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**FINSCOPE
TANZANIA**

INSIGHTS THAT
DRIVE

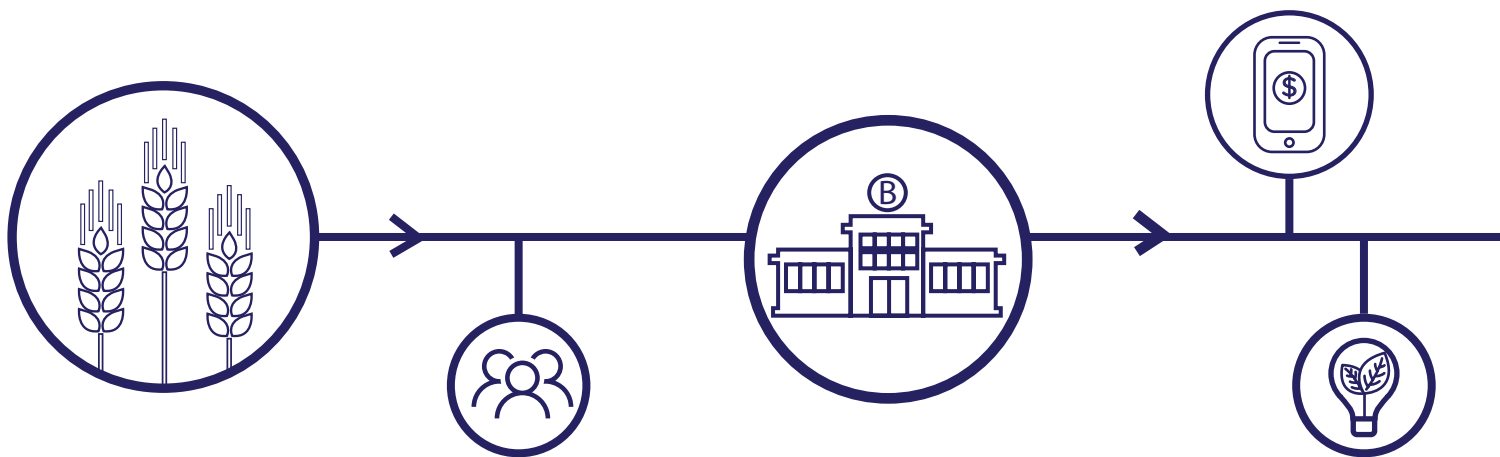
INNOVATION

ACKNOWLEDGEMENTS

This research was made possible in partnership with the Bank of Tanzania, Ministry of Finance and Planning, National Bureau of Statistics, Office of Chief Government Statistician-Zanzibar as well as representatives of financial service providers and other regulators. Special recognition is given to Professor Mohammed Warsame, chair of the FinScope Tanzania 2017 Steering Committee and his vice-chair, Dr. Blandina Kilama, as well as the chair of the Technical Committee Dr. Deogratius Macha. It was commissioned by the Financial Sector Deepening Tanzania (FSDT). Data collection was carried out by Ipsos Tanzania and the Technical Advisory was under Yakini Development Consulting. The report was written by Elvis Mushi, Irma Grundling, Julia Seifert and Sosthenes Kewe, edited by Constantine Manda, Lou Simpson, Neema Mosha and produced by the Financial Sector Deepening Trust (FSDT).

Table of Contents

- 1. INTRODUCTION
- 2. METHODOLOGY
 - 2A SAMPLING DESIGN
 - 2B KEY SAMPLING STATS
- 3. FINDINGS/RESULTS
 - 3A DEMOGRAPHIC
 - 3B ADDRESSABILITY
 - 3C FINANCIAL BEHAVIOR
 - 3D FINANCIAL INCLUSION
- 4 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.



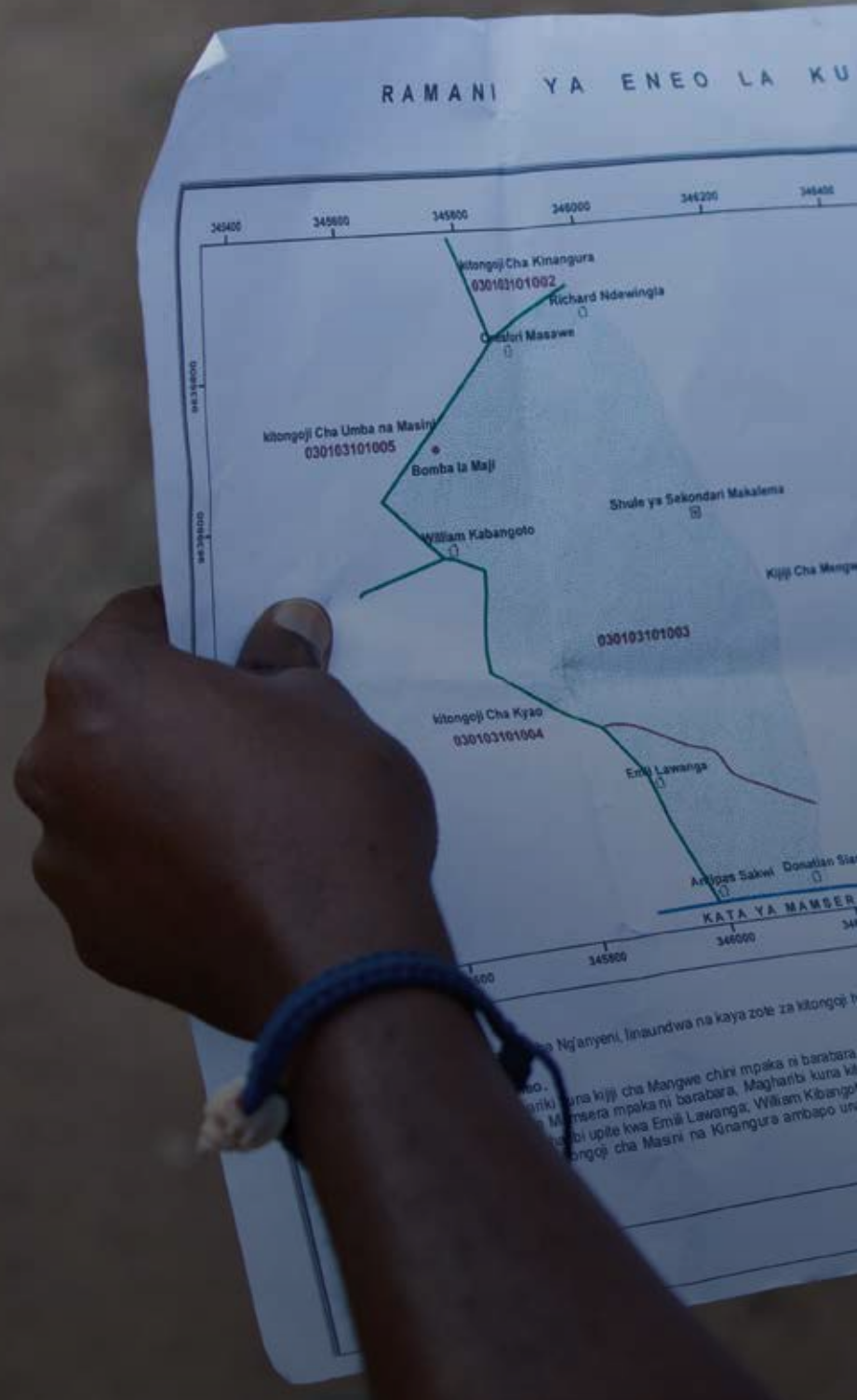
The survey has five main objectives:

- 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

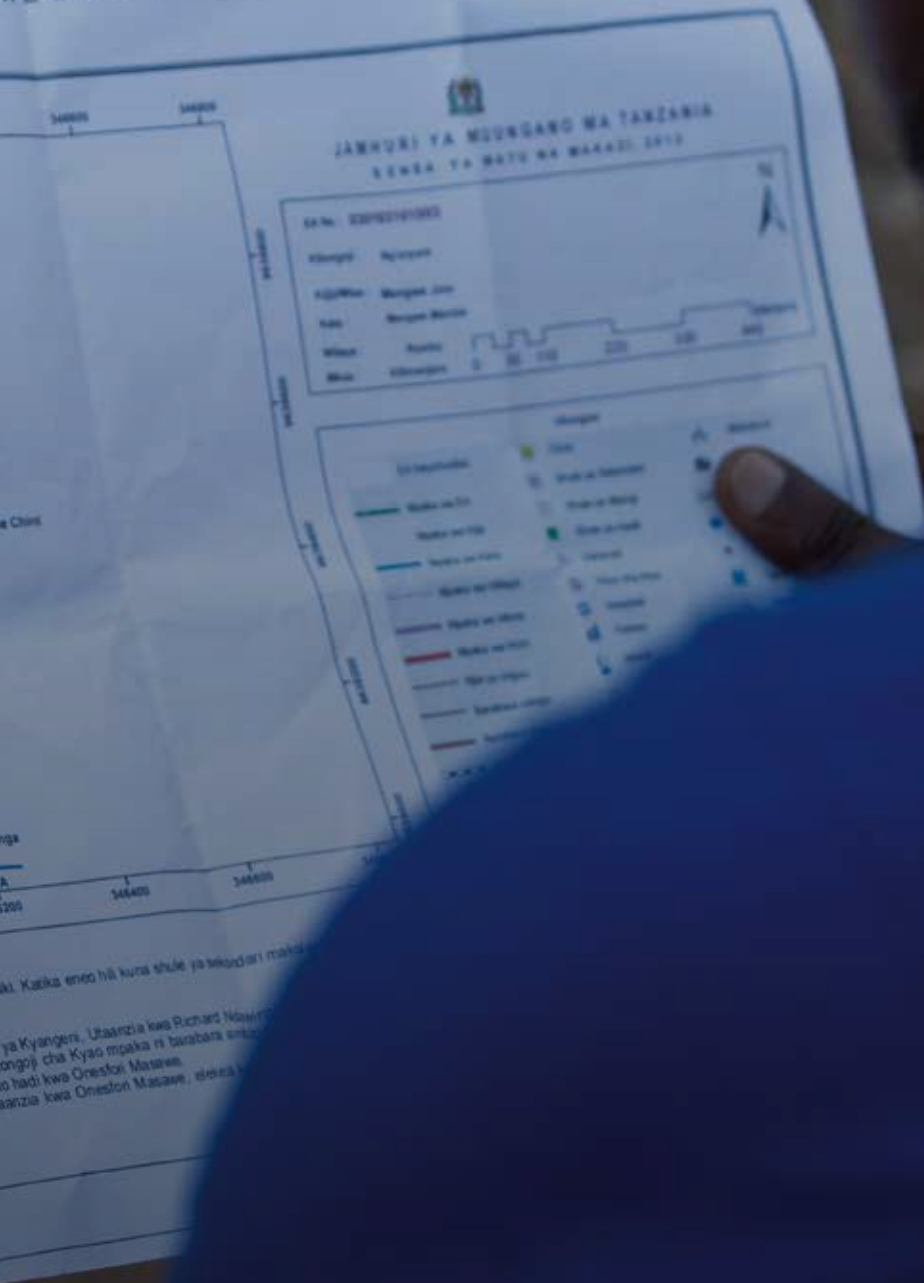
FinScope Tanzania 2017 is the fourth wave in the FinScope Tanzania series with previous waves in 2006, 2009 and 2013. FinScope Tanzania reports have been made available on the key partners' websites (MoF, BoT, NBS and FSDT).

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.

2 Methodology



HESABIA WATU (EA)



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 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 compliment the quality of information generated by the FinScope Tanzania study.

2A Sampling

A multi-stage stratified sampling approach was used to achieve a representative sample of the 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 person 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)¹ 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 institutionalized settings, such as students in dormitories and persons in prisons, army barracks or nursing homes.

1 An EA is the smallest geographical unit usually allocated to a single enumerator during census enumeration. In other words, it constituted a small piece of land for an enumerator to cover in order to administer a questionnaire during a census survey. An EA according to the last census is, on average, a cluster of 86 households.

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 Committee².

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 district level for five regions in the mainland- Singida, Iringa, Rukwa, Mtwara and Mwanza. To achieve this aim, respondents were over-sampled within these five regions. The choice of regions was determined by the following lessons:

- **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.

2

The Technical Committee had representatives from MoF, BoT, NBS, FSDT and Yakini Development Consulting (the survey's technical advisor).



2B Key Sampling Statistics

Targeted EAs: 1, 000 Enumeration Areas, 10 Interviews per EA

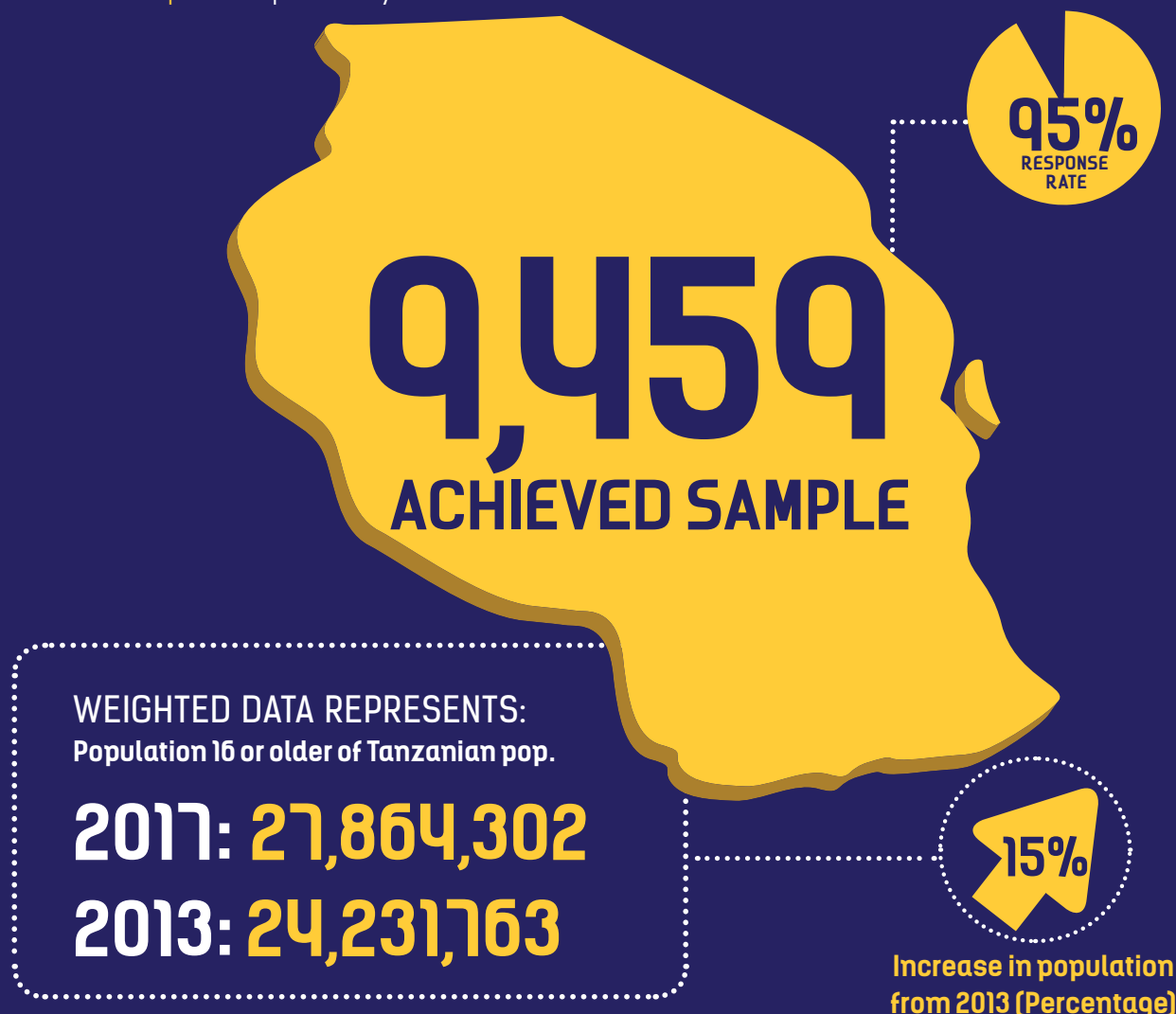
Achieved EAs: 998 EAs

Targeted Sample: 10,000 Respondents

Margin of error: Maximum 5%³

Confidence Interval: 95%⁴

Data collection period: April to July 2017



³ Margin of error: Depends on the level of disaggregation of data and hence the sample utilized 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.

3 Findings/Results

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3A. DEMOGRAPHICS: What does the population look like?

