FinScope
TANZANIA

20
17

IRINGA
REPORT

FinScope Tanzania 2017

INSIGHTS THAT
DRIVE
INNOVATION

ACKNOWLEDGMENTS

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9,459

ACHIEVED SAMPLE

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 mthe 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.

Regional GDP at Current Market Prices, 2010 – 2016 (in million Tsh)
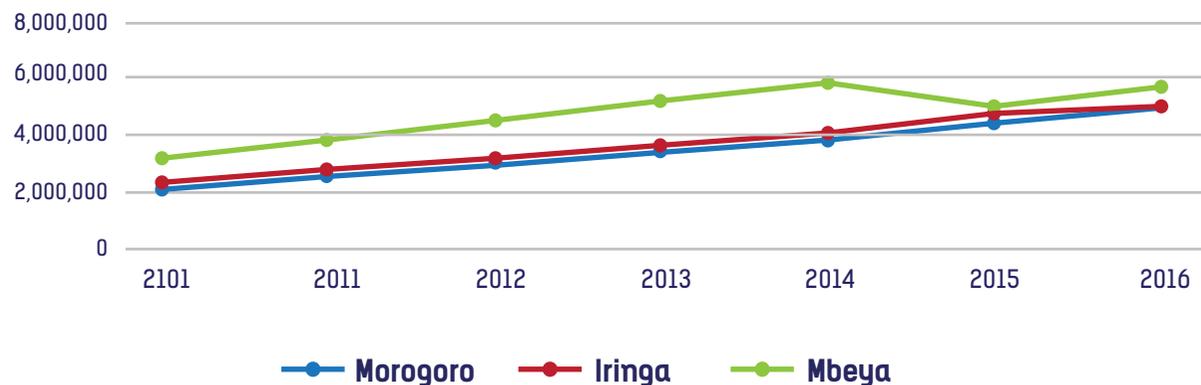
Since the regional and district reform in March 2012, during which the region of Njombe was established from previous Iringa Region areas, Iringa compromises of 5 districts with a total population of 996,105, as per the 2017 population projection.

Population distribution in Iringa as per 2017 Projection
Total Regional Population: 996,105

District	Population
Iringa DC	268,840
Iringa MC	160,167
Mufindi DC	260,435
Mufindi MC	75,817
Kilolo DC	230,845
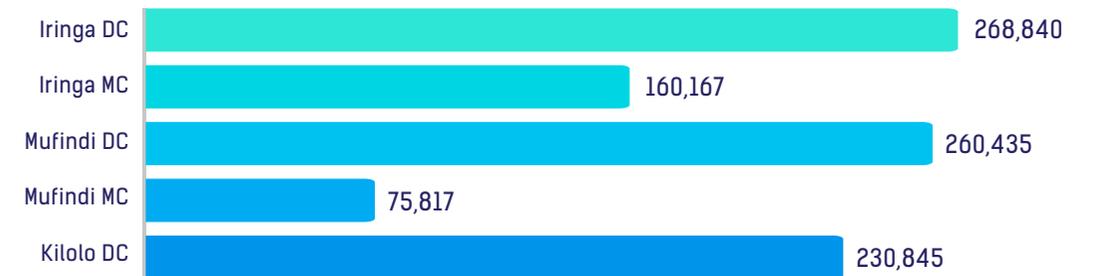
Sources:
National Accounts of Tanzania Mainland 2007 – 2016 (NBS):
http://www.nbs.go.tz/nbs/takwimu/na/National_Accounts_Statistics_of_Tanzania%20_Mainland_2016.pdf
Iringa Region Socio-economic Profile, 2013 (NBS):
http://www.nbs.go.tz/nbstz/index.php/english/component/content/article/169-socialeconomicprofiles/761-iringa-socio-econom-ic-profile-2013?highlight=WyJzb2NpbyJd&Itemid=5190

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)[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 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[2] .

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.

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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.

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: 66 Enumeration Areas, 10 Interviews per EA
Achieved EAs: 66 EAs
Targeted Sample: 660 Respondents
Margin of error: Maximum 5 [3]
Confidence Interval: 95% [4]
Data collection period: April to July 2017

Iringa District

Iringa Municipality

Kilolo District

IRINGA REGION

Kilolo Town

Mufindi District

Mafinga Municipality

WEIGHTED DATA REPRESENTS
Iringa population (+16)

2017: 582,023
2013: 517,519
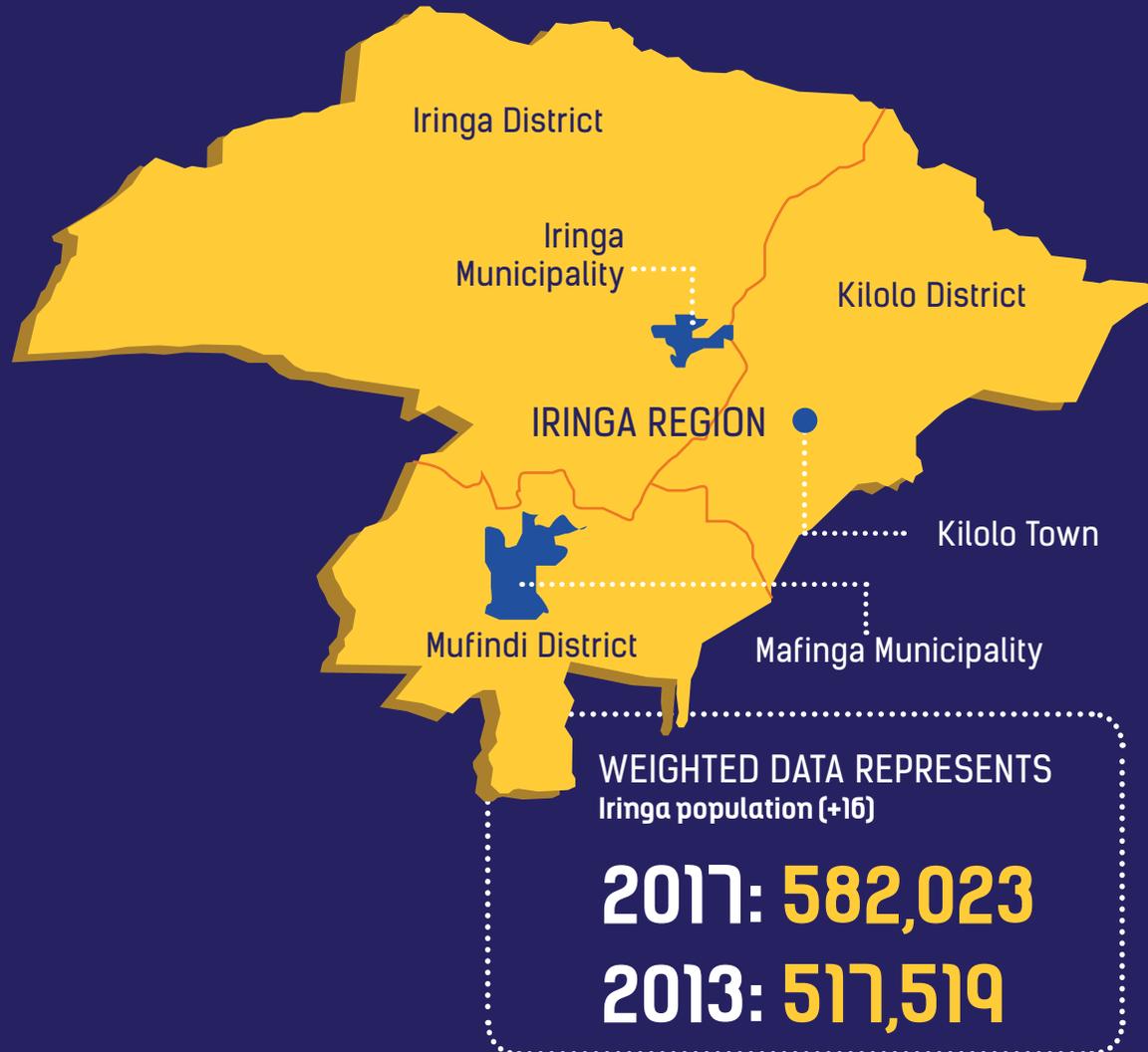
[3]   Margin of error: Depends on the level of disaggregation of data and hence the sample utilised within a certain question. The margin of error is usually defined as the "radius" (or half the width) of a confidence interval for a particular statistic from a survey. In other words, the 'true' population 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.

3 Findings

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.

Chart 1: **Urban Rural Split**

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

■ Rural ■ Urban

Chart 2: **Gender Split**

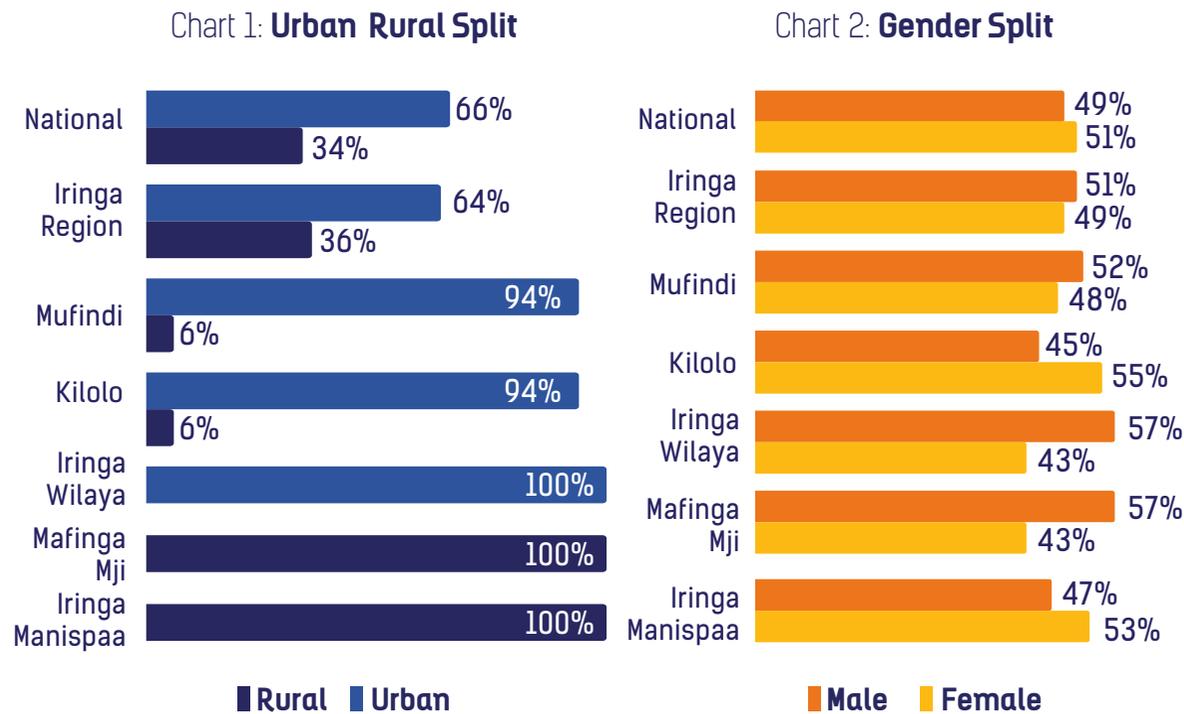| Region	Male	Female
National	49%	51%
Iringa Region	51%	49%
Mufindi	52%	48%
Kilolo	45%	55%
Iringa Wilaya	57%	43%
Mafinga Mji	57%	43%
Iringa Manispaa	47%	53%

■ Male ■ Female

Source: FinScope Tanzania 2017 April-July

FACT 1

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

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.

