

First Place

case 1-429-424
April 3, 2015

MPESO: Democratizing Financial Services in Nicaragua

Introduction

As Haroldo Montealegre waited at the last intersection on his way to the office, multiple buses, each with the words “Solo Tarjeta” (“Card Only”) visible in the front window, crossed in front of him, transporting his fellow Managuan residents. Montealegre continued toward his office, smiling as he thought about how much the bus system in Nicaragua had changed in the past year. He remembered the sleepless nights he spent wondering how long it would take for the bus cooperatives to accept his proposal to automate the bus fare collection system while his company bled funds. Institutional change is never easy, especially in a developing economy like Nicaragua, but Montealegre now slept easier knowing that MPESO was covering costs and witnessing steady growth in its user base and daily transaction numbers. Just three years ago, Montealegre never would have thought that his vision for bringing mobile money to Nicaragua would rely on a partnership involving most buses in Managua, nor could he have imagined how crucial this partnership would be. Looking back now, he realized he could not have reached a critical mass of over 700,000 users in any other way — without the bus partnership, his company surely would have failed.

Montealegre was the founder and CEO of MPESO, a mobile money social enterprise based in Managua, the capital and largest city in the Central American nation of Nicaragua. In Nicaragua, a majority of the population lacked access to traditional banking services. Through MPESO, Montealegre saw an opportunity to replicate in Nicaragua the success that mobile money had experienced in Africa, both as a social innovation to improve the lives of his fellow citizens and a vehicle to earn financial returns in a space where he would operate as a first mover.

In Montealegre’s view, physical money posed several inherent problems, including sanitary and personal safety concerns. It also placed a high burden on poor individuals to keep meticulous track of the little money they did have. MPESO thus aimed to revolutionize life at the Base of the Pyramid (BoP) — a diverse group encompassing 3 billion people spending less than \$3 a day, and up to 1.5 billion additional people spending up to three



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