ACKNOWLEDGMENTS

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CONCLUSION
1 Introduction

In 2014, the National Financial Inclusion Framework (NFIF) set the stage for a national financial inclusion vision with goals for concrete improvements in the lives of all Tanzanians through improved access and use of financial services. The framework galvanized all relevant stakeholders in financial services under one common vision of success and provided strategic direction for all initiatives for financial inclusion in the country.

The NFIF is a Public Private Partnership (PPP) that used FinScope Tanzania 2013, a nationally and regionally-representative demand-side survey, to obtain baseline values and set targets for the future of Tanzania's financial inclusion agenda. Using the survey’s data, key players in financial services set objectives for growth in financial inclusion and implemented innovative policy, product and service development strategies.

In order to assess the development of the market, the Financial Sector Deepening Trust (FSDT), in partnership with the Bank of Tanzania (BoT), Ministry of Finance and Planning (MoF), the National Bureau of Statistics (NBS), Office of Chief Government Statistician Zanzibar (OCGS), financial services providers and other private sector players and non-governmental organisations, engaged in the rigorous design, data collection, and analysis of FinScope Tanzania 2017.

FinScope Tanzania presents a comprehensive understanding of the financial services landscape across the country, a measure for demand and usage of financial services by population segments and insights into the barriers to financial inclusion.

The survey has five main objectives:

- To understand the behaviour (cash flow management, investing, saving etc.) and define the financial service needs of consumers (individuals, farmers, business owners)
- To establish credible benchmarks and measure the effectiveness of financial inclusion
- To provide insights into policy, regulatory and market obstacles to access and usage of financial services
- To provide insights which will feed into innovation within the financial and real sectors
- To highlight opportunities for policy review needed to drive financial sector development

FinScope Tanzania 2017 is the fourth wave in the FinScope Tanzania series with previous waves in 2006, 2009 and 2013. FinScope Tanzania reports have been made available on the key partners’ websites (MoF, BoT, NBS and FSDT). FinScope Tanzania surveys are implemented under the guidance of a steering committee which consists of core implementation partners, financial sector regulators, financial institutions, researchers and academics as well as economic sector stakeholders, whose mandate and operations impact on financial sector development in Tanzania.
IRINGA REGION– PROFILED

Iringa’s elevation ranges from 900m to 2,300m above sea level. Surrounding the region on all sides is a major scarp of up to 800m high which is the eastern part of the Great Rift Valley. As such Iringa is located in the southern Highlands of Tanzania bordering Mbeya, Njombe, Morogoro, Dodoma and Singida regions.

Iringa is rich in water sources such as the Mtera Dam, as well as the Little and Greater Ruaha Rivers. Its climate is mild with average temperatures of 10 degrees Celsius in May/June and up to 25 degrees Celsius during October. Rainfall ranges from 500mm to 1,600mm per annum.

Due to its red-brown loams, Iringa has very arable land in the lowlands and intermediate clay soils, which are characterized by being moderately drained and leached, are found in the midlands.

Due to its geographical positioning as well its fertile lands, Iringa is one of the regions contributing to the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). Within the corridor, being characterized as the food basket of Tanzania, it is not surprising to see that agriculture contributes 85% towards the regional GDP (2013), with food crop exports the lion share of the contribution.

Overall Iringa’s GDP, similar to its neighbouring SAGCOT regions Mbeya and Morogoro, has grown steadily from 2,310,923 million TZS in 2010 to 5,099,161 million TZS in 2016.

Since the regional and district reform in March 2012, during which the region of Njombe was established from previous Iringa Region areas, Iringa compromises of 5 districts with a total population of 996,105, as per the 2017 population projection.

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iringa DC</td>
<td>268,840</td>
</tr>
<tr>
<td>Iringa MC</td>
<td>160,167</td>
</tr>
<tr>
<td>Mufindi DC</td>
<td>260,435</td>
</tr>
<tr>
<td>Mufindi MC</td>
<td>75,817</td>
</tr>
<tr>
<td>Kilolo DC</td>
<td>230,845</td>
</tr>
</tbody>
</table>

Iringa DC
Iringa MC
Mufindi DC
Mufindi MC
Kilolo DC

Regional GDP at Current Market Prices, 2010 – 2016 (in million Tsh)

Sources:
National Accounts of Tanzania Mainland 2007 – 2016 (NBS):
Iringa Region Socio-economic Profile, 2013 (NBS):
2 Methodology
The FinScope Tanzania 2017 survey is representative of individuals aged 16 years or older, living in Tanzania. According to the National Bureau of Statistics (www.nbs.go.tz), the size of the Tanzanian adult population (16 years and above) is currently estimated at 27,864,302 (54%) people out of the 51,598,357 projected total population. This survey considers an adult to be any Tanzanian who is 16 years or older at the time when the survey was implemented. FinScope Tanzania 2017 mapped all financial service access points found in all the EAs (Enumeration Areas) in urban areas and within a radius of 5 kilometres (km) in rural areas. The purpose was to complement the quality of information generated by FinScope Tanzania.

2A SAMPLING DESIGN

A multi-stage stratified sampling approach was used to achieve a representative sample of individuals aged 16 years and older. The sample frame was based on the 2012 Tanzania Population and Housing Census. The various stages of the selection of the sample are discussed below.

The goal of the sampling was to give every Tanzanian who is 16 years or older an equal and known chance of selection for interview purposes. This objective was reached by (a) strictly applying random selections at every stage of sampling and (b) applying sampling with probability proportionate to population size (PPS) at the Enumeration Area (EA) sampling stage.

The survey excluded anyone who was not 16 years or older on the day of the survey. The FinScope Tanzania approach selected this minimum age because it is considered the age at which people start engaging in income-generating activities. The approach adopted that of NBS, to exclude households or individuals residing in institutionalised settings, such as students in dormitories and persons in prisons, army barracks or nursing homes.

FinScope Tanzania 2017 survey sampling was conducted in three stages:

- in the first stage EAs were sampled randomly from specified strata using a PPS approach, a sampling method which takes into account differences in sample sizes across the strata and helps to avoid underrepresentation of one subgroup in a study and hence yields more accurate results;
- in the second stage households were sampled randomly from a list of all the households in a sampled EA;
- and in the third stage one adult household member (i.e. the intended respondent) was selected at random from the adult household roster.

As was the case with previous FinScope Tanzania surveys, the sampling design was done by NBS in consultation with the Technical Committee.

Unlike previous FinScope Tanzania surveys, this wave did not provide for a replacement strategy of households or individuals who were unable to participate in the survey. The main reasons for non-participation were language barriers and travel.

Results from the survey can be disaggregated by main economic activity (here defined by the main source of income, such as farming and/or small business activities) as well demographics (e.g. gender, age), location (rural or urban) and the socio-economic status of adults. The scope for FinScope Tanzania 2017 has been expanded to allow results to be representative at regional and district levels. Such was done for the regions of Mtwara, Singida, Mwanza, Iringa and Rukwa. The rational for selecting these regions in particular is as outlined below:

- **Singida** – the region with the highest level of financial exclusion as reported in FinScope Tanzania 2013
- **Mtwara** – a gas-rich and cashew-nut-cash-crop-farming region, which has experienced vast infrastructural and economic investments in recent years, but also a region with very high financial exclusion
- **Iringa** – an agriculture-dominated region in the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) with the emphasis on smallholder farmers’ potential in value chains
- **Rukwa** – the region with the lowest formal financial inclusion reported in FinScope Tanzania 2013
- **Mwanza** – a region with unique positioning as the business hub of the Lake Zone. The main interest here is to have a detailed analysis on enterprise developments

To achieve this aim, in the five selected regions respondents were over-sampled within all districts. The inclusion of all districts is due to the peculiarity of each district as far as economic activities and financial access are concerned.
**2B KEY SAMPLING STATISTICS**

Targeted EAs: 66 Enumeration Areas, 10 Interviews per EA
Achieved EAs: 66 EAs
Targeted Sample: 660 Respondents
Margin of error: Maximum 5%
Confidence Interval: 95%
Data collection period: April to July 2017

**WEIGHTED DATA REPRESENTS**

Iringa population (+16) 2017: 582,023
2013: 517,519

---

3 Margin of error. Depends on the level of disaggregation of data and hence the sample utilised within a certain question. The margin of error is usually defined as the “radius” (or half the width) of a confidence interval for a particular statistic from a survey. In other words, the “true” population value may vary not more than this percentage.

