



## Creating An Open Network for e-Commerce

*This editorial is based on [“Open Network for E-Commerce: It’s an Idea whose Time has Come”](#) which was published in Livemint on 07/06/2022. It talks about the opportunities that the Open Network for Digital Commerce (ONDC) presents to facilitate the growth of the Indian economy.*

**For Prelims:** Open Network for Digital Commerce (ONDC), Digital India initiative, Aadhar, UPI, Data Protection Bill

**For Mains:** Digitisation in Commerce, Open Network for Digital Commerce (ONDC) Project- Opportunities and Challenges

The government’s [Digital India initiative](#), the vibrancy of the information technology sector and the urgency highlighted by the pandemic make now an opportune time to establish and promote expansion to digital commerce by the digital enablement of a wide cross-section of businesses. The [Open Network for Digital Commerce \(ONDC\)](#) has the **potential to usher in a disruptive change in this regard.**

## India and Digitalisation of Commerce

### What is India’s Scenario of Digitisation?

- The fast-expanding digital economy has been one of the major supporting pillars for India in recent times. It has the **world’s highest fintech adoption rate of 87%**, as compared with the **global average of 64%**.
  - The e-commerce market in India has **doubled between 2017 and 2020.**
- **Three of the largest public digital platforms** in the world are from India: [Aadhaar](#) is the largest unique digital identity platform, [Unified Payments Interface \(UPI\)](#) is the largest digital payments ecosystem, and [Co-Win](#) is the largest vaccination platform.
- India has utilised a financial technology stack in which a **unified, multi-layered set of public sector digital platforms** combine to provide substantial benefits to the population, from **promoting financial inclusion and increasing efficiency to enhancing financial stability.**

### How has It helped People?

- Aadhaar facilitated a **surge in financial inclusion and digital payments**, especially during the Covid-19 pandemic.
- India’s **low-cost, population-scale digitalization** has **improved the ease of living** for its citizens in all income categories.
- UPI has **changed the dynamics of retail payment systems** and is now being used country wide.
- These digital platforms are becoming an **avenue for a new type of global diplomacy** too.

India's identity and payments platforms are being looked at with interest across the world.

- Recently, the **Co-Win platform was offered by India to interested countries.**
- In July 2021, the Finance Minister of India along with her counterpart in Bhutan [jointly launched BHIM-UPI in the country.](#)

## Open Network for Digital Commerce (ONDC)

### What do we Understand by ONDC?

- ONDC is a globally first-of-its-kind initiative that aims to **democratise digital commerce**, moving it from a **platform-centric model** (where the buyer and seller must use the same platform or application to be digitally visible and do a business transaction) **to an open network.**
- It is based on **open-sourced methodology**, using open specifications and open network protocols, and is **independent of any specific platform.**

### What is the Government of India's ONDC Project?

- The [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#) has issued orders appointing an **advisory committee for its Open Network for Digital Commerce (ONDC) Project to curb "digital monopolies"**.
  - This is in the direction of **making e-commerce processes open source**, thus creating a platform that can be **utilised by all online retailers.**
- Once ONDC gets implemented, all e-commerce companies and online **businesses in India will have to operate using the same processes** and standards.
  - According to reports, this could mean a **complete revamp of systems for e-commerce players**; they could **end up losing control over their user interface**, and, even more importantly, consumer behaviour insights.
    - This could be **problematic for larger e-commerce companies**, which have their own processes and technology deployed for these segments of operations.
    - However, this would also give a huge **booster shot to smaller online retailers and new entrants.**

### What Possibilities does ONDC Offer?

- ONDC is expected to **digitise the entire value chain, standardise operations** (like cataloguing, inventory management, order management and order fulfilment), promote the inclusion of suppliers, derive efficiency in logistics, and **enhance value for consumers.**
- The platform envisages **equal-opportunity participation** and is expected to make e-commerce more **inclusive and accessible for consumers** as they can potentially discover any seller, product or service by using any compatible application/platform, thus increasing their freedom of choice.
- It will enable transactions of any denomination, thus making ONDC a **truly 'open network for democratic commerce'**.
- ONDC would enable small businesses to **use any ONDC-compatible applications** instead of being governed by specific platform-centric policies.
  - It would also **encourage easy adoption of digital means** by those currently not on digital commerce networks.

### What should be the Key Areas of Focus while Creating an ONDC Platform?

- **Layers of Open Digital Ecosystem:** There are three "layers" of an open digital ecosystem which provide a useful conceptual framework to think of both adoption and safeguards. These layers are:
  - **Technology Layer:** It should be designed for **minimalism and decentralisation.**
  - The ONDC platform should be built on **"privacy by design" principles.**
  - It should **collect minimal amounts of data (especially personal)** and **store it in a decentralised manner** so that there is no honeypot for hackers.

- Data exchange protocols should be designed to minimise friction but be **based on clear rules that protect the consumer interest.**
- **Tools like blockchain could be used** to build technical safeguards that cannot be overridden without active consent.
- **Governance Layer:** It should allay business' fears of excessive state intervention in e-commerce.
  - Any **deployment of standards or tech should be accompanied by law** or regulation that lays out the scope of the project.
  - If collection of any personal data is envisaged, passing the [data protection bill](#) and creating an **independent regulator should be a precondition.**
  - To assure the industry of fairness, the government could **hand over the stewardship of the standards** or platform **to an independent society or non-profit.**
- **Community Layer:** It should foster a truly **inclusive and participatory process.** This may be achieved by making civil society and the public active contributors by seeking wide feedback on drafts of the proposal.
  - Also, ensuring **quick and time-bound redressal of grievances** will help build trust in the system.
- **Encouraging rather than Compelling:** In order to drive the adoption of an open e-commerce platform or standards in a sector with entrenched incumbents, compelling the suppliers or consumers to use it is inadvisable.
  - A viable solution would be **creating non-mandatory “reference applications”, and financial or non-financial incentives.**
    - Useful learnings can be drawn from the adoption of UPI: The government supported the rollout of BHIM as a reference app, and offered financial rewards through a lottery scheme to drive early adoption.
  - It is timely that India is exploring innovative ways to bridge the gaps in e-commerce markets. But the **boldness of this vision must be matched by the thoughtfulness of the approach.**

#### ***Drishti Mains Question***

The ONDC (Open Network for Digital Commerce) Project proposed by the Government of India has the potential to curb “digital monopolies” of large companies and provide a huge booster shot to smaller online retailers and new entrants. Discuss.

### **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

#### **Q. Consider the following statements: (2018)**

1. Aadhaar card can be used as a proof of citizenship or domicile.
2. Once issued, Aadhaar number cannot be deactivated or omitted by the Issuing Authority.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Ans: (d)**

#### **Q. The identity platform ‘Aadhaar’ provides open “Application Programming Interfaces (APIs)”. What does it imply? (2018)**

1. It can be integrated into any electronic device.

2. Online authentication using iris is possible.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Ans: (c)**

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