



ASSISTED E-COMMERCE AND ONDC

A New Revenue Source for Business
Correspondent Agents in India

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Acknowledgement

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Executive Summary

Business Correspondent (BC) agents in India play a crucial role in providing financial services to underserved rural populations. However, their limited product basket and low commissions on banking transactions hinder their ability to earn a sustainable income. Grameen Foundation India's BCNM Experiments and Demonstrating Scale (BEADS) project has identified assisted e-commerce as an additional revenue source for BC agents, partnering with the Centre for Development Orientation and Training (CDOT) to pilot this approach.

Assisted e-commerce enables BC agents to facilitate online shopping for customers lacking internet access or digital literacy, catering to the growing demand for quality products in rural markets. The introduction of the Open Network for Digital Commerce (ONDC) can further enhance the assisted e-commerce model by providing a unified platform for buyers and sellers, offering wider options for price, delivery, and add-ons. ONDC also benefits sellers with increased discoverability and low-cost access to the value chain, while technology companies can maximize their value, innovate, and monetize transactions.

Data from the BEADS project shows a 10% increase in e-commerce sales due to BC agents' involvement, suggesting potential for a sustainable business model benefiting all stakeholders. ONDC is set to significantly increase the penetration of e-retail in India, expanding coverage of retailers, the share of Indians using digital commerce, and geographic coverage of e-commerce. This can be achieved by enabling more digital transactions, creating a robust digital payment infrastructure, and providing better access and ease of use for customers.

The future of assisted e-commerce relies on the collaboration of all stakeholders to design user-friendly, accessible solutions and channels that meet the needs of underserved customers. Harnessing the power of BC agents and their trusted relationships with communities, banks, and e-commerce providers can bring the benefits of online shopping to rural areas, bridging the digital divide and empowering rural and underserved populations. The future of assisted e-commerce holds immense potential for those willing to foster a more equitable and inclusive digital economy.

¹Agent Network ideas and lessons from India, MSC

Need for Increasing and Diversifying Agent's Revenue

Business Correspondent agents (BCs) serve last mile and underserved populations with basic banking services. Working from their shops or going door to door, they assist community members with bank transactions such as cash withdrawals and opening accounts. Rural populations have come to trust and depend on BC agents, whom they often referred to colloquially as “bank managers.”

However, despite the recognition and trust BC agents receive, the commission they earn from product linkages and banking transactions is not enough to provide a sustainable livelihood. BC agents earn an average commission of only 1-2% on DBT transactions¹, which is not enough to provide a sustainable livelihood. One of the key challenges hindering the growth of BC agent networks is the low margins and profitability of working as a BC agent.

To continue their operations², BCs need additional sources of income. The BC agents face the problem of a small product basket which is hindering their growth prospects. BC agents typically offer a limited range of financial products, such as deposits, withdrawals, and remittances, which can limit their revenue

potential and hinder customer adoption of digital financial services. To increase the product basket of BC agents, financial institutions can explore partnerships with e-commerce platforms and offer assisted e-commerce services to their customers through the BC agents.

Grameen Foundation India has been working on this issue under the BEADS project with support from Bill and Melinda Gates Foundation, testing various approaches to diversifying and increasing revenue to strengthen the business correspondent model. GFI has identified assisted e-commerce as a promising revenue source for BC agents. To explore this possibility, GFI conducted a Human-Centered Design (HCD) study to develop a pilot in partnership with a business correspondent network manager, Centre for Development Orientation and Training (CDOT).

This paper explores this subject in more detail and offers insight into the lessons learned through GFI's involvement with the BC agents. Additionally, it shows how assisted e-commerce may become a reliable source of income for BC Agents.

Assisted E-Commerce

An Overview

The term “e-commerce,” which stands for “electronic commerce,” describes the exchange of products and services over the Internet, computer networks, and other digital platforms. E-commerce transactions can be handled fully online or with a mix of online and offline interactions, and the people involved do not always have to meet physically. Online banking, digital payments, online auctions, online shopping, and other activities² are all included in the broad category of e-commerce. By enabling consumers and business owners to access a global marketplace from the convenience

of their homes or offices, it has transformed the way businesses are run and created new opportunities for both groups of people.