4 Confidence Interval. A 95% confidence interval has a 0.95 probability of containing the population mean. 95% of the population distribution is contained in the confidence interval.
3A: DEMOGRAPHICS

This section of the report describes the characteristics of the respondents interviewed for FinScope Tanzania 2017. This demographic analysis presents differences in residence, age, education attainment, main economic activities and income distribution among social groups.

The demographic characteristics of the sample presented in the report are based on 2017 population projection weights provided and approved by the National Bureau of Statistics.

SURVEY DEMOGRAPHICS

Proportionate to the population distribution, results presented in Charts 1 and 2 indicate that the majority (64%) of the population in the Iringa region resides in rural areas. Of the five districts in the Iringa region, Iringa Manispaa and Mafinga Mji are typically urban, while Iringa Wilaya and Kilolo are predominantly rural. In terms of gender split, the Iringa region as an almost fifty-fifty male-female ratio.

The survey revealed that age group 25 to 64 years comprise the majority (72%) of the adult population in the Iringa region. Only 19% are below 24 years and 9% are over 65 years. These results indicate that the majority of Iringa residents are within economic active age groups.

**FACT 1**

Almost 
7 in 10 Iringa residents 
are within economic active age groups

---

**Chart 1: Urban Rural Split**

National 66% 34%
Iringa Region 64% 36%
Mufindi 94% 6%
Kilolo 94% 6%
Iringa Wilaya 100% 0%
Mafinga Mji 100% 0%
Iringa Manispaa 100% 0%

**Chart 2: Gender Split**

National 49% 51%
Iringa Region 51% 49%
Mufindi 52% 48%
Kilolo 45% 55%
Iringa Wilaya 43% 57%
Mafinga Mji 43% 57%
Iringa Manispaa 47% 53%

Source: FinScope Tanzania 2017 April-July
Agriculture and fishing are the major source of income for the majority (40%) of Iringa residents, followed by casual and piece work (21%). Other dominant income-generating activities include trade of non-agricultural products (11%), salaries (6%), service provision (4%) and trade of agricultural products (3%). The dominance of agriculture and fishing is due to geographic factors and positioning of the region. Iringa has favourable geographic and climatic conditions for a range of food and cash crops including maize grain, beans and potatoes (food and cash crop), tobacco, tea, pyrethrum and coffee (cash crop), vegetables and sunflowers (cash crop), and lumber (cash crop). Iringa is one of the leading grain-producing regions of Tanzania, named “the big five”. The region receives support from the SAGCOT initiative and is considered one of the more progressive regions in terms of agriculture production.

The majority of the adult population in the Iringa region (85%) have formal education which is the same as the national average (Chart 4). However, no increase in formal education was achieved in comparison to the year 2013 despite the target of the MKUKUTA II programme of 100% formal education attainment. Primary education is the highest attainment for the majority (63%) of the population followed by secondary (14%) and tertiary education (7%). Overall Iringa has higher levels of tertiary education attainment compared to the national average. Having Mkwawa University, Ruaha University and the University of Iringa (formally Tumaini) located in Iringa town, the urban area of Iringa Manispaa have a significant number of graduates (18%). High levels of secondary education attainment is in congruence with government policy of secondary education attainment for all pupils. This may be an indicator for a higher likelihood of financial inclusion, as formal education attainment has been seen to correlate with formal financial services uptake.

### Chart 4: Highest Level of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>National</th>
<th>Iringa Region</th>
<th>Iringa Manispaa</th>
<th>Mafinga Mji</th>
<th>Iringa Wilaya</th>
<th>Kilolo</th>
<th>Mufindi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary</td>
<td>64%</td>
<td>65%</td>
<td>64%</td>
<td>64%</td>
<td>66%</td>
<td>67%</td>
<td>66%</td>
</tr>
<tr>
<td>Secondary Completed</td>
<td>15%</td>
<td>14%</td>
<td>15%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Primary Completed</td>
<td>15%</td>
<td>13%</td>
<td>20%</td>
<td>16%</td>
<td>22%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>No formal education</td>
<td>15%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April-July

### Chart 5: Main Income Generating Activity

- **Farmers and Fishers**: 41%
- **Piece work/casual labor**: 19%
- **Dependants**: 10%
- **Business owners**: 4%
- **Formal sector salaried**: 6%
- **Others**: 5%

<table>
<thead>
<tr>
<th>Area</th>
<th>National</th>
<th>Iringa Region</th>
<th>Iringa Manispaa</th>
<th>Mafinga Mji</th>
<th>Iringa Wilaya</th>
<th>Kilolo</th>
<th>Mufindi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers and Fishers</td>
<td>41%</td>
<td>33%</td>
<td>12%</td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Piece work/casual labor</td>
<td>19%</td>
<td>14%</td>
<td>3%</td>
<td>8%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Dependants</td>
<td>10%</td>
<td>2%</td>
<td>8%</td>
<td>12%</td>
<td>8%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Business owners</td>
<td>4%</td>
<td>1%</td>
<td>2%</td>
<td>6%</td>
<td>6%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Formal sector salaried</td>
<td>6%</td>
<td>2%</td>
<td>8%</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
<td>6%</td>
<td>12%</td>
<td>4%</td>
<td>11%</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April-July
In order to offer tailor-made financial services in the Iringa region, it is important to understand the profiles of the individuals. To assess the wealth status, FinScope Tanzania used the Progress out of Poverty Index (PPI). The PPI is a statistically sound, simple, and country-specific calibrated index (based on the 2011/2012 household budget survey). The index uses scores given to answers on 10 questions about a household’s characteristics. With the PPI scores, households can be classified according to different wealth levels.

The PPI scores households into five equal levels as follows:
• First Quintile (0-20)
• Second Quintile (21-40)
• Third Quintile (41-60)
• Fourth Quintile (61-80)
• Fifth Quintile (81-100)

The first and last intervals generated small samples. These have been combined as follows:
• Interval 1 and 2 are combined
• Interval 3 and 4 are combined

However, it is important to note that by dividing the PPI score in five equal levels, the wealth levels shown here provide an indication of relative wealth within the sampled population; while measures of absolute wealth, such as poverty lines, anchor sample populations poverty to a universal standard.

The finding that 65% of the population in the Iringa region is within the “two lowest PPI quintiles” indirectly proxies the proportion of population falling into poverty. Efforts should be geared towards the reduction of basic needs poverty as envisaged in MKUKUTA II.

Generally, there is inequitable distribution of wealth in Iringa. More than two thirds of the Iringa residents fall under the two lowest quintiles, higher than the 58% national average. However, there is a proportionately high incidence of those in the two lowest quintiles observed in the rurally-predominant districts of Iringa Wilaya (87%), Mufindi (81%) and Kilolo (78%), while the incidence is lower in the urban areas of Iringa Manispaa and Mafinga Mji, which each have 31%.