This section of the report seeks to describe the characteristics of the respondents interviewed for FinScope Tanzania 2017. A large part of the analysis will consider slicing the data based on the demographic characteristics of the respondents, this allows the reader to understand the differences between different groups in society.

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

Chart 1: **Urban vs Rural Split**

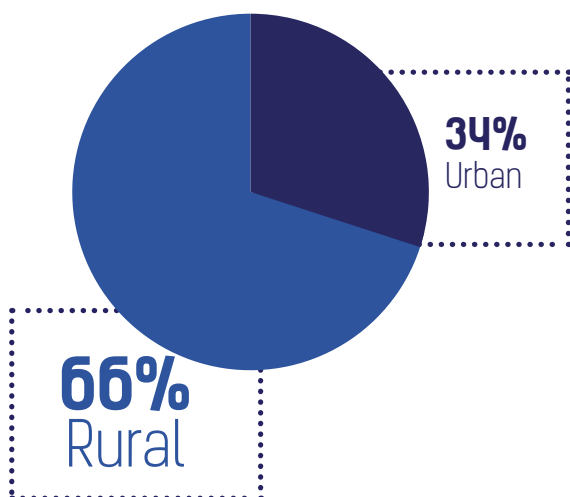
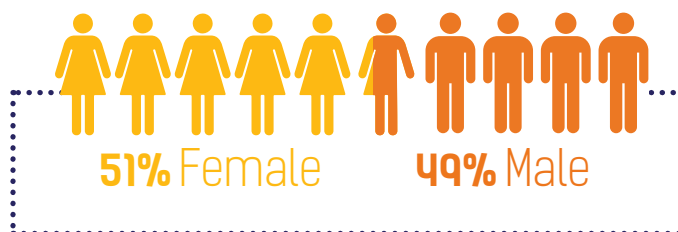


Chart 2: **Gender Split**



Source: FinScope Tanzania 2017 April-July

Proportionate to the population distribution, the results represent adults from **rural (66%) Tanzania** and **slightly more women (51%) than men.**

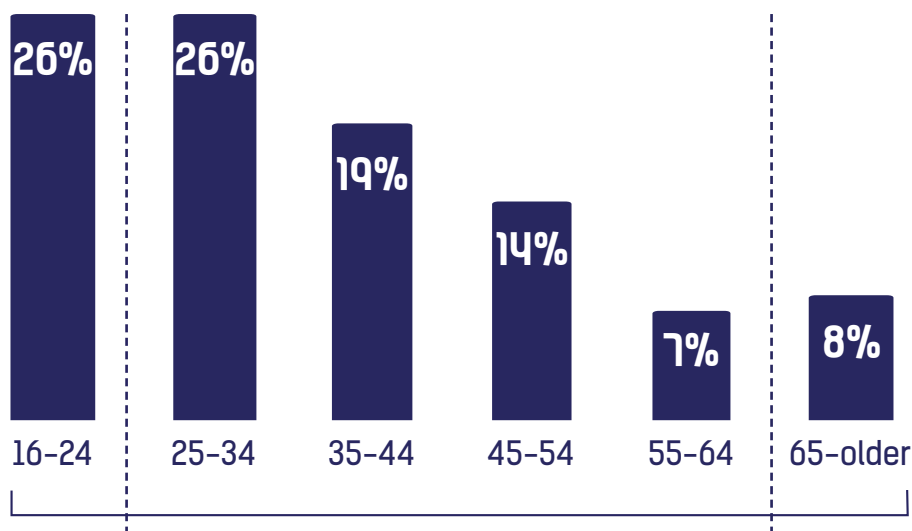
FACT 1

66%

of Tanzanians are within
the economically-active
age ranges



Chart 3: **Age Distribution**



Source: FinScope Tanzania 2017 April-July

The survey reveals that adults aged 16 to 24 years are about a quarter of the adult population, the majority of whom are still dependent on others to pay their expenses, to be provided with money (37%) or involved in casual labor (21%) which does not offer them a consistent source of income. There are also high levels of dependency among adults aged 65 years and above.

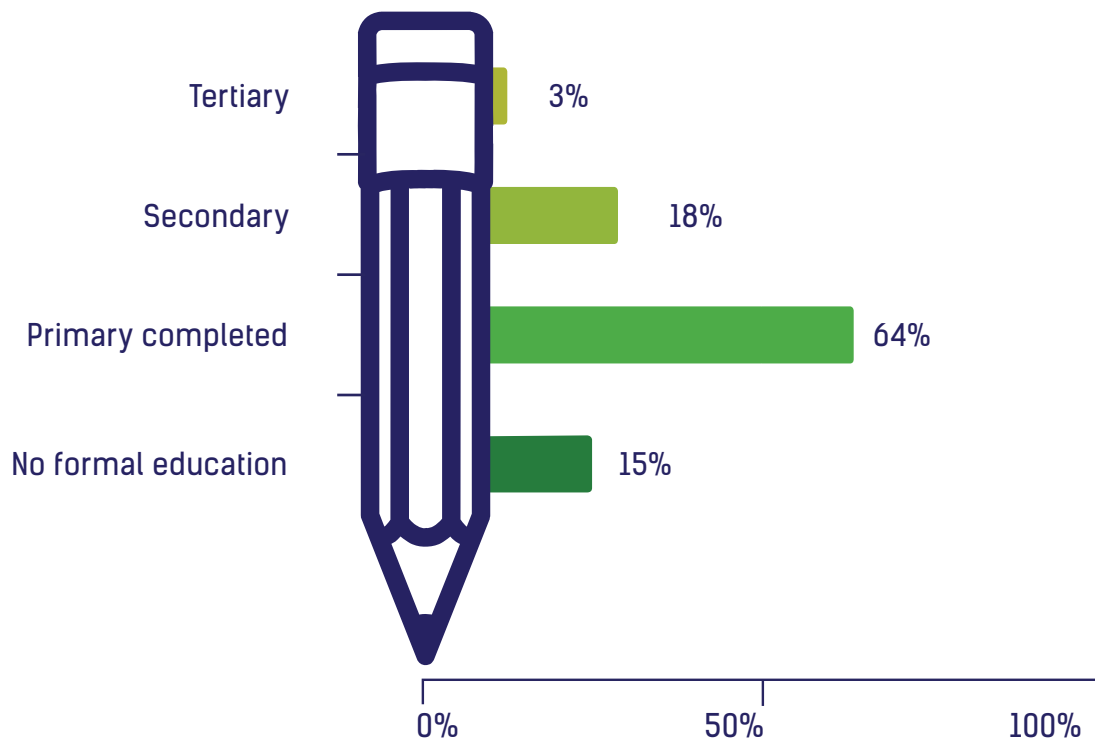
FACT 2

Almost 8 in 10

adult Tanzanians have no more than a primary school education



Chart 4: **Highest Level of Education**



Source: FinScope Tanzania 2017 April-July

A little over 2 out of 10 adult Tanzanians are likely to have at least a secondary school education, the rest have no more than primary school education and 15% have not attained any formal education. This is very important when designing financial services for them. This message will be reinforced further when analyzing their literacy and numeracy competencies.

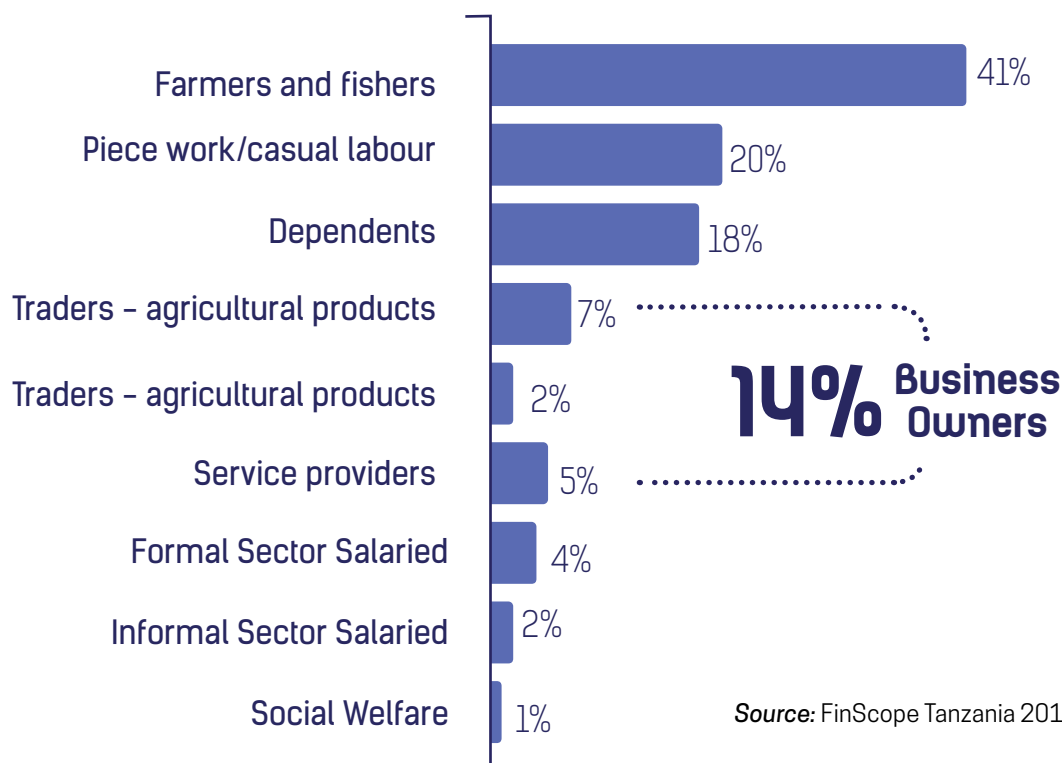


FACT 3

41%

OF ADULT TANZANIANS, MEET MAJORITY OF THEIR EXPENSES THROUGH MONEY GENERATED FROM FARMING ACTIVITIES

Chart 5: **Main Revenue Generating Activity**



Source: FinScope Tanzania 2017 April-July

68% of Tanzanians depend on only one income source, while the rest have more than one. 41% of Tanzanians depend on agricultural activities to meet their expenses; 20% on casual labor, 18% depend on other people and 14% on their own business activities. The 18% who are dependents are mainly women.

FinScope does not focus on the main source of livelihood, but rather on financial inclusion, considered here as the income-generating activities that people rely on to meet their expenses. It is for that reason that the results displayed in Chart 5 appear different to those surveys which analyse the main source of livelihood.



FACT 4

58%

of Tanzanians fall in the **two lowest quintiles**, with a majority of them being in rural areas

Chart 6: PPI Distribution-grouped

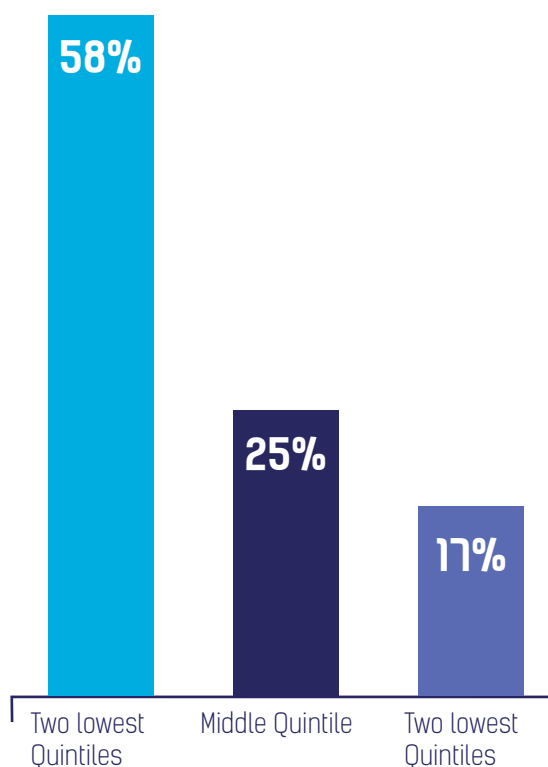
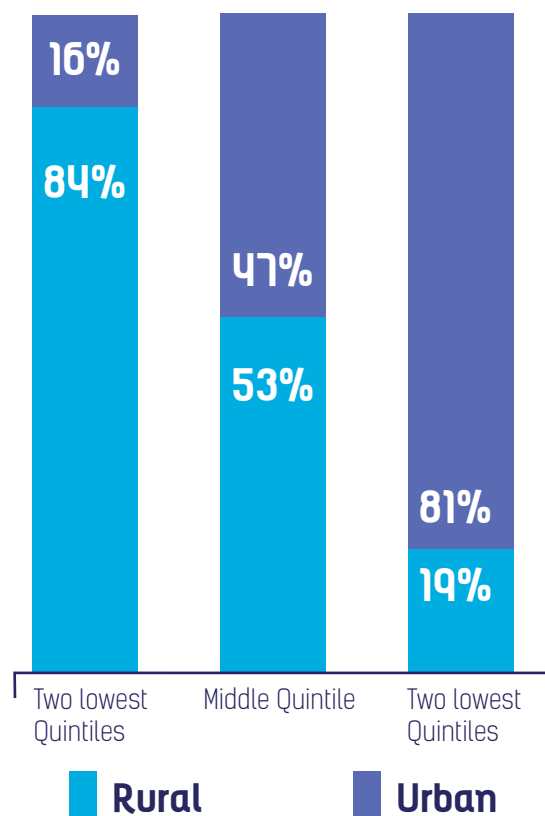


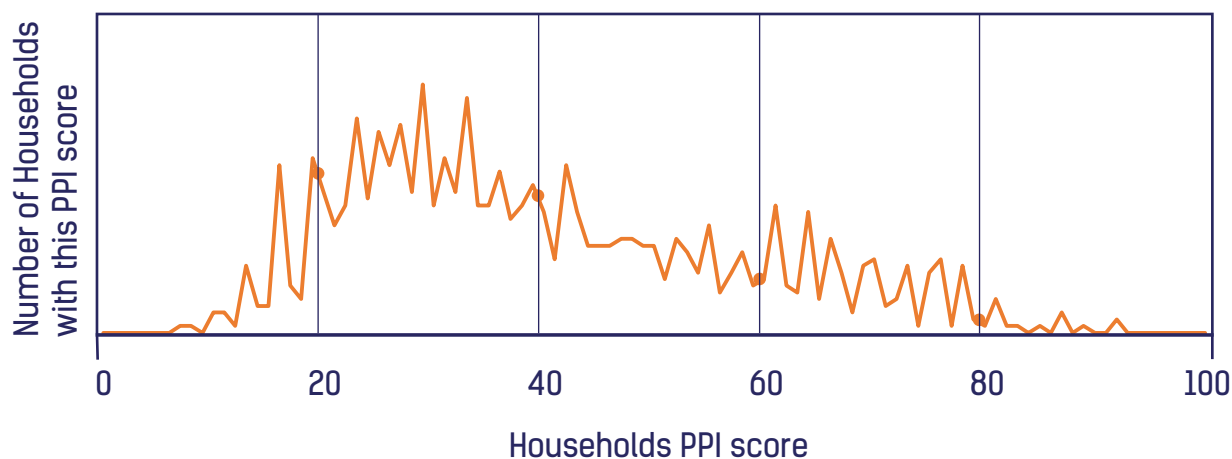
Chart 7: PPI Distribution by setting



Source: FinScope Tanzania 2017 April-July

In order to offer tailor-made financial services to Tanzanians, it is important to understand the profiles of those 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 (for Tanzania it is 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.

PPI Distribution



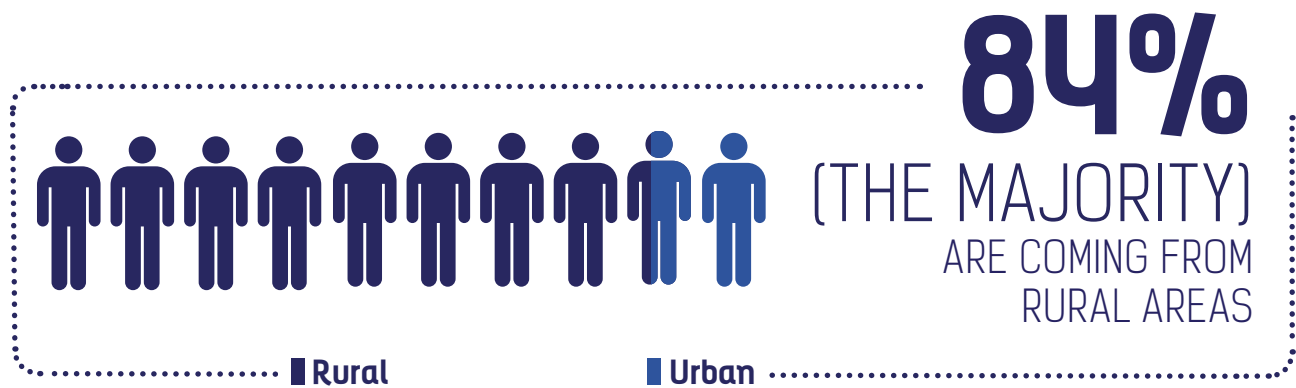
The PPI scores segments households into five equal levels as follows:

- 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:

- Intervals 1 and 2 are combined
- Intervals 4 and 5 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.