Chart 3: **Age Distribution**

	National	Iringa Region	Iringa Manispaa	Mafinga Mji	Iringa Wilaya	Kilolo	Mufindi
16–24	26%	19%	23%	22%	15%	25%	12%
25–34	26%	27%	33%	39%	21%	23%	27%
35–44	19%	20%	21%	0%	29%	16%	19%
45–54	14%	15%	12%	14%	13%	18%	20%
55–64	7%	9%	6%	21%	12%	9%	6%
65 and older	8%	9%	6%	4%	10%	9%	15%

■ 16–24 ■ 25–34 ■ 35–44 ■ 45–54 ■ 55–64 ■ 65 and older
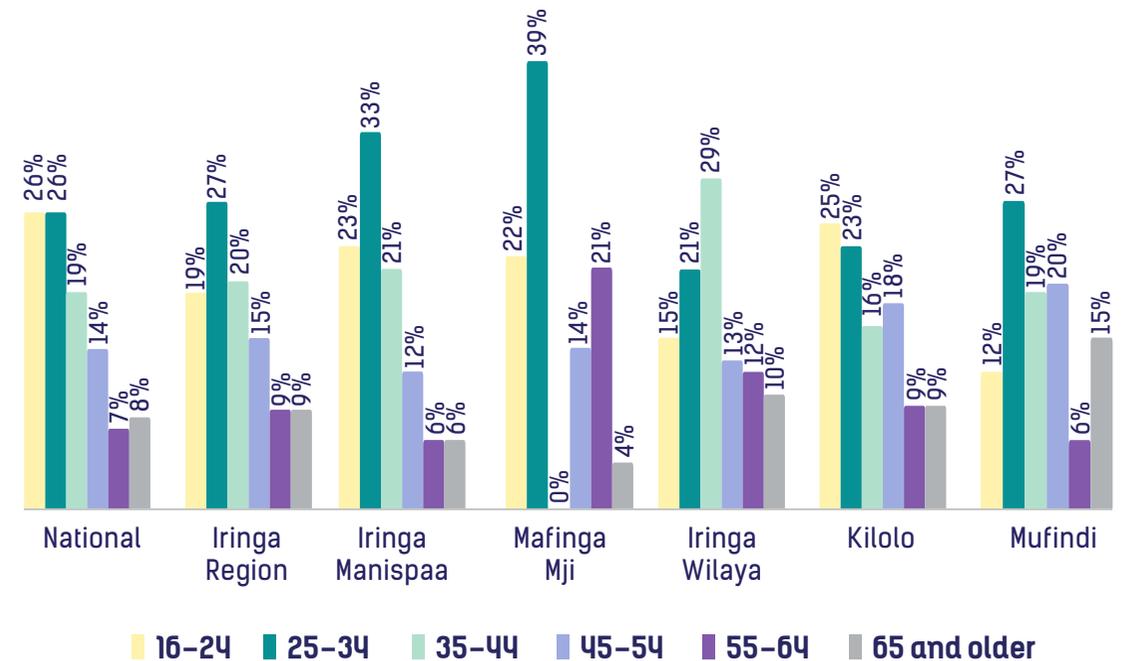
Source: FinScope Tanzania 2017 April-July

About **6 out of 10** adults in Iringa are likely to have **at least primary school education**

About **4 in 10** adults in Iringa depend on agriculture

The majority of the adult population in the Iringa region (85%) have formal education which is the same as the nationalaverage (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 attained 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.

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.

Chart 4: **Highest Level of Education**

	Tertiary	No formal education	Secondary Completed	Primary Completed
National	3%	15%	17%	64%
Iringa Region	7%	15%	14%	65%
Iringa Manispaa	18%	2%	25%	54%
Mafinga Mji	21%	3%	16%	59%
Iringa Wilaya	0%	14%	8%	75%
Kilolo	4%	22%	7%	67%
Mufindi	1%	27%	11%	62%

■ **Tertiary** ■ **Secondary Completed** ■ **Primary Completed** ■ **No formal education**

Source: FinScope Tanzania 2017 April-July

Chart 5: **Main Income Generating Activity**

	Farmers and fishers	Piece work/casual labor	Dependants	Business owners	Formal sector salaried	Others
National	41%	20%	18%	14%	4%	3%
Iringa Region	40%	21%	12%	18%	6%	3%
Iringa Manispaa	8%	27%	18%	29%	12%	5%
Mafinga Mji	11%	19%	9%	33%	10%	18%
Iringa Wilaya	53%	20%	10%	14%	1%	1%
Kilolo		20%	7%	7%	3%	2%
Mufindi	49%	16%	12%	15%	6%	4%

■ **Farmers and fishers** ■ **Piece work/casual labor** ■ **Dependants** ■ **Business owners** ■ **Formal sector salaried** ■ **Others**
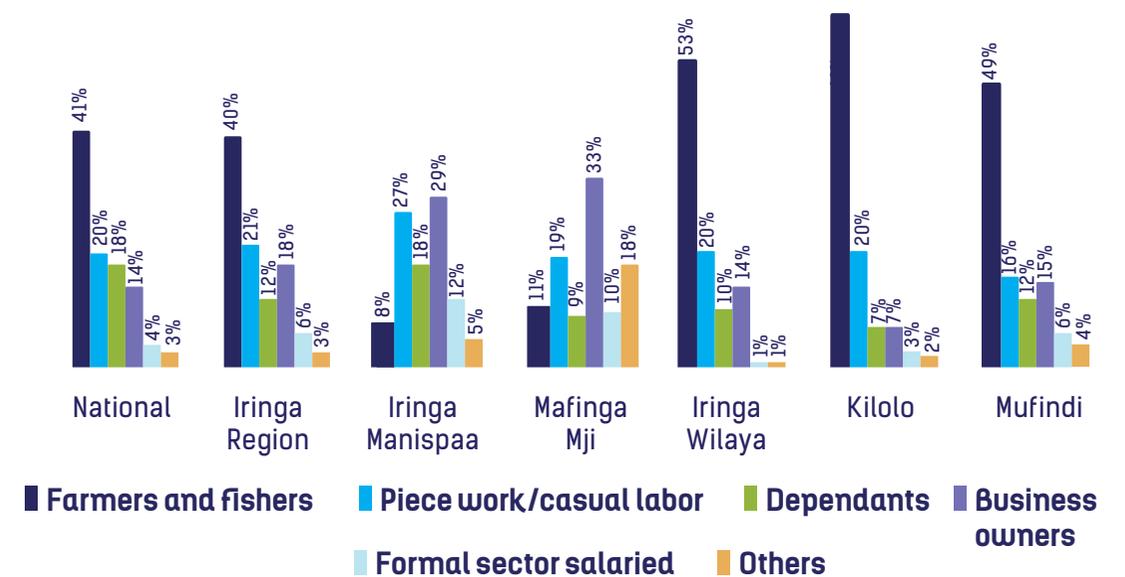
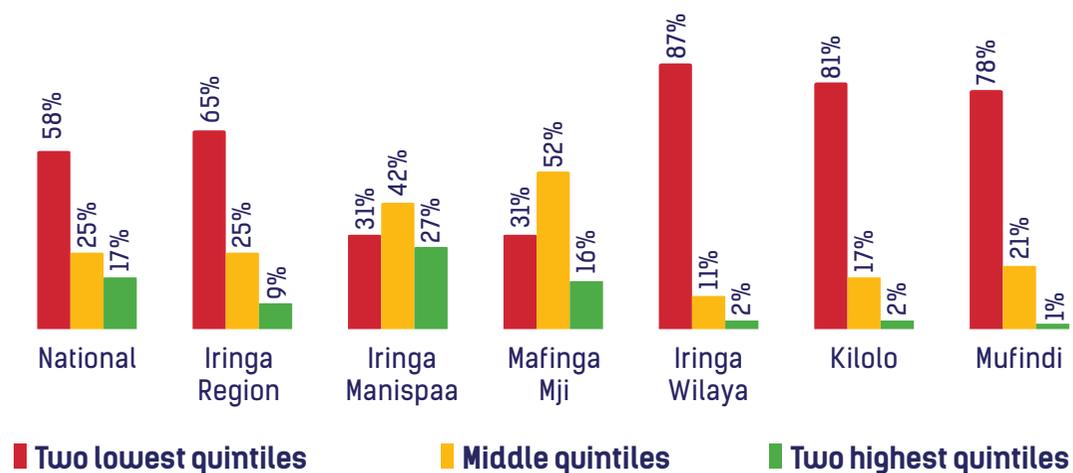*Source:* FinScope Tanzania 2017 April-July

Almost **7 in 10**
in the Iringa region **fall under the two lowest quintiles**

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]

Chart 6: **Wealth Index Distribution (PPI)**

Legend:
■ **Two lowest quintiles**   ■ **Middle quintiles**   ■ **Two highest quintiles**

Source: FinScope Tanzania 2017 April-July

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5   NBS, National Sample Census of Agriculture, Iringa Region, 2007/08 and NBS, IRINGA REGION SOCIO-ECONOMIC PROFILE, 2013

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.

Chart 7: **PPI Distribution**
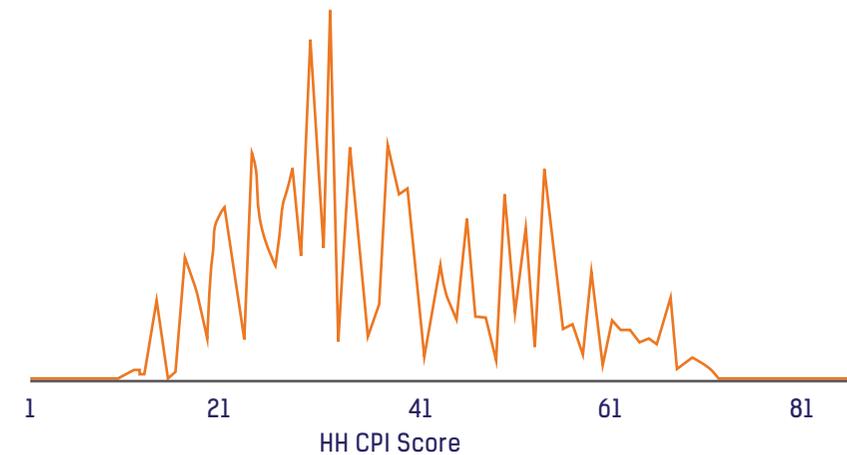
Source: FinScope Tanzania 2017 April-July

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.

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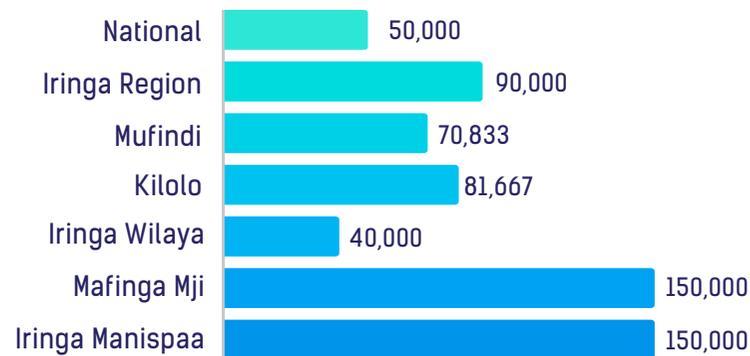
Based on the respondents' self-reported income, the table below displays monthly income in TZS as well as daily income in USD. While comparing mean income values with median (middle value) income values, it becomes evident that income varies greatly within the quintiles and hence the median value provides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

PPI quintiles	Tanzania Shillings per month		US Dollars per day	
	Mean	Middle value (Median)	Mean	Middle value (Median)
Two lowest quintiles	538,995	185,000	8.9	3.0
Middle quintile	815,294	200,000	13.6	3.3
Two highest quintiles	2,226,862	250,000	37.1	4.2

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.

Chart 8: **Median Monthly Income (Mean Value) in TZS**

National	50,000
Iringa Region	90,000
Mufindi	70,833
Kilolo	81,667
Iringa Wilaya	40,000
Mafinga Mji	150,000
Iringa Manispaa	150,000

Source: FinScope Tanzania 2017 April-July

3B: ADDRESSABILITY: CAN ADULT IRINGA RESIDENTS BE SERVED BY FINANCIAL SERVICE PROVIDERS?