Nonetheless, Iringa residents rank third in the regional GDP per capita assessment with a 2,982.569 Million TZS GDP per capita in 2016, following Dar es Salaam and Mbeya. Furthermore, the 2007/2009 agricultural census indicates that 99% of Iringa residents have 2 to 3 meals a day.

Generally, the crop sub-sector’s performance has been adequate to ensure good food security.

5 NBS, National Sample Census of Agriculture, Iringa Region, 2007/08 and NBS, IRINGA REGION SOCIO-ECONOMIC PRO-FILE, 2013
Enhanced financial inclusion has the potential of reducing poverty by enabling those who are otherwise excluded to engage in various economic activities and hence improve their wealth and escape out of basic needs poverty.

Based on the respondents’ self-reported income, the table below displays monthly income in TZS as well as daily income in USD. While comparing mean income values with median (middle value) income values, it becomes evident that income varies greatly within the quintiles and hence the median value provides a better projection of the reported income level for each of the respective quintiles.

<table>
<thead>
<tr>
<th>PPI Quintiles</th>
<th>Tanzania Shillings per month</th>
<th>US Dollars per day</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Middle Value (Median)</td>
</tr>
<tr>
<td>Two lowest quintiles</td>
<td>538,995</td>
<td>185,000</td>
</tr>
<tr>
<td>Middle quintile</td>
<td>815,294</td>
<td>200,000</td>
</tr>
<tr>
<td>Two highest quintiles</td>
<td>2,226,862</td>
<td>250,000</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April-July

It is interesting that monthly incomes across all PPI categories for the Iringa region are higher than the national average. Though regional PPI levels are lower than national average income, levels are quite high in Iringa, this may be attributed to the fact that the PPI is mainly an asset-based index, not taking into consideration agricultural seasonal value storage.

For an adult in Iringa to be served by financial service providers, certain eligibility criteria need to be met. This section looks at consumers’ literacy and numeracy skills, proximity to financial service providers, assets ownership and Know-Your-Customer (KYC) requirements.

### Language of the Consumer

**Kiswahili**

<table>
<thead>
<tr>
<th>National</th>
<th>Iringa Region</th>
<th>Mufindi</th>
<th>Kilolo</th>
<th>Iringa Wilaya</th>
<th>Mafinga Mji</th>
<th>Iringa Manispaa</th>
</tr>
</thead>
<tbody>
<tr>
<td>72%</td>
<td>83%</td>
<td>98%</td>
<td>97%</td>
<td>76%</td>
<td>76%</td>
<td>74%</td>
</tr>
</tbody>
</table>

**English**

<table>
<thead>
<tr>
<th>National</th>
<th>Iringa Region</th>
<th>Mufindi</th>
<th>Kilolo</th>
<th>Iringa Wilaya</th>
<th>Mafinga Mji</th>
<th>Iringa Manispaa</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>30%</td>
<td>55%</td>
<td>44%</td>
<td>19%</td>
<td>15%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**LITERACY ASSESSMENT BASED ON TEST ADMINISTERED:**

**LITERACY QUESTION 1:** this may sound very basic to you, but this is just a routine question for us and I will appreciate your cooperation. Please read each question on this card out loud to me and write the answer to each (Interviewer Instructions: Use Showcard)

**SENTENCE DISPLAYED:** Unapenda chakula gani? Andika Jibu: _______________

**LITERACY QUESTION 2:** Now let us do the same for English. (Interviewer Instruction: Use Showcard)

**SENTENCE DISPLAYED:** Do you have a dog? Write Answer: _______________

Source: FinScope Tanzania 2017 April-July
In order to serve the majority of the population, financial service providers need to know which language consumers are comfortable with. In line with that, the survey presented the respondents with basic English and Kiswahili questions to read and respond to in writing. Results in Chart 9 reveal that most individuals in Iringa are more literate in Kiswahili (83%) than English (30%). Furthermore, most adults in Iringa are more comfortable with addition than subtraction. Comparatively, except for Kilolo and Mufindi, the rest of districts in the Iringa region have higher literacy than the national average (see Chart 10 below). Generally, there is higher literacy in urban than rural areas, reflecting skewness in provision of education services between rural and urban setting.

**FACT 1**

Adults in Iringa can add, subtract and divide but few can multiply.

**FACT 2**

4 in 10 women own the land they live on.

**NUMERACY ASSESSMENT BASED ON TEST ADMINISTERED:**

**Numeracy Question 1:** A person spent TZS 13,000 to buy food one day but only TZS 8,000 the next day. How much did they spend to buy food over the two days?

**Numeracy Question 2:** A person has TZS 80,000 in cash and spends TZS 13,000 on food and TZS 8,000 on clothing. How much money is remaining?

**Numeracy Question 3:** 20 people each won a prize of TZS 35,000. What was the total amount of money received by the 20 people?

**Numeracy Question 4:** A prize of TZS 180,000 is shared equally between six people. How much will each person receive?

Source: FinScope Tanzania 2017 April-July
When asked if they have documentary proof of land ownership, only 36% of the respondents owned documents. Of those who own documentary proof only 5% of adult land owners in Iringa reported having a title deed. The majority (31%) have a letter from the local government or village head. Nonetheless Mafinga Mji shows extremely high levels of title deed holders, with 4 in 10 land owners possessing a title deed.

Asset ownership is a key to accessing both long and short-term credit from a majority of formal financial service providers like banks. It is interesting that the majority (60%) own the land they live on, either individually (54%) or with someone (6%). Generally, land ownership is higher in Iringa as compared to the national average where only 43% own land they live on.

Qualitative fieldwork revealed that high ownership of land is due to the abundance and affordability of land. Most people get land through inheritance and family allocation. For land that is newly acquired, villages offer letters to the occupants. Furthermore, many people find the procedure for obtaining title deed is more complicated than that of obtaining a village title. This results into low ownership of title deeds. There are more women owners in Iringa (44%) compared to national average (28%). Access for women to productive resources including land enhances their access to formal financial services, as well as participation in economic activities. Higher ownership by women of land in Iringa is in line with MKUKUTA II which focuses on women’s empowerment through access to productive resources including land. Qualitative insights further showed that some formal financial institutions like SACCOs accept other proof of ownership other than title deeds (like offer or letter from local government) as collateral for credits, provided that other members or neighbours can testify ownership.
Ownership of a recognised form of identification is a pre-requisite for all formal financial service providers. FinScope Tanzania sought to identify the form of identification that the majority of respondents possessed, and the results show that majority (90%) have a Voter ID card. Other identifications which they have include National ID card (5%), driver’s licence (6%), Tanzania Social Action Fund (TASAF) ID card (3%) and passport (2%).

Respondents were asked if they themselves owned a phone. Results indicate that the majority of adults in Iringa have access to mobile phones (Chart 14); 65% own a mobile phone, and more either live in households with a mobile phone or have a SIM card which they can use to access mobile services. Groups which are less likely to own a phone or a SIM card include adults from poor households, people living in rural areas, young people and farmers.

A key factor in phone ownership is living in an area with network reception. Mobile phones were used during data collection to assess network receipt in all the enumeration areas visited. 99% of the enumeration areas in Iringa were found to have network reception.
Almost 89% of adults in Iringa live within a 5km radius of a formal financial access point.

