

ONDC- A GAME CHANGER FOR E-COMMERCE IN RURAL INDIA?

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Abstract:

India is among the rapidly growing economies in the world and is also witnessing a path-breaking record in the e-commerce industry. However, a major market share is controlled by the e-commerce giants like Flipkart and Amazon, the Open Network for Digital Commerce, an initiative by the Government of India under the Ministry of Commerce and Industry is here to promote open and fair trading for sellers and buyers in the digital world. The paper seeks to understand the impact of ONDC and explores ways to feature in rural India. The paper employs descriptive and qualitative research while utilising various available and relevant secondary data. The researchers in the paper have also explored the challenges of ONDC and are also providing, suitable suggestions and recommendations to overcome the challenges. The paper reviews the limitations of the study and also explores the great potential for ONDC. The Open Network for Digital Commerce certainly aims to revolutionise e-commerce in rural India and simultaneously aims to provide more business and employment opportunities.

Keywords:

ONDC, E-Commerce, Rural India, Game Changer, Breaking Dominance, Democratising E-Commerce.

Introduction:

India is a market ranking the third largest consumer market along with being one of the fastest-growing major economies in the world. The swift growth in the economy has led to increasing incomes and a rise in Internet penetration. (India Brand Equity Foundation, 2022) A current report by IAMAI and Kantar has revealed that the number of active internet users in the country is 692 million and is expected to reach 900 million by 2025. As per the ICUBE 2021 study-based report named "Internet in India", rural areas have a substantial growth in the use of the Internet. The report shows that rural India has 351 million internet users, with a penetration rate of 37%. (FE Bureau, 2022).

The evolving global economy presents an opportunity for companies to have a level playing field through digital commerce, which can be more inclusive and offer new business prospects, particularly for small companies. The COVID-19 pandemic also led to a surge in digital B2B trade. In India, the retail industry comprises approximately 120 million Kiranas, 90% of which are unorganized or self-organized and lack digital access. (India Brand Equity Foundation, 2023). Over recent years, there has been a significant increase in the number of digital shoppers, and in the coming 10 years, there is a prediction of a 6-fold increase in digital retail expenditure.

(India Brand Equity Foundation, 2023) E-commerce giants such as Amazon and Walmart's Flipkart currently dominate nearly 60% of the market, which made it particularly difficult for small retailers in India over the past ten years. Despite the presence of 4.25 crore Micro, Small and Medium Businesses (MSMEs) in India as of September 2020, which could thrive with innovative sales and marketing approaches, they had not been part of the digital revolution. With the goal of democratizing e-commerce in India, the Indian government launched the Open Network for Digital Commerce (ONDC).

Background of ONDC:

(Press Information Bureau, Ministry of Commerce & India, 2022) The Open Network for Digital Commerce (ONDC) is an initiative that seeks to encourage the use of open networks for the exchange of goods and services through digital or electronic networks. The ONDC is designed to operate on an open-source approach that utilizes open specifications and open network protocols, without being tied to any particular platform. (Business Standard, n.d.) The ONDC platform is designed to facilitate local commerce across various sectors, including food delivery, grocery, mobility, travel, and hotel booking, among others, and allows any network-enabled application to discover and engage with these segments. The platform's primary objective is to create fresh possibilities, combat digital monopolies, and assist micro, small, and medium-sized enterprises and small traders in gaining access to online platforms. The Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry is behind this initiative.

(Business Line, 2022) After the publication of a 'strategy paper' on January 28, 2022, the ONDC initiated a trial program in five cities: Delhi, Shillong, Bengaluru, Bhopal, and Coimbatore. (The Economic Times, 2022) ONDC has received investments worth Rs 255 crore from 20 nationally renowned organizations. Several lenders, including the State Bank of India, UCO Bank, HDFC Bank, ICICI Bank, and Bank of Baroda, have already pledged to invest in ONDC. (Indian Brand Equity Foundation, 2022) Currently, ONDC allows customers to place their orders in two categories, namely restaurants and groceries, through any buyer apps linked to the ONDC network. The buyer apps currently available on the ONDC network are Mystore, Paytm and Spicemoney.

Objectives:

- To understand the impact of ONDC on the Indian economy.
- To investigate the steps to incorporate ONDC in rural India.
- To examine the challenges of ONDC in India.
- To suggest measures to incorporate ONDC in rural India.

