

Responses to the Consultation Paper on USSD-based Mobile Banking Services for Financial Inclusion issued by TRAI on 20 September 2013

Q1: Do you agree that USSD is one of the most appropriate modes for mobile banking for financial inclusion? If not, which mode do you think is more appropriate? Please support your viewpoint with reasons.

In our view, USSD is one of the most appropriate modes for initiating requests and completing transactions using the mobile phone. Some of the reasons to support our view point, over and above the ones mentioned in the Consultation paper are:

- GSM is by far the most dominant service used by TSPs in India. USSD works on all GSM handsets, and does NOT require internet or data connection.
- A widely acceptable estimate is that approximately 96% telecom subscribers in India are prepaid. Everyone who uses a prepaid phone knows how to use USSD as they check their talk-time balances & recharge their account using USSD regularly.
- Data entry from the customer is numeric and simple
- With one number across all TSPs, customer communication becomes simpler, which in turn helps in proliferation of banking services to the masses.

Q2: Do you agree that the Mobile Banking (Quality of Service) Regulations, 2012 should be amended for mandating every TSP, acting as bearer, to facilitate not only the banks but also the agents of banks acting as the aggregation platform providers to use SMS, USSD and IVR to provide banking services to its customers? Please support your viewpoint with reasons.

Yes, every TSP should facilitate not only the banks but the bank's aggregators as well. This will be helpful in 2 ways:

1. Mobile banking and payment system implementations are significant investments for a bank. All mid-size and small-size banks may not be in a position to make an investment of this scale. Hence, aggregators that are making an investment in a multi-bank platform should be encouraged to ensure every bank gets an opportunity to provide mobile banking & payment services to its customers.
2. Speed of rollout to needy customers will greatly reduce if banks are to do things themselves. By going through an agent, banks considerably increase speed of time to market.
3. Theoretically, just for discussion, assuming that all banks start offering mobile banking & payment services directly by connecting to every TSP in the country, there will be huge number of cross linkages, each one involving technology costs and huge amount of paperwork, thereby making the ecosystem inefficient.
4. However, it is anyway in the best interest of the TSP to maintain high availability on the USSD channel for other more important motives such as recharge, balance enquiry, VAS. As users of this channel, in the initial period, it may not be fair to expect better or different quality of service than the best already offered by the TSP. We believe that there is enough capacity to carry out such transactions at reasonable service levels. If there are any quality issues the same should be raised by banks and/ or their agents with due evidence of transaction/ access failure due to poor quality of service by the TSP. We request the QoS guidelines to also be amended to reflect this aspect adequately.

Q3: Do you agree that in case of USSD transactions for mobile banking, the TSPs should collect charges from their subscribers as they do in the case of SMS based and Application (App) based mobile banking? Please support your viewpoint with reasons.

As in any other telecom channel, TSPs should collect charges directly from their subscribers. Also, in principle, from the customer's viewpoint, whenever a bank customer wants to use a banking service, he or she is required to pay for the medium used to reach out to the bank. Whether it is SMS or Mobile App based access (as quoted in the Consultation paper), or it is any other mode like internet banking (where customer pays the ISP for internet connection) or branch banking (where customer bears the cost of commuting to the branch), the customer should pay for the medium used to get in touch with the bank.

The bank customer is free to decide which form of access he prefers to interact with his bank based on both the financial cost and the perceived cost of inconvenience/ time. The more innovative and value adding service will become the preferred option of customers.

Also, as rightly mentioned in the Consultation paper, free access given to customers may lead to misuse of the service and add to the load on the network.

Market forces will, in due course, determine the optimal charge from the TSP to the consumer. However, in the initial phase of rollout, we must keep a keen eye on any TSP charging a usurious or unreasonably very high cost of such access. Given that the current cost of USSD access for the customer's interaction with his/ her TSPs is ZERO in most cases, the incremental cost increase to the TSP for a very marginally increased access should not be much, thus there is no requirement to charge more than it is required for them to cover these marginally increased costs. People do not access their banking/ payment service more than 7-8 times a month unlike recharge or prepaid balance enquiry which may be more than 2-3 times a day.

Q4: Do you agree that the records for USSD transactions must be generated by the TSPs to provide an audit trail for amounts deducted from prepaid subscribers and bills raised to post paid subscribers? Please support your viewpoint with reasons.

As per the response to Q3 above, TSPs should collect nominal charges directly from the subscribers. In order to make this happen, TSPs will require a system that generates call records just as they do for Voice, SMS, GPRS etc. All billing and balance deduction related queries for the mobile connection will continue to be handled by the operator. Many leading operators currently offer such call records and billing to subscribers for banking through USSD for ICICI Bank and State Bank of India.

