



## A REPORT ON PREVIEW OF ONDC

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### APSTRACT

Over the past few years, the growth for the online commerce market is phenomenal. E-commerce has transformed the way business is done in India which is currently dominated by the duopoly amazon and walmart owned flipkart. Any market with a monopoly or a duopoly is not good people.so the department for promotion of industry and internal trade (DPIIT) made new set of rules and regulations to make the ecommerce a fair play for all companies. But these companies always find new ways to outsmart the laws. So, the DPITT plans to centralize the ecommerce with ONDC. ONDC or Open network for digital commerce is promises to provide the level playing to small merchants. Its proponent says that ONDC will move the ecommerce from the current market leader's amazon and walmart owned flipkart to an open network.

### INTRODUCTION

ONDC is a private non-profit company established by department for promotion of Industry and Internal trade of Government of India to develop open e-commerce. Since this network uses open specifications and protocols, and isn't tied down to any particular platform. So, it doesn't require buyers and sellers use the same platform to complete a transaction. So as long as the platforms are connected to this open network, buyers and sellers can transact irrespective of the applications they use and have. In April 2022, the department for promotion of industry and internal trade (DPIIT) launched a test run of ONDC in five cities- Delhi, Bengaluru, Coimbatore, Bhopal, and shillong- with plans to add 150 retailers in the pilot phase. It will soon start beta testing with public uses in limited areas.

## OBJECTIVES

Open Network for Digital Commerce (ONDC) is a network based on open protocol and will enable local commerce across segments, such as mobility, grocery, food order and delivery, hotel booking and travel, among others, to be discovered and engaged by any network-enabled application. The platform aims to create new opportunities, curb digital monopolies and by supporting micro, small and medium enterprises and small traders and help them get on online platforms. It enables location aware digital commerce across Industries to be discovered and engaged by any network enabled application. In simple terms ONDC lets sellers voluntarily display their products and services across all participating applications and platforms. Since this network uses open specifications and protocol, it isn't tied down to any platform. It doesn't require buyers and sellers use the same platform to complete the transaction. This network is a defacto online commerce inclusive platform for small vendors and near importantly India's counter to the dominance of large, investor-fuelled online Marketplace and aggregators. Thus, 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. ONDC protocols would standardize operations like cataloguing, inventory management, order management and order fulfilment. Thus, small businesses would be able to use any ONDC compatible applications instead of being governed by specific platform centric policies. This will provide multiple options to small businesses to be discoverable over network and conduct business. It would also encourage easy adoption of digital means by those currently not on digital commerce networks. ONDC is expected to make e-Commerce more inclusive and accessible for consumers. Consumers can potentially discover any seller, product or service by using any compatible application or 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. Thus, ONDC would standardize operations, promote inclusion of local suppliers, drive efficiencies in logistics and lead to enhancement of value for consumers.

## REVIEW OF LITERATURE

**RITESH JASH (2022)** The Unified Payments Interface (UPI) is poised to cross the \$100-trillion mark, but there's a ministry of commerce initiative which can bring the benefits of digitalisation to a much larger audience: the Open Network for Digital Commerce (ONDC) for hyperlocal transactions. It's currently focused on empowering local sellers, who have a lesser say in matters of dispute on proprietary platforms, and fundamentally change the way micro, small and medium enterprises (MSMEs) go about their business, adding to GDP growth as well. Paytm, Dunzo, eSamudaay and others are currently on the network

**VIRAJ GAUR (2022) (THE QUINT)** Microsoft became the first tech giant to onboard Open Network for Digital Commerce (ONDC), a government backed initiative to give small merchants across India access to a decentralised e-commerce network. The tech giant intends to introduce social e-commerce to the Indian market with the launch of a shopping app that will let Indians shop with their social circle. To this end, it wants to harness the network to discover the best pricing among retailers and sellers. ONDC is being touted as the next UPI (Unified Payments Interface), since the government hopes it will democratise e-commerce and give small sellers access to systems and technology that currently only giants like Flipkart and Amazon enjoy.

