

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

1. Q1

1.1 Issue for Consultation

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.

1.2 NPCI Response

Yes, USSD is one of the most appropriate modes for mobile banking for financial inclusion.

The reasons are as follows:

1. User friendly, menu driven, allows real-time transactions
2. No need to download mobile application
3. No need for GPRS connectivity
4. Low cost of operation
5. No need to have high-end phone, works on all phones
6. Faster response to customers
7. No potential risk of misuse of M-PIN as messages are not stored in the handset

2. Q2

2.1 Issue for consultation

Do you agree that that Mobile Banking (Quality of Service) Regulations, 2012 should be amended for mandating every TSP, acting as a bearer, to facilitate not only the Banks but also the agents of Banks acting as aggregation platform providers to use SMS, USSD and IVR to provide Banking services to its customers? Please support your viewpoint with reasons.

2.2 NPCI response

Yes, 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 aggregation platform providers to use SMS, USSD and IVR to provide Banking services to its customers.

The reasons are as follows:

1. The mobile subscribers of only a select few TSPs can presently access the mobile banking services of a particular Bank
2. In case the customer has accounts in more than one bank, he needs to remember separate USSD codes for each bank for mobile banking transactions
3. If another bank wants to offer mobile banking services, it would have to make arrangements to connect to each TSP. In this way, there would be the need for separate one-to-one connectivity between each Bank and TSP. There are 78 Banks that have been permitted by RBI to provide mobile banking in India. Including the RRBs, UCBs and DCBs, there are more than 1500 Banks that can get mobile banking approval going forward.
4. The above problems can be addressed by creating a common platform to connect Banks and TSPs, through which all interested Banks can provide USSD based mobile banking services to their customers. NPCI has provided a platform viz. National Unified USSD Platform (NUUP), which has the potential to bring Banks that have permission to offer mobile banking and GSM TSPs on to one platform for facilitating USSD based mobile banking. The creation of common aggregation platforms to connect several banks and TSPs can simplify USSD based mobile banking. This shall also help create network effect, and easier customer education, so irrespective of the Bank or Telco that customer subscribes to, he shall be able to avail mobile banking services by dialing one number viz *99#

3. Q3

3.1 Issue for consultation

Do you agree that in case of USSD transactions for mobile banking, TSPs should collect charges from their subscribers as they do in case of SMS-based and Application (App) based mobile banking? Please support your viewpoint with reasons.

3.2 NPCI response

Yes, in case of USSD transactions for mobile banking, TSPs should collect charges from their subscribers as they do in case of SMS-based and Application (App) based mobile banking.

The reasons are as follows:

1. Certain Banks are already providing USSD based mobile banking services, and subscribers are being charged by TSPs on pay-per-use basis, in those cases
2. TSPs collect charges from subscribers in case of SMS-based and Application (App) based mobile banking
3. The mechanism for billing the subscribers for USSD services is available with the TSP themselves or provided by the TSPs aggregator
4. IMG report has recommended that the user of USSD based mobile banking i.e. Business Correspondent / mobile linked 'no-frills' account holder should compensate for TSP for the service.
5. If users (subscribers) do not pay for USSD transactions initiated by them, it may have perverse effect of encouraging overuse / misuse of the service.

6. Customer should not be charged if there is session drop-out, i.e. customer should be charged only on successful completion of session

4. [Q4](#)

4.1 Issue for consultation

Do you agree that 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.

4.2 NPCI response

Yes, records for USSD transactions must be generated by the TSPs to provide an audit trail for amounts deducted from prepaid subscribers and bills raised for postpaid subscribers.

The reasons are as follows:

1. This shall allow the TSP to deduct the amount for USSD usage from prepaid subscribers and bill the postpaid subscribers
2. It shall help with maintaining the audit trail of the transaction
3. This can help with dispute management, when required

5. [Q5](#)

5.1 Issue for consultation

Would it be appropriate to fix a ceiling of Rs 1.50 per USSD session for mobile banking? Please support your viewpoint with reasons.

5.2 NPCI response

It would be appropriate to fix a ceiling of Rs 1 per USSD session for mobile banking.

The reasons are as follows:

1. DFS had suggested a tariff of 25 paise per transaction for USSD based transactions, so that cost of mobile banking becomes affordable to the under-privileged and financial inclusion is realized. However, taking cognizance of the existing mobile banking deployments in the country, a higher amount can be fixed per USSD session, and provide compensation to TSPs for providing infrastructure. However, provided that this platform shall be used for financial inclusion, Re 1 seems reasonable figure.

2. In case of existing USSD based mobile banking solutions from certain Banks, subscribers are charged on a pay-per-use basis i.e. a fixed amount is charged from subscriber for each USSD session regardless of the duration of session
3. In case of SMS messages, customers have the option of taking SMS packs or plans from their respective TSPs, that can lower the cost of SMS messages
4. Customer should not be charged if there is session drop-out, i.e. customer should be charged only on successful completion of session

6. [Q6](#)

6.1 Issue for consultation

In case your response to Q5 is in the negative, please suggest an alternative methodology to fix a ceiling tariff for a USSD session for mobile banking. You may also support your viewpoint with a fully developed model with associated assumptions, if any.

6.2 NPCI response

Not applicable

7. [Q7](#)

7.1 Issue for consultation

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?

7.2 NPCI response

We think the issues have been comprehensively considered in the present consultation on USSD of USSD as a bearer for mobile banking services, and no further issues are envisaged from our side.