



# Mobile Money for the Unbanked

## Mobile Money in Latin America A case study of Tigo Paraguay

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# Contents

1	<b>Introduction</b>
2	<b>I. Favourable conditions for Mobile Money</b>
2	<b>A. The Paraguayan context</b>
2—3	<b>B. Fertile ground for the development of mobile money</b> <ol style="list-style-type: none"><li>1. Low level of financial inclusion</li><li>2. Positive regulatory environment</li><li>3. Simplified KYC requirements</li><li>4. Bi-directional remittance flows</li></ol>
4	<b>II. Key success factors in the Tigo deployment</b>
	<b>A. Deep market understanding</b> <ol style="list-style-type: none"><li>1. Lessons from the first product</li><li>2. Willingness to re-design the product according to the clients' needs</li></ol>
5—6	<b>B. Satisfied dealers and agents</b> <ol style="list-style-type: none"><li>1. Incentivising dealers to manage liquidity</li><li>2. Careful agent selection</li><li>3. Targets for agent commissions</li><li>4. Quality control and customer service</li></ol>
7	<b>C. Customer insight to develop compelling marketing</b> <ol style="list-style-type: none"><li>1. One segment, one message</li><li>2. Distinguish the product from competitors</li><li>3. Build awareness, understanding and know how</li></ol>
8	<b>D. Aligned bank partner</b>
9	<b>III. Conclusion</b> <ol style="list-style-type: none"><li>A. Importance of regulation in the region</li><li>B. OTC vs. e-wallet Models</li></ol>
11—12	<b>Glossary</b>



# Introduction

With over 100 live deployments around the world, Mobile Money continues to emerge as a must-have service for operators in emerging markets<sup>1</sup>. However, there has been a notable absence of programs in Latin America, with the fewest deployments of any other region in the world. This seems to be changing in 2011 with Mobile Network Operators (MNOs) in both Central and South America readying for launches. Mobile Money for the Unbanked (MMU) visited Paraguay to understand how this country emerged as a leader in Mobile Money and what lessons it offers for the region.

This case study begins with a summary of the Paraguayan mobile financial ecosystem, highlighting the favourable conditions which have contributed to the development of Mobile Money. It then examines the key success factors of Tigo's Mobile Money product such as deep market knowledge, successful distribution network, effective marketing tactics, and collaboration with an aligned bank partner.

## Acknowledgements

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## I. Favourable conditions for Mobile Money

### A. The Paraguayan context

Paraguay is one of the poorest countries in Latin America, with high levels of financial inequality and rural areas suffering from inadequate access to education and financial services. However, this small country has led the region in its development of Mobile Money services. It is the only country in Latin America where the two largest operators, Tigo and Personal, both have live Mobile Money platforms.



Mobile penetration in the country is close to 100% with an estimated 6.36 million connections out of the 6.35 inhabitants.<sup>2</sup> Tigo, the market leader in Paraguay with 54.67% market share, first introduced Mobile Money in 2008, with its product "Tigo Cash," a multifunctional e-wallet which focused on retail payments.<sup>3</sup> After a strategic shift in direction, Tigo re-launched Mobile Money services in 2010 under the product name "Giros Tigo."<sup>4</sup> The Giros Tigo product focuses on domestic remittances and is an over-the-counter model with the sender going to an agent point to send e-money to the recipient, who receives a notification via SMS and can then go to an agent point to cash out using his/her PIN.

Personal, the second largest operator in Paraguay, which controls 29.68%<sup>5</sup> of the market launched its Mobile Money product in 2010 under the name "Billetera Personal."<sup>6</sup> This service is an electronic wallet which allows users to make money transfers, merchant payments and bill payments. However, Billetera Personal operates over a linked no frills bank account, provided by partners Banco Atlas and Banco Continental.

While MNOs in the country have not publicly disclosed their user numbers or number of monthly transactions, the Central Bank of Paraguay (BCP) estimates that there are approximately 60,000 active Mobile Money users in Paraguay.

