



Counter Comments

Consultation Paper On USSD-based Mobile Banking Services for Financial Inclusion

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

1. Reliance Communications Ltd (RCOM) hereby submits counter comments on some of the responses received on TRAI's consultation paper on "USSD-based Mobile Banking Services for Financial Inclusion".
2. RCOM's comments on issues raised in the consultation paper are in line with the objective of financial inclusion i.e. financial services for all, unlike the comments of NPCI and few private banks. The approach of NPCI and these banks will exclude a significant portion of target audience and defeat the purpose of the financial inclusion. NPCI approach will lead to creation of a monopolistic environment whereas our comments on the issues raised in the consultation paper favors a market driven approach which is more proactive and beneficial for consumers.
3. The Authority has all along embraced policies that support open competition and uphold consumer interest. RCOM is confident that TRAI will reject submissions from NPCI and these banks to push a proactive, pro-consumer and pro-competition approach.
4. **RCOM's counter comments cover following major issues:**
 - (i) **Technology Agnostic Approach for Mobile Banking**
 - (ii) **Operator-bank partnership should drive the objective of financial inclusion**
 - (iii) **Mobile Banking is a Bank owned service not a operator owned**
 - (iv) **Forbearance of Tariff for USSD Sessions**

I. Technology Agnostic Approach for Mobile Banking

- (i) NPCI and Major Private Banks have responded in favour of USSD as a most appropriate mode for mobile banking. They have also stated that USSD works on all phones.

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- (ii) The claim of NPCI and few private banks that USSD can work on all kind of phone is incorrect. USSD only works on GSM phones hence it defies the goal of financial inclusion i.e. financial services for all, by excluding those citizens which use other technologies like CDMA (~75 million subscribers)

and landline phones (~30 million subscribers). Hence, a technology agnostic mode like IVR would be more appropriate for mobile banking because of its more consumer centric characteristics. Further, RBI in its guidelines for mobile banking has provided that:

“...9.1 Banks offering mobile banking service must ensure that customers having mobile phones of any network operator are in a position to avail the service, i.e. should be network independent.....”

Mandating a technology specific mobile banking mode will kill the sole objective of financial inclusion and also go against the RBI guidelines that the mobile banking should be network independent.

(iii) They have also stated that USSD is the most appropriate mode of mobile banking. We would like to submit that though USSD have certain advantages viz. faster response because of real time connection, works on low end phones and not required any internet connectivity but following drawbacks of USSD challenges the claim of being a most appropriate mode.

- **USSD services have language limitations. English literacy in India is fairly poor especially among the financially excluded masses and as such it may be difficult to reach out to them using this, primarily English language, channel.**
- No storage of sent messages, which means no records are available at consumer end, if the same is required for any future references.
- The USSD sessions are unstructured and not secure due to open connection hence risky.
- It is a relatively new technology which has not seen a large-scale deployment for the purpose of offering financial services.
- Small screen phones can provide very poor user interface for USSD. Font sizes cannot be controlled. It may require a lot of scrolling to read a single message. This may result in session time-out by the time user reads the complete message.

(iv) **Given these limitations, looking at USSD exclusively for mobile banking will exclude a significant portion of the targeted audience and defeat the purpose of the exercise. We need to evaluate other already proven technologies such as IVR if there is to be serious effort made for Financial Inclusion. In view of this, the Authority is requested to**

reject the contention of these stakeholders that USSD is one of the most appropriate modes for mobile banking for financial inclusion. To have a wider and seamless acceptance of the services, all modes of communication should be permitted and encouraged and USSD should not be made mandatory.

II. Operator-bank partnership should drive the objective of financial inclusion

- (i) NPCI in its response has stated that the TSPs should mandate to facilitate not only the banks but also the agents of the banks acting as aggregation platform provider. It has also envisaged that the customer would have accounts in more than one bank and would find it difficult to remember USSD code for each bank; hence there should be a single USSD code to avail mobile banking services. It has also favoured the creation of a common USSD platform for all the banks and TSPs.