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.

KISWAHILI LANGUAGE OF THE CONSUMER

Chart 9: **Numeracy Levels**

	Kiswahili	English
National	72%	27%
Iringa Region	83%	30%
Iringa Manispaa	98%	55%
Mafinga Mji	97%	44%
Iringa Wilaya	76%	19%
Kilolo	76%	15%
Mufindi	74%	19%

■ Kiswahili ■ English
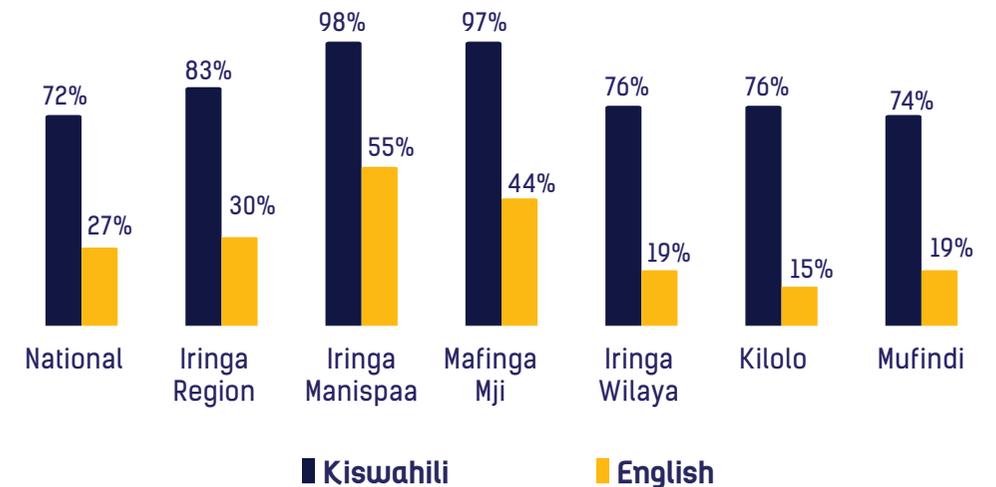
Source: FinScope Tanzania 2017 April-July

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 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 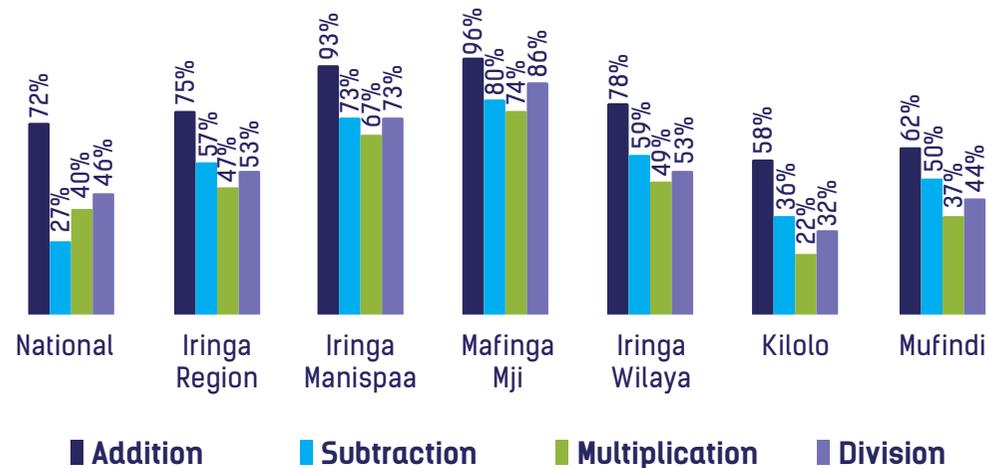to read and respond to in writing. Results in Chart 9 reveal that most individuals in Iringa are more literate in Kiswahili (83%) than English (30%). Furthermore, most adults in Iringa are more comfortable with addition than subtraction. Comparatively, except for Kilolo and Mufindi, the rest of districts 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**

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 50,000 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

FACT 2

4 in 10 women
own the land they live on

Chart 10: **Numeracy Levels**

	National	Iringa Region	Iringa Manispaa	Mafinga Mji	Iringa Wilaya	Kilolo	Mufindi
Addition	72%	75%	93%	96%	78%	58%	62%
Subtraction	27%	57%	73%	80%	59%	36%	50%
Multiplication	40%	47%	67%	74%	49%	22%	37%
Division	46%	53%	73%	86%	53%	32%	44%

Source: FinScope Tanzania 2017 April-July

Chart 11: **Ownership of land they live on**

	National	Iringa Region	Iringa Manispaa	Mafinga Mji	Iringa Wilaya	Kilolo	Mufindi
Owns land	37%	54%	44%	38%	57%	56%	65%
Co-owned land	6%	6%	1%		9%	7%	9%
Does not own land	56%	40%	56%	62%	34%	37%	27%
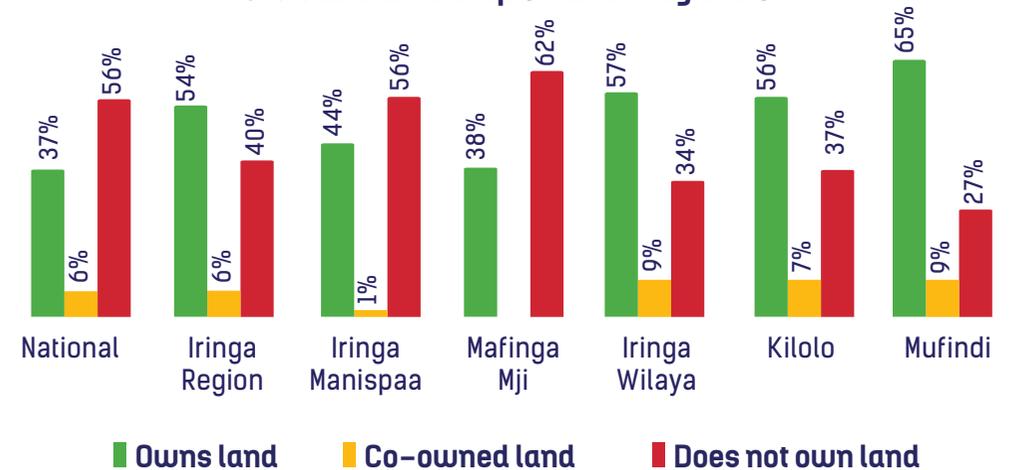
Source: FinScope Tanzania 2017 April-July

Chart 12: **Proof of Land Ownership**

Region	Title Deed / CRO	Letter from LGA
National	6%	18%
Iringa Region	5%	31%
Iringa Manispaa	17%	70%
Mafinga Mji	43%	39%
Iringa Wilaya		27%
Kilolo	1%	14%
Mufindi		15%

■ **Title Deed / CRO**   ■ **Letter from LGA**
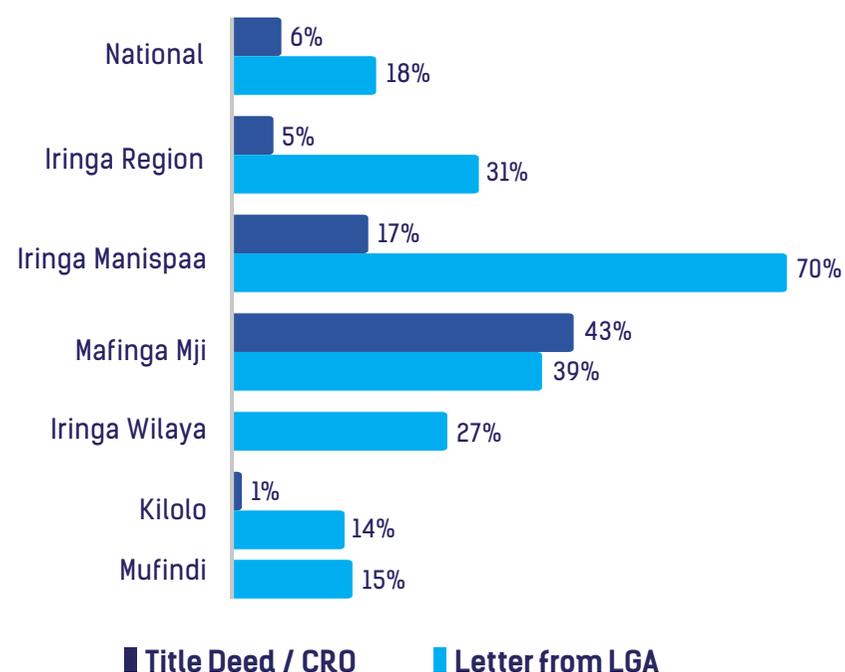
Source: FinScope Tanzania 2017 April-July

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 have 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.

Basic ID (Identification)
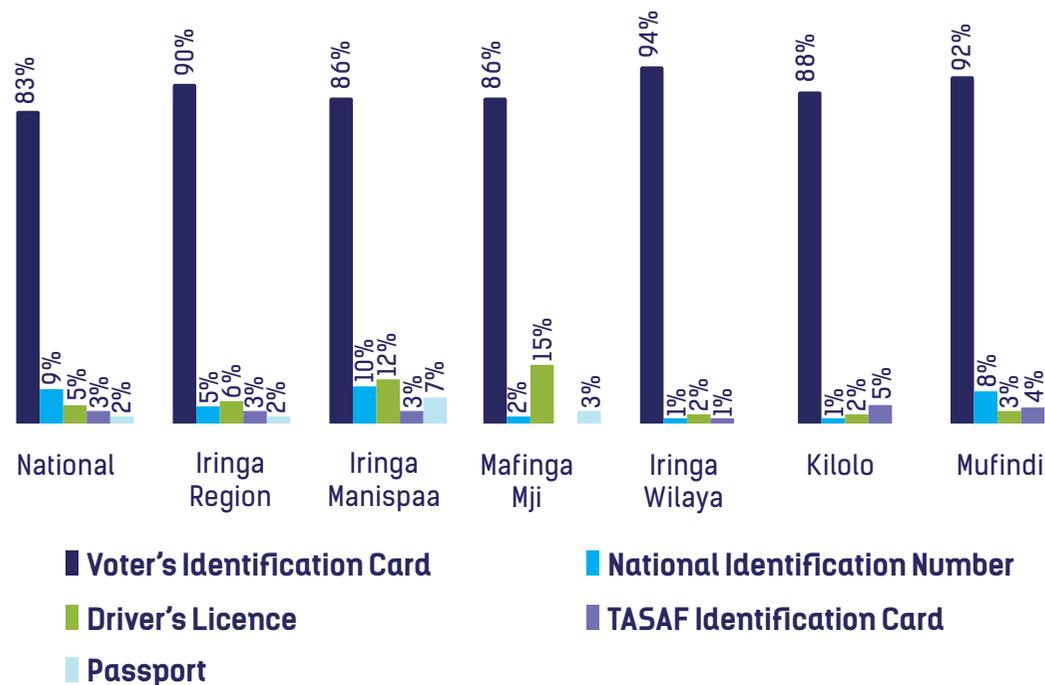# is not a major barrier
to accessing financial services

65% adults in Iringa region own a mobile phone

Chart 13: **Form of Identification**

- **Voter's Identification Card**
- **National Identification Number**
- **Driver's Licence**
- **TASAF Identification Card**
- **Passport**

Source: FinScope Tanzania 2017 April-July

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%).

