



Key Findings of the FinScope Survey in Tanzania
2006

INTRODUCTION



FinScope Tanzania is the first ever national survey of the demand for, and barriers to, accessing financial services, and reflects the views of individuals aged 16 years and above. The survey's successful completion is a landmark in the country's financial history. The inspiration was to help make financial markets work for the poor. FinScope's findings will help it happen.

The Financial Sector Deepening Trust (FSDT) funded a collaboration of the FinMark Trust (FMT), Steadman Group and the National Bureau of Statistics (NBS) to conduct the survey in July - August 2006. Lengthy interviews were conducted with some 5,000 individuals, selected to provide a statistically representative cross-section of the populations of the mainland and Zanzibar.

Their replies to the questionnaire (delivered in Kiswahili) offer excellent insights into what people actually want from financial services: Why are so many people – particularly the poor – excluded? Can easier access be given to more people, and if so, how?

It is clear that people need to know more about the benefits of greater access to finance, and that the financial industry needs to develop more of them. The FinScope Tanzania survey is a valuable new tool to aid that process.

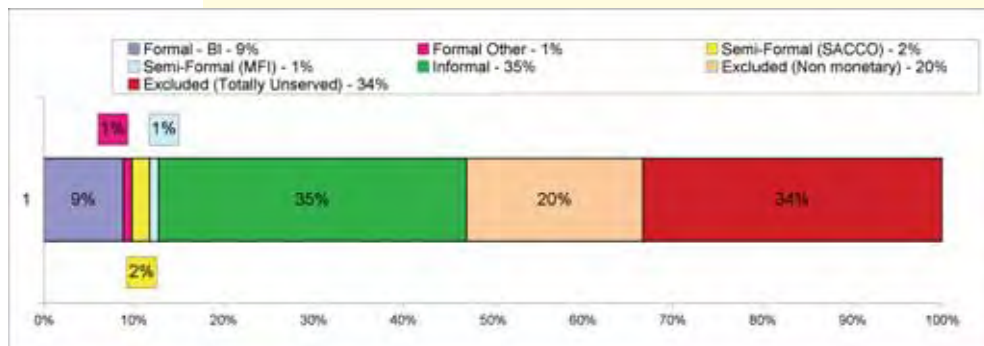


ACCESS

Financial Access

The FinScope survey looked at three specific categories of access to financial services and examined different barriers to entry. A fourth category reveals the number of people who are totally excluded from the financial services market. The survey represents all those considered to be of working age (16 years and over) on the mainland and in Zanzibar.

Access to financial services in categories (mutually exclusive)



The population was split into four main categories

Each category is exclusive and each individual is recorded only once. For instance, someone who has both a bank account and is a member of a Savings and Credit Cooperative (SACCO) will only appear in the formal category (mutually exclusive).

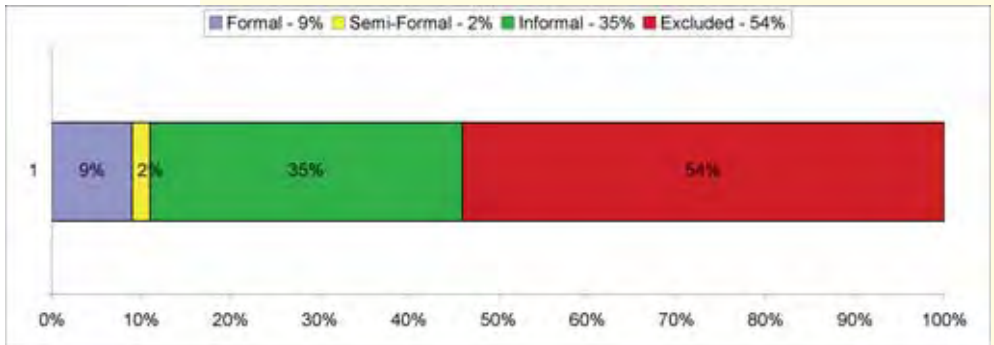


ACCESS

Financial Access

The size of the informal category is significant. This category is more than three times larger than those who use formal or semi-formal institutions.

