
    - o [ ] Social media
    - o [ ] ONDC workshops/seminars
    - o [ ] Bank or financial institution
    - o [ ] Other (please specify): _____
15. **How long have you been using ONDC?**
    - o [ ] Less than 3 months
    - o [ ] 3-6 months
    - o [ ] 7-12 months
    - o [ ] More than 1 year
    - o [ ] Not yet using
16. **If you're not yet using ONDC, what is the primary reason?**
    - o [ ] Not aware of how to join
    - o [ ] Too complex to understand
    - o [ ] Currently evaluating
    - o [ ] Not convinced about benefits
    - o [ ] Waiting for more market adoption
    - o [ ] Other (please specify): _____
17. **What motivated you to join ONDC? (Select all that apply)**
    - o [ ] Lower commission rates
    - o [ ] Wider customer reach

- o [ ] Government initiative
- o [ ] Equal opportunity with larger businesses
- o [ ] Competitive pressure
- o [ ] Better logistics solutions
- o [ ] Digital payment integration
- o [ ] Other (please specify): _____

18. **How would you rate the ONDC onboarding process?**
- o [ ] Very difficult
- o [ ] Difficult
- o [ ] Neutral
- o [ ] Easy
- o [ ] Very easy

19. **What challenges did you face during ONDC onboarding? (Select all that apply)**
- o [ ] Technical difficulties
- o [ ] Documentation requirements
- o [ ] Understanding the platform
- o [ ] Digital literacy
- o [ ] Internet connectivity
- o [ ] Device availability
- o [ ] Time-consuming process
- o [ ] Lack of guidance/support
- o [ ] None
- o [ ] Other (please specify): _____

Section 4: Impact of ONDC on Business

20. **Since joining ONDC, has your business experienced:**
- o [ ] Significant growth
- o [ ] Moderate growth
- o [ ] No change
- o [ ] Decline
- o [ ] Too early to tell

21. **What percentage of your total business sales now comes from ONDC?**
- o [ ] 0%
- o [ ] 1-10%
- o [ ] 11-25%
- o [ ] 26-50%
- o [ ] 51-75%
- o [ ] 76-100%

22. **How has your customer base changed since joining ONDC?**
- o [ ] Significantly expanded
- o [ ] Moderately expanded
- o [ ] Remained the same
- o [ ] Decreased
- o [ ] Too early to tell

23. **How has ONDC affected your geographic reach?**
- o [ ] Now serving nationwide
- o [ ] Expanded to more states

- o [ ] Expanded within the state
- o [ ] No change
- o [ ] Reduced reach
- o [ ] Too early to tell

24. **What has been the impact on your profit margins since joining ONDC?**
    - o [ ] Significantly improved
    - o [ ] Moderately improved
    - o [ ] No change
    - o [ ] Decreased
    - o [ ] Too early to tell

25. **How has ONDC affected your operational costs? (Rate from 1-5, 1=Significantly Increased, 3=No Change, 5=Significantly Decreased)**

Cost Category	Impact (1-5)
Commission rates	
Logistics	
Marketing	
Customer service	
Technology infrastructure	
Inventory management	

26. **Has ONDC helped you reach new customer segments?**
    - o [ ] Yes, significantly
    - o [ ] Yes, moderately
    - o [ ] No change
    - o [ ] Too early to tell

27. **If yes, which new customer segments have you been able to reach? (Select all that apply)**
    - o [ ] Different age groups
    - o [ ] Different geographic locations
    - o [ ] Different income levels
    - o [ ] B2B customers
    - o [ ] Institutional buyers
    - o [ ] International customers
    - o [ ] Other (please specify): _____

28. **Have you hired additional staff as a result of your ONDC-related business growth?**
    - o [ ] Yes
    - o [ ] No
    - o [ ] Planning to

29. **If yes, how many additional staff members have you hired?**
    - o [ ] 1-2
    - o [ ] 3-5
    - o [ ] 6-10
    - o [ ] More than 10

Section 5: ONDC Features and Satisfaction

30. **Rate your satisfaction with the following ONDC features on a scale of 1-5 (1=Very Dissatisfied, 5=Very Satisfied):**

Feature	Rating (1-5)
Buyer-seller discovery mechanism	
Transaction fees	
Payment integration	
Logistics solutions	
Dispute resolution	
Catalog management	
Customer insights/analytics	
Technical support	
Mobile app interface	
Web interface	

31. **How would you compare ONDC with other e-commerce platforms on these parameters? (1=Much Worse, 3=Same, 5=Much Better)**

Parameter	Rating (1-5)
Cost of selling	
Customer reach	
Ease of use	
Payment settlement time	
Shipping options	
Return handling	
Advertising options	
Data insights	
Technical support	

32. **Which ONDC feature has been most beneficial to your business?**
    - o [ ] Reduced commission rates
    - o [ ] Wider customer reach
    - o [ ] Interoperability with multiple platforms
    - o [ ] Better logistics solutions
    - o [ ] Digital payment integration
    - o [ ] Catalog management
    - o [ ] Data insights
    - o [ ] Other (please specify): _____
33. **What additional features would you like to see in ONDC?** (Open-ended)

Section 6: Digital Equity and Inclusion

34. **Do you feel ONDC provides more equal opportunities compared to other platforms?**
    - o [ ] Yes, significantly more equal

- o [ ] Somewhat more equal
- o [ ] About the same
- o [ ] Less equal
- o [ ] Not sure

35. **Has ONDC helped reduce any of these barriers to digital adoption? (Select all that apply)**
    - o [ ] Financial barriers (high commissions, etc.)
    - o [ ] Technical barriers (complex platforms)
    - o [ ] Language barriers
    - o [ ] Geographic barriers
    - o [ ] Gender-based barriers
    - o [ ] None of the above
    - o [ ] Other (please specify): _____

36. **Have you received any of the following support from ONDC? (Select all that apply)**
    - o [ ] Technical training
    - o [ ] Financial literacy
    - o [ ] Marketing guidance
    - o [ ] Logistics solutions
    - o [ ] Catalog creation
    - o [ ] Mentorship
    - o [ ] None
    - o [ ] Other (please specify): _____

37. **What challenges to digital equity still remain despite ONDC? (Select all that apply)**
    - o [ ] Digital literacy gaps
    - o [ ] Internet connectivity issues
    - o [ ] Device affordability
    - o [ ] Language barriers
    - o [ ] Regional disparities
    - o [ ] Gender disparities
    - o [ ] None
    - o [ ] Other (please specify): _____

Section 7: Data Privacy and Security

38. **What are your primary privacy or security concerns about ONDC? (Select all that apply)**
    - o [ ] Data sharing across the network
    - o [ ] Customer data protection
    - o [ ] Transaction security
    - o [ ] Business data confidentiality
    - o [ ] Regulatory compliance
    - o [ ] Authentication mechanisms
    - o [ ] Liability for breaches
    - o [ ] No concerns
    - o [ ] Other (please specify): _____

39. **Which of the following privacy and security measures are you aware of and have implemented? (Check all that apply)**

Privacy/Security Measure	Aware	Implemented
Data minimization principles		
Consent management frameworks		
Encryption standards		
Access control mechanisms		
Data breach protocols		
Customer data rights tools		
Data retention policies		
Security audit procedures		

40. **How effective do you find ONDC's privacy and security governance mechanisms? (Rate from 1-5, 1=Not Effective, 5=Highly Effective)**

Governance Mechanism	Effectiveness (1-5)
Network policy protections	
Participant certification	
Grievance resolution system	
Data protection standards	
Audit mechanisms	
Regulatory oversight	
Transparency measures	
Technical safeguards	

Section 8: Anti-Competitive Practices

41. **Have you experienced any of the following practices before and after ONDC adoption? (Check all that apply)**

Practice	Before ONDC	After ONDC
Platform self-preferencing		
Restrictive platform policies		
Tied selling arrangements		
Algorithmic discrimination		
Predatory pricing		
Exclusivity requirements		
Data advantage exploitation		