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.

PPI quintiles	TZS per month		USD per day	
	Mean	Middle value (Median)	Mean	Middle value (Median)
Two lowest quintiles	125,884	41,667	2.84	0.94
Middle quintile	178,638	90,000	4.02	2.03
Two highest quintiles	486,222	150,000	10.95	3.38

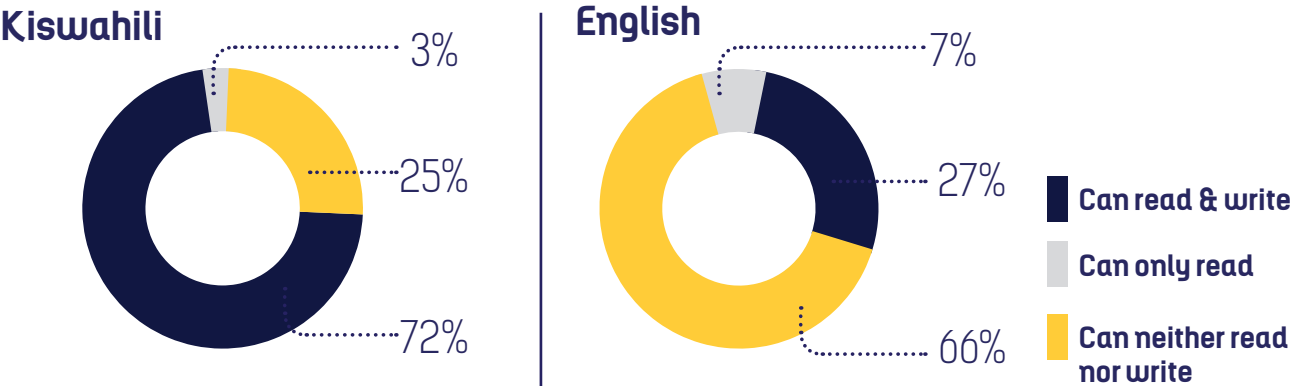


B. ADDRESSABILITY: Can adult Tanzanians be served by financial service providers?

For Tanzanian adults 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.

KISWAHILI LANGUAGE OF THE CONSUMER

Chart 8: **Language Barrier**



Source: FinScope Tanzania 2017 April-July

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 Instruction: 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: _____

In order to serve the majority of the population, financial service providers need to know which language consumers are more comfortable with. It is in line with that, that the survey presented the respondents with basic English and Kiswahili questions to read and respond to in writing. As can be seen in Chart 8, the results reveal that most Tanzanians are more literate in Kiswahili than English.

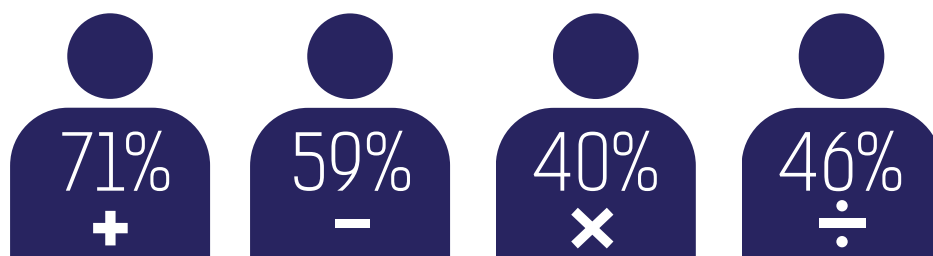
Further, Tanzanians are more comfortable with addition and subtraction while they have difficulties in multiplication and division (see chart below).

FACT 1
84%

ADULT TANZANIANS CAN ADD
AND SUBTRACT BUT FEW
CAN MULTIPLY AND DIVIDE



Chart 9:
Numeracy Skills



Adult Tanzanians can add and subtract
but **cannot multiply and divide**

Source: FinScope Tanzania 2017
April-July

NUMERACY ASSESSMENT BASED ON TEST ADMINISTERED:

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

Numeracy Question 2: A person has TSH 50,000 in cash and spends TSH 13,000 on food and TSH 8,000 on clothing. How much money is remaining?

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

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



FACT 2

Only 3%
of Tanzanians claim
to have a **title deed**

Chart 10: **Do they own the land they live on?**

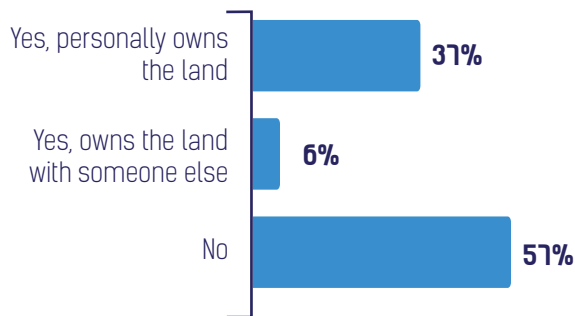
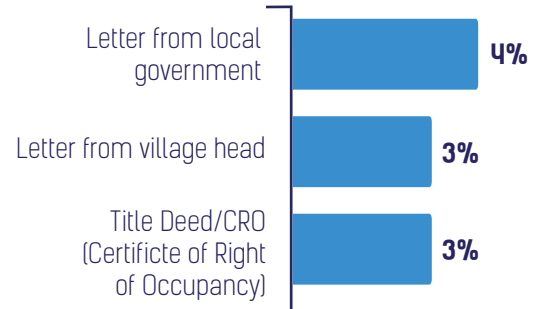


Chart 11: **10% adult Tanzanians have some sort of land ownership documentation. What documentation do they have?**



Source: FinScope Tanzania 2017 April-July

Asset ownership is key to accessing both long and short-term credit from a majority of financial service providers. In order to assess whether adult Tanzanians own assets and have a proof of ownership of those assets, we asked respondents if they owned the piece of land they live on. 37% of Tanzanian adults own the land they live on in sole ownership. While almost half of Tanzanian men are sole owners of the piece of land they live on, less than a third of Tanzanian women own the land they live on. Co-ownership in females (9%) is observed to be higher than among their male counterparts (2%).

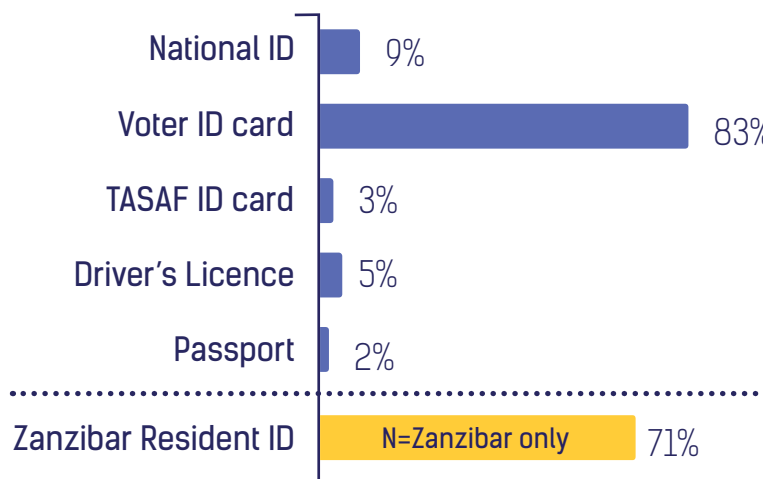
When asked if they have documentary proof of ownership, only 10% of adult Tanzanians reported having any documentation and only 3% have a title deed; no gender specific differences have been observed.

FACT 3

BASIC ID (IDENTIFICATION) is **not a major barrier** to accessing financial services



Chart 12: **Do you have?**



Source: FinScope Tanzania 2017 April-July

All formal financial service providers require their customers to have a recognised form of identification. FinScope Tanzania sought to identify the form of identification that the majority of respondents possessed, and the results show that 84% of Tanzanians have at least one form of identification, with the majority having a voter ID card. Meanwhile, 71% of Zanzibaris have a Zanzibar resident ID.

Though possession of a voter ID card raises the number of adults with valid identification significantly, the cards are not regularly updated. There are loopholes in existing KYC procedures as young adults (those who turn 18 after the year of election), as well as those that have misplaced their IDs, have to wait for the next election to be registered and acquire an ID.

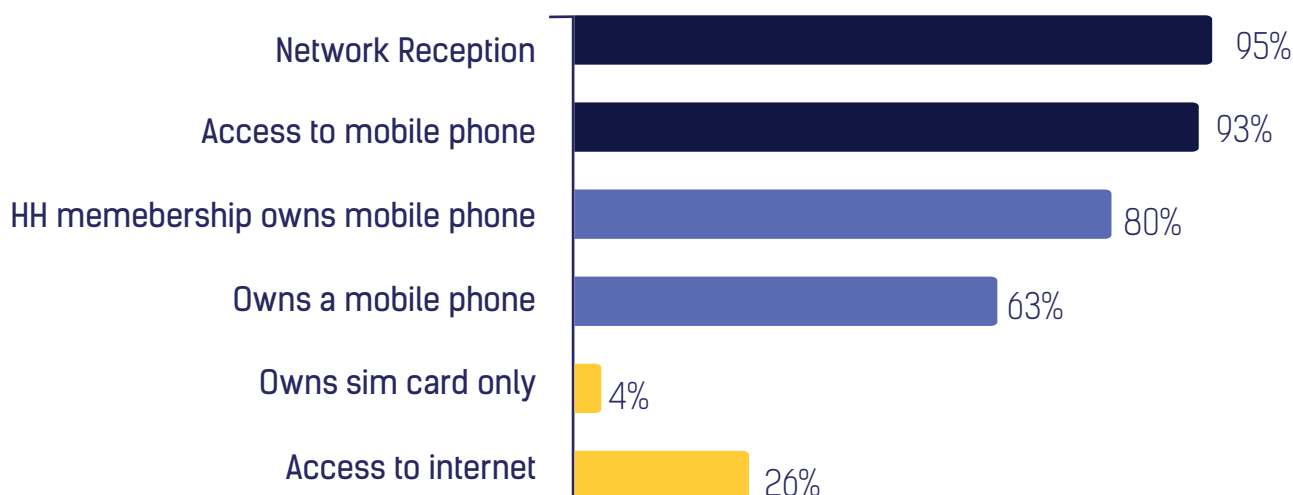
FACT 4

63%

of adult Tanzanians
own a mobile phone



Chart 13: **Do you have access to?**



Source: FinScope Tanzania 2017 April-July

Findings from FinScope Tanzania indicate that one of the main drivers of access to financial services in Tanzania has been the take-up of digital financial services which require mobile phone ownership, a registered mobile money wallet or access through a third-party.

A key factor in phone ownership is living in an area with network reception. Mobile phones were used during data collection to assess network reception in all the enumeration areas visited. 95% of the EAs were found to have network reception.

93% of the respondents have access to a mobile phone, while 80% live in households with a mobile phone.

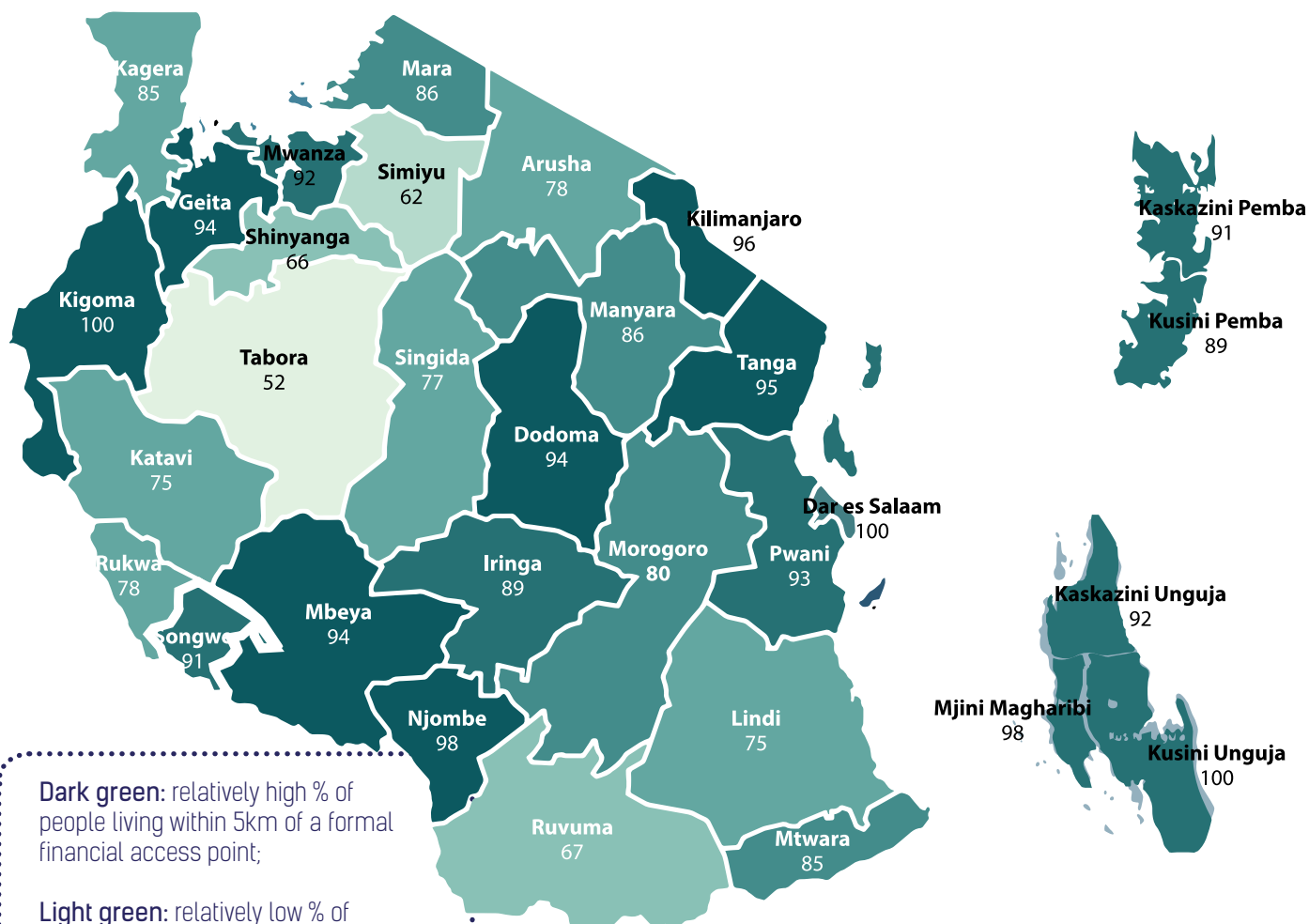
Given the difficulty of accessing mobile financial services through a phone owned by someone else, respondents were asked if they themselves owned a phone. 63% of adult Tanzanians own a phone, while 4% have a SIM card which they insert in other peoples' phones. Groups which are less likely to own a phone or a SIM card include adults from poor households, people living in rural areas, young people and farmers.

