Open Network for Digital Commerce

For Prelims: Open Network for Digital Commerce, UPI, Initiatives related to e-Commerce

For Mains: Significance of Open Network for Digital Commerce

Why in News?

Open Network for Digital Commerce (ONDC) will charge a **"small fee" from platforms that will contribute towards "maintenance and development"** of the network.

- The network **will seek to reduce the compulsory commissions charged from sellers and logistics partners** on the network by private e-commerce firms such as US-based Amazon and homegrown Flipkart — the two largest e-commerce firms in the country.

What is ONDC?

- **About:**
  - It is an **open e-commerce protocol** set up by the Ministry of Commerce's **Department of Promotion of Industry and Internal Trade (DPIIT).**
  - Under ONDC, it is **envisaged that a buyer registered on one participating e-commerce site** (for example, Amazon) may purchase goods from a seller on another participating e-commerce site (for example, Flipkart).
  - Presently, **buyers and sellers have to be on the same app for a transaction** which happens through the same platform. For example, a buyer needs to go to Amazon, to buy a product from a seller on Amazon.
- **Objectives:**
  - Democratisation and decentralization of eCommerce
  - Inclusivity and access for sellers, especially small and medium enterprises as well as local businesses
  - Increased choices and independency for consumers

What Benefits Does the ONDC 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.
- **Competitive and Innovative Ecosystem:** 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.
- **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).**

What are the Issues with ONDC?

- ONDC is a **complex ecosystem to implement,** unlike UPI.
- **Switching customers from the incumbents**, which are offering a satisfactory service, will be difficult.
- Network participants **may not make significant market development investments** initially.
- Growth in the seller base will not necessarily improve buyer experience on the network.
- Monetisation on the network is **not very clear.**
- **Attaining critical mass will be difficult** as buyer and seller sides are disconnected.
- **Lack of clarity on accountability,** especially in addressing customer complaints and returns.

Way Forward

- A **better digital space for e-commerce must be built by the government** in order to compete with 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.
- A **massive, well-funded adoption campaign will be needed** to bring over tens of millions of kirana stores to the platform.
- The **demand and supply sides should be able to access a secured single window** to resolve issues such as information asymmetry, opaque pricing, quality concerns, and buyer-seller disputes.

UPSC Civil Services Examination, Previous Years Questions (PYQs)

Q. Consider the following: (2022)

1. Aarogya Setu
2. CoWIN
3. DigiLocker
4. DIKSHA

Which of the above are built on top of open-source digital platforms?

(a) 1 and 2 only
(b) 2, 3 and 4 onlyb
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

Ans: (d)

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