

Annexure A

**Idea Cellular Response to
TRAI Consultation Paper
On The
Review of Regulatory Framework for the Use of USSD for Mobile Financial Services
Released on August 02, 2016**

Preamble

Idea Cellular appreciates and supports the Government of India's initiatives towards extending the reach of banking services via mobile networks. Idea Cellular also firmly believes that the telecom sector is best positioned to support the Government and Reserve Bank of India's (RBI) initiatives to drive forward the financial inclusion agenda in the country.

Telecom has over the years emerged as a key driver of economic and social change in the country, and we feel that the current CP correctly captures its far-reaching impact, while stating that *"Mobile telephony could be the answer to the problems related to 'last mile' service delivery of financial services. The fact that there were about 103.43 crore mobile connections in the country of which 44.78 crore were in rural areas as on 31.04.2016, suggests that mobile telephony can be potentially leveraged to achieve the goal of financial inclusion."*

However, it is also a fact that Mobile banking has so far failed to reach its true potential in India. Even after two years since August 2014, when it became available to all GSM subscribers in the country, the progress of USSD-based mobile banking is below expectations. In May 2016, only about 37 lakh mobile banking transaction attempts (over USSD channel) reached NPCI's platform (*99#). Further, financial inclusion is currently largely restricted to urban households with just 7.8 bank branches per 100,000 of population in rural and semi-urban areas, less than half of 18.7 bank branches per 100,000 of population in urban and metropolitan areas as of June, 2015

It is therefore imperative that a comprehensive review of the role of telecom sector in financial inclusion is undertaken so that telecom operators can play a significantly larger role and thereby help achieve the financial inclusion objective of the Government. To that extent, this Consultation Paper that seeks to review the regulatory framework for the use of USSD for mobile financial services is welcome and timely

and we are hopeful that the Authority will use the insights gained from the exercise to take a holistic view of the issues before formalizing its recommendations.

The CP correctly captures that, *“From the financial inclusion perspective, the target groups of mobile banking services, in particular, and mobile financial services, in general, are likely to be low-income, semi-literate and with limited knowledge of technological applications. They would, however, be mobile phone users who are able to read simple menus and use simple applications that are an integral part of a phone. To begin with, such consumers would prefer a mode for mobile banking which is user friendly (viz. menu driven but without the need to download software etc.), has a low cost of operation (viz. cost per transaction) and does not require any significant investment (viz. requirement of a high-end phone instrument).*

However, common knowledge suggests that rather than focusing on such customers, the Banks & other Financial Institutions have been aggressively investing in promoting & popularizing the digital mediums like Apps & Websites - mediums that are primarily meant for the already banked customers / users who understand English well, understand technology, have smartphones / laptops for access and are connected to the internet. However, such efforts do not carry any benefits for the semi-literate population who are not adept in use of technology and might not have access to smartphones, and hence such initiatives of Banks / Financial Institutions with focus on offering m-banking services to the existing users of banking services do not serve or further the objective of financial inclusion. Some of the additional challenges that we have noted include cumbersome registration processes, lack of vernacular support, and customer unfriendly menu options. We thus submit that such underlying factors need to be addressed on priority before deciding on further regulatory intervention required in respect of the USSD based mobile banking services.

We would also like to submit that regulated access and pricing of USSD based mobile banking services through NPCI may not be best approach for achieving financial inclusion and developing an effective mobile payments eco-system. This is because such a model does not allow the TSPs and Banks to mutually discuss and arrive at the most appropriate and optimal price, structure, channel that can incentivize both the parties to become active participants in the process of facilitating telecom access and banking services simultaneously. We thus strongly recommend that there should be no mandate so that the TSPs and entities such as Banks can arrive at commercials / SLAs on the basis of mutually agreed terms and conditions.

Further, we are strongly of the view that operators should be allowed to offer services to Banks under B2B model as well as B2C for m-banking services. Under the B2B model, rates of USSD should be negotiated bilaterally as B2B deals between banks and mobile operators. The Banks would pay B2B charges to the TSPs on a per transaction basis on mutually agreed terms. Under the B2C approach, the tariffs can continue to be as per the TRAI defined tariff ceiling. Further, there also needs to be the freedom to adopt hybrid approaches so as to arrive at the most optimal and effective structure.

We reiterate that achieving financial inclusion requires developing a whole new ecosystem, and mere access to the USSD will not create any impact in terms of financial inclusion. In conclusion, TRAI should seek to create an eco-system that allows telecom operators to play a much larger and wider role in the creation of financial inclusion, and become a valuable partner in the entire value chain.

In the light of points mentioned above, our comments on the queries raised by TRAI are as follows:

Issue-wise Response

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.

