

## **BIF Response to TRAI CP on Review of Regulatory Framework for Use of USSD for Mobile Financial services**

### **PREAMBLE**

Broadband India Forum is of the firm opinion that expansion of the banking system & reach of financial services is absolutely imperative for long term sustainable development of the country. Hence, BIF is completely supportive of all Govt initiatives to achieve financial inclusion which is to extend all banking & financial services to large hitherto unserved population of the country to unlock its growth potential and all such measures towards inclusive growth by making financing available to every citizen of India including the poor living in the rural and remote areas which are outside the purview of physical Banking infrastructure .

The ongoing Policy & Regulatory thrust for ' Financial inclusion ' is highly praiseworthy. Notwithstanding the expansion of the Banking infrastructure and the thrust on opening bank branches & ATMs in the rural areas, the ' last mile ' service delivery continues to remain a great challenge. BIF shares the Govt's vision that Mobile broadband could be the solution to the problems related to the ' last mile ' service delivery of financial services . With approx. 44.78 Crores Mobile connections in the rural and semi-urban areas out of a total of 103.43 crores as on 30th April, 2016 and with about a third of the people out of the 350 Mn having access to the Internet in the rural and semi-urban areas, it is quite clear that Mobile Broadband can be potentially leveraged to achieve financial inclusion goals.

BIF lauds the Govt's ongoing initiatives in this direction viz. Jan dhan-Aadhar-Mobile ( JAM ) trinity wherein the Govt has linked citizen's Bank Account Number & Mobile Number with the Aadhar Number with the aim to better target & transfer financial resources to the poor. Other initiatives viz. permission to licensed banks to offer Mobile Banking services viz. to enable funds transfer from any account in any Bank to any other account of same/any other bank on real time basis for low income, semi-literate citizens but those who are able to read simple, user-friendly menus and simple apps are also welcome.

BIF believes that use of Mobile and Cellular networks for the purpose of Banking Transactions and also for other Financial Transactions is one of the principal drivers of Broadband proliferation to the remotest corners of the country and help the Govt fulfill its objectives of achieving ' Broadband for all ' and " Digital India ' and hence welcomes all such initiatives in a whole-hearted manner.

USSD based mobile banking depends on a signalling channel called USSD (Unstructured Supplementary Service Data). Comparison between other potential telecom data/signalling channels viz. IVR, SMS, WAP, Mobile Apps, STK with respect to suitability for delivering

Mobile financial services suggests that USSD is a very suitable mode of delivery for financial inclusion. USSD connection remains open allowing two way change of data sequence with twin features viz. a) Real -Time Connection and b) Two way Interactive Exchange of information during the USSD session which makes the USSD channel an ideal choice for delivery of Mobile Financial services

Since USSD was found to be the most convenient means of communications for everyone through a survey conducted by the Department of Financial Services, hence the Authority was asked to prescribe tariff per USSD session so that the tariffs become affordable to all, and more particularly for the under privileged section.

### **RESPONSE TO Qs IN THE CONSULTATION PAPER**

**Q1: 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.**

### **BIF RESPONSE**

1. Apropos the discussions/consultations held between the various stakeholders viz. Department of Financial Services( DFS), Reserve Bank of India ( RBI ), Payment Platform Aggregator -National Payments Corporation of India (NPCI ), Department of Economic Affairs ( DEA) along with the Authority ( TRAI ) and Telecom Service providers ( TSPs ) , it seems that there may be a need to increase the number of stages per USSD session from its current ceiling of 5 to a higher number. However, any increase in number of steps should be commensurate with compensating the telecom service providers as well since it will lead to increased use of SDCCH channel. The number of steps per session may be reviewed in case there is a sudden upsurge in volumes.

The reason for this is because

- a) Current ceiling limit on the number of stages poses a challenge in creating a customer friendly menu for USSD based Mobile Banking resulting in input error or time delay and eventually leading to transaction decline
- b) During the process of funds transfer, usually the customer ends up in-puting anything between 23-29 digits ( IFSC code of 11 digits followed by Account Number of 12-18 digits ) in a single stage as the other 4 stages are used for:
  - Selection of Bank
  - Selection of Type of Transaction
  - Entering amount of Money to be transferred
  - entering mPIN

In general, input error while entering both account number & IFSC code in one single stage, input error is quite frequent

c) Propensity of Transaction decline in case of funds transfer is quite high

2. As target population for USSD based mobile banking is semi-literate and is generally not adept in use of technology, the service needs to be made as simple & convenient as possible to improve its acceptance.

**Q2: 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**

#### **BIF RESPONSE**

TRAI has been following the Principle of Forbearance of Tariffs since the year 2002, except in cases where competition has not been able to bring down the tariffs.. At present, tariffs for only few services are being regulated viz. national roaming, leased circuits, rural wireline service, etc. While devising regulatory frameworks for telecom services, TRAI aimed at maintaining balance between the following twin objectives of

a) protect the interests of consumers, thereby creating adequate choice & affordable services by promoting competition and efficiency in the market and

b) create incentives for the Service Providers , thereby ensuring adequate ROI to stimulate orderly growth and innovation in the sector.

