



**COAI Response to
TRAI Consultation Paper
On The
Review of Regulatory Framework for the Use of USSD for Mobile Financial Services
Released on August 02, 2016**

Preamble

1. At the outset, we would like to highlight that **we support the national objective of financial inclusion of the unbanked**. Financial inclusion is a comprehensive and holistic process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial inclusion should improve access to mainstream banking products/services – deposits/savings, credit, micro insurance and remittances/transfers.
2. There are several initiatives and steps being undertaken by Government, RBI and Banks for Mobile Financial Inclusion, which include the opening of Bank Branches and ATMs, Business Correspondent Model, branchless banking through Business Correspondents Agents (BCAs), setting up of Ultra Small Branches (USBs), introduction of Payment Banks, etc.
3. To roll out its Jan Dhan - Aadhar - Mobile (JAM) trinity and directly transfer subsidies to intended beneficiaries and eliminate intermediaries and leakages, the Government has started linking the Jan Dhan scheme, Aadhaar numbers and mobile numbers of individuals. Jan Dhan data suggest all but 23,000 households in India have access to banking services, but a large proportion of inoperative accounts and Aadhaar seeding remain a challenge. Nearly 40% of the new accounts opened still carry zero balance.
4. Thus, despite huge improvements in financial inclusion due to Jan Dhan, the JAM preparedness indicators suggest there is still some way to go before bank-beneficiary linkages are strong enough to pursue DBT without committing exclusion errors. In that sense, the JAM agenda is currently facing the last-mile **challenge of getting money from banks into beneficiaries' hands, especially in rural India. This is where mobile banking services can help bridge the gap.**

5. It may however be highlighted that **the core relationship in the value chain for mobile banking is that between the bank and the citizens as customers of the banks**. TRAI had highlighted this in its earlier consultation dated 20 September 2013 and had also noted that the **TSP is the intermediary in this value chain who needs to be adequately compensated**.
6. Mobile banking has so far failed to reach its true potential in India as it needs investment, effective business planning and execution from Banks. Banks need to supplement mobile banking with a widespread distribution/retail network, infrastructure and back-end support to make financial inclusion a reality.
7. We submit that **adequate efforts have not been made by the Banks to promote this service** and believe that underlying factors need to be addressed before concluding that further regulatory intervention is required in respect of the USSD based mobile banking services. Some of the challenges that we have noted include cumbersome registration processes, lack of vernacular support, and customer unfriendly menu options. We also believe that some of the banks have not even registered with NPCI and instead are more focused on promoting other channels, including their own apps.
8. We submit that **the regulated access and pricing of USSD based mobile banking services through NPCI may not be the best approach** for developing mobile payment eco-system as it does not allow the TSPs and Banks to mutually discuss and arrive at the appropriate and optimal price, structure and channel which incentivize both parties to actively facilitate telecom network access and banking services respectively. We apprehend that adopting a prescriptive approach which does not allow the market to throw up the most optimal solution may end up doing more harm than good.
9. With the Reserve Bank of India's (RBI) vision of migrating towards a 'less-cash' and digital society, NPCI launched the Unified Payments Interface (UPI). UPI is an architecture and a set of standard app APIs by RBI to facilitate the next generation online immediate payments. NPCI has built on the Immediate Payment Service (IMPS) platform through which one could transfer money instantly by going online-by adding another layer that allows easy debit capability even on mobile phones. However, it can only work on a smartphone with a capability to download app and requires universal access to the Internet and data. Thus, UPI is far away from achieving the objective of financial inclusion as it will not be able to reach the significantly large unbanked regions and weaker sections and low income groups.
10. We are of the view that operators **should be able to offer B2B model as well as B2C for m-banking services**. B2B rates may be mutually negotiated while B2C rates may continue to be regulated on the basis of tariff ceiling. Further, there should **also be a freedom to adopt hybrid approaches** so as to arrive at the most optimal and effective structure.
11. In conclusion, **TRAI should seek to promote an eco-system and facilitate a regulatory environment that fosters mobile banking services**. There is a need to put in place an

eco-system to make transactions accessible, efficient and transparent to the un-served/ under-served sections.

Issue-wise Response

1. In your opinion, what should be the maximum number of stages per USSD session for mobile banking service?

- (i) Five
- (ii) Eight
- (iii) Unlimited
- (iv) Any other (please specify)

Please provide justification in support of your response.

