



Widening your financial future



 **FinScope**  
TANZANIA 2013

## INTRODUCTION

FinScope Tanzania 2013 is the third cycle of a survey measuring the demand for and access to financial services amongst adults throughout the mainland and Zanzibar. The information it contains provides a vital component in the progress towards financial inclusion: it reveals what services people do and do not use and why; what barriers prevent more use, and what is different region-to-region. It also gives insights into people's attitudes and behaviours, into gender differences, urban and rural coverage, trends and choices – all with a perspective which now spans seven years.

The first FinScope Tanzania survey was undertaken in 2006, followed in 2009 by the second. Nationally representative of the entire adult population, 8,000 adults (over the age of 16 years) took part in the survey. Conducted in many African countries, FinScope can provide valuable comparisons with other nations throughout the continent.

Those who will find the survey results invaluable include both public and private sector institutions: government ministries, the Bank of Tanzania, the financial services industry, mobile communications providers, development partners, universities, research organisations, NGOs and civil society organisations.

## SURVEY SAMPLE

### Sample objective:

800 enumeration areas (EA) 10 interviews each  
Total - 8,000 interviews



covering all regions of  
Mainland and Zanzibar

### Sample achieved:

7,987 interviews

### Response rate:

99.8%

### Weighted data represents:

population 16 years or older –  
24.2 m (21.2m in 2009)

population 18 years or older –  
23.2m (20.0 m in 2009)

It is important to note that all 2009 Access Strand charts have been recalculated using the 2013 definitions. Full explanations of all definitions are contained at the back of this brochure.

## DEMOGRAPHICS

### Urban / Rural split across the country



URBAN



33.8%

27.9%



RURAL



66.2%

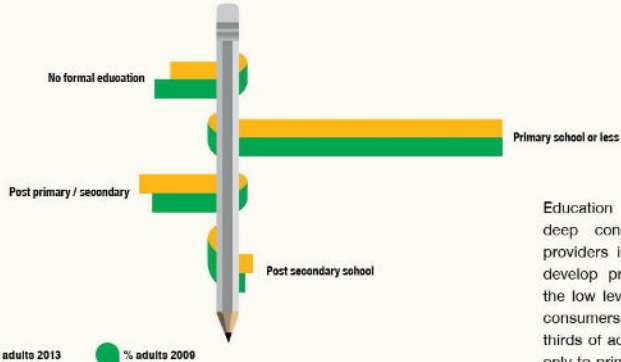
72.1%

● % adults 2013 ● % adults 2009

Base: total adult population

The flow of people to urban from rural areas continues on the mainland but less so in Zanzibar. However, two thirds of the population remain in rural areas; there are slightly more women than men across the country and the single largest age group is that between 21 and 30 years.

### Levels of education



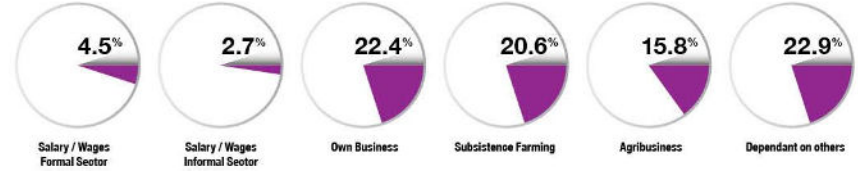
● % adults 2013 ● % adults 2009

Base: total adult population

Education remains an area of deep concern. Financial service providers in all categories need to develop products which recognise the low levels of education of most consumers. As this chart reveals, two thirds of adults have been educated only to primary level - a figure which is virtually unchanged since 2006.

## INCOME

### Main source of money



● % adults 2013

Base: total adult population

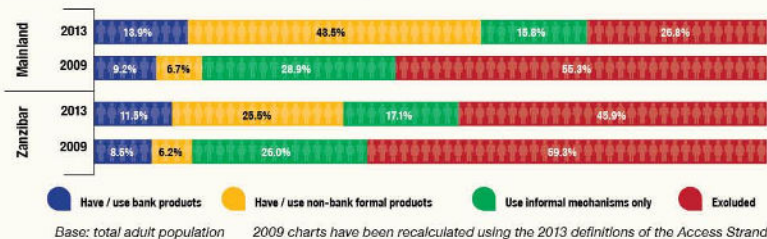
Nearly a quarter of the population (5,554,717) is dependent on others for their main source of income. The number of people whose main source of income comes from formal employment remains very low (1,099,612 or 4.5%).