### B. Fertile ground for the development of Mobile Money

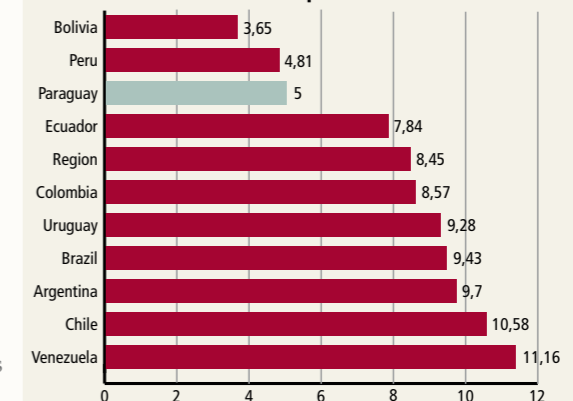
#### 1. Low level of financial inclusion

At the end of Q2 2010, there were 621,766 reported deposit accounts at Paraguay's banks and financial institutions or approximately 10% of the country's population.<sup>7</sup> Paraguay has one of the lowest densities of bank branches in the region, with just five branches for every 100,000 inhabitants.<sup>8</sup>

There are unregulated financial institutions such as cooperatives and *bancas comunales* which serve lower income populations, and should be taken into account when calculating the level of financial inclusion.<sup>9</sup> But overall, it is estimated that 70% of Paraguay's population are financially excluded.<sup>10</sup>

In terms of domestic remittances, the most popular option in the country seems to be informal mechanisms such as bus drivers. With regards to payments, there are private companies called *redes de cobranza* which serve as payment points for utility bills. However, there is a gap in coverage of the rural areas, with only 100 out of 240 districts covered by these payment points. While there has been a notable increase in financial inclusion in recent years, with a year on year growth of 21.4%, there are still significant barriers for those in the informal sector to access financial services.<sup>11</sup> These low levels of financial access have created significant opportunity for Mobile Money to develop.

Number of Bank Branches per 100,000 inhabitants



2. GSMA Wireless Intelligence, Q1, 2011; World Bank World Development Indicators, 2009.

3. GSMA Wireless Intelligence, Q1 2011

4. A giro in Spanish is best translated as a domestic remittance.

5. GSMA Wireless Intelligence, Q1 2011

6. Billetera in Spanish means wallet in English.

7. "Breves Apuntes sobre la Bancarización en el Paraguay", la Superintendencia de Bancos del Paraguay, April 15, 2011.

8. "Paraguay registra un bajo nivel de cobertura de sucursales financieras," abc digital, 16 de diciembre de 2010

9. Bancas comunales are community-led micro-credit organisations which often give credit to groups of 10-20 members

10. Global Market Sizing Study, McKinsey 2009 for CGAP/GSMA.

11. "Breves Apuntes sobre la Bancarización en el Paraguay", la Superintendencia de Bancos del Paraguay, April 15, 2011.

## 2. Positive regulatory environment

In the same way Paraguay's socioeconomic factors had an important role in the emergence of Mobile Money, the conducive regulatory environment in the country has also been a key factor in the growth of mobile financial services.

### a) A country level commitment to financial inclusion

According to the Superintendencia de Bancos del Paraguay there are a series of strategic initiatives led by the government and multilateral donors such as the IADB, which seek to support the development of sustainable approaches to financial inclusion.<sup>12</sup>

Paraguay's Minister of Finance Dioniso Borda has gone on record saying, "The government's challenge is to develop a solid financial system which is not only safe but also able to provide quality services to every stakeholder in the economy, regardless of their income. Financial inclusion is a key objective in the design of domestic economic policy."<sup>13</sup>

Interesting to the Paraguay context is that the key regulatory actors, the BCP and the Superintendencia, identified mobile financial services as a key pillar in their long term strategy in financial inclusion.

### b) A balance between commercial interests and risk management

When Mobile Money services first launched in Paraguay, there was no specific regulation for Personal or Tigo's Mobile Money products. At the time of launch, both the BCP and la Superintendencia decided to cautiously watch Mobile Money, allowing it to develop commercially without issuing any regulation

It is only now, nearly three years after launch, that the BCP and la Superintendencia have decided to introduce regulation for Mobile Money. At the end of 2010, new regulation was introduced on AML/CFT, which has become the key regulation in place in terms of remittances and money transfers in the country. Further, the BCP and la Superintendencia are in the process of analysing how to best regulate Mobile Money, considering existing regulation on non-banking correspondents (NBC), branchless banking as well as the possibility of introducing distinct e-money rules. Presently, e-money is not regulated in Paraguay, but there are some stipulations within the civil code which could be applicable.