Since it is a well accepted fact that there is sufficient competition in the market today , hence BIF is of the opinion that TRAI should instead adopt the policy of forbearance w.r.t tariffs to allow the inter-play of market forces in determining the most optimal business models between the Banks and the TSPs.

**Q3: What methodology should be used for estimating the cost per USSD session for mobile banking service?**

#### **BIF RESPONSE**

The current ceiling tariff per USSD session at Re.1.50 per USSD session was fixed by TRAI through the 56th Amendment of the Telecom Tariff Order (TTO) in November, 2013. The rationale for fixing this ceiling tariff per USSD session was based on the fact that retail tariff for USSD based Mobile Banking at that point of time was in the range of Re.1 to Re. 1.50

per USSD session in USSD based Mobile Banking Solutions already then deployed and offered by SBI & ICICI in the country.

As per the current methodology, a ceiling rate of Rs 1.5 per session (with session limited to maximum of 5 steps) has been fixed by TRAI. The retail tariff for telecommunication services continues to be under forbearance since 2002. However, in case of mobile financial services, even though the TRAI has fixed a ceiling of Rs 1.5 per USSD session, the forbearance within this ceiling should continue due to following reasons:

1. The volume of mobile banking transactions continues to be quite low. We feel that that the banks have not been able to effectively promote the service and therefore, the volumes continue to be abysmally poor. The TSPs had upgraded their requisite billing and IT systems to support provisioning of the banking services through USSD channel in order to aid the financial inclusion. The Capex investments are not getting justified due to low volumes of USSD mobile transactions. Therefore, the tariff should continue to be under forbearance to provide flexibility to allow the service to nurture and evolve.
2. The decision regarding methodology to be used for fixation of tariff should be left to the operator under the principles of tariff forbearance. Market forces may be permitted to decide the tariffs and the methodology for tariff fixation used viz. session based or monthly subscription based etc
3. For Mobile banking, SMS, IVR and data are not being regulated by TRAI and therefore, regulation of USSD charging is a deviation from TRAI's own policy of forbearance allowed on other modes. The policy of forbearance followed for other channels should be continued in the case of USSD as well.
4. The current regulation prevailing is for B2C mode of charging. Unlike B2B model, in the case of B2C model, the risk lies with telecom operators. Hence, operators should be given freedom to fix the tariff so as to be able to recover the costs and cover the associated risks as well.

Hence, TRAI may continue to follow the principle of tariff forbearance in such a case and may allow market forces the flexibility to determine the most appropriate tariff models.

**Q4: If your response to the Q2 is 'Any other Method', please provide full details of the method.**

#### **BIF RESPONSE**

Please refer to detailed response to Q2 above.

**Q5: 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?**

**BIF RESPONSE**

The USSD based transactions may not mature at the end of aggregator as well. For a transaction failure that is not attributable to TSP, it will not be fair to prescribe charges only for successful transactions, especially when it is not possible to detect the leg at which the transaction has failed. Further, during USSD transaction, use of telco's network via SDCCH channel is inevitable and hence the resources are used even in the case of failed transaction as well. Hence, on account of work done principle, TRAI should allow operators to charge both for successful and unsuccessful sessions.

**Q6: Whether the present pricing model for USSD-based mobile banking in which consumers pay for the use of USSD should continue?**

**BIF RESPONSE**

Detailed response with justification has been provided in response to Q2 above

**Q7: 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.**

**BIF RESPONSE**

Detailed Response provided in response to Q2 above.

**Q8: 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.**

**BIF RESPONSE**

USSD push sessions will pose security concerns, since the operators will have to open https links towards NPCI. This may result into external elements causing interference and the operators' network would be vulnerable to spam. Hence, USSD push session is not recommended as a solution for failed transactions.

**Q9: 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.**

**BIF RESPONSE**

At present only mobile banking transactions are permitted to be carried out on USSD aggregation platforms run by NPCI. The regulated NPCI arrangement had been agreed by TSPs only for a limited number of transactions and for the purposes of meeting the objective of financial inclusion. BIF is of the view that such platforms should be enabled as Unified USSD platforms which can support all types of Mobile Payment services viz. Merchant Payment, Utility Bill Payment, Mobile/DTH recharge, etc. based on mutually agreed commercial arrangements between the Payment Aggregator Platforms viz. NPCI and the telecom service providers so that digital payment may be promoted in the country and vision of ' less cash ' can be achieved with the existing infrastructure.

However to enable this, the regulatory framework should provide due allowance/flexibility to both Banks/Payment Aggregating Platforms and TSPs to enter into mutual discussions and arrangements for arriving at mutually agreed commercial terms. It is absolutely imperative that the proposed framework must not ignore any market abuse issue which may have bearing on availability, affordability, Quality of Service, Security & privacy aspects of Mobile Financial Services.

**Q10: 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?**

**BIF RESPONSE**

None.