FinScope shows the total formally employed as 1,242,724 (5.1%), which is almost exactly the same as the figure provided by the Ministry of Labour and Employment.



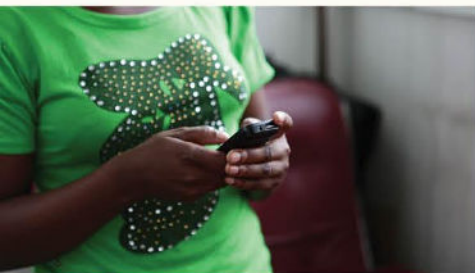
## ACCESS STRANDS

### Access on the Mainland and Zanzibar

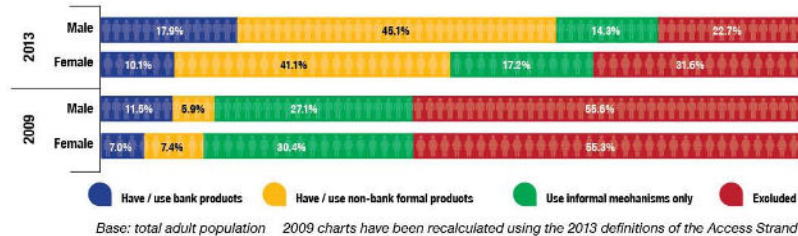


Zanzibar still lags behind the Mainland in terms of total exclusion. The biggest difference since 2009 is the rise in the numbers of people who use non-bank - usually mobile - formal products. Even so, people on Zanzibar have been slower to make use of this opportunity. Only a fifth of adults on Zanzibar have so far taken advantage of mobile financial services compared with nearly a half on the Mainland.

Although there are now fifty different banks in the country - eleven more than in 2009 - there is only a small rise in the total number of adults on both Zanzibar and the Mainland who use bank products.

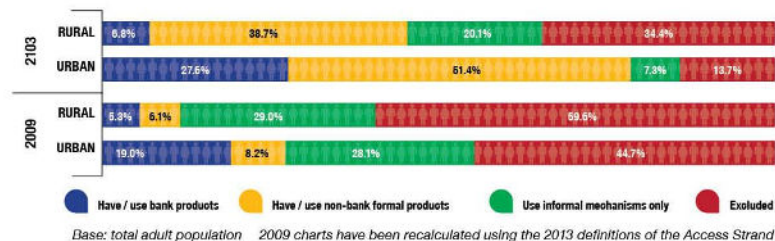


### Access strand comparison 2009 & 2013, female & male



There is a modest increase in the use of bank products though the rise in numbers of women is slower than men. However, there is a steep rise in the use of non-bank formal products - most often mobile - by both men and women. As a result, there has been a corresponding drop in both informal use and the totally excluded.

### Access strand urban/rural comparison 2009 & 2013

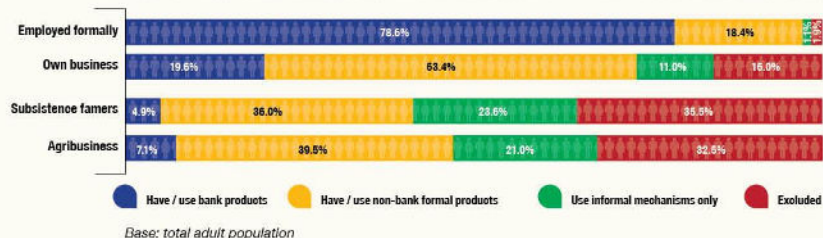


The most remarkable story of FinScope 2013 is the growth in the proportion of adults who have or use non-bank formal products. It is this change that is largely responsible for the decrease in the numbers of those totally excluded. The exclusive use of informal mechanisms has decreased dramatically in urban areas, though less so in rural areas.

