

## Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services

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### Preamble

1. The Authority's Consultation Paper on USSD is a welcome initiative to expedite the financial inclusion in the country. It is definitely true that the mobile service providers can play a vital role in the proliferation of financial services on the strength of their sizeable subscriber base along with strong retail presence in every nook and corner of the country.
2. In Mobile Banking Regulations, 2012 issued by TRAI, every Telecom Service Provider (TSP) is required to facilitate the banks by enabling SMS, USSD and IVR modes to provide mobile banking services to the customers. Later on, TRAI prescribed B2C charging methodology for USSD sessions. Accordingly, TSPs had to invest in billing systems to charge the customers for USSD transactions. Hitherto TSPs had been charging their customers for application based mobile banking. The B2C model of charging on USSD mode was adopted by telecom service providers solely for mobile banking services.
3. At the time of fixation of tariff for USSD rates for mobile in B2C model, a very low volume of transactions per annum was envisaged in the 3<sup>rd</sup> year of operation. At that time, we expressed that such low volume of transactions do not justify any business investments. Now, despite having 22.5 crores of Jan-Dhan accounts, the number of mobile banking transaction continues to be very low @ 37 lakh per month. Therefore, as apprehended by us, the exclusive investment made to comply with the regulation (which prescribed the B2C model of charging for USSD services), are yet to be recovered.
4. We believe that the tariff ceiling for USSD is not responsible for low volume of m-banking transactions through NPCI. The low traffic volume is due to host of other factors which are not falling in the domain of TSPs. Some of these factors may include the customer education, promotional activities by the banks, creating reach/distribution network of USSD based banking to a larger population, use of App based banking over mobile internet etc. Even the reduction in USSD tariffs, much below the ceiling tariffs, by some operators could not increase the transaction volumes. Thus, evidently, there is no correlation of telecom tariff with volume of mobile banking transactions.
5. Since the consultation paper envisages review of pricing model as well, we submit that the B2B model of pricing should not be confused with the fixation of Interconnect charge for USSD service. The clause no 11 1(b) (iv) of TRAI Act envisages regulation of arrangement amongst TSPs (*Licensees granted license under Section 4 of ITA-1885*) for sharing their

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revenue derived from providing telecommunication services. Therefore, the provisioning of USSD services to banks on wholesale basis does not qualify as Interconnection. Any arrangement between banks/NPCI is a B2B arrangement and shall be governed purely by mutual agreement as happens with other corporates/institutions/OSPs/Call Center customers.

6. While responding to the consultation paper issued in September 2013, it was submitted that banks need to promote the USSD service extensively in order to increase the usage so that the investments made to enable these services could be justified. The suggestion was made considering the fact that the USSD based services are meant for feature phones (non-smart phones) and therefore, it is focused on marginal customers who needed to be made aware and educated for its use. However, we believe that Banks/NPCI has not taken sufficient measures to promote the usages and are probably relying only on free/nearly free services from TSPs which we believe is not a legitimate expectation and we request the authority not to entertain any such request.

With this background, our issue wise response to the questions raised in the consultation paper is as under:

**Question 1: 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. And

**Question 2: 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; AND

**Question 3: What methodology should be used for estimating the cost per USSD session for mobile banking service? And**

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Question 4: If your response to the Q2 is 'Any other Method', please provide full details of the method.

### **Bharti Airtel's Response:**

1. At present, the permissible number of stages per USSD session is 5. The maximum number of steps may be increased from 5 to 8 considering the NPCI's initiatives to offer new services like fund transfer etc. However, any increase in number of steps will also lead to an increased load on the telecom network.
2. The number of steps per session will require reconsideration and review in case there is a sudden upsurge in volumes.
3. We believe that the USSD tariff ceiling should be removed and the tariff should be placed under forbearance like retail tariffs. However, in case the authority decides to increase the number of session from 5 to 8, the ceiling tariff should also be increased proportionately.
4. As explained above, the low volume of mobile banking transactions using USSD should not be attributed to tariffs. It was discussed during the various meetings conducted by TRAI that it is the banks/NPCI who have not been able to effectively promote the service resulting into low volumes.
5. TSPs despite of their apprehension that they would never be able recover their capital expenditure because of the traffic projection by NPCI, went ahead and carried out huge investments in upgrading billing system, IN and other IT systems for the launch of USSD services by billing to the customers directly. TSPs were assured that NPCI will take sufficient measure to promote services so that the volume increases and TSPs are able to recover their costs, but NPCI efforts were not up to the mark which proves our apprehensions.
6. We continue to believe that any kind of tariff regulation will only penalize the TSPs without any substantial increase in traffic volume which is not at all linked with the USSD tariffs.
7. We would also like to place on record that the tariff for other modes of banking services such as Voice (IVR), SMS, Data continues under forbearance, we see no reason

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for continuation of ceiling tariff for USSD only for NPCI and therefore, request the authority to remove the ceiling tariffs.

8. Further, unlike B2B model which is generally accompanied with minimum commitment from the NPCI/Banks to cover the risk, in B2C model the entire risk of investment lies with telecom operators. Hence, TSPs should be given flexibility/freedom to fix the tariff and so that they are able to cover their business risk.
9. We would also like to bring to the notice of the Authority that charges for services by banks are comparatively very highly priced and are not regulated extensively. Currently, banks charges, as shown in the table below, are as high as Rs 50 per transaction for serving a customer.