Usually referred to in the industry as a "test and learn" approach, this regulatory stance has been used by regulators in other markets where Mobile Money has exhibited strong growth. Neither Kenya nor the Philippines had formal regulation in place at the time Mobile Money launched, but later the Philippines central bank introduced e-money guidelines.<sup>14</sup>

## 3. Simplified KYC requirements

The relative ease of registering and activating clients has also contributed to the growth of Mobile Money services. In Paraguay, all SIM cards (prepaid and postpaid) require formal registration with identification. However, for both MNOs and consumers, fulfilling this requirement is relatively simple given that the majority of Paraguayans have a national ID and there is a national identity database.

Since MNOs are already in possession of basic client information, the registration process for Mobile Money is nothing more than confirming the details. Using a two-step USSD process, users enter their date of birth and national ID number. They can immediately begin transacting after receiving an SMS confirming their registration.

One of the MNOs in Paraguay has leveraged its existing KYC database to provide its clients with an innovative way of opening a caja de ahorro or no frills bank account. Mobile operator Personal has aligned with Banco Atlas, which is not only is a strategic partner but also a share holder in the company. Using a USSD channel, a consumer simply confirms their national ID number and date of birth, and within seconds, they receive an SMS confirming registration. Personnel electronically sends the users' details to the bank, the bank account with Banco Atlas and the e-wallet are then automatically opened, and the consumer can transact immediately. Should the customer wish to increase their transaction limits or upgrade the account, they have to visit one of the branches, fill out an application form and provide their signature.

## 4. Bi-directional remittance flows

Finally, it is interesting to note that the growth in the agricultural sector in the country has also contributed to the development of mobile financial services, and created a particularly unique situation. In Paraguay, the agricultural sector represents the largest contribution to GDP with 27%.<sup>15</sup> The rapid growth of this sector in recent years (10.5% in 2008 in relation to 5.4% of GDP) has created a significant amount of wealth in rural areas.<sup>16</sup>

When Tigo launched their domestic remittance product, the expectation was that Mobile Money remittances in Paraguay would flow from urban to rural areas, as seen in the majority of Mobile Money deployments around the world. However, this turned out not to be the case. With Giros Tigo, money seems to be flowing bi-directionally from urban to rural as well as from rural to urban.

The implication of this situation is significant, in that rural agents, who in other countries struggle the most to balance their float, seem to have more of a natural equilibrium between cash-in and cash-out transactions.

### Giros Tigo Agent Transactions:<sup>17</sup>

	% of transactions sending money	% of transactions receiving money
Agents in urban areas	50%	50%
Agents in rural areas	53%	47%

## II. Key success factors in the Tigo deployment

The Giros Tigo product has shown a number of innovations that set a strong benchmark for forthcoming Mobile Money programs in the region: leveraging deep market understanding to design the product, building a satisfied and motivated agent network, developing compelling marketing strategies to drive customer activation and usage, and collaborating with an aligned bank partner.

### A. Deep market understanding

#### 1. Lessons from the first product

Tigo's first foray into the world of Mobile Money was in 2008 with the launch of its product Tigo Cash. Tigo Cash was an e-wallet which offered a range of products and services, but promoted merchant payments as the primary functionality. The market's reaction to the product was disappointing with low customer registrations and transactions.

One barrier to adoption of Tigo Cash was the complicated registration process: A contract was required to register and there were various steps involved to become fully registered for the service. Another issue was the level of investment in the product, which proved inadequate in terms of marketing to help promote the product.

### 2. Willingness to re-design the product according to the clients' needs

Tigo management remained committed to Mobile Money, and set out to design a new product for the market. As a starting point, they commissioned a national quantitative study with a particular focus on domestic remittances and payments, which were viewed as the areas with high potential.

The results of the market study highlighted key remittance corridors, the frequency and average amount of money transfers, and payment behaviour. Additionally, the study mapped the competitive landscape and customer preferences among the alternative money transfer options. These results proved essential in two ways. First, the study helped to inform an effective market segmentation. It highlighted a sizable market segment who were using informal methods to send and receive money and who responded well to the Mobile Money concept. And second the study informed specific changes that would need to be made to redesign a new Mobile Money product.