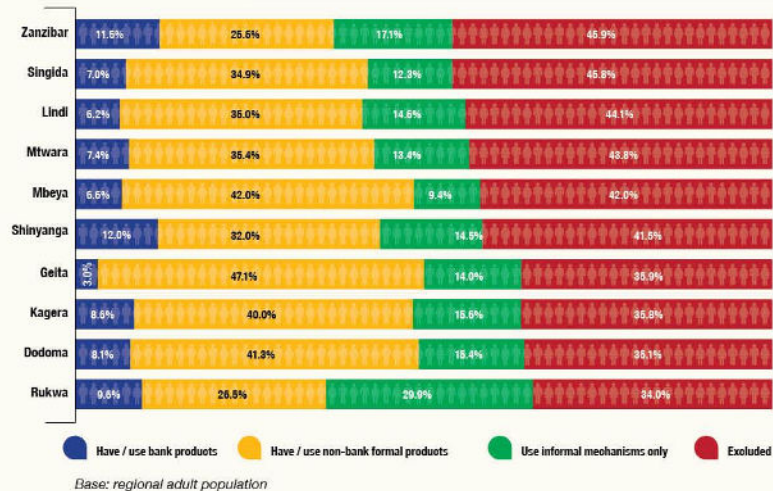
Respondent categories in these charts are mutually exclusive. People can only appear once: if they use non-bank formal or informal products but also use formal products, they will only be counted in the formal category; if they use both non-bank formal and informal products, they will only be recorded in the non-bank formal category.

### Access strand comparison by main source of income

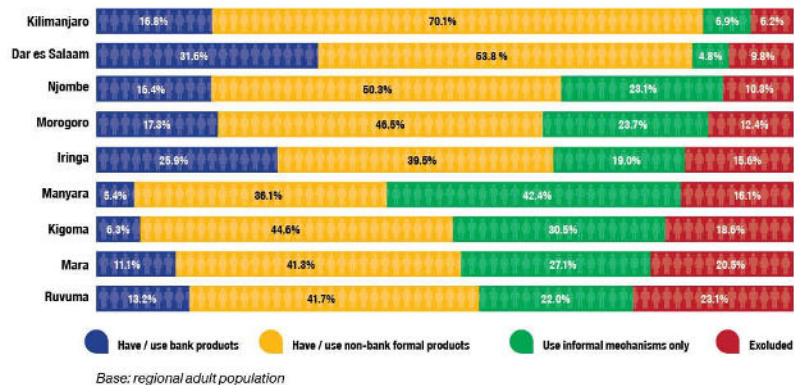
Those employed in agriculture are the least likely to use bank products and services, though access to mobile money has had a significant impact. Over three quarters of those who are employed in the formal economy are using bank products, while more than a third of subsistence farmers remain totally excluded.



### Regions with highest levels of financial exclusion



### Highest levels of inclusion across the regions



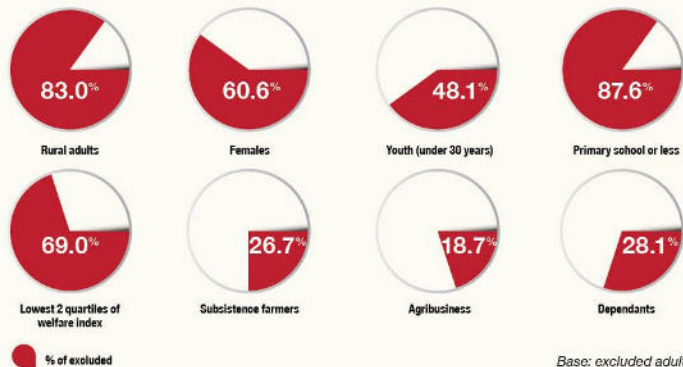
Kilimanjaro remains at the top of the table in terms of inclusion, though Dar es Salaam is a close second. By contrast, people from Zanzibar and Singida have the highest levels of exclusion. However, rapidly rising numbers of people across all regions are engaging in mobile facilities so that access to financial products and services is increasing throughout the country.



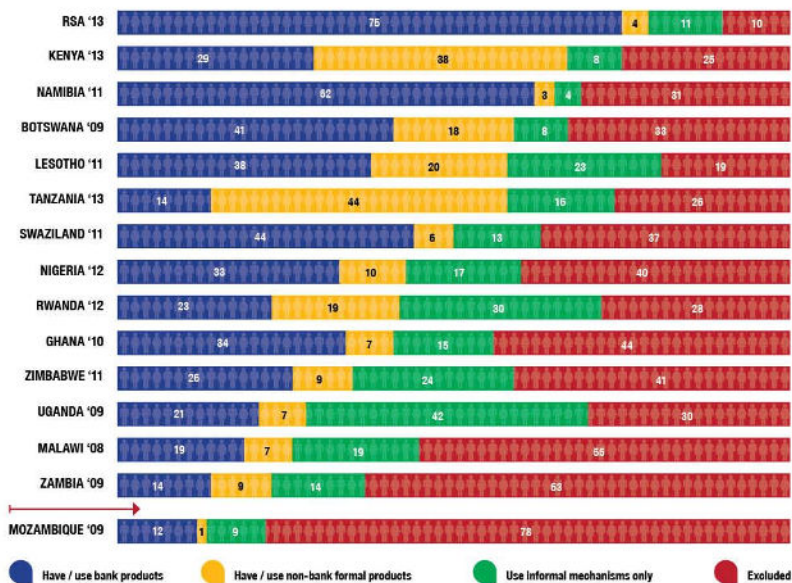
## EXCLUSION

Who are most likely to be excluded?

