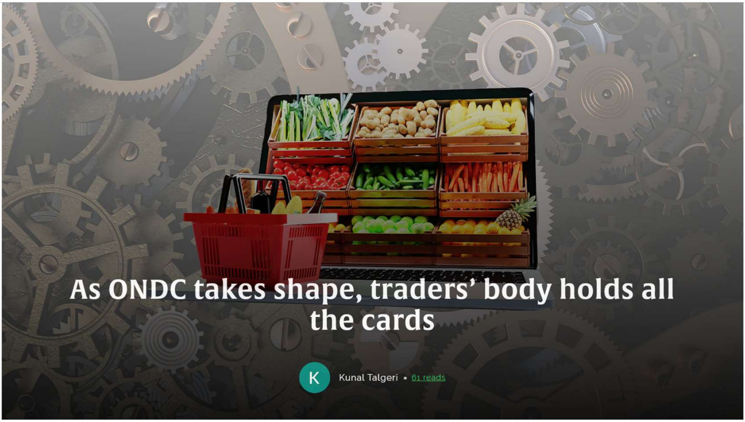

As ONDC takes shape, traders’ body holds all the cards

K Kunal Talgeri • 61 reads

In part 2 of our series on Open Network For Digital Commerce, we dissect the outsized significance of the Confederation of All India Traders and argue why the project’s governance structure must be independent to drive the offline-to-online push

April 27, 2022 • **9 Min Read**

On a hot morning in Chhattarpur last July, more than 150 traders and leaders of trade associations from different parts of India convened at one of the many farmhouses that the South Delhi locality is synonymous with.

All of them were affiliated to the Confederation of All India Traders (CAIT), a trade body that represents at least 60 million traders across various categories, including toys, jewellery, handicrafts, garments, jewellery, logistics and footwear, as well as FMCG (distributors).

Vehicles streamed in and out, dropping off the traders at the farmhouse for a three-day event to discuss the issues bedevilling shopkeepers on the heels of the two deadly Covid-19 waves. It was a time for reflection.

Veteran traders were recognised and honoured, before everybody listened to possibly the most powerful figure in India’s trading community: Praveen Khandelwal, CAIT’s general secretary.

“There has been a huge change in how customers buy products,” Khandelwal said in Hindi, citing data on how much trade has moved online since the pandemic began. “We need to upgrade our business practices. Every trader needs to adopt digital.”

CAIT and its 40,000 affiliated trade associations have vehemently opposed the dominance of large retailers, notably e-marketplaces Amazon and Walmart-owned Flipkart, in India. The trader lobby has conditioned its sellers to shun the foreign-owned ecommerce platforms.

“The way in which the ecommerce market is greatly vitiated by foreign ecommerce entities through their arbitrariness and violations of the rules and laws of the country, it was essential to create an ecommerce portal fully dedicated to the traders and consumers of India,” Khandelwal **told** the media in March 2021.

कन्फेडरेशन ऑफ ऑल इंडिया ट्रेडर्स
eCommerce in India

Praveen Khandelwal, general secretary, Confederation of All India Traders (third from left), at the launch of CAIT's e-commerce whitepaper in March 2022.

Source: CAIT

The portly Khandelwal has been an *enfant terrible* for Amazon, leading very public demonstrative agitations against the company, in which effigies of Amazon founder Jeff Bezos are burnt.

But the devastation wrought by the pandemic, which left millions of CAIT's members reeling, pushed the lobby to bite the e-bullet and help them build an online presence. So from March 2021, CAIT has been championing its seller app, called Bharat eMarket, to help shopkeepers and small businesses migrate online.

CAIT has now gone a step further. Bharat eMarket is now in the nascent stages of adopting the Open Network for Digital Commerce (ONDC) protocol, even as it aims to enlist 1 crore sellers by 2023. ONDC has been envisaged as a neutral force-multiplier for India's retail industry. We covered its inception and significance in detail in the first part of our series on the project.

