Open Network for Digital Commerce (ONDC)

Why in news?

After the revolution of Unified Payments Interface (UPI), the Open Network for Digital Commerce (ONDC) is set to break new ground in India's digital commerce ecosystem.

What is Open Network for Digital Commerce (ONDC)?

- **ONDC** – It is a *network based on open protocol* and will enable local commerce across segments (mobility, grocery, food order, hotel booking, etc.) to be engaged by any network-enabled application.
- **Initiative of** - It is an initiative of ***Department for Promotion of Industry and Internal Trade (DPIIT)*** under the Ministry of Commerce and Industry.
- **ONDC entity** – It is a not-for-profit company incorporated under *Section 8 of the Companies Act 2013* that manages and operates the ONDC Network.
- **Founding members** - *Quality Council of India* and *Protean eGov Technologies Limited*.
- **Funding** - Multiple investors includes private and public sector banks, depositories, development banks, and other financial institutions.
- **Aim** - To dramatically increase e-commerce penetration in the country by enabling inclusion of all types and sizes of sellers.
- ONDC goes beyond the current platform-centric digital commerce model where the buyer and seller have to use the same platform or application to be digitally visible and do a business transaction.

The government has set up a 9-member advisory council, including Nandan Nilekani and National Health Authority CEO R S Sharma, on measures needed to design and accelerate the adoption of ONDC.

What ae the key features of ONDC?

- **Backed by government** - It is backed by government to create a more open and inclusive digital commerce ecosystem in India.
- **Data storage** - Through ONDC, merchants will be able to save their data to build credit history and reach consumers.
- **Compliance** - The platform will be compliant with the Information Technology Act, 2000 and the emerging Personal Data Protection Bill.
- **Independency** - It aims at promoting open networks developed on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- **Privacy** - ONDC shall take all measures to ensure confidentiality and privacy of data in

the network.

- **Confidentiality** - It shall not mandate sharing of any transaction-level data by participants with ONDC.
- **User Council** - A User Council will be established, comprising representatives from Network Participants and civil society.
- It will provide regular guidance on various aspects of the network's functioning and governance, serving as a link between Network Participants, Consumers, and the network.



What are the advantages of ONDC?

For businesses

- **Level playing field** – It aims to curb digital monopolies of few e-commerce platforms and create a more level playing field for businesses of all sizes.
- **Benefits to small businesses** – It will support micro, small and medium enterprises and small traders in getting on online platforms.
- **Innovation** - It will empower merchants and consumers by breaking silos to form a single network to drive innovation.
- **Sellers** - The network-centric approach of ONDC reduces the skewed bargaining power in favour of the platforms, which often results in higher entry barriers and lower margins for sellers.
- **Economic development** – It will help to boost the Indian economy by creating new jobs and businesses.

For consumers

- **Inclusive -** ONDC is expected to make e-Commerce more inclusive and accessible for consumers.
- **Freedom of choice** - Consumers can discover any seller, product or service by using any compatible application or platform, thus increasing freedom of choice for consumers.
- **Greater transparency** – It require all sellers to publish their prices and other information, which would make it easier for buyers to compare offers.
- **Lower costs** – It would streamline the process of buying and selling goods online, which could lead to faster delivery times and lower costs.
- **Preferring local business** - It will enable the consumers to match demand with the nearest available supply and gives consumers the liberty to choose their preferred local businesses.
- **Value enhancement** - ONDC would standardize operations, promote inclusion of local suppliers, drive efficiencies in logistics and lead to enhancement of value for consumers.

What are the challenges of ONDC?

- Lack of awareness
- Technical challenges

- Regulatory challenges
- Lack of consensus among e-commerce companies
- It is still in a nascent stage

References

1. ONDC | About ONDC
2. Business Standard | ONDC
3. The Indian Express | Advantages Of ONDC

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