The excluded are most likely to be young (more often female), farmers, those with low levels of education, and those who depend on others for money.



Access Strand: Cross country comparison



Base: total adult (18 years or older) population per country

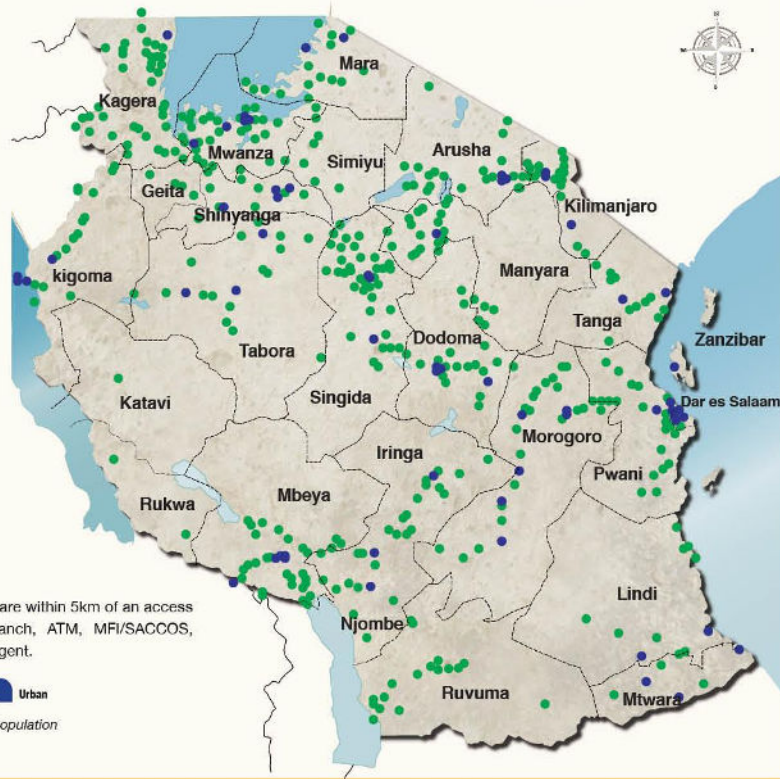
2009 charts have been recalculated using the 2013 definitions of the Access Strand

Tanzania has the highest proportion of people who use non-bank formal financial services. The rise in the country's position on the table is largely due to the current widespread use of mobile money. However, if this was stripped out and only the banked population examined, Tanzania would slide towards the bottom of the table near Mozambique.

## ACCESS

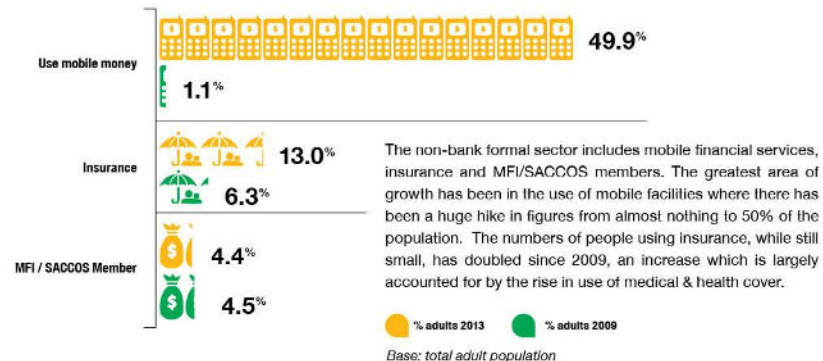
### Geographic accessibility

Regions in the South and West are generally less well served than the rest of the country. Nearly 40% of adults are within a 5 km radius of a bank branch, an ATM, MFI or SACCOS or a mobile money agent.