**FACT 1**

Iringa residents do not have consistent sources of income

FinScope Tanzania asked respondents how they generate income. About 56% responded that they get income from trading, 22% from piece, casual or occasional jobs, 8% rely on others to give them money, 8% from salaries, 4% from providing services and 1.4% from pensions. About 1% gets money from government grants and transfers including pensions and other sources. The dominance of money trading in Iringa is a result agricultural surplus and other trading activities. The Iringa region is one of the nation’s leading producers of maize grain (staple food), beans, lumber, tobacco, pyrethrum, tea and vegetables. Iringa is active in business due to its strategic positioning which allows producers to access nearby markets including Dar es Salaam (the capital city) as well as for export. The region is also interconnected to other nearby regions such as Dodoma, Morogoro and Mbeya which are other significant markets. Qualitative work revealed the economic importance of the Tanzania-Zambia (TANZAM) highway which enables farmers to transport produce easily to the markets. As a result of the good infrastructure which links rural areas to the main markets and export, farmers grow even high perishable products like vegetables (including green beans and green peas) as well as avocados for export.

These findings indicate that the majority of residents in Iringa have non-constant sources of incomes Results in Figure 15 indicate that a significant number of people (22%) have casual jobs. This is largely a result of the wood/timbers industry where large forest farms and factories like Sao Hill and Mufindi Paper Mills offer casual jobs opportunities to the surrounding communities. More individuals are also employed in various operations along
As the region is agricultural-based, more stability and enhancement of incomes is possible through the establishment of businesses and processing facilities for value addition of agricultural produce. Financial inclusion has a role to play in ensuring this. MKUKUTA II focuses on enhanced financial access for the establishment of businesses and the stabilization of incomes alongside the nation’s industrialization strategy by taking advantage of this diversified agricultural sector.

**Chart 15: How is personal revenue generated and how frequently is money received from these sources of income?**

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Frequency of Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money from trading (incl. farmers)</td>
<td>Seasonally 59%</td>
</tr>
<tr>
<td>Place work/Casual labour/Occasional jobs</td>
<td>Daily/Weekly or Seasonally 34%</td>
</tr>
<tr>
<td>Salaries/wages</td>
<td>Monthly 7%</td>
</tr>
<tr>
<td>Money from providing a service</td>
<td>Daily or Weekly 0%</td>
</tr>
<tr>
<td>Rely on others to give/send money</td>
<td>Occasionally 17%</td>
</tr>
<tr>
<td>Don’t get money - someone else pays expenses</td>
<td>Occasionally 7%</td>
</tr>
<tr>
<td>Other</td>
<td>Occasionally 4%</td>
</tr>
</tbody>
</table>

*Orange boxes show frequency of receipt of income

Source: FinScope Tanzania 2017 April-July
FACT 2

Building construction expenses are regarded as a priority expense

The survey sought to elicit adults’ priority expenses, excluding food and clothes. Results in Chart 16 indicate that medical expenses (11%) and school fees (11%) are top priorities expenses, followed by building construction (8%) and rents (8%).

Although construction comes third in expenditure priorities, the majority (38%) of respondents showed aspiration to construct a house once they can afford to (see Chart 17). These findings indicate a potential market for formal financial services such as health insurance. Qualitative insights showed that many individuals are concerned with their ability to meet unexpected health expenses and are increasingly taking up health insurance services through the Community Health Fund (CHF) and National Health Insurance Fund (NHIF), although the majority still do not currently use health insurance. Further qualitative interviews revealed that higher usage of CHF and NHIF health insurance schemes is due to the promotion of the services through community development offices as well as Savings and Credit Cooperative Organizations (SACCOs) and Agricultural Marketing Cooperative Societies (AMCOs) which encourage their members to join health insurance schemes. Also, for civil servants, membership to NHIF is mandatory. More promotion of the service and an improvement in services is likely to enhance future uptake.

Chart 16: Priority Expenses in the Region

<table>
<thead>
<tr>
<th>Expense</th>
<th>National</th>
<th>Iringa Region</th>
<th>Malinga Mji</th>
<th>Iringa Wilaya</th>
<th>Kilolo</th>
<th>Mufindi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Expenses</td>
<td>11%</td>
<td>14%</td>
<td>6%</td>
<td>5%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Rent</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
<td>8%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Utility Bills</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
<td>2%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Transport/fuel for transport</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>School/tuition fees</td>
<td>17%</td>
<td>11%</td>
<td>10%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Fuel for the household</td>
<td>14%</td>
<td>12%</td>
<td>8%</td>
<td>12%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Save / Savings Contribution</td>
<td>8%</td>
<td>4%</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>25%</td>
<td>29%</td>
<td>22%</td>
<td>22%</td>
<td>18%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April-July

Chart 17: Aspirations for Future Expenses

- House
- Land/farm
- Business
- Car/other vehicle

Source: FinScope Tanzania 2017 April-July
**FACT 3**

4 in 10 adults in Iringa struggle with keeping up with both regular and unexpected expenses

FinScope Tanzania asked respondents whether they struggle to meet regular, as well as unexpected, expenses. The results in Chart 18 shows that they struggle with both. Comparatively, among the Iringa districts, Mafinga Mji has the lowest proportion (17%) of those who struggle with regular and unexpected expenses. This finding suggests that residents of Mafinga Mji district have more stable sources of income than the rest of districts.

**FACT 4**

Almost 7 in 10 Adults in Iringa cut down on expenses when they are about to run out of money

Respondents were asked about coping strategies when they start running out of money. Results in Chart 19 indicate that the majority (67%) cut down expenses to cope with the situation. Other strategies include use of savings (12%), asking family or friends to assist (5%), borrowing money (4%) and cutting down on meals (3%). Almost one third of adults will borrow money from family or friends when something unexpected happens. Other means include use of savings (28%), selling crops (19%) and 11% will do casual work (see Chart 20 below).

These means of dealing with unexpected expenses are however not sustainable; for instance, in the event one falls sick and cannot engage in casual jobs, or a case of an unfavourable crop season. More sustainable solutions such as more investments in business and other productive activities appear crucially important to enable them...
to generate sustainable incomes and accumulate assets for dealing with unexpected expenses. Provision and access to financial services like banks, SACCOs and Microfinance Institution (MFI) credits is important for them in realizing such investments.

FACT 5

Almost 6 in 10 Adults in Iringa know how much they spent in the previous week.

FinScope Tanzania asked respondents implicitly about their financial behaviour. Results indicate that most of the adults in Iringa have good financial behaviour; 77% of adults claim to keep track of what they receive and spend, 58% know how much they spent in the previous week and 74% claim to adjust expenses according to money they have. Only 16% spend more money than they have available.
Almost 9 in 10 adult Iringa residents aged 55 and below have retirement plans

Almost 90% of respondents aged 55 and younger reported having retirement plans, significantly higher than the national average of 24%. However, only 2.6% plans to use pension. The majority anticipates depending on farming (27%) and own business (24%). Interestingly only 5% stated that they would rely on their children to take care of them, lower than the national average of 18%. Though these findings indicate that Iringa residents have considered their future economic activities, the proposed retirement strategies do not provide a valid option in the case where they would be unable to work and contribute at old age.

Uptake of mobile money has grown 19% points since 2013

FinScope Tanzania tracks progress in uptake and usage of financial services. This section looks at the range of financial services, their uptake drivers, uptake trends as well as access by adults in Iringa region.
FinScope Tanzania 2017 results in Chart 23 show that financial services uptake among adults in Iringa is higher than the national average across almost the whole range of services. Mobile money leads in uptake by 73% followed by banks at 27%, insurance at 25%, pensions at 8%, then MFIs and SACCOs. However, MFI and SACCO uptake are the same as the national average. Increased take-up of financial services in Iringa is as a result of, among other reasons, digital financial services which correlates with mobile phone ownership. For instance, some commercial banks have SIM banking and applications which enable customers to deposit and transfer money thus increasing convenience and usage of bank services. Comparatively, within the Iringa region, Mafinga Mji district leads in terms of financial service uptake across the whole range of services, except for MFIs, for which Iringa Manispaa leads. High usage of bank services in Iringa can be explained by the diversity of commercial bank services – currently there are ten commercial bank branches including one community bank: Barclays, NBC, EXIM, CRDB, Postal Bank, Diamond Trust, NMB, Finca, Access Bank, and community banks like MUCOBA Bank. Qualitative interviews with banks and the community revealed that there is expansion in products including linkage with mobile money which enables transfer and deposit of funds through mobile phones. Furthermore, increased usage is driven by expanding government services that can be paid through banks and mobile money, including payments of utilities like water and electricity, as well as different government taxes, fees, charges, fines, etc.

