

Vodafone Idea Limited comments to TRAI's draft amendment to tariff order "the Draft Telecommunication Tariff (Sixty Sixth Amendment) Order, 2021"

At the outset, we are thankful to the Authority for giving us this opportunity to provide our comments to the TRAI's draft TTO amendment order i.e. "the Draft Telecommunication Tariff (Sixty Sixth Amendment) Order, 2021" published on 24.11.2021.

In this regard, we would like to submit as follows:

1. Vodafone Idea Limited (VIL) supports the national objective of proliferation of mobile based banking / financial services to deliver on the Government's vision of financial inclusion to every citizen.
2. Through our earlier communication dated 14.10.2021, we have already informed TRAI that in public interest Vi has temporarily waived off the charges for USSD based Mobile Banking voluntarily due to the pandemic however, we intend to start the charging mechanism soon.
3. **Banks are service providers to customers – for USSD based Mobile Banking**
 - a. We would like to draw your attention towards consultation paper 20.09.2013 on 'USSD based mobile banking for financial inclusion' whereby the Authority has rightly recognized that the core relationship in the value chain for mobile banking is between the bank and the citizens as customers of the banks and that the TSP is the intermediary who needs to be adequately compensated either through bilateral arrangements with banks or commercial tariffs for customers.
 - b. Further, The Authority also noted in Para 3 of its Explanatory Memorandum in TTO dated 26.11.2013 that the barriers to financial inclusion in India include:
 - i. poor accessibility of banking services, mainly due to the reluctance on the part of the banks to invest in infrastructure and human resources in remote areas and
 - ii. when accessible, the high costs incurred by households to access such services.
 - c. USSD based mobile banking is one of the many available channels with banks and its customers, through which financial services / inclusion can be delivered by the

banking sector. These channels could be walk in to branches, regional/head offices, call-centres, phone-banking, ATMs, Net-banking through websites and mobile apps etc. The choice of channel by the customer depends on several factors, ease of use, access, affordability, promotion being done by service provider bank and not only on the charge to access.

- d. Further, the initiative and objective would have to be robustly supported and promoted by the service providers i.e. Banks. They also need to supplement mobile based banking with a widespread distribution/retail network, infrastructure and back-end support, to make financial inclusion a reality.
- e. Besides, USSD is not a commercial offering launched by us and the USSD gateway deployed by us has limited capacities and it is not possible to absorb any additional volumes at this stage.

Considering the above, it is the responsibility of the banks to deliver on the objective of financial inclusion and to serve their customers, through various channels available to it including USSD.

4. No cross-sector subsidisation:

- a. The USSD service entails both CAPEX and operational costs in terms of network resources, IT/billing platforms, human resource, manual activities, upkeeping it as per regulatory and licensing norms etc. These costs per unit would be substantial if volumes are considered. Hence, it would be fundamentally wrong economic principle to make any service free of cost, which entails costs.
- b. As the service over USSD based Mobile banking is being provided by the banks, fundamentally, the cost to provide the USSD based Mobile banking should be borne by the banks and not the TSPs.
- c. In case of national objective of digital inclusions, broadband for all etc., the telecom sector is not provided any service as free or discounted by other sectors. On the similar analogy, banks should also reciprocally provide free of charge services for telecom operators transactions like transactions made to Government or transactions made by telecom customers etc.
- d. In our view, it would be a precarious trend with huge financial implications, if a precedence is laid for mandating a service free of cost, for the other sector. It may not be out of place to apprehend that it may lead to similar demands from other sectors.

5. QoS/Regulatory obligations and free services:

- a. It would not be a fair principle to have regulated norms and implications (like quality of service with financial implications), for regulated free of cost service.
- b. Therefore, in case the Authority chooses to revise the USSD session charge as 'Nil', then the existing QoS obligations or any other regulatory/licensing implication qua these USSD based Mobile banking may also be dispensed with.

6. No linkage between USSD based Mobile banking and commercial telecom offerings:

- a. It is submitted that comparing the exiting bundled tariffs or tariffs of outgoing calls, SMS and data charges in isolation, without look at the corresponding volumes for the respective transactions, would be an unfair and incorrect comparison. The Authority would appreciate that volumes play an important role in the end price structures as well as product portfolio of an entity.
- b. The number of USSD transactions are less than a fractional percentage of the voice call volumes. To compare the price of these two transactions, and conclude that tariffs of USSD need to be 'Nil', would, in our view be an unfair conclusion.

7. Alternate Approach:

- a. We appreciate Authority's concern that banking users are not charged for accessing any other mobile banking app but, only USSD. To alleviate this, we would like to recommend more appropriate approach, which also creates balance between the respective roles of TSP and the service provider in this case i.e. banks.
- b. For this, it has to be again clearly recognized that it is the banks who are the service providers for these services and USSD only acts as one of their channels to provide touch point to consumers.
- c. Thus, we recommend that it should be banks (or NPCI) which should bear the cost of providing this touch point to its banking consumers, through USSD based Mobile banking.
- d. As per our internal estimates, typically cost to serve one customer transaction at a branch could be more than Rs 100 and drops with other channels like phone-banking around Rs 15 and net-banking Rs 7, whereas it would be Rs 0.50 for USSD. As USSD would use the existing net-banking infrastructure and hence the bank ends up saving a significant amount of money if they are to drive customers onto channels such as USSD. Practically, it can also be a model to be made out for NPCI/banks by driving customers to use USSD due to the universal access and hence they should look at subsidizing the cost, for their overall cost reduction from reducing visits to other touch points.

- e. Usage of USSD by banking consumer would lead to less usage of other channels created by banks and thus, would lead to reduction in their overall costs. Besides, Banks have earlier also created internal mechanism for sending A2P SMS to their customers as such, USSD should not be treated differently.
- f. Therefore, banks will stand to gain in the overall context, even after taking the USSD costs. Besides, as the traffic volumes over USSD based mobile banking are not substantial hence, the cost for banks would be miniscule as compared to other touch points provided by banks.

Final Submissions:

- 1. We most humbly request TRAI not to encourage or support any regulatory framework mandating services to be given to customers of other sectors or for that matter even within telecom sector, as free of cost.
- 2. **USSD service entails cost and allied regulatory and licensing obligations hence, the cost of USSD session should be retained at Rs 0.5 per session.**
- 3. The cost of providing additional touch point as USSD based mobile banking, would not be significant as compared to other touch points **hence, the cost of Rs 0.5 per USSD session should be borne by banks through NPCI and it should be made free for the consumers.**
- 4. In case TRAI still decides to make this service as free of cost for serving national objectives then, it should only be along with a waiver of regulatory and licensing obligations including but, not limited to QoS, complaint management etc.