



COAI Counter Comments on TRAI Consultation Paper

On

USSD Based Mobile Banking Services for Financial Inclusion Released on 20th September 2013

In light of our submissions vide our letter no. RSM/COAI/2013/181 dated October 4, 2013, we would like to submit our comments on some of the submissions made by other respondents. Our comments are as follows:

1. Some stakeholders have suggested that USSD is the most appropriate mode for mobile banking for financial inclusion. We would like to submit that financial inclusion can be achieved by creating an effective transaction infrastructure for any kind of payments so as to make them simple, affordable and risk-free for the un-banked. USSD based mobile banking services as of now only mean to target the already banked customers and hence, these initiatives do not serve the objective of financial inclusion.
2. Some stakeholders have suggested user-friendliness and cost-effectiveness of USSD as the major reason for using USSD as the most appropriate mode. No study shows that USSD offers any advantages over other channels in facilitating or enhancing financial inclusion.
3. We would like to submit that USSD has a limitation in terms of being versatile in vernacular languages. The numerous steps involved in the transaction can build reluctance to use these services. CDMA network does not support USSD based services. Thus, user adoption may be a hindrance.
4. It may also be noted that USSD based mobile banking services will require substantial investments, as adhering to TRAI's Quality of Service (QoS) benchmarks for mobile banking may require each operator to reserve an entire dedicated channel at signaling level. Furthermore, the operators would also have to implement a new billing system if the customers are to be charged by the operator. This would amount to significant investments for the operators. The problem gets aggravated as TSPs do not have clarity on the long-term viability of USSD in the absence of guaranteed volumes of transactions over USSD, which banks or any payment gateway would have assured. Whereas a reconciliation and billing arrangement between banks and telcos would require a far less effort and would provide the right impetus to de-risk telcos' investments, since banks would be equally interested in driving mobile banking for no frills accounts.
5. We also wish to highlight that the RBI is exploring the possibility of providing SMS-based mobile banking and has formed a committee to examine the options/alternatives including the feasibility of using encrypted SMS-based funds transfer using an application that can run on any type of handset for expansion of mobile banking in the country.
6. Some stakeholders have pointed out that the ceiling of INR 1.50 is high and should be set at a lower level. In view of the lack of any commitment on volumes from banks coupled with



significant investments required to provide these services, it is unnecessary to define a ceiling without undertaking a detailed analysis of the business case, the volume of transactions expected and investments required. The mobile market in India is extremely competitive and competition has proved to be an effective means of disciplining prices. TRAI should only intervene if there is evidence of a problem. Mandating a ceiling could preclude operators from experimenting with: bundled charges, volume commitment based charges, discounted tariffs, etc. Further, the business model should be mutually agreed by banks and telcos. The pricing of the services should be left to the market forces.

7. There are 75 banks permitted to offer m-banking services by Reserve Bank of India (RBI). Several Banks have participated in meetings held at TRAI on the issue of provisioning of m-banking services. However, it is surprising that barring two banks, who did not participate in such meetings, no other bank has evinced either an interest in responding to the TRAI's consultation paper nor in offering such services. It is all the more compelling to note that the volume of m-banking transactions expected do not make this business economically viable. It is also noteworthy that neither of the banks have shared their views on proliferation of no frill accounts for financial inclusion.
8. The telecom industry is very supportive of financial inclusion of the unbanked segment. As an industry, we are willing to come forward and offer various access modes on an economically feasible charge to banks.
9. Thus, to enable introduction and proliferation of m-banking services, we request the TRAI to adopt a holistic approach:
 - a. The use of USSD appears to be a solution seeking for a problem. We believe that each of the modes of mobile banking like IVR, SMS, WAP, STK, USSD etc. are required modes to achieve inclusion of the un-banked and we feel that all modes of access should be given equal weightage.
 - b. Operators should have a choice to extend this service for banks and no mandate is required.
 - c. The charging should be based on B2B model. Ideally, banks should pay for using specific channels such as USSD. Thus, any charging model should not be specified and operators should be allowed to determine the model basis its feasibility including the charges to apply for each transaction.
 - d. This also include provision of customer care by the banks and marketing of the services and education of customers.
 - e. There is no economic viability of mobile banking with the projected traffic as of now to warrant any new investments. Thus, a detailed analysis/study should be undertaken to determine the expected volumes and there should be a minimum commitment of volumes from banks.
 - f. There should be no ceiling charge.
 - g. Conformance with the QoS standards is partially dependent on the performance and capabilities of platforms which are outside of operator's control and for which it should not have responsibility.