Idea Submission:

- a. It is submitted that for the efficient & error free functioning of the channel, as well as keeping it user friendly for the target group of users, the number of stages per session needs to be kept "limited".
- b. At present any USSD session for mobile banking service can have not more than five-stage entry of options.

- c. We believe that the TRAI may maintain the number of transactions at five (5), with a provision that in the event the Banks see the need for a higher number of steps per session, the same may be negotiated and agreed bilaterally between the Banks and the TSPs. This will help keep complexity at minimum & help boost adoption, as well as reduce risk from wrong or undesired transactions.
- d. However, should the TRAI consider increasing the maximum number of steps from five (5) to eight (8), it is critical that compensation to the telecom service providers be also increased in keeping with the requirement for increased usage of signaling resources. We suggest that the corresponding ceiling tariff for an eight (8) stage session may be fixed at Rs 2.50 per session.
- e. Further, the number of steps per session can always be reviewed later in case there is an increase in volumes.
- f. It is also pertinent to mention here that higher the number of stages per session, higher are the chances of errors due to technical or network issues, connectivity issues, etc. There is thus no merit in increasing **the** maximum number of stages per USSD session for mobile banking service to 'unlimited', as it can adversely impact a TSP's signaling network capacity and any sudden/excessive use of USSD channel and TSP's associated signaling network can adversely impact the TSP's ability to carry its voice traffic, thus causing avoidable inconvenience to its other customers.

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

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

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

Idea Submission:

- a. Indian telecom currently has over a Billion consumers connected on voice telephony, a revolution that has been made possible by a very competitive industry that has built large scale telecom networks through innovative business models, supported by clarity in regulatory framework, large investments by TSPs, ability to attract investment, amongst others.
- b. The Authority, in pursuance of achieving the objectives of ensuring growth of industry and protecting interest of consumers has made several Recommendations either suo-moto or on matters referred to it by the Government. By discharging various recommendatory & regulatory functions, the Authority has contributed to growth of telecom services in terms of increased number of consumers and a vast network providing telecom services across the length and breadth of the country. These continued measures have also resulted in overall benefits to the consumer in terms of choice of services, better quality of service, etc.
- c. It is critical that the Authority continues to allow multiple options for reaching and serving the customers, provide adequate opportunities for trials of mobile banking products, so that customers can start using the products. Such flexible approach was allowed by Authority earlier in case of voice telephony – local calls were aided by multiple VAS products, roaming, SMS etc. Same principles need to be applied for mobile banking products too.
- d. It is thus critical that that operators be allowed to offer services to Banks under B2B model as well as B2C for m-banking services. Under the B2B model, rates of USSD should be negotiated bilaterally as B2B deals between banks and mobile operators. The Banks would pay B2B charges to the TSPs on a per transaction basis on mutually agreed terms. Under the B2C approach, the tariffs can continue to be as per the TRAI defined tariff ceiling. Further, there also needs to the freedom to adopt hybrid approaches so as to arrive at the most optimal and effective structure. This way it will be possible to discover the arrangement that will maximize use of the mobile banking platform.
- e. It is further submitted that USSD based mobile banking services should not be treated akin to an interconnection arrangement between two licensed parties and thus does not require a cost based approach. Rather as submitted above, operators be allowed to offer services to Banks under B2B model as well as B2C for m-banking services in which a B2B relationship is essentially in the nature

of a bulk/corporate customer for Telecom service providers. In the case of B2C arrangement, at present, there exists a ceiling tariff of Rs. 1.50 per USSD session for mobile banking services. We feel that the present ceiling may be continued for the time being, with the caveat that the ceiling may be increased, in case the number of stages per session are increased as any move to increase the number of stages would put additional load on the signaling infrastructure. This is also desirable on account of the fact that the volume of mobile banking transactions continue to be quite low, and thus the price efficiencies that come as a result of increased volumes are not there in this segment presently.

- f. It may also be appreciated that TSPs have incurred Capex investments for USSD based charging, installing/ upgrading the requisite billing system, IN and other IT systems to support provisioning of banking services through USSD channel. This has entailed additional hardware, software and maintenance costs for operators. These additional Capex investments have not generated required returns as the volumes of USSD mobile transactions continue to be low.
- g. We would also like to submit that any comparison with free self-care USSD and voice/ SMS rate per minute is misleading. This is because though the USSD mechanism is being used for Self-care by TSPs and being offered free as mentioned in the consultation paper, there are various other cost savings from offering the service free to telecom customers. Similarly, the comparison with voice rate of Rs 0.47 per minute is also misleading, as the volumes are nowhere comparable.
- h. In that context, we would like to draw attention of the Authority to its responsibility of protecting the TSPs interests by way of ensuring adequate (fair) returns on investment so as to stimulate orderly growth and innovation in the sector. We would also like to reiterate that achieving financial inclusion requires developing a whole new ecosystem, and mere access to the USSD will not create any impact in terms of financial inclusion. TRAI should thus seek to create an eco-system that allows telecom operators to play a much larger and wider role in the creation of financial inclusion, and become a valuable partner in the entire value chain.

