

Open network for e-commerce: It's an idea whose time has come

Nandan Nilekani , V. Anantha Nageswaran | 4 min read | 06 Jun 2022, 10:47 PM IST



Photo: Bloomberg

SUMMARY

ONDC offers a global template for using technology as a public good at population scale in an inclusive and equitable way

The fast-expanding digital economy has been one of the major supporting pillars for the country in recent times. India has the world's highest fintech adoption rate of 87%, as compared with the global average of 64%. 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.

This achievement has been possible because of Aadhaar, which enabled a surge in financial inclusion and digital payments, especially during the pandemic. The journey indicates that 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. Also, the e-commerce market in India doubled between 2017 and 2020. However, these are platform-centric models and have challenges and limitations. Hence, expanding the current e-commerce market in tandem with existing digital infrastructure is vital.

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.

The idea of ONDC was conceived and has been widely discussed since April 2020, soon after the first wave of covid, when ensuring essential supplies across containment zones was found to be a challenge and a need was felt to alter the current digital commerce approach of "scaling what works" to a new approach of "what works at scale".

ONDC is a globally first-of-its-kind initiative that aims to democratize 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. ONDC is expected to digitize the entire value chain, standardize operations (like cataloguing, inventory management, order management and order fulfilment), promote the inclusion of suppliers, derive efficiency in logistics, and enhance value for consumers.

This 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 consumers to match demand with the nearest available supply. It enables 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. This will provide multiple options to small businesses to acquire what's needed to be discoverable over the network and conduct business, without having to pay deep cuts to aggregator platforms. It would also encourage easy adoption of digital means by those currently not on digital commerce networks.

It would be appropriate to say that India serves as a role model in the areas of both identity and payments. India has utilized 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. The framework balances consumer protection on one hand

and support for market innovation on the other. Compliance with the Information Technology Act, 2000, and the emerging Personal Data Protection Bill are the next critical layers in the country's financial technology stack which the advisory council on ONDC proposes to support.

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.

India's experience in public digitalization underscores the need for targeted government interventions to reduce friction and create a firm foundation for both the private and public sectors to build effective and sustainable solutions. The development of ONDC has been very contextual to Indian needs, designed for a diverse society with a wide continuum of digital skills and for solutions to specific local problems.

The initiative is uniquely Indian, for it caters to the existing reality of millions of small transactions even as it creates opportunities for micro, small and medium enterprises (MSMEs) to access technology and far-flung markets both domestically and overseas through it. At the same time, ONDC provides a technological platform to fulfil India's aspirations to become a middle-income economy that is digitally savvy and wired. Finally, it offers a vital global template for the harnessing of technology for and as a public good at population scale in an inclusive and equitable way.

Nandan Nilekani & V. Anantha Nageswaran are, respectively, chairman and co-founder of Infosys and founding chairman of UIDAI; and chief economic advisor to the Government of India

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