

Telenor (India) Response to TRAI Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services (No.16/2016 dated 02 August 2016)

Preamble

Telenor (India) welcomes the consultation on this important subject of greater financial inclusion through mobile phones. The intent of TRAI vide this consultation is to review the regulatory framework of overall USSD based mobile banking services which was launched in mid 2014 with the objective to make this channel more relevant and affordable for faster adoption by people at large (especially those who are at the bottom of the pyramid) for the delivery of basic financial services in a secured manner. However, **adoption of USSD based mobile banking service is unsatisfactory and has not garnered the anticipated traction from consumers.** TRAI has rightly noted in the paper that the **USSD based mobile banking services suffers from the problem of inadequate usage despite of adequate access.** There is a need for an exhaustive study of the consumer requirements and behavior to increase the uptake of this service among the consumers.

Estimation of cost of USSD based mobile services

It was expected that with the increasing footprint of the trinity of 'JAM' (Jan dhan, Aadhar and mobiles), USSD based mobile banking service will gain adequate traction and will be one of the popular channel for people to access their banking services. However, TRAI has acknowledged in the paper that even after two years since the launch of USSD based mobile banking services, the uptake of the service is very low. Basis such low transaction volume, it is very difficult for telecom service providers (TSPs) to estimate the cost of the USSD based mobile banking services. The present transaction volume is not sufficient to cover the fixed costs, hence any estimation in the absence of traffic projections is nearly impossible.

We believe that TRAI must have done in-depth analysis of the traffic trends of transactions under this regulation¹ over the past 2 years. We therefore suggest that basis the available empirical data available, **TRAI should do a projection of transactions likely to happen over the next five years** and publish these results in public domain. Such projection can then be used by TSPs as reference for calculating and estimating the cost for offering mobile banking services through USSD channel.

Current tariff ceiling has least impact on Consumer preference

The regulatory intervention in the past has not yielded desired results. The most obvious reason for this is the availability of better alternate means to access banking services which are far more convenient interactive, feature rich and offer detailed information – such as, Internet banking, Mobile Application, Phone banking etc. The other aspect is consumer faith

¹ The Mobile Banking (Quality of Service) (Amendment) Regulations, 2013 dated 26.12.2013, mandated that every TSP, acting as bearer, should facilitate not only the banks but also the authorized agents of the banks to use SMS, USSD and IVR to provide banking services to the banks' customers and Fifty Sixth amendment to TTO'99 prescribing ceiling tariff of Rs 1.50 per session for the use of USSD for USSD based mobile banking services.

in terms of secure access to his banking services using USSD based mobile banking service vis-à-vis other modes available like internet banking etc. Till now only the TSP related aspects have been studied in the past, the consumer preference and requirements also needs detailed analysis. Therefore, it is suggested that **TRAI should undertake a study of the consumer preference, need, behaviour and publish the outcome.**

Such study will help to identify reasons responsible for low uptake of this service from consumer perspective as we don't know which of the several channels of communications – SMS/ IVR/ USSD/ APP/ Internet banking etc are more acceptable and convenient for the consumers and what are the nature of transactions and frequencies. Such research studies / survey will help in gathering evidence and can help in serving the consumers in a better and efficient manner.

It is requested that till such time, TRAI undertake and conclude this study, the current tariff ceiling should continue. The present tariff may be reviewed post conclusion of the proposed study basis the findings of consumer behaviour and traffic projection is published. However, we believe that once the findings of these two studies are published, TSPs will come up with innovative tariffs and there will not be any need for any ceiling.

USSD based mobile banking service is only for banked population, depriving unbanked population to get the benefits of financial inclusion

The USSD based mobile banking service merely acts as an alternate to other means which are available for banked population to meet their banking requirements and enable them to access their bank accounts and related services. We believe that **this service is not having any significant contribution towards financial inclusion for the unbanked population** despite the fact that the mobile based banking and payment services have immense potential to serve unbanked populations who are residing mostly in remote and rural areas where reach of banks are not commercially viable for them. There is a **need for larger consultation with all relevant stakeholders** to address this issue so that unbanked population are able to access financial services using USSD based mobile banking services.

Key Submissions

- TRAI should undertake **study towards consumer behavior** and **traffic projection** for this service and publish the results in public domain. The current tariff ceiling should continue and let market forces decide the way forward till the conclusion of such study.
- TSPs should not be mandated to charge only successful sessions as the success rate in our network is high. Few transactions are aborted mid-way as the consumer may be experimenting before even obtaining m-pin for which network resources are used.
- System initiated USSD push sessions may be experimented with, in case of unsuccessful transactions only, within the next 30 seconds. Any period longer than this will result in consumer disputes/ complaints and unnecessary strain on TSP networks.

Question 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.

Response:

- Telenor India suggests that the **ceiling for number of stages per USSD session may be increased from five stages to eight stages for services / transactions which demand more steps** and enhance overall consumer experience. Further, if any service warrant more steps beyond eight for ensuring simplicity and convenience for the consumers and likely to enable better adoption among users, same can be reviewed on case to case basis after mutual discussions between banks and TSPs.
- However, it is to ensure that the transactions for which maximum five stages are sufficient in current framework should be continued without any changes in the number of stages.
- We are of the view that this will ensure optimal use of signalling resources as well as such arrangement will be helpful for banks to design more user friendly menu making the service simple and easy to use mainly for the rural consumers.