For TSPs who currently claim to not have a system to do so may be given a deadline by which time they should have created such a system for their subscribers. Basic information technology is never the concern for a TSP whose whole business depends on IT and ITES.

Whether audit trails are required for handling such queries will be known best to the respective TSP. No specific view from our side on this.

Q5: Would it be appropriate to fix a ceiling of Rs. 1.50 per USSD session for mobile banking? Please support your viewpoint with reasons.

An appropriate pricing structure is absolutely critical for the success of mobile banking & payments in India. One of the approach to make sure the pricing structure is reasonable, is by putting a ceiling value as proposed in the Consultation paper. Yes, we do agree that the price ceiling of Rs. 1.50 per USSD session for mobile banking & payments is appropriate. It is also critical that there is a minimum session time suggested for all TSPs to adhere to.

Just as has happened in voice, SMS etc., market forces will, in due course, determine the optimal charge from the TSP to the consumer for USSD services as well. However, in the initial phase of rollout, we must keep a keen eye on any TSP charging a usurious or unreasonably very high cost of such access. Given that the current cost of USSD for the customer's interaction with his/ her TSPs is ZERO, the incremental cost increase to the TSP for a very marginally increased access should not be much hence not requiring them to charge more than it is required for them to cover these marginally increased costs. People do not access their banking/ payment service more than 7-8 times a month unlike recharge or prepaid balance enquiry which may be more than 2-3 times a day.

Q6: In case your response to Q5 is in the negative, please suggest an alternative methodology to fix a ceiling tariff for USSD session for mobile banking. You may also support your viewpoint with a fully developed model with associated assumptions, if any.

We think that any amount up to INR 2 should be OK to start with. The TRAI can review the system based on number of interactions and amount of marginal incremental bandwidth usage for this type of services after, say, 6 months. Then along with empirical data, an appropriate limit can be set. We may need to continue this periodic review for 18-24 months to finally arrive at a reasonable upper limit for such transactions that TSPs can charge their customers.

Q7: Is there any other relevant issue which should be considered in the present consultation on the use of USSD as a bearer for mobile banking services?

Following are some of the issues that we would like to be included in the next version of this Consultation Paper/ regulation post taking into consideration inputs from various stakeholders:

1. Common USSD, SMS & IVR short-codes across every TSP:

In order to proliferate mobile banking & payments, communication from the banks & their aggregators will play a huge role. If the banks & aggregators are required to communicate different numbers for different TSPs, then the impact of communication will be lost. It is therefore critical that, on a first come first served basis, TSPs offer a common code to a bank/ or its service provider.

It is understood that there may be requirements from certain banks/ service providers for “Good Numbers”. However it has to also be understood by the ecosystem players that such numbers may or may not be available across all TSPs and hence the next best number should be OK.

2. Existing USSD infrastructure can take additional load:

As an illustration, over 90 per cent of telecom subscribers are prepaid. Almost all of them transact with their respective TSP through USSD. Assuming that a large TSP has around 100 Million subscribers. Over 95 Million of these will regularly use USSD. The largest transaction types using USSD are

- i) Conversion of recharge vouchers into airtime
- ii) Regularly checking prepaid balance (in many cases this may be before and after every call is made)

Even conservatively, this means around 3 interactions on an average per day for over 90 Million subscribers which results in 270 Million USSD interactions a day or 8 billion interactions a month.

On the other hand, banking transactions may be adopted by approximately 50% subscribers (assuming that there is 1 bank account for every 2 telecom subscriptions as per inference drawn from various sources of data available today) who will optimistically do approximately 7-8 transactions on an average per month. This would only be approximately 5% of the current conservative USSD volumes.

Also, in a country like India, at times of festivals such as Holi, Diwali, Rakshabandhan, Eid, etc. etc. there is additional 15-20% activity in terms of calls, number and value of recharge vouchers etc. that are sold. Hence it is safe to assume that the TSP would anyway need to keep buffer capacity to take care of such additional activity. With this buffer capacity even at 15%, it means that current telecom infrastructure is already geared to service 9.3 billion interactions a month. Thus, there seems to be enough buffer in the existing infrastructure of TSP to take care of this minor rise in volume, especially since customers will be paying for access in this case.

One of the biggest use cases of banking and payments through USSD is prepaid recharge. Conservatively, if 10% of these transactions are to recharge the same TSP's prepaid air time, the TSP will save at least 1% of channel cost which would have been given to the recharge shop owner if this payment were not electronic, thus amounting to an estimated savings of millions of Rupees per month.