Furthermore, qualitative interviews reveal that commercial banks are applying innovative ideas in solving the challenge of the risk of lending to SACCOs. Instead of requiring tangible collaterals from SACCOs, the SACCO is required to operate an account from the commercial bank and use members’ deposits as collateral. The SACCOs impose a ceiling of borrowing to its members based on their deposits.

INTEGRATION OF SERVICES: A NOVEL IDEA FOR FINANCIAL INCLUSION IN ISOLATED AREAS

The Mufindi Paper Mill Ltd is located nearly 90 kms into forest plantations. Access to the area is through mouram road and there is no nearby commercial bank. The company employs more than 1,300 workers during peak operations. These workers are paid their wages and salaries through bank accounts, though there is no nearby commercial bank. But there is a SACCO close to the factory which integrated its services and acts as an agent of commercial banks through point-of-sale (POS) applications. This novel idea solves the workers’ and nearby community’s problems of transacting with commercial banks. This same idea can be emulated by other SACCOs which serve members from areas with access challenges.

Generally, mobile financial services are a major driver of increased financial service uptake in the Iringa region. Mobile money service uptake increased by 19% points between 2013 and 2017, from 52% to 73% respectively. Insurance services are another driver of increased uptake. Insurance service uptake increased by 9% points between 2013 and 2017, from 16% to 25%. There is also a slight increase in bank service uptake by 2% and MFIs by 3%. The observed slight increment in bank service uptake can be attributed to the collaboration between banks and mobile money providers in introducing digital credit models in the market. It is, however, important to note that the uptake of SACCOs did not show a significant change (Chart 24), which is contrary to growth and poverty reduction strategies in Tanzania, MKUKUTA II, which focuses on motivation and mobilization of MFIs and SACCOs to lend to farmers for buying agro inputs to improve farm productivity, increase incomes and reduce poverty.
Usage of informal mechanisms, except for shop and supply chain credit, in the Iringa region is higher than the national average. More usage of informal financial services is through savings groups (25%) higher than the 16% national average. Usage of supply chain or shop credit in Iringa is slightly lower (9%) than the national average (10%) (Chart 26). Qualitative interviews revealed that some input suppliers and large crop processors and exporters who have farming contracts with small farmers, give input credits to small farmers. There is growth in uptake across all informal financial services between 2013 and 2017; the lead in terms of growth is informal money lenders which grew by 7% points, followed by supply chain or shop credit which grew by 6% and savings groups by 4% (Chart 26). These results are also a reflection of financial service uptake overlaps (Chart 26).

**ENHANCED FINANCIAL INCLUSION THROUGH PUBLIC-PRIVATE-PARTNERSHIP**

SAGCOT, a public private partnership, supports its partners in developing inclusive value chains. SAGCOT, through its Catalytic Trust Fund (CTF), provides financial support for agribusinesses that engage smallholder farmers in their business models. One such agribusiness is GBRI Business Solutions Ltd, which is supported by SAGCOT through grants, which it used to support input credit to farmers under contract farming. The company provide inputs credits to groups of young individuals in the villages. These groups sell crops, mainly vegetables (green beans and green peas) to GBRI which transport the produce to the packing house in Iringa town and then package and export to Europe (UK). This way the partnership enhances access to finance and markets, thus creating employment and incomes for young individuals in rural areas.
Chart 27: Overlaps in financial service/product uptake (Numbers displayed are in thousands) Base: = Iringa Region Only

- **Bank**: 1.4
- **Non-bank formal**: 75.6
- **Informal mechanism**: 32.2

Source: FinScope Tanzania 2017 April – July

Chart 28: Number of people taking up different financial services Numbers displayed are in millions (Iringa only)

- Population 16+: 1.4
- Have/use Bank Services: 0.26
- Individuals with Mobile Money services: 0.0089
- Insurance: 0.08
- Pension: 0.05
- MFIs: 0.03
- SACCOs: 0.01

Source: FinScope Tanzania 2013, 2017

Chart 28 overleaf shows that between 2013 and 2017, the total number of adults using financial services has grown by 11%, while those that take up banking and mobile financial services has grown by 23% and 57% respectively and the number of those taking up insurance increased by 77%. Usage of MFIs has more than doubled, while those taking up SACCO services decreased by 53%.

Chart 29: Uptake of financial services

- National:
  - Have or use bank services: 16.7%
  - Don’t have or use bank services but have / use other formal services: 48.6%
  - Don’t have / use formal services but use informal services: 6.7%
  - Financially excluded: 28.0%

- Iringa:
  - Have or use bank services: 27.2%
  - Don’t have or use bank services but have / use other formal services: 50.7%
  - Don’t have / use formal services but use informal services: 5.5%
  - Financially excluded: 16.6%

Source: FinScope Tanzania 2017 April – July

Chart 30: Level of financial inclusion Base: = Iringa Region Only

- National:
  - Have or use bank services: 16.7%
  - Don’t have or use bank services but have / use other formal services: 48.6%
  - Don’t have / use formal services but use informal services: 6.7%
  - Financially excluded: 28.0%

- Iringa:
  - Have or use bank services: 27.2%
  - Don’t have or use bank services but have / use other formal services: 50.7%
  - Don’t have / use formal services but use informal services: 5.5%
  - Financially excluded: 16.6%

Source: FinScope Tanzania 2017 April – July
Chart 31: **Uptake of financial service in Iringa region – demographic**

<table>
<thead>
<tr>
<th>Setting</th>
<th>Banked</th>
<th>Non-bank formal services</th>
<th>Informal services</th>
<th>Financially excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>48%</td>
<td>43%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>16%</td>
<td>55%</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>33%</td>
<td>45%</td>
<td>4%</td>
<td>19%</td>
</tr>
<tr>
<td>Female</td>
<td>21%</td>
<td>57%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 – 24 years</td>
<td>21%</td>
<td>55%</td>
<td>3%</td>
<td>21%</td>
</tr>
<tr>
<td>25 – 34 years</td>
<td>29%</td>
<td>53%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>35 – 44 years</td>
<td>36%</td>
<td>52%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>45 – 54 years</td>
<td>28%</td>
<td>49%</td>
<td>6%</td>
<td>18%</td>
</tr>
<tr>
<td>55 years and above</td>
<td>21%</td>
<td>43%</td>
<td>8%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Source:** FinScope Tanzania 2017 April-July

