

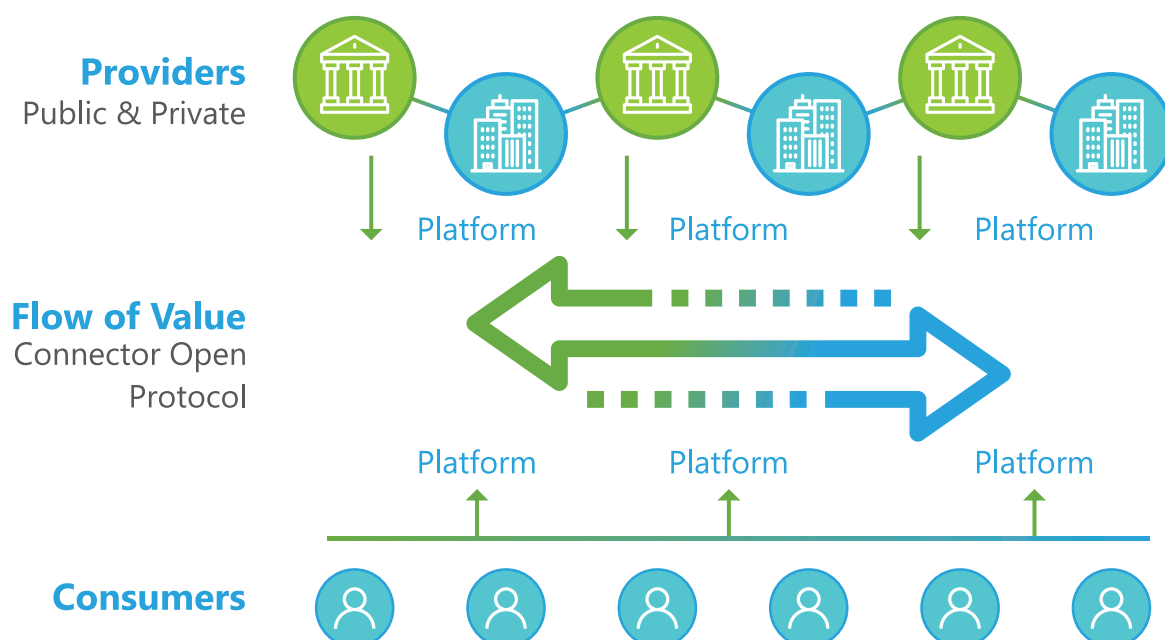
The Open Network for Digital Commerce (ONDC) Initiative

- The ONDC aims to streamline digital transactions and engagement between businesses and consumers in India.
- It creates an open ecosystem for digital commerce, allowing businesses of all sizes to connect and transact.
- The initiative is led by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry.
- The ONDC operates on open protocols, enabling any network-compatible application to facilitate local business transactions in various sectors.
- It aims to attract new customers, support small and medium-sized businesses, and provide a secure environment for interactions between businesses and vendors.
- The ONDC promotes compliance with relevant laws and regulations, fosters a unified network, standardizes transactions, integrates suppliers, optimizes logistics and enhances consumer value.

Streamlining Digital Transactions and Empowering Businesses

The ONDC is a novel network designed to streamline digital transactions and engagement between businesses and consumers. It aims to create an open ecosystem for digital commerce, providing a platform for businesses of all sizes to connect and transact. The ONDC operates on open protocols, allowing any network-compatible application to facilitate local business transactions in various sectors. Its primary objectives are to attract new customers, support small and medium-sized businesses, and provide a secure environment for interactions between businesses and third-party vendors. The initiative is led by the DPIIT under the Ministry of Commerce and Industry.

By leveraging the ONDC, merchants can store data, establish credit history, and reach consumers effectively. It aims to transition from a platform-centric model to an open network, democratizing digital commerce. The government-backed platform ensures compliance with relevant laws and regulations while fostering a unified network that breaks down silos. It promotes innovation and growth across various sectors, including retail, food, and transportation. The ONDC utilizes open specifications and network protocols independent of any specific platform, standardizing transactions, integrating suppliers, optimizing logistics, and enhancing consumer value. Data protection and privacy are prioritized, with measures in place to ensure confidentiality.