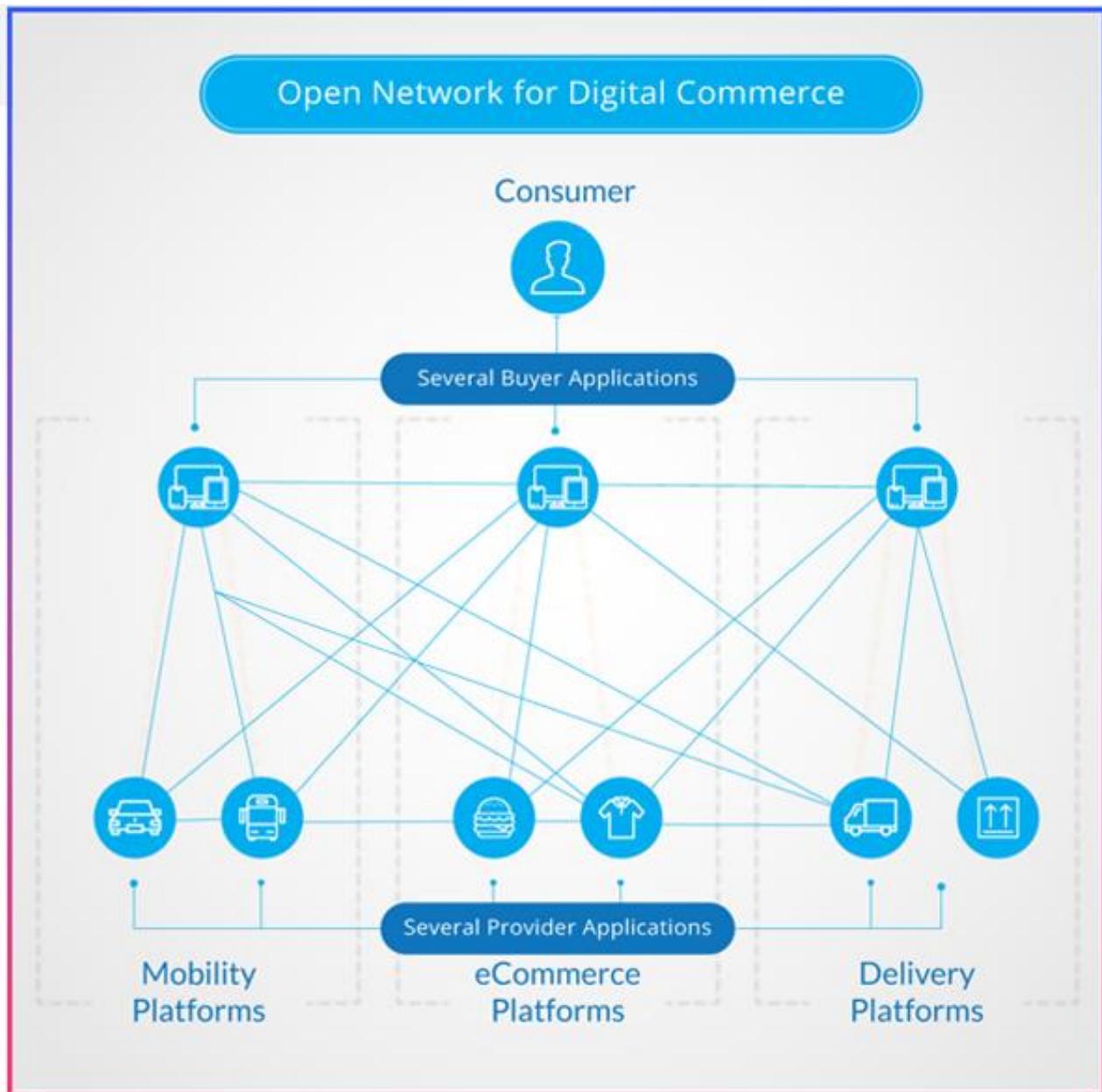
**CHIRAG AHMEDABADI (2022) (LINKEDIN)** The digital commerce market in India is expected to grow at an alarming rate of USD 350 billion in the next few years. To ensure that this market can reach its potential, the government of India wants to make it a level playing field for all businesses by democratizing e-commerce in India. By doing so, they hope to create an environment in which all businesses can have an equal chance to succeed. Last year in December, the Government of India announced their new idea called the ONDC, which they promised would be a game changer in digital commerce. The idea for ONDC was seeded by Nandan M. Nilekani and other leading technocrats of India, including the heads of different government institutions like Shri R.S. Sharma, the CEO of the National Health Authority. ONDC is a private company established as a non-profit, and T Khosy is MD CEO. They are currently running a pilot in around ten cities, with invitation-based onboarding.

**RAMESH ABHISHEK (2022) (THE HINDU BUSINESS LINE)** The Open Network for Digital Commerce seeks to democratise the e-commerce landscape by facilitating transparent and impartial online platform for small businesses and start-ups. But many challenges lie ahead.

**LIVEMINT.COM (2022)** ONDC is a non-profit company whose network will enable the display of products and services from all participating e-commerce platforms in search results across all apps on the network. ONDC aims to raise e-commerce penetration in the next two years to 25% of India's consumer purchases, from nearly 8% now, in a country of 1.35 billion people.



## STRUCTURE OF ONDC



## THE PATHWAY OF UPI

ONDC is to set an India's UPI moment for ecommerce. Though the main idea for both protocols is to eliminate monopoly and to create opportunity for all, to become a network that connect the people. The primary function of the UPI ecosystem, which concerns itself with financial data, was to enable a secure transfer of financial data between stakeholders including banks and customers. However, there is no such direct transfer of goods and services in ONDC, which is related to the transfer of goods and services. Further, ONDC has many subjective variables that UPI didn't. For example, ONDC has to look for the quality of a product, the reliability of the seller and the buyer, the delivery speed, and there is no real interaction with the physical world as the entire process takes place digitally. Also, UPI did not include any interaction with the physical world as the entire workflow for UPI was completely digital, something that is not the case with ONDC. In ONDC, only the buyer-seller matchmaking happens online, while the rest of the workflow is offline, increasing the chances of a dispute.