Chart 32: **Level of financial inclusion**

<table>
<thead>
<tr>
<th>Region</th>
<th>Have / Use bank services</th>
<th>Have / Use other formal services</th>
<th>Have / Use informal services only</th>
<th>Financially excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar es Salaam</td>
<td>40%</td>
<td>51%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Kilimanjaro</td>
<td>24%</td>
<td>65%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Iringa</td>
<td>27%</td>
<td>51%</td>
<td>6%</td>
<td>17%</td>
</tr>
<tr>
<td>Njombe</td>
<td>15%</td>
<td>61%</td>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>Arusha</td>
<td>29%</td>
<td>45%</td>
<td>5%</td>
<td>21%</td>
</tr>
<tr>
<td>Pwani</td>
<td>15%</td>
<td>58%</td>
<td>5%</td>
<td>22%</td>
</tr>
<tr>
<td>Mwanza</td>
<td>39%</td>
<td>50%</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Tanga</td>
<td>10%</td>
<td>59%</td>
<td>6%</td>
<td>24%</td>
</tr>
<tr>
<td>Dodoma</td>
<td>13%</td>
<td>55%</td>
<td>9%</td>
<td>24%</td>
</tr>
<tr>
<td>Geita</td>
<td>13%</td>
<td>52%</td>
<td>4%</td>
<td>31%</td>
</tr>
<tr>
<td>Morogoro</td>
<td>16%</td>
<td>47%</td>
<td>8%</td>
<td>28%</td>
</tr>
<tr>
<td>Mtwarra</td>
<td>11%</td>
<td>52%</td>
<td>7%</td>
<td>30%</td>
</tr>
<tr>
<td>Lindi</td>
<td>11%</td>
<td>52%</td>
<td>7%</td>
<td>30%</td>
</tr>
<tr>
<td>Mbeya</td>
<td>38%</td>
<td>44%</td>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>Kagera</td>
<td>8%</td>
<td>54%</td>
<td>10%</td>
<td>28%</td>
</tr>
<tr>
<td>Mjiini Magharabi</td>
<td>25%</td>
<td>36%</td>
<td>9%</td>
<td>31%</td>
</tr>
<tr>
<td>Ruvuma</td>
<td>14%</td>
<td>46%</td>
<td>13%</td>
<td>27%</td>
</tr>
<tr>
<td>Shinyanga</td>
<td>11%</td>
<td>49%</td>
<td>5%</td>
<td>36%</td>
</tr>
<tr>
<td>Songwe</td>
<td>13%</td>
<td>46%</td>
<td>2%</td>
<td>39%</td>
</tr>
<tr>
<td>Kigoma</td>
<td>15%</td>
<td>44%</td>
<td>7%</td>
<td>35%</td>
</tr>
<tr>
<td>Mara</td>
<td>7%</td>
<td>49%</td>
<td>7%</td>
<td>37%</td>
</tr>
<tr>
<td>Rukwa</td>
<td>13%</td>
<td>40%</td>
<td>14%</td>
<td>33%</td>
</tr>
<tr>
<td>Katavi</td>
<td>13%</td>
<td>40%</td>
<td>4%</td>
<td>43%</td>
</tr>
<tr>
<td>Kusini Unguja</td>
<td>12%</td>
<td>38%</td>
<td>17%</td>
<td>32%</td>
</tr>
<tr>
<td>Manyara</td>
<td>12%</td>
<td>36%</td>
<td>6%</td>
<td>46%</td>
</tr>
<tr>
<td>Singida</td>
<td>10%</td>
<td>39%</td>
<td>11%</td>
<td>41%</td>
</tr>
<tr>
<td>Tabora</td>
<td>10%</td>
<td>37%</td>
<td>7%</td>
<td>45%</td>
</tr>
<tr>
<td>Simiyu</td>
<td>4%</td>
<td>35%</td>
<td>8%</td>
<td>53%</td>
</tr>
<tr>
<td>Kusini Pemba</td>
<td>7%</td>
<td>29%</td>
<td>12%</td>
<td>52%</td>
</tr>
<tr>
<td>Kaskazini Pemba</td>
<td>3%</td>
<td>25%</td>
<td>11%</td>
<td>60%</td>
</tr>
<tr>
<td>Kaskazini Unguja</td>
<td>8%</td>
<td>15%</td>
<td>22%</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Source:** FinScope Tanzania 2017 April-July
THE TABLE BELOW REPORTS VALUES AND PREFERENCES OF DIFFERENT FINANCIAL INSTRUMENTS:

<table>
<thead>
<tr>
<th>Banks</th>
<th>MFIs</th>
<th>SACCOs</th>
<th>Mobile Money</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VALUED FOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety of money is high</td>
<td>Easy to receive interest on saving</td>
<td>Social funds Guarantors for credit</td>
<td>Quick and easy to send and receive money</td>
<td>Peace of mind since it covers medical expenses</td>
</tr>
<tr>
<td><strong>CONCERNS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two lowest quintiles Staff cannot solve my problem</td>
<td>Two lowest quintiles Fee &amp; interest on loans are high</td>
<td>Two lowest quintiles Can sell shares for profit</td>
<td>Don’t need it</td>
<td>Quality of service is poor</td>
</tr>
<tr>
<td>Middle quintile Services are far from respondents</td>
<td>Middle quintile Fee &amp; interest on loans are high</td>
<td>Middle quintile SACCOs act as guarantors for credit</td>
<td>Two lowest quintiles Presence of online theft</td>
<td>Two lowest quintiles They are expensive</td>
</tr>
<tr>
<td>Two highest quintiles Services are far from respondents</td>
<td>Two highest quintiles Interest on savings is low</td>
<td>Two highest quintiles Access to welfare fund</td>
<td>Two highest quintiles Delay in feedback message when withdraw money</td>
<td>Two highest quintiles They are not trustworthy</td>
</tr>
<tr>
<td>Two highest quintiles Fees &amp; charges are high</td>
<td>Two highest quintiles Services are not suitable to my needs</td>
<td></td>
<td>Two highest quintiles They don’t cover you accordingly</td>
<td></td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April-July

Formally included individuals are people who are considered to be aged 16 years or older who have or use financial products and services provided by a financial service provider that is regulated or officially supervised.

Individuals considered informally included are individuals aged 16 years or older who use financial mechanisms not provided by a regulated or supervised financial institution.

People who are financially excluded are considered to be individuals aged 16 years or older, who use no financial mechanisms and rely only on themselves, family or friends for saving, borrowing and remitting, with their transactions being cash-based or in-kind. FinScope Tanzania 2017 finds that 77.9% of the adult population in Iringa is formally financially included. This is a 19% growth from 65.4% in 2013. Furthermore, dependency on informal financial services has reduced (5.5%) as compared to 19% in 2013. Generally, financial exclusion rates remain the same, at 16% since 2013.

Remarkable progress is on the move towards usage of more formal financial services in Iringa (Chart 30). People who are more financially excluded are those living in rural areas (20%), youth (21%) and people older than 55 years (28%). Interestingly, there is more exclusion among men (19%) than women (15%), the difference being attributed to more usage of informal financial services among women (8%) than men (4%).

Sole dependency on informal financial services is low across all districts in Iringa. The district which has the lowest level of formal financial inclusion is Iringa rural having 70%, and the highest is Mafinga Mji having 92% of individuals who are formally financially included. However, there is great variability in bank uptake between districts from as low as 11% in Mufindi and as high as 51% in Mafinga Mji and Iringa Manispaa (Chart 32).
This section expands on what mechanisms Iringa residents are using to manage their cash flows (saving, borrowing, family or friend remittances, investment needs and asset building) and which risk-coping mechanisms they rely on.

**FACT 1**

12% of adults in Iringa saved in the past 12 months

Savings are defined as money put aside for a specific purpose and using such definition FinScope Tanzania results show that 12% of adults in Iringa saved in the last 12 months. The majority of respondents are saving for cash flow smoothing purposes, which are savings that are used on a short-term basis to cover routine expenses. With the exception of the Kilolo district, less than 30% of the respondents are saving for asset building and productive investment. About 40% of respondents in the Kilolo district are saving for the purpose of productive investment. This is significantly higher than the national average (9%) (Chart 35). Qualitative work revealed that the reported high productive investments in Kilolo district are driven by increasing investments in tree farming and upcoming businesses in vegetable and avocado farming for local markets as well as export.

