

IAMAI Submission on "Unstructured Supplementary Service Data (USSD) communication Channels

Introduction

The USSD-based mobile banking in India has not gained the desired traction even after two years of its introduction in August 2014. The B2C USSD application program in the network has faced several issues since its initiation. This is a classic case of inadequate usage despite adequate access. This apparent contradiction is because of inappropriate tariff models, absence of a unified platform, lack of customer friendly menu, transaction decline/failure issues, interconnects issues and many more.

IAMAI Submission

IAMAI concurs with TRAI on facilitating a unified platform that can support all variety of mobile payment services including merchant payments, utility bill payments, mobile and DTH recharge through USSD.

There are many critical needs that are necessary to reach the target masses which can be fulfilled though an improved USSD platform that facilitates:

- Servicing JAM [Jan Dhan, Aadhaar and Mobile] Accounts
- Catering to the needs of feature phone users
- Providing financial services to bottom of the Pyramid users
- Defeating poverty premium

There is a need to grow the usage by 10x in the next 2 years from 67 lakhs USSD transactions to 64 Crore transactions and to achieve this target, policy need to be devised suitably.

Our submission is based on the following understanding

- a) *B2C model should be tweaked to make it more effective*
- b) *B2B model is the one that will ensure 10x growth. We should give much more thought to this, while continuing with a reformed B2C model*

1. The Current Model to Exist as Earlier with a few Tweaks

The current B2C model should be allowed to exist where NPCI is acting as an aggregator for mobile banking through the USSD code *99#. Our answers to the questions in the CP are based on this model. *[Please refer to Appendix A]*

Under this model, National Unified USSD Platform (NUUP) set up by NPCI helps the Banking customers to transact through an interactive menu displayed on the mobile screen by dialing a single number across all Telecom Service Providers. NUUP is currently available



with 42 leading banks & all the GSM service providers in India and can be accessed in 12 languages, including Hindi & English.

Currently, a USSD mobile banking session allows five stages. This is a challenge in creating a customer friendly menu for USSD-based mobile banking, which results in input error or time delay and eventually leads to transaction decline. For example, a customer needs to enter about 23-29 digits to send money over USSD which includes the recipient's account number, IFSC code and mPIN.

IAMAI suggests for increasing in the number of stages from 5 to 8 and reduce the single session costs from Rs 1.5 to Rs 0.50 regardless of the transaction being successful or not. This model should allow for more stages and customers will pay for the transaction drops. The aggregation platform provider can enable USSD push messages for dropped USSD sessions so that it can initiate a customer-terminating USSD session to such customers and help them to complete their unfinished transactions.

2. Bulk SMS based B2B Model

IAMAI suggests that tweaking B2C model will still not get us 10x growth on the desired infrastructure therefore we are supporting a B2B model. B2B is necessary in gaining popularity amongst the under-banked population or the target masses of financial inclusion that use feature phone. To achieve the uptake of 64crore transactions a B2B SMS based model should be introduced. Under this model the Telecom Service Providers can provide USSD sessions to the users based on the bulk SMS model in agreement with various banks/aggregators and NCPI.

Tariff for USSD session in this model should be kept low similar to the bulk SMS model and the low cost USSD service should be availed to only those accounts that are linked to JAM accounts or the low value transactions. It should be ensured that charges are levied only on successful transactions so that it will help in greater consumer acceptance especially since this model is meant for the bottom of the pyramid access and feature phone holders. Since, transactions fees should be applicable only for the successful transactions; option should be made available to reverse the charges in case of failed transactions if any.

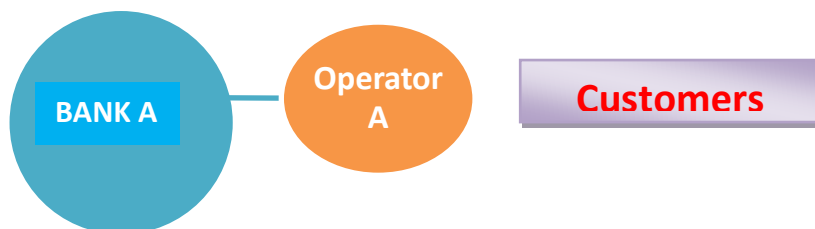
Customers should also be given the option to choose various subscription packages viz., monthly or periodic subscription so they can choose plans according to their usage & requirements.

3. Model that can resolve the issue of Interconnect

The issue of interconnect can be resolved if the aggregator instead of buying USSD sessions not from a single Telecom operator but multiple telecom operator. Following schematics [Model A and Model B] show the difference in the business model to avoid interconnects issues.

