



Open Network for Digital Commerce (ONDC)

This editorial is based on [“How India is shaping the future of e-commerce”](#), which was published in Hindustan Times on 07/08/2022. It talks about the Open Network for Digital Commerce (ONDC) and its applications.

For Prelims: Open Network for Digital Commerce (ONDC), Micro, Small and Medium enterprises (MSMEs), Unified Payments Interface (UPI).

For Mains: Benefits of Open Network for Digital Commerce , Grey Areas Related to ONDC.

The future of Open Retail is taking shape in India as the nation rolls out the [Open Network for Digital Commerce \(ONDC\)](#) in pursuit of **increasing E-commerce penetration in India to 25%** of consumer purchases in the next two years.

ONDC will provide a **common digital space for buyers and sellers** with the goal of **democratising e-commerce** by transforming it **from a platform-centric paradigm to an open network** for buying and selling goods and services, **ONDC** can certainly **transform India's E-commerce sector**. However, there are a few grey areas that still need to be clarified.



What Benefits Does the Open Network for Digital Commerce Offer?

- **Level Playing Field:** ONDC is keen to **level the playing field** for e-commerce operators and widen the digital market access for [Micro, Small and Medium Enterprises \(MSMEs\)](#) and **small traders** in the country.
 - Additionally, it will help **new entrants** by bringing **discoverability, interoperability,**

and inclusivity.

- **Competitive and Innovative Ecosystem:** Existing e-commerce platforms operate in compartments and are strictly regulated.
 - ONDC will empower suppliers and consumers by **breaking the monopoly of giant platforms** to drive innovation and transform businesses in sectors like **retail, food, and mobility**.
- **Freedom of Choice for Consumers:** Consumers can potentially **discover any seller, product or service** in a common platform, thus **increasing freedom of choice for consumers**.
 - It will enable the consumers to match demand with the **nearest available supply**. This would also give **consumers the liberty to choose their preferred local businesses**.
- **Neutral and Regulated Platform:** ONDC aims at **fostering open networks developed on [open-sourced methodology](#)**, using open specifications and network protocols, and **independent of any specific platform**.
 - It will set protocols for **cataloguing, vendor match, and price discovery** on an **open source-basis**, like the **[Unified Payments Interface \(UPI\)](#)**.
 - **Snapdeal** is the first E-commerce platform to get on the open network.

What is Open Source?

- Open source implies that the **technology or code** deployed for the process is **freely made available for everyone to use, redistribute, and modify**.
- For instance, the operating system of **iOS is closed source**, it cannot be legally modified or used.
 - Whereas, the **[android operating system](#) is open source**, making it possible for smartphone manufacturers, such as Samsung, Nokia, Xiaomi, etc., to modify it for their respective hardware.

What are the Grey Areas Related to ONDC?

- **Match-Up Concern: Smaller businesses with low volumes** may lack the resources to **match the discounts offered** by heavyweights like **Amazon and Flipkart**.
 - These two global giants poured a combined **USD 24 billion** into India and **captured 80% of the online retail market** with **aggressive discounts** and **promotion of preferred sellers**.
- **Payment Methods:** It is certain that there might be a **mismatch in [payment gateway compatibility](#)** between the different platforms.
 - The goal of a **seamless transaction** may be **compromised** if different e-commerce platforms **do not accept all modes of payment**.
- **Answerability Concern:** As it remains **unclear as to how various [e-commerce norms](#) will apply to ONDC**, and how **ONDC fits into the entire legal landscape** of e-commerce in India.
 - **The question arises about liability** in case of a consumer facing any issue regarding the transaction or the quality of products or services delivered.

What Should be the Way Forward?

- **Digital Infrastructure and Literacy:** The government needs to build a better **[digital space](#)** for e-commerce to outdo the dominant e-commerce platforms.
 - Along with this, it's important to **create a proper [digital education policy](#) that takes into account various languages** and **user-friendly interface** for the benefit of the consumers as well as sellers.
- **Awareness Campaign:** Bringing the tens of millions of existing kirana stores onto the platform will require a massive, **well-funded adoption campaign**.
- **Thrust to Existing Schemes through ONDC:** ONDC can enhance the implementation of **various schemes like [Pradhan Mantri Van Dhan Yojana](#)**.
 - **PMVDY** scheme aims for enhancing the **livelihood of [forest-dependent tribes](#)** through aggregation, processing and **forward sales of forest produce**.
 - The tribal communities **neither** enjoy the benefits of **[price realisation](#)** nor do they

get sufficiently **exposed to the market**.

- The scheme has been operating since 2018 but a **bulk of sales still take place at local haat bazaars or village mandis** and are restricted to local traders.
- **ONDC can provide them the reach on scale** enjoyed by any other big brand.
- Such an integration would also add significant value to customer choices marching towards **healthy and sustainable options**.
- **Proper Grievance Redressal Mechanism:** There should be a **secured single window** to navigate both the **demand and supply-side** problems like **information asymmetry, opaque pricing, quality and product concerns** and **buyer-seller conflict**.

Drishti Mains Question

Explain how Open Network for Digital Commerce can transform platform-centric paradigm to an open network for E-commerce in India. Highlight the major operational challenges in its implementation.

PDF Refernece URL: <https://www.drishtias.com/printpdf/open-network-for-digital-commerce-ondc>