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- (ii) RCOM does not agree with NPCI contention regarding mandating TSPs to facilitate agents of the banks, creation of a common aggregation platform and a single USSD code for all the banks.
- (iii) Mobile banking service is a bank-based model wherein complete end-to-end ownership to provide financial services through mobile banking lies with the Banks as the TSPs only act as a communication channel provider. The business arrangement in this case between the Banks and TSPs would be driven by a detailed Service Level Arrangements (SLA) which would frame the acceptable delivery of service guidelines. These guidelines could be agreed to jointly (by Banks and TSPs) for providing service to both the banks as well as their agents. **There is no requirement of mandating the TSPs to facilitate the agents of the banks as the SLA between the banks and TSPs may provide the same.**
- (iv) Normally, banks and operators do not build their own mobile banking transaction platforms, because there are a host of third-party providers offering them in the marketplace. The role of the bank or the operator is usually therefore confined to selecting the vendor, providing business rules and other specifications, developing APIs (Application Programming Interface) for systems integration, and hosting and operating the platform. Given the complementary standards by which banks and operators evaluate transactional platforms, operators can consult with their bank (or vice versa) when selecting a technology solution to be sure that it meets the needs of each participant in the value chain. **Thus, depending upon their business models, banks should be allowed to approach any**

aggregation platform providers. It should not be mandatory either in part of banks or in part of TSPs to engage only one aggregator platform provider for mobile banking.

- (v) NPCI in its comments have stated that 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. On the other hand, it has proposed for a single USSD code for consumers to avail mobile banking services. In case of single code, the next screen in the USSD session would be the list of banks from where the consumer need to select his bank for using mobile banking services. Thus, the USSD session is required to list all the banks that are providing mobile banking services, which is impractical as well as not viable. Hence, it should be left to the banks and operators to decide the short code.
- (vi) **It is thus requested to reject contention of NPCI and no attempt should be made to force the banks and operators on to one platform for facilitating USSD based mobile banking.**

III. Mobile Banking is a Bank owned service not a operator owned

- (i) NPCI alongwith few private sector banks have submitted that the TSPs should collect the charges from the customers for each USSD session as they do in case of SMS services.

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- (ii) RCOM does not agree with the comments and would like to submit that USSD mobile banking is a service offered by banks to its customers by using the resources of TSPs unlike the SMS services. The ownership in case of SMS services lies with TSPs only whereas, for delivering the mobile banking via USSD or any other mode, the ownership lies with banks only.
- (iii) The risk of all transactions and the customer service for these transactions can only be the responsibility of the banks. The banks need to propagate the use of the service and market it. It is only logical that the service provider, in this case the Banks, collect the charges for the services provided.
- (iv) The responsibility of effective compensation to the TSPs for working as a communication link in USSD-based mobile banking should govern by the banks so as the charging of customers for each transaction. **Banks in case of internet banking directly charge the consumer for each transaction.** The same procedure can be implemented for mobile banking as well. It will also avoid any disputes arising out of charges levied by TSP to the customer

for 'incomplete' sessions as banks will charge the consumers only for the successful transactions.

- (v) **In view of the above, we once again request TRAI to not to 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.**

IV. Forbearance of Tariff for USSD Sessions

- (i) Some of the stakeholders have stated that the tariff for each USSD session should be fixed at Rs.1. They have also stated that the customers should not be charged if there is session drop out, i.e. customer should be charged only on successful completion of session.

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- (ii) USSD transactions consist of multiple interactive messages between the consumer and the technology platform. Since a TSP cannot control the number of messages or screens, the cost of each session can vary irrespective of the transaction in such sessions is defined as successful or unsuccessful by the Banks. If only successful transactions are to be billed, the TSPs should adequately compensate for those sessions which banks declared as "unsuccessful". Moreover, there is no way that the TSPs would be aware if the sessions have been declared as successful or unsuccessful by the respective banks as the TSPs are responsible only to provide a secure communication link for such services.
- (iii) With respect to session drop outs, we would like to submit that the same can be happen because of different reasons including related to banks' infrastructure and the TSPs cannot be hold responsible for the session drop out. Moreover, the TSPs should be compensated adequately for the utilization of resources irrespective of whether the bank has declared the session successful or not. **Considering this, we once again request the Authority that the charging should be done by banks only.**
- (iv) Further, in case the TSPs would have to charge for the USSD sessions, then they will have to implement a full billing system and the CDRs which will require extra CAPEX and OPEX.
- (v) Also, as per the existing tariff regulatory framework, tariffs for telecommunication services are forborne except for: (i) Rural fixed line services; (ii) National roaming services; and (iii) Leased circuits. Last year, TRAI has done an exercise and examined the then existing tariff regime and any possibility for a change in the same. However, TRAI is still continuing with

the same tariff regime viz. forbearance of tariff for telecommunication services.

- (vi) **Hence, fixing a ceiling for each USSD session is not viable and we would once again request the Authority to keep the tariff for USSD and other mobile banking modes under forbearance which will be in line with the existing tariff regime.**