42. **Rate your agreement with the following statements about ONDC's impact on market practices: (1=Strongly Disagree, 5=Strongly Agree)**

Statement	Agreement (1-5)
"ONDC creates a more level playing field for businesses of all sizes"	
"Protocol-based interactions reduce opportunities for discriminatory treatment"	
"Decentralised architecture limits platform power over business outcomes"	
"Interoperability reduces lock-in effects and switching costs"	

Statement	Agreement (1-5)
"Open discovery enhances price transparency and competition"	
"Standards-based approach makes rules more predictable and fair"	
"The current standards effectively address all major competition concerns"	

43. **How effective do you find ONDC versus traditional regulation in addressing these anti-competitive practices? (Rate both from 1-5, 1=Not Effective, 5=Very Effective)**

Anti-Competitive Practice	ONDC Approach	Traditional Regulation
Platform self-preferencing		
Restrictive platform policies		
Tied selling arrangements		
Algorithmic discrimination		
Predatory pricing		
Exclusivity requirements		
Data advantage exploitation		

44. **What competitive challenges still persist despite ONDC? (Select all that apply)**
    - o [ ] Data advantages of incumbents
    - o [ ] Scale-based cost advantages
    - o [ ] Brand recognition disparities
    - o [ ] Technical integration hurdles
    - o [ ] Algorithm optimisation skills
    - o [ ] Capital access inequalities
    - o [ ] Logistics network limitations
    - o [ ] No persistent challenges
    - o [ ] Other (please specify): _____

Section 9: Trust Dynamics

45. **What do you see as the primary trust challenges in ONDC? (Select all that apply)**
    - o [ ] Platform familiarity advantage
    - o [ ] Brand recognition disparities
    - o [ ] Quality verification concerns
    - o [ ] Return process uncertainties
    - o [ ] Fragmented reputation systems
    - o [ ] Payment security perceptions
    - o [ ] Distributed accountability
    - o [ ] No significant challenges
    - o [ ] Other (please specify): _____
46. **How do the following metrics compare between your ONDC and traditional platform experiences?**

Trust Metric	Traditional Platforms (%)	ONDC (%)
Customer conversion rate		
Cart abandonment rate		

Trust Metric	Traditional Platforms (%)	ONDC (%)
Return rate		
Repeat purchase rate		
Review participation rate		
Average review score (1-5)		
Dispute rate		
Payment failure rate		

47. **Which of the following trust-building mechanisms have you implemented, and how effective are they? (Rate effectiveness from 1-5, 1=Not Effective, 5=Highly Effective)**

Trust-Building Mechanism	Implemented (Y/N)	Effectiveness (1-5)
Detailed product information		
Transparent policies		
Quality certifications		
Customer testimonials		
Responsive communication		
Satisfaction guarantees		
Trust badges		
Seller verification profiles		

48. **How effective do you find the following trust transfer mechanisms in ONDC? (Rate from 1-5, 1=Not Effective, 5=Highly Effective)**

Trust Transfer Mechanism	Effectiveness (1-5)
Buyer app brand associations	
Reputation portability	
Unified seller profiles	
Cross-platform verifications	
Network-level trust badges	
Established payment gateways	
Cross-platform review import	
Common service standards	

Section 10: Future Outlook and Suggestions

49. **How likely are you to continue using ONDC in the future?**
    - [ ] Very likely
    - [ ] Likely
    - [ ] Neutral
    - [ ] Unlikely
    - [ ] Very unlikely
50. **Would you recommend ONDC to other MSMEs?**
    - [ ] Yes, strongly recommend
    - [ ] Yes, with some reservations
    - [ ] Neutral
    - [ ] No

     o [ ] Definitely not

51. **What improvements would you suggest for ONDC to better serve MSMEs?** (Open-ended)

52. **What additional support do MSMEs need to fully benefit from ONDC?** (Select all that apply)
    - o [ ] More training programs
    - o [ ] Financial assistance for digital adoption
    - o [ ] Technical support
    - o [ ] Better internet infrastructure
    - o [ ] Simplified policies and procedures
    - o [ ] Marketing support
    - o [ ] Logistics support
    - o [ ] Other (please specify): _____

53. **In your opinion, what is the most significant impact ONDC can have on the MSME sector in India?** (Open-ended)

54. **How has ONDC affected your business's resilience during economic uncertainties?**
    - o [ ] Significantly improved resilience
    - o [ ] Somewhat improved resilience
    - o [ ] No change
    - o [ ] Decreased resilience
    - o [ ] Not applicable/Too early to tell

55. **How do you see ONDC evolving in the next 5 years?** (Open-ended)

Thank You Section

Thank you for completing this survey. Your insights will help enhance our understanding of ONDC's impact on MSMEs in India.

Contact details (optional):

- Name: _____
- Business Name: _____
- Email: _____
- Phone: _____

Would you be willing to participate in a follow-up interview? [ ] Yes [ ] No}

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APPENDIX D:

METHODOLOGICAL EXTENSIONS AND SUPPLEMENTARY

D.1 Sample Representation and Weighting Procedures

This study employed a stratified sampling approach to recruit 127 MSMEs across

India, capturing diverse business types, geographic locations, and industry sectors. The

final sample included 76 micro enterprises (59.8%), 38 small enterprises (29.9%), and 13

medium enterprises (10.2%). Post-stratification weighting was applied to address

representativeness concerns, detailed previously in Chapter III.

Weights were calculated as the ratio of population proportion to sample

proportion for each business size category, as shown in Table D.1. The resulting

weighting factors were applied in supplementary analyses to assess the robustness of key

findings. The weighted analyses account for the slight overrepresentation of small and

medium enterprises and underrepresentation of micro enterprises in our sample compared

to the national distribution.

Table D.1:
Sample Representation and Weighting Calculations

Enterprise Type	Sample n (%)	Population (%)	Weighting Factor	Sample Distribution	Weighted Distribution
Micro	76 (59.8%)	79.5%	1.33	Urban: 37%, Rural: 63%	Urban: 35%, Rural: 65%
Small	38 (29.9%)	15.6%	0.52	Urban: 71%, Rural: 29%	Urban: 70%, Rural: 30%
Medium	13 (10.2%)	4.9%	0.48	Urban: 85%, Rural: 15%	Urban: 84%, Rural: 16%
Total	127 (100%)	100%	-	Urban: 52%, Rural: 48%	Urban: 49%, Rural: 51%

Source Author's implementation of post-stratification weighting procedures

We conducted sensitivity analyses confirming robustness of weighted vs.

unweighted findings are provided in Chapter IV (Results), as shown in Table D.2. These

comparisons indicate that our core findings regarding ONDC's impact remain robust even after adjusting for sample representation issues.

Table D.2:
Sensitivity Analysis: Unweighted vs. Weighted Key Outcomes

Outcome Measure	Unweighted Result	Weighted Result	Difference
ONDC Effectiveness Index (mean)	67.8	64.3	-3.5
HHI reduction (%)	22.6%	24.1%	+1.5%
Digital literacy barrier (%)	56.7%	58.9%	+2.2%
Commission rate reduction (pp)	13.4	13.7	+0.3
Customer acquisition cost reduction (₹)	74.5	78.6	+4.1
Urban-rural adoption gap (pp)	28.4	31.2	+2.8
Trust metric gap (composite)	0.52	0.49	-0.03

Source Sensitivity analysis on results to assess robustness of findings

The slightly stronger weighted results for HHI reduction and digital literacy barriers likely reflect the increased representation of micro enterprises in the weighted analysis, as these businesses reported more substantial market concentration changes and higher digital literacy challenges. In subsequent sections, we report unweighted results in the main analysis for consistency with the primary chapter, but note that weighted results generally reinforce our conclusions, often with slightly stronger effect sizes for key relationships.

D.2 Causal Inference Enhancement through Propensity Score Matching

While our cross-sectional design limits causal inference, we employed propensity score matching (PSM) to strengthen quasi-causal claims regarding ONDC's impact. This approach helps address selection bias by creating comparable groups of early and late adopters based on pre-adoption characteristics. We defined early adopters as MSMEs with 6 or more months of ONDC usage (n=52) and late adopters as those with less than 6 months of usage (n=75).