However, a broad section of people whom the BC agents serve does not have access to the internet, digital devices, and digital literacy. This is where the role of assisted e-commerce comes in. E-commerce facilitates online shopping for people who don't have internet access or the ability and confidence to do it themselves. Customers can request products from the BC agent, who shows them options on the e-commerce platform provided by their BCNM. Once the customer makes their selection, the

¹Agent Network ideas and lessons from India, MSC

²BEADS Baseline report, GFI



agent completes the purchase on their behalf and arranges delivery either to the customer's home or to the BC point where the agent operates. If the product is accepted without any returns or cancellations, the BC agent receives a commission from the e-commerce provider through BCNMs based on the product's price and other business parameters like new customer acquisition, etc

BC agents are well positioned to offer e-commerce as they are digitally literate, trusted by their communities, have fixed working hours as mandated by their banks or BCNMs, and have access to the systems and internet connections required. This business model represents a unique opportunity for BCs to expand their offerings and reach new customers. It can also help bring the benefits of online shopping to rural areas where access to the internet and digital literacy are limited.

Rural markets are seeing a rise in demand for quality products, driven by exposure to various brands through media and television. Many of these products are not available in local markets and must be ordered online. However, online shopping requires a level of digital literacy that many rural customers, especially women, do not have. Assisted e-commerce at BC points can help resolve this issue, offering an accessible and convenient way for rural residents to order the products they seek.

Grameen's HCD Study Findings

Grameen Foundation India, under the BEADS

project, conducted a Human-Centered Design (HCD) study to revitalize assisted e-commerce in partnership with CDOT. HCD prioritized customer needs over system requirements, aiming to create a product that is user-friendly and more likely to be purchased.

The study found that BC agents value their role in banking as an honorable profession. Despite their pride, they expressed disappointment with the lower revenue earned from banking transactions. The agents showed enthusiasm for assisted e-commerce as a means to increase their income and noted that customers trust them.

BC agents can easily adopt assisted e-commerce services, but the question remains as to why customers will choose to use BC points for purchasing products. According to the Indian National Statistical Office, only 20% of Indians can use the internet, even though over 55% have broadband access. Moreover, owning a smartphone and having internet access is not enough to make an online purchase; users need digital literacy to browse online shopping apps and websites, identify products, and complete the purchase process. This is especially challenging for rural populations, including women, who may only use their smartphones for social media.

The demand for quality products is on the rise in rural markets, driven by exposure to various brands through media and television. However, these products are often not readily available in local markets, leading to a reliance on trusted sources such as BC agents.

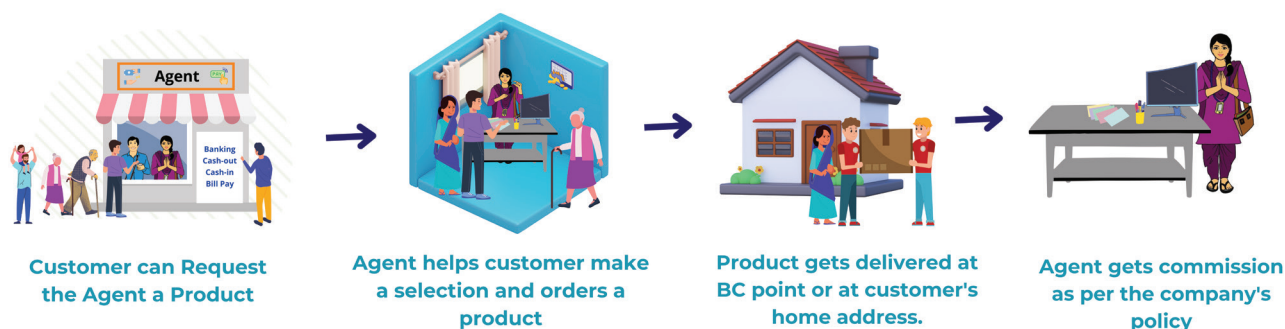


Figure 1: Flow of Assisted E-Commerce

How Agents gain by offering Assisted E-Commerce at BC Points

Data from an assisted e-commerce experiment under the BEADS Project shows a 10% increase in e-commerce sales as a result of BC agents' involvement. This suggests that with proper technical and process training, as well as ongoing support for e-commerce, BC agents can effectively promote assisted e-commerce and boost sales in remote areas of India. This, in turn, will benefit all stakeholders involved. E-commerce companies will reach new customers, BCNMs, banks, or banking institutions will create a sustainable business model for BC agents, agents will increase their income, and rural customers will have access to advanced products and services. And now many banks are part of the ONDC platform³, more need to join in and it needs to go further to the last mile banking agents, the business correspondents.

The HCD study found that the demand for kitchen and dining products was highest, followed by beauty and grooming products, suggesting the potential for BC agents to promote in-demand products, particularly those catering to women. Migrant workers who live away from their families also indicated interest and could become valuable customers for agents as they seek assistance in sending products to their families back in their villages.

Demand for products purchased online is now so high that access to one e-commerce platform is often not enough. The BC agents we talked to in our study have found that when they only have

access to a single platform, they tend to face issues with price comparison, delivery reliability, and customer satisfaction.