Among Iringa districts, Mafinga district has the highest level of savings (28%) whereas Iringa Manispaa has the least (4%) (Chart 34).
A significant increase in those who save using their mobile phones and banks can be observed. On the other hand, a significant decrease of about 29% points on in-house saving is notable yet more than one third of Iringa residents are still utilizing in-house savings. In addition, there is an increase in informal savings through savings groups and household members. Quick access and safety of money were the main drivers for their choices of savings channels.

**FACT 2**

12% point increase in people saving in mobile wallets
46% of Iringa residents borrowed in the past 12 months, where the majority borrowed in order to smooth their cash flow. Compared to the proportional of saving for productive investment, there is a greater proportion of borrowing for productive investment. Although the proportion of those who borrowed increased between 2013 and 2017, the majority borrow from family and friends due to, among other factors, quick access to money. Savings groups come as an alternative source after family and friends (32%).

The observation that almost two thirds of borrowing is linked to cash flow smoothing becomes emphasized when considering the frequency of borrowing. Almost 60% of those who borrowed did so more than once in the last 12 months.

**Chart 36b: Where do residents in Iringa save?**

**Chart 37: Who do they borrow from?**

**Source:** FinScope Tanzania 2017 April – July and FinScope Tanzania 2013
As was the case in the last FinScope Tanzania survey, people are still borrowing from family and friends due to, among other factors, quick access to money. Generally, there is an increase in borrowing through various channels, though formal borrowing remains low. Mobile money credit products increased their range and base when compared to 2013 when there was no borrowing from this source. However, the uptake of digital credit services is still low and there is a need to expand these services.

The observation from the sources of credit used is reflective of the nature of needs for which those credits are sought. Borrowing from family and friends primarily serves the purpose of smoothing cash flow, while that from savings groups serves the purpose of long-term investments. The increase in borrowing (demand side) indicates the potential for financial service providers (supply side) expanding formal channels.

Access to formal credits for investments for jobs creation, youth employment and economic growth is in line with growth strategies including Southern Agricultural Growth Corridor of Tanzania (SAGCOT), which facilitates increased access of financial services through enhanced private-partnership in agriculture. Qualitative fieldwork revealed that SAGCOT supports large producers, processors and cooperatives (off takers), who work with small producer groups, in the form of funds for expanding their operations, support SACCOS capital and mapping of smallholder farms for obtaining village title deeds. Additionally, there are special initiatives in the region including Market Infrastructure Value Addition Rural Finance Support program (MIVARF), DAI Global Llc (DAI) and Mennonite Economic Development Associates (MEDA) projects which support producers through grants for extending input credits to small farmers and expansion of business operations. These initiatives translate into increased financial inclusion of rural small farmers who are excluded in formal financial sector.

The chart below illustrates the sources of credit used by people in different regions of Iringa region.

**Chart 38: Where do they borrow from?**
Base: Those who borrow

<table>
<thead>
<tr>
<th>Region</th>
<th>Family / friends / relatives</th>
<th>Savings Group</th>
<th>Mobile Money</th>
<th>Bank</th>
<th>SACCOS / MFI</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>69%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Iringa</td>
<td>62%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Region</td>
<td>65%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Mafinga Mji</td>
<td>65%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Iringa Wilaya</td>
<td>64%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Kilolo</td>
<td>63%</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Mufindi</td>
<td>65%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

**Source:** FinScope Tanzania 2017 April - July
DEEPENING FORMAL FINANCIAL SERVICES USAGE IN RURAL AREAS: A CASE OF MIVARF

Formal financial service access is one of the biggest challenges for rural smallholder farmers. The Marketing Infrastructure Value Addition Rural Finance Support (MIVARF) program supports rural finance access in the Iringa region. The other components of the program are market infrastructure and value addition of produce. Through MIVARF program MUCOBA bank received grants that enabled expansion of its services; these include product innovation like TT Transfer between MUCOBA and Dar es Salaam Community Bank, upgrading of ICT systems, rehabilitation of the bank’s buildings and expansion in other areas (rural outreach), thus helping the expansion of formal financial service provision in rural areas. The program also provided grants for rice processing machinery acquisition in Pawaga area.

FACT 5

The payment space is largely untapped

Chart 39: How do they receive their income?

Source: FinScope Tanzania 2017 April - July

- National
  - Cash: 80%
  - Bank: 4%
  - Mobile Money: 4%

- Iringa Region
  - Cash: 80%
  - Bank: 7%
  - Mobile Money: 4%

- Iringa Manispaa
  - Cash: 81%
  - Bank: 17%
  - Mobile Money: 9%

- Mafinga Mji
  - Cash: 75%
  - Bank: 23%
  - Mobile Money: 6%

- Iringa Wilaya
  - Cash: 93%
  - Bank: 7%
  - Mobile Money: 3%

- Kitolo
  - Cash: 94%
  - Bank: 5%
  - Mobile Money: 1%

- Mufindi
  - Cash: 93%
  - Bank: 4%
  - Mobile Money: 4%
FinScope asked respondents how they receive income and make payments, to which an overwhelming majority of the respondents mentioned doing so using cash. It is very clear that, as most payments are received in cash, most outgoing payments are also likely to be made using cash. Kilolo, Iringa Wilaya, and Mufindi districts have more respondents, 94%, 93% and 93% respectively, who receive income in cash (Chart 39).

Qualitative work revealed that for the majority of people in the Iringa region, especially in rural areas, wood/timber sales are a major source of income which accounts for up to 80% of household income in some areas. These farmers prefer to be paid in cash to meet immediate needs and also due to the lack of formal financial services in the areas.

On the part of traders, they also mentioned paying in cash to small farmers but through banks when they make payments to large companies like Sao Hill when they buy trees blocks for timber harvesting. Furthermore, it can be seen in Chart 39 that there is more usage of bank services (21%) in Mafinga Mji than in other districts. This is attributed to a vibrant wood/timber industry in the area. Timber factories pay wages and salaries through banks and big traders and plantations also make payments through banks. Also, Mafinga is the second largest town in Iringa which has offices and other large businesses which use banks.

Chart 40: How do they make payments?

<table>
<thead>
<tr>
<th>Service</th>
<th>Cash</th>
<th>Bank</th>
<th>Mobile Money</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries</td>
<td>97.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School fees</td>
<td>20.3%</td>
<td>0.5%</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>Medical Treatment</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay rent</td>
<td>14.6%</td>
<td>2.2%</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Buy Airtime</td>
<td>69.6%</td>
<td></td>
<td></td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April - July

Chart 41: Are they insured?

<table>
<thead>
<tr>
<th>District</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>15%</td>
</tr>
<tr>
<td>Iringa Region</td>
<td>24%</td>
</tr>
<tr>
<td>Iringa Manispaa</td>
<td>16%</td>
</tr>
<tr>
<td>Mafinga Mji</td>
<td>47%</td>
</tr>
<tr>
<td>Iringa Wilaya</td>
<td>20%</td>
</tr>
<tr>
<td>Kilolo</td>
<td>33%</td>
</tr>
<tr>
<td>Mufindi</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: FinScope Tanzania 2017 April - July

FACT 6

Medical insurance leads insurance usage

FinScope 2017 found that about 24% of Iringa residents have insurance cover which is slightly higher than the national average (15%). Among Iringa districts, the highest proportion of respondents who claim to use insurance cover were from Mafinga and Kilolo, that is 47% and 33% respectively.