Chart 14: **Communication Networks**

- **Network Reception**
- **HH member owns mobile phone**
- **Own's a mobile phone**
- **SIM Card only**
- **Internet**
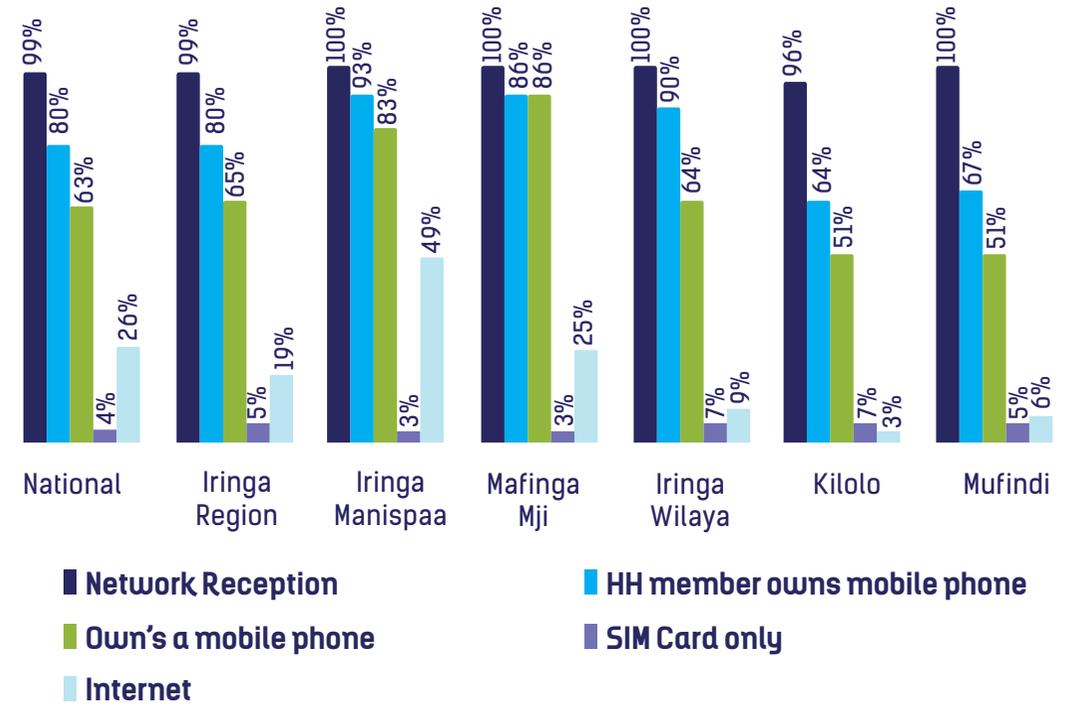
Source: FinScope Tanzania 2017 April-July

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.

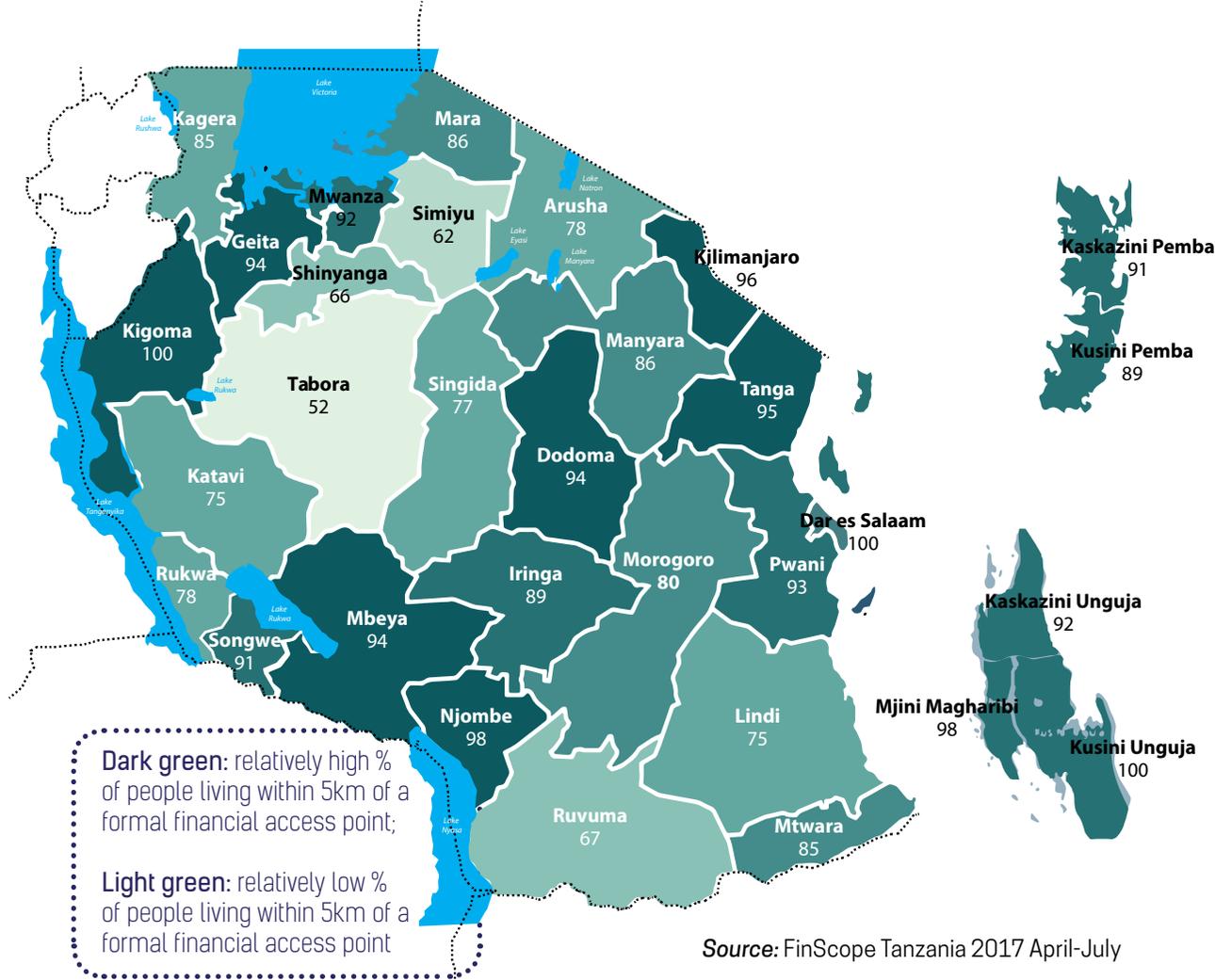Almost **89%** of adults in Iringa live within a 5km radius of a formal financial access point.

3C: FINANCIAL BEHAVIOUR: HOW DO ADULTS IN IRINGA REGION MANAGE THEIR FINANCES?

Previous sections described characteristics of FinScope Tanzania respondents and whether they can be served by financial services providers. This section of the report dwells on providing a deeper understanding of how adults in Iringa manage their finances.

FACT 1

Iringa residents do not have consistent sources of income

Map 1: **Tanzanians living within 5km of a financial access point**

Kagera 85
Mara 86
Mwanza 92
Simiyu 62
Arusha 78
Kilimanjaro 96
Geita 94
Shinyanga 66
Kaskazini Pemba 91
Kigoma 100
Tabora 52
Singida 77
Manyara 86
Tanga 95
Kusini Pemba 89
Katavi 75
Dodoma 94
Dar es Salaam 100
Rukwa 78
Iringa 89
Morogoro 80
Pwani 93
Kaskazini Unguja 92
Mbeya 94
Songwe 91
Njombe 98
Lindi 75
Mjini Magharibi 98
Kusini Unguja 100
Ruvuma 67
Mtwara 85

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

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 results show that Iringa is well covered with financial access points as 89% of people live within a 5km radius of a financial access point.

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

the wood/timber value chain on a casual labour basis. Further qualitative interviews reveal other sources of casual jobs. The Tanzania-Zambia (TAZAMA) pipeline offers employment including casual jobs to the surrounding community who are engaged in site clearing in areas where the pipeline passes. Moreover, qualitative interviews revealed other benefits of the TAZAMA pipeline in Iringa region including developments in infrastructure and establishment of townships in rural areas.

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.

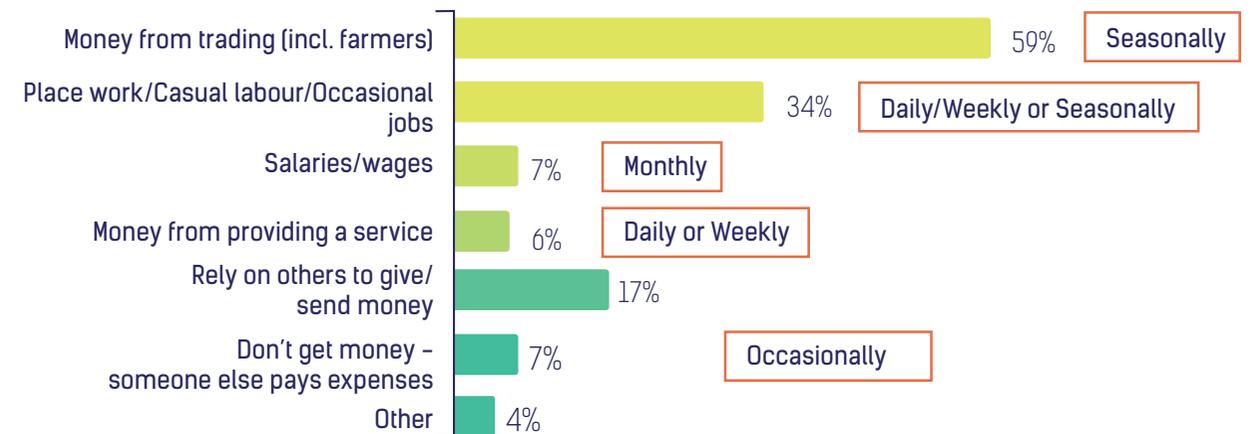## FORESTRY - THE KEY TO IRINGA'S ECONOMY!

The forestry industry is key to Iringa's economy. Interviews reveal that for the majority of people in rural areas, the sale of forestry products is the main source of income. Qualitative interviews with farmers, traders and officials in Mufindi, Mafinga and Kilolo reveal that the sale of timber products constitute up to 80% of households' income. Statistics from the Iringa socioeconomic profile, 2013 show that the region ranks second nationally in per capita income. Interestingly, Mufindi and Mafinga, which are major wood/timber production areas, contribute nearly half of the region's GDP, which signifies the direct and indirect contribution of the timber industry.

Direct contribution is through participation in the value chain including tree farming, harvesting of trees, wood products processing (timber, poles, pulpwood, paper, veneer), transportation, sales of wood/timber products and exportation. Also major tea factories either plant trees or buy wood products used for boilers. Other direct contributions include various taxes, fees, charges, levies and royalties to the government; for instance, local governments in the Iringa region derive on average more than 50% of their revenue from levies charged on royalty and sales of wood/timber products harvested in their areas. Also, there are contributions in terms of employment in large plantations and factories like Sao Hill and Mufindi Paper Mills, which employ thousands of individuals.

Furthermore, qualitative interviews revealed that companies in the wood/timber industry, aside from offering employment opportunities and paying taxes, practice corporate social responsibility by supporting the surrounding communities including construction of schools, hospitals, supplying tree seedlings and water infrastructure. Since this industry employs the majority of the population, especially in rural areas, financial services targeted towards supporting this sector will have a ripple effect in inclusive growth.