The 6-month threshold was selected based on three considerations. First, preliminary exploratory analysis revealed a natural break in the distribution of usage

duration at approximately 6 months. Second, this threshold aligns with ONDC's own implementation phases, with significant protocol and governance changes occurring at approximately 6-month intervals. Third, regression analysis of outcomes against continuous usage duration showed evidence of non-linear effects with an inflection point at approximately 25 weeks. To validate this threshold selection, sensitivity analyses were conducted using alternative thresholds (4, 8, and 12 months), confirming that the 6-month threshold maximized between-group differences while maintaining adequate sample sizes in each group.

Propensity scores were estimated using logistic regression with the following covariates: business size, geographic location, years in operation, prior digital experience, industry sector, annual revenue (log-transformed), and number of employees. The propensity model achieved good fit (Hosmer-Lemeshow $\chi^2 = 7.42$, p = 0.49) and reasonable discrimination (AUC = 0.74).

We implemented nearest-neighbour matching with a calliper of 0.2 standard deviations of the logit of the propensity score, without replacement. This process yielded 47 matched pairs of early and late adopters with well-balanced covariates, as confirmed by standardised mean differences below 0.25 for all matching variables (Table D.3).

Table D.3:
Covariate Balance Before and After Propensity Score Matching

Covariate	Standardised Difference (Before)	Standardised Difference (After)
Business size	0.57	0.14
Urban location	0.63	0.09
Years in operation	0.44	0.11
Prior digital experience	0.89	0.21
Log annual revenue	0.52	0.16
Employee count	0.48	0.13
Industry sector variation	0.41	0.18

Source Propensity score matching on primary data

Comparing outcomes between these matched groups provides stronger evidence of ONDC's temporal effects while controlling for selection bias. Table B.4 presents the full PSM results across all major outcome dimensions.

Table D.4:
Comprehensive Propensity Score Matching Results: Early vs. Late Adopters

Outcome Measure	Early Adopters	Late Adopters	Difference	p-value
HHI reduction (%)	26.8%	17.4%	+9.4%	0.004**
Commission savings (%)	14.2%	11.9%	+2.3%	0.031*
Customer reach expansion (%)	37.6%	23.5%	+14.1%	<0.001***
Trust metrics (composite)	3.64	3.12	+0.52	0.008**
Revenue growth (%)	22.3%	14.7%	+7.6%	0.012*
Conversion rate (%)	3.32	2.81	+0.51	0.027*
Profit margin increase (pp)	4.3	2.1	+2.2	0.006**
Repeat purchase rate (%)	24.2	17.3	+6.9	0.003**
Platform dependency reduction (%)	34.2%	22.7%	+11.5%	0.007**
Implementation of privacy measures	4.2	3.1	+1.1	0.004**

Source Propensity score matching on primary data

The PSM results support a temporal effect of ONDC adoption, with longer exposure associated with significantly greater benefits across multiple dimensions. This strengthens our quasi-causal claims regarding ONDC's impact, though we acknowledge that unobserved confounders may still exist.

Additionally, we collected retrospective timeline data from 83 respondents regarding sequence of adoption events. The median reported time between full implementation and first observed competitive benefits was 2.3 months (IQR: 1.4-3.7), and between full implementation and trust metric improvements was 3.7 months (IQR: 2.3-5.2). This temporal data further supports the causal direction from ONDC adoption to business outcomes rather than vice versa.

D.3 Self-Report Validation and Composite Measures

To address potential self-report bias, we developed and validated composite measures for key constructs rather than relying on single self-reported items. For digital literacy, the most critical predictor in our analyses, we created a validated composite measure combining self-assessment with objective knowledge items and task performance.

The digital literacy composite integrated three components: self-assessed digital proficiency (30% weight), a 10-item e-commerce knowledge quiz (40% weight), and completion of technical implementation tasks (30% weight). The self-assessment component used a validated 5-point scale measuring comfort with various digital tasks. The knowledge quiz included items on e-commerce terminology, platform functionality, and technical concepts, with responses scored for accuracy. The implementation component assessed successful completion of specific ONDC-related technical tasks during an observation session with a subset of 62 participants, with results extrapolated to the full sample using predictive modelling.

Table D.5:
Digital Literacy Composite Measure Validation

Component	Weight	Item-Total Correlation	Internal Consistency	Range	Mean (SD)
Self-assessed digital proficiency	0.30	0.72	Cronbach's α = 0.84	1-5	3.2 (1.1)
E-commerce knowledge quiz (10 items)	0.40	0.79	Inter-item r = 0.76	0-10	5.7 (2.3)
Technical implementation tasks	0.30	0.68	KR-20 = 0.81	0-5	2.8 (1.4)

Source: Author's validation analysis of primary data

The composite measure showed strong internal consistency ($\alpha = 0.84$) and correlated highly with both self-reported digital literacy ($r = 0.76$) and objectively measured digital outcomes like successful feature implementation rates ($r = 0.73$). Subsequent analyses using this composite measure produced consistent but slightly more

conservative effect estimates compared to self-reported measures alone, suggesting the original findings were robust but potentially slightly inflated by self-report bias.

For a subsample of 38 MSMEs, we were able to obtain actual ONDC transaction data through a data-sharing agreement with ONDC. This allowed us to validate self-reported metrics against objective data. The correlation between reported and actual transaction volumes was strong ($r = 0.81$), though respondents slightly overestimated transaction growth (mean overestimation: 12.4%). Figure B.1 (not included here) shows the scatterplot of reported versus actual transaction growth, indicating a consistent pattern of modest overreporting across the sample. Importantly, the pattern of differences between ONDC and traditional platforms remained consistent even after adjusting for this reporting bias.

Similar validation was performed for commission rates, where invoice data from 27 MSMEs showed close alignment with reported rates ($r = 0.89$), with minimal systematic bias (+0.3 percentage points). These validation exercises increase confidence in the reliability of our self-reported metrics, while acknowledging modest inflation in growth-related measures.

D.3.1 Validation of Key Construct Measures

The digital literacy composite measure was developed through a three-stage process. First, an initial pool of 18 items was generated based on prior digital literacy scales (Venkatesh et al., 2021; Kumar & Sharma, 2022) and adapted to the e-commerce context. This item pool was refined through expert review with five e-commerce specialists and two MSME association representatives. The resulting 12-item instrument was then piloted with 35 MSMEs not included in the final sample, and item analysis was conducted to identify the most discriminating items. The final 10-item instrument

demonstrated strong internal consistency (Cronbach's $\alpha = 0.84$) and was validated against objective implementation tasks to ensure criterion validity.

Similar validation procedures were employed for other key measures, including the ONDC Effectiveness Index, Digital Equity Quotient, and trust metrics. Confirmatory factor analysis supported the proposed dimensional structure of these measures, with all factor loadings exceeding 0.60 and model fit indices within acceptable ranges (CFI = 0.92, RMSEA = 0.058, SRMR = 0.062).

D.4 Multiple Comparisons Correction

To control for Type I error inflation due to multiple hypothesis testing, we applied the Benjamini-Hochberg False Discovery Rate (FDR) procedure with $q = 0.05$ to all p-values within each research question domain. This approach offers better statistical power than the more conservative Bonferroni correction while still controlling for false positives.

The FDR procedure ranks all p-values from smallest to largest and then compares each p-value to its Benjamini-Hochberg critical value, calculated as $(i/m) \times q$, where i is the rank, m is the total number of tests, and q is the chosen false discovery rate (0.05). We applied this procedure separately within each major analysis domain to control the expected proportion of false discoveries while maintaining reasonable power. Table B.6 presents key findings before and after FDR correction, focusing on the primary analyses that form the foundation of our conclusions. The "Maintained" designation in the Significance column indicates that the finding remained statistically significant after FDR correction, while "Changed" would indicate loss of significance.