Access to financial services in segmented categories (mutually exclusive)



Upward mobility is possible but remains difficult for many

In urban areas 45% of the adult population is excluded from any kind of financial service, a figure which rises to 57% in rural areas. Women and men are in an equal position across the country.



DEFINITIONS

Definition of Categories

FORMAL

includes people who hold an account in or have some sort of relationship with a supervised institution such as a commercial bank, community bank or insurance company

FORMAL OTHER

includes people who use products from financial institutions such as Savings and Credit Cooperatives (SACCOs) which are formally registered but not supervised by a financial services regulator

SEMI FORMAL (MFI)

includes people who use products from formal institutions which are not supervised by either the Bank of Tanzania (BoT) or the Insurance Commissioner, such as pension funds or hire purchase companies

SEMI FORMAL (SACCO)

includes people who use products from Micro-Finance Institutions (MFIs) which are formally registered but not supervised by a financial services regulator

includes people who use products offered by informal associations or groups such as Rotating Savings and Credit Associations (ROSCAs) and Village Community Banks (VICOBA)s

INFORMAL

includes those who have no dealings with, and are excluded from any of the above. This category includes people who may save or borrow, lend or remit but do so by non-monetary means

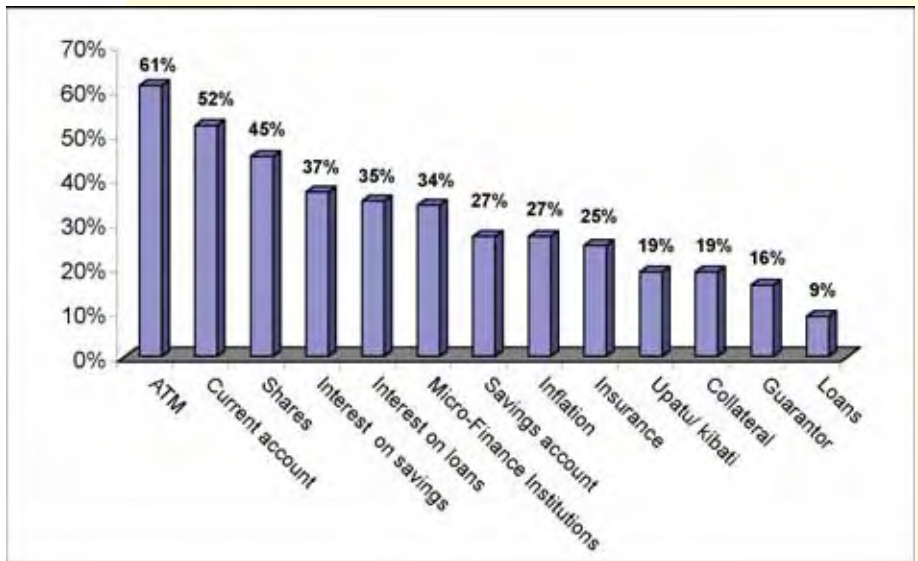
FINANCIALLY EXCLUDED

LITERACY

Financial Literacy

The graph shows the percentage of people who had never heard of any of the services mentioned. It is interesting to note that 91% say that they have, however, heard of loans. Overall, the picture suggests that the financial industry needs to educate its target markets if it wants to expand.

Percentage of adult the population who have never heard of particular financial services



Just over a quarter of the population has never heard of a savings account or insurance

The survey also showed that 40% of people interviewed had heard of a savings account and 26% had heard of interest on savings. However, none understood how they worked.

