



Abhinav Pahal | ONDC | Gateway to Progress

For Prelims: [Open Network for Digital Commerce \(ONDC\)](#), [Small Businesses](#), [E-Commerce](#), [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#), [SC/ST entrepreneurs](#), [Digital Marketplace](#), [Financial Services](#), [14th India Digital Awards](#), [Micro, Small And Medium Enterprises \(MSME\)](#), [Formalization of Small Businesses](#), [Logistics](#), [Unified Payments Interface \(UPI\)](#), [Grievance Redressal System](#).

For Mains: Significance of Open Network for Digital Commerce (ONDC) in Empowering Small Businesses and Promoting Inclusive E-Commerce.

Why in News?

- The [Open Network for Digital Commerce \(ONDC\)](#) surpassed **15 million** monthly transactions, empowering [small businesses](#) and promoting inclusive [e-commerce](#).
- The initiative recorded an all-time high of **8.9 million** transactions in May 2024, a remarkable **23%** month-on-month growth.

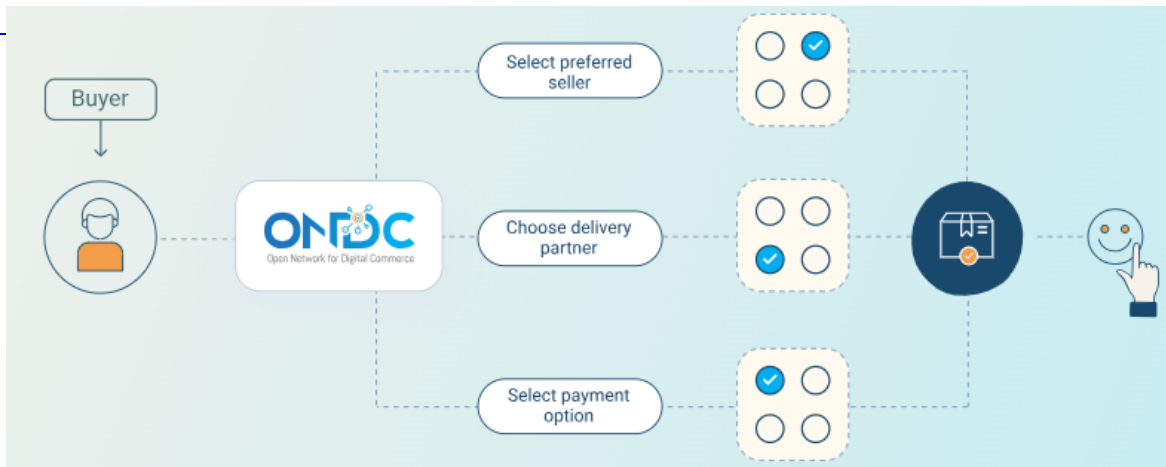
What is Open Network for Digital Commerce?

- **About ONDC:** The ONDC launched in **April 2022** by the [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#) under the **Ministry of Commerce**, aims to democratize e-commerce.
 - This **open-source platform** allows seamless transactions between buyers and sellers, transitioning from a platform-centric to an open-network model.
 - ONDC was incorporated as a **non-profit Section-8 company** with contributions from [public and private banks](#), and authorized capital of ₹500 crore.
- **Objectives:** The initiative aims to **reduce dominance** of major e-commerce platforms through **interoperability** and **inclusivity**.
 - ONDC empowers **small businesses**, **women-led enterprises**, and [SC/ST entrepreneurs](#) with tools to access the [digital marketplace](#).
 - The focus is on lowering customer **acquisition costs** and **transaction processing** expenses for businesses on the network.
 - ONDC bridges **regional and linguistic divides**, promoting participation from underserved markets.
 - The network ensures consumers have access to **diverse sellers**, competitive prices, and **better-quality services**.
- **Working Mechanism:** ONDC's decentralized architecture uses **open protocols**, enabling buyers and sellers across platforms to transact via standardized APIs.
 - Roles are clearly segregated into **Buyer Apps**, **Seller Apps**, **Logistics Providers**, and **Technology Enablers**, ensuring efficiency and responsibility.
 - ONDC facilitates operations across **13 domains**, including food, groceries, mobility, fashion, agriculture, and [financial services](#).
- **Achievements So Far:** ONDC now spans **616+ cities**, significantly expanding its geographical

coverage and participation by sellers and buyers alike.

- Initially piloted in **Bengaluru and Delhi**, ONDC expanded to categories such as mobility, health, beauty, and agriculture.
- The **MSME-TEAM scheme**, active from 2024 to 2027, targets onboarding **5 lakh MSMEs**, including 2.5 lakh women-owned enterprises.
- ONDC won multiple awards, including the "**Start-up of the Year**" at the **14th India Digital Awards** and "**Tech Disruptor**" in 2024.

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What are the Benefits of ONDC?

