Revolutionizing Digital Commerce: The ONDC Initiative

Digital commerce reimagined for inclusivity and innovation

Ministry of Commerce & Industry

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"ONDC has contributed to empowering small businesses and revolutionising e-commerce, thus playing a vital role in furthering growth and prosperity."

- Prime Minister Narendra Modi

Introduction

The Open Network for Digital Commerce (ONDC) is a transformative initiative by the **Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce**, Government of India aimed at democratizing digital commerce. Launched in **April 2022**, ONDC is an initiative aiming at **promoting open networks** for all aspects of exchange of goods and services over digital or electronic networks. ONDC is based on **open-sourced methodology**, using open specifications and open network protocols independent of any specific platform. It envisions creating a level playing field for sellers, buyers, and service providers across India, particularly small and medium enterprises (MSMEs). It serves as a unified platform where stakeholders can interact freely without the constraints of exclusive ecosystems. By fostering **open protocols and reducing dependency on monopolistic platforms**, ONDC aims to catalyze innovation and inclusivity in the digital commerce landscape.

Why has India initiated this revolution?

India has been a world leader in demonstrating the successful adoption of digital infrastructures at the population scale, such as UPI, AADHAAR, and more. ONDC (Open Network for Digital Commerce) is yet another tech-based initiative to transform the way e-commerce functions in the country by enabling e-commerce through an open protocol based on open-source specifications.

The initiative will not only facilitate the rapid adoption of e-commerce but also boost and strengthen the growth of startups in India. By facilitating scalable and cost-effective e-commerce through the open protocol, ONDC will empower startups to grow collaboratively.

With the vision to create an organization with a startup mindset supported by government, ONDC was incorporated as a **non-profit, Section-8 company** and incubated at the **Quality Council of India**. QCI was joined by **Protean** as the **co-founder** for incorporation of ONDC. With an authorized capital of **Rs**. **500 crore**, any public and private banks and financial institutions have contributed equity to ONDC till now.

Investors of ONDC

Objectives of ONDC Initiative

The ONDC initiative has several key objectives:

1. **Democratization of Commerce:** Break the dominance of large e-commerce platforms by enabling interoperability across networks.
2. **Inclusivity:** Empower small businesses, retailers, and local artisans to access the digital marketplace.
3. **Cost Efficiency:** Lower the cost of customer acquisition and transaction processing for sellers.
4. **Market Expansion:** Bridge regional and linguistic gaps, bringing untapped markets into the fold of digital commerce.
5. **Customer Empowerment:** Increase options for buyers by providing access to a broader array of sellers.

How Does It Work?

ONDC employs **open network protocols** to facilitate seamless interaction between participants. The network

enables buyers and sellers from different platforms to transact with each other using **standardized APIs**. The key components include:

1. **Decentralized Architecture**: Unlike traditional platforms, ONDC does not own or operate e-commerce services. It acts as an enabler for interconnectivity.
2. **Open Protocols**: Based on open standards, ONDC ensures that any seller or buyer platform adhering to these protocols can participate.
3. **Role Segregation**: Participants are classified into roles such as Buyer Applications, Seller Applications, and Logistics Providers, ensuring clear delineation of responsibilities.

Domains on the ONDC Network

S. No.	Domain Name	Service Name
1	Food & Beverage	Continental, Middle Eastern, North Indian, Regional Indian, South Indian, Pan-Asian, Tex-Mexican, Healthy Food, World Cuisines, Desserts, Beverages, Fast Food
2	Grocery	Baby Care, Bakery, Cakes & Dairy, Beauty & Hygiene, Beverages, Cleaning & Household, Eggs, Meat & Fish, Foodgrains, Fruits & Vegetables, Snacks & Branded Foods
3	Fashion & Footwear	Men's Accessories, Men's Apparel, Women's Apparel, Women's Footwear, Kid's Apparel
4	Home & Kitchen	Home Decor, Furniture, Cookware and Dining
5	Electronics	Audio, Cameras, Laptops, Mobile Phones, Televisions
6	Beauty & Personal Care	Health, Kitchen Appliances, Lighting
7	Health & Wellness	Pain Relief, Nutrition and Fitness Supplements, Covid Essentials, Diabetes Control, Healthcare & Fitness Devices, Ayurvedic, Homeopathy, Unani and Siddha, Elder Care, Baby Care, Orthopedic Care, Mobility Aids, Medicated Hair Care, Medicated Skin Care, Face Cleansers, Gastric Care, ENT Care, Eye Care, Cold and Cough, Sexual Wellness, Feminine Care, Maternity Care, etc.
8	Gift Cards	Retail and Enterprise Gift Cards
9	Mobility	Auto, Cabs, Flights, Metro Rail, Charter
10	Financial Services	Credit, Insurance and Investments
11	Services	Skilled and Subscription Based
12	Agriculture	Agricultural Input, Output and Services
13	ONEST	Education and Training

Roles on the ONDC Network

Participants play various roles to ensure efficient functioning:

1. **Buyer Applications**: Platforms enabling customers to access sellers on the ONDC network.
2. **Seller Applications**: Interfaces for businesses to list and manage their offerings.
3. **Logistics Providers**: Facilitators for the movement of goods across regions.
4. **Technology Enablers**: Providers of IT infrastructure and tools.