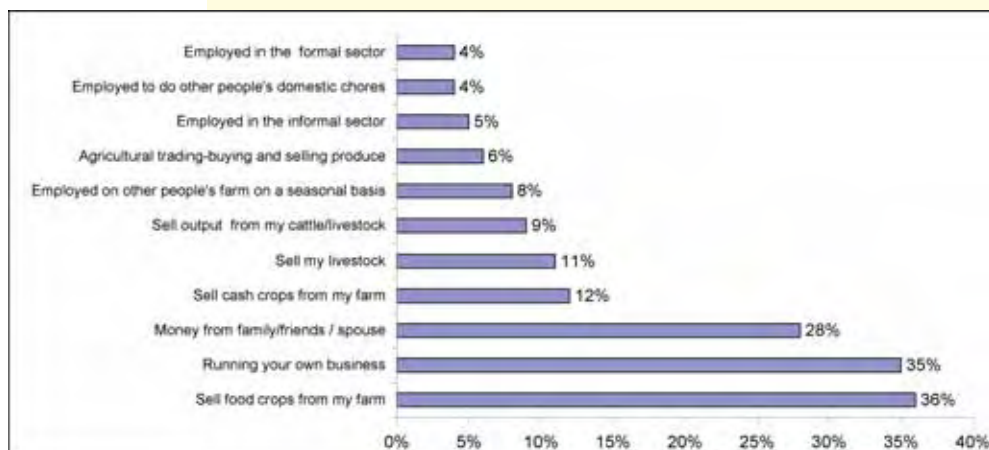


INCOME

Sources of Income

The highest percentage of people make their living from selling farm produce or running a small business (36% and 35% respectively). Only 5% of the population claim to earn an income in the formal sector.

Sources of income



96% of people fall outside of the formal economy

“Financial products throughout the industry need to be tailored to the different needs of the workforce.”

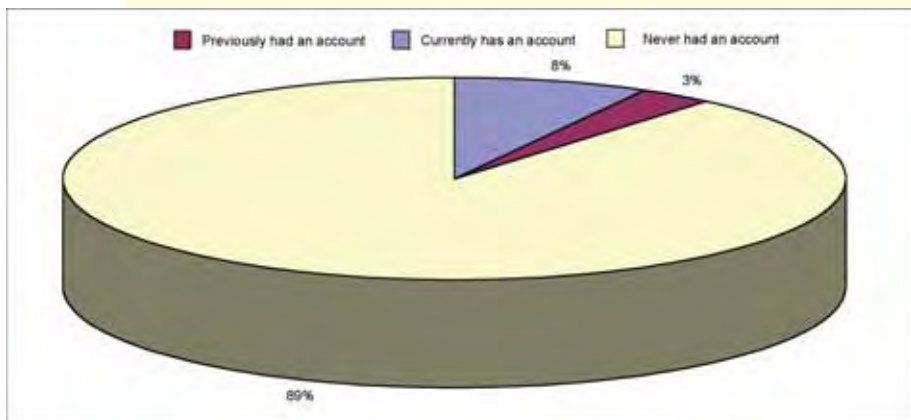


BANKING

Banking Status

Bank status is used to measure access to formal bank products, including: current and savings accounts, fixed deposit and Postbank accounts.

Number of people who use a bank account



A huge slice of this cake represents potential customers who need to know about the advantages of having a bank account as well as the ability to access one

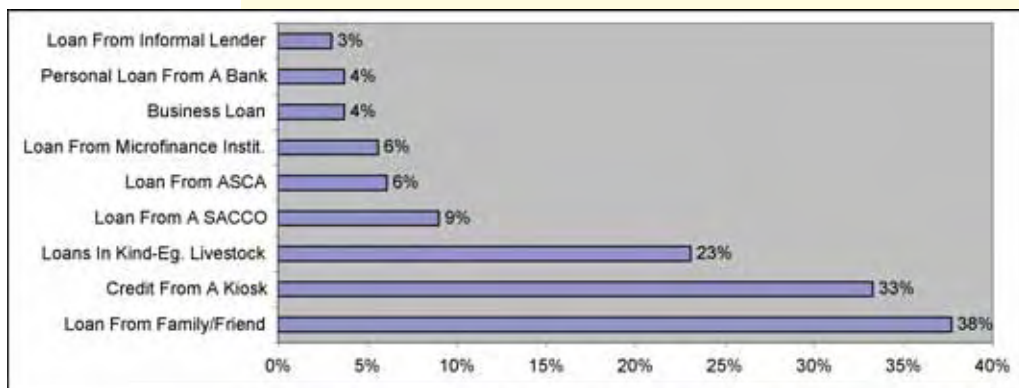
“Throughout Tanzania and Zanzibar, 89% of people say that they do not have a formal bank account. Across the population, 11% of men and 5% of women claim to have a bank account. In urban areas 16% of people have a bank account a figure which drops to only 4% in rural areas.”