FACT 5

About 78% of adult Tanzanians in rural areas live within a 5km radius of a formal financial access point



Map 1: **Tanzanian's living within 5km of a financial access point**



Dark green: relatively high % of people living within 5km of a formal financial access point;

Light green: relatively low % of people living within 5km of a formal financial access point

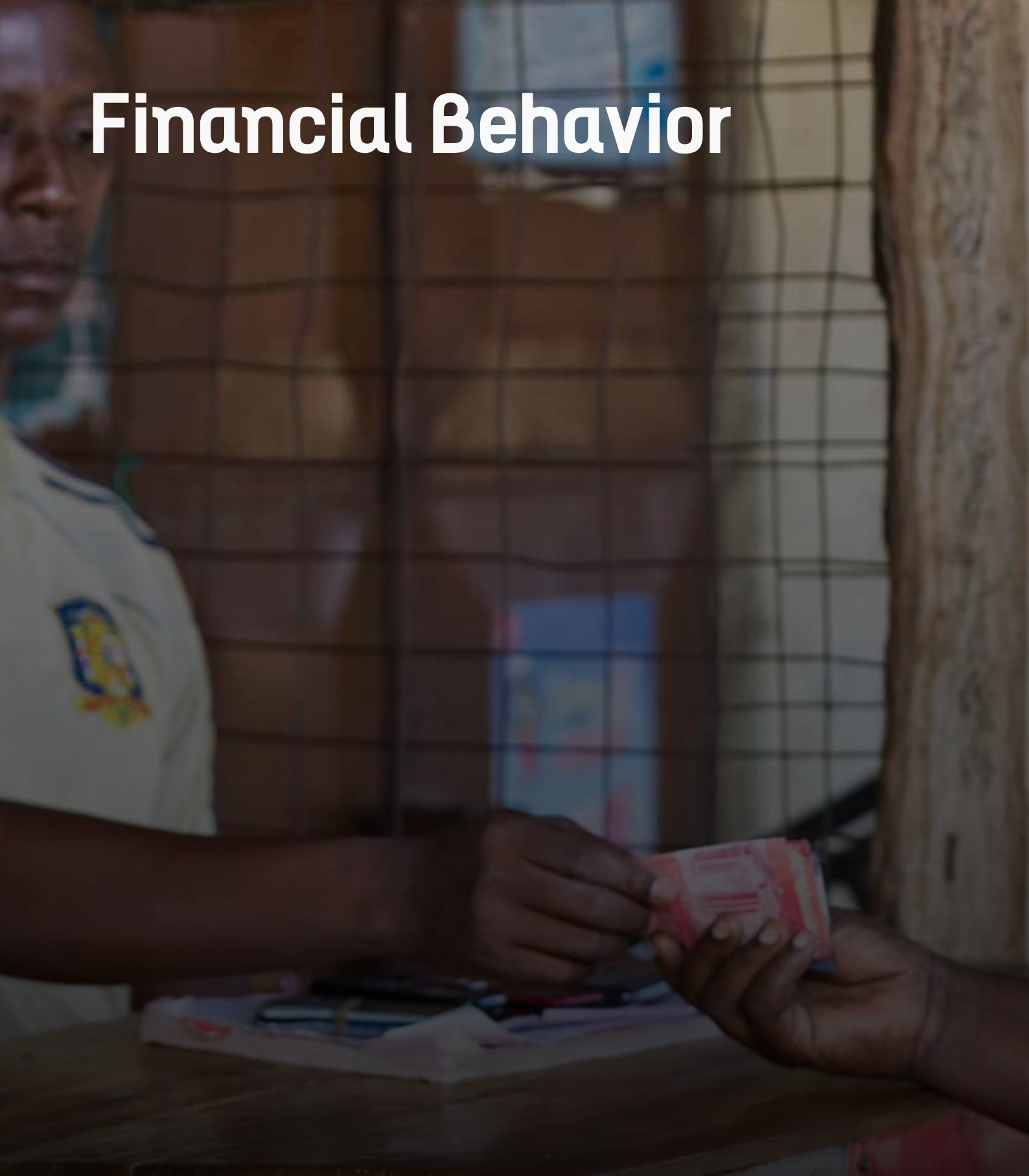
Source: FinScope Tanzania 2017 April-July

In previous FinScope Tanzania surveys, whenever respondents were asked why they did not take up financial services, the majority of those living in rural areas mentioned that the services were far from them. It is for this reason that this time, FinScope Tanzania mapped all financial service providers in the randomly selected enumeration areas (EAs) and those which are in a 5km radius in rural areas. FinScope Tanzania 2017 shows that 78% of Tanzanian adults in rural EAs have a financial access point within 5km radius. Nationally, 86% of Tanzanian adults live within a 5km radius of a financial access point.

The 2017 results indicate a 12% increase of people living in a 5km radius of a financial access point in rural areas. When overlaying the 2014 GIS Census of financial access points with the FinScope Tanzania 2017 EAs, only 66% of people were within reach.

The majority of financial service providers found within a 5km radius of the EA were mobile money agents. 55% of mobile money agents provide services for multiple providers. It is also worth noting that almost two thirds of the mapped bank agents are also mobile money agents, which is another indication that the financial sector is deepening rather than widening.

Financial Behavior





C. FINANCIAL BEHAVIOR: How do Tanzanians manage their finances?

Previous sections stated who FinScope Tanzania talked to and whether or not they can be served by a range of financial services providers. This section of the report goes a little deeper into understanding how Tanzanians manage their finances.

FACT 1

Tanzanians **do not** have consistent sources of income

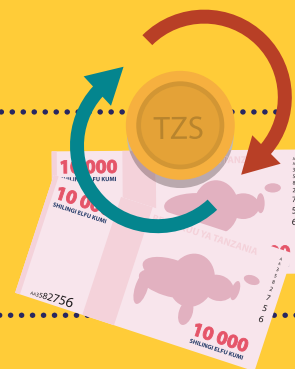
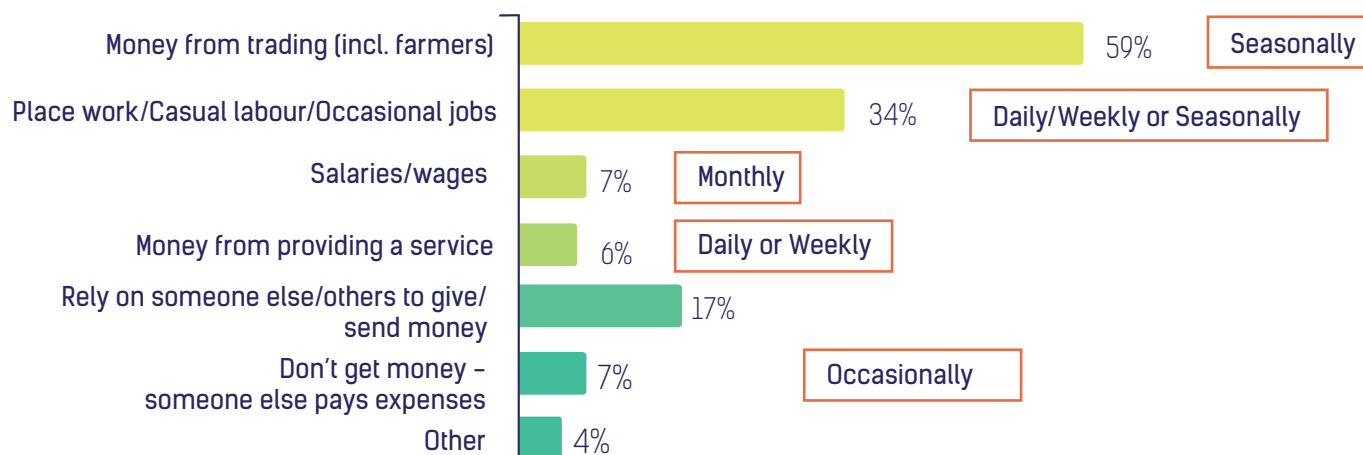


Chart 15: **How is personal revenue generated and how frequently is money received from these sources of income?**



*orange boxes show frequency of receipt of income

Source: FinScope Tanzania 2017 April-July

FinScope Tanzania asked respondents how they generate revenue, to which more than half (59%) responded that they make money from trading (including farm products). For each of the revenue generating activities, the frequency by which they receive the money was assessed. Results showed that the frequency differed from one activity to another, and only those that reported receiving salaries have a constant income stream.

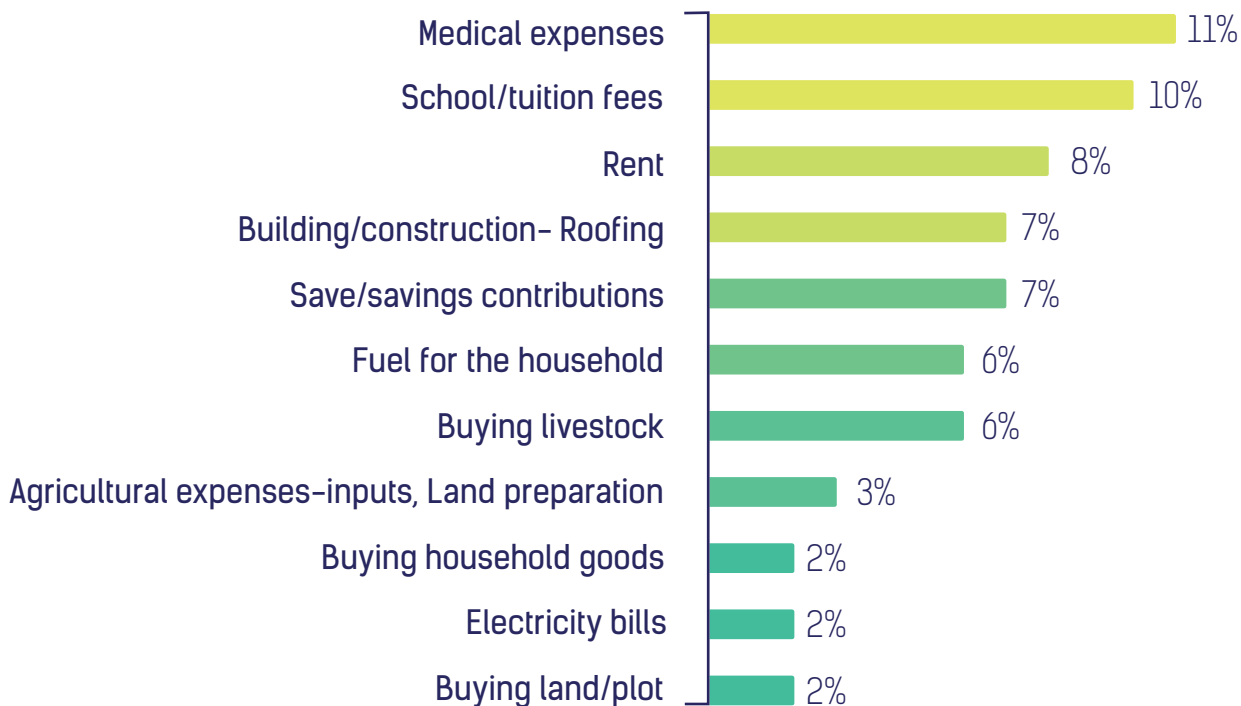


FACT 2

Medical & educational expenses are regarded as priority expenses



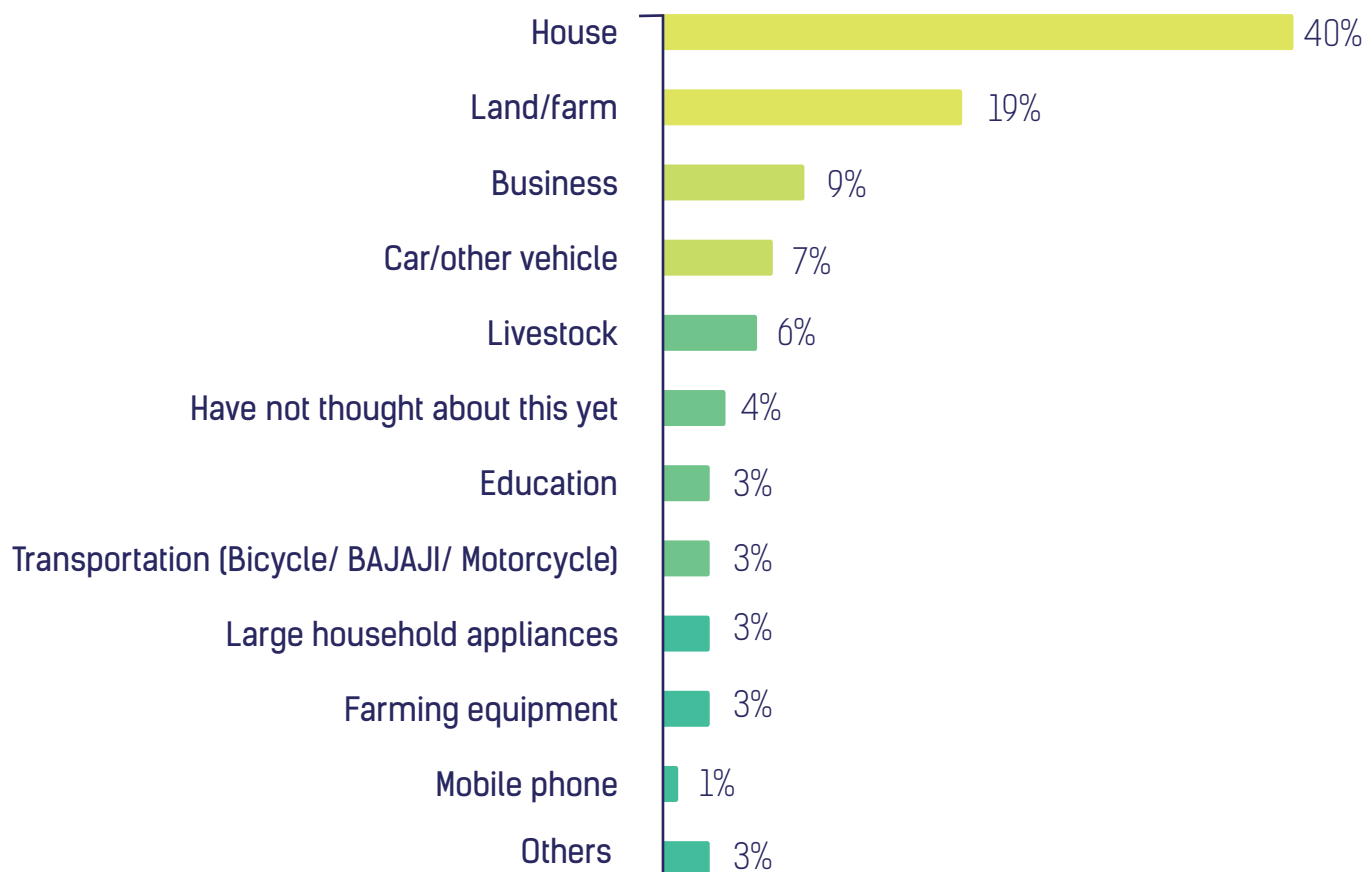
Chart 16: **What is the most important payment to make when you get money? (excluding food and clothes)**



Source: FinScope Tanzania 2017 April-July

Excluding food and clothing, the survey sought to find out the adults' priorities regarding expenses. As can be seen in Chart 16, medical and education expenses ranked first and second. The two were closely followed by rent, building and savings contribution. Further analysis indicates that the highest priority expense for Dar es Salaam and other urban areas is rent followed by education. When probed further about their aspirations, the majority of adult Tanzanians wish to buy a house or land, if they had the money (see Chart 17 below).