The open network concept in India aims to transform digital commerce by enabling location-aware, local commerce across industries through decentralization, openness, and user utility. It creates an interoperable and open playground for businesses, consumers, developers, governments, and other participants, shifting power from intermediaries to end users. This empowers small businesses, unlocks innovation, and scales operations through digital commerce. The open network's impact extends beyond retail, benefiting domains like wholesale, mobility, food delivery, logistics, travel, and more, revolutionizing both B2C and B2B transactions.

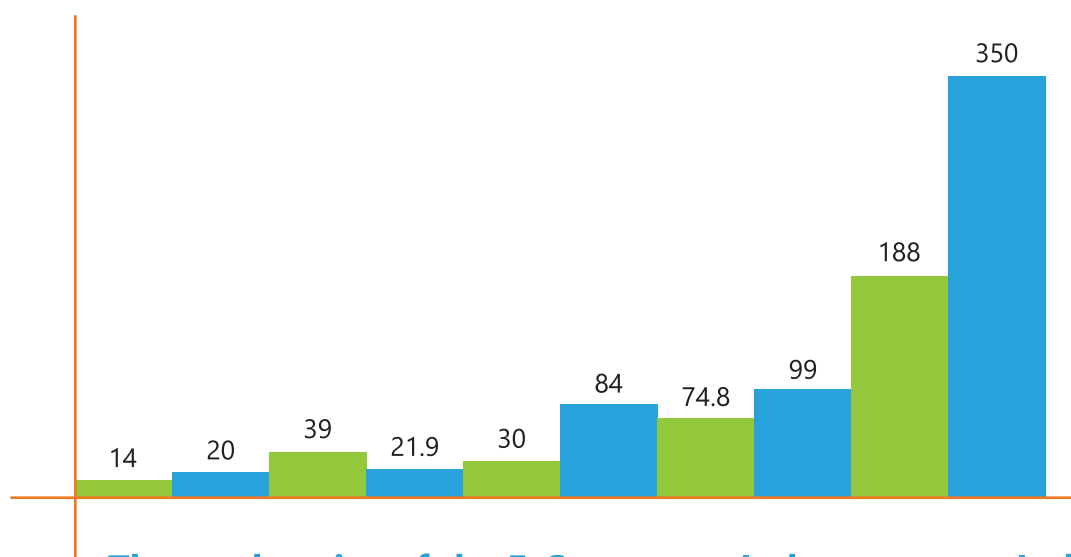
The establishment of the ONDC under the aegis of the MCI and DPIIT marks a significant step in India's economic landscape. In a country with a population of 1.35 billion, ONDC is poised to elevate e-commerce adoption to 25% of total consumer transactions over the next two years, a substantial increase from the current 8%. Over the coming 5 years, ONDC anticipates enrolling 90 thousand crore customers and 12 crore vendors onto a unified platform, contributing to a gross merchandise value of INR 3.6 lakh crore. Government statistics reveal that India's e-commerce sector, assessed at over INR 4.1 lakh crore in gross merchandise value in 2021, is projected to scale up to INR 24.5 lakh crore by the end of this decade. Presently, Amazon and Walmart's Flipkart together dominate more than 60% of the market, as per a Reuters estimate.

Potential of India's E-commerce Industry

Despite the remarkable growth, the Indian e-commerce industry faced certain challenges that impacted its growth rate. In 2016, the industry witnessed a slower growth rate of only 12% compared to the significant growth of 180% in 2015. This deceleration was primarily caused by a mix of internal and external factors, including demonetization and regulatory changes. However, the industry quickly rebounded and maintained a strong growth trajectory.

With a compound annual growth rate (CAGR) of 45%, the Indian e-commerce industry expanded from a size of ₹1450 crores in 2015 to reach ₹8000 crores in 2020. This growth can be attributed to the continuous efforts made by e-commerce players to enhance customer experiences, expand product offerings, improve logistics and delivery networks, and leverage emerging technologies.

The prospects of the Indian e-commerce industry remain highly promising. Projections indicate that the market value will reach an impressive ₹35000 crores by 2030. This projected growth is fuelled by factors such as increasing internet penetration, a growing middle class with higher disposable incomes, and the continued adoption of digital technologies.