## UPTAKE OF NON-BANK FORMAL FINANCIAL SERVICES

### Growth in non-bank formal sector



### How mobile money is used

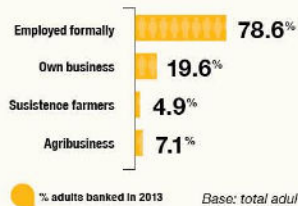


Although the use of mobile services for paying bills and fees and for business transactions is currently relatively low, the industry expects this will be the next major area of expansion. There is also great potential to increase savings and loans facilities using the mobile service.

## DIFFERENT USES OF FINANCIAL CHANNELS

While there has been little change in the rural figures over the past four years, the number of adults throughout the country who are banked remains small. Although more men are now using banks in urban areas, the rise in use by women is slower. There has been a 5% point rise in the numbers of adults who are banked in every age category, except those between the ages of 51-60 years.

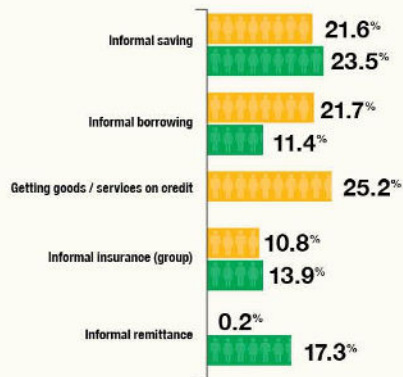
### Who is using banks?



Base: total adult population per main source of income

What is preventing people involved in agriculture from using bank products? 29% of farmers who do not have a bank account say they have insufficient income to justify having one; 20% say they cannot maintain the minimum balance while 17% say banks are too far away.

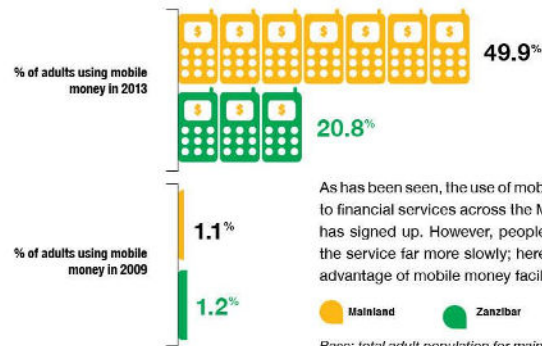
### How people use the informal sector



Base: total adult population

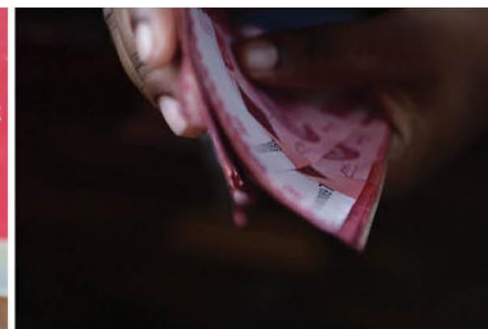
2009 charts have been recalculated using the 2013 definitions of the Access Strand

### Use of mobile money on Zanzibar and the Mainland



As has been seen, the use of mobile money is transforming access to financial services across the Mainland where one in two adults has signed up. However, people on Zanzibar are engaging with the service far more slowly; here only one in five adults is taking advantage of mobile money facilities.

Base: total adult population for mainland and Zanzibar

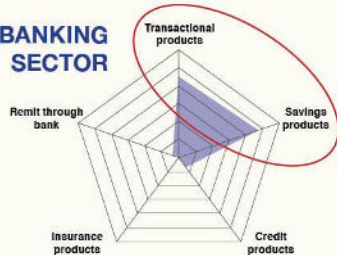




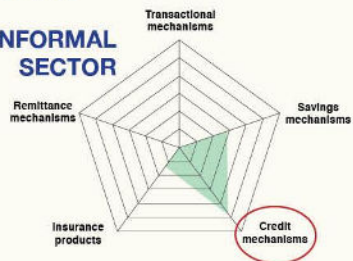
## FINANCIAL LANDSCAPE OVERLAP OF SECTORS

Patterns of financial management

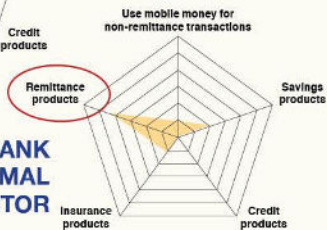
### BANKING SECTOR



### INFORMAL SECTOR



### NON-BANK FORMAL SECTOR



This chart shows an interesting feature of financial behaviour: banks are most used for savings, non-bank formal (usually mobile) is used most often to remit and the informal sector is favoured for credit.