Benefits of ONDC

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Sr. No.	Stakeholder	Benefit
1	Sellers	➤ Access to a wider audience
		➤ Reduced dependence on large platforms
		➤ Enhanced revenue opportunities
2	Buyers	➤ Increased options for products and services
		➤ Competitive pricing due to broader seller participation
3	Service Providers	➤ Opportunities for logistics, fintech, and IT service providers to integrate into the network
4	Consumers	➤ Discover sellers, products, and services on any compatible platform
		➤ Match demand with nearby suppliers and choose local businesses

Impact of ONDC

Our Network's Impact

616+	13	239	7.75+ Lakh	14.40+ Million
Cities Live	Domains Live	Network Participants Live	Sellers / Service Providers	Total Orders
View Cities		Learn More		Total Orders for the Month - Nov' 24

The implementation of ONDC is having a profound impact on India's economy:

1. **Market Democratization**: Ensuring that businesses of all sizes can thrive.
2. **Economic Growth**: Increased digital commerce activity contributing to GDP.
3. **Job Creation**: Expanding opportunities in technology, logistics, and ancillary services.
4. **Consumer Empowerment**: Offering diverse options and competitive pricing.

Collaborations with Government Departments/Ministries

ONDC actively collaborates with multiple government bodies to expand its reach and effectiveness:

1. **Ministry of MSME:** To onboard small businesses and local artisans, enhancing their digital presence, for example, the **MSME-TEAM Initiative**.
2. **Ministry of Commerce and Industry:** For policy alignment and fostering international trade through the ONDC network.

3. **Digital India Program:** Leveraging digital infrastructure to ensure widespread access.
4. **Startup India:** Promoting entrepreneurship and innovation by integrating startups into the ONDC ecosystem.
5. **Quality Council of India**: **DigiReady Certification (DRC) portal**, launched in **February 2024**, aim to assess and certify digital readiness of MSME entities.
6. **Department of Fisheries**: To provide a digital platform and empower all stakeholders including traditional fishermen, fish farmers producer organization, entrepreneurs from fisheries sector to buy and sell their products through e-market place, i.e., ONDC.
7. **Ministry of Agriculture & Farmers Welfare and NABARD**: Onboarding Farmer Producer Organizations (FPOs) and farmers to the network.

ONDC for MSMEs

Micro, Small, and Medium Enterprises (MSMEs) form the **backbone of India's economy**. ONDC provides them with a unique opportunity to overcome challenges such as limited digital reach and high platform costs. Key benefits include:

1. **Increased Visibility:** MSMEs gain access to a nationwide customer base.
2. **Reduced Costs:** Interoperable protocols eliminate dependency on expensive platform services.
3. **Skill Development:** Training programs to familiarize MSMEs with digital tools.
4. **Fair Competition:** Equal opportunities to compete with larger players.

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.

The Ministry of MSME launched a sub-scheme **"MSME Trade Enablement and Marketing Initiative" (MSME-TEAM Initiative)**, which aims at assisting **five lakh MSMEs** to onboard the ONDC platform, through awareness workshops which will include hand-holding assistance for onboarding onto ONDC. MSME TEAM scheme aims to provide financial assistance to micro and small enterprises (MSEs) through Seller Network Participants, for catalogue preparation, account management, logistics and packaging material & design. Of the total five lakh MSEs to be benefited, **two and a half lakh MSEs** would be **women** owned

MSEs. The scheme is valid from **2024 to 2027**. However, awareness workshops will be conducted preferably in **Tier 2** and **Tier 3** cities and **MSME Clusters** for greater outreach, especially among women and SC/ ST owned MSMEs.