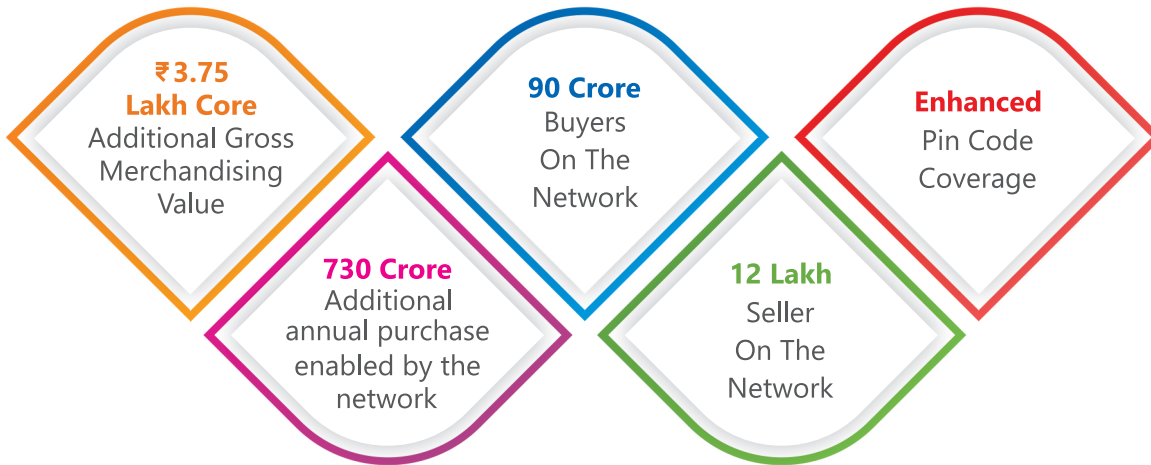
The market size of the E-Commerce Industry across India

E-commerce Platforms in India :