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His activism aside, Khandelwal took on a new role on July 5, 2021. On that day, the government **announced** that the CAIT general secretary would be part of the nine-member ONDC advisory council.

"The advisory council acts as a mentor and guide on how the network develops and evolves," said Thampy Koshy, CEO and managing director of ONDC.

Getting Sellers On Board

An initiative of the Department for Promotion of Industry and Internal Trade (DPIIT), ONDC began as a project incubated in the Quality Council of India (QCI), in December 2020.

Since the incorporation of ONDC Ltd on December 30, 2021, it has been led by Koshy, former partner at consulting firm EY, and raised more than Rs 155 crore ($20 million) from India's largest banks, the country's two biggest stock exchanges, and national institutions such as NABARD and SIDBI.

The ONDC protocols — a set of application programming interfaces (APIs) — will help different technology applications communicate with one another. So, shopkeepers on a seller application such as Tally Solutions can find location-specific buyers from customer-facing apps such as Paytm or PhonePe, even if they aren't on those apps.

The ONDC Timeline

How the open protocol for all things business has evolved into the Open Network for Digital Commerce.

September 2019

Beckn Foundation is incorporated, founded by Nandan Nilekani, Dr Pramod Varma, and Sujith Nair.

Nandan Nilekani

October 2019

Beckn launches mobility specs.

April 17, 2020

Beckn protocol is expanded to all things commerce

September 2020

First commercial transaction enabled by Beckn.

December 2020

Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, appoints a steering committee that assigns ONDC as a project management unit under the Quality Council of India (QCI).

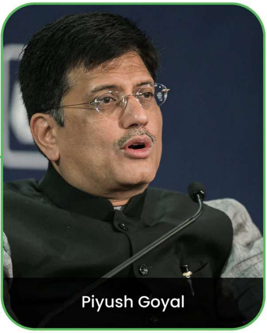
Anil Agrawal,
Additional Secretary, DPIIT'

March 30, 2021

Steering Committee ratifies NSDL E-Gov as technological infrastructure provider.

June 2021

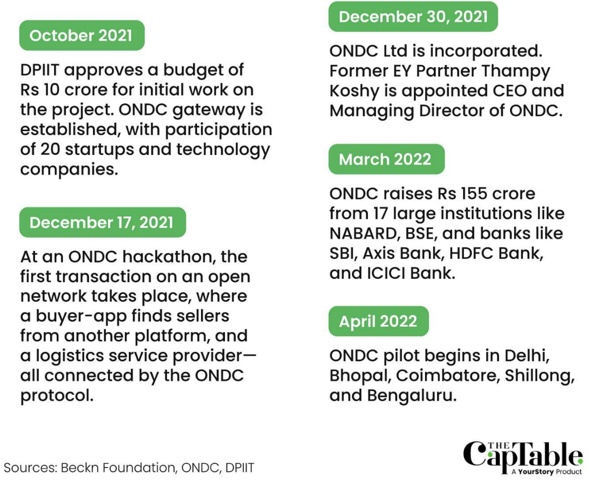
ONDC is pitched before Piyush Goyal, Minister of Commerce and Industry.



Piyush Goyal

July 5, 2021

The ministry announces the advisory council for ONDC.



October 2021

DPIIT approves a budget of Rs 10 crore for initial work on the project. ONDC gateway is established, with participation of 20 startups and technology companies.

December 17, 2021

At an ONDC hackathon, the first transaction on an open network takes place, where a buyer-app finds sellers from another platform, and a logistics service provider—all connected by the ONDC protocol.

December 30, 2021

ONDC Ltd is incorporated. Former EY Partner Thampy Koshy is appointed CEO and Managing Director of ONDC.

March 2022

ONDC raises Rs 155 crore from 17 large institutions like NABARD, BSE, and banks like SBI, Axis Bank, HDFC Bank, and ICICI Bank.

April 2022

ONDC pilot begins in Delhi, Bhopal, Coimbatore, Shillong, and Bengaluru.