Review of Literature:

Impact of ONDC in India:

As per the official ONDC website, ONDC aims to create a deep impact on the Indian economy. (Open Network for Digital Commerce, 2023) The ONDC ensures that businesses of all sizes, locations, and digital abilities can easily take part in digital commerce. It aids local retail ecosystems access and fulfilling online demand while also enhancing business efficiencies in India by reducing various costs such as acquisition costs, digital presence costs, and inventory costs. By creating an active digital history, ONDC formalizes businesses and makes it easier for them to access finance options. Additionally, ONDC supports economic development and livelihood creation across the digital commerce value chain, including logistics, packaging, last-mile delivery, and other areas. It aims to expand the digital commerce landscape in India by increasing geographic and socio-economic coverage and enabling all businesses, regardless of their size, location, or digital quotient, to participate in digital commerce. Lastly, the ONDC promotes the trade of locally manufactured goods in India, thereby increasing investment and production of MSMEs.

(ETOnline, 2022) Rajan Anandan, Managing Director, Surge & Sequoia Capital LLP India predicted that with the expansion of the network, there is a possibility of new consumer-facing e-commerce companies emerging, and he foresees how this dynamic might unfold. According to his perspective, the initial phase of e-commerce in India was dominated by major horizontal firms like Flipkart and Amazon, while the second phase was characterized by vertical players such as Nykaa and Lenskart. He viewed the third phase as the emergence of social commerce firms like DealShare. He anticipated that the next phase, which would drive commerce from the current 150 million users to 500 million, would likely be led by a new breed of front-end e-commerce companies that make the most of the available back-end infrastructure, thus providing a bigger boost for ONDC in India.

Steps to Incorporate ONDC in Rural India:

(Mahajan, 2023) in his blog titled “How small retailers across India stand to make large gains on ONDC platform” provided a step-by-step approach to integrating ONDC in Rural India. He stated that to fully maximize the benefits of the Open Network for Digital Commerce (ONDC) platform for small retailers in India, achieving fairness is just the first step. Small sellers need to take proactive measures to seize the opportunities it presents. In order to make the most out of the platform, small retailers must take decisive and strategic steps to achieve significant success.

He further went on to suggest that for small retailers, building a strong brand identity is critical as it helps establish credibility, trust, and connection with their target audience. A compelling brand identity can foster strong relationships, leading to customer loyalty and repeat business, which is essential for any successful e-commerce strategy. (Mahajan, 2023)

He even stated that creating a comprehensive product catalogue and listing is crucial for small retailers to succeed in the competitive world of e-commerce. This catalogue should be well-organized and curated to provide detailed information about each product, including features, dimensions, price, availability, colour, and customer reviews, to build trust with customers and increase the chances of making a sale. A consistent marketing approach across all sales channels can help reinforce the brand's credibility.

(Mahajan, 2023) emphasized the utilization of social media being another critical element of e-commerce marketing strategies for small retailers. Social media platforms offer a cost-effective way to promote products, build brand awareness, and engage with customers. By using popular social platforms, retailers can reach a wider audience, precisely target their desired customers, and boost visibility and sales. A strategic and comprehensive approach that incorporates branding, product listing, and social media engagement is essential for small retailers looking to succeed on the ONDC platform.

He further defined that data analytics has become a powerful tool for e-commerce retailers to optimize their business operations and gain a deeper understanding of their customer base. By analyzing data points like website traffic and effectiveness, small retailers can gain valuable insights into their customers' behaviour and preferences. This allows them to make data-driven decisions to enhance their e-commerce strategy and improve their chances of success.

(Mahajan, 2023) stated that for e-commerce sellers to stay competitive and increase sales, it's crucial to understand customer behaviour. Data analytics tools can be utilized to track and analyze various metrics like website traffic, bounce rates, conversion rates, and customer demographics. This information can be used to identify trends, patterns, and areas that need improvement, allowing small sellers to optimize their website and marketing strategies to better satisfy their customers' needs and expectations. In the highly competitive e-commerce industry, the ability to utilize data analytics can provide sellers with a significant advantage.