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

Source	%	Frequency
Money from trading (incl. farmers)	59%	Seasonally
Place work/Casual labour/Occasional jobs	34%	Daily/Weekly or Seasonally
Salaries/wages	7%	Monthly
Money from providing a service	6%	Daily or Weekly
Rely on others to give/send money	17%	
Don't get money – someone else pays expenses	7%	Occasionally
Other	4%	

*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 heath 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**

Iringa Region
National
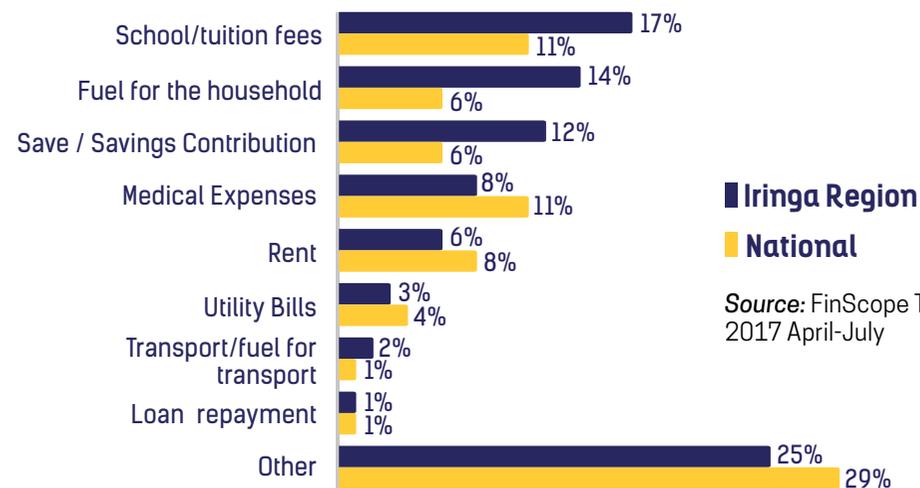
Source: FinScope Tanzania 2017 April-July

Chart 17: **Aspirations for Future Expenses**

■ **House** ■ **Land/farm** ■ **Business** ■ **Car/other vehicle**
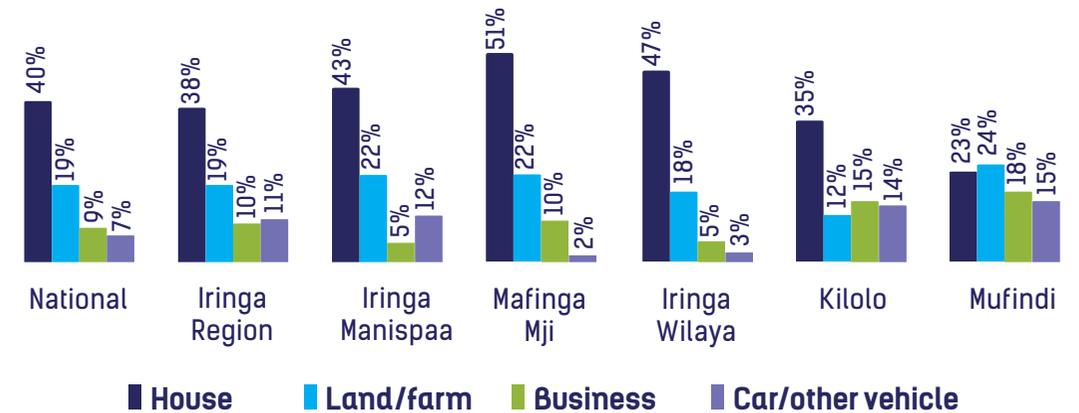
Source: FinScope Tanzania 2017 April-July

4 in 10 adults in Iringa struggle with keeping up with both regular and unexpected expenses
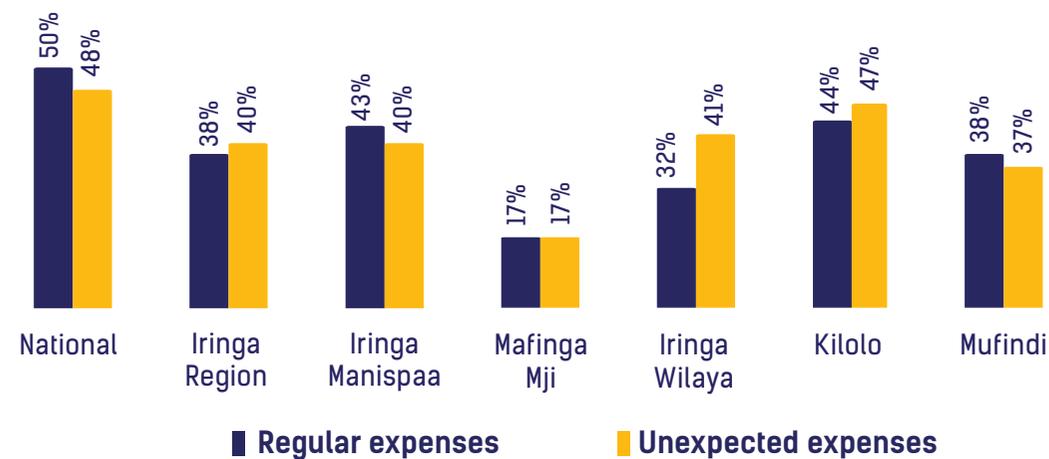
Almost 7 in 10 Adults in Iringa cut down on expenses when they are about to run out of money

Chart 18: **Percentage of adults who often/always struggle to meet regular and/or unexpected expenses**

- Regular expenses
- Unexpected expenses

Source: FinScope Tanzania 2017 April-July

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.

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

- Cut down on expenses
- Use savings
- Borrow money
- Ask family/friends to assist
- Cut down on meals
- Others
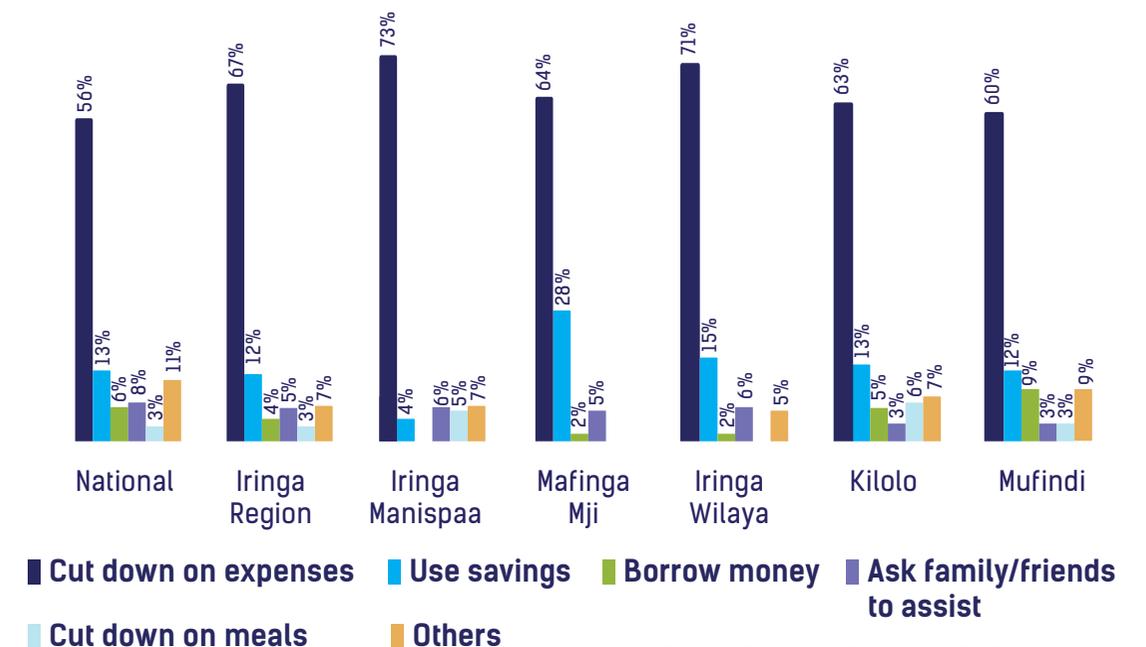
Source: FinScope Tanzania 2017 April - July

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.

Chart 20: If you should have unexpected expenses tomorrow, how would you cope

National: Will borrow money from family/friends 40%, Use savings/money I put aside 19%, Sell crop/livestock 21%, Will do casual work 7%, Use insurance cover 2%, Sell an asset 1%
Iringa Region: 33%, 28%, 19%, 11%, 1%
Iringa Manispaa: 33%, 44%, 4%, 10%
Mafinga Mji: 25%, 58%, 5%, 4%, 4%
Iringa Wilaya: 37%, 23%, 23%, 5%, 1%, 1%
Kilolo: 26%, 18%, 31%, 17%, 2%
Mufindi: 37%, 16%, 26%, 14%, 1%

■ Will borrow money from family/friends   ■ Use savings/money I put aside   ■ Sell crop/livestock   ■ Will do casual work/work moreto assist
■ Use insurance cover   ■ Sell an asset bought for this purpose

Source: FinScope Tanzania 2017 April - July

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

Chart 21: Do you …?

Iringa Region: You keep track 79%, You know how much 59%, You adjust 77%, You often spend more 14%
Two lowest quintiles: 77%, 58%, 74%, 16%
Middle quintiles: 86%, 59%, 81%, 13%
Two highest quintiles: 73%, 70%, 90%

■ You keep track of money that you receive and spend   ■ You know how much money you spent last week
■ You adjust your expenses according to the money you have   ■ You often have to spend more money that you have available
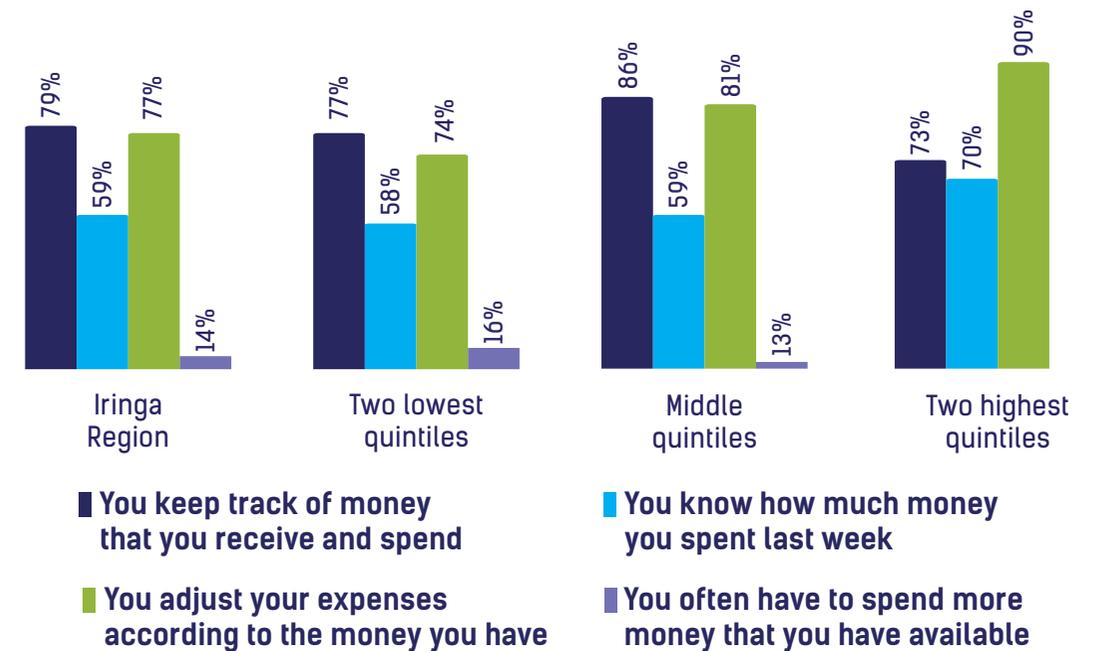
Source: FinScope Tanzania 2017 April - July

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.

3C: FINANCIAL INCLUSION: WHICH CHANNELS ARE PEOPLE ACCESSING?

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.

