

Democratizing Digital Commerce in India: An Examination of the Open Network for Digital Commerce (ONDC)

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Abstract:

The advancement of digital technology has diminished the importance of both geographic and linguistic barriers. Digitalization has had a direct and indirect impact on the lives of consumers, and E-commerce is one of the many technological breakthroughs that has been influenced by it. The growth of e-commerce has provided consumers with greater flexibility in selecting products that align with their preferences, while also enabling them to assess the quality and reputation of these items more effectively. The e-commerce industry leverages digital technologies, allowing customers to engage with sellers and buyers through online and mobile platforms, resulting in a distinctive buying or selling experience. Over time, the e-commerce market became less transparent due to the monopolistic practices of some of the industry's biggest players, which have increasingly exerted control over consumer purchasing behaviour. In a country like India, where small retail firms dominate over 80 percent of the retail sector, it is important to ensure that the interests of these key players are protected, even as larger e-commerce companies gain prominence. As a measure to safeguard the interests of merchants and buyers, the Indian government has introduced a new initiative known as the Open Network for Digital Commerce (ONDC).

Keywords —ONDC, E-commerce.

I. INTRODUCTION

With the world shifting towards a more digital economy, businesses are exploring novel methods to engage with consumers. A novel network named ONDC is striving to simplify this process by offering a platform for businesses of every size to communicate with each other and execute digital transactions. The ONDC is a group effort to build an open ecosystem for digital commerce. It is also a network built on open protocols that will make it possible for any network-compatible application to be used to find and do local business in segments like grocery, mobility, food ordering and delivery, hotel reservation, as well as travel, among other things. The platform wants to bring in new customers, stop digital monopolies, help micro, small, and medium-sized businesses, as well as

small business owners, get on online platforms, and build a place where businesses of all sizes can safely and easily do business with each other and with third-party vendors.

II. WHAT IS ONDC?

The Open Network for Digital Commerce (ONDC) is a collaboration between several small and large-scale e-commerce companies, banks, and financial start-ups. ONDC is an open network that eliminates the need for a central intermediary and enables massive e-commerce expansion and broad-based innovation for market and community-led initiatives.

III. HOW ONDC WORKS?

To solve a problem at a large population scale, it is necessary to shift from a model where a single

operator controls a centralized platform to a model where facilitators enable a decentralized network that can work together seamlessly.

By utilizing an open protocol, the Open Network will facilitate the discovery and engagement of location-aware, local commerce across various industries, which can be accessed through any network-enabled application. As the Internet Message Access Protocol (IMAP) / Simple Mail Transfer Protocol (SMTP) is for emails, Hypertext Transfer Protocol (HTTP) is for the World Wide Web, UPI for the payment systems, the Open Network idea has been conceived to transform digital commerce in India.[1]

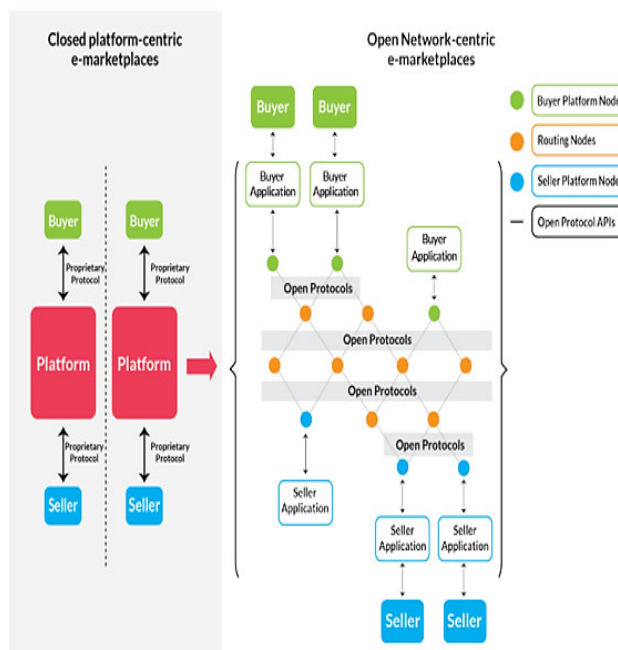


Fig 1. ONDC platform to network approach

IV.OBJECTIVE OF ONDC

As per a report by Business Standard, the ONDC platform aims to generate fresh prospects, mitigate digital monopolies, and empower micro, small, and medium-sized businesses, as well as small-scale merchants, by facilitating their access to online platforms. This initiative is being led by the Department for Promotion of Industry and Internal

Trade (DPIIT) under the Ministry of Commerce and Industry. [2]

V. BENEFITS OF ONDC

The Open Network for Digital Commerce (ONDC) offers several benefits, including.

1. Empowering small and medium-sized businesses: ONDC aims to provide small and medium-sized enterprises (SMEs) with greater access to online platforms, allowing them to expand their reach and engage with a larger customer base.
2. Reducing digital monopolies: By promoting competition and reducing barriers to entry, ONDC can help to mitigate the monopolistic tendencies of some of the industry's largest players, creating a more level playing field for all businesses.
3. Enabling local commerce: The platform will allow users to discover and engage with local commerce across various industries, encouraging the growth of local businesses and the development of regional economies.
4. Improving consumer choice: By facilitating greater competition and transparency, ONDC can enhance consumer choice and enable shoppers to make more informed purchasing decisions.
5. Fostering innovation: By providing a standardized and open protocol for e-commerce, ONDC can foster innovation and encourage the development of new technologies and business models in the industry.[3,4]

VI.CHALLENGES BEFORE ONDC

1. Resistance from established players: Large e-commerce companies with dominant market positions may resist the introduction

of ONDC, which could disrupt their existing business models and market share.

2. **Technical challenges:** Developing an open and standardized protocol for e-commerce requires significant technical expertise and resources. Ensuring that the platform is secure, reliable, and scalable will be a significant challenge.
3. **Adoption by smaller businesses:** While ONDC aims to empower small and medium-sized businesses, it will only be successful if these businesses adopt the platform and utilize its features effectively. Convincing small businesses to integrate with ONDC and use it as a primary sales channel may be a significant challenge.
4. **Regulatory compliance:** As an initiative led by the government, ONDC will need to comply with various legal and regulatory requirements, including data privacy, consumer protection, and competition laws. Ensuring that the platform is compliant with all applicable regulations will be critical to its success.
5. **Ensuring fair competition:** While ONDC aims to reduce digital monopolies, it must also ensure that fair competition is maintained within the platform. Preventing the emergence of new monopolies or unfair business practices will be a significant challenge.

VII. CONCLUSION

The ONDC concept represents a ground-breaking approach to e-commerce that has the potential to revolutionize the industry. If successfully implemented, it could transform the way e-commerce is conducted and create new opportunities for businesses and consumers alike. The platform's modular and interoperable architecture enables its application across various

industries, offering a range of potential use cases. The ONDC network is currently under development, undergoing numerous innovative modifications to ensure that it meets its objectives. Once it is ready for full-scale implementation, we will have a better understanding of how the platform will operate in both the short and long term.

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