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?

Idea Submission:

- a. At the outset, we would like to submit that the charges for the USSD session need to be levied irrespective of the success of transaction or not.
- b. This is because it is technically not feasible to implement such a solution that charges the customer only on successful USSD transactions/sessions. Adopting a success based approach may need significant enhancement to the billing and CDR systems, to determine at which stage the session/transaction failed. Reasons for unsuccessful transaction could range from, user abandoning the transaction in between, to, technical glitch in connectivity at the bank, to many others. Further, the same would also lead to increased disputes on the reasons of the failure whether attributable to the service provider or the consumer. The TRAI has itself noted that consumer-attributable input errors, time delays, etc. can be responsible for transaction decline.
- c. Further, it needs to be appreciated that the TSP's resources & bandwidth are still getting utilized for which it ought to be compensated.
- d. Hence, we do not favour the approach that involves levying charges for USSD session for mobile banking only if the customer is able to complete his/her transaction.
- e. It is therefore submitted that the charging for the USSD transaction/sessions should continue to be independent of whether session is declared successful or not by the banks.

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

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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.

Idea Submission:

- a. We recommend that TRAI should not mandate any pricing model for USSD based mobile banking and let the Banks and Telecom Operators work out an appropriate model for the same.

- b. As already submitted, mobile Banking is at a nascent stage of its evolution and it is critical that the Authority allow multiple options for reaching and serving the customers, provide adequate opportunities for trials of mobile banking products, so that customers can start using the products. Such flexible approach was allowed by Authority earlier in case of voice telephony – local calls were aided by multiple VAS products, roaming, SMS etc. Same principles need to be applied for mobile banking products too
- c. Further, the present pricing model which is a B2C model, should be continued and in addition, B2B based approach and / or hybrid approaches should also be permitted. For e.g., the banks can decide to take up the costs & pay on behalf of their consumers to drive adoption. However, any such arrangements needs to be left to mutual discussions between the Banks and TSPs.

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.

Idea Submission:

- a. The TRAI is already aware that there could be security issues involved in allowing USSD push sessions. (See Para 2.30).
- b. As networks and services become more complex, any flexibility to aggregation platform provider (such as NPCI) or bank to initiate USSD push sessions in case the customer-initiated USSD session is dropped due to any reason so that the customer can complete his/her unfinished transaction, cannot be allowed. We would like to submit that in order to manage the growing volumes of data traffic and to meet the performance expectations of the different traffic types translating to better experience for customers, traffic management is of paramount importance. Such push sessions, could potentially adversely affect the use of the signalling link/channel for other activities such as voice call-setup and other USSD channel related activities and have unintended consequences on the quality of experience for the other users of network services.
- c. Further, as it is difficult to establish the reason for session termination, bank or TSP will not be able to assess whether the user abandoned the session in between or it was an actual session drop. There

is also a possibility of customer annoyance as there might be cases where customer itself has terminated the session and the system tries to push the session without being aware of the same. Hence, re-initiating the session will not be the right thing to do.

- d. In any case, the customer always has the option to start the session again if for some reason the USSD session has dropped without his wish.
- e. Therefore, we submit that USSD push sessions by Aggregators/ Banks should not be allowed for any kind of drop experienced in customer initiated USSD session.

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.

Idea Submission:

- a. It is first submitted that the regulated NPCI arrangement has been agreed to only for a limited number of transactions with the purposes of meeting the objective of financial inclusion.
- b. It is further submitted that due to the complex nature of financial transaction that can be carried out through bank accounts, it is important to keep a check on the transactions that can be enabled through USSD. Here it is pertinent to point out that the target audience for use of USSD as a channel for financial transactions is the set of semi-literate users who are not well-versed with technology but still need quick & easy access to basic banking services. Hence, ideally, the bouquet of services needs to be limited to just “basic banking” services.
- c. We submit that any consideration of other types of mobile payments will necessitate that the feasibility be first explored through mutual discussions between the Banks and the Telecom Service Providers and later if found feasible, arrangements can be bilaterally and commercially agreed between them with NPCI acting as a technical platform, if required.

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?

Idea Submission:

We have no additional comments to offer here. Our comments in the preamble may please be considered.

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