

**Reliance Communications Limited's Response to the Consultation Paper on "The Review of Regulatory Framework for the Use of USSD for Mobile Financial Services"**

**EXECUTIVE SUMMARY**

- A. **Mobile connectivity is just a facilitator for extending the reach of the existing transaction infrastructure of a bank into the mobile device of the banking customer.**
- B. **No evidence either in form of survey results or any data based analysis has been shared by TRAI to validate the deficiency of any of the causes for the poor adoption of USSD based mobile banking services.**
- C. **USSD based mobile banking service would provide better exposure to the banking services while saving substantial costs on account of lesser number of branches.**
- D. **Through the use of USSD based mobile banking services, it is the banking customer who is being facilitated in utilizing banking services at his convenience**
- E. **It is bounden on the banks to undertake greater public awareness and proper education for their consumers about the existence and usefulness of this service.**
- F. **USSD based services are not supported over LTE networks, therefore, any particular mode / technology platform, especially USSD should not be mandated and TSPs should be allowed to evaluate other appropriate platform for facilitating provisioning of Mobile Banking Services to achieve the objectives of financial inclusion.**
- G. **Adoption of the B2B charging model is most appropriate instead of the B2C.**
- H. **Provisioning of service, including the number of stages per USSD session, should be completely left to the mutual agreements i.e. B2B mechanism of charging, between the TSPs and the Banks.**
- I. **The methodology to be adopted for deriving the tariff, pricing and the charging mechanism thereof should be left to the mutual agreements between the TSPs and the Banks.**
- J. **In case the B2B model is not permitted to be adopted then status quo on the present pricing model for USSD-based mobile banking, in which consumers pay for the use of USSD, should continue.**

- K. **The present practice of compensating TSPs for each USSD transaction should continue irrespective of whether session is completed or not.**
- L. **Due to it being a potential security risk to the entire network, USSD, initiation of push sessions, by Aggregators / Banks, should not be allowed for any kind of drop in customer initiated USSD session.**
- M. **Permitting B2B commercial model for USSD based services should be the pre-requisite for allowing all variety of mobile payment services apart from the mobile banking services on the existing USSD Aggregation platform(s).**

## **PREAMBLE**

1. **USSD: Just a Facilitator for Financial Inclusion.** By leveraging the mobile network and its reach, banks are facilitated to deliver banking services to millions of their customers, including the financially excluded populace of the country, having no access to formal financial services. **Mobile connectivity is just a facilitator for extending the reach of the existing transaction infrastructure of a bank into the mobile device of the banking customer.**
2. **Inadequate Adoption of USSD based Mobile Banking Services.** For past several years, to promote financial inclusion, the Government, Regulators (Telecom and Financial), Banks and Telecom Service Providers have been discussing several measures for popularizing the adoption of mobile banking in the country. However, despite their concerted efforts the service, especially the USSD based service, has had a marginal adoption by the customers.
3. Though this consultation paper has advocated examining of various aspects such as present level of ceiling tariff for USSD, Menu for the service, allowing network initiated push-messages and inclusion of other financial services etc for identifying the reasons for non adoption of USSD services at mass scale, however, **no evidence either in form of survey results or any data based analysis has been shared by TRAI to validate the deficiency of any of the listed causes for this poor adoption of USSD based mobile banking services.**
4. An analysis of the TSP's data for usage of USSD based banking services by the TSP's customers reveals that the **major reason for sub-optimal adoption of USSD based mobile banking services is the lack of awareness about the service amongst the customers.** Other possible reasons affecting adoption of mobile banking in the country that require due consideration by the Government and Regulators are as given below.
  - a. Current regime of mandating USSD as platform for Mobile Banking.
  - b. Mandatory B2C charging model instead of the suggested B2B.
  - c. Excessive Regulation w.r.t. QoS.