ONDC Startup Mahotsav
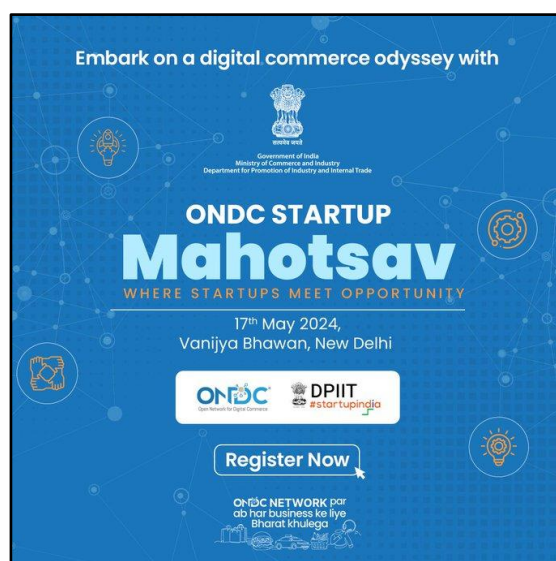
Department for Promotion of Industry and Internal Trade (DPIIT) organised the **'ONDC Startup Mahotsav'**, a first of its kind event, on **17th May 2024** in **New Delhi**. The event symbolized the celebration and **collaboration of two of DPIIT's flagship initiatives** – the Startup India initiative and ONDC. The event witnessed participation of around **5,000 startups** in hybrid mode. Over **125 ecosystem stakeholders** including startups, unicorns and high growth businesses such as EaseMyTrip, Livspace, Pristyn Care, Cars24, and Zerodha, signed **Letter of Intent** (LoI) during the event. These LoIs signify the potential of ONDC and the eagerness of leading startups of the country to collaborate with the platform. **Insightful panel discussions** on subjects as 'Building a collaborative future of Indian E-Commerce', 'ONDC - Startup Success Story' and 'Driving Startup Growth through ONDC' dwelled on the areas of mutual collaboration and the immense potential for startups and emerging businesses to expand and scale-up harnessing the network of ONDC.

Government Initiatives to Increase Awareness, Adaptation and Training among Small Businesses

ONDC has taken various initiatives to increase awareness, adaptation and training among small businesses for fully leveraging the benefits of ONDC and become ONDC compliant. These include:

- ONDC has been conducting **awareness workshops** in collaboration with various industry associations across the country to educate the small sellers and businesses about ONDC and its benefits. Multiple joint workshops are being organised in collaboration with **RAI, PHDCCI, FICCI, NASSCOM and FHRAI.**
- ONDC has delivered **virtual training & technical training** through open digital sessions, which was attended by large number of startups, students, business leaders, bureaucrats etc.
- ONDC has developed a **Handbook** to help sellers (especially first-time sellers) succeed in digital commerce in **14 languages** and are being distributed widely.
- ONDC is in collaboration with **Bhashini** to improve app development and e-commerce in Indic languages.
- ONDC has launched a **Feet on Street program** to support the Network Participants (NPs) in identifying and educating sellers about the benefits of ONDC and how to join through Seller Applications, hand-holding support to sellers to onboard on Seller Applications and creating a first-

level basic catalogue.

- To connect every village in India to the national digital market, **CSC-Common Services Centers** have gone live on ONDC.
- **WhatsApp Bot "ONDC Sahayak"** launched in **5 languages**, to help sellers and buyers get information about ONDC.
- ONDC has launched an **Academy**, which is a repository of educational and informative textual and video content. ONDC Academy is providing a curated learning experience providing guidance and best practices for a successful e-commerce journey for each and every participant of the ONDC network.

Key Achievements of ONDC

Since its inception, ONDC has recorded notable milestones:

1. **Pilot Programs:** Successful implementation in select cities like Bengaluru and Delhi.
2. **First ONDC Fair Price Shop:** As a step towards Digital India, the **Department of Food and Public Distribution**, Government of India launched a pilot to on-board the Fair Price Shops (FPSs) in **Una** and **Hamirpur** districts of **Himachal Pradesh** on the Open Network Digital Commerce (ONDC).
3. **Expansion of Services and Products available on ONDC platforms:** The ONDC Network started with **two** categories (F&B and Grocery) and have expanded to numerous other categories such as Mobility, Fashion, Beauty and Personal Care, Home & Kitchen, Electronics and Appliances, Health & Wellness and B2B.
4. **Wide Geographical Coverage:** As on January 2, 2024, the sellers and service providers are spread across **616+ cities** expanding the geographical coverage of the ONDC network.

Awards and Recognition

Year	Award	Awarding Organisation
2024	Application of Emerging Technologies for providing Citizen Centric Services	National Awards for e-Governance
2024	Challenger (Brand)	e4m Pitch Top 50 Brands
2024	Tech Disrupter	Republic Business Emerging Technology Awards
2024	Start-up of the Year	14th India Digital Awards (IDA)
2023	FinTech Company of the Year	Global Fintech Awards
2023	The Disrupters	Indian Business Leader Awards (IBLA)
2023	The Disruptive Technology Award	Global IP Convention (GIPC)

Conclusion

ONDC represents a bold step towards creating a fair, open, and inclusive digital commerce ecosystem in India. By addressing the challenges of monopolistic practices and empowering smaller players, it has the **potential to transform the e-commerce landscape**. The initiative is not just a technological framework but a vision for a more equitable digital future.

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