The study showed that the target market was primarily sending and receiving money via bus drivers. Although these money transfers often took the better part of a day, users had grown accustomed to it and were not complaining about the speed. Thanks to this insight, Tigo realised that the attribute which mattered most to the target segment was not speed but rather price. Additionally, Tigo learned that a product which had its primary benefit as speed would not attract clients. "To drive customer usage, we learned that it was necessary to compete on price. We had to demonstrate that Giros Tigo was better value for money than alternative money transfer options.

To maintain customer loyalty over time, the remittance product would also need to be quick. But to drive activation, price had to be the dominant message," said Rafael Cabral, head of Tigo's Financial Services Business Unit.

In July 2010, Tigo re-launched its service under the name Giros Tigo. Unlike Tigo Cash, Giros Tigo focused on one high potential customer segment with a Mobile Money product that was designed specifically to meet their needs.

12. In Latin America, the financial system is governed by two important actors: The central bank and la Superintendencia. Generally speaking, these two entities are separated, one focused on setting regulation and one focused on monitoring and supervision. In the case of Paraguay, la Superintendencia de Bancos del Paraguay is an independent unit but sits under the BCP.

13. "Limitada inclusión financiera retrasa potencial económico, según Borda," abc digital, 10 de septiembre de 2010

14. In March 2009, the Bangko Sentral ng Pilipinas issued Circular 649 which provides guidelines governing the issuance of e-money and the operations of e-money issuers in the Philippines.

15. World Bank national accounts data and OECD National Accounts data files. <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries>.

16. World Bank national accounts data and OECD National Accounts data files. <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries>.

17. Data self-reported by Tigo Paraguay  
18. The term "dealer" is used to describe the persons or businesses which distribute airtime for Tigo.

Tigo's Mobile Money product evolution:		
	Tigo Cash	Giros Tigo
Product characteristics	e-Wallet Merchant payments P2P money transfers Utility bill pay Top up	e-Wallet OTC money transfers Utility bill pay Top up
Function promoted to users	Merchant payments	Domestic remittances
Registration process	Online application process with validation required at the agent point	Approximately 45 seconds for two entries over USSD
Transaction process	Electronic transactions from the e-wallet	Transactions at the counter, validation of ID, form filled for each transaction

## B. Satisfied dealers and agents

While a number of Mobile Money programs have struggled to keep their agents active and appropriately incentivised, Tigo Paraguay has built a network of motivated agents and dealers.<sup>18</sup> This stems from management's perspective that there are two customers in the Mobile Money game—the users of Mobile Money and the agents—and both parties need to be satisfied. “We understand that the agents are the entry point for Mobile Money and for this reason, our agents have to be satisfied so that we can attract new customers,” says Rafael Cabral. The organisation structure is aligned to this principle, with the two key commercial positions of the program being Distribution & Sales and Product Development & Consumer Marketing.

### 1. Incentivising dealers to manage liquidity

Mobile Money models sit atop a network of cash and e-money distribution, which makes liquidity management essential for a service to succeed. There are a variety of approaches mobile operators have employed to manage agent liquidity. The two critical elements that distinguish these approaches are the entity which is responsible for balancing agents' float i.e. whether it is a bank, aggregator, super agent or airtime dealers and the entity which bears the cost of balancing float e.g. does the agent leave his/her shop to go to a bank branch or does an airtime dealer visit the agent.

Similar to what has been observed in other OTC models in Asia, Tigo Paraguay has assigned liquidity management to its dealers and this activity takes place at the agent shop. In practice, the dealers use the same staff for balancing Mobile Money float as for restocking airtime. The airtime dealers visit agents three times a week to sell airtime stock; on the same visit, these staff now also balance e-money float.

If the dealer is not able to meet an agent's need to buy or sell e-money, the agent has the option to manage his/her float by going directly to the bank. If the agent manages his/her float directly with the bank, then it is the bank which receives the commission from Tigo. Dealer incentives are tied to float management rather than Mobile Money transactions. The result is that dealers are motivated to visit their agents frequently, and even agents in rural areas receive the visits they require to keep their float balanced.

### 2. Careful agent selection

Giros Tigo agents are selected for their location and their capacity to invest in the Mobile Money business i.e. maintain float. Out of the 30,000 airtime top up points, less than 1,000 have been selected as Mobile Money points of service. Tigo has built its Mobile Money agent network primarily on the back of its existing airtime agent network, but occasionally ventured out of the network, enrolling a currency changer in a busy market place, for example, a chemist near a doctor's office.