- d. Increasing popularity of Alternative platforms.
  - e. Lack in interest by user in using USSD.
5. Given the fact that the USSD based mobile banking service **would provide better exposure to the banking services while saving substantial costs on account of lesser number of branches** and that **it is the banking customer who is being facilitated in utilising banking services** at his convenience, it is bounden on the banks to **undertake greater public awareness and proper education for their consumers about the existence and usefulness of this service.**
6. **USSD: Not the Most Appropriate Platform for Mobile Banking.**
- a. **USSD supported on LTE platform only through an additional App.** It is submitted that the TSPs are progressively moving towards deployment of LTE based telecom networks. With the paradigm shift in the underlying network technology, the backward compatibility of erstwhile 2G services can only be provided through additional apps. Given the popularity and convenience that other banking apps provide, it is doubtful that the USSD based banking service will find many takers.
  - b. **Security of Transactions.** It is brought out that the banks are ensuring secured mobile app based banking services to their customers through the 3D secure transaction mechanism which involves provisioning of One Time Password (OTP), before completion of the transaction. However, it is observed no such mechanism has been developed / mandated for USSD based mobile banking transactions. Additionally, it is also brought out that once a user has registered for USSD based banking services; the security of the handset becomes paramount as the USSD session can be invoked without any security, once the handset is available.
  - c. **Alternate Platforms:** There are various other platforms such as IVR and Mobile Apps, which are gaining traction and can prove to be a major platform for facilitating Mobile Banking services without discriminating between sections of mobile users.
    - i. **Interactive Voice Response:** IVR has distinct advantages of being simple, accessible through all range of mobile phones and their availability in Vernacular language. Even in the current scenario, IVR is being used by many banks while making secure transactions like generation of passwords, making payments through debit/credit card etc. In India not only are the voice calls much cheaper compared to USSD or SMS, the utilization of mobile handset too is predominantly for voice purposes thus making IVR comparatively better choice for mobile banking.

- ii. **Internet Based Mobile Apps:** This platform could not be considered appropriate earlier due to low penetration of Internet and affordable smart phones in the country. However, increasing availability of affordable smart phones and around 5-6 Pan-India operators offering affordable data services covering more than 90% of the country, there seems to be no constraint in its adoption.
7. Given the above listed inadequacies of USSD based services, it is important and recommended that **any particular mode / technology platform, especially USSD should not be mandated and TSPs should be allowed to evaluate other appropriate platform for facilitating provisioning of Mobile Banking Services to achieve the objectives of financial inclusion.**
8. **B2B Commercial Model for USSD based Mobile Banking Services.** TRAI must appreciate that telecom service providers have invested heavily in creating ubiquitous coverage across India and that their can only facilitate financial inclusion. Provisioning of Mobile Banking services not only provides better exposure to banking services for the banking customers leading to better revenues for the banks, but also leads to saving of costs by the banks by obviating the need for them to setup additional physical infrastructure.
9. The present regulatory framework mandates a B2C model wherein the TSPs are required to charge the customer for utilizing the USSD service. Given the dismal volumes of adoption and utilization of these USSD based services the TSPs have no motivation to be aggressive in selling these services to their customers, nor can they afford to bring down the cost of the service. On the other hand since it is the banking customer who is being facilitated in using the banking services at his convenience, banks have all the incentive to incentivize this service for their own good.
10. It is felt that in the present environment, **adoption of the B2B charging model is most appropriate instead of the B2C. The B2B model is a win-win for all as,**
  - a. **TSPs would be compensated for their services by the banks irrespective of the number of transaction steps involved in provisioning the service.**
  - b. **The banks would be able to reach their remotest customer while saving on establishing physical presence of the same.**
  - c. **The banks can evaluate the availability of these services at a charge / making them free for their respective customers.**
  - d. **The banks can negotiate requisite SLAs for ensuring QoS thereby negating the need for initiation of push sessions.**
  - e. **The increased affordability of services and their promotion by the banks should, in all probability, lead to an increased adoption of these services.**

- f. **The above measures will contribute towards achievement of the government's and regulators aim of inclusive financial growth.**
  - g. **Additional Financial Services using USSD based Mobile Banking.** Once TSPs and Banks are allowed to develop a mutual commercial business model, market will itself take care of additional requirements such as more financial services possible to be offered and the right time to implement/ offer the same.
11. In view of the foregoing, it is felt that a review of present regulatory framework for mobile financial services in the country is definitely the need of the hour and we thank TRAI for coming out with this Consultation Paper and providing us a platform to discuss and present our views on various issues affecting poor uptake of these services. Our detailed response to the queries raised in the consultation paper is as given below.

### **QUERY-WISE RESPONSE**

**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.**

### **Our Response**

1. Banking apps are characterized by their ease of usage. Similarly, USSD based banking services too are required to be made user friendly and it is only the banking or other commercial organization who can decide on the steps in a USSD session that will help in ensuring ease of usage of the service.
2. From the TSP's perspective, the most ideal way to address the issue of number of stages in a USSD session and various linked issues such as QoS, charging model etc is to allow flexibility to the TSPs and the Banks to mutually determine the appropriate commercial model, i.e. adoption of a B2B model for payment to the TSPs. Such B2B mutual arrangements would enable the banks to leverage the TSPs network for expanding the reach of their financial services while providing revenue to TSPs for the level of utilization of their network (i.e. number of steps in a USSD session) to maintain and further expand their infrastructure.

