

## Revolutionizing Digital Commerce: The ONDC Initiative

### Introduction



The **Open Network for Digital Commerce (ONDC)**, launched in April 2022 by the **Department for Promotion of Industry and Internal Trade (DPIIT)**, aims to democratize digital commerce in India. Built on open-source methodologies, ONDC uses open specifications and protocols, operating independently of specific platforms. It promotes a level playing field for sellers, buyers, and service providers, especially small and medium enterprises (MSMEs), fostering innovation and inclusivity.



**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.

ONDC enables seamless interaction among stakeholders by breaking away from monopolistic platforms and exclusive ecosystems. Designed with a startup mindset and supported by the government, it operates as a non-profit Section-8 company incubated by the Quality Council of India (QCI), with Protean as a co-founder. With an authorized capital of ₹500 crore, public and private banks and financial institutions have invested equity in ONDC, advancing its vision of an open and inclusive digital commerce landscape.

### Investors of ONDC



### Objectives of the 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 ONDC Work?

ONDC uses open network protocols to enable seamless transactions between buyers and sellers across platforms via standardized APIs. Its key components include:

- **Decentralized Architecture:** ONDC acts as a connector, not an e-commerce operator, fostering interconnectivity without owning services.
- **Open Protocols:** Based on open standards, it allows any buyer or seller platform following these protocols to join the network.
- **Role Segregation:** Participants are categorized as Buyer Applications, Seller Applications, or Logistics Providers, ensuring clear roles and 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, Food Grains, 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,                         |

| S. No. | Domain Name        | Service Name  |
|--------|--------------------|---|
|        |                    | 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

| Benefits of ONDC |                   |  |
|------------------|-------------------|--|
| 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



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

- Market Democratization:** Ensuring that businesses of all sizes can thrive.
- 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:** The **DigiReady Certification (DRC) portal**, launched in **February 2024**, aims to assess and certify the digital readiness of MSME entities.
6. **Department of Fisheries:** To provide a digital platform and empower all stakeholders including traditional fishermen, fish farmers producer organizations, and entrepreneurs from the fisheries sector to buy and sell their products through the e-marketplace, 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 dependence 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 standardizes cataloging, inventory management, order management, and fulfillment through its protocols. This allows small businesses to use any ONDC-compatible applications instead of being restricted by platform-specific policies. As a result, small businesses gain multiple options to be discoverable and conduct business on the network. Additionally, ONDC encourages digital adoption among businesses not yet on digital commerce platforms. ONDC protocols would standardize operations like **cataloging, inventory management, order management, and order fulfillment**.

#### **MSME Trade Enablement and Marketing Initiative (MSME-TEAM)**

The Ministry of MSME launched the “**MSME Trade Enablement and Marketing Initiative**” (MSME-TEAM Initiative) to assist 500,000 MSMEs in onboarding the ONDC platform through awareness workshops and hand-holding support. The scheme provides financial assistance for catalog preparation, account management, logistics, and packaging design. Out of 500,000 beneficiaries, 250,000 will be women-owned MSEs. Running from 2024 to 2027, the initiative focuses on Tier 2 and Tier 3 cities and MSME clusters to enhance outreach, especially among women and SC/ST-owned MSMEs.

## ONDC Startup Mahotsav



On **May 17, 2024**, DPIIT organized the inaugural '**ONDC Startup Mahotsav**' in New Delhi, celebrating the collaboration of Startup India and ONDC. Around 5,000 startups participated in hybrid mode. Over **125 ecosystem stakeholders**, including startups like EaseMyTrip, Livspace, Pristyn Care, Cars24, and Zerodha, signed Letters of Intent (LoIs), highlighting ONDC's potential and the enthusiasm of leading startups to collaborate. Panel discussions focused on collaborative futures in Indian e-commerce, ONDC's success stories, and driving startup growth through ONDC, emphasizing mutual collaboration and the network's scalability for emerging businesses.

## Government Initiatives for Awareness, Adaptation, and Training

ONDC actively increases awareness, adaptation, and training among small businesses to maximize ONDC benefits and ensure compliance through various initiatives:

- **Awareness Workshops:** Collaborating with industry associations like RAI, PHDCCI, FICCI, NASSCOM, and FHRAI, ONDC educates small sellers and businesses about its benefits.
- **Virtual and Technical Training:** ONDC delivers open digital sessions attended by startups, students, business leaders, and bureaucrats.
- **Multilingual Handbook:** ONDC developed a handbook in 14 languages to help first-time sellers succeed in digital commerce, widely distributing it.
- **Collaboration with Bhashini:** Enhancing app development and e-commerce in Indic languages.
- **Feet on Street Program:** Supporting Network Participants (NPs) to identify and educate sellers about ONDC, assist with onboarding, and create basic catalogs.
- **CSC Integration:** Connecting every village in India to the national digital market through Common Services Centers on ONDC.
- **WhatsApp Bot “ONDC Sahayak”:** Launched in five languages to provide information to sellers and buyers.
- **ONDC Academy:** Offering a repository of educational and video content, guiding participants with best practices for a successful e-commerce journey.

## Key Achievements of ONDC

Since its inception, ONDC has achieved significant milestones:

- **Pilot Programs:** Successfully implemented in cities like Bengaluru and Delhi.
- **First ONDC Fair Price Shop:** Launched a pilot in Una and Hamirpur districts of Himachal Pradesh, integrating Fair Price Shops into ONDC.
- **Service and Product Expansion:** Expanded from F&B and Grocery to Mobility, Fashion, Beauty and Personal Care, Home & Kitchen, Electronics and Appliances, Health & Wellness, and B2B.
- **Geographical Coverage:** By January 2, 2024, ONDC sellers and service providers expanded to over 616 cities.



## 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.



## Reference

Press Information Bureau: [Revolutionizing Digital Commerce: The ONDC Initiative](#)

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