Tigo has carefully located agent points in strategic locations, keeping in mind the coverage of key remittance corridors as well as identifying locations which are convenient for clients. A good example of this are the Giros Tigo agents located at the central bus terminal in Asunción to capture consumers who are accustomed to sending and receiving money through the bus companies. While the dealers are responsible for the actual onboarding procedure of any new agent, it is Tigo who decides the location of each agent point. This allows Tigo to monitor the ratio of Mobile Money users to agents and ensure an appropriate balance is maintained.

Finally, Tigo monitors each agent's e-money balance and monthly earnings daily to gauge whether the agent is committed to the Giros Tigo product; agents who are not showing healthy growth month over month are eliminated.

### 3. Targets for agent commissions

Tigo wants satisfied and committed Mobile Money agents and as such, closely tracks agents' earnings from Mobile Money. The Giros Tigo team sets a target for monthly commissions agents should earn, and works hand in hand with the agents to achieve that target. The dealer is also focused on growing the agent's business and is empowered to use local marketing strategies to support agent points.

For example, one agent had recently relocated, so his dealer sent an SMS to all customers living near that agent point to announce the new location, promote Giros Tigo and provide the agent's phone number for any queries.

“The gateway to the Giros Tigo is our agents. They need to be motivated and financially incentivised to continue providing quality service to our customers. So we want to see them earning good commissions each month,” says Javier Irala, head of Giros Tigo distribution.

### 4. Quality control and customer service

The dealers are responsible for balancing agent float, as well as the branding and merchandising at each agent point, but Tigo maintains quality control over both these areas. With respect to liquidity management, Tigo sends the dealers a detailed report every day at six in the morning reporting the e-money balance of each Giros Tigo agent. This report is utilised by the dealers to monitor their agents as well as address any urgent cases of low float. For monitoring the branding at the agents shops, the Tigo team regularly visits agent points. Based on those visits, Tigo staff sends a weekly report to the dealers, highlighting any agent points not in compliance with the brand standards set by Tigo. This supervision on the part of Tigo is particularly important in the context of new Mobile Money services in Latin America, as poorly managed branding can prove to be a barrier for clients to start using Mobile Money.

Finally, Tigo knows that dealers are not able to solve each and every agent issue that arises. So they have introduced a customer service line specifically for agents, where agents can directly reach the Tigo office to resolve any problem or question they have with regard to the service.

Agent network responsibilities of Tigo and the dealers		
	Tigo	Airtime dealers
Agent selection & recruitment	Tigo staff decide where new agent points will be located.	Once the location is determined by Tigo, the dealers are responsible for the formal onboarding procedure of new agents.
Agent training	Tigo staff offer support and provide the necessary materials for the training.	The actual training is led by the dealers, who conduct the training at agent's shops.
Branding at agent shop	The Tigo Branding team works together with the Giros Tigo commercial team to ensure the locations of agents contribute to the overall Giros Tigo branding efforts. Additionally, the Tigo team highlights zones which require more visibility.	Dealers are responsible for placing posters, signage, etc. at agent points. For full Giros Tigo branding (painting the shop in the Giros Tigo yellow), Tigo reviews the agent's performance and then approves or denies the request.
Monitoring of branding at agent shop	Tigo staff regularly check Giros Tigo agent points to ensure branding is in compliance. Any failures are reported to senior management at the dealer.	
Maintaining float		Dealers are responsible for visiting agents and balancing float. This is usually done three times a week, at the same time as airtime sales.
Agent commission payments	Agents invoice the dealers; Dealers invoice Tigo.	

18. The term “dealer” is used to describe the persons or businesses which distribute airtime for Tigo.



Fully branded agent point with Giro Tigo yellow; new agent in rural area with partial branding

### C. Customer insight to develop compelling marketing

For the relaunch of Giro Tigo, Tigo sought to develop a marketing strategy which would drive customer activation. Tigo again turned to market research, conducting multiple rounds of focus groups. The results of the research combined with the lessons from the initial Tigo Cash launch, produced three critical inputs to the marketing strategy.

#### 1. One Segment, one message

Tigo developed a marketing strategy to focus on one core message for one specific segment. “We learned that lesson from Tigo Cash, where we tried to communicate all of the services available to all the segments. With Giro Tigo, we wanted to communicate just one message to one customer segment,” expressed Natalia Oviedo, Giro Tigo product manager.