Chart 17: **Can you think about something would like to buy but cannot afford?**



Source: FinScope Tanzania 2017 April-July



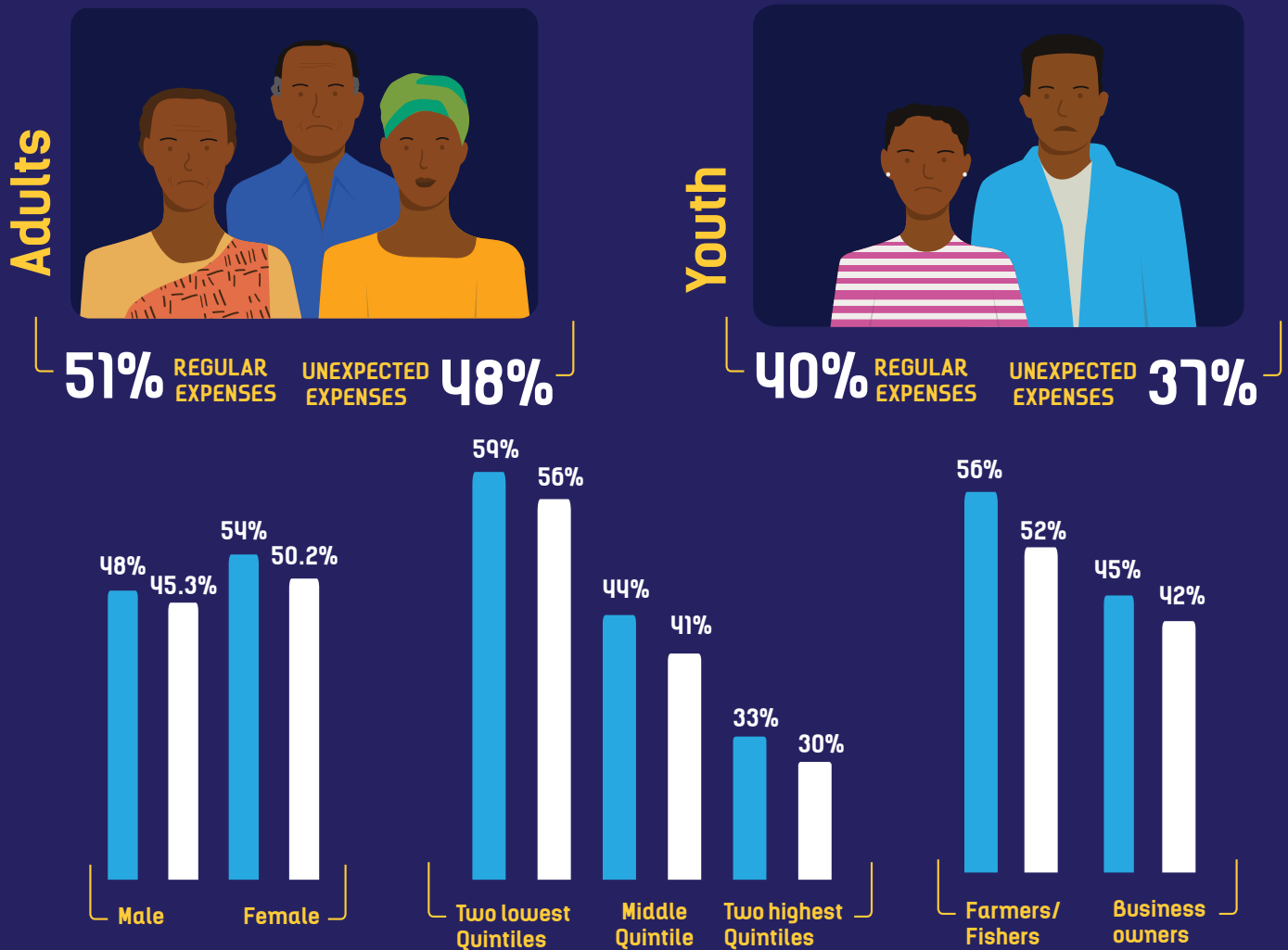
FACT 3

5 in 10 Adult

Tanzanians struggle to keep up with both regular and unexpected expenses



CHART 18: PERCENTAGE OF ADULTS WHO OFTEN/ALWAYS STRUGGLE



Source: FinScope Tanzania 2017 April-July

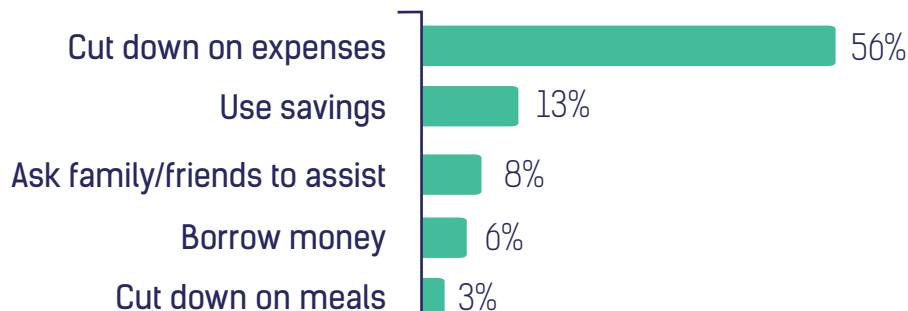
Regular Expenses Unexpected Expenses

When asked whether they struggle with keeping up with regular as well as unexpected expenses, respondents reported struggling to meet both, the former more so than the latter. It is evident from the analysis that adults from the two lowest quintiles and farmers are more likely to struggle to meet their expenses; the same groups who also receive their income least regularly.

FACT 4

56% of Tanzanian adults **cut down on expenses** when they are about to **run out of money**

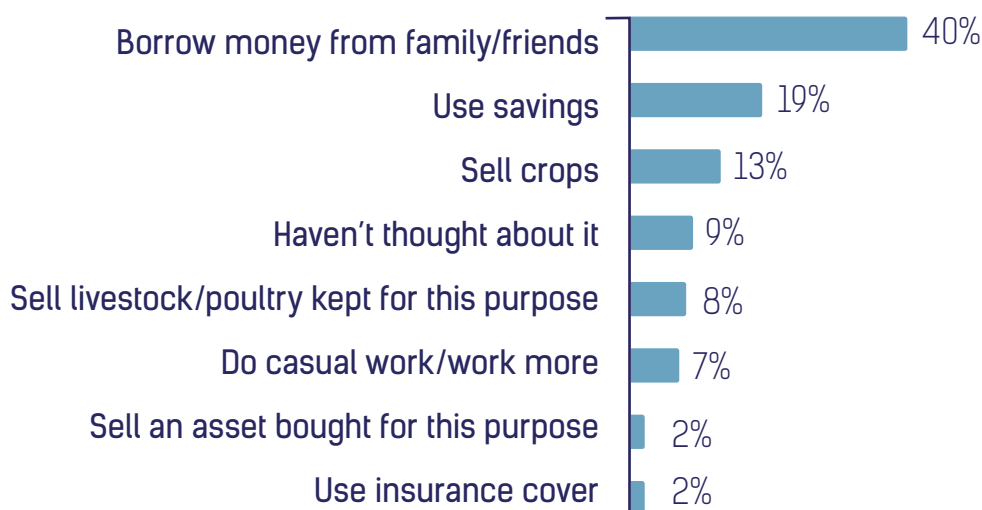
Chart 19: **When you see that you are going to run out of money, how do you ensure you last until you get money?**



Source: FinScope Tanzania 2017 April-July

When asked how they behave when they start running out of money, more than half (56%) of respondents reported reducing expenses (see Chart 19). When further asked what they would do if faced with an unexpected expense, 4 in 10 adult Tanzanians ask family and friends to assist (see chart below).

Chart 20: **If you should have an unexpected expense tomorrow, how would you cope?**



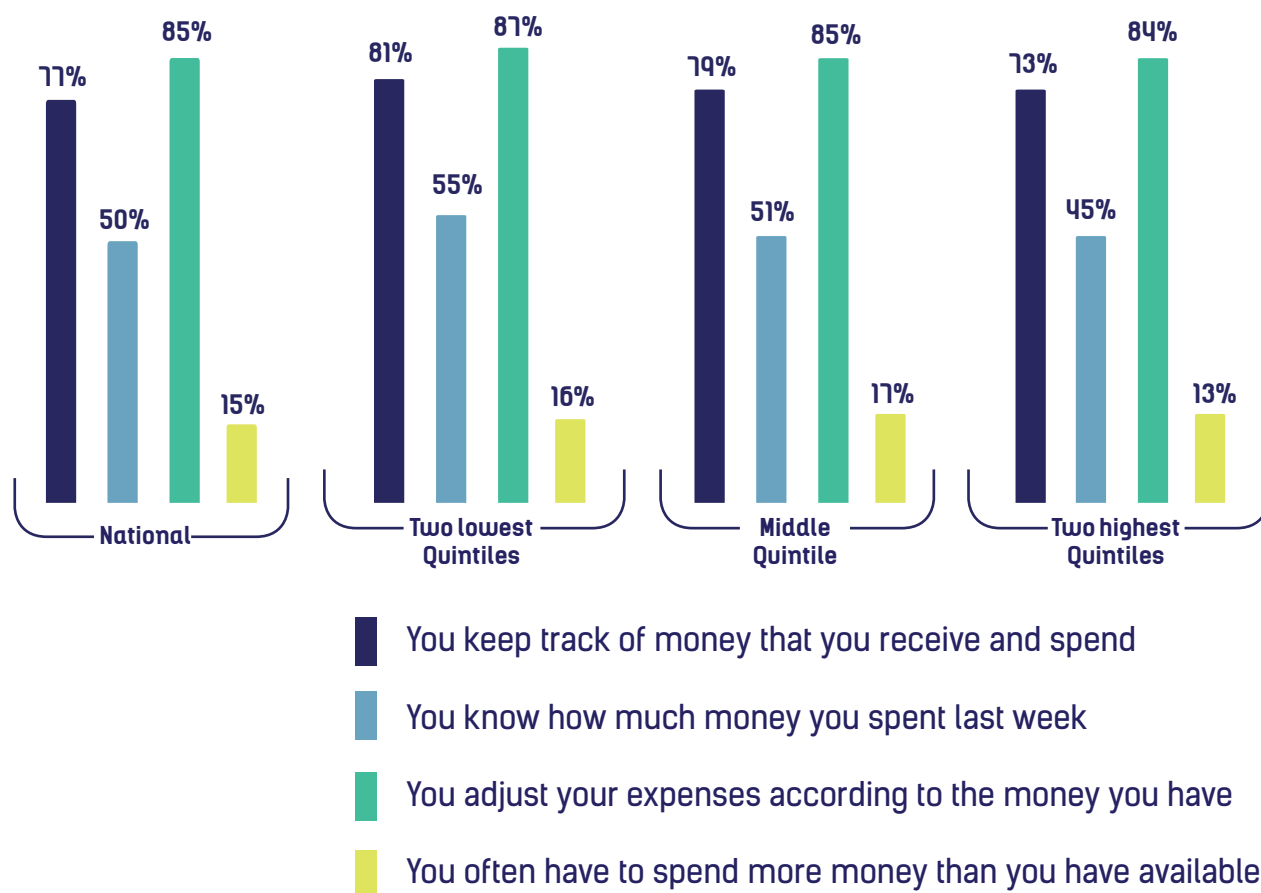
Source: FinScope Tanzania 2017 April-July

FACT 5

50%

Of adult Tanzanians **know**
how much they spent in the
previous week

Chart 21: **Do you...?**



Source: FinScope Tanzania 2017 April-July

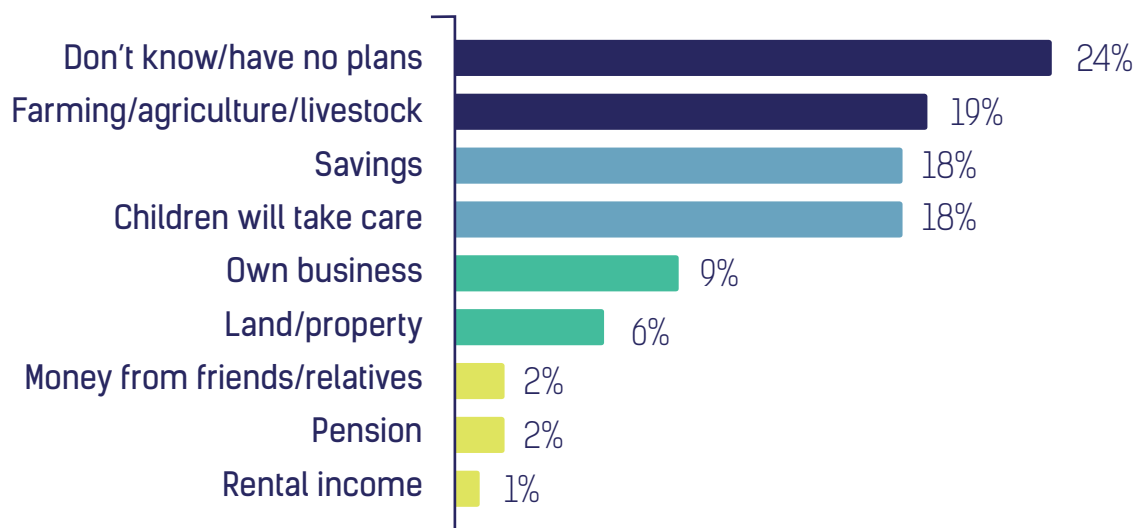
Although 77% of Tanzanians claim to report keeping track of what they receive and spend, only 50% know how much they spent in the past week. This result does not differ across wealth status as observed across quintiles. Respondents adjust their expenses according to the money they have.

FACT 6

A quarter of adults aged 55 years and below have no retirement plans⁴



Chart 22: **How do Tanzanians aged 55 and below plan for retirement?**



Source: FinScope Tanzania 2017 April-July

Almost a quarter (24%) of respondents aged 55 years and younger reported having a retirement plan. On the other hand, 19% mentioned that they would rely on farming activities, 18% that they would rely on their children to take care of them, 18% that they are saving for retirement and only 2% reported that they will depend on their pension. This evidence provides great opportunity for designing solutions that help people to meet their long-term goals.

⁴ A quarter of adults aged 55 years and below have no retirement plans

Financial Inclusion





D: FINANCIAL INCLUSION: Which channels are people accessing?

One of the key objectives of FinScope Tanzania is to track progress in uptake and usage of financial services. Section 3B of the report looks at the core enablers of taking up financial services, while section 3C looks at the way Tanzanians behave with their finances, with some discussion of the channels that people use to manage their finances. This section looks at the range of financial services accessed by adult Tanzanians.

FACT 1
10%

Uptake of mobile money
has grown from 2013



Chart 23: **Uptake of Formal Financial Services**

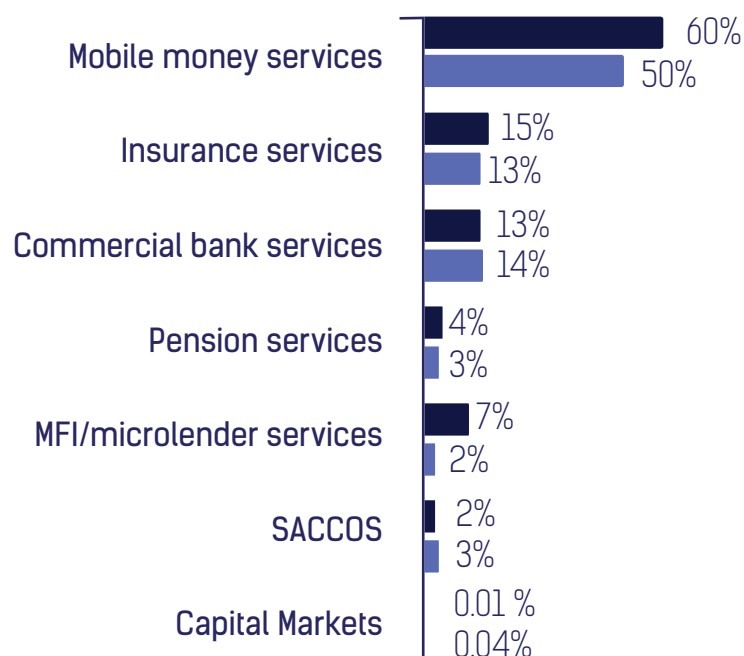
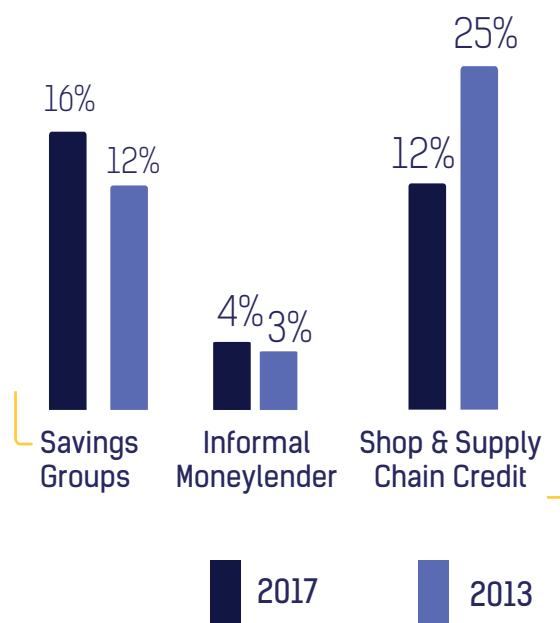


Chart 24: **Uptake of Informal Financial Services**



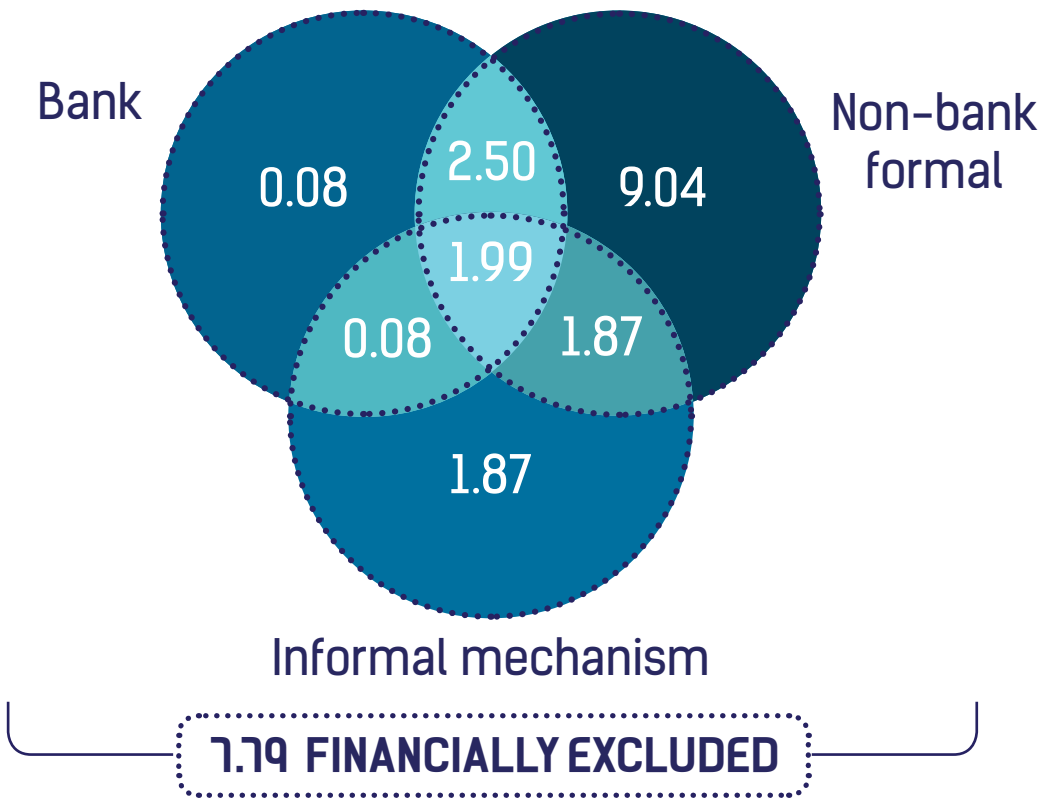
Source: FinScope Tanzania 2017 April-July and FinScope Tanzania 2013

A majority of respondents (60%) reported taking up mobile money services, which reflects a 10%-point increase from 2013. As in 2013, banking services were the second-most taken up service, followed closely by insurance services. That said, it should be noted that the 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. Similarly a partnership between MFIs and mobile money service providers led to a 5%-point increase in MFI uptake. Nevertheless, the most significant change is among the take up of mobile money services.