Table D.6:
Key Findings Before and After FDR Correction

Finding	Original p-value	FDR-adjusted p-value	Significance
Digital literacy as predictor	<0.001	<0.001	Maintained
ONDC usage duration effect	<0.001	<0.001	Maintained
HHI reduction significance	<0.001	<0.001	Maintained
Commission rate differences	<0.001	<0.001	Maintained
Urban location advantage	0.001	0.002	Maintained
Customer acquisition cost effect	<0.001	<0.001	Maintained
Peer mentorship effect	<0.001	<0.001	Maintained
Platform self-preferencing reduction	<0.001	<0.001	Maintained
Digital literacy implementation predictor	<0.001	<0.001	Maintained
Trust mechanism count effect	<0.001	<0.001	Maintained
Financial support effect	0.153	0.187	Still n.s.
Return rate differences	0.196	0.214	Still n.s.
English proficiency effect	0.114	0.152	Still n.s.
Business size market concentration	0.675	0.675	Still n.s.
Dispute rate differences	0.106	0.149	Still n.s.
Industry sector sensitivity	0.191	0.223	Still n.s.

Source: False Discovery Rate procedures of primary data

After FDR correction, 93.2% of previously significant findings remained significant, demonstrating the robustness of our results to multiple comparisons. All key findings that form the core of our conclusions maintained their significance after correction. The few findings that had p-values near traditional significance thresholds (0.01-0.05) were subject to minor adjustments but generally remained significant. Most non-significant findings remained non-significant, confirming the appropriateness of our null finding interpretations.

Throughout the main chapter, all reported p-values incorporate these FDR adjustments, ensuring that our statistical inferences are conservative and protect against spurious findings due to multiple testing.

D.5 Enhanced Qualitative Analysis

To strengthen the integration of qualitative insights, we conducted a systematic thematic analysis of all open-ended responses (n=386) using the Framework Method (Ritchie & Spencer, 2002). This approach involves five stages: familiarization, identifying a thematic framework, indexing, charting, and mapping and interpretation.

Two independent coders first analysed 20% of responses to develop an initial coding framework, achieving substantial inter-rater reliability (Cohen's $\kappa = 0.78$) before proceeding to code the complete dataset.

The analysis identified eight primary themes, with prevalence quantified as the percentage of respondents mentioning each theme at least once in their open-ended responses. Table B.7 presents these themes with prevalence rates and representative quotes.

Table D.7:
Thematic Analysis Results with Quantified Theme Prevalence

Theme	Frequency	% of Respondents	Representative Quote
Knowledge transfer between peers	73	57.5%	"Connecting with other sellers who had already integrated with ONDC was the turning point for us. Their practical advice was worth more than any official documentation." (Respondent #67, Micro)
Distributed trust architecture concerns	59	46.5%	"With traditional platforms, customers know who to blame if something goes wrong. With ONDC, it's unclear whether it's the seller app, buyer app, or individual seller who's responsible." (Respondent #31, Small)
Data advantage persistence	48	37.8%	"Established players have years of customer preference data that we simply don't have access to, which makes personalization impossible for newcomers." (Respondent #85, Small)
Infrastructure limitations in non-urban areas	41	32.3%	"The system works beautifully when connectivity is good, but we face 3-4 hours of network issues daily in our area, which disrupts order processing significantly." (Respondent #44, Micro, Rural)
Commission savings and economics	39	30.7%	"The difference in commission rates is transformative for our margins. What was a 21% platform fee is now just 6%, which means we can actually compete on price." (Respondent #12, Small)
Increased business autonomy	37	29.1%	"The greatest benefit isn't even the sales, it's the freedom to set our own terms, control our branding, and not be constrained by arbitrary platform rules that change without notice." (Respondent #73, Medium)

Theme	Frequency	% of Respondents	Representative Quote
Catalog management challenges	33	26.0%	"Creating and maintaining product listings that work well across multiple buyer apps is much more complex than managing listings on a single platform with consistent standards." (Respondent #58, Micro)
Geographic reach expansion	29	22.8%	"We've received orders from cities we'd never reached before, places where the big platforms dominate but ONDC has given us visibility without requiring a national logistics network." (Respondent #91, Small)

Source: Qualitative analysis of open-ended survey responses, n=127

We conducted additional analysis examining theme co-occurrence patterns and demographic variations. The strongest theme co-occurrences were between "distributed trust architecture concerns" and "data advantage persistence" (phi coefficient = 0.41), and between "knowledge transfer between peers" and "catalog management challenges" (phi coefficient = 0.38). Theme prevalence varied significantly by business size (χ^2 = 18.7, $p <$ 0.01) and location (χ^2 = 22.3, $p <$ 0.001), with rural MSMEs more frequently mentioning infrastructure limitations (64.3% vs. 24.1% for urban) and micro enterprises more frequently mentioning catalog management challenges (34.2% vs. 15.4% for medium).

We created joint displays integrating quantitative metrics with thematic prevalence, revealing that MSMEs reporting higher Digital Equity Quotient scores mentioned infrastructure limitations significantly less frequently ($r = $ -0.42, $p <$ 0.001), providing triangulated evidence of the relationship between digital equity and infrastructure barriers. Similarly, businesses reporting lower trust metrics were significantly more likely to mention distributed trust architecture concerns in their qualitative responses ($r = $ -0.37, $p <$ 0.001), confirming the alignment between quantitative and qualitative data on trust challenges.

This systematic qualitative analysis substantially enriches our understanding of the quantitative findings, revealing the contextual factors and lived experiences

underlying the statistical patterns. The consistency between quantitative and qualitative

results across multiple dimensions strengthens confidence in our conclusions while

providing deeper insights into the mechanisms driving ONDC adoption and impact.

D.6 External Validity Assessment

To assess generalizability, we compared our sample characteristics with the

broader MSME population using the Ministry of MSME Annual Report 2022-23 and

recent ONDC adoption reports. Table D.8 presents this comparison across key

demographic variables.

Table D.8:
Sample Representativeness Compared to National MSME Data

Characteristic	Study Sample	National MSME Data	Difference
Average years in operation	7.4 years	8.2 years	-0.8 years
Female-owned businesses	23.6%	20.4%	+3.2%
Prior e-commerce experience	47.2%	42.6%	+4.6%
Average annual revenue	₹67.3 lakhs	₹72.1 lakhs	-₹4.8 lakhs
Digital payment adoption	76.4%	71.8%	+4.6%
Geographic distribution:			
- Metropolitan	35.4%	32.1%	+3.3%
- Tier 2	29.9%	27.5%	+2.4%
- Tier 3	22.8%	25.7%	-2.9%
- Rural	11.8%	14.7%	-2.9%
Industry sector:			
- Retail	33.1%	35.2%	-2.1%
- Manufacturing	18.9%	20.3%	-1.4%
- Services	15.0%	13.6%	+1.4%
- Food & Beverage	14.2%	12.8%	+1.4%
- Others	18.9%	18.1%	+0.8%

Source: Author's comparison with Ministry of MSME (2022-23)

Our sample shows reasonable alignment with national MSME characteristics,

with slight overrepresentation of urban and e-commerce-experienced businesses. These

modest differences align with expectations for early ONDC adopters, who are likely to be

somewhat more digitally engaged than the general MSME population. The similarity in

industry sector distribution is particularly encouraging for generalizing findings across different business types.

To further assess external validity, we conducted subgroup analyses to determine whether key findings were consistent across different business segments. Table B.9 presents the consistency of our primary findings across geographic and business-size subgroups.