#### 2. Distinguish the product from competitors

Tigo wanted to position Giro Tigo to compete with competitive money transfer options the target segment was using. Research showed that customers’ principle pain point with the competitive products was price, and therefore price became the most important product benefit for Giro Tigo. The Giro Tigo product was designed with a lower tariff than the target segment’s other options, and the Giro Tigo product launched with a price oriented promotion, “Send & Save.” The total cost for a money transfer was set at 4% of the remittance, but of that, 2% was returned to the client as airtime. For instance, if a client wanted to send Gs. 100,000 Guaranís, they would pay Gs. 4,000 in commission and receive Gs. 2,000 in airtime credit.

#### 3. Build awareness, understanding and know how

From the experience with Tigo Cash, Tigo knew brand awareness alone did not drive customer activation. For the launch of Giro Tigo, Tigo developed communications that introduced first, what Giro Tigo was, second, showed consumers how it could be useful to them in their daily life and third explained exactly how it worked. The first TVC that launched highlighted the benefits and uses of Giro Tigo. The second TVC that launched utilised the same cast acting as the first TVC, but this time, the cast acted out the step by step actions required to make a transaction.



“Save: 50% of commission paid will be gifted as airtime”

**¿Cómo enviás dinero con Giros Tigo? Fácil**

Sólo tenés que visitar uno de los puntos adheridos a Giro Tigo, le indicás al cajero el número de la persona a quien querés enviar el dinero dentro del territorio paraguayo más el monto del giro y listo. Vos a recibir un mensaje que confirmará la entrega.

**¿Por qué ahorras? 4%**

Además por el **2% del valor de tu giro** te damos saldo de regalo! lo que significa que tu giro te cuesta sólo el 2% del monto que enviaste

Estos son algunos ejemplos de cómo ahorras con Giros Tigo

Monto a enviar (Gs.)	Costo de Giro (Gs.)	Saldo de regalo (Gs.)	Total a pagar (Gs.)
100.000	4.000	2.000	2.000
200.000	8.000	4.000	4.000
300.000	12.000	6.000	6.000
400.000	16.000	8.000	8.000
500.000	20.000	10.000	10.000

**¿Cómo recibís tus Giros Tigo?**

Cuando se envían al giro recibís un mensaje al instante. Luego tenés que pasar por una oficina de Giro Tigo para retirar el dinero.

#### How do you send money with Giro Tigo? Easy!

All you have to do is visit a Giro Tigo point, tell the cashier the mobile number of the person within Paraguay to whom you want to send the money and the amount of the remittance. And that’s it! You will receive confirmation SMS.

#### How do you save?

We charge just 4% of the amount of your remittance. E.g. if you send Gs. 50,000, you pay only Gs. 2,000. Also, we give you an airtime topup of 2% of the value of your remittance, which means the remittance costs you just 2% of the amount you sent. Here are some examples of how you can save with Giro Tigo:

#### How do you receive your Giro Tigo?

When someone sends you a remittance, you will instantly receive a message. Just pass by any Giro Tigo point to collect your cash.

Tigo also considered two other factors mentioned by consumers as it developed the marketing communications for the launch. First, the research showed that Paraguayans were not just sending monthly remittances for household expenses, but also using money transfers for a variety of “every day” needs. Therefore, the launch campaign showed three different uses of money transfers – a rural father sending money for his son’s school fees, a domestic maid sending money back to rural areas, and a mom sending money to a neighbouring city for her son’s birthday party. These different scenarios all promoted the key benefit of affordable money transfers, but also showed that Giro Tigo wasn’t only for people with a monthly need to send money. Second, research indicated that marketing communications imagery needed to include the target segment. Tigo’s TVCs feature individuals from its target segments, such as artisans and the working class. Tigo’s development of marketing communications that communicated one key

message to one key segment paid off. The launch campaign produced an initial spike of customer acquisition numbers as well as sustained growth of new customers in the months after the campaign. Importantly the marketing strategy also drove customer usage, with an average increase in transaction volume of 25% month over month.<sup>19</sup>

#### D. Aligned bank partner

Tigo’s bank partner is Visión Banco, which holds their trust account and is responsible for clearing transactions. Visión Banco is a bank specifically focused on SMEs. With a history of 16 years as a finance company and three years as a bank, Visión today has 81,786 accounts and a loan portfolio of US\$ 382,535,980. They have a distribution network of 70 branches, which guarantees their presence in the main urban and rural areas.