The insurance market is dominated by usage of health insurance products. About 99% of those who are insured use health insurance. The most significant health insurance uptake is Community Health Fund (CHF) insurance (53%) and National Health Insurance Fund (NHIF) insurance (28%) and these are key uptake drivers. Overall, there has been an increase in the number of people taking up insurance products between 2013 and 2017, from 0.08 to 0.15 million respectively. The majority of uptake on insurance is on health. The high use of health insurance is a result of the promotion of health insurance by district offices as well as arrangements between SACCOs and health insurance providers. Further interviews revealed that the MUCOBA bank, which is working at grass root level, has a mandatory
 require insurance of collaterals. MUCOBA bank entered an agreement with an insurance company which insures collaterals used by loans applicants, thus minimizing risk on the part of the bank and protecting bank capital in order to serve more customers.

**FACT 7**

Adults from two lowest quintiles, youth and dependents are more likely to be excluded

**Chart 42: Who is being left behind?**

Base: = Who is being excluded

- From two lowest quintiles: 21%
- Youth (16-25 years): 19%
- Dependents: 35%
- Rural: 17%
- Farmers and Fishers: 19%
- Female: 15%

Source: FinScope Tanzania 2017 April - July

Generally, levels of exclusion in Iringa have remained stagnant with 15.6% of the population being excluded in 2013 and 16.6% in 2017.

Most of the respondents who are financially excluded come from the two lowest quintiles, youth and dependents, where proximity to financial services is lower. They are also more likely to be women, farmers and those from rural areas. However, those who are most prone to exclusion are people with no formal education in rural areas.

Ownership of recognized identification is a prerequisite for accessing formal financial services like banks. Results show that the majority of those who do not have Voter ID are those who are financially excluded. This follows the fact that most institutions recognize Voter ID for most official transactions. Other recognized IDs in most institutions include the national ID card and driver’s licences. Results show no difference in ownership between those who are excluded and not excluded.

Further analysis shows that about one third (31%) of people who are financially excluded claim to have saved in the past 12 months and the majority keep their money in a safe place at home or have given it to family or friends for safe keeping. About (30%) of people who are financially excluded borrowed in the past 12 months and were almost solely reliant on friends and family.

In sum, the above findings show that the most vulnerable to economic hardship are mostly financially excluded in both formal and informal financial access strands. This may limit their active participation in economic activities and their ability to meet daily needs including food, clothing, paying school fees for their children, etc.
## THE TABLE BELOW REPORTS WHY THEY ARE EXCLUDED

<table>
<thead>
<tr>
<th>Source: FinScope Tanzania 2017 April-July</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>PRIMARY BARRIER</th>
<th>BANKS</th>
<th>MFIs</th>
<th>SACCOs</th>
<th>Mobile Money</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient income to even consider opening an account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank service charges are high</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don't need it or insufficient money</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SECONDARY BARRIER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient income</td>
<td>Service charges are high</td>
<td>Membership fee is perceived to be too high</td>
<td>Lack of trust on safety of money in mobile phones</td>
<td>Lack of trust with insurance operators</td>
<td></td>
</tr>
<tr>
<td>Cannot maintain minimum balance on the account</td>
<td>Service is far away</td>
<td></td>
<td>My family members do not approve of me having mobile money</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Conclusion**
The Iringa region has made remarkable progress in expanding the opportunities for people to use financial services. Formal inclusion has reached 77.9%, growing by 19% between 2013 and 2017. Mobile financial services continue to make a higher contribution (73%) to usage compared to other channels. There is significant growth across all financial services, except for SACCOs which recorded a decline in usage by 53% between 2013 and 2017. More growth is recorded in MFIs (235%), insurance (77%) and mobile money (57%). Banks also recorded a significant growth of 23%. The growth in banks is largely a result of complementarity between bank services and mobile money services. The growth in insurance service uptake is driven by the uptake of health insurance. However, financial exclusion remained more or less the same between 2013 and 2017. It is interesting that there is more exclusion among men than women. This difference is attributed to more usage by women of informal financial services like savings groups.

ADDRESSABILITY

Over the past three years, improvements in accessibility of financial services have been impressive. Greater proximity of financial services to where people live and greater access to mobile phones have made considerable contributions to this phenomenal growth. The increased adoption of mobile phones within households, including those who use other household members’ phone, has reached 65% in 2017, allowing more people to access mobile financial services and more conveniently. These developments provide an opportunity for deepening the financial system even in inaccessible rural areas. Furthermore, technology has driven up usage due to reduced transaction costs and increased convenience.

Notable progress has been made in providing proof of identification with the majority of adults having a Voter ID card (90%) or other ID (6%). Voter ID is increasingly recognized in almost all official transactions, including banks, because it has features allowing easy traceability of individuals.

UPTAKE AND USAGE

Whilst the usage of financial services through formal providers has grown, the most popular way to make and receive payments is still cash. The proliferation of digital wallets is yet to replace this reality. The proportion of people who save is still low (12%). Comparatively there is more saving in the Mafinga district (28%) than other districts. Those who save mostly save at home (32%), using mobile money (37%), savings groups (26%) or with banks (22%). The use of mobile money has driven down the tendency of saving at home from 61% in 2013 to 32% in 2017, leading to improved security of money.

Mobile solutions are also beginning to be used to make payments, particularly groceries which provide an opportunity to expand the remit of the current digital space to allow many people, including smallholders, women, small enterprise owners, and those living in rural areas, to use digital solutions that are appropriate and affordable.

WHO IS LEFT BEHIND?

Lack of literacy and financial incapability were reported to be among the main challenges to improved financial inclusion. Illiteracy continues to be one of the main barriers to uptake and usage of financial services to date. The low usage of formal financial services is in one way a reflection of this situation; the results indicate that use of banks is very low in rural areas partly due to low incomes and service availability, but also due to illiteracy. The average situation in Iringa is that SACCOs are the least used formal financial service.
OUTLOOK

Looking ahead, there are great opportunities to deepen the financial sector by expanding the uptake and utilisation of financial solutions. The drive for improved financial inclusion will need to consider appropriateness of solutions proposed, plus convenience and affordability as determined by users.

Building on people’s aspirations, there are opportunities to expand insurance (particularly health-related), pension solutions, payments, capital markets products, in addition to developing the savings and credit markets.

Pursuing economic efficiency and growth will undoubtedly require rethinking the design and implementation of financial sector policies and regulations to ensure they also encourage and support increased usage of financial services. Improved financial inclusion is essential to achieving Tanzania’s development goals.

KEY DEFINITIONS

Financially Included - Individuals 16 years or older who have or use financial products and services to manage their financial lives

Financially Excluded - Individuals 16 years or older who use NO financial mechanisms - rely only on themselves/family/friends for saving, borrowing and remitting; their transactions are cash-based or in-kind

Formally Included - Individuals 16 years or older who have/use financial products/services provided by a financial service provider that is regulated or officially supervised

Informally Included - Individuals 16 years or older who use financial mechanisms not provided by a regulated or supervised financial institution

ABBREVIATION

AMCOS Agricultural Marketing Cooperative Society
BoT Bank of Tanzania
CHF Community Health Fund
EA Enumeration area
FSDT Financial Sector Deepening Trust
HH Household
KYC Know-Your-Customer
MFI Microfinance Institution
MIVARF Market Infrastructure Value Addition Rural Finance Support program
MoF Ministry of Finance and Planning
MUCOBA Mufindi Community Bank
NBS National Bureau of Statistics
NFIF National Financial Inclusion Framework
OCGS Office of Chief Government Statistician Zanzibar
PPP Public Private Partnership
PPS Proportionate to Population Size
SACCO Savings and Credit Cooperative Organization
TASAF Tanzania Social Action Fund