COAI Response:

- a. At present the permissible number of stages per USSD session is 5. We believe that the TRAI may **maintain the number of transactions at 5, with a provision that in the event that the Banks require more steps per session, this may be negotiated and agreed bilaterally** between the Banks and the TSPs.
 - b. **In case the maximum number of steps is increased from 5 to 8 the compensation to the telecom service providers would need to be increased** as well since it will lead to increased use of SDCCH channel.
 - c. We suggest that the **corresponding ceiling tariff for such transactions may be fixed at Rs 2.50 per session** in case the number of steps is increased from 5 to 8. This is on account of a higher usage of network resources – SDCCH channel in the USSD service.
 - d. The number of steps per session may have to be reviewed in case there is a sudden upsurge in volumes.
 - e. There is however **no case for making the maximum number of stages per USSD session for mobile banking service as ‘unlimited’** in any regulated arrangement, as this could adversely impact a TSP’s signaling network capacity and any sudden/excess use of TSP associated signaling channel and network could directly adversely impact the TSP ability to handle its voice & SMS traffic, which also use the same signaling links/network for call set-up purposes.
2. Which of the following methods is appropriate for prescribing the tariff for USSD-based mobile banking?
- (i) Cost-based tariff for outgoing USSD session for mobile banking; or
 - (ii) Monthly (or periodic) subscription fee for the use of USSD for mobile banking services; or
 - (iii) Any other method

and

3. What methodology should be used for estimating the cost per USSD session for mobile banking service?

and

4. If your response to the Q2 is 'Any other Method', please provide full details of the method.

COAI Response:

- a. It is first submitted that mobile banking is a nascent emerging market and **regulation should not preclude different arrangements, between the banks and the mobile operators** so as to discover which arrangement will maximize the use of the platform. The environment should permit and facilitate B2B, B2C or even hybrid approaches.
- b. In respect of the option of 'cost based' tariffs, it is submitted that the **USSD based mobile banking services is not an interconnection** between two licensed operators **that warrants a cost based approach**. A B2B tariff model should not be confused with fixation of cost based charges. Rather, a B2B relationship is essentially in the nature of a bulk/corporate customer for Telecom service providers and the arrangement to bill banks would be akin to say, a toll free number in voice segment.
- c. Similarly, **in the case of B2C arrangements**, at present, while the per session charging, is applied, which has been regulated by TRAI as a B2C arrangement, with the ceiling defined at Rs 1.50 per session, we believe that in a regime of tariff forbearance, a **micro regulatory approach may not be desirable, and the present ceiling may be continued, with the caveat that the ceiling may be increased, in case the number of steps in a transaction is increased**. This is also desirable on account of the fact that the volume of mobile banking transactions continues to be quite low, and thus the price efficiencies that come as a result of increased volumes are not there in this segment presently.
- d. It may also be appreciated that **TSPs have incurred capex investments for USSD based charging**, installing/ upgrading the requisite billing system, IN and other IT systems to support provisioning for the banking services through USSD channel. The service providers had their products based on IVR or SMS channels only which were already integrated to the billing systems. However, in order to aid in the financial inclusion exercise, the billing capability was developed to charge for USSD transactions. The **Capex investments are not getting justified even now as the volumes of USSD mobile transactions continue to be low**.
- e. We would also like to submit that **any comparison with free self-care USSD and voice/ SMS rate per minute is misleading**. Even though the USSD mechanism is being used for Self-care by telecom service providers and being provided free as mentioned in the consultation paper, this helps in reducing the volume of calls at the call centre. Considering that one USSD session prevents one potential call at the call centre, **the self-care results**

in saving of Rs 7 per call which would have been spent for attending the customer by the telecom service provider. The **comparison with voice rate of Rs 0.47 per minute is also misleading, considering the mismatch in the volume of both the products**. Further, the voice rate and SMS rates continue to be under forbearance since 2002 and the low rates for these services are due to huge volumes generated by them. In case of voice and SMS – being a vanilla product, the service providers themselves offer several packs and discounts whereas **in case of USSD based mobile banking services, the banks want to cross subsidize serving their customers using telecom infrastructure, by seeking mandated discounted access, without considering their own cost savings through this alternate channel and without promoting the services.**

5. Whether it would be appropriate to mandate the service providers to levy charges for USSD session for mobile banking only if the customer is able to complete his/her transaction? If yes, please describe the method to implement such an arrangement technically?