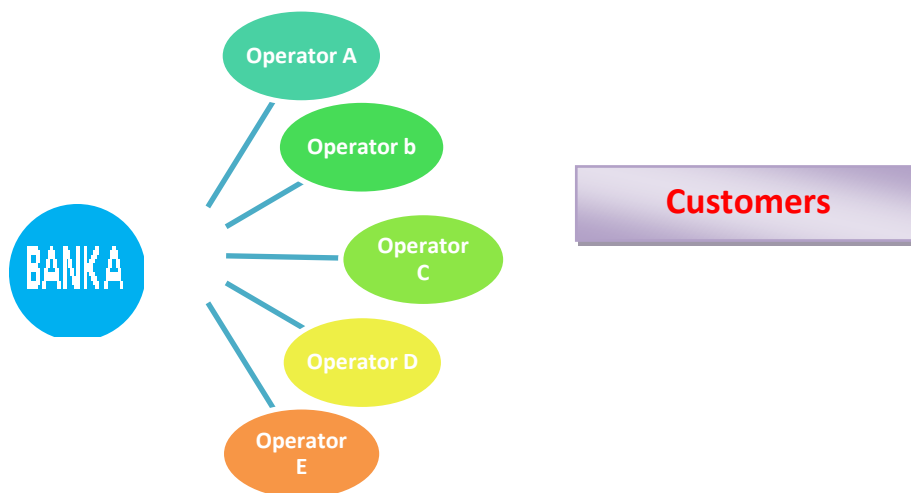
Model A

Bank/Aggregator buys USSD sessions from one operator which provides bulk sessions at lowest rate. This model will face the interconnect issue as in the case of an SMS, it can be sent to anyone, whereas USSD communication will happen only with the designated destinations - controlled by the customer's service provider.



Model B

Under this model the Bank/Aggregator instead of buying from a single operator can buy from multiple operators where customers can transact hassle free between a mobile phone and an application program in the network between banks. The issue of interconnect will not surface in Model B as the bank has agreement between multiple operators.



Conclusion:

Any successful business model in its initial stages should encourage the consumers to use the services to make it popular and successful. When adoption rates catch up to a good speed the models can be altered to make businesses viable. Similar to how ATM services where the first 5 transactions are free. Such initiatives and mandates should be encouraged by the regulator, banks and TSPs for the USSD platform to penetrate amongst the rural and under banked customers at real affordable means. Such initiatives will come out as a true game changer for meaningful financial inclusion covering the section of society where no/low internet connectivity limits the usage of mobile banking.

Appendix A

Issues for Consultation

It may please be noted that answers/ comments to the issues given below should be supported with justification. The stakeholders may also comment on any other issues related to the review of regulatory framework for the use of Unstructured Supplementary Service Data (USSD) for mobile financial services along with all necessary details.

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).

Feedback: Unlimited. This is because once the medium catches up as a popular transaction mechanism, more and more complex services may get included on to this platform. Hence, it is best to keep it unlimited.

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

Feedback: Both the options (i) & (ii) may be made available. The consumers may choose their plan according to their usage & requirements. In addition, charges for Cost-based tariff for outgoing USSD session for mobile banking needs to be use case specific as stages for each use case may differ and hence the impact of carrying the message on the infrastructure

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

Feedback: The number of steps involved in a USSD session can be used to classify USSD interactions into Short (less than 5 steps), Medium (between 6 to 10 steps) and Long (more than 10 steps). The pricing should be based on the interaction.

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

Feedback: All member banks should pool equally or proportionately for creating the fund for compensating telecom operators and charge customers/users monthly subscription fee for unlimited transactions after first 15 free transactions.

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?

Feedback: Transactions fees should be applicable only for the successful transactions. Option should be made available to reverse the charges in case of failed transactions.

Each USSD interaction has a few definite end points. These end points can be defined in the USSD platform while configuring in the interactions. Only if a user reaches the end points, the transaction can be marked as success and should become chargeable.

Also, it can be mandated that at each step a voluntary exit option is to be provided. If the user selects this option and exits the interaction voluntarily, the session becomes chargeable to the user. If the session however drops off due to connectivity issues or any other service provider issues, the customer need not be charged for that

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

Feedback: For first 15 transactions can be free and afterwards as a monthly or per transaction fee offered by bank to user.

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.

Feedback: Consumers should be encouraged to use these services first to make it popular and successful. Everyone knows how ATM first 5 free transactions initiatives and mandates by regulator. Similarly first free 15 transactions will make all rural and under banked customers to avail financial services at real affordable means and the initiative will come out as a true game changer for meaningful financial inclusion covering the section of society where no/low INTERNET CONNECTIVITY limits the usage of mobile banking.

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.

Feedback: Such an option would add great value. However, it should only be implemented after a thorough analysis of the user's privacy and of the concerns raised by the TSPs.

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.

Feedback: Yes. It is utmost important to develop acceptance infrastructure in the country and also extend the reach of lending

Merchant payments SERVICES with USSD Aggregation platform would be a game changer which can be made CASH LESS/CARD LESS / MDR LESS AND INTERNET LESS driving consumer behavior to move to digital /electronic payments via merchant's acceptance and promotion.

Lending: Digital trail and transaction history would be established for merchants as well as USERS & create ample opportunity for large as well as small Financial institutions/NBFC'S to enter into micro/Nano lending and consumer finance space with completely new category of borrowers and credit data for carrying out risk assessment process . Huge possibility of 5x growth in consumer lending in the country from 600 billion USD to 3 trillion in next 10 years - source: credit Suisse

Bill payments - No other affordable means are possible for bill payments in the country. This would bring a revolution having BBPS product of NPCI mandated to use USSD channel for payment of 1 electronic/digital means for bill payments.

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?

Feedback:

- 1) Dispute resolution desk for quick assistance to consumers
- 2) Increase merchant payments limit to 10000/- per transaction and 25000/- per day.
- 3) Handhold all banks to create user-friendly MPIN generation and activation process. Option to generate to generate MPIN and MMID using USSD channels should be supported by all banks.
- 4) The no of transactions count per day per account is limited to 25, which should be made unlimited.
- 5) If the transaction is broken or time-out at any stage of the USSD session. User should have option to restart from that point.