Table D.9:
Consistency of Key Findings Across Subgroups

Finding	Metropolitan	Tier 2/3	Rural	Micro	Small	Medium
Digital literacy as primary barrier	✓ (33.3%)	✓ (59.7%)	✓ (93.3%)	✓ (71.1%)	✓ (42.1%)	✓ (15.4%)
HHI reduction	✓ (18.2%)	✓ (23.9%)	✓ (26.5%)	✓ (24.8%)	✓ (20.6%)	✓ (18.3%)
Commission rate reduction	✓ (12.1pp)	✓ (13.8pp)	✓ (15.4pp)	✓ (14.6pp)	✓ (12.7pp)	✓ (9.8pp)
Trust-building challenges	✓	✓	✓	✓	✓	✓
Anti-competitive practice reduction	✓	✓	✓	✓	✓	✓
Data advantage persistence	✓ (28.9%)	✓ (32.8%)	✓ (40.0%)	✓ (34.2%)	✓ (31.6%)	✓ (23.1%)

Source: Author's analysis of primary data

The checkmarks indicate that the finding was present in the subgroup, with parenthetical values showing the magnitude where applicable. While the magnitude varies across subgroups (e.g., digital literacy barriers ranging from 15.4% for medium enterprises to 93.3% for rural businesses), the directional patterns and statistical significance remain consistent across all segments. This consistency supports the generalizability of our conclusions to the broader MSME population.

We also benchmarked our findings against ONDC's quarterly adoption reports (Q4 2023, n=583), finding close alignment in reported commission savings (our study: 13.4pp vs. ONDC report: 12.8pp), HHI reduction (our study: 22.6% vs. ONDC report:

20.9%), and trust challenges (platform familiarity advantage: 41.7% in our study vs. 44.3% in ONDC report). This external validation further supports the generalizability of our key findings

D.7 Statistical Power Analysis

We conducted post-hoc power analyses to assess the adequacy of our sample size (n=127) for the statistical tests employed. These analyses were performed using G*Power 3.1, with effect sizes based on either observed values from our study or conservative estimates derived from related literature. Table D.10 presents power calculations for the primary statistical tests used in our analyses.

Table D.10:
Post-hoc Power Analysis Results

Analysis Type	Effect Size Detected	Power	Minimal Detectable Effect
t-tests (paired)	d = 0.65 (medium-large)	0.94	d = 0.25
Chi-square tests	w = 0.31 (medium)	0.89	w = 0.25
Multiple regression (7 predictors)	f² = 0.15 (medium)	0.91	f² = 0.13
Logistic regression	OR = 1.92 (medium)	0.83	OR = 1.76
MANOVA (4 groups, 4 DVs)	f² = 0.18 (medium)	0.87	f² = 0.16
Path analysis (df = 28)	RMSEA = 0.047	0.82	RMSEA = 0.045
Subgroup analysis (n=15 per group)	d = 0.95 (large)	0.72	d = 0.85

Source: Statistical power analysis of research design

The power analysis indicates adequate statistical power (>0.80) for detecting medium to large effects in our primary analyses. Our sample size of 127 provides sufficient power for the main regression analyses, t-tests comparing platforms, and chi-square tests examining associations between categorical variables. The path analysis model also demonstrates adequate power for detecting model misfit, with the obtained RMSEA of 0.047 detectable with 82% power.

However, subgroup analyses, particularly for the smallest groups (rural MSMEs, n=15), had more limited power and could reliably detect only large effects. This

limitation affects our ability to identify subtle differences between geographic locations or business types, particularly when examining interaction effects. Throughout the main text, we have acknowledged this limitation when discussing subgroup findings, focusing on consistent patterns rather than marginal differences.

For future research, we recommend targeted sampling to increase representation of underrepresented groups, particularly rural MSMEs, to achieve adequate power for more granular subgroup analyses. Based on our power calculations, a minimum of 35 MSMEs per subgroup would be required to achieve 80% power for detecting medium effect sizes in subgroup comparisons.

D.8 Methodological Transparency

All statistical analyses were conducted using R version 4.2.1 (R Core Team, 2022), with the following specialized packages for advanced analyses: lavaan 0.6-12 for path analysis and structural equation modelling, poLCA 1.6.0 for latent class analysis, MatchIt 4.5.0 for propensity score matching, mice 3.14.0 for multiple imputation of missing data, and igraph 1.3.5 for network analysis. Qualitative data were analysed using NVivo 14.

Complete variable coding schemes and transformations are documented below to ensure analytical transparency:

Table D.11:
Detailed Variable Codebook with Transformations

Variable	Original Measurement	Transformation	Final Variable
Digital Literacy (Self-Assessment)	5-point Likert scale across 6 items (Q9-Q14)	Average of 6 items, then normalized to 0-1 scale: (score - 1)/4	Digital_Literacy_Self (0-1)
Digital Literacy (Knowledge Quiz)	10 binary items (correct/incorrect)	Sum of correct answers, then normalized to 0-1 scale: (sum)/10	Digital_Literacy_Knowledge (0-1)

Variable	Original Measurement	Transformation	Final Variable
Digital Literacy (Technical Tasks)	5 implementation tasks rated 0 (not completed) to 2 (completed successfully)	Sum of scores, then normalized to 0-1 scale: (sum)/10	Digital_Literacy_Tasks (0-1)
Digital Literacy Composite	Combination of above three measures	Weighted sum: 0.3Self $+ 0.4$Knowledge + 0.3*Tasks	Digital_Literacy_Composite (0-1)
HHI	Market shares (%) reported in Q11 and Q21	Sum of squared market shares (e.g., if platform A has 30% share, its contribution to HHI is 900); normalized to 0-100 scale by dividing by 100	HHI_Pre, HHI_Post (0-100)
HHI Reduction	Difference between pre and post HHI	HHI_Pre - HHI_Post	HHI_Reduction (0-100)
ONDC Effectiveness Index	Component measures from Q20 (growth), Q22 (customers), Q23 (reach), Q24 (margins), Q25 (costs), Q26-27 (segments), Q28-29 (employment)	Each component standardised to 0-100 scale, then weighted sum calculated: 0.2Growth $+ 0.15$Customers + 0.15Reach + 0.2Margins + 0.15Costs + 0.1Segments + 0.05*Employment	ONDC_Effectiveness (0-100)
Digital Equity Quotient	Component measures of access (Q34-Q36), usage (Q19, Q26), outcomes (Q22-Q24)	Each dimension standardised to 0-25 scale, then summed: Access + Usage + Outcomes + Capabilities	Digital_Equity (0-100)
Trust Composite	Average of trust metrics (Q46)	Reverse-coded cart abandonment and dispute rates, standardised each metric to z-scores, then averaged	Trust_Composite (z-score)
Privacy Implementation Score	Count of privacy measures implemented (Q39)	Sum of binary implementation indicators (0/1) for each of 8 measures	Privacy_Score (0-8)
Market Concentration Reduction	Calculated from Q11 and Q21	(Platform1_Share_Pre^2 + Platform2_Share_Pre^2	Market_Concentration_Reduction

Variable	Original Measurement	Transformation	Final Variable
		+ ...) - (Platform1_Share_Post^2 + Platform2_Share_Post^2 + ...)	
Commission Rate Reduction	Calculated from Q12 and Q31	Commission_Rate_Pre - Commission_Rate_Post	Commission_Reduction

Source: Author interpretation of variables

Digital Literacy Composite: Combined three components with weights of 0.3 (self-assessment), 0.4 (knowledge quiz), and 0.3 (technical tasks). Each component was standardised to a 0-1 scale before weighting and summation, resulting in a composite score ranging from 0-1, which was then transformed to a 0-100 scale for interpretability.

HHI Calculation: Calculated as the sum of squared market shares (expressed as proportions) for each platform, with market shares based on reported sales distribution. Original HHI values range from 0-10000; we divided by 100 to report on the conventional 0-100 scale.

ONDC Effectiveness Index: Weighted combination of seven performance indicators with weights assigned based on factor analysis of relative importance to overall business outcomes: Business growth (20%), Customer expansion (15%), Geographic reach (15%), Profit margins (20%), Operational cost reduction (15%), New customer segments (10%), and Employment generation (5%). Each component was standardised to a 0-100 scale.

Digital Equity Quotient: Constructed from survey items measuring equitable access to digital resources, capabilities, and outcomes. The additive index includes measures of infrastructure access (25%), digital literacy (25%), resource adequacy (25%), and capability utilisation (25%), each standardised to a 0-25 scale and summed to create a 0-100 index.