On the other hand, the uptake of informal savings groups showed an increase from 2013, with 4% more people joining savings groups. It is, however, important to notice that supply chain and shop credit reduced drastically by 13% points.

The above statement is also a reflection of financial service uptake overlaps. Usage of informal mechanisms dropped from 44% in 2013 to 30% in 2017.

**Overlaps in financial service/product uptake
(Numbers displayed are in millions)**

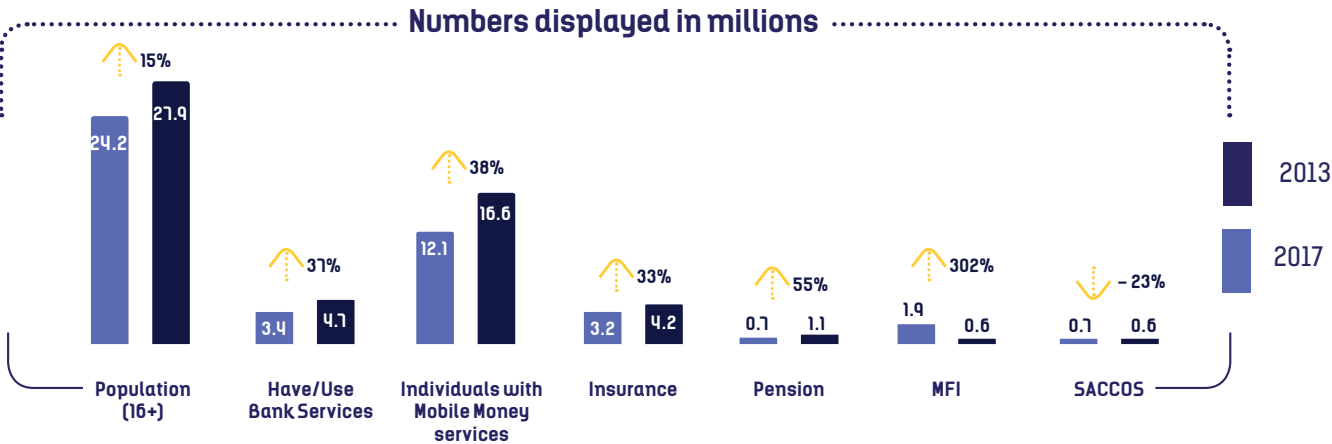


Source: FinScope Tanzania 2017 April-July

The chart below shows that between 2013 and 2017, the actual number of adults using financial services has grown by 15%, while those that take up banking and mobile financial services has grown by 37% and 38% respectively.

Considering the number of mobile wallets as reported by the FinScope Tanzania respondents, it becomes evident that about 26% of all mobile wallet owners utilize multiple mobile wallets.

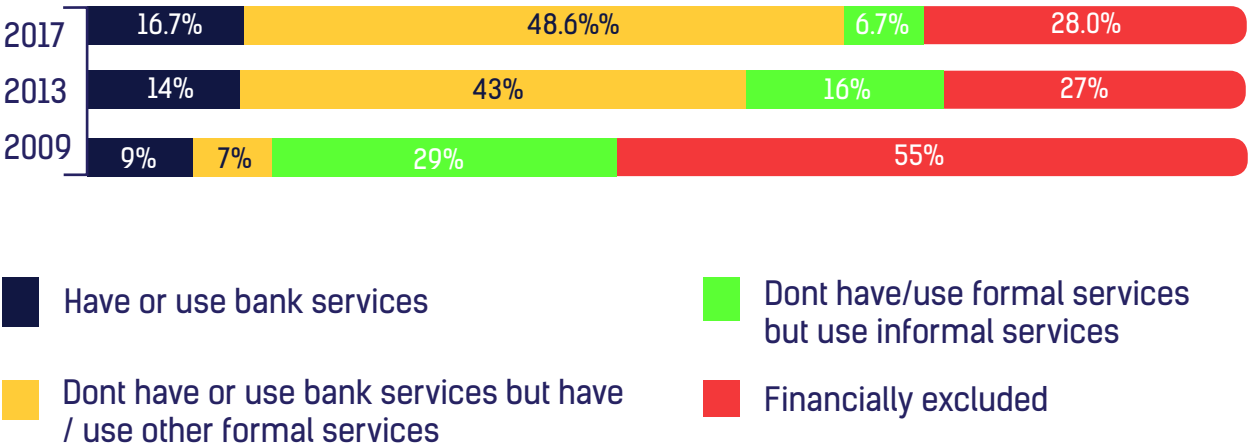
Chart 25: **Number of people taking up different financial services**



Source: FinScope Tanzania 2017 April-July and FinScope Tanzania 2013

NB. Figures for capital markets are too small to be displayed; they are below 1% of the population

Uptake of Financial Services



Source: FinScope Tanzania 2017 April-July, FinScope Tanzania 2013 and FinScope Tanzania 2009

FACT 2

Formal Financial Inclusion
has grown from

58% to 65%

The table below reports values and preferences
of different financial instruments:



Banks

MFIs

SACCOs

Mobile Money

Insurance

VALUED
FOR

**Safety of money
is high**

**East access
to Loans**

**Guarantors
for loans**

**Quick &
easy to use**

**Peace of
mind since
it covers
unexpected
expenses**

CONCERNS

**Notsuitable for
respondents'
needs**

**Interest on
loans are too
high**

Social funds

**Two lowest
quintiles –
Can sell shares
for profit**

**Network
failures**

**Respondents
indicate low
levels of
trust in the
insurance
companies
will honour
claims if
something
goes wrong**

**Two lowest
quintiles –
services are
offered far from
respondents**

**Two lowest
quintiles –
Services are
offered far from
respondents**

**Two highest
quintiles –
Feel that
the services
offered are not
suitable for
them**

People who are formally included are considered to be individuals 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, while 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.

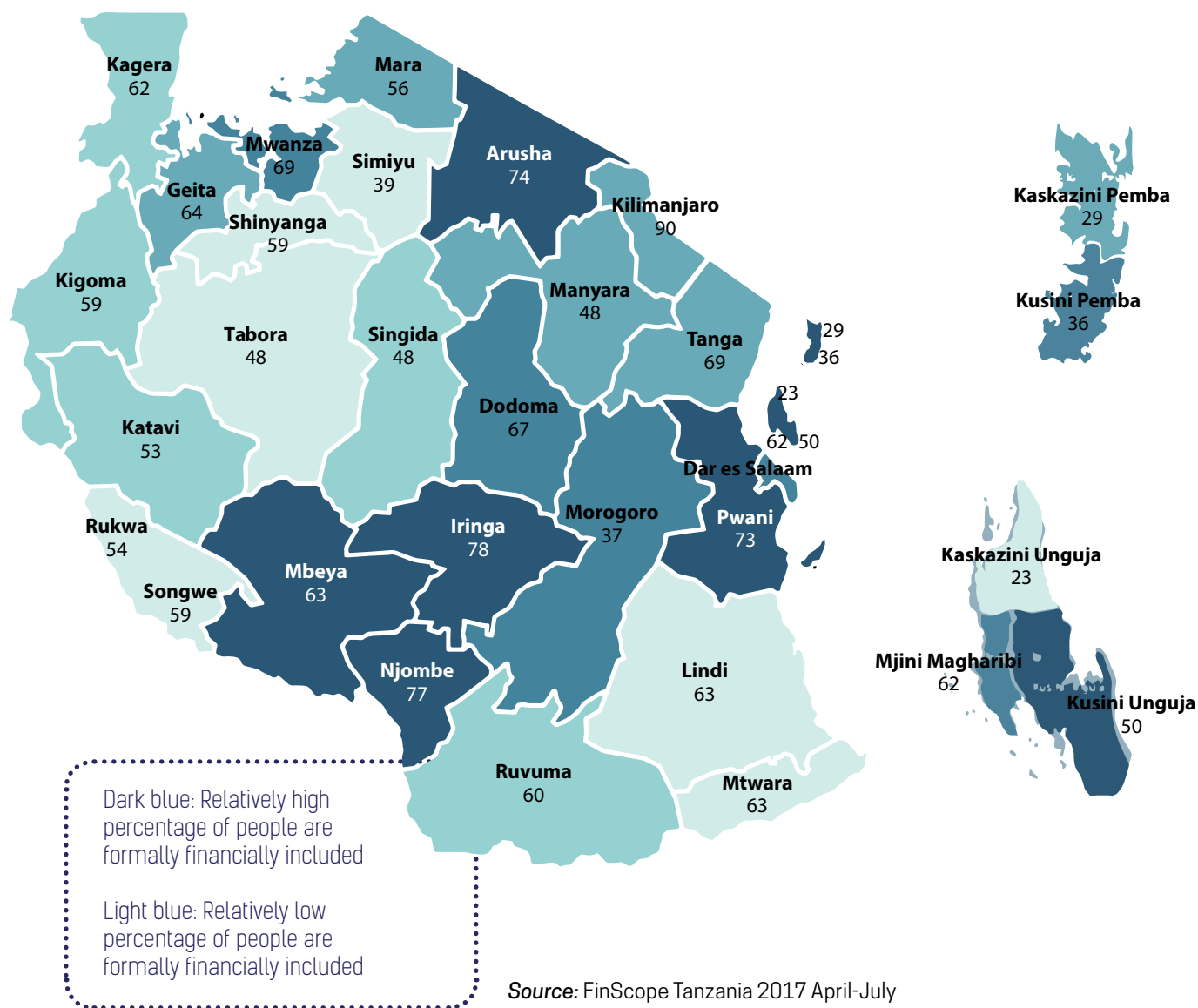
FinScope Tanzania 2017 finds that 65% of the adult population in Tanzania is formally financially included. This is 14% growth from 2013. Furthermore, dependency on informal financial services only is now slightly less than half of its percentage in 2013, from 16% to 7%. However, financial exclusion rates remain constant from 2013 to 2017, as the difference is within the survey's margin of error.

Formal financial inclusion rates vary greatly across Tanzania, from 35% formal financial inclusion in the Zanzibar Archipelago and 39% in Simiyu to 90% and 91% in Kilimanjaro and Dar es Salaam respectively. Interestingly, though generally levels of formal financial inclusion are low in Zanzibar, bank uptake is similar to bank uptake within Mainland (Financial Inclusion by Region chart is annexed).



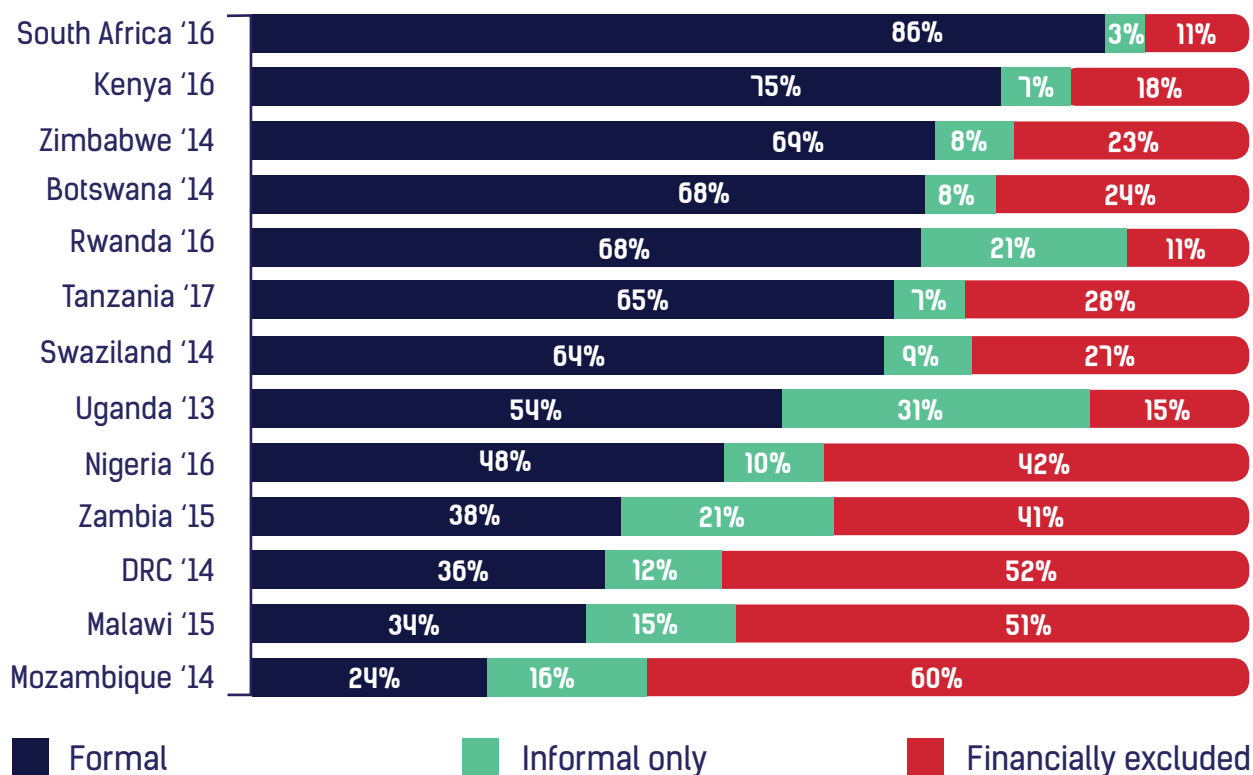
45%
OF ADULTS
FROM ZANZIBAR
ARE FINANCIALLY
EXCLUDED

Map 2: **Distribution of formal financial inclusion across all the regions**



If compared to other nations, Tanzania is highly ranked in terms of formal financial inclusion (see Chart 26).

Chart 26: **Ranked comparison of financial inclusion in Sub-Saharan Africa**





E: USAGE: What are people doing with their money?