- **Empowering Small Businesses and MSMEs:** ONDC empowers **Micro, Small and Medium Enterprises (MSME)** by reducing dependency on **expensive platform-specific policies**, enhancing their reach to a nationwide audience.
 - MSMEs benefit from training programs for digital skill development and ONDC's interoperable protocols for cataloging and order fulfillment.
 - **The MSME-TEAM initiative** assists businesses with onboarding, catalog preparation, account management, and logistics, especially for women-led enterprises.
- **Expanding Digital Commerce Inclusivity:** ONDC enables participation by **local vendors, artisans, and rural entrepreneurs**, increasing socio-economic inclusion and market accessibility.
 - Initiatives like the **ONDC Sahayak WhatsApp Bot**, available in five languages, simplify platform onboarding for sellers and buyers.
- **Enhancing Consumer Experience and Competition:** Buyers enjoy access to a broader array of sellers, diverse product choices, and **competitive pricing**, fostering greater consumer satisfaction.
 - ONDC disrupts monopolistic control by encouraging competition among sellers, which leads to innovations and better quality of services.
- **Economic Development and Job Creation:** The initiative supports **formalization of small businesses**, creating digital histories that improve access to credit and financing.
 - ONDC drives economic growth by generating jobs in **logistics, technology, packaging, and last-mile delivery**, especially in smaller cities.
- **Pioneering Digital Commerce Innovation:** ONDC's **open-source methodology** encourages technological advancements, allowing developers to innovate within the e-commerce ecosystem.
 - The platform's expansion into domains like health, mobility, and agriculture demonstrates its versatility in addressing India's digital commerce needs.

What ONDC aims to achieve?

In the next 5 years, there is a potential opportunity for market transformation due to ONDC.



What are the Challenges for ONDC?

- **Complexity of Transition and Adoption:** Unlike simpler systems like [Unified Payments Interface \(UPI\)](#), ONDC's decentralized architecture demands substantial technological awareness, posing challenges for small businesses.
 - Consumers accustomed to dominant platforms may find transitioning to ONDC's open network challenging without seamless onboarding mechanisms.
- **Dispute Resolution and Accountability Issues:** ONDC lacks a [centralized grievance redressal system](#), creating ambiguity over accountability for issues like delayed deliveries or product quality.
 - As ONDC operates only as a facilitator, disputes might increase, affecting user trust and overall adoption rates.
- **Competition from Established Platforms:** Existing e-commerce giants dominate with their extensive consumer base, loyalty programs, and bundled services, challenging ONDC's appeal.
 - Without compelling strategies, ONDC may struggle to attract sellers and buyers already invested in established ecosystems.
- **Technological and Logistical Barriers:** Integrating diverse participants with varied **technological capabilities** requires significant resources, posing challenges in ensuring uniform network efficiency.
 - Ensuring reliable logistics and timely deliveries across **616+ cities**, particularly rural areas, is a daunting task for the network.
- **Lack of Direct Price Control:** Unlike established platforms, ONDC's facilitator model limits its ability to offer discounts or influence bulk pricing strategies directly.
 - The absence of significant **cost advantages** might deter price-sensitive consumers from switching to ONDC.

Way Forward

- **Investing in Digital Infrastructure:** The government must focus on [bridging the digital divide](#), ensuring rural areas have robust broadband and mobile connectivity for seamless operations. Enhancing physical and technological infrastructure will help ONDC achieve nationwide scalability and inclusivity.
- **Promoting Digital Literacy and Ease of Use:** Comprehensive education programs in **regional languages** and interactive tools can empower sellers and buyers to navigate ONDC effectively. Simplifying user interfaces and providing step-by-step guidance will improve onboarding and encourage participation from non-tech-savvy users.
- **Strengthening Dispute Resolution Mechanisms:** ONDC should establish a **single-window grievance redressal system** to handle buyer-seller disputes and foster trust in the ecosystem. Defining clear accountability for logistics, payments, and after-sales services will ensure smoother

operations and better user satisfaction.

- **Collaborative Strategies and Incentives:** ONDC should collaborate with existing e-commerce players, startups, and industry bodies to accelerate adoption and expand its reach. Providing **financial support for onboarding** and creating tax incentives for early adopters will encourage participation by MSMEs and small businesses.
- **Fostering Innovation through Technology:** ONDC should leverage emerging technologies like **AI for personalized shopping** and **blockchain for secure transactions** to enhance efficiency. Encouraging private-sector innovations within the ONDC ecosystem will drive competition and improve consumer experiences.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. With reference to foreign-owned e-commerce firms operating in India, which of the following statements is/are correct? (2022)

1. They can sell their own goods in addition to offering their platforms as market-places.
2. The degree to which they can own big sellers on their platforms is limited.

Select the correct answer using the code given below:

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

Ans: (b)

Mains:

What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming this bottleneck? (2015)