COAI Response to the TRAI draft Telecommunication Tariff (66th Amendment) Order, 2021 on "Regulatory framework for USSD-based tariff"

We welcome the opportunity to provide the comments on the Draft Telecommunication Tariff (Sixty Sixth Amendment) Order, 2021 issued by TRAI on 24.11.2021. TRAI, through this Draft Regulation on the Telecommunication Tariff (66th Amendment) Order, has proposed Nil charge for outgoing USSD session for USSD-based mobile banking and payment services.

In this regard, we request the Authority to consider our below submissions before making any final decision on this matter.

a. We are happy to support **the national objective of financial inclusion of the unbanked**. By rolling out robust network infrastructure and providing connectivity, especially during the time of Pandemic, **TSPs have played a pivotal role in the spread of digital payments in the country.**

b. **That said, it must be kept in mind that there is always a cost involved in providing service.**

c. **TSPs have incurred capex investments and also bear operational expenditure towards USSD based charging**, installing/ upgrading the requisite billing system, IN and other IT systems to support provisioning for the banking services through USSD channel, complaint management and manpower. The service providers had their products based on IVR or SMS channels only which were already integrated to thebilling systems. However, in order to aid in the financial inclusion exercise, the billing capability was developed to charge for USSD transactions. The **Capex investments are not getting justified even now as the volumes of USSD mobile transactions continue to be low.**

d. Thus it must be appreciated that there is a cost which needs to be recovered. This will enable TSPs to provide efficient and better service**.**

e. Moreover, we wish to highlight that **the core relationship in the value chain for mobile banking is that between the bank and the citizens as customers of the banks**. TRAI had highlighted this in its earlier consultation dated 20 September 2013 and had also noted that the **TSP is the intermediary in this value chain who needs to be adequately compensated.**

f. While the tariff for USSD has come down from Rs. 1.50 to 50p, which is a 66% decrease there is no significant change/increase in the uptake of the service. This implies that even if the price is decreased to zero then also there is not going to be any significant increase in the uptake of the service.

g. Thus there is a greater need for Banks to supplement mobile banking with a widespread distribution/retail network, infrastructure and back-end support to make financial inclusion a reality. And making charges Nil may not serve the purpose.

h. In case the Authority still wishes to make the service free, the telco should be compensated by the concerned sector stakeholders for the service being provided and there should not be any cross sector subsidization. In this case the objective is to encourage the banking sector and financial inclusion, hence TSPs should receive reimbursement from banks for providing this service.

i. USSD based mobile banking is one of the channels for banks to provide service to their customer, apart from other channels like branch, phone-banking, ATM, call-centres, Netbanking etc. As compared to these channels, cost of serve one transaction in USSD is fractional of the cost being incurred in these channels. Since, the transactions in these channels gets offloaded to the transaction over USSD, the cost gets transferred. Therefore, it is imperative that the cost of USSD should be borne by banks through NPCI. The banks will still stand to get benefitted from overall cost perspective.

j. Further, fundamentally regulated free service can't go hand in hand with regulated quality of service/regulatory obligations. Therefore, if Authority wishes to remove USSD charges then, it should also do away with the regulatory obligations thereto including but, not limited to quality of service, complaint management etc.

k. As a general practice, TRAI gives time to the stakeholders for counter comments on any consultation. Accordingly, we request the Authority to kindly give additional time of 10 days i.e. upto 18th December 21 for submitting counter comments on the draft TTO.

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