Missing data were minimal overall (3.8%) and primarily affected secondary demographic variables rather than key outcome measures. Little's Missing Completely at Random (MCAR) test indicated that data were missing at random ($\chi^2 = 43.2$, df = 38, p = 0.26). For regression analyses requiring complete cases, we employed multiple imputation using the mice package with 20 imputed datasets. Sensitivity analyses comparing results from complete case analysis versus multiple imputation showed minimal differences, suggesting robustness to the treatment of missing data.

Sensitivity analyses with alternative specifications were conducted for all major analyses to ensure robustness of findings. These included four distinct validation approaches: alternative HHI calculation methods that compared revenue-weighted versus volume-weighted market shares; different categorizations of early versus late adopters using varied time thresholds of 4, 6, and 8 months; alternative propensity score matching algorithms encompassing nearest neighbour with and without replacement, calliper matching, and optimal matching techniques; and different weighting schemes for composite measures. This comprehensive suite of sensitivity tests strengthened confidence in the study's conclusions by demonstrating consistency across multiple methodological variations and analytical frameworks.

All sensitivity analyses demonstrated consistent patterns for key findings, with minor variations in effect magnitudes but no changes in directional effects or statistical significance for primary outcomes. This consistency across analytical specifications further strengthens confidence in the robustness of our conclusions.

D.9 Conclusion

These methodological extensions substantially address the limitations identified in our initial analysis. The weighted analysis confirms the robustness of our findings despite sample representation issues. Propensity score matching strengthens our quasi-causal

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claims regarding ONDC's impact. Composite measures and validation against objective data mitigate concerns about self-report bias. Multiple comparisons correction confirms the statistical reliability of our key findings. Enhanced qualitative analysis provides richer context and triangulation for our quantitative results. The external validity assessment and power analysis clarify the generalizability and statistical adequacy of our findings.

While these approaches do not entirely eliminate the inherent limitations of a cross-sectional design with a moderate sample size, they substantially strengthen the credibility and rigor of our analysis, providing a more reliable foundation for policy and practice recommendations. Future research would benefit from larger sample sizes, particularly for underrepresented MSME segments, longitudinal designs to more definitively establish causal relationships, and integrated objective data collection to further validate self-reported metrics.

The consistent convergence of evidence across multiple methodological approaches and analytical techniques provides strong support for our core conclusions regarding ONDC's impact on Indian MSMEs, the critical role of digital literacy in shaping adoption and outcomes, and the persistent challenges related to digital inequality, data advantages, and trust dynamics that must be addressed to maximize ONDC's transformative potential.

APPENDIX E: ONDC READINESS SELF-ASSESSMENT TOOL FOR MSMES

Purpose of This Tool

This self-assessment tool has been developed based on empirical research involving 127 MSMEs across India. It enables business owners and managers to evaluate their readiness for ONDC adoption and identify areas requiring attention before implementation. The tool assesses readiness across six critical dimensions identified through our research as predictors of successful ONDC adoption and ROI potential.

Instructions for Use

Complete each section by selecting the option that best describes your current business situation. Each response has an associated point value. Calculate your total score at the end to determine your readiness level, segment classification, and recommended next steps. This assessment should take approximately 20-25 minutes to complete.

SECTION A: DIGITAL INFRASTRUCTURE AND CAPABILITY ASSESSMENT

A1. Internet Connectivity Quality

- Consistent high-speed broadband (>10 Mbps) with backup connection (10 points)
- Reliable broadband connection (5-10 Mbps) (7 points)
- Basic internet connection with occasional disruptions (4 points)
- Mobile data only or highly unreliable connection (1 point)
- No internet connectivity (0 points)

A2. Digital Device Availability

- Dedicated business computer/laptop with smartphone and tablet (10 points)
- Dedicated business computer/laptop with smartphone (7 points)
- Shared computer/laptop with smartphone (4 points)
- Smartphone only for business operations (2 points)
- No dedicated digital devices for business (0 points)

A3. Current Digital Payment Acceptance

- Multiple digital payment options (UPI, cards, wallets) with POS system (10 points)
- UPI and basic digital payment acceptance (7 points)
- Only UPI payments accepted (4 points)
- Planning to implement digital payments (1 point)
- Cash only transactions (0 points)

A4. Digital Literacy Level of Key Staff

- Advanced users comfortable with multiple platforms and tools (10 points)

- Intermediate users managing basic digital operations well (7 points)
- Basic users requiring occasional assistance (4 points)
- Minimal digital skills requiring constant support (1 point)
- No digital skills among staff (0 points)

A5. Existing Digital Business Tools

- Comprehensive digital ecosystem (inventory, CRM, accounting software) (10 points)
- Some digital tools in use (e.g., digital accounting or inventory) (7 points)
- Basic spreadsheet-based record keeping (4 points)
- Manual record keeping with plans to digitize (1 point)
- Completely manual operations (0 points)

Section A Total: _____ / 50 points

SECTION B: E-COMMERCE EXPERIENCE AND READINESS

B1. Current E-commerce Platform Experience

- Active on multiple e-commerce platforms successfully (15 points)
- Active on one major e-commerce platform (10 points)
- Previous e-commerce experience but currently inactive (6 points)
- Social media selling only (3 points)
- No e-commerce experience (0 points)

B2. Product Catalog Management

- Structured digital catalog with SKUs, descriptions, and professional images (10 points)
- Basic digital catalog with SKUs and descriptions (7 points)
- Informal product list with some organisation (4 points)
- Products identified but not catalogued (1 point)
- No systematic product organisation (0 points)

B3. Order Fulfilment Capability

- Established system handling 50+ orders daily efficiently (10 points)
- Can handle 20-50 orders daily with current setup (7 points)
- Can handle 10-20 orders daily (4 points)
- Can handle less than 10 orders daily (1 point)
- No established fulfilment process (0 points)

B4. Customer Service Infrastructure

- Dedicated customer service team with defined processes (10 points)
- Designated person for customer service with basic processes (7 points)
- Owner handles customer service when available (4 points)
- Ad-hoc customer service approach (1 point)

- No structured customer service (0 points)

B5. Return and Refund Management

- Clear return policy with systematic processing (5 points)
- Basic return acceptance with case-by-case handling (3 points)
- Reluctant return acceptance (1 point)
- No returns accepted (0 points)

Section B Total: _____ / 50 points

SECTION C: FINANCIAL READINESS AND BUSINESS STABILITY

C1. Working Capital Availability

- Sufficient working capital for 30+ days of operations (10 points)
- Working capital for 15-30 days of operations (7 points)
- Working capital for 7-15 days of operations (4 points)
- Limited working capital (<7 days) (1 point)
- No additional working capital available (0 points)

C2. Investment Capacity for Digital Transformation (Updated)

- Can invest ₹4,00,000+ over 6 months (10 points)
- Can invest ₹2,50,000-₹4,00,000 over 6 months (7 points)
- Can invest ₹1,75,000-₹2,50,000 over 6 months (4 points)
- Can invest less than ₹1,75,000 over 6 months (1 point)
- No investment capacity (0 points)

C3. Business Operational History

- Operating successfully for 5+ years (10 points)
- Operating successfully for 3-5 years (7 points)
- Operating successfully for 1-3 years (4 points)
- Operating for less than 1 year (1 point)
- Not yet operational (0 points)

C4. Current Business Compliance Status

- Fully compliant with GST, licenses, and all regulations (5 points)
- Mostly compliant with minor pending items (3 points)
- Partially compliant with major items pending (1 point)
- Non-compliant or unregistered (0 points)

C5. Financial Record Keeping

- Digital accounting system with regular financial statements (5 points)
- Basic digital financial records (3 points)
- Manual but systematic financial records (1 point)
- Irregular or no financial record keeping (0 points)

Section C Total: _____ / 40 points

SECTION D: MARKET UNDERSTANDING AND COMPETITIVE POSITIONING

D1. Understanding of Target Customer Demographics

- Detailed customer profiles with data-backed insights (10 points)
- Good understanding of customer preferences and behaviour (7 points)
- Basic understanding of who buys products (4 points)
- Limited understanding of customers (1 point)
- No clear customer understanding (0 points)

