

*Workshop Internacional “Tecnologias Móveis: seu papel na Promoção do Desenvolvimento Social
São Paulo, 2-3 de junho de 2008*

DOCUMENTO DE INTERESSE 2

Submetido pelo DIRSI – Diálogo Regional sobre Sociedad de la Información

Mobile Opportunities: Poverty and Mobile Telephony in
Latin America and the Caribbean

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Access to telephony for low-income groups is largely based on different strategies of mobile telephony usage. The main goal of this research project is to explore the strategies employed by the poor in Latin America and the Caribbean to access and use mobile telephony services, as well as to identify the major market and regulatory barriers for increased penetration and usage. More generally, it seeks to contribute to the discussion on how access to mobile telephony contributes to improving the livelihoods of the poor –what we call *mobile opportunities*.

Our results show that mobile telephony is highly valued by the poor as a tool for strengthening social ties and for increased personal security, and that it is beginning to prove useful for enhancing business and employment opportunities. Overall, the survey results suggest that the acquisition of mobile phones by the poor has an economic impact reflected mainly in improved social capital variables such as the strengthening of trust networks and better coordination of informal job markets.

Given their limited access to traditional fixed telephony, the poor attribute a significant improvement in quality of life to mobile access. Demand for mobile services at the bottom of the income pyramid appears to be rather inelastic with respect to tariff variations. The significant level of expenditure on mobile handsets and services found among these low-income populations is also consistent with the numerous benefits perceived by users. Nonetheless, there are still barriers that discourage the poor from acquiring mobile phones.

In countries like Mexico, Brazil and Peru, a majority of the poor still cannot afford a mobile phone, although many rely on informal resellers and family or friends to make or receive calls. Those who can afford their own mobile phone make little use of voice and other services, tightly controlling their expenditure and frequently relying on public payphones for outgoing calls.

These findings reveal the continued need to develop innovative business models that extend the market frontier for mobile telephony. They also highlight the urgent need to rethink public policies that are premised on the mobile phone as a luxury good. For the poor, mobile telephony has long been the most cost-effective and accessible alternative.

Since affordability is the most significant barrier to extending the reach of mobile services, as well as the range of services offered to the poor, priority should be placed on policies aimed at reducing tariffs. Enhancing competition through increased spectrum allocation, reducing taxation levels, and implementing number portability are among the initiatives worth considering. Tariff reductions need not penalize operators. Our results show ample room for win-win initiatives that increase overall traffic and create new commercial opportunities for operators and third-party service providers, ranging from simple information to more complex transaction services.

Along these lines, our results also reveal that users are rarely taking full advantage of the services offered by the mobile platform. Text messaging is the only service beyond voice that is rapidly being adopted. Many of the applications that could most benefit the poor, such as m-banking and m-government, are still in their infancy in the region.

Taking advantage of the poverty-reduction opportunities created by the widespread adoption of mobile phones among the poor will require a concerted effort between market actors and governments. As users advance along the technological learning curve, and handset prices continue to drop, these mobile opportunities should continue to increase.