Use of Credit and Loan Facilities

The survey shows that, of those who are currently borrowing money, only 4% say they have a personal loan from a bank, but nearly ten times that number (38%) choose family or friends. SACCOs are slightly more popular, followed by Accumulating Savings and Credit Associations (ASCAs) and MFIs, but each market segment attracts a very low percentage of the total population.

Sources of borrowing money



Of those who borrow, most turn to family or friends or a kiosk

Of those who borrow, men and women are almost equally prepared to ask for a loan from a kiosk (24% and 27% respectively). However, only 5% of men and 1% of women secure loans from a bank, a number which decreases, if they live in rural areas. Loans in-kind are chosen by 23% of borrowers.

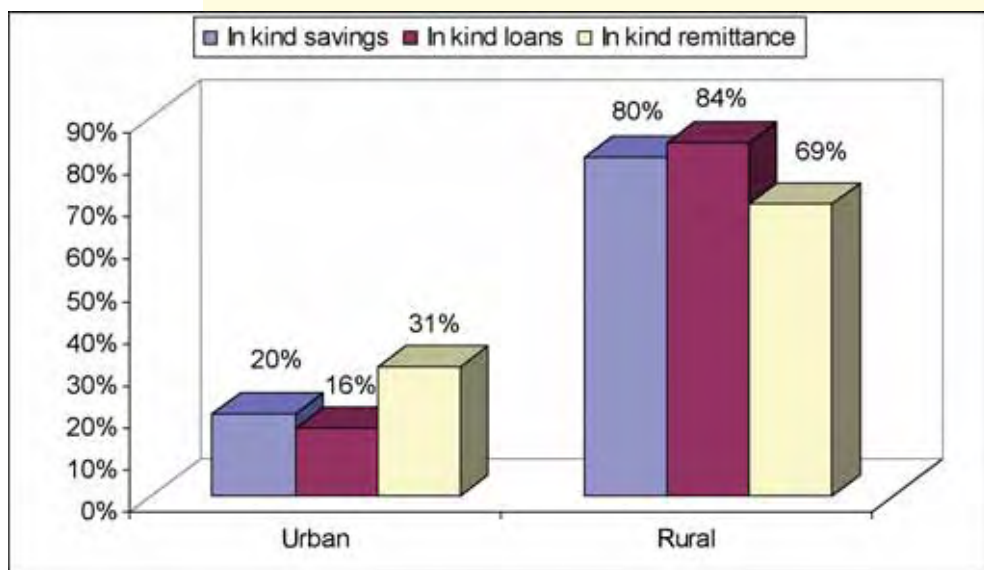


Use of Non-Monetary Financial Services

TRANSACTIONS IN-KIND

In-kind transactions are used much more in rural than in urban areas. When taking a loan for example, 84% of the rural population do so in-kind compared with only 16% in urban areas. Similarly, 80% in rural areas save in-kind whereas only a fifth of the urban population (20%) do so.