D2. Product Differentiation and Value Proposition

- Clear unique selling proposition with proven market demand (10 points)
- Some differentiation from competitors (7 points)
- Similar products to competitors but good quality (4 points)
- No clear differentiation (1 point)
- Uncertain about competitive position (0 points)

D3. Pricing Strategy and Margin Understanding

- Data-driven pricing with clear margin calculations (10 points)
- Systematic pricing with basic margin awareness (7 points)
- Competitive pricing without detailed margin analysis (4 points)
- Ad-hoc pricing approach (1 point)
- No systematic pricing strategy (0 points)

Section D Total: _____ / 30 points

SECTION E: ORGANISATIONAL READINESS FOR CHANGE

E1. Leadership Commitment to Digital Transformation

- Full commitment with allocated resources and timelines (10 points)
- Strong interest with plans being developed (7 points)
- Moderate interest but uncertain about approach (4 points)
- Limited interest due to other priorities (1 point)
- Resistant to digital transformation (0 points)

E2. Team Capability for New Initiative Implementation

- Experienced team that has successfully implemented new systems (10 points)
- Capable team willing to learn new systems (7 points)
- Small team with limited bandwidth for new initiatives (4 points)
- Owner-operated with very limited support (1 point)
- No team support available (0 points)

E3. Learning and Adaptation Capacity

- Regular training programs and continuous improvement culture (10 points)
- Occasional training with openness to change (7 points)
- Limited training but willingness to learn (4 points)
- Rare training opportunities (1 point)
- No learning initiatives (0 points)

Section E Total: _____ / 30 points

SECTION F: ROI INDICATORS AND COST STRUCTURE (NEW)

F1. Current Platform Commission Rates

- Paying >20% commission on existing platforms (10 points)
- Paying 15-20% commission on existing platforms (7 points)
- Paying 10-15% commission on existing platforms (4 points)
- Paying <10% commission or direct sales only (2 points)
- Not tracking commission costs (0 points)

F2. Customer Acquisition Cost (CAC) Awareness

- Track CAC precisely, spending >₹100 per customer (10 points)
- Estimate CAC at ₹50-100 per customer (7 points)
- Rough idea of CAC, around ₹25-50 per customer (4 points)
- Minimal marketing spend, CAC <₹25 (2 points)
- Not tracking customer acquisition costs (0 points)

F3. Growth Ambition and Market Expansion Plans

- Aggressive expansion plans to new geographies/segments (10 points)
- Moderate expansion plans within current market (7 points)
- Steady growth focus in existing customer base (4 points)
- Maintenance mode with limited growth plans (1 point)
- No clear growth strategy (0 points)

Section F Total: _____ / 30 points

SCORING AND INTERPRETATION

Calculate Your Total Score

- Section A (Digital Infrastructure): _____ / 50
- Section B (E-commerce Experience): _____ / 50
- Section C (Financial Readiness): _____ / 40
- Section D (Market Understanding): _____ / 30
- Section E (Organisational Readiness): _____ / 30
- Section F (ROI Indicators): _____ / 30

TOTAL SCORE: _____ / 230

SEGMENT CLASSIFICATION AND RECOMMENDED ACTIONS
Score 185-230: DIGITAL ENTHUSIAST PROFILE

Characteristics: High digital maturity, strong infrastructure, ambitious growth plans

- **Implementation Strategy:** Accelerated pathway with advanced features
- **Timeline:** 30-45 days to full implementation
- **Investment Focus:** ₹4,00,000-5,00,000 for competitive advantage
- **Priority Actions:** Multi-channel integration, rapid catalog expansion, early adoption of new features
- **Expected ROI:** 185-220% in first year
- **Support Needed:** Minimal - focus on advanced optimisation techniques

Score 140-184: DIGITAL CONVERT PROFILE

Characteristics: Good digital foundation, ready to scale, open to learning

- **Implementation Strategy:** Balanced approach with peer learning
- **Timeline:** 60-90 days to full implementation
- **Investment Focus:** ₹2,50,000-3,50,000 for steady growth
- **Priority Actions:** Leverage peer networks, achieve early wins, build confidence
- **Expected ROI:** 160-185% in first year
- **Support Needed:** Peer mentorship and best practice sharing

Score 95-139: DIGITAL HESITANT PROFILE

Characteristics: Basic digital presence, needs structured support, willing but cautious

- **Implementation Strategy:** Supported pathway with hand-holding
- **Timeline:** 90-120 days to full implementation
- **Investment Focus:** ₹1,75,000-2,50,000 for foundational capabilities
- **Priority Actions:** Digital literacy training, basic infrastructure setup, gradual implementation
- **Expected ROI:** 140-170% in first year
- **Support Needed:** Industry association programs, government schemes, dedicated support

Score 140-184 with High E3 but Low F3: PRAGMATIC EVALUATOR PROFILE

172

Characteristics: Digitally capable but ROI-skeptical, needs proof of concept

- **Implementation Strategy:** Evidence-based pilot approach
- **Timeline:** Variable based on pilot results
- **Investment Focus:** Phased investment based on milestones
- **Priority Actions:** Small-scale pilot, careful measurement, data-driven decisions
- **Expected ROI:** Depends on pilot success
- **Support Needed:** Case studies, ROI calculators, success metrics

Score Below 95: FOUNDATION BUILDING REQUIRED

Characteristics: Significant gaps in readiness, needs comprehensive preparation

- **Timeline:** 6-12 months preparation before ONDC attempt
- **Priority Actions:** Focus on basic digitization, business fundamentals, capability building
- **Support Needed:** Government digital literacy programs, MSME development schemes

SECTION-SPECIFIC RECOMMENDATIONS

If Section A (Digital Infrastructure) < 30 points:

- Immediate priority: Internet connectivity and digital devices
- Access government broadband schemes
- Invest in basic digital infrastructure
- Conduct staff digital literacy training

If Section B (E-commerce Experience) < 30 points:

- Start with social commerce to build experience
- Create digital catalog with professional photography
- Establish fulfilment SOPs
- Define customer service standards

If Section C (Financial Readiness) < 24 points:

- Implement digital accounting immediately
- Build working capital reserves
- Ensure GST and regulatory compliance
- Explore MSME financing schemes

If Section D (Market Understanding) < 18 points:

- Conduct customer research and surveys
- Analyse competitor strategies
- Develop clear value proposition
- Implement data-driven pricing

If Section E (Organisational Readiness) < 18 points:

- Build leadership buy-in through awareness sessions
- Allocate dedicated resources for digital initiatives
- Create learning culture with regular training
- Set clear digital transformation goals

If Section F (ROI Indicators) < 18 points:

- Start tracking current platform costs
- Calculate customer acquisition costs
- Define growth targets and expansion plans
- Build business case for ONDC investment

ACTION PLANNING TEMPLATE

Based on your assessment results, complete this action plan:

1. **My Segment Classification:** _____
2. **Top 3 Weakest Sections:** _____, _____, _____
3. **Immediate Actions (Next 30 days):**
   - ○ _____ —
   - ○ _____ —
   - ○ _____ —
4. **Required Investment:** ₹_____
5. **Expected Implementation Timeline:** _____
6. **Support Resources Needed:** _____

NEXT STEPS

1. **Share results** with your team and stakeholders
2. **Connect with** appropriate support organisations based on your segment
3. **Create detailed** implementation plan using Section 6.4 framework
4. **Monitor progress** monthly and reassess quarterly
5. **Track ROI** from day one using the metrics framework

APPENDIX F: ONDC IMPLEMENTATION EXECUTIVE CHECKLIST FOR MSMES

Pre-Implementation Assessment (Day 0)

- [ ] Complete ONDC Readiness Self-Assessment (Appendix E)
- [ ] Calculate total score: _____ / 230
- [ ] Identify segment: □ Digital Enthusiast □ Digital Convert □ Digital Hesitant □ Pragmatic Evaluator
- [ ] Secure initial investment budget: ₹1,75,000 - ₹5,00,000
- [ ] Identify implementation team and assign responsibilities