COAI Response:

- a. We first submit that **it is technically not feasible for telecom service providers to charge the customer only on successful USSD transactions/sessions**. The service provider does not have visibility of the success/failure of the USSD session initiated by customer as these details will only be available with NPCI platform which make any reconciliation difficult between telecom service provider and NPCI.
- b. It may also be appreciated that **there is a cost associated with each USSD session/ transaction which needs to be compensated** to the TSPs and therefore, also following a success based approach would not be correct. Further, **the success/failure of a session is not attributable to the service provider**. It is therefore submitted that the charging for the USSD transaction/sessions should continue to be independent of whether a session is declared successful or not by the banks.
- c. We also believe that **adopting a success based approach** may need a significant enhancement to the billing and CDR systems, to determine at which stage the session/transaction failed. Further, the same would also **lead to increased disputes as to the reasons of the failure, whether attributable to the service provider or the consumer**. The TRAI has itself noted that **input errors, time delays, etc. are responsible for transaction decline** (See Para A 2.7, Page 13 of Consultation Paper). These factors are attributable to the consumers.

6. Whether the present pricing model for USSD-based mobile banking in which consumers pay for the use of USSD should continue?

and

7. In case your response to the Q6 is in the negative, what should be alternative pricing models? Please provide justification in support of your response.

COAI Response:

- a. **TRAI should not mandate any pricing model** for any mode of mobile banking including USSD based mobile banking and let the Banks and Telecom Operators work out an alternate model for the same.
- b. The present pricing model – which is a B2C model, should be continued and in addition, B2B based approaches or hybrid approaches should also be permitted.
- c. In respect of pricing, we reiterate that there is no **case for ‘cost based’ approach** for the reasons given above. The present ceiling of Rs. 1.50 may be continued with, with the caveat that if the number of steps in a session is increased, there should be a concomitant increase in the ceiling, i.e. if the number of steps is increased from 5 to 8, the ceiling may be put at Rs. 2.50 per transaction/session.

8. Keeping in view the concerns raised by the TSPs, whether there is a need for allowing USSD push sessions when customer-initiated USSD session is dropped due to some reason so that the customer can complete his/her unfinished transaction? Please support your response with justifications.

COAI Response:

- a. The TRAI is already aware that **there could be security issues involved in allowing USSD push sessions.** (See Para C 2.30, Page 21 of Consultation Paper)
- b. Further, such push sessions, **could also potentially adversely affect the use of the signaling link/channel for other activities** such as voice call-setup and other USSD channel related activities.
- c. There are **also certain other issues** that also need consideration while examining the issue. In case of USSD, TSPs bill all sessions whether the transactions have been completed or not as the charges are debited at the time of session initiation itself. Besides this, USSD sessions drop due to various practical and technical reasons, most of which are not under the control of TSPs such as due to incoming calls, customer initiated the call, technical glitch in Banks response system, etc.
- d. There is **no mechanism at present with TSPs to determine the reason of the drop** in USSD session and hence it is difficult to ascertain whether the session is terminated by the customer or is dropped due to any other reason.

- a. **Allowing Aggregators/ Banks to push USSD messages** to all such customers using TSPs switching/ signaling network, **may significantly increase the load on the network**, making it difficult to accommodate the requirements of existing running network/ services hence likely to affect network stability and necessary KPIs.
 - b. In addition to these network security and technical concerns, the major issue we foresee is **customer dissatisfaction as there might be cases where customer itself has terminated the session** and these push sessions then in spite of increasing adoption of USSD based mobile banking may result in an annoying experience for the customer and further drop in its adoption.
 - c. **Therefore, we submit that USSD push sessions by Aggregators/ Banks should not be allowed for any kind of drop in customer initiated USSD session.**
9. **Whether it would be appropriate to allow all variety of mobile payment services apart from the mobile banking services on the existing USSD Aggregation platform(s)? Please support your response with justification.**

COAI Response:

- a. It is first submitted that **the regulated NPCI arrangement has been agreed to only for a limited number of transactions and only for the purposes of meeting the objective of financial inclusion.**
- b. Seeking to include all variety of mobile payments on this platform tantamount to Banks wanting regulated and discounted access for commercial objectives, which is not acceptable.
- c. We submit that **any consideration of other types of mobile payments will necessitate that the arrangements be bilaterally and commercially agreed** between the Banks and the Telecom Service Providers and NPCI can act as a technical platform in case required.

10. **Is there any other relevant issue which should be considered in the present consultation on the review of regulatory framework for the use of USSD for mobile financial services?**

COAI Response:

Our comments as stated in the Preamble may please be considered.