Impact of Grameen's Assisted E-commerce Pilot

In the intervention conducted by GFI, 213 BC agents took part, 45% of these users remained active by the end of the intervention, and 20% were women agents. The introduction of assisted e-commerce as a non-financial product added 10% to income through Amazon's easy sales to the agents' existing income. The implementation of this strategy resulted in a 69% increase in sales and a 72% increase in customers over the implementation period.

These data demonstrate the benefits of introducing assisted e-commerce as a non-financial product in raising agent income and generating sales. Furthermore, the growth in customer numbers suggests that assisted e-commerce has boosted customer happiness and loyalty. The intervention's success emphasizes the need to establish creative and effective tactics to stimulate the expansion of BC agents. As a result, agents should think about introducing similar non-financial items to incentivize agents and boost sales and client involvement, resulting in long-term success and sustainability. **"Everyone wants to earn more, so I urge other women BC agents to order more from e-commerce and take advantage of high commissions. This will help our customers and us too."** Jyoti Kumari, BC agent, Nawada district, Bihar (CDOT)

³<https://ondc.org/network-participants/>

Way Forward: Assisted E-Commerce and ONDC

Assisted e-commerce has the potential to revolutionize rural commerce and provide BC agents with a much-needed source of income. Harnessing the power of BC agents and their trusted relationships with their communities, banks, and e-commerce providers can bring the benefits of online shopping to rural areas, bridging the digital divide and empowering rural populations. The success of assisted e-commerce will depend on the ability of all stakeholders to come together to design solutions that are user-friendly, accessible, and meet the needs of rural customers. The future of assisted e-commerce is bright and holds immense potential for those who are willing to chart a course toward a more equitable and inclusive digital economy.

The ever-growing demand for a vast array of products has made it imperative for Indian

customers to have access to diverse e-commerce services. However, the limited availability of a single platform often poses challenges for BC agents, including issues with price comparison, delivery reliability, and customer satisfaction.

Enter Open Network for Digital Commerce (ONDC)⁴, an innovation that has the potential to foster open networks for the exchange of goods and services through digital channels. Based on open-source methodologies, utilizing open specifications and network protocols, ONDC can operate beyond the current platform-centric model of digital commerce.

The ONDC is set to bring a range of benefits to all participants in the Indian e-commerce market, including technology companies, sellers, and buyers. ONDC provides a single platform