Challenges of ONDC in Rural India:

(Koshy, Sethi, & Kumar, 2022) In a news interview on CNBC TV-18 broadcasted on 9th October 2022, a panel of experts comprising of Mr. Vivek Agarwal, CEO of GramCover, Mr. Anil Kumar Singh, Senior Director at the Ministry of Electronics and Information Technology (MeitY), and Mr. Dinesh Tyagi, CEO of CSC e-Governance Services India discussed on the topic “Taking the One Nation One Digital Platform (ONDC) to rural areas in India.” where they went on to discuss the challenges of implementing ONDC in rural areas. The experts pointed out that the lack of digital infrastructure and low levels of digital literacy are the major barriers to the adoption of ONDC in rural areas. In addition, the experts emphasize the importance of building trust and confidence in ONDC among rural communities. In another interview on Business Today, Subathraa Vasan, the former founder of PVR Foods, located in Coimbatore who eagerly joined ONDC early in 2022 after hearing about the concept later expressed her disappointment that people are still unaware of ONDC and stated

that her expectation was that it would gain popularity quickly. However, since it is progressing slowly, marketing efforts are required to change purchasing habits. (Paul, 2023)

Scope of the Study:

(Business Line, 2022) Since the pilot testing of ONDC is being conducted in Delhi, Shillong, Bengaluru, Bhopal, and Coimbatore; ONDC can look forward to further expansion in various Tier 1, 2 and 3 cities and also towards rural and remote markets of India.

(Indian Brand Equity Foundation, 2022) While presently the categories in ONDC are in groceries and restaurants, through more tie-ups in the future, ONDC can even aim to target industries into cosmetics, clothing, hotels, airlines and other service-oriented industries.

Research Methodology:

The research adopted a descriptive case study approach and primarily relied on qualitative secondary data. To conduct the study, the researchers gathered information from a range of secondary sources, including openly available reports, research papers, newspaper articles, websites, interviews and blogs.

Limitations of the Study:

- The research is a qualitative, secondary data-based paper, there is no primary data undertaken due to the lack of time.
- The study speaks on overall India. However, different places in India will have their own distinct challenges and distinctions of linguistic, geographical and social-cultural. Therefore, one size fits all approach may not be advisable.

Suggestions & Recommendations:

The researchers have given recommendations based on subjects with details given below;

Sr. No.	Subject	Details
1	Increase digital presence in rural markets	(Basuroy, 2022) India has witnessed a steady increase in accessibility of the internet. However, according to a report from Statista, the country had 48.7% of its population using the internet, which was lower than the global average. In contrast, Denmark, United Arab Emirates, and Ireland had almost all of their populations, specifically 99%, connected to the internet. Although about 70% of India's population resides in rural areas, there are more internet connections in urban areas as opposed to rural areas. As of 2023, the number of internet connections in urban areas was 507 million (Sun, 2023). There is a need to increase the accessibility of the Internet for people living in non-urban areas. An increased digital presence in rural markets will allow the success of ONDC.
2	Involvement of rural youth population	For any innovation in technology, Millennials and Gen Z are innovators and can adapt to changes faster. ONDC can target this age group to cater to their preferred goods and services. Through the power of Word-of-Mouth, they can testify to the good use of ONDC and share the information with the rest in rural areas.
3	Tie-Ups & Payment Platform	ONDC should increase their tie-ups and collaborations with horizontal and vertical companies. While ONDC swears on Digitalised Payments in the form of Debit Cards, Credit Cards, Digital Wallets and UPI, for building trust and goodwill in the rural markets, they can always give the option of Cash-on-Delivery till people gain their trust in the platform.

4	Marketing & Promotion activities	As ONDC is a relatively novel concept, marketing and promotional activities are a must. Ads based on ONDC should be broadcasted and even promoted on print and digital media. Bloggers and influencers should come on board for the promotion of ONDC while enhancing goodwill.
5	Use of local language	ONDC can apply the use of local/recognised official languages as it will allow more people to understand the platform thus making it easier for operations for the sellers and buyers.

Conclusion:

On being the third largest consumer market in the world, India has more potential to tap into remote markets. Open Network for Digital Commerce will allow reaching to more sellers and buyers across the country. A small seller will no longer feel intimidated by the big e-commerce giants and can have better access to reach out to customers all around the country. A customer will also have a better choice to choose from, thus augmenting perfect competition in the Indian market. Better internet penetration can allow more rural consumers to engage with ONDC and will allow for more employment opportunities for people staying in rural areas. ONDC will be a game-changer for e-commerce in rural India when it will be fully operational.

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