Forms of savings in-kind (total population)



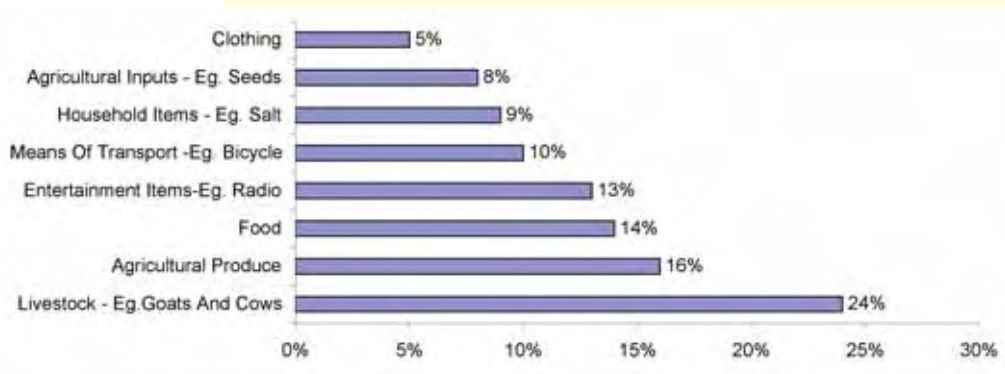
If there is no bank, SACCO or VICOBA, money can be saved in kind



Use of Non-Monetary Financial Services

Many goods are used for in-kind transactions including livestock and agricultural produce and items such as a radio, bicycle, food or clothing.

Forms of savings in kind (total population)



Most people who choose to save in-kind favour livestock as a primary means

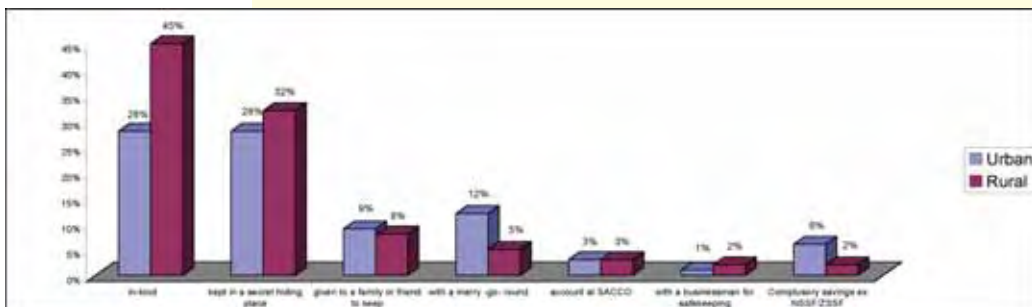


SAVINGS

Use of Savings

There are two separate Kiswahili words for savings (akiba) and investment (kuwekeza). However, at a practical level, people tend to blur the lines between the two concepts and each may be used interchangeably. Of those who save, four out of ten favour saving in-kind and three out of ten say they keep money in a secret hiding place.

Savings patterns split by urban and rural



Roughly the same number of people in urban and rural areas keep their savings in a secret hiding place

Merry-go-rounds are used by 12% of urban savers, but only 5% in rural areas.

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Most people with money choose not to save it with a bank or other financial institution.

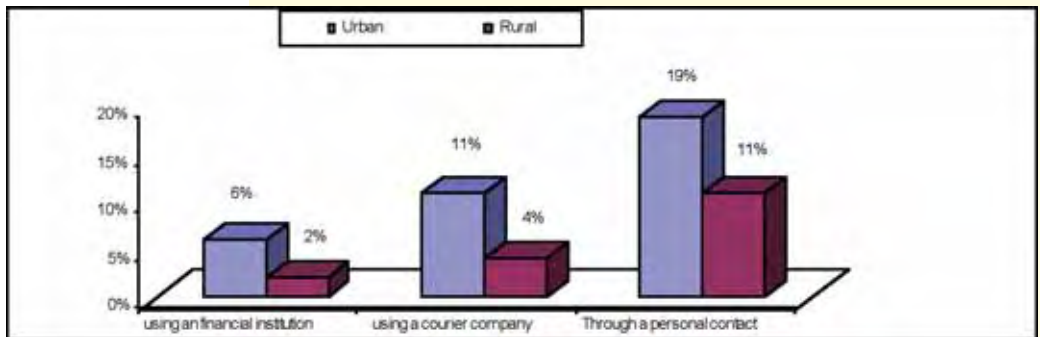
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TRANSFERRING

Transferring Money

When people want to transfer money around the country, they are seven times more likely to use a personal contact, and three times more likely to use a courier (usually a bus), than any kind of financial institution. Women use any method slightly less often than men.