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

Response:

- The methodology for arriving at the cost of delivering services should be 'cost based'. However, in this case it is pertinent to mention that USSD systems have been deployed in our network for self-help and other purposes. We have not dimensioned the present system for commercial usage. At the same time the present usage for banking application is very low. If we combine all these factors, **the present volume of transactions do not sufficiently help us to recover the fixed costs, hence any cost based calculation is not feasible at this stage.**
- There should be adequate advertisement by the banking sector for mass adoption and popularisation. Once enough volumes are reached a cost based tariff can be arrived at,

we are sure this tariff will be affordable to the masses in line with our 'life full paisa vasool' proposition in the market.

Q3. What methodology should be used for estimating the cost per USSD session for mobile banking service?

Response:

- As described in response to Q1, a cost based methodology is not possible now due to low volume of transactions.
- There should be advertisement and educational campaign undertaken by the Govt for uptake of this method of banking and once sufficient number of transactions is generated, TSPs will develop their tariffs for USSD on the similar lines of voice, SMS, data which are the lowest in the world.

Q4. If your response to the Q2 is 'Any other Method', please provide full details of the method.

Response:

We provide an overview of the number of transactions in our system and why any other methodology cannot be adopted.

- As highlighted by TRAI in the paper, presently, the **volume of financial transactions which are taking place on USSD channel is miniscule in numbers**. In case of Telenor India, on an average there are only ~2000 sessions happens per day. Due to this, the dimension of equipment requirements as well as demand forecast for this service is difficult for the purpose of estimation of total cost.
- **TRAI should undertake a study to on consumer needs / behaviour for using USSD based mobile banking service and publish the outcome**. Such study will help in gathering evidence and can help in serving the consumers in a better and efficient manner. **It is requested that till the time TRAI will undertake and conclude this consumer study, the current tariff framework should continue and let market forces decide the way forward**. The tariff framework may be reviewed post conclusion of proposed study basis the findings emerged from such activity.
- TSP should have the **flexibility to choose any subscription model to charge end consumer availing this service** – per session / monthly subscription / free bundling of service with another paid service.

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?

Response:

- The service provider should not be mandated to charge only sessions resulted in to the completion of successful transaction by the consumer. The each and every session / transaction, irrespective of whether it is successful or failure engages signalling resources and other core network elements.
- Further, each request generated by consumer through NPCI for initiating the session to avail the service, added to the billing system as transaction. Although, the current transaction volumes are low and catered through current billing platform. However, if uptake of the service increases resulting into higher volumes, the billing interface for this service will also require to be increased to cater to the increased demand. This will be an additional cost impacting overall transaction cost of the service to the operator.
- As per the our data available, on an average there are only ~2000 sessions happen per day and out of which approx 40% percent gets failed. The reasons for such unsuccessful sessions are :
 - a) **No response from the user post initiating the session**
 - b) **Wrong inputs / keys pressed by the user led to failure of transaction**
 - c) **User himself aborted the session without completing the transaction**
 - d) User has browsed the entire menu but didn't input any specified input key
 - e) Session time-out
- Another important reason observed for failed sessions is consumer attempt for initiating USSD session from unregistered mobile number (with the bank) to avail this service. This is not in the control of the TSPs and clearly indicates lack of creating education / awareness by Banks to their respective consumers.
- The above data analysis shows that the key reason for failure of transaction is a result of wrong action from consumer without any influence of the TSP. Thus, TSPs should not be mandated to compensate to **consumers for their own actions resulting into wrong inputs / errors on the cost incurred by the TSP for providing the service.**

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 model? Please provide justification in support of your response.

Response:

- We support the present charging model (B2C model) for end consumer to avail USSD based mobile banking service. However, it is preferable to have a business to enterprise (B2E model) as the consumers donot pay for internet banking, mobile banking but have to pay for USSD based banking. This will also bring parity amongst comparable banking channels.

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.

Response:

- There is no need for allowing system initiated USSD push sessions when customer-initiated USSD session is dropped irrespective of any reason resulting in the unsuccessful transaction. There are certain practical and technical reasons most of which are not under the control of TSPs such as connectivity issue with bank server, suddenly consumer gets incoming call while using this service etc. Further as explained in Q5, majority of failures happened due to wrong action of consumer without any interference from the TSP.
- Presently, there is no solution available with TSPs to determine the reason for drop in USSD session – whether the session is terminated by consumer or dropped due to any other reasons.
- Since User is using this service for his banking requirements which involves financial transactions hence it is important that such service / session should be initiated by the consumer from his end. **In case of any fraud/ customer service issues due to automated system initiated session, fixing the responsibility for such issues will always be in dispute between Bank/TSP/Consumer and may act as a deterrent & non-starter for this service.**
- To inbuilt push feature in the USSD session for this service basis the specific call flow require IT customisation at our end which will have additional development cost. Also opening USSD push to third party is always a risk where TSPs would not be able to manage the content they are pushing to any of their customers.
- However, if TRAI still feels that such initiative will make any difference, system initiated USSD push sessions **may be experimented with on trial basis**, in case of unsuccessful transactions **only within the next 30 seconds**. Any period longer than this will result in consumer disputes/ complaints and unnecessary strain on TSP networks

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.

Response:

- We support TRAI views for extending the scope of USSD based mobile banking services from banking transactions to support various types of mobile based payment services. However, any such arrangement should be done on a bilateral basis between TSP and the aggregator at mutually agreed commercial terms.

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?

Response:

- As highlighted in the preamble of our response, USSD based mobile financial service is not benefitting the unbanked population in its current regulatory framework. It is merely acting as an alternate to other means which are available for banked population to meet their banking requirements and enable them to access their bank accounts and related services.
- Therefore, In order to ensure contribution towards financial inclusion for the unbanked population, there is a need for larger consultation with all relevant stakeholders to address this issue so that unbanked population can able to access financial services using USSD based mobile banking services.
