

## [Aircel Comments to TRAI Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services](#)

Aircel is pleased to offer comments to the TRAI Consultation paper on the review of regulatory framework for the use of USSD for mobile financial services and would be happy to explain further, should TRAI desires so.

### **Preamble:**

We are in support of the Government's initiative for increasing financial inclusion and mobile acting as a growth catalyst. In our view it is collective responsibility of all stakeholders, who are part of this initiative, to support financial inclusion and work towards strengthening of the ecosystem. The most important point to be noticed from Government initiative is the intent to bank the unbanked, and it is equally important that it should not be misinterpreted as march of traditional banking to mobile based banking.

We would like to draw your attention towards following concerns:

#### **A. Banking Consumer or Telecom Consumer:**

It has been an endeavor that mobile can help banks to increase their reach and connect the unconnected with banking facilities. If this is to be realised, it is important to decide the basic pillar tasked with providing the service. It does not need much of thought that it is financial sector who would be providing service to the consumers.

Therefore, all stakeholders should clearly understand that it is eventually financial services which a consumer would receive and for which, banks or the financial institutions are best placed to decide the products, services and pricing for consumers etc.

#### **B. Awareness of Rural/Unbanked consumers:**

While banks would have put in place their mobile banking architecture and services so far, we have not witnessed banks going beyond urban areas to popularize their services. This means that while present service levels have been made urban centric, there would always be less uptake due to other modes of banking also available to urban consumers like Bank application, Internet Banking, e-wallets etc.

Perhaps, some sections would argue that banks may be favorable to only have this facility available for their urban and semi-urban customers and have financial savings by reducing huge cost of serving them through branches.

The outcome in terms of fewer uptakes can be presented in a self-suitable way as well, that it is the price of USSD-medium which is acting as barrier for the uptake of financial inclusion, if being measured in terms of number of transactions; whereas the fact could be lack of awareness.

For financial inclusion, one has to look beyond such arguments. There are sound economic principles that if service is beneficial, there should be supply and demand would kick in automatically. In the instant case, the USSD based service is beneficial more to the rural customers, who may not be accustomed to Internet based banking facilities or physical branch of bank is also not easily accessible. However, there have not been visible efforts from banking industry, as should be for a national initiative, to go beyond urban and semi-urban areas and spread awareness of the service to rural and unbanked citizens of the country.

**C. Pricing of Mobile banking service:**

Once efforts to make consumers aware, commensurating level of national objective it is, there is a need to make the entry barrier i.e. cost of service, to be minimal or almost zero such that the service can take off and consumer gets value out of it. For this, there should not be any charge for the consumer and infact, bank should bear the cost of providing the access to the consumer. In the present set-up as well, the basic financial services at bank's branch are made available free to the consumer and the business model is dependent on the savings of the consumers kept with the bank. There is a need to adopt the same model here as well. The consumer should be free to use this mode of banking, like any other mode.

It is well known fact that bank incurs substantial cost in serving the consumers through its branches and hence, such cost reduction on one-side should be passed onto launching such services for the rural/unbanked citizens free of cost. This will help cross-subsidized form of services within the segments of banking consumers, in initial phases.

**D. Capex v/s Opex:** Also, in this model, the cost of go-to-market is insignificant as compared to the traditional banking where banks have to invest lots of capex in establishing branch, connectivity etc and thereafter consumer and the business follows. However, in the instant case, the banks may not need to establish any physical infrastructure and hence, it is purely transaction based business, dependent only on opex cost. This structure would give flexibility to bank that free transaction pricing to consumers would mean immediate and substantial uptake from consumers hence, business to banks and simultaneously, no risk of locked capital.

Therefore, we request the Authority to seek critical scrutiny of bank's plans in terms of:

- a) **Awareness spread by banks to rural/unbanked customers**
- b) **Banks to bear the transaction costs including for the telecom resources.**

### **Question-wise Comments**

**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.**

#### **Aircel Comments:**

Any service at its nascent stage is prone to teething issue and refinement is the way forward to ensure acceptance of the service by the subscribers.

Although it is very much possible to increase the number of stages from the current level of 5, it needs to be seen that what kind of a cascading effect such a change will have on the telecom networks as well as on the finite infrastructure available with telecom operators, especially when this is not a commercial service sold by telecom operators.

While we feel that with suitable level of awareness, the current level of 5 stages would be good enough however, to support innovation it can be increased to 8 subject to the commensurating increased cost to be borne by banks under mutual negotiations with the telecom operators.

**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
- &**

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

**&**

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

**Aircel comments:**

As pointed out in the consultation paper as well, the customer primarily belongs to the bank and it should be left to the banks to decide on charges for their consumers. We reiterate that banks should prefer to make the transaction charges free for initial few years or else may follow subscription based service at nominal prices. The formula derived to reach at a reasonable subscription fees should be left for the banks to decide.

With regard to the telecom operators, it is purely a B2B service as the USSD medium is not being sold to the telecom consumers for their telecommunication usage. Therefore, the charges should be left for mutual negotiations between banks and telecom operators.

We strongly urge TRAI not to regulate or intervene in deriving such charge.

**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?**

**Aircel comments:**

As telecom operators, the network is used even for unsuccessful transaction hence, all transactions should be charges irrespective of it being successful or unsuccessful.

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

**&**

**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.**

**&**

**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.**

**Aircel comments:**

Request to refer comments to Question no 2 to 4 above. Also, there is no need to allow USSD based push sessions.

**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.**

**Aircel comments:**

Presently, only basic mobile banking should be allowed through USSD, till there is substantial uptake of services and it is in path towards achieving of national objective. If other services are allowed, it would dilute the focus and commitment for providing basic financial services to the unbanked.

**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?**

**Aircel Comments:**

We request authority to note the concerns expressed herein first in the preamble section and take suitable necessary actions for analysis and scrutiny, before regulatory approach is finalized on the issues listed in the consultation paper.

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