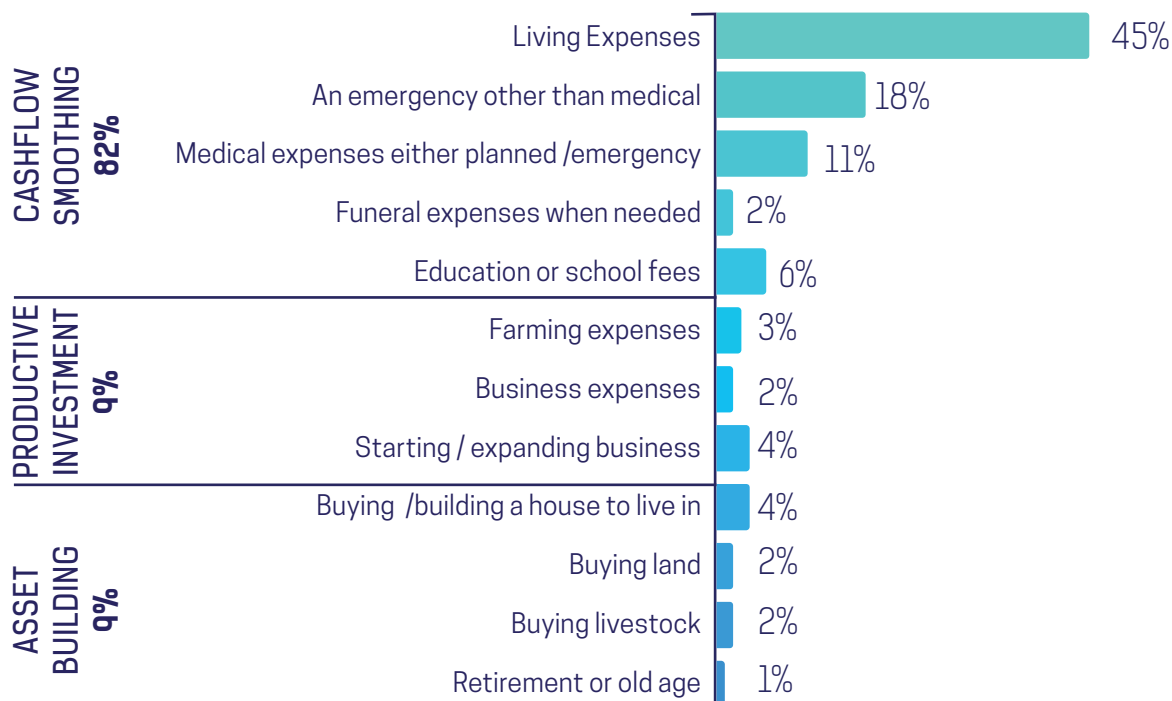
This section will expand on what mechanisms Tanzanians are using to manage their cash flows (saving, borrowing, family or friend remittances), investment needs and asset building and which risk coping mechanisms they rely on.

Savings are defined as money put aside for a specific purpose and using such a definition, FinScope Tanzania results show that 43% of adult Tanzanians saved in the last 12 months. The majority of respondents are saving for cash smoothing purposes. Less than 20% of the respondents are saving for asset building and productive investment.

FACT 1
43% of adult Tanzanians saved in the past 12 months



Chart 27: **Why are they saving?** Base = THOSE WHO SAVE



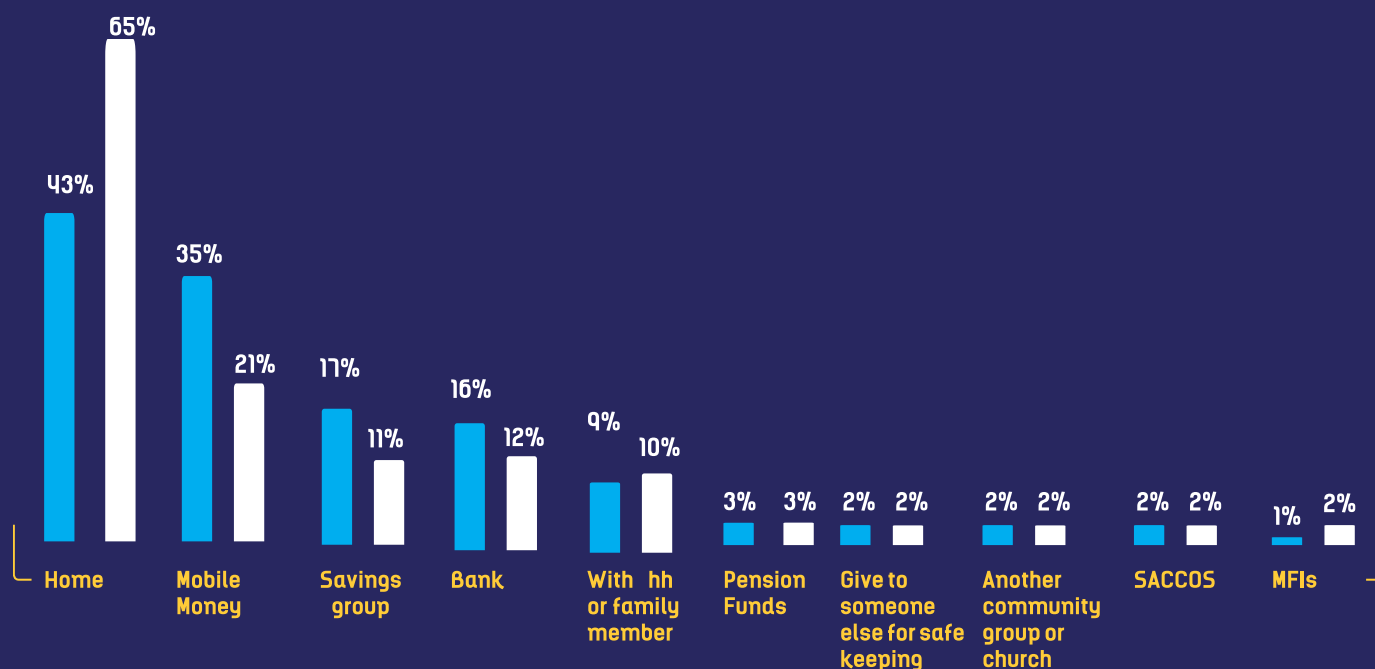
Source: FinScope Tanzania 2017 April-July

FACT 2

14%

point increase in people saving on mobile wallets

Chart 28: **Where are people saving?** Base = THOSE WHO SAVE



Source: FinScope Tanzania 2017 April-July and FinScope Tanzania 2013

2017

2013

Though most Tanzanians who save still save at home, a significant increase in the proportion of those who save using their mobile phones can be observed. As well as the increase in mobile wallets, there is also an increase in membership of informal savings groups. Quick access and safety of money were the main drivers for their choice of savings channels.

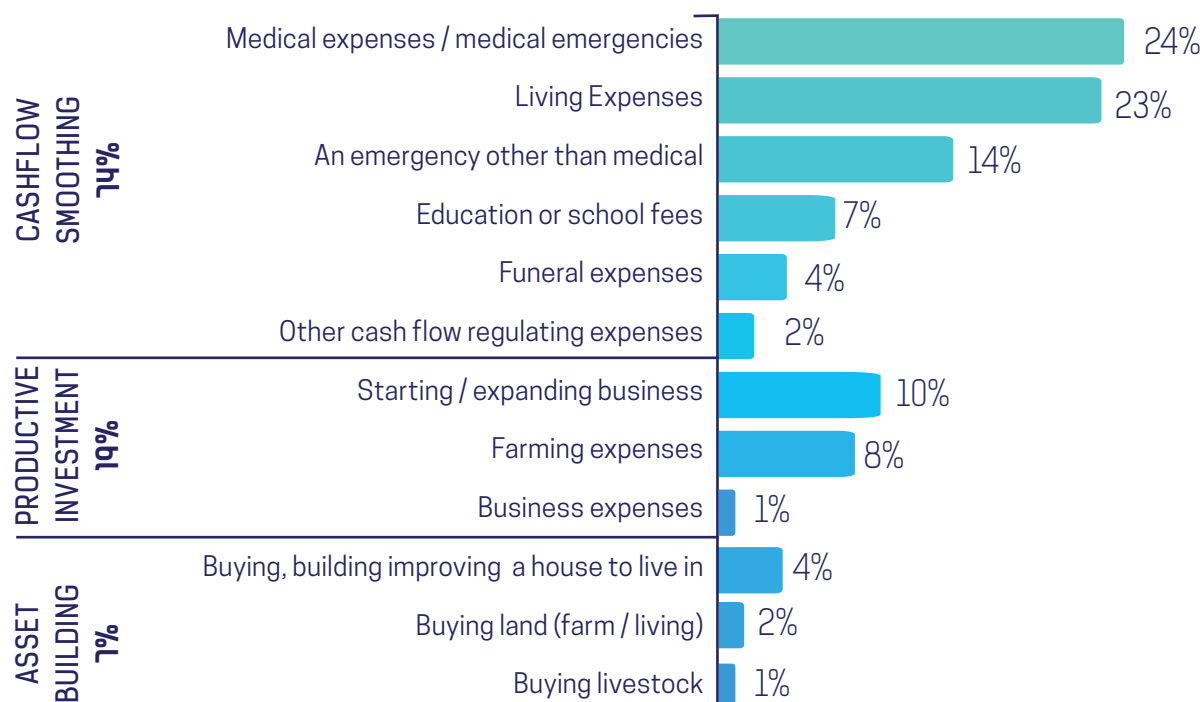
FACT 3

44% of adult Tanzanians borrowed in the past 12 months

44% of Tanzanians borrowed in the past 12 months. Once again, most of them borrowed to smooth their cash flow. Compared to the proportion of savings for productive investment, there is a greater proportion of borrowing for productive investment.

The observation that almost three quarters of borrowing is linked to cashflow smoothing becomes emphasized when considering the frequency of borrowing, as 59% of those borrowing borrowed more than once in the last 12 months.

CHART 29: **WHY DO THEY BORROW?** Base = THOSE WHO BORROW

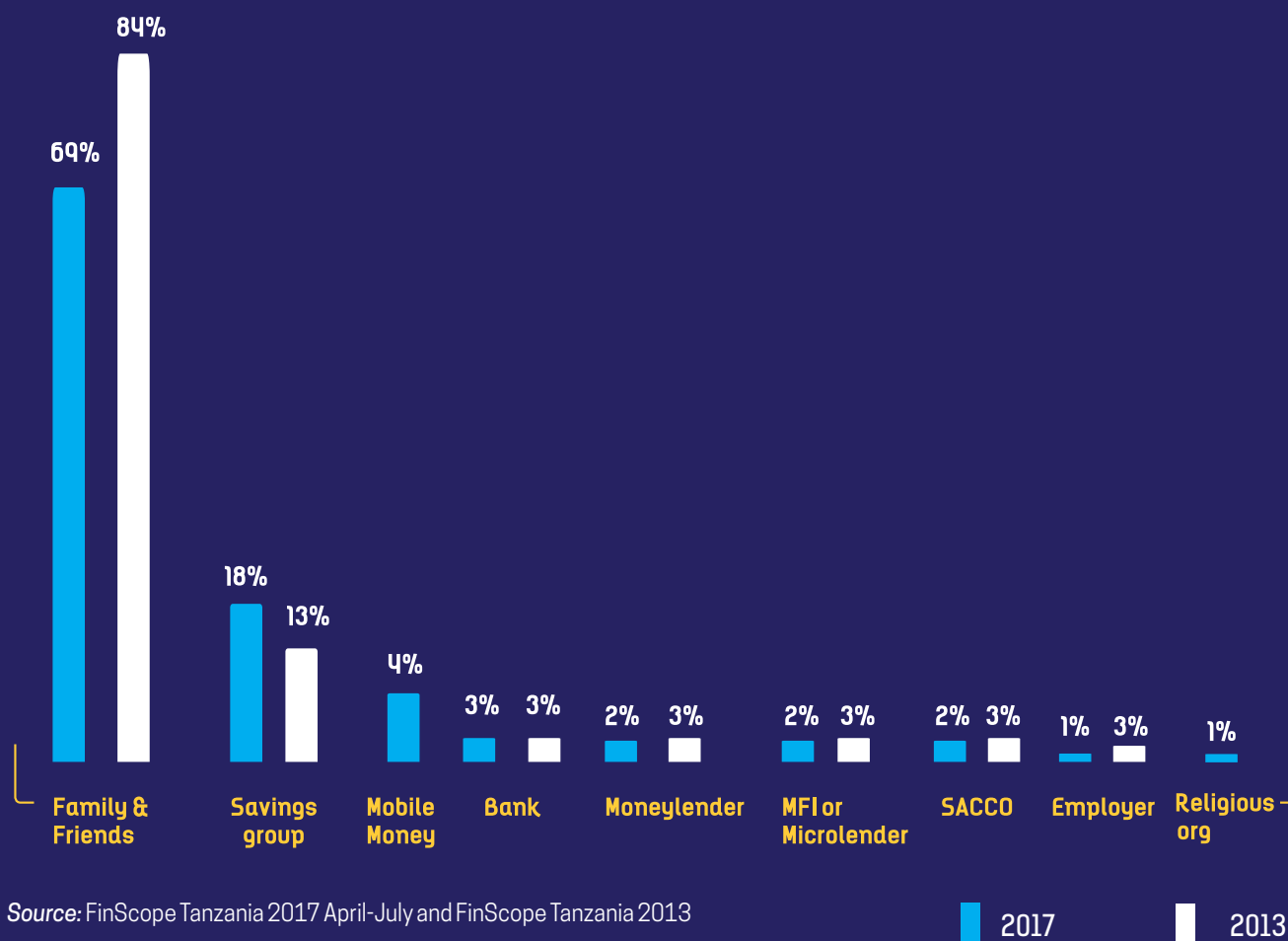


FACT 4

Friends and Family remain key sources of credit



CHART 30: **WHERE DO THEY BORROW?** Base = THOSE WHO BORROW



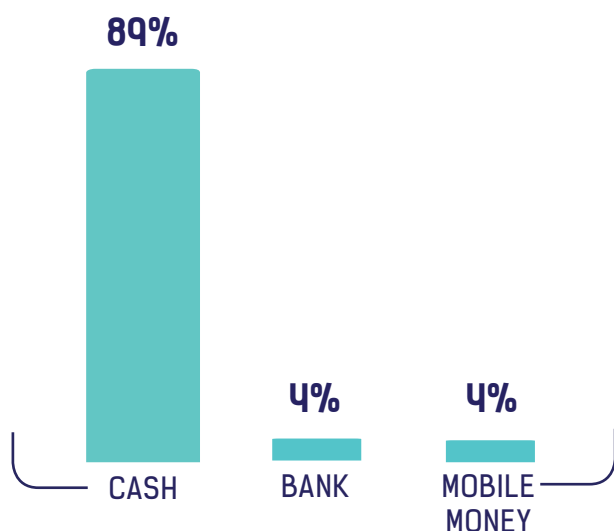
As was the case with the last FinScope Tanzania Survey, people are still borrowing from family and friends, due to quick access to money. Formal borrowing remained low and mobile money credit products increased their range and base.

FACT 5

The payment space is largely untapped



CHART 31: : HOW DO TANZANIANS RECEIVE AN INCOME? THROUGH...



Source: FinScope Tanzania 2017 April-July

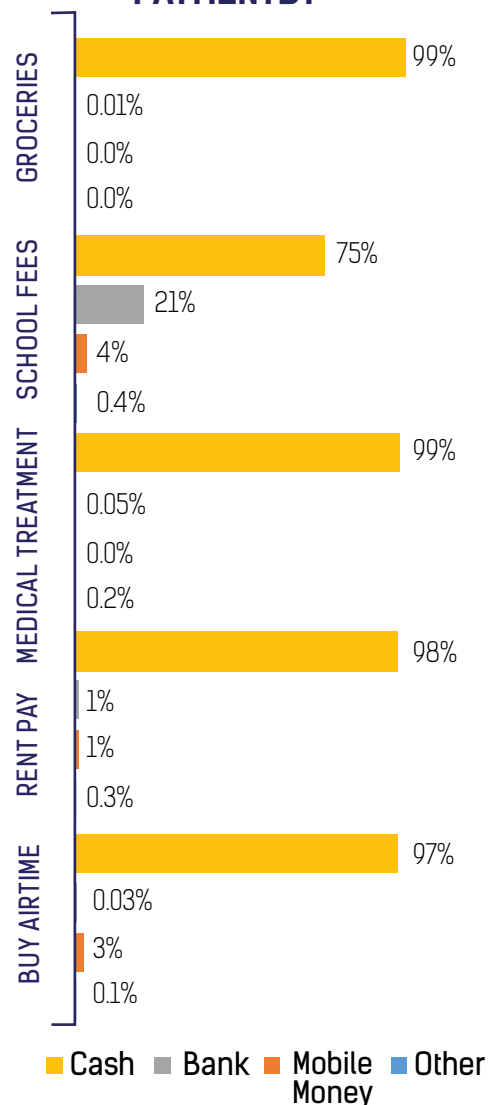
When asked how they receive income and make payments, an overwhelming majority of the respondents mentioned doing so using cash. It is very clear that, as most money received is in cash, most outgoing payments are also likely to be made using cash.



IN TERMS OF RECEIVED & OUTGOING PAYMENT, **CASH IS STILL KING**



CHART 32: HOW DO THEY MAKE PAYMENTS?