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 busi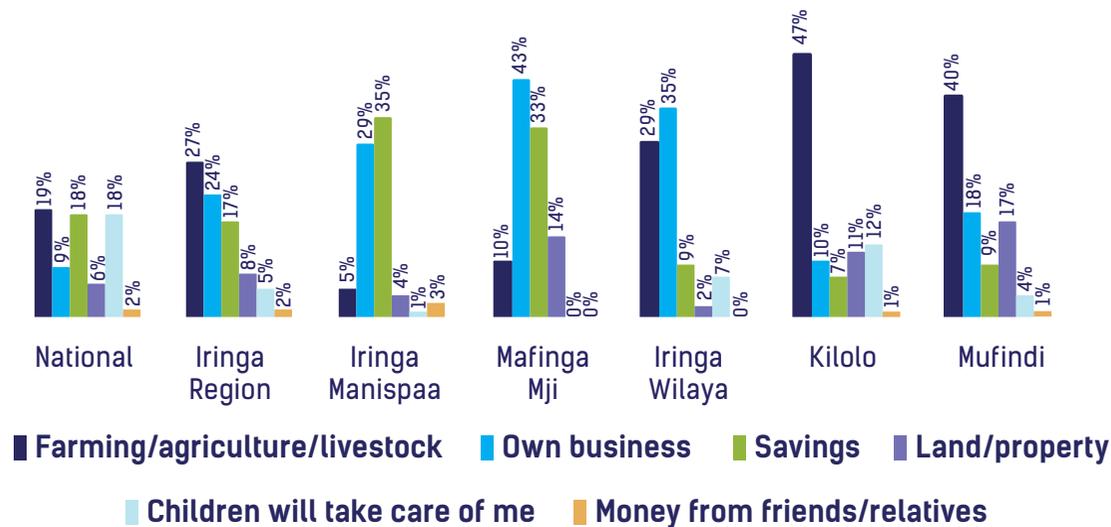ness (24%). Interestingly only 5% stated that they would rely on their children to take care of them, lower than the national average of 18%. Though these findings indicate that Iringa residents have considered their future economic activities, the proposed retirement strategies do not provide a valid option in the case where they would be unable to work and contribute at old age.

Figure 22: **How people in Iringa aged 55 and below plan for retirement**

Legend:
■ **Farming/agriculture/livestock** ■ **Own business** ■ **Savings** ■ **Land/property**
■ **Children will take care of me** ■ **Money from friends/relatives**

Source: FinScope Tanzania 2017 April - July

Figure 23: **uptake of formal financial services**
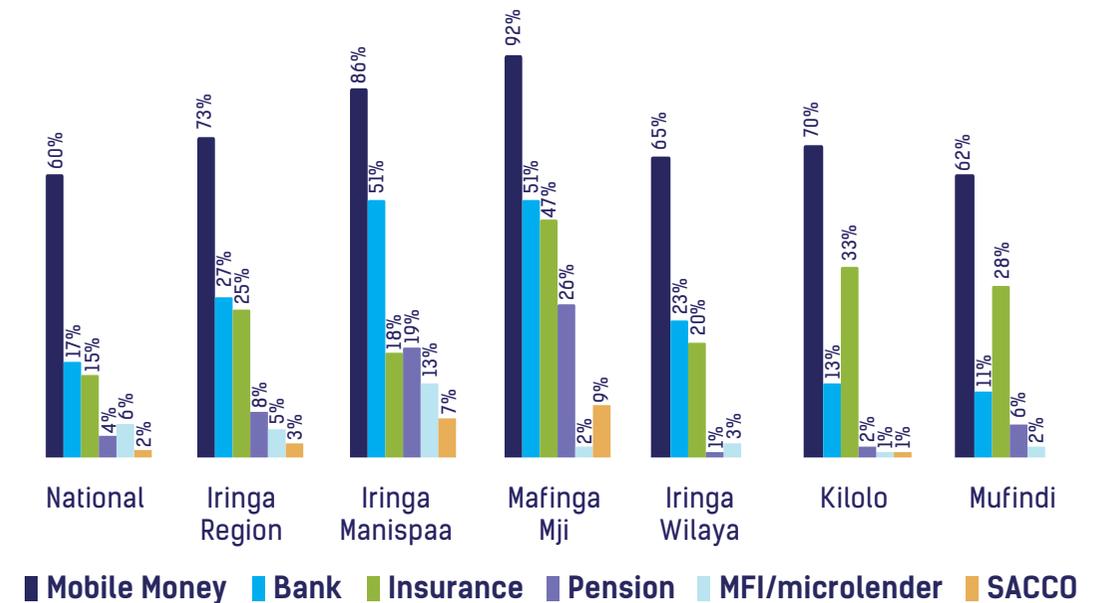
Legend:
■ **Mobile Money** ■ **Bank** ■ **Insurance** ■ **Pension** ■ **MFI/microlender** ■ **SACCO**

Source: FinScope Tanzania 2017

Base: = Iringa Region Only
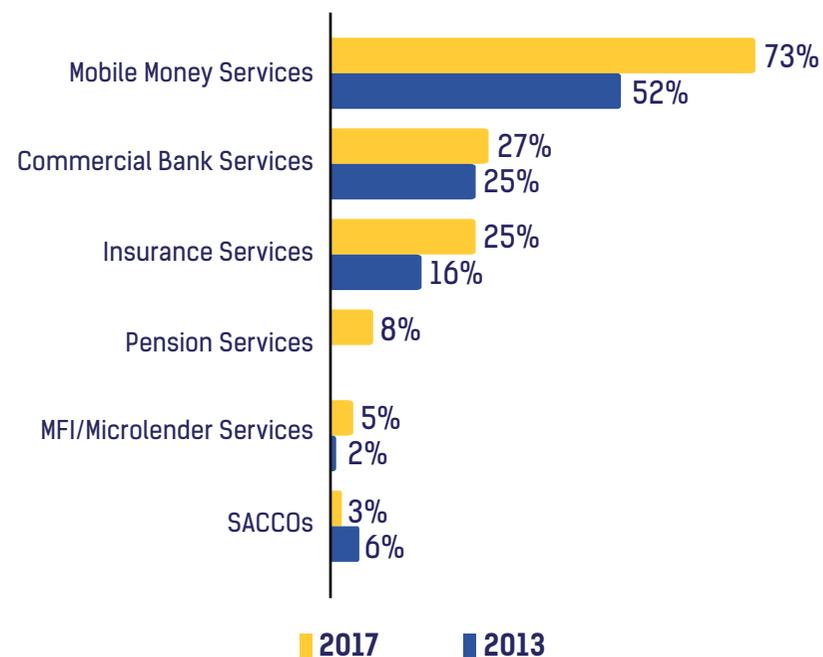
Source: FinScope Tanzania 2017 April – July and FinScope Tanzania 2013

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 25). 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.
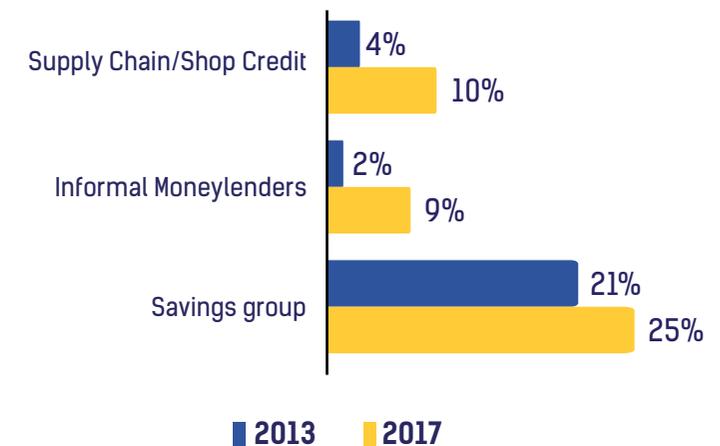
Figure 25: **uptake of informal financial services**
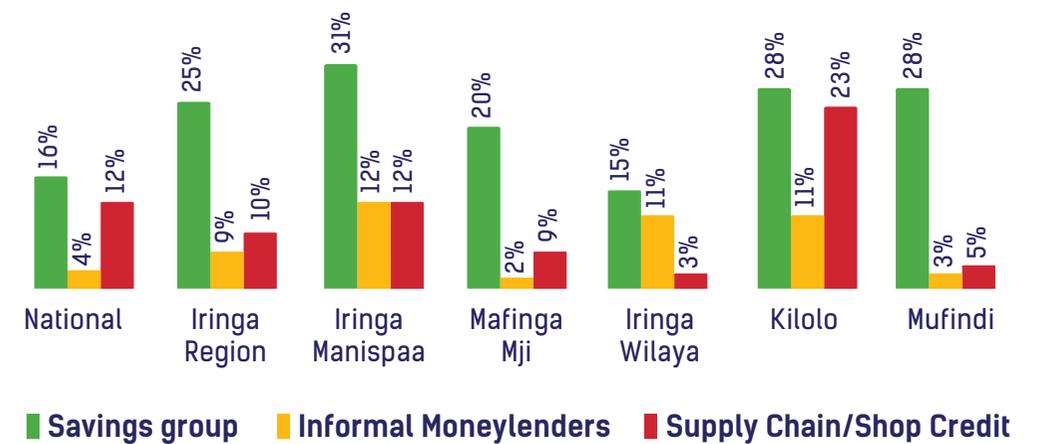
Source: FinScope Tanzania 2017 April – July

Figure 26: **uptake of informal financial services**
Base: = Iringa Region Only

Source: FinScope Tanzania 2017 April – July

Chart 27: **Overlaps in financial service/product uptake**
(Numbers displayed are in thousands) Base: = Iringa Region Only

Bank

Non-bank formal

1.4   75.6   174.0

81.1

0   121.1

32.2

Informal mechanism

96.3 FINANCIALLY EXCLUDED

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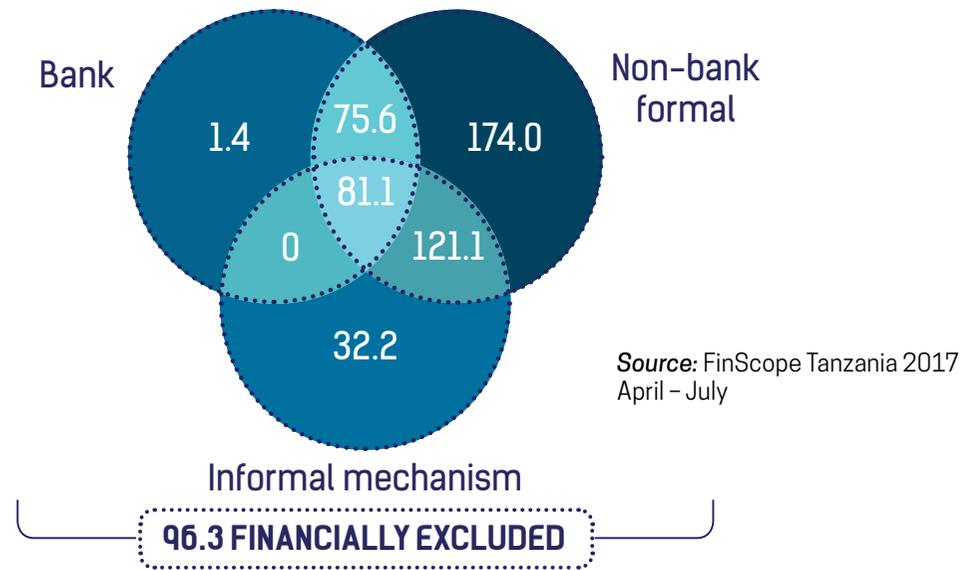
Chart 28 overleaf shows that between 2013 and 2017, the total number of adults using financial services has grown by 11%, while those that take up banking and mobile financial services has grown by 23% and 57% respectively and the number of those taking up insurance increased by 77%. Usage of MFIs has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

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

Population 16+	0.52	0.58	11%
Have/ use Bank Services	0.13	0.16	23%
Individuals with Mobile Money services	0.2667	0.42	57%
Insurance	0.0845	0.15	77%
Pension		0.05	
MFI	0.0089	0.03	235%
SACCOs	0.03	0.01	53%

Source: FinScope Tanzania 2013, 2017

Chart 29: **Uptake of financial services**

	Have or use bank services	Don't have or use bank services but have / use other formal services	Don't have / use formal services but use informal services	Financially excluded
National	16.7%	48.6%	6.7%	28.0%
Iringa	27.2%	50.7%	5.5%	16.6%