Tigo's dealers and agents are part of Visión Banco's target market, and as such, Visión has an interest in offering them financial services. Specifically, Visión Banco has served the dealers in two ways: first, they made credit lines available to the dealers; second, Visión Banco together with Tigo developed an IT system to facilitate liquidity management of the agents.

Luis Rojas, head of the bank's Strategic Business Unit, outlines the synergies between Tigo and Visión Banco as follows: "Basically the objective of both entities is that unbanked populations can access financial services, loan repayments, disbursements, bill pay and domestic remittances within the country, through their mobile phone using the USSD technology as a secure, simple platform that can be adapted to any model. For that, the Bank became involved in providing loans to Giros Tigo points, which needed more operating capital, using the technology network and agent network for the disbursement and/or payments of loan instalments, etc."

### III. Conclusion

#### A. Importance of regulation in the region

This case study showed how the two largest mobile operators in Paraguay were able to develop Mobile Money services and refine their model without regulatory constraints. The fact that BCP observed the nascent Mobile Money services but did not formally regulate them at launch created a favourable regulatory environment for the growth of Mobile Money in Paraguay.

From the authors' perspective it is indeed regulation that is the critical issue in Latin America for the future development of Mobile Money. There is increased awareness on this issue and some central banks and superintendencies are moving forward. Some countries in the region, like Perú, are considering specific legislation for e-money, while other countries, such as Colombia, are looking for a way to broaden existing banking correspondent regulation to include Mobile Money.

Enabling regulatory environments for Mobile Money platforms and/or the introduction of regulation for Mobile Money holds the key for the development of Mobile Money in Latin America.

#### B. OTC vs. e-wallet Models

The Giros Tigo OTC model described in this case study, has been further rolled out to Guatemala and Honduras. As such, for commercial deployments in the region, the OTC format looks to be dominating for the time being. While the continued emergence of OTC models represents a healthy growth and diversity in Mobile Money deployments, the model does create some challenges.

Under OTC, clients generally have no incentive to store money on their phone. In most cases, clients transacting OTC cash out the full balance of any monies received, making it difficult to introduce e-wallet based money transfer or payments.

For operators seeking to layer on additional products and services to their Mobile Money platform, customer's lack of experience using the e-wallet puts up certain limitations.

The Mobile Money sector has yet to identify a clear roadmap of how to drive electronic wallet usage once customers are accustomed to doing all their transactions at the agent point. Tigo Paraguay has plans to introduce an educational campaign, which uses simple messaging to

gradually encourage OTC users to use the additional USSD services in the menu such as bill pay. However, at present, there are no best practices in the industry of what are the effective ways to move users from OTC to e-wallet use and this is an emerging risk for the region if new deployments continue with OTC models.

Whichever Mobile Money models are launched in Latin America, it will be interesting to observe the continued development of Mobile Money in the region and the best practices that emerge from the new deployments. The success of Tigo in Paraguay, as illustrated in this case study, shows that there are many ways to deploy and scale Mobile Money platforms.

#### Web links

Mobile Money for the Unbanked Blog  
<http://www.mmublog.org>

IADB - TEC-IN Technologies for Financial Inclusion Programme  
<http://www.tec-in.org>

Giros Tigo Paraguay  
<http://giros.tigo.com.py/>



## Glossary

### Agent

A person or business that is contracted to facilitate transactions for users. The most important of these are cash-in and cash-out (i.e. loading value into the mobile money system, and then converting it back out again); in many instances, agents register new customers too. Agents usually earn commissions for performing these services. They also often provide front-line customer service—such as teaching new users how to initiate transactions on their phone. Typically, agents will conduct other kinds of business in addition to mobile money. The kinds of individuals or businesses that can serve as agents will sometimes be limited by regulation, but small-scale traders, microfinance institutions, chain stores, and bank branches serve as agents in some markets. Some industry participants prefer the terms “merchant” or “retailer” to describe this person or business to avoid certain legal connotations of the term “agent” as it is used in other industries.

### Aggregator

A person or business that is responsible for recruiting new mobile money agents. Often, this role is combined with that of a masteragent, and the two terms are sometimes used interchangeably.