Sources: Beckn Foundation, ONDC, DPIIT

Graphic: Winona Laisram

This is possible because Paytm, PhonePe, and Tally are network participants of ONDC, and connected by its technology protocol. The ONDC protocols were originally developed by Beckn Foundation, founded by Nandan Nilekani, Pramod Varma, and Sujith Nair in 2018.

ONDC also seeks to be an independent network orchestrator for all the constituents of India's $793-billion retail market.

Why CAIT Is Critical For ONDC's Success

The nine-member ONDC advisory council, appointed by the union commerce and industry ministry, is an eclectic mix. It comprises Nilekani, National Health Authority CEO RS Sharma, Avaana Capital chairperson Anjali Bansal, QCI chairman Adil Zainulbhai, NPCI managing director Dilip Asbe, NSDL MD and CEO Suresh Sethi, Digital India Foundation head Arvind Gupta, Retailers Association of India CEO Kumar Rajagopalan, and Khandelwal.

But why have Khandelwal on the advisory council at all? Because his patronage of ONDC is crucial if lakhs of traders are to set store in what the not-for-profit company's technology protocols can do to boost digital commerce.

During a session on ONDC at TiECON Delhi-NCR in January 2022, Anil Agrawal, additional secretary, DPIIT, alluded to CAIT and its consolidation of 6 crore small retailers across the country. "If we get even a fraction of this on ONDC, there is a huge opportunity lying there for startups and entrepreneurs," Agrawal asserted.

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It is going to take two or three years to build up the momentum... When it reaches the threshold, you will see the hockey-stick jump.

- **Thampy Koshy**, CEO and Managing Director, ONDC

Graphic: Winona Laisram

For the ruling government, CAIT represents a key and loyal constituency — traders — that first backed the Narendra Modi-led Bharatiya Janata Party in its march to power from 2014 onwards.

Perhaps it is not surprising then that Khandelwal is photographed in the same frame as cabinet ministers such as Piyush Goyal, Union minister of commerce & industry. Goyal too is an unequivocal critic of large ecommerce platforms.

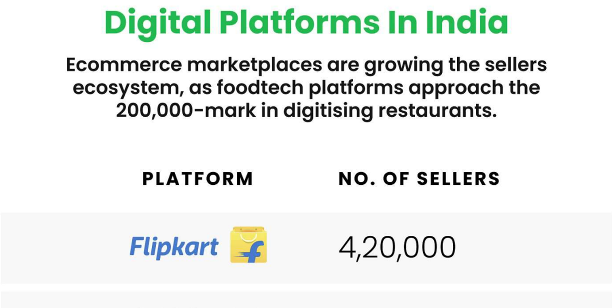
Crucially for ONDC — and the government — Khandelwal was now listening. His distrust in digital platforms made him sceptical, but the knowledge that millions of sellers had been ruined by the Covid-19 lockdowns made him listen.

Initially, Khandelwal was opposed to ONDC because sellers' business relationships would move onto a technology-enabled network and be visible.

This was unfounded. "Transaction data will reside only with the buyer and seller applications, and will not be visible to ONDC," states a January 2022 consultation paper released by ONDC. "ONDC will not be storing or viewing transaction data."

By mid-July 2021, Bharat eMarket had enlisted as a network participant on ONDC, and Khandelwal was appointed part of the ONDC Pilot Steering Committee.

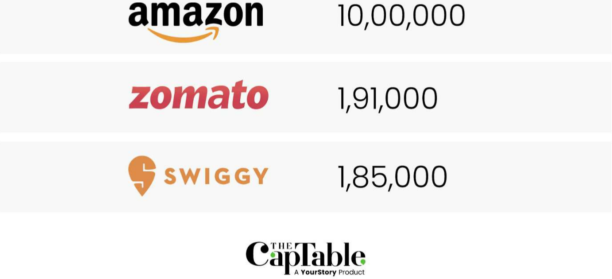
Software firm GoFrugal, which has 22,000 restaurants on its platform, saw a 14% churn in small businesses (caused by shutdowns) during the pandemic, compared to a normal churn rate of 6%.



