



Association of Unified Telecom Service Providers of India

AUSPI/12/2016/028

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Subject: AUSPI's Response to the TRAI Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services

Madam,

We are pleased to enclose AUSPI's response to the TRAI Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services.

Thanking you,

Yours sincerely,

DILIP SAHAY
ADVISOR

Encl: As above

Copy to :

1. Shri R S Sharma, Chairman, TRAI
2. Shri Anil Kaushal, Member, TRAI
3. Shri Sudhir Gupta, Secretary, TRAI



AUSPI's Response to the TRAI Consultation Paper on the review of regulatory framework for the use of USSD for mobile financial services

I. Preamble

The Mobile phone plays a very important role in the development of mobile commerce and mobile banking and there is a great scope of mobile banking in India as the number of mobile users is increasing. It is important that for M-banking to be successful the M-banking services need to be technology neutral. TRAI is required not to mandate any particular mode / technology platform including USSD. The Telco's and Banks should be allowed to discuss and agree on the technology and business model to provide the m-banking services for facilitating provisioning of Mobile Banking Services to achieve the objectives of financial inclusion.

The overall adoption of mobile banking services in India is still low and the reasons for poor adoption of USSD based mobile banking by customers is not known. The benefits of mobile banking should reach to the common man at the remotest locations in the country. Hence it becomes important for Banks to create awareness about the mobile banking services through Advertisements, Pamphlets, Demo Fares, Campaigning etc. so that the customers feel informed and interested among them.. For this all stakeholders like Regulators, Government, telecom service providers and mobile device manufactures need to make efforts so that penetration of mobile banking reaches from high end to low-end users and from metros to the middle towns and rural areas.

For Mobile Banking customers the security and privacy of users for mobile financial transactions is an important point of concern. The perceived ease of use and perceived usefulness are found to be important factors to influence the consumer intention to adopt mobile banking and not depending on USSD base mobile banking services which does not have many features of security.

We have brought to the Authority's notice earlier that USSD is not supported by CDMA based technologies. Even for LTE USSD access is possible only through an App. Hence a large and growing population would continue to be deprived and as mentioned above, other platforms also need to be considered rather than focussing only on USSD as this Consultation Paper is focussing on.

Some of the reasons for lack of interest by customers in using USSD based mobile banking services is the lack of awareness about the service amongst them. Other possible reasons affecting adoption of mobile banking in the country that require due consideration are e.g., mandating USSD as platform of Mobile Banking when other banking platforms are customer friendly, mandatory B2C charging model instead of B2B, excessive regulation on QoS etc.



II. 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.*

AUSPI's Response

Mobile network of a TSP supporting USSD platform is one of the ways for financial inclusion and this is an extension to the existing transaction infrastructure of a bank customer to the mobile device. Any application of this kind of service is required to be user friendly. Convenience regarding the number of stages for sessions etc. can be determined mutually between the TSPs and the bank (i.e. B2B). As this kind of arrangement would facilitate utilisation of network of the TSPs and extend the reach of financial inclusion. The important aspect to be taken into consideration is the role of the TSP which is limited to provisioning of the communication channel. The banks' therefore, should provide revenue to the TSPs depending on the level of utilisation of the network inspite of marginal adoption of Mobile Banking specially the USSD by the customers.

We are of the view that provisioning of service as well as the number of stages per USSD session should be completely left to the mutual agreements of TSPs and the bank as well as B2B model for 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.*

AUSPI's Response

TSPs can only facilitate provisioning of mobile banking services to the bank's customer and it is felt that tariff for the USSD based mobile banking should be left to the mutual agreement between the TSPs and the banks.



We, therefore, believe that deriving tariff, pricing and charging mechanism should be left to the mutual agreements only and no other method should be used for derivation.

- 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?*

AUSPI's Response

There are many reasons for incomplete USSD sessions like timeout due to incorrect or no response from bank, termination of the session by the customer, bank server not responding etc. Most of the reasons for drop of USSD session are not in the control of the TSPs and corrections are required at Banks end, therefore, it would not be appropriate to mandate the TSPs to levy charges for USSD session only if the customer is able to complete his/her transaction.

In view of the above, we suggest that the present practice of compensating the TSPs for each USSD transaction to continue. Another option is to completely switch over to B2B model with agreement between TSPs and banks for charges and subscriber getting free session for USSD 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 models? Please provide justification in support of your response.*

AUSPI's Response

Competition and commercial flexibility in the mobile banking sector would always deliver better results for the benefit of the consumer. As per the present practice, consumers pays for the services and that is why the results are discouraging. We, therefore, suggest B2B pricing model with mutual agreement and in case the same is not agreed to within the existing provision, the present pricing model for USSD mobile banking should continue.

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

AUSPI's Response

We do not favour enabling banks to push USSD message to the customer in the situation of dropped session as it will amount to allowing 3rd party access to the TSPs signalling system and has serious security risk. Due to strategic



security reason of the network, initiation of the push session by the bank should not be allowed in any kind of 'failure' in the 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.*

AUSPI's Response

It is pre-requisite that any variety of mobile payment service should preferably be on the B2B commercial model for providing a variety of mobile services apart from the mobile banking service on the existing USSD aggregation platform.

In case USSD session for banking transaction is persisted upon, then we are of the view that B2B commercial model for USSD service should be the first requirement for promoting any variety of mobile banking services on the existing USSD aggregation platform.

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?*

Some issues which are relevant for the present consultation process are:

- Greater public awareness exercise by banks to make the service popular, if we persist with USSD for mobile financing sessions.
- Changeover to B2B model with mutual agreements on charging.
- Alternative platform becoming popular as well as lack of users interest in USSD platform drastically reduces USSD platform service usage.
- USSD platform not supported in all technologies, therefore, variety of other appropriate platform for mobile banking service rather than USSD be considered.
