

Open Network for Digital Commerce

February 25, 2023 • vajiramandravi.com



What's in today's article?

- Why in News?
- What is ONDC?
- What Led to the Creation of ONDC?
- How will the ONDC Work?
- News Summary Regarding Amazon Joining ONDC

Why in News?

- Amazon has announced that it will join the Indian government's ONDC (Open Network for Digital Commerce) platform.
- The development is particularly interesting given that ONDC's very purpose is **to "democratise" e-commerce in India** which is largely captured by Amazon and Flipkart.

What is ONDC?

- It is a **private non-profit** Section 8 (of the Companies Act 2013) company established by the Department for Promotion of Industry and Internal Trade (**DPIIT**), Union Ministry of Commerce and Industry, **to develop open e-commerce**.
- It was incorporated in **2021** with initial investment from Quality Council of India (QCI) and Protean eGov Technologies Limited (formerly NSDL e-Governance Infrastructure Limited).
- ONDC is not an application, an intermediary, or software, but **a set of specifications designed to foster open interchange and connections** between shoppers, technology platforms, and retailers.
- It is designed to –
 - **Keep check on Big Tech companies** from violating Consumer Protection (E-Commerce) (Amendment) Rules, 2021, due to concentration of market power.
 - **By integrating them** into an open-source decentralised network where data portability will break data silos while data interoperability will allow innovation.

What Led to the Creation of ONDC?

- Technological self-reliance
- **Demand for level playing field** mainly from **small retailers**
- Lower the barrier of entry and discovery online
- Adoption of open digital ecosystem across key sectors
- **Fixing the non-competitive behaviour of big e-commerce** firms like Amazon and Flipkart
- To capture the US\$810 billion domestic retail market

How will the ONDC Work?

Image Caption: ONDC Model

News Summary:

- **ONDC is a government-backed project** aimed at enabling small merchants and kirana stores in parts of the country to access processes and technologies typically deployed by large e-commerce platforms.
- It is being developed as a counter to the current **duopoly (2 players domination)** in the Indian e-commerce market which is largely dictated by Amazon and Walmart-owned Flipkart.
- In 2022, **Microsoft** became the first big technology company to join the network with an intention to introduce social e-commerce – group buying experience – in the Indian market.
- **Amazon** said that it will integrate its logistics network and its software suite called **SmartCommerce** with ONDC.
- This will enable MSMEs in India **to build and scale their business** across digital mediums and will have enablers for onboarding to the ONDC network.

- **A number of other participants** (like Paytm, Reliance-backed Dunzo) are also currently live on the ONDC network, offering a number of services in the e-commerce supply chain such as buying, selling and offering logistics services.
-

Q.1) Why was ONDC (Open Network for Digital Commerce) established?

It is a private non-profit Section 8 company established by the DPIIT, to develop open e-commerce. It was incorporated in 2021 and is not an application, an intermediary, or software. It is a set of specifications designed to foster open interchange and connections between shoppers, technology platforms, and retailers.

Q.2) What is the significance of ONDC (Open Network for Digital Commerce)?

ONDC's very purpose is to "democratise" e-commerce in India which is largely captured by Amazon and Flipkart. It will enable small merchants and kirana stores in parts of the country to access processes and technologies typically deployed by large e-commerce platforms.

Source: [Amazon joins ONDC, the e-commerce network that plans to challenge the giant itself](#) | [ONDC.org](#) | [ToI](#)

VIDEO: <https://www.youtube.com/watch?v=y5DoQA-In30>

Source: <https://vajiramandravi.com/current-affairs/open-network-for-digital-commerce/>

© Vajiram & Ravi. For personal use only.