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SSTL/CP/10-2013/
4th October 2013

Shri Manish Sinha
Advisor (F & EA)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi – 110 002

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

Dear Sir,

At the outset we appreciate and welcome the Authority's consultation paper on USSD-based Mobile Banking Services for Financial Inclusion.

With reference to above please find enclosed our comments and point wise response to the consultation paper on "USSD-based Mobile Banking Services for Financial Inclusion dated 20th September, 2013.

We do hope that the Authority will consider our views and comments while, framing guidelines for Mobile Banking Services for Financial Inclusion.

Thanking you,

Yours faithfully
For **Sistema Shyam TeleServices Ltd.**

Suresh Yadav
Dy. Director – Corporate Regulatory

Encl : As above

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Comments on Consultation Paper on USSD-based Mobile Banking Services for Financial Inclusion

Sistema Shyam Teleservices Ltd (SSTL) welcomes the opportunity to comment on issues concerning USSD-based Mobile Banking Services for Financial Inclusion. Our comments on issues raised in the consultation paper are given below:

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.

SSTL's Comments

1. The objective of financial inclusion is to extend financial services to un-served population of the country. A number of enabling technologies like Interactive Voice Response (IVR), Short Messaging Service (SMS), Wireless Access Protocol (WAP) and USSD are available to deliver financial services. Each technology can support different segments of society and mandating just one technology would not support the objective of financial inclusion.
2. SSTL does not agree that USSD is the most appropriate mode for mobile banking for financial inclusion. USSD has number of limitations and some of them are listed below;
 - (i) USSD is not available in vernacular languages. In India English literacy is poor especially amongst the financially excluded masses and thus USSD cannot be a preferred mode to achieve financial inclusion objectives.
 - (ii) USSD standards are not supported on CDMA technology thus 75 million subscribers would be excluded forever on this technology platform. As per recent media reports around 12 million additional CDMA mobile handsets would be given to the population below poverty line under USO Scheme. Thus these 12 million subscribers would also remain financially excluded if USSD is adopted as only mobile banking medium.
 - (iii) Use of USSD is not very popular and only few subscribers use USSD based services. Even one of the most popular service like railway ticketing is not successful on USSD platform.
 - (iv) USSD is not very reliable due to short session timeouts.

3. **Given the above mentioned limitations, USSD cannot be most appropriate mode for mobile banking.** Thus other technologies such as IVR should also be considered for financial Inclusion.
4. **SSTL believes that IVR has distinct advantage over USSD and would prove to be a major platform to provide financial services to people hitherto not served for banking services.** Some of IVR advantages are given below:
 - (i) The option is available to customize IVR interaction in any vernacular language and thus would be a catalyst for mass adoption of mobile banking services.
 - (ii) IVR is a simple mode of communication which can be accessed through any of the handsets. Financially excluded population generally uses basic phones and IVR medium would be most feasible option to access mobile banking services.
 - (iii) IVR based banking transaction are secure. There are solutions like Dual-Tone Multi-Frequency (DTMF) signaling masking which fully ensure enhanced IVR transaction security. The secure transaction occurring through DTMF ensures that no third-party source gains access to the inputs provided by customers for any misuse. With the help of DTMF technology, customers' confidential information is protected from being tampered with.
 - (iv) IVR even in current scenario is being used by banks while making secure transactions like generation of passwords, making payments through debit/credit card etc.
 - (v) In India voice calls are much cheaper compared to USSD or SMS. Thus IVR could prove to be more affordable medium for mobile banking.
5. **In view of the above SSTL suggests that IVR and other secure modes of communication should also be encouraged besides USSD to provide mobile banking services.**

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.

SSTL's Comments

1. The complete end-to-end ownership to provide financial services through mobile banking lies with the banks as the TSPs in most instances act only as a communication channel provider. TSPs alone would not be able ensure SLAs. In our view business



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arrangements between the banks and TSPs should be allowed to be negotiated including Service Level Arrangements (SLA for mobile banking related QoS).

2. Regulation such as Mobile Banking (Quality of Service) Regulations, 2012 at this stage would put disproportionate cost on TSPs and may make mobile banking transaction unviable. The mobile banking is still to be picked up in the country and high cost in terms of mandated quality of service may impede service growth.
3. **In view of the above there should not be a mandate for Mobile Banking QoS for banks or their agents acting as the aggregation platform providers to use SMS, USSD and IVR to provide banking services.**

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.

SSTL's Comments

1. **Irrespective of communication technology used for mobile banking transactions, banks should charge their customers.** In support of this, please find below our inputs;
 - (i) Banks are already charging their customers for using ATMs, internet banking or even to the customers who are visiting the Bank. As banks are already charging their customers for accessing their Bank Accounts on other technologies, then they should also start charging their customers to provide banking services through mobile telephony.
 - (ii) If charging to the customer is done at TSP level, then it will not be possible for TSP to know when to trigger the system to charge any customer based on successful or unsuccessful transaction. It is the Bank only who has the record for each transaction happened.
2. **In view of the above, we submit that Banks should ideally collect the charges from customer for using mobile banking irrespective of communication technology used and in turn provided to the TSPs. We suggest that TRAI should not mandate any particular pricing model and let the banks/TSPs decide which model they would like to implement to provide the mobile banking service to the consumers.**

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 postpaid subscribers? Please support your viewpoint with reasons.

SSTL's Comments



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1. We do believe TRAI should mandate recording USSD transactions. At present TSPs do not have a mechanism to generate USSD CDRs for charging purposes. Implementation of a system to record USSD CDRs would require huge investment and the proposition may not be viable for many TSPs, especially if a small subscriber base is using mobile banking services.
2. The commercial decision to implement recording of USSD transactions should be left with banks and TSPs. TRAI should not mandate any particular pricing model and let the banks/TSPs decide which model they would like to implement to provide the mobile banking service to the consumers.
3. TRAI mandating recording of USSD based CDRs may adversely impact implementation of mobile banking services.

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.

SSTL's Comments

1. Fixing ceiling rates for USSD sessions would only discourage TSPs to come forward with such services. India being a fairly competitive market for telecom services, the competition will ensure a reasonable price for USSD sessions. Hence, fixing a ceiling for each USSD session would take away flexibility with TSPs and banks to negotiate commercially for providing USSD-based services. This may impede growth of banking services. **Therefore we request TRAI to continue with the forbearance policy for USSD based mobile banking service.**

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?

SSTL's Comments

1. TRAI should encourage adoption of all secure communication technologies for mobile banking. IVR is likely to be the most popular mobile banking channel as it is technology



agnostic and can be offered in vernacular languages. IVR communication would also be affordable as call rates are generally lower.

2. While Proof of Concept (PoC) of IVR based Mobile Banking service is already on its way, under consultation with NPCI, **considering distinct advantages of we request the TRAI to recommend urgent implementation of IVR based mobile banking transaction clearing house.**
3. Mobile Banking is being regulated by RBI as well as TRAI. As multiple regulatory bodies are involved, there should be clear demarcation of role of respective regulatory bodies especially on QoS, pricing, network security, consumer grievances related issues etc.