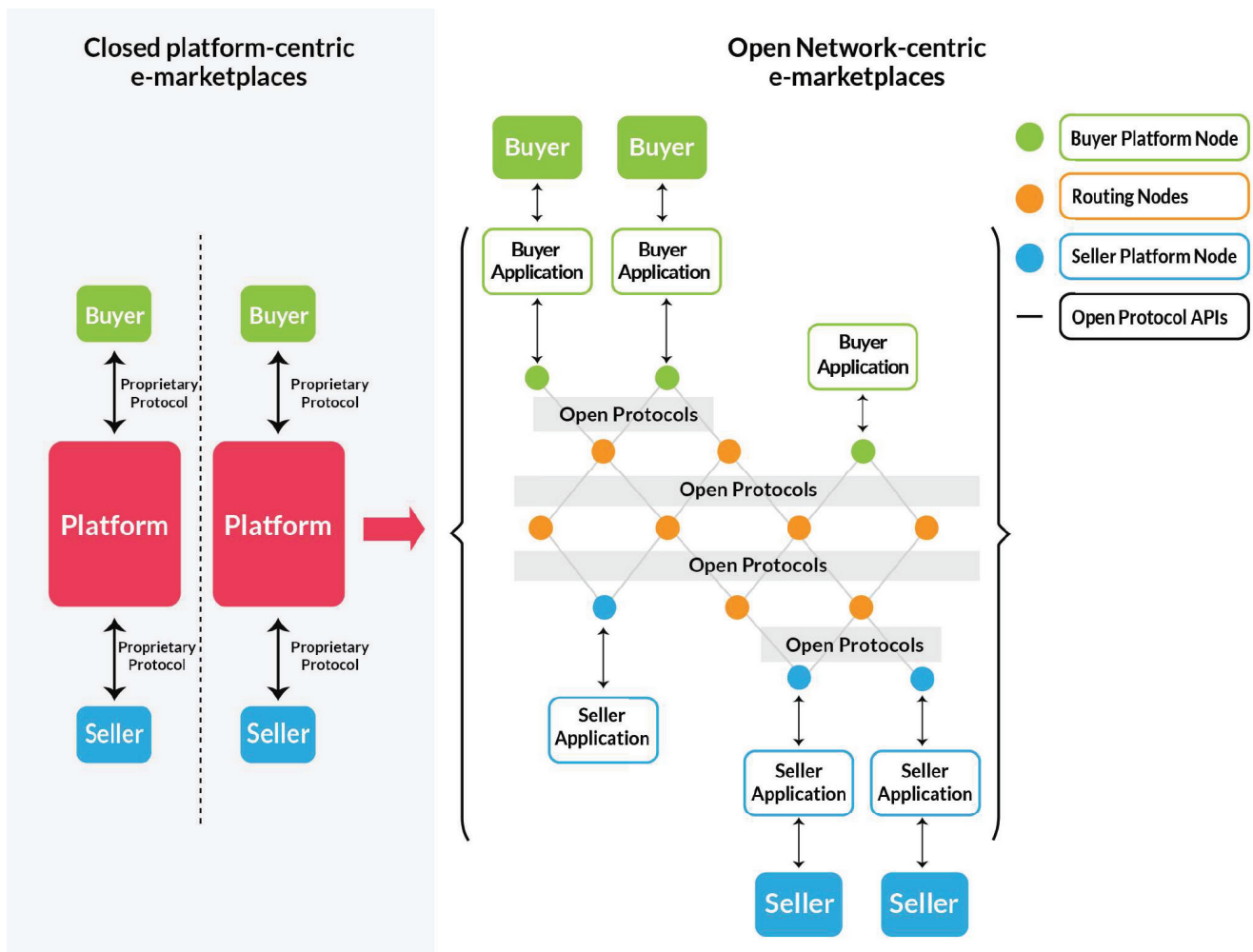


Figure 2: Platforms to Network Approach⁵

⁴<https://pib.gov.in/PressReleasePage.aspx?PRID=1814143>

⁵1659889490.pdf (ondc-static-website-media.s3.ap-south-1.amazonaws.com)

ONDC provides a single platform that allows buyers to access all domains of the e-commerce market, and to access all sellers operating in each domain. This offers a unified experience for users and provides wider options for price, delivery, and add-ons.



that allows buyers to access all domains of the e-commerce market, and to access all sellers operating in each domain. This offers a unified experience for users and provides wider options for price, delivery, and add-ons. ONDC also offers faster hyper-local fulfillment, making it easier and faster to deliver goods to customers.

For sellers, ONDC offers increased discoverability by the entire buyer universe, as well as low-cost access to the complete value chain. Sellers also have autonomy on rules and terms, which can lead to increased profitability. Business enhancement analytics are also provided, as well as a portable network-wide reputation and no disintermediation risk.

For technology companies, ONDC provides a range of benefits, including maximizing the value of their technology, innovating to their strengths, and a monetization opportunity on transactions. ONDC also offers less time-to-scale and enhanced platform loyalty.

The ONDC can significantly increase the penetration of e-retail in the country. Firstly, ONDC⁶ can increase the gross merchandise value (GMV) of digital transactions from the current

annual value of around INR 4.5 lakh crore to more than INR 7.5 lakh crore. Secondly, ONDC can expand the coverage of retailers and share of Indians using digital commerce to buy and sell online. Lastly, ONDC will amplify the geographic coverage of eCommerce to cover 75% of the total PIN codes.

This will be achieved by facilitating and enabling more digital transactions, creating a more robust and efficient digital payment infrastructure, providing better access and ease of use for customers, providing support and guidance to retailers in adopting digital commerce, offering training and education, and providing access to a wider range of digital tools and services. There is a need to increase awareness and education about the benefits of e-commerce, providing access to a wider range of products and services, and improving the overall customer experience of BC agents.

ONDC will serve as a convenient solution for BCNMs in rural and underserved areas to offer assisted e-commerce services, and at the same time, it will make e-commerce more inclusive and accessible for customers, enabling them to match demand with the nearest available supply.

⁶ONDC, *Democratizing Digital Commerce in India*, 1659889490.pdf (oncd-static-website-media.s3.ap-south-1.amazonaws.com)

About Grameen Foundation India

Grameen Foundation India (GFI or Grameen), a wholly owned subsidiary of Grameen Foundation USA, is a not-for-profit organization that specializes in designing and implementing innovative programs to help the poor access finance, livelihood opportunities, and health & nutrition information. Grameen addresses demand-side and supply-side barriers through scalable models, the use of technology applications, and innovative partnerships. Working closely with Banks, Financial Institutions, farmers organizations and agribusinesses, we help people build assets, weather crisis, manage risk and become resilient.

Since its inception over a decade ago, Grameen Foundation India is growing from strength to strength, deepening its impact to enable the poor, especially women to create a world without poverty and hunger.



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