

## 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 are the key features of ONDC?

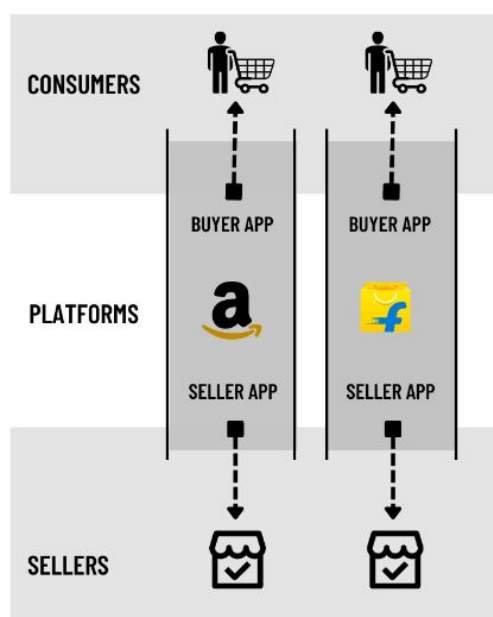
- **Backed by government** - It is backed by government to create a more open and inclusive digital commerce ecosystem in India.
- **Data storage** - Through ONDC, merchants will be able to save their data to build credit history and reach consumers.
- **Compliance** - The platform will be compliant 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.

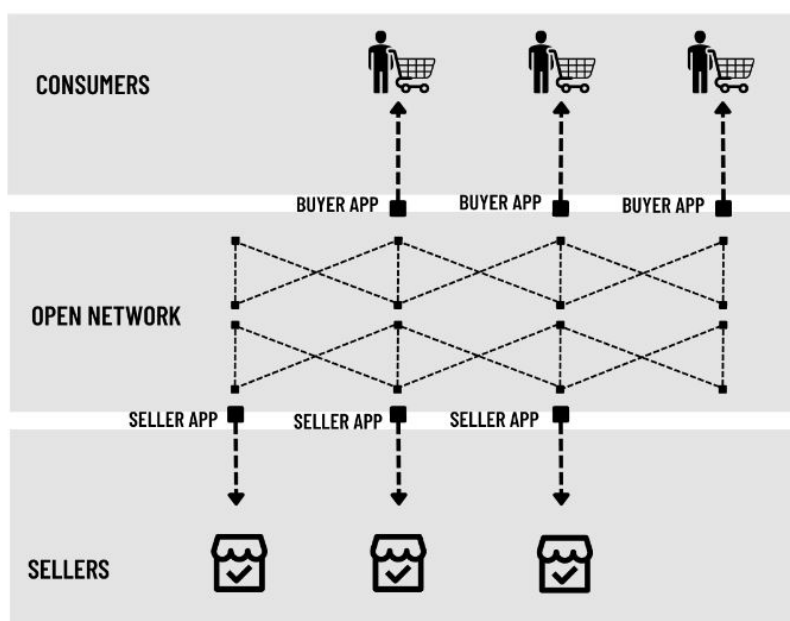
## Platform Centric Models

Buyers and sellers can only interact within walled platforms.



## Network Centric Models (like ONDC)

Buyers and sellers can interact with each other in a platform-agnostic manner.



## 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](#)

