

VTL/Reg/TRAI/1310/3678
October 4, 2013

To,

Mr. Manish Sinha,
Advisor (F & EA)
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, (Old Minto Road)
Near Dr.Zakir Husain College,
New Delhi – 110002

**Subject: Response to TRAI Consultation Paper on USSD-based Mobile Banking Services
for Financial Inclusion.**

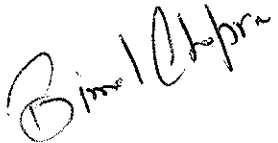
Dear Sir,

This is with reference to TRAI's consultation paper on USSD-based Mobile Banking Services for Financial Inclusion dated 20th September, 2013.

We are pleased to attach our comments on the issues raised under the said consultation paper and hope that Authority will consider our response favourably.

Thanking you,

Yours sincerely,
for **Videocon Telecommunications Limited**



Bimal Chopra
DGM - Regulatory

Enclosure As Stated Above

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USSD-based Mobile Banking Services for Financial Inclusion
Videocon Telecommunications Limited**

Summary

Reach of financial services to unbanked / under banked citizens is important for the long term development of India. The use of mobile communication services via Voice or data for accessing the financial services can act as a catalyst for expansion of financial inclusion.

It is also an admitted fact that penetration of banking industry especially in rural areas, with approximate 5% of villages having bank branch, is one of the reasons of India's being a major cash economy.

Telecom industry of India has emerged as a promising sector with deep penetration in the rural areas thus Telecom operators are ideally placed to facilitate financial services using their distribution network, skills and experience in handling mass, small denomination transactions. However it is also a fact that having financial services accessible via mobile communications without supporting infrastructure from banks (eco-system) cannot lead to successful mobile banking service.

We support the objection of Government for increase of financial inclusion but connecting with NPCI to provide USSD based banking services cannot be treated as a prime solution as any decision to do so must stand on its own merits. The service described in consultation paper imposes substantial upfront fixed costs on the mobile operators (e.g. retail billing for USSD transactions, the need to generate CDRs, meeting the QoS standards) which in current ecosystem may not be productive.

Initially B2B model can be adopted for assessing the attractiveness of the services across unbanked and under banked citizens, which can further be migrated to a different model B2C or a hybrid B2B / B2C arrangement for maximising the use of the platform and ensuring the achievement of the objective.

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.

VTL Comments

USSD can be used as one of the communication mode for purpose of mobile banking for the financial inclusion of customers. In addition to this, neither the IMG report nor the RBI has talked about mandating or preferring any specific technology or bearer such as USSD alone. Thus we do not agree with the Authority's view point that USSD is one of the most appropriate modes for mobile banking for financial inclusion

In addition USSD is primarily being used for network signalling and not as main stream for commercial transactions

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Thus, we are of the view that for financial inclusion it is necessary to increase the scope of the mobile money model (like mobile valet) rather than encouraging any mobile based delivery channel.

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.

VTL Comments

We are of the view that Authority should encourage the use of Data, SMS, USSD and IVR for m-banking but mandating telecom service providers by way of regulation is not warranted. The main objective of this consultation paper is also to find the ways to enhance financial inclusion. Therefore, all channels should be considered for mobile banking however, on the correct charging model so as to recover investments in augmentation of capacity, IN, IT systems, network and billing to enable the services.

The network deployed by service providers should be looked upon as medium to enhance financial inclusion rather than mandating regulations in a scenario where business volumes and value is uncertain.

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.

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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.

VTL Comments

We are of the opinion that TSP's should not be made liable for collection of charges from its subscriber in event of USSD transactions for mobile banking. The reasons for the same are as follows:

- a) **Establishment of new billing system for USSD resulting in high cost to the operators:** In order to provide the USSD based Mobile Banking services based on the B2C Model operators need to implement a new billing system resulting significant CAPEX. The business model for mobile banking itself is not sufficient to support a new investment in building a new billing system to support B2C Mobile Banking services on the USSD platform.

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- b) Impact on consumers:** Most of the Banks do not charge their consumer for the mobile banking services. Infact Banks encourage the use of mobile banking as it is one of the least cost mode of transaction compared to other modes such as branches, cheque, ATM, etc. Thus, if the B2C model is adopted for m-banking services the same will have a negative impact on consumers i.e. consumer who were not charged earlier will now be charged for the mobile banking services.
- c) M-banking services as per RBI can only be provided by the Banks:** M-Banking as a service can only be offered by banks and not by the TSP's. Further, liability of transactions also lies with the banks. Hence Telecom Service Providers cannot bill its customers for such transactions.
- d) Impact on our call centre:** This is an important concern for our customer care since the unbanked population that use a mobile connection for financial transaction will make a first call for any help to telecom service provider instead of making a call to the bank. It is worthy of a mention that for majority of unbanked population there are no banks, branches, POSs or ATMs even in their vicinity, however, they have access to mobile operators, their marketing communications, retailers hence, customers will always reach out to the customer care of their operators for any service they obtain from the mobile operator on a chargeable basis. Therefore, the assumption in the consultation paper that banks will provide customer care will not be helpful in addressing the large traffic on call centres due to the act of a bank.

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.

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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.

VTL Comments

As per our opinion stipulated above telecom service providers should not be made liable for charging the customers directly for any banking transaction using USSD communication, thus above questions are not applicable.

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?

VTL Comments

- a) As highlighted by TRAI in its consultation paper that the code currently being used by the customers of two banks namely SBI and ICICI Bank for availing the USSD services are *595# and *525#. We suggest that the common short code of *99# as prescribed

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by DoT for the USSD based mobile banking services should be changed to the 3 digit short code i.e. *999#, as there are very limited numbers in the double digit that can be allocated by telecom operators.

- b) For the purposes of addressing issues such as billing & reconciliation, network security and QoS compliances comprehensively, operators should be able to identify each bank that their telecom subscribers are communicating with. To enable this, each bank may be allocated a common code by the telecom industry and the special character string *999 would be suffixed with an individual bank code. For instance for Bank A, the common code can be *1N# and thus, the character code for Bank A becomes *999 *1N#. This would enable operators to identify banks or other RBI licensed entities with whom the various financial applications are connected.
- c) The authority may kindly recognize the related issues of USSD based mobile banking service and keep tariffs under forbearance while also assisting operators by allowing a charge based model between banks and mobile operators. This would go a long way in achieving the objective of financial inclusion for the nation.