### Anti-money laundering/combating the financing of terrorism (AML/CFT)

A set of rules, typically issued by central banks, that attempt to prevent and detect the use of financial services for money laundering or to finance terrorism. The global standard-setter for AML/CFT rules is in the Financial Action Task Force (FATF).

### Bearer

The mobile channel through which instructions are communicated between a customer’s handset and a mobile money application platform. Mobile network operators provide the ‘bearer channel’ in any deployment, sometimes for a fee to compensate them for the cost of data traffic. The most commonly used bearer channels are USSD, SMS and GPRS.

### Cash in

The process by which a customer credits his account with cash. This is usually via an agent who takes the cash and credits the customer’s mobile money account.

### Cash out

The process by which a customer deducts cash from his mobile money account. This is usually via an agent who gives the customer cash in exchange for a transfer from the customer’s mobile money account.

### E-money

Short for “electronic money,” is stored value held in the accounts of users, agents, and the provider of the mobile money service. Typically, the total value of e-money is mirrored in (a) bank account(s), such that even if the provider of the mobile money service were to fail, users could recover 100% of the value stored in their accounts. That said, bank deposits can earn interest, while e-money cannot.

### Float

The balance of e-money, or physical cash, or money in a bank account that an agent can immediately access to meet customer demands to purchase (cash in) or sell (cash out) electronic money.

### Formal financial services

Financial services offered by regulated institutions as opposed to informal financial services, which are unregulated. In addition to banks, remittance service providers, microfinance institutions and MNOs can be licensed to offer certain financial services.

### G2P

Government to person

### Informal financial services

Financial services offered by unregulated entities. Examples of informal financial services are susu collections in Ghana, loan-shark lending, savings groups, etc.

### Interoperability

The ability of users of different mobile money services to transact directly with each other. Given the technical, strategic, and regulatory complexities that enabling such transactions would entail, no mobile money platforms are to date fully interoperable with each other. However, many mobile money services allow users to send money to nonusers (who receive the transfer in the form of cash at an agent).

### Know Your Customer (KYC)

Rules related to AML/CFT which require providers to carry out procedures to identify a customer.

### Liquidity

The ability of an agent to meet customers’ demands to purchase (cash in) or sell (cash out) e-money. The key metric used to measure the liquidity of an agent is the sum of their e-money and cash balances (also known as their float balance).

### Masteragent

A person or business that purchases e-money from an MNO wholesale and then resells it to agents, who in turn sell it to users. Unlike a superagent, masteragents are responsible for managing the cash and electronic-value liquidity requirements of a particular group of agents.

### Mobile banking

When customers access a bank account via a mobile phone; sometimes, they are able to initiate transactions.

### Mobile Money

A service in which the mobile phone is used to access financial services.

### Mobile Money transfer

A movement of value that is made from a mobile wallet, accrues to a mobile wallet, and/or is initiated using a mobile phone.

### Mobile payment

A movement of value that is made from a mobile wallet, accrues to a mobile wallet, and/or is initiated using a mobile phone. Sometimes, the term mobile payment is used to describe only transfers to pay for goods or services, either at the point of sale (retail) or remotely (bill payments).

### Mobile wallet

An account that is primarily accessed using a mobile phone.

### Over-The-Air (OTA) registration

A term used to describe creating a mobile money account for a customer via the mobile network and without the need to update any physical hardware in the phone.

### P2P

Person to person.

### P2B

Person to business.

### Point of Sale (POS)

A retail location where payments are made for goods or services.

### Platform

The hardware and software that enables the provision of a mobile money service.

### Regulator

In the context of mobile money, this typically refers to the regulator who has supervisory authority over financial institutions within a particular country—usually the central bank or other financial authority.

### Savings

Traditionally, the storage of a customer’s money by a bank within an interest-bearing account. It is sometimes used more loosely to describe any store of money, such as the balance of electronic money within a mobile wallet.

### Superagent

A business, sometimes a bank, which purchases electronic money from an MNO wholesale and then resells it to agents, who in turn sell it to users.

### Unbanked

Customers, usually the very poor, who do not have a bank account or a transaction account at a formal financial institution.

### Underbanked

Customers who may have access to a basic transaction account offered by a formal financial institution, but still have financial needs that are unmet or not appropriately met. For example, they may not be able to send money safely or affordably.





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