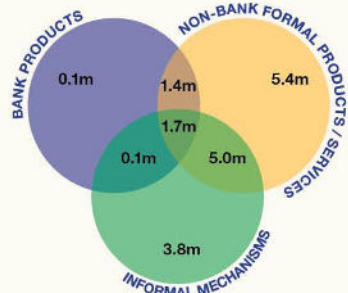
- % banked
- % adults using informal sector
- % of adults served by non-formal bank

#### Overlap in use of formal and informal products

Many people use a variety of products from both formal and informal sectors to meet their needs. 5.4 m adults are using non-bank formal products and services exclusively, while 5 million use a combination of non-bank formal (mostly mobile) and informal mechanisms. The use of banks exclusively remains minimal.

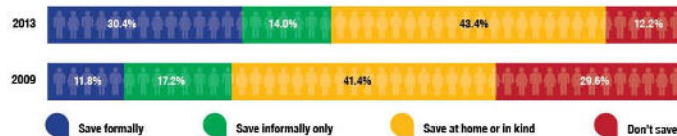
EXCLUDED 6.6m

Base: total adult population



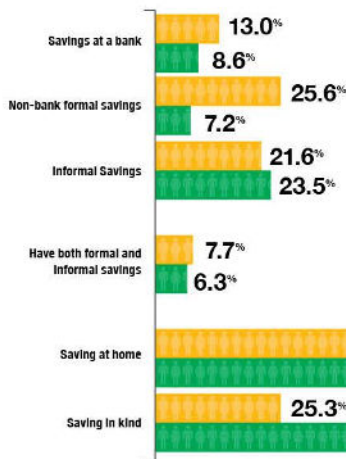
## SAVING STRAND

Where do people save?



Base: total adult population

#### Most people keep their savings at home



Most adults (39%) regard SAVING as "putting money somewhere to stop you from spending it immediately" rather than as a means of accumulating wealth.

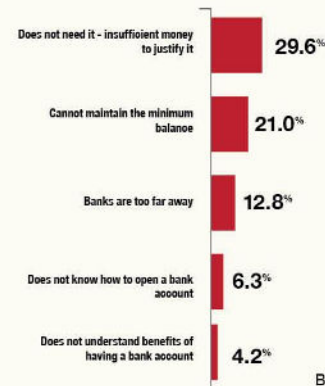
Quick access to money drives choice of savings mechanism (most important driver of choice for 64.9% of claimed savers)

Base: adults who save (not mutually exclusive)

It is clear from this chart that in spite of the variety of choices, the most popular place to keep savings is in the home. Indeed, the proportion of adults who do so has risen substantially since 2009. There is a much smaller, but still significant rise in savings using non-bank, usually mobile facilities. (People may save in more than one category - not mutually exclusive).

## BARRIERS TO ACCESS AND INCLUSION

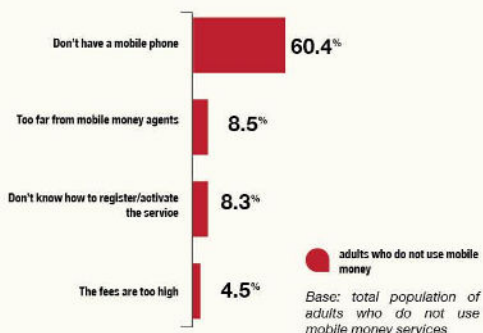
### Barriers to banking



% of unbanked adults

Base: total adult population of unbanked

### Barriers to using mobile money

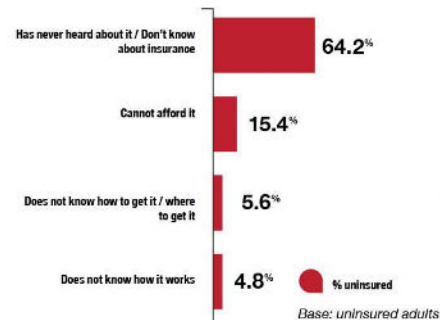


adults who do not use mobile money

Base: total population of adults who do not use mobile money services

Barriers to accessing both formal bank and non-bank products are still preventing millions of people from financial inclusion. Lack of money, high minimum balance requirements, low levels of financial literacy and living in remote areas continue to be major problems.