Digital Platforms In India

Ecommerce marketplaces are growing the sellers ecosystem, as foodtech platforms approach the 200,000-mark in digitising restaurants.

PLATFORM	NO. OF SELLERS
Flipkart	4,20,000



amazon	10,00,000
zomato	1,91,000
SWIGGY	1,85,000

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Graphic: Winona Laisram

"The pandemic proved to sellers that having a digital presence is not about an additional source of business anymore," said a source, who requested anonymity. "It can become the only source of business."

Khandelwal has demanded a level-playing field when it comes to ecommerce platforms, the source adds. "That is his main call of action." At the same time, he was cognisant that traders need to move online.

The CapTable emailed queries to CAIT in March and reached out to Khandelwal over the phone, but the queries remain unanswered.

Conflicts Of Interest

However, in mid-January, Khandelwal quit the ONDC Advisory Board. He **cited** a 'conflict of interest' as the reason to move on. (Because Bharat eMarket would be a seller-side application on ONDC, he said his presence on the board would be untenable).

What Khandelwal's tenure in the ONDC advisory council between July 2021 and January 2022 did is prime CAIT's massive and nationalistic base of traders to online commerce and buyer-side apps on the ONDC network.

Even as he quit the ONDC Steering Committee, Khandelwal cited two more instances of conflict of interest.

"Being a stakeholder (in Bharat eMarket), it would not be ethical and proper for me to continue as a Member of the ONDC Advisory Council unlike Nandan Nilekani of Infosys which [sic] is supporting Amazon and Adil Zainulbhai who is on the board of Reliance," Khandelwal **told** news agency PTI on January 15, 2022.

The CapTable could not ascertain Nilekani's conflict of interest with regards to Amazon. But Adil Zainulbhai, chairman of the Quality Council of India, which had incubated ONDC in December 2020, has in fact been an independent director on the board of Reliance Industries since December 2013.

QCI is a national accreditation body established through a Cabinet decision of the Government of India, and an autonomous body under the commerce and industry ministry. Zainulbhai was appointed its chairman in 2014, after **Prime Minister Narendra Modi nominated him** for the post in September 2014.

Zainulbhai is also a director of Reliance Retail Ventures (RRVL), the Mukesh Ambani-owned Reliance Industries' retail business, since October 2014. RRVL is a network participant in ONDC.

Given RRVL's interest in making its new commerce initiative successful and being the largest retail chain in India, Zainulbhai's role in ONDC should raise eyebrows — and questions over the governance of ONDC as a network orchestrator of commerce in India. But as things stand, he will be on the board of ONDC.

The CapTable sent a detailed questionnaire to Anil Agrawal, additional secretary of DPIIT, about Zainulbhai's conflict of interest. But there has been no response. The appointments of the advisory council were at the DPIIT's behest.

"There has been nothing confidential about ONDC," said an official who requested anonymity, when asked about Zainulbhai's role in the advisory council. "The advisory council acts as a sounding board. It wasn't for governance. And the protocol has been an open source protocol, which has been there for any company to use."

For now, all the attention is on ONDC as a promising technology protocol. On February 4, at a Competition

Commission of India workshop entitled 'Startup Ecosystem and Competition', CCI chairperson Ashok Kumar Jain said the ONDC model of shared digital infrastructure "will spur innovation and help facilitate the roll-out of services by startups in an efficient manner."

While the protocol is to spawn an open network for commerce, ONDC needs to address the grey areas in its board and governance for its credibility as a neutral and independent network orchestrator.

In the concluding part of the ONDC series, we look at which ecommerce company is best placed to capitalise on the wave of sellers going online using the ONDC protocols.

ONDC CAIT AMAZON FLIPKART E-COMMERCE

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