- Have or use bank services
- Don't have or use bank services but have / use other formal services
- Don't have / use formal services but use informal services
- Financially excluded

Source: FinScope Tanzania 2017 April – July

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

	Have or use bank services	Don't have or use bank services but have / use other formal services	Don't have / use formal services but use informal services	Financially excluded
National	16.7%	48.6%	6.7%	28.0%
Iringa	27.2%	50.7%	5.5%	16.6%

- Have or use bank services
- Don't have or use bank services but have / use other formal services
- Don't have / use formal services but use informal services
- Financially excluded

Source: FinScope Tanzania 2017 April – July

Chart 31: Uptake of financial service in Iringa region – demographic

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

■ Banked ■ Non-bank formal services ■ Informal services ■ Financially excluded
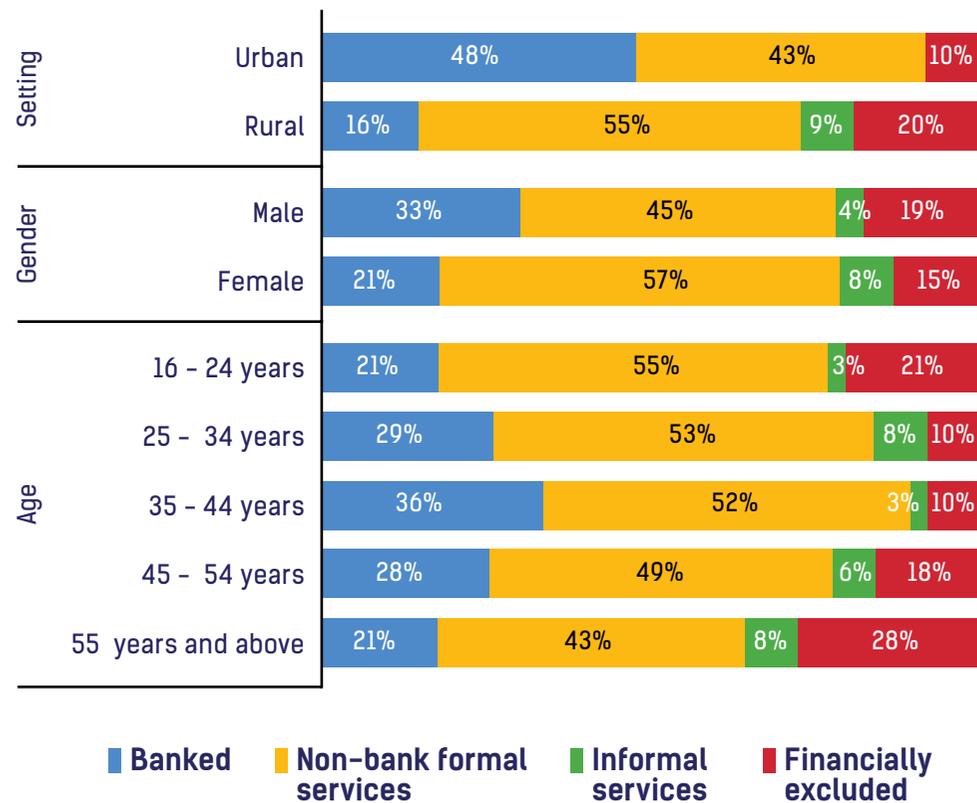
Source: FinScope Tanzania 2017 April-July

Chart 32: Level of financial inclusion

Region	Banked	Non-bank formal services	Informal services	Financially excluded
Mufindi	11%	62%	8%	20%
Kilolo	13%	61%	12%	14%
Iringa Wilaya	23%	47%	4%	26%
Mafinga Mji	51%	41%		8%
iringa Manispaa	51%	39%		11%

■ Banked ■ Non-bank formal services ■ Informal services ■ Financially excluded

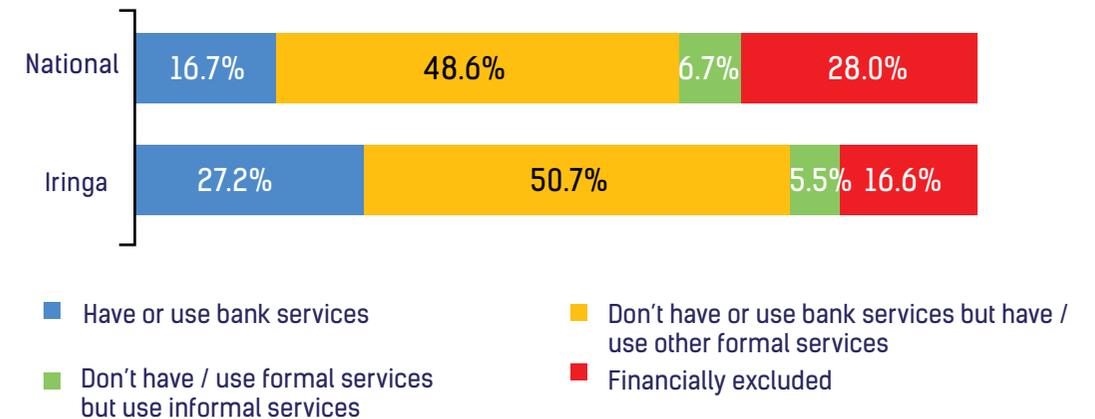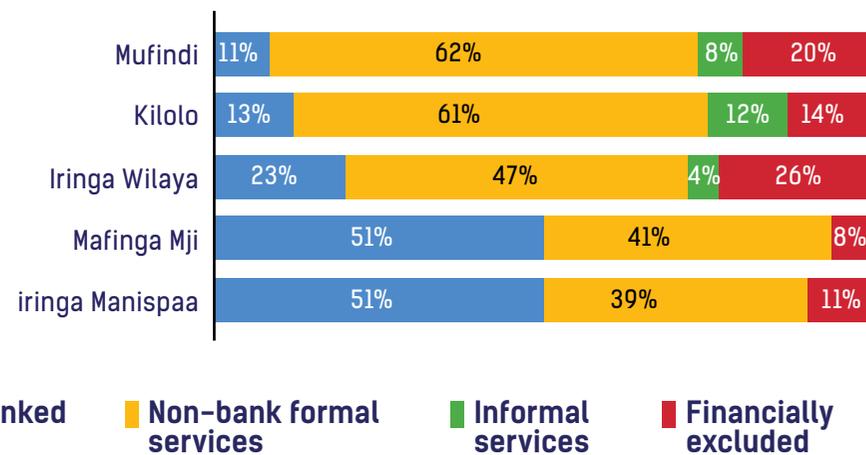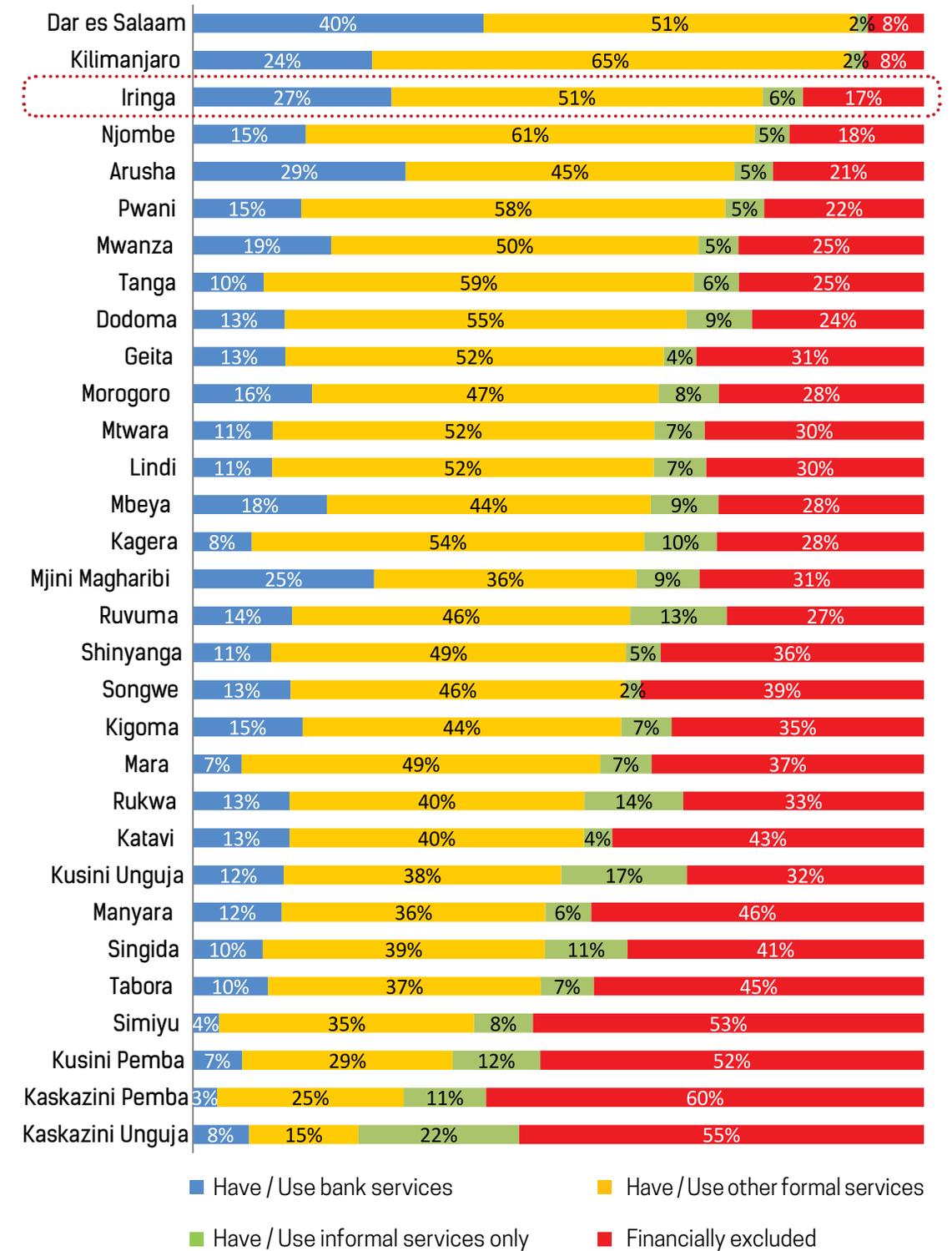*Source:* FinScope Tanzania 2017 April – July

FINANCIAL INCLUSION BY REGION

Region	Have / Use bank services	Have / Use other formal services	Have / Use informal services only	Financially excluded
Dar es Salaam	40%	51%	2%	8%
Kilimanjaro	24%	65%	2%	8%
Iringa	27%	51%	6%	17%
Njombe	15%	61%	5%	18%
Arusha	29%	45%	5%	21%
Pwani	15%	58%	5%	22%
Mwanza	19%	50%	5%	25%
Tanga	10%	59%	6%	25%
Dodoma	13%	55%	9%	24%
Geita	13%	52%	4%	31%
Morogoro	16%	47%	8%	28%
Mtwara	11%	52%	7%	30%
Lindi	11%	52%	7%	30%
Mbeya	18%	44%	9%	28%
Kagera	8%	54%	10%	28%
Mjini Magharibi	25%	36%	9%	31%
Ruvuma	14%	46%	13%	27%
Shinyanga	11%	49%	5%	36%
Songwe	13%	46%	2%	39%
Kigoma	15%	44%	7%	35%
Mara	7%	49%	7%	37%
Rukwa	13%	40%	14%	33%
Katavi	13%	40%	4%	43%
Kusini Unguja	12%	38%	17%	32%
Manyara	12%	36%	6%	46%
Singida	10%	39%	11%	41%
Tabora	10%	37%	7%	45%
Simiyu	4%	35%	8%	53%
Kusini Pemba	7%	29%	12%	52%
Kaskazini Pemba	3%	25%	11%	60%
Kaskazini Unguja	8%	15%	22%	55%