Sr. No.	Mode	Approx. transaction cost (In Rs.)
1	Branch	50
2	ATM	18
3	Customer care	15
4	Cheque	3
5	Internet	4

In view of above, USSD tariffs should be put under complete forbearance and the ceiling should be removed.

**Question 5: 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?**

### **Bharti Airtel's Response:**

1. Any USSD based transactions has many points of failures which are beyond the network or control of TSPs. In a large number of cases the TSP does not have the information about the failure caused at the bank/NPCI's end.

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2. The present ceiling tariffs had been fixed keeping in mind that the TSPs will charge for each transaction passing through their network, irrespective of its failure at the banks/NPCI end. We believe that should continue as TSP's system may not be able to modify the billing system/IN on the basis of failures caused in the system beyond their control.

Question 6: Whether the present pricing model for USSD-based mobile banking in which consumers pay for the use of USSD should continue? And

Question 7: 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.

### **Bharti Airtel's Response:**

TSPs have already carried out huge investment to support USSD charging on B2C basis and should be allowed to continue the same. As far as B2B model is concerned, it should be left to the mutual agreement between TSPs and Banks/NPCI as explained above. This is very relevant as the B2B discussion may involve TSPs to customize their systems and hence, may seek the minimum commitment from banks/NPCI for implementation of the same.

Question 8: 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.

### **Bharti Airtel's Response:**

USSD push sessions will pose huge security concerns since TSPs would be required to open their network elements on the internet. We do not believe that Authority should mandate any such arrangement which can jeopardize the security of TSPs network.

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Question 9: 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.

### **Bharti Airtel's Response:**

The present arrangement with NPCI has a limited number of transactions which are required for the purpose of meeting the objective of financial inclusion. We are open to discuss any other service which NPCI intends to provide for adding in the present agreement.

Question 10: 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?

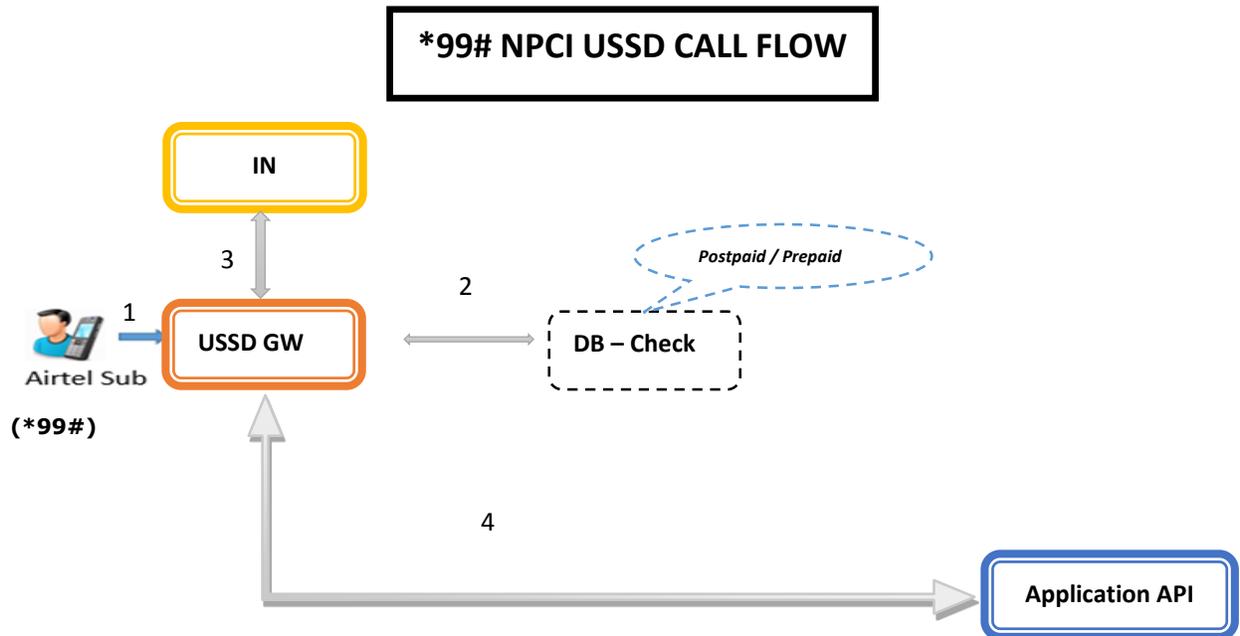
### **Bharti Airtel's Response:**

NIL

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## Annexure I: NPCI USSD Call flow



### Flow:-

- 1 > User dials \*99#.
- 2 > Request reaches to USSD Gateway (GW).
- 3 > USSD Gateway (GW) picks up the request and forwarded to Data base (DB) for checking the Subscriber Type.
- 4 > Subscriber type is identified as Prepaid or post paid
- 5> USSD Gateway (GW) forward the request to Prepaid or Postpaid engine for charging.
- 6> In case of Pre-paid subscriber request goes to IN for charging or else postpaid charging done
- 7> Post successful charging request sent to NPCI application for next course of action.

### **Note: Reasons of not using Push Account is:**

*This application can't work on Push model because this application is hosted on Internet Cloud and there could be security concern, spam etc. if push flow is allowed.*