### **Our Recommendation**

3. In view of the foregoing, it is recommended that **provisioning of service, including the number of stages per USSD session, should be completely left to the mutual agreements, i.e. B2B mechanism of charging, between the TSPs and the Banks.**

**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.**

**&**

**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.**

### **Our Response**

1. Given the low levels of uptake of USSD based Mobile Banking services, the TSPs being merely the facilitators for provisioning this service and the fact that the customers are of banking services, it is felt that the methodology adopted for arriving at the tariff, pricing and the charging mechanism thereof should be left to the mutual agreements between the TSPs and the Banks.
2. As brought out in the preamble, the commercial flexibility and competition in the market for mobile banking can deliver better outcomes for consumers. This flexibility should be given to the market players to work-out best possible arrangement for a win-win solution.

3. TSPs have been insisting for B2B pricing model; however, TRAI mandated B2C model wherein consumers pay for the services and the results so far have been very discouraging. India being a fairly competitive market for telecom services, the competition will definitely fix a price to competitive levels based upon the volumes of expected transactions.

#### **Our Recommendations**

4. In view of the above, following are recommended,
  - a. **The methodology to be adopted for deriving the tariff, pricing and the charging mechanism thereof should be left to the mutual agreements between the TSPs and the Banks.**
  - b. **In case the B2B model is not permitted to be adopted then status quo on the present pricing model for USSD-based mobile banking, in which consumers pay for the use of USSD, should continue.**

**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?**

#### **Our Response**

1. At the outset, we would like to highlight that there are various practical and technical reasons for dropped / incomplete USSD sessions. Some of such reasons are Incoming Call during the session, Session time-out due to No / Incorrect Response from customer, no response from Bank's Response System, Willful termination of Session by the Customer, bank's server not responding, etc. As can be inferred, the causes for most of these reasons for dropping of the USSD session are neither under the control of the TSPs nor are they possible to be determined by the TSPs. The decision about the session having got completed / remained incomplete can only be taken by the bank's server. Therefore, the entire banking and Telecom CDR and billing systems shall have to be integrated for identification of incomplete sessions and re-initiation of USSD session.

#### **Our Recommendation**

2. In the present scenario, when the volume of mobile banking transaction is very low, burdening service providers with this additional cost does not make any commercial sense. Therefore, it is recommended that **the present practice of compensating TSPs for each USSD transaction should continue irrespective of whether session is completed or not.**

**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 any reason so that the customer can complete his / her unfinished transaction? Please support your response with justifications.**

**Our Response:**

1. As highlighted in the response to question number 5 above, TSPs have no mechanism to determine whether the session was terminated by the user or it was dropped due to some reason. Moreover, most of reasons for dropping of the USSD session are extraneous to the TSPs network.
2. Additionally, for enabling Aggregators / Banks to push USSD messages to customers whom they think have had a dropped session, would entail giving access to the network's signaling system to them. Signaling network is a sensitive network which cannot be permitted to be accessed by a third party as it can be potentially misused for disrupting the services of the entire network and is hence strongly not recommended.
3. In addition to these network security and technical concerns, the major issue we foresee is customer dissatisfaction as there might be cases where customer itself has terminated the session where as initiation of a push sessions would result in an annoying experience for the customer resulting in further drop in its adoption.

**Our Recommendation**

4. In view of the foregoing, it is recommended that **due to it being a potential security risk to the entire network, USSD, initiation of push sessions, by Aggregators / Banks, should not be allowed for any kind of drop in customer initiated USSD session.**

**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.**

**Our Response**

**Permitting B2B commercial model for USSD based services should be the pre-requisite for allowing all variety of mobile payment services apart from the mobile banking services on the existing USSD Aggregation platform(s).**

1. Financial inclusion presently entails provisioning of only limited number of services. In case NPCI or any other aggregator / individual entity wishes to subscribe to the USSD based services, it should be obligated to enter into bilateral agreement(s) with the TSP(s).

**Our Recommendation**

2. **In view of the above, it is recommended that Permitting B2B commercial model for USSD based services should be the pre-requisite for allowing all**

variety of mobile payment services apart from the mobile banking services on the existing USSD Aggregation platform(s).

**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?**

**NA.**