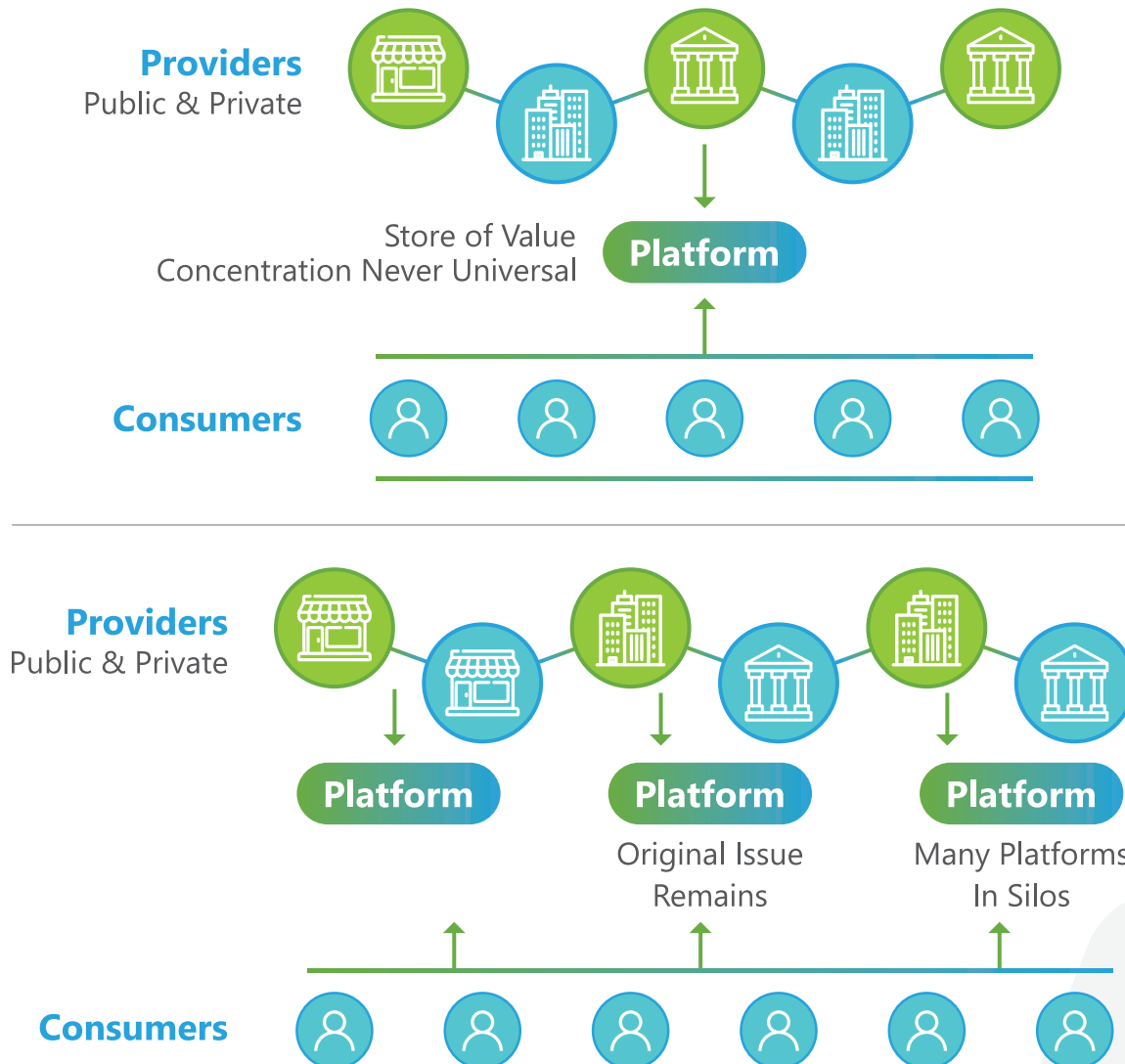
The competition in the e-commerce business in India is fierce. The market is filled with many local and foreign companies trying to hold the maximum market share. As of April 2017, Amazon India was the leading online marketplace in the country with more than ₹5000 in the sale. Flipkart and Myntra were prominent players in the local market. In a survey conducted in May 2020 about permitting e-commerce platforms to deliver goods in India after the coronavirus lockdown, the majority of respondents voted in favor.

The growing trend of e-commerce in India;

Increasing growth in the e-commerce industry is attributed to several reasons. Digitizing the economy and providing cheap internet to the people are a few of the many reasons that boosted the growth of digital sales in India. In 2018, e-commerce sales across India were estimated to increase by 25 percent. The growth rate, however, was predicted to observe a slight dip in 2022. Consequently, the revenue-generating potential has also increased. The average retail e-commerce revenue collected per user in India in 2018 was more than ₹3650. It was estimated to cross ₹5550 by 2024. ONDC will endeavor to enhance the market potential of digital commerce in retail. ONDC is expected to fuel significant growth over the next 5 years.



The India E-Commerce Market is projected to expand with a CAGR of 21.5% between 2023 and 2027. Rapid urbanization is one of the main elements influencing the market's expansion. The expansion of the industry is also aided by increasing internet usage and the use of smartphones, laptops, and tablets to access e-commerce websites. E-commerce enables companies to operate without having a physical presence, saving money on overhead, infrastructure, and communication.



The Digital Marketplace Model of Commerce

ONDC initiative will support the transformation of the ₹2.85 Lakh Crore, Indian digital commerce market by revolutionizing and democratizing large-scale participation. The envisioned aspirations of ONDC include:

- Enable local retail ecosystems to access and fulfill online demand
- Enable easy participation in digital commerce coverage to all businesses irrespective of size, location, digital quotient, etc.
- Expand the digital commerce landscape in India by amplifying geographic and socio-economic coverage
- Formalize businesses by creating active digital history and enable easier access to finance options
- Economic development and livelihood creation opportunities across the digital commerce value chain i.e., logistics, packaging, final-mile delivery, etc.
- Enhance business efficiencies through a reduction in cost overheads (e.g., acquisition costs, digital presence cost) and inventory costs across businesses in India
- Enable increased trade of locally manufactured goods in India, thereby multiplying investment and production of MSME

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