## STATISTICS

Around 12 hyper local kiara stores account for 80 percentage of the retail sector in India and most aren't digitally connected. According to the ONDC strategy paper published earlier this year.

Even though covid-19 pandemic has given the massive push to E-Commerce in India. The benefit has largely gone to big players Amazon, Flipkart which control more than 60 percentage of the market.

Due to high investment required to build End-to-end e-commerce solutions, small retailers have little choice but to sell through the established platforms.

Trust built on these platforms in the form of ratings is also not Transferable it gives them bound. to allow small sellers to be free of such shackles. ONDC aims to facilitate a shift an operator-driven monolithic, platform central model to facilitator-driven interoperable decentralized network.

## TARGET/ GOAL

ONDC aims to raise e-commerce penetration from nearly 8percent to 25 percent in the next two years.

It also aims to sign up 90crore buyers as 12 lakh sellers in the next five years

In future anybody to sell products or services will make their catalogues visible in this common network (ONDC), either by themselves or through a third-party aggregator or a technology service provider.

Everybody will have commerce there will be no separate need to have an ecommerce company. Amazon, Flipkart etc. will also become a part of the common pool the ecommerce sector will likely undergo significant changes for a majority of participants, as ONDC democratises the space with more players coming in

## PREPARING FOR TAKE-OFF

ONDC has been testing grocery and food delivery since April in selected cities. Categories that is toughest to crack. Only a handful of buyer-side and seller-side participants are live on the ONDC networks are present.

Paytm is the only one offering a buyer-side interface

Digiit, esamuday, gofrugal tech growth falcons, sellerapp offer seller side interfaces

Dunzo and loadshare offer logistics for hyperlocal deliveries

Indian lenders are also looking to set up buyer platforms to draw synergy and create opportunities for the network to be successful.

Nine banks have picked up stake in the Open Network for Digital Commerce (ONDC) network. Of these, State Bank of India (SBI), Bank of Baroda, Punjab National Bank, Kotak Mahindra Bank, Axis Bank, HDFC Bank, IDFC First Bank, and ICICI Bank own 6.35 per cent stake each in the network. Kolkata-based UCO Bank owns 3.17 per cent stake in the network. Small Industries Development Bank of India (SIDBI) and National Bank for

Agriculture and Rural Development (NABARD) have picked up 6.35 per cent stake each. It was also reported that the National Payments Corporation of India – the umbrella entity for digital payments in the country - is looking to pick up stake in ONDC. Banks are seeing ONDC as an opportunity to offer their entire payment stack to players involved in the network and make deeper inroads into the payment and settlement segment because the network, they say, is expected to produce large volumes of credit, debit, merchant settlement, and escrow payments. Also, with the availability of transaction data through this network, banks will now be able to deliver credit to suppliers, sellers, logistics partners, and the entire supply chain, which, perhaps, is not happening due to absence of data, on which they can base their credit decisions. This, say lenders, is expected to build a business credibility index for banks to understand more about small and mid-sized businesses, so that they can tap into this segment for their credit needs.

Further, many banks that have been early adopters of the Open Credit Enablement Network are building goods and services tax invoice and cash flow-based credit decisioning and lending models, which may be extended to the ONDC network, says Sharma, adding, "As the ONDC network rolls out and matures, there will be greater value for all participants across the ecosystem."

Many banks have moved quickly to enable a buyer's platform on the network. Recently, private sector lender IDFC First Bank joined the ONDC network, enabling a buyer's platform to help it discover sellers on the ONDC network as it develops over time. It has also started on boarding small merchants, who are its current account customers, on to a partner application (app) registered with ONDC. The app is expected to help small merchants execute transactions over ONDC's electronic network and expand their digital footprint.

On the other hand, YES Bank announced its partnership with SellerApp recently to help embrace ONDC amongst the seller segment of its customer base and help increase its digital commerce scope. "This association (with ONDC) will enable us to positively impact the business. Momentum of our SME, MSME, and other enterprise customers across India and Bharat," says Prashant Kumar, managing director and chief executive officer, YES Bank.

## CONCLUSION

In conclusion, the Open Network for Digital Commerce (ONDC) is a promising initiative of the Indian government aimed at democratizing e-commerce and providing a level playing field for small and medium-sized businesses. The ONDC will allow buyers and sellers to transact irrespective of the applications they use and have, as long as the platforms are connected to the open network. The standardization of operations such as cataloguing, inventory management, order management and order fulfilment will provide multiple options to small businesses to be discoverable over the network and conduct business. The ONDC protocols will also promote the inclusion of local suppliers, drive efficiencies in logistics and lead to enhancement of value for consumers. The ONDC has already received support from various companies, including Paytm, Dunzo, and Microsoft, and is expected to make e-commerce more inclusive and accessible for consumers, thus creating a fair and competitive market for all businesses in India.

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