■ Have / Use bank services ■ Have / Use other formal services
■ Have / Use informal services only ■ Financially excluded

Source: FinScope Tanzania 2017 April-July

THE TABLE BELOW REPORTS VALUES AND PREFERENCES OF DIFFERENT FINANCIAL INSTRUMENTS:

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

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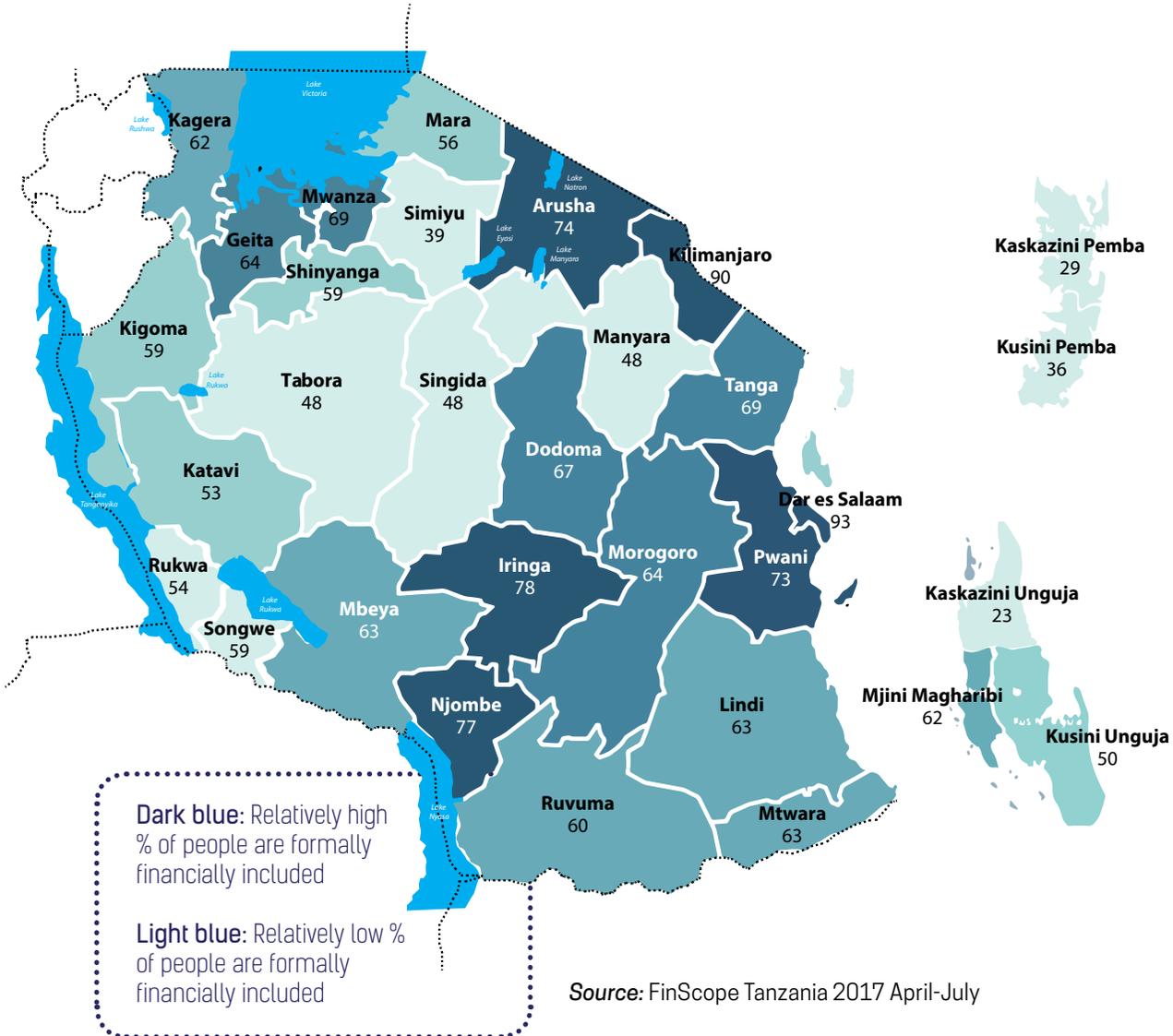
Individuals considered informally included are individuals aged 16 years or older who use financial mechanisms not provided by a regulated or supervised financial institution.

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 financial 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).

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

Kagera 62
Mara 56
Mwanza 69
Simiyu 39
Arusha 74
Kaskazini Pemba 29
Geita 64
Shinyanga 59
Kilimanjaro 90
Kusini Pemba 36
Kigoma 59
Manyara 48
Tabora 48
Singida 48
Tanga 69
Dodoma 67
Katavi 53
Dar es Salaam 93
Rukwa 54
Iringa 78
Morogoro 64
Pwani 73
Kaskazini Unguja 23
Songwe 59
Mbeya 63
Mjini Magharibi 62
Kusini Unguja 50
Njombe 77
Lindi 63
Ruvuma 60
Mtwara 63

Dark blue: Relatively high % of people are formally financially included

Light blue: Relatively low % of people are formally financially included

Source: FinScope Tanzania 2017 April-July

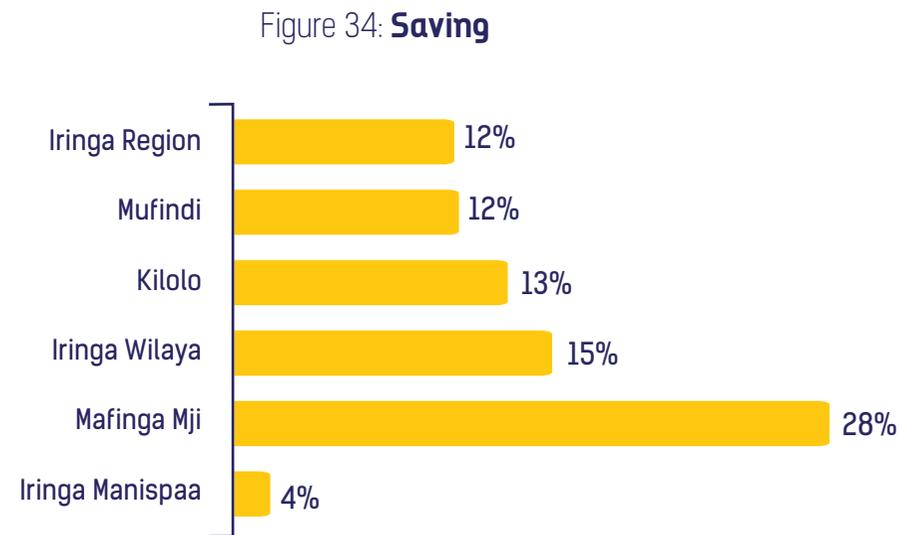## 3E: USAGE: WHAT ARE PEOPLE DOING WITH THEIR MONEY?

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

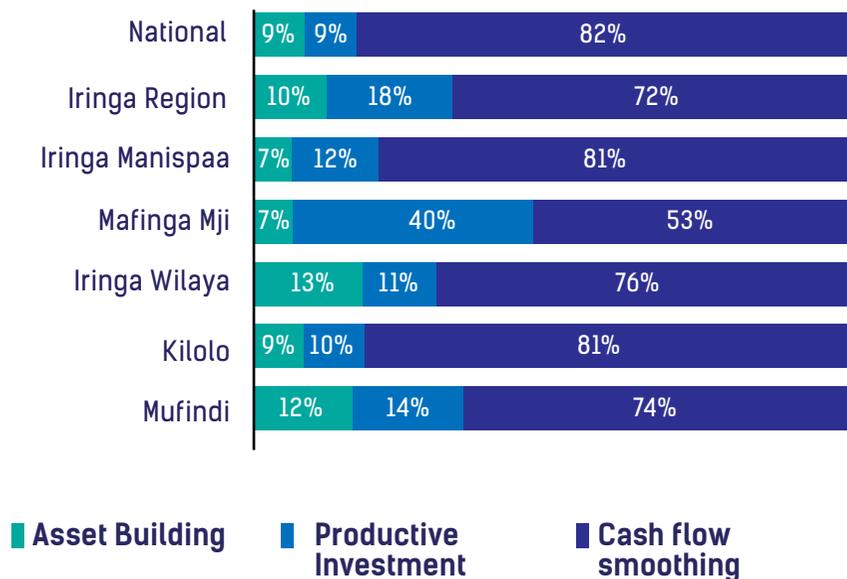**12%** of adults in Iringa saved in the past 12 months

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).

Figure 34: **Saving**

Region	%
Iringa Region	12%
Mufindi	12%
Kilolo	13%
Iringa Wilaya	15%
Mafinga Mji	28%
Iringa Manispaa	4%

Source: FinScope Tanzania 2017 April - July

Figure 35: **What do they save for?**
Base: = Only those who save

Region	Asset Building	Productive Investment	Cash flow smoothing
National	9%	9%	82%
Iringa Region	10%	18%	72%
Iringa Manispaa	7%	12%	81%
Mafinga Mji	7%	40%	53%
Iringa Wilaya	13%	11%	76%
Kilolo	9%	10%	81%
Mufindi	12%	14%	74%

■ **Asset Building** ■ **Productive Investment** ■ **Cash flow smoothing**
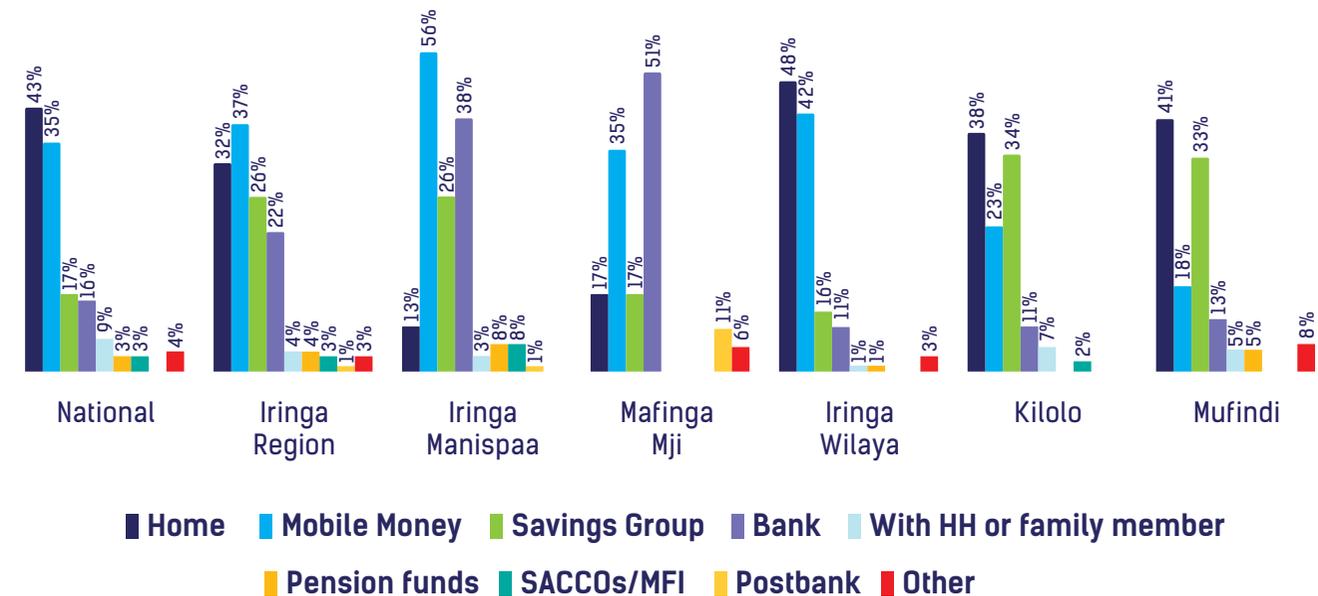
Source: FinScope Tanzania 2017 April - July

FACT 2
12% point increase in people saving in mobile wallets

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.