Remittances split by Urban and Rural



Only 2% of the rural population use a financial institution to transfer money

Technology

The internet and mobile phone technology is expanding the potential for financial service customers more rapidly than anything else. Although the number of people who use the internet is very low (9%), nearly half the population already have access to a phone. However, in urban areas only 23% have access to the internet and a very small 4% can access the internet in rural areas.

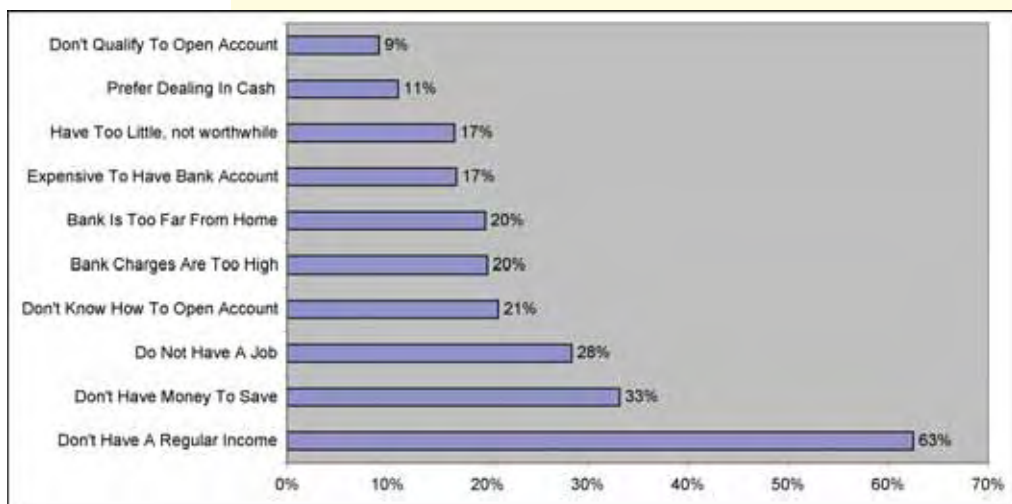


BARRIERS

Barriers to Access

There are many reasons why people are not using the financial system. The graph below, for example, considers why people do not have a bank account. Some think they do not qualify, others say banks are inconveniently located or that the charges are too high.

Reasons people gave for not having a bank account



Just over half said they did not have a bank account because they did not have a regular income. A quarter said it was because they had no job



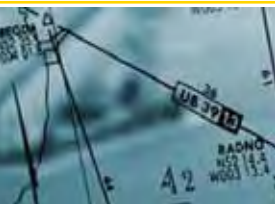
STAKEHOLDERS

The FSDT aims to help provide greater access for more people to a deeper financial sector, and encourage more people – particularly the poor - to use it. The Trust supports all kinds of financial institutions to achieve sustainability, improve the quality of their products and services for their customers and build capacity to deliver these. It also finances work aimed at increasing knowledge and understanding of the financial sector in Tanzania. Finally, the FSDT supports policy-makers in building a more effective legal and regulatory environment for financial markets, especially those targeting the poor.

FinMark Trust (FMT) is a South African based non-profit organization which also focuses on making markets work for the poor. FinScope is a market research tool developed by FMT which has been successfully used in five countries in Southern Africa. More recently, the FinScope survey has been rolled out in Zambia, Uganda and Kenya, as well as Tanzania.

The Steadman Group was responsible for the implementation of the survey. The group offer market research, media monitoring and management training services in Africa, and has a nine year history in Tanzania.

The National Bureau of Statistics (NBS) is the statistical research and analysis arm of the Government. NBS provided information essential for ensuring that the survey was representative across all parts of the nation, including Zanzibar.



FSDT



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