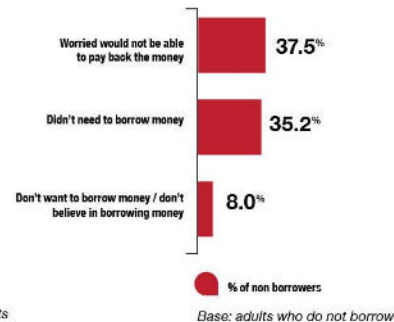
### Barriers to accessing insurance



% uninsured

Base: uninsured adults

### Barriers to borrowing



% of non borrowers

Base: adults who do not borrow

Of those who are not insured, most have not even heard of the facility. Those who have, believe they cannot afford it, do not know how or where to get it or do not understand how it works.

For people who do not borrow, the main reason is fear of being unable to repay the loan. Nearly half say they neither want nor need to borrow.



## CONCLUSION

Evidence from FinScope Tanzania 2013 suggests that there are many reasons to be optimistic. The findings reveal a significant drop in the numbers of people who are totally excluded: in 2009 11.7 million people fell into this category, a figure which almost halved by 2013. The overriding reason for this encouraging trend is the remarkable rise in the use of mobile financial services. Half the adult population in Tanzania - the highest proportion anywhere in Africa - has learned how to use the system and is increasingly benefitting from its expanding services.

Though the most common use of mobile financial services is currently remitting, advances in the technology and innovation are beginning to offer a greater range of secure and affordable products and services. Projections indicate that many more people will be using mobile financial products and services for a wider range of transactions and facilities over the next few years

Advances in the range and flexibility of insurance products has led to a rise in their popularity, most of which is concentrated in the healthcare sector. More people are taking out insurance to protect their family against the potentially high costs of healthcare and medical bills.

The increase in use of bank products and services has been more modest. Although there has been a rise in levels of saving, most people who want a credit facility find it in the informal, not the formal sector. It is the remote, rural areas where a significant proportion of the population live, that cause the greatest concern. Banks need to tackle the problems not just of limited access, but of conditions which are too stringent for many potential customers. Many more appropriate products and services, tailored to people living in these parts of the country are needed before financial inclusion can have a sustainable future in Tanzania.

## DEFINITIONS

Financially <b>Included</b>	Individuals 16 years or older who have / use financial products / services to manage their financial lives.
Financially <b>Excluded</b>	Individuals 16 years or older who use NO financial mechanisms - rely on themselves / family / friends for saving, borrowing and remitting; their transactions are cash-based or in-kind.
<b>Formally</b> Included	Individuals 16 years or older who have / use financial products / services provided by a <b>financial service provider that is regulated or officially supervised.</b>
<b>Informally</b> Included	Individuals 16 years or older who use financial mechanisms not provided by a <b>regulated or supervised financial institution.</b>

### 2006 / 2009

Classification	Highest level of usage
Formal	Commercial banks Postbank Insurance
Semi-formal	SACCOS MFIs Remittance companies Mobile money
Informal only	Savings / credit groups Shops / supply chain credit Money lenders Friends / Family
Excluded	Save at home / in kind

AGE GROUP: Adults - individuals 16 years or older

### 2013

Classification	Highest level of usage	
<b>FORMAL</b>	Banked	Commercial banks Postbank
	Non-bank formal	Insurance SACCOS MFIs Remittance companies Mobile money
	Informal only (external)	Savings / credit groups Shops / supply chain credit Money lenders
	Excluded	Friends / family Save at home / in kind

AGE GROUP: Adults - individuals 16 years or older

## ABOUT FSDT

The Financial Sector Deepening Trust (FSDT) has funded all three FinScope Tanzania surveys: 2006, 2009 and now 2013. The FSDT's purpose is to achieve improved capacity and sustainability of the financial sector to meet the needs of MSMEs and poor men and women. This should contribute to overall economic growth. The FSDT has contributed to the changes seen in the latest FinScope Tanzania survey by supporting interventions across macro, meso and micro levels of the financial sector.

The FSDT was established in 2004. It is currently funded by five development partners: DFATD-Canada, DANIDA, SIDA, DFID and Bill and Melinda Gates Foundation. For more information on the FSDT, please see our website on [www.fsd.or.tz](http://www.fsd.or.tz)



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 [Financial Sector Deepening Trust - Tanzania](https://www.youtube.com/FinancialSectorDeepeningTrust-Tanzania)

# FinScope

TANZANIA 2013



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