Phase 1: Foundation (Days 1-30) - Investment: ₹50,000-₹1,00,000

- [ ] Complete digital literacy assessment for all key staff
- [ ] Calculate baseline metrics:
    - o Current commission rate: _____%
    - o Customer acquisition cost: ₹_____
    - o Average order value: ₹_____
    - o Monthly revenue: ₹_____
- [ ] Complete ONDC seller registration
- [ ] Set up basic digital infrastructure:
    - o [ ] Reliable internet connection (>10 Mbps)
    - o [ ] Dedicated business devices
    - o [ ] Digital payment acceptance
- [ ] Join industry association or peer network for ONDC support

Phase 2: Integration (Days 31-60) - Investment: ₹1,00,000-₹2,00,000

- [ ] Upload minimum viable catalog (20% of SKUs)
- [ ] Implement response protocol (<2 hour target)
- [ ] Complete technical integration with chosen seller app
- [ ] Train staff on order management
- [ ] Process first successful ONDC transaction
- [ ] Monitor initial performance metrics

Phase 3: Optimisation (Days 61-90) - Investment: ₹50,000-₹1,00,000

- [ ] Expand catalog to 50% of SKUs
- [ ] Implement trust-building mechanisms:
    - o [ ] Detailed product descriptions
    - o [ ] Professional photography
    - o [ ] Customer testimonials
    - o [ ] Satisfaction guarantees

- [ ] Launch marketing initiatives
- [ ] Apply for relevant trust badges
- [ ] Achieve 10% of sales through ONDC

Success Metrics & Monitoring

Target Outcomes:

- Commission savings: 71.7% reduction
- Payment settlement: 3.2 days (vs. 9.4 days traditional)
- Customer acquisition cost: ₹112.8 (vs. ₹187.3 traditional)
- Break-even: 4-6 months
- First-year ROI: 140-220%

Monthly Review Checklist:

- [ ] Sales through ONDC: _____%
- [ ] New customers acquired: _____
- [ ] Geographic reach expanded: Y/N
- [ ] Commission savings realised: ₹_____
- [ ] Implementation challenges addressed: _____

Red Flags Requiring Immediate Action

- [ ] Cart abandonment rate >80%
- [ ] Response time >4 hours consistently
- [ ] Negative review rate >15%
- [ ] Technical integration failures >5%
- [ ] No sales after 30 days of going live

Support Resources

- **Technical Issues**: ONDC Helpdesk / Seller App Support
- **Training Needs**: Industry Association Programs
- **Peer Support**: Local MSME ONDC Networks
- **Financial Support**: Government MSME Schemes

APPENDIX G: ONDC ROI CALCULATOR FOR MSMES

Instructions

Fill in the white cells with your business data. The calculator will automatically compute your expected ROI and payback period based on research findings from 127 MSMEs.

SECTION A: CURRENT BUSINESS METRICS (Pre-ONDC)
Sales & Revenue

- Monthly Revenue from E-commerce: ₹ _____
- Number of Monthly Orders: _____
- Average Order Value: ₹ _____

Cost Structure

- Current Platform Commission Rate: _____%
- Average Commission per Month: ₹ _____
- Customer Acquisition Cost per Customer: ₹ _____
- Monthly Marketing Spend: ₹ _____
- Payment Processing Fees (%): _____%
- Logistics Cost (% of order value): _____%

Operational Metrics

- Payment Settlement Time (days): _____
- Return Rate (%): _____%
- Customer Complaints/Disputes (%): _____%

SECTION B: ONDC IMPLEMENTATION INVESTMENT
One-Time Costs

- Digital Infrastructure Upgrade: ₹ _____
- Staff Training & Capability Building: ₹ _____
- Technical Integration: ₹ _____
- Professional Photography/Catalog: ₹ _____
- Initial Marketing for ONDC Launch: ₹ _____
- **TOTAL ONE-TIME INVESTMENT: ₹ _____**

Recurring Monthly Costs

- ONDC Transaction Fees (typically 3-6%): ₹ _____
- Seller App Subscription: ₹ _____
- Additional Staff/Support: ₹ _____

- **TOTAL MONTHLY RECURRING: ₹ _____**

SECTION C: PROJECTED BENEFITS (Based on Research Data)
Commission Savings

- Current Commission Rate: _____%
- ONDC Commission Rate (typically 3-6%): _____%
- **Commission Reduction: _____percentage points**
- **Monthly Commission Savings: ₹ _____**
- *Research shows average reduction of 71.7% in commission rates*

Customer Acquisition Benefits

- Current CAC: ₹ _____
- Expected ONDC CAC: ₹ _____ (typically ₹112.8)
- Customers per Month: _____
- **Monthly CAC Savings: ₹ _____**
- *Research shows average CAC reduction of ₹74.50 per customer*

Market Expansion

- Current Geographic Reach (number of cities): _____
- Expected Reach Increase (%): _____%
- Expected Order Volume Increase (%): _____%
- **Additional Monthly Revenue: ₹ _____**
- *Research shows average market expansion of 37.6% after 6 months*

Operational Efficiency

- Payment Time Reduction (days): _____
- Working Capital Freed Up: ₹ _____
- Process Efficiency Savings: ₹ _____
- **Total Efficiency Gains: ₹ _____**
- *Research shows 65.9% reduction in payment settlement time*

SECTION D: ROI CALCULATION
Monthly Analysis

- Total Monthly Benefits: ₹ _____
- Total Monthly Costs: ₹ _____
- **Net Monthly Benefit: ₹ _____**

Annual Projection

- Year 1 Total Benefits: ₹ _____

- Year 1 Total Costs (including one-time): ₹ _____
- **Year 1 Net Benefit: ₹ _____**

Key ROI Metrics

- **Payback Period: _____ months** *(Total Investment ÷ Monthly Net Benefit) Research average: 5.2 months*
- **First Year ROI: _____% (Net Benefit ÷ Total Investment × 100) Research range: 140-220%*
- **Monthly ROI After Payback: _____% (Monthly Net Benefit ÷ Monthly Costs × 100)*

SECTION E: SCENARIO ANALYSIS
Conservative Scenario (70% of projected benefits)

- Adjusted Annual Net Benefit: ₹ _____
- Adjusted ROI: _____%
- Adjusted Payback Period: _____ months

Optimistic Scenario (130% of projected benefits)

- Adjusted Annual Net Benefit: ₹ _____
- Adjusted ROI: _____%
- Adjusted Payback Period: _____ months

SECTION F: DECISION METRICS

Based on your inputs and research benchmarks:

Readiness Indicators

- [ ] ROI exceeds 100% in Year 1
- [ ] Payback period under 8 months
- [ ] Monthly benefits exceed monthly costs by 2x
- [ ] Commission savings alone justify investment

Risk Factors to Consider

- [ ] Digital literacy score from self-assessment
- [ ] Current technical infrastructure adequacy
- [ ] Staff capacity for additional workload
- [ ] Market competition in your category on ONDC

Recommendation

If 3 or more readiness indicators are checked: Proceed with ONDC implementation **If 2 indicators are checked:** Address gaps before proceeding **If fewer than 2 indicators are checked:** Focus on business fundamentals first

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NOTES FOR ACCURATE CALCULATION

1. **Commission Rates**: Include all platform fees, not just base commission
2. **Customer Acquisition Cost**: Include all marketing and promotional expenses
3. **Implementation Costs**: Budget 20% contingency for unforeseen expenses
4. **Timeline**: Benefits typically begin in Month 2-3, full benefits by Month 6-8
5. **Segment Variations**:
   o Micro enterprises typically see higher ROI (185-220%)
   o Small enterprises see moderate ROI (140-170%)
   o Benefits accelerate after 6+ months of usage

This calculator is based on empirical data from 127 MSMEs. Individual results may vary based on business characteristics, implementation quality, and market conditions.

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