Source: FinScope Tanzania 2017 April-July



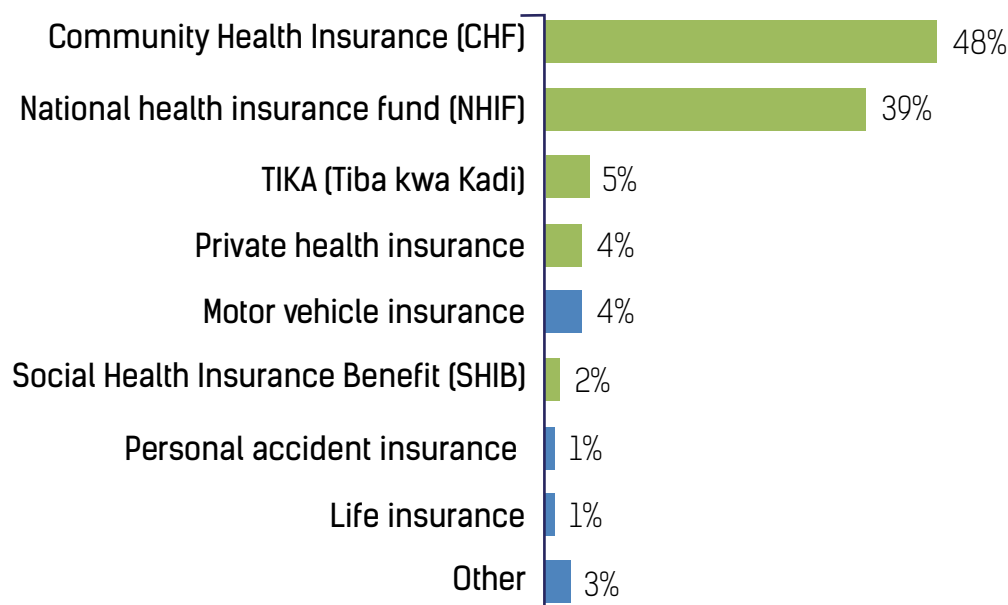
FACT 6

Medical insurance leads insurance usage



CHART 33: **WHAT INSURANCE PRODUCTS ARE PEOPLE USING?**

BASE = ONLY THOSE INSURED



The insurance market is dominated by usage of health insurance products, followed by motor vehicle insurance, which is a legal requirement. Interestingly, the percentage of responders who use TIKA underlines insurance services' unique position of serving multiple people under the umbrella of one insurance policy holder and hence the provision of services more quickly and easily to those less likely to be self-insured.

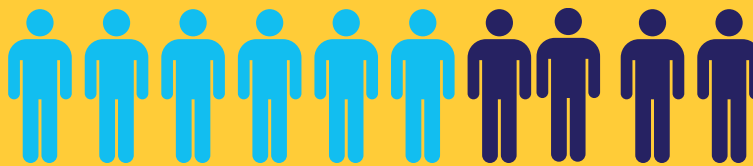
Though other needs and hardships have been identified in the market, insurance products seem to have only registered within unexpected expenses (see section C) or due to regulatory constraints (e.g. motor vehicle insurance).

The take-up of social security protection is also skewed towards enforced product adoption. Of the 1.1 million Tanzanians with pensions, 84% do so because it is a requirement by law. They are mainly male, living in urban areas, from non-poor households and most likely found in Dar es Salaam.

FACT 7

6 out of 10

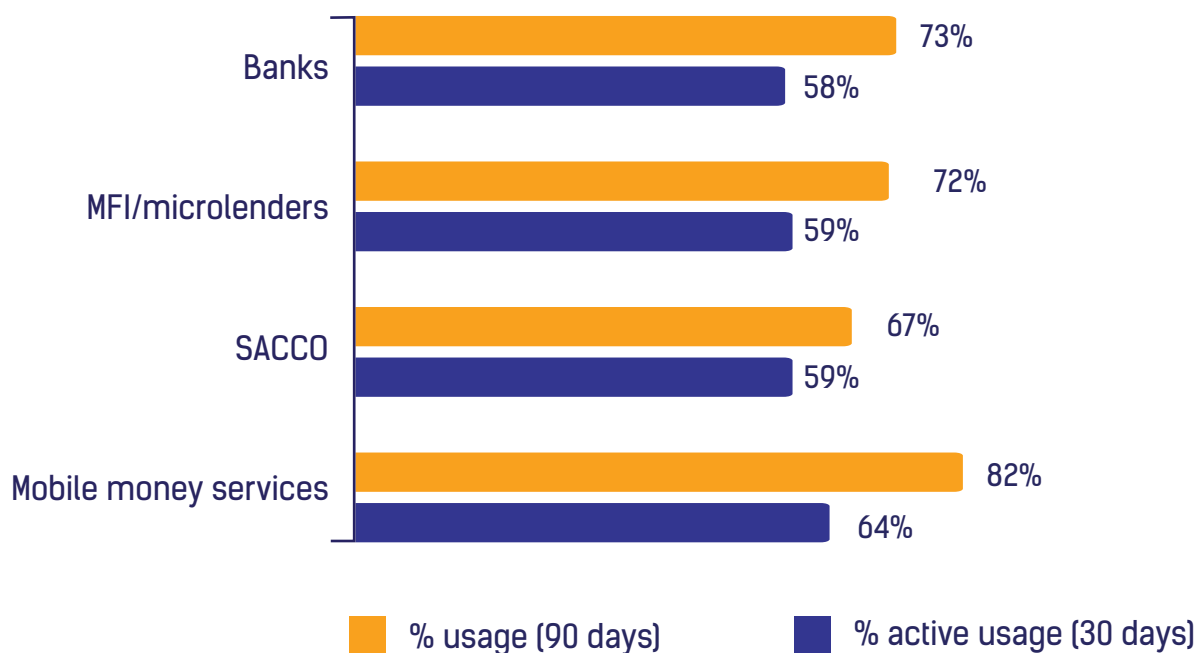
financial service users
use their wallets actively



Frequent usage of formal financial services is still limited, with only 6 in 10 Tanzanians accessing their financial services within the past 30 days. Mobile money services stand out as being not only the formal financial service with the widest reach, but also the service more frequently used than other options.

Nevertheless, usage is the key driver to deepen uptake and adoption of formal financial services.

Chart 34: **Recency of financial service usage**



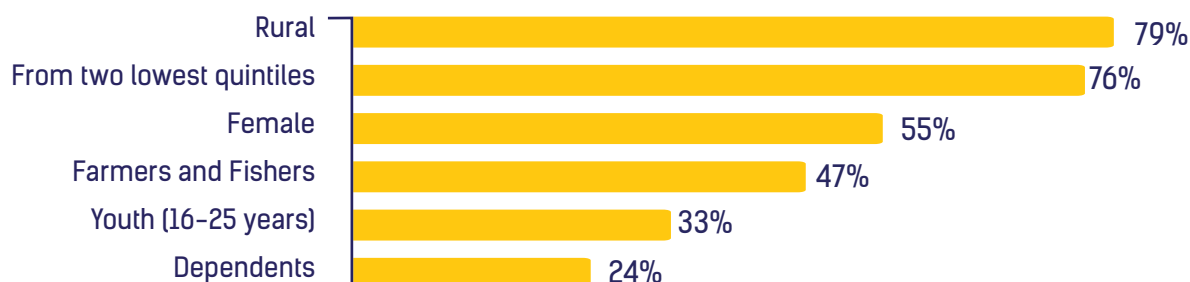
Source: FinScope Tanzania 2017 April-July

FACT 8

People in rural areas and adults from lowest quintiles are more likely to be excluded



Chart 35: **Who is being left behind?** BASE = excluded only



Source: FinScope Tanzania 2017 April-July

Generally, there have been no changes in the levels of exclusion, shown by the 2017 survey results of 28% of the adult population who are financially excluded.

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

25% of people who are financially excluded do not have any form of identification which by default restricts them from accessing formal financial services directly.

Further, a moderate negative correlation between proximity and exclusion has been observed; whereby regions with a lower percentage of people living in a sub-village/street with a financial access point show higher levels of exclusion than their well covered counterparts.

Further analysis shows that only slightly above a quarter (26%) 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. Evenly, slightly less than a quarter (24%) of people who are financially excluded borrowed in the past 12 months and were almost solely reliant on friends and family.

In addition, 22% of people who are financially excluded use other forms of cash flow management, including the purchase of goods and livestock (e.g. a chicken) with the intention of selling it for profit when needed. This also represents an investment in a potential income-generating activity in the future (8%).

THE TABLE BELOW REPORTS WHY THEY ARE EXCLUDED



Banks

MFIs

SACCOs

Mobile Money

Insurance

PRIMARY
BARRIER

Insufficient income to even consider opening an account

Lack of awareness of how MFIs operate and where they are located

Lack of awareness of how SACCOs operate, how to join them and where they are located

Non-users state that they do not engage in frequent transactions and hence do not need it

Lack of awareness of how insurance services work and how to obtain them

SECONDARY
BARRIER

Cannot maintain minimum balance on the account, due to insufficient income

Insufficient income to become a MFI customer

Membership fee is perceived to be too high

Non-users do not have the necessary device, a phone, to be able to use services

Perceived high cost of insurance and inability to afford insurance payments

Source: FinScope Tanzania 2017 April-July

Conclusion



Tanzania has made remarkable progress in expanding the opportunities for people to use financial services. Formal inclusion has reached 65%, growing by 14% between 2013 and 2017. Mobile financial services continue to make a higher contribution (60%) to usage compared to other channels. It is worth noting the modest growth in both banking services (14% to 17%) and insurance uptake (13% to 15%) as well as the significant reduction in the reliance on informal mechanisms.

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 proportion of the rural adult population living within 5km of an access point has now reached over 78% (nationally at 86%), signifying that the barrier of distance, reported to be critical by a majority of respondents in the 2013 survey, has now eased. The increased adoption of mobile phones within households (now at 86% countrywide) allows people to access mobile financial services more conveniently. These developments provide an opportunity for Tanzania to deepen the financial system by leveraging technology to drive up usage and reduce transaction costs.

Notable progress has been made in providing proof of identification, with the majority of people (83%) now using voter ID cards as the main form of identification when registering for services from financial providers. There are, however, two key challenges with relying on this form of identification. First, the fact that voter ID cards are only issued before elections, meaning it could take five years for some young people to enter the adult category, have any form of identification and therefore be eligible to use financial services. Second is difficulty in verification as part of the KYC requirements which potentially limits more frequent usage of financial services. The future for financial sector development and the economy in general is therefore placed on the National Identification System to deliver the most modern, reliable, secure and verifiable ID system.

UPTAKE AND USAGE

Whilst the usage of financial services through formal providers has grown, the most popular way to make and receive payment is still cash. The proliferation of digital wallets is yet to replace this reality. The results show that a good number of people are saving using mobile platforms (35%) which could help explain the reduction in the number of people keeping their money at home.

There are signs too of an emerging market in accessing digital credit (e.g. M-Pawa, Timiza, Tigo Nivushe) which shows growth potential through savings orientation and data analytics. Mobile solutions are also beginning to be used to make payments (for school fees, bills, groceries, etc.) which provides an opportunity to expand the remit of the current digital space to allow many

people, including small holders, women, small enterprise owners, and those living in rural areas, to use digital solutions that are appropriate and affordable.

FinScope Tanzania 2017 has provided useful insights about peoples' financial behavior and how it relates to their daily lives. It is evident from FinScope Tanzania data that many people face challenges of cash flow management, coping with risks and fulfilling aspirations for asset building and productive investment. Such insights into the daily struggles and future aspirations of many Tanzanians provides an opportunity for financial services providers to design solutions that prioritise customers' needs. For customers with access to financial services and products, key concerns are suitability and affordability which raise issues for service providers of how to maintain affordable transaction costs. In summation, it is as important as ever to encourage and support innovation and partnerships to delivering financial services that are convenient and affordable.

One main challenge which remains is how to address the financially excluded proportion of the population. Rural people, small holder farmers, younger people and women are still left behind in greater proportions compared to other segments. Although proximity and access to mobile wallets are no longer the major constraints, the reality for many people who are financially excluded can partly be explained by the growth in the population without reliable identification. Of those that are excluded (i.e. 28%), a quarter do not have identification documents.

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. Concerted efforts are still necessary to address this challenge, especially among the younger generation.

Low and inconsistent cash flow appears to significantly limit many people in engaging in financial systems. Half of the respondents mentioned struggling to keep up with their expenses, both regular and unexpected. A popular mechanism for coping with financial needs is borrowing from friends and family. This translates into a significant tax on economically productive members of these networks of families and friends. Dubbed by economists as "kin" tax, this arrangement also presents challenges in making sophisticated financial investments, if a considerable amount of available financial assets is required for kin tax contributions. Perhaps there is a need for further exploration within these segments to develop interventions to build their capacities to generate income.

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 the solutions proposed, 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 of the design and implementation of financial sector policies and regulations to ensure they also encourage and support 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

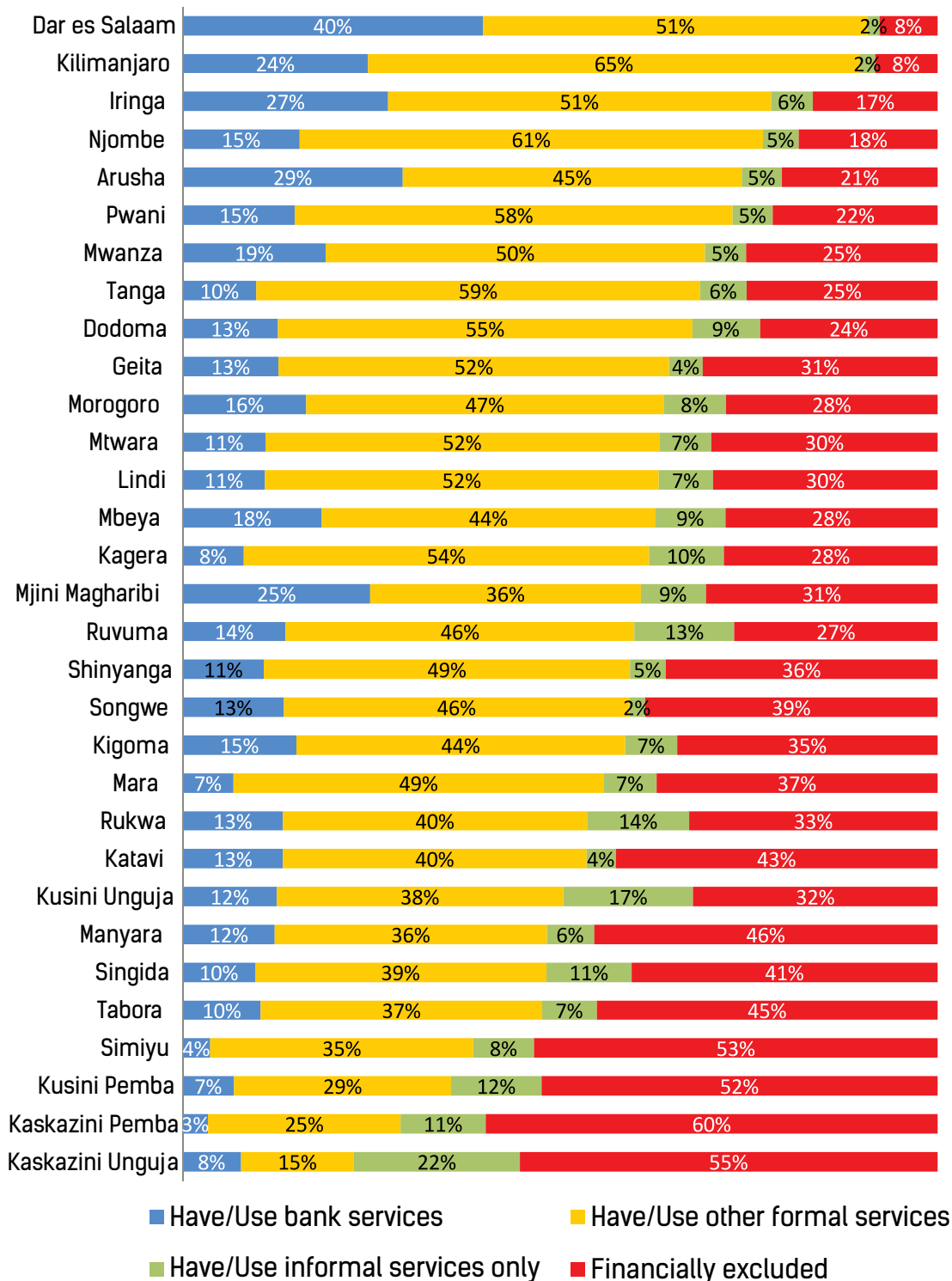
ABBREVIATION

BoT	Bank of Tanzania
EA	Enumeration area
FSDT	Financial Sector Deeping Trust
HH	Household
KYC	Know-Your-Costumer
MFI	Microfinance Institution
MoF	Ministry of Finance and Planning
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

Annex



FINANCIAL INCLUSION BY REGION



FINANCIAL INCLUSION BY DISTRICT FOR SELECTED REGIONS

