**Electronic Data Interchange (EDI)**

Electronic data interchange (EDI) is the process used by organizations in order to transmit the data between organizations by electronic means. It is used to transfer electronic documents or business data from one computer system to another computer system, i.e. from one trading partner to another trading partner without human intervention.

Here, are two major parties i.e. Customer & Merchant:

Customer firstly order for the required product. Trading party then give confirmation, Delivery note, Invoice & Acknowledgements for the product status. At the end, customer pays for the product.Here, We have shown the basic overview but EDI is somewhat complex.EDI is used by organizations for transactions that occur on regular basis to a predefined format.Organizations that send or receive documents between each other are referred to as "trading partners" in EDI terminology. The trading partners agree on the specific information to be transmitted and how it should be used.EDI is also known as paperless trading.

EDI is basically-

“The transfer of structured data, by agreed message standards, from one computer system to another, by electronic means.”

EDI has four elements, each of them essential to an EDI system:

• **Structured Data:** EDI transactions are composed of codes, & short pieces of text. Each Element with a strictly defined purpose. Fore.g An order has codes for the customer & product & values such as quantity ordered.

• **Agreed Message Standards**: The EDI transaction has to have a standard format. The standard is not just agreed between the trading partners but is a general standard agreed at national or international level. A purchase order will be one of a number of agreed message standards.

• **From one computer system to another**: The EDI message sent is between two computer applications. There is no requirement for people to read the message or re-key it into a computer system. For e.g. The message is directly between the customer’s purchasing system & the supplier’s order processing system.

• **By electronic means**: Usually this is by data communications but the physical transfer of magnetic tape or floppy disc would be within the definition of EDI. Often networks specifically designed for EDI will be used.