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Hand Held Wealth?: A Case of Tigo Money in Bolivia



Advertisement for Tigo Money on the side of a Bolivian bus (Photo by the authors)

By IMTFI Researchers [Maria Isabel Balderrama](#) and [Oscar Rocabado](#)

For this research project, we chose to focus on the acceptance of the mobile money service "Tigo Money" by the rural population of Bolivia and the effects of this new technology on the development of rural areas. 40% of the Bolivian rural population lives in extreme poverty on less than US\$1.25 per day. However, despite the country's poor infrastructure and dispersed population, an estimated 98% of Bolivians have access to mobile technology. It may be for this reason that, in January of 2013, Tigo--a brand of the international telecommunications and media company Millicom--launched its nationwide mobile money platform Tigo Money in order to allow for further "financial inclusion that will allow overcoming of barriers and distance between people, especially among rural populations."

Our research area consists of two municipalities--Urmiri and Chayanta--located in the northern area of Potosi, one of Bolivia's nine departments. The municipalities chosen have two of the highest indices of poverty in all of Bolivia and most of their economic activity is derived from subsistence agriculture and/or livestock. These two municipalities are also fairly difficult to access: The inhabitants of Urmiri must travel one hour and forty-five minutes by bus through very rough terrain to reach Potosi, the nearest urban center, while the inhabitants of Chayanta are thirty minutes away by bus from Llallagua, a medium-sized mining town. We were able to gather information from these two communities regarding their use of Tigo Money through participant observation and by conducting over 500 surveys and 69 interviews with its inhabitants over a period of four weeks. We also spoke to Tigo Money Service Point attendants and professional experts in the areas of communication and technology in Bolivia.

Tigo Money: How does it work?

What makes Tigo Money appealing to the Bolivian rural population is that its users do not have to be formally affiliated or fill out any paperwork, something that requires a great deal of time and effort. Tigo Money only requires its clients to present their national identification cards and visit one of Tigo Money's 1,174 service points, 39% of which are located in rural areas throughout the country.

Our results show that 20% of respondents in the research areas (24% in Urmiri and 17% in Chayanta, respectively) utilize Tigo Money to receive money. There was only one recorded case of a user utilizing Tigo Money to both send and receive, but all of the other respondents in our study reported having never used the service to send money to anyone, anywhere in Bolivia. Of these, 100% use the service to receive money.

However, Bolivian Tigo Money users face a big hurdle in that Tigo's mobile service

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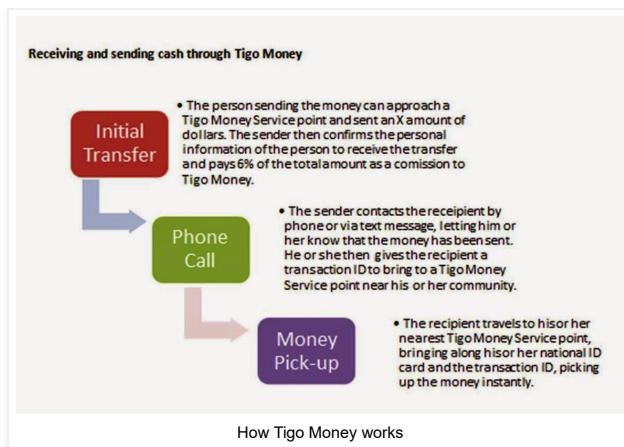


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coverage does not reach the most rural areas of Bolivia, including Urmiri and Chayanta. The government-owned

telecommunications company ENTEL, on the other hand, is mandated by General Law 164 (2011) to provide coverage to all areas of Bolivia, both urban and rural. The cost of a phone call via ENTEL is US\$0.17 per minute and the cost of a text message is US\$0.02. For this reason, the Tigo Money users in our study almost always utilize ENTEL as a carrier when engaging in Tigo Money transactions rather than Tigo's own mobile service. Family members located in the urban centers of Bolivia let their relatives in Urmiri and Chayanta know about the money transaction through a phone call or a text message sent to their ENTEL cell phones, and then the recipient travels to his or her nearest Tigo Money point and picks up the money.

As a result, Tigo describes Tigo Money as “a mobile payment system that allows [customers] to transfer money in a simple and secure way through a mobile wallet that is activated through a cell phone.” It is via this mobile wallet that users may transfer mobile money to other mobile wallets and then convert the electronic money into physical and legal tender, but in reality, users in rural areas see Tigo Money as mobile money service used primarily for receiving informal cash transfers.

Women and Migration

We found that most of the recipients of payments using Tigo Money are women. Why? The data show that there is a relationship between Tigo Money, migration, and care networks. In fact, we found that there were very few women between the ages of 30 and 39 living in the research area, primarily due to the internal migration flows from rural to urban centers. If these female migrants to urban centers are the ones to send money, who receives it? Based on interviews and observations, we concluded that the recipients of this money are mainly women older than 39, namely grandmothers left caring for the children of migrant parents.



Women in rural Potosi (Photo by the authors)

How have mobile money flows improved the lives of the people of Northern Potosi? In a number of ways:

- 1) *An improvement in the eating habits* of the recipient households through the diversification of their daily diet related to having more income to spend on food other than the few staple foods locally available and grown.
- 2) *An improvement in education.* A significant number of interviewees pointed out that they use the money received through Tigo Money to pay for college. Others also pointed out that they are saving the money to send their children to school.
- 3) *Increased short and long term investing.* In the short term, commercial activities such as purchasing and reselling canned goods, pasta, flour, sugar, and others have been incorporated into the economic activities of the communities' inhabitants. In the long term, the purchase of agricultural technology such as sprinkler systems and greenhouses aims to improve agricultural productivity and set a goal beyond subsistence farming.

28 of the 68 Tigo Money users whom we interviewed for this study indicated that their spending habits improved since they began using Tigo Money:

"Now, with the money my father sends we buy things for the family" (Female, 18)

"I can spend in studies for my children thanks to the money I receive" (Male, 35)

And 23 indicated that they felt that their saving habits improved:

"I now save for when something really bad happens" (Female, 49)

"I save more money for when I go to Potosi [City]" (Male, 35)

Tigo Money vs. Financial Funds and Banks

87% of all Tigo Money users surveyed thought that Tigo Money's fees were too high, with one respondent even suggesting that "the government should provide this service for free." So now we must ask the question: Why Tigo Money and not formal banking? The research suggests that it might have to do with rural inhabitants' overall distrust of formal banking coupled with the lack of familiarity with new financial rules and regulations. Tigo Money launched a very aggressive marketing campaign that has reached, with its flyers and advertising posters, even the most remote communities of the Altiplano region, something that traditional banks have failed to do.

While we were in the midst of doing our research, Law 393: Financial Services Law was put into effect in 2014. The law specifies that formal banking institutions must make all of their services universally acceptable. Consequently, banks must now be free for customers to use without incurring any additional maintenance fees. Although clients need a minimum of US\$8 to open an account with PRODEM--the bank with the most presence in rural areas--no minimum balance is needed to maintain an account. These changes mean that PRODEM, and similar formal banking entities, are just as convenient, if not better and perhaps cheaper than Tigo Money, as Tigo Money requires users to pay a fee for each transaction. It will be interesting to see how this new law affects the mobile money landscape in Bolivia in the years to come.

Read more in Balderrama and Rocabado's [Final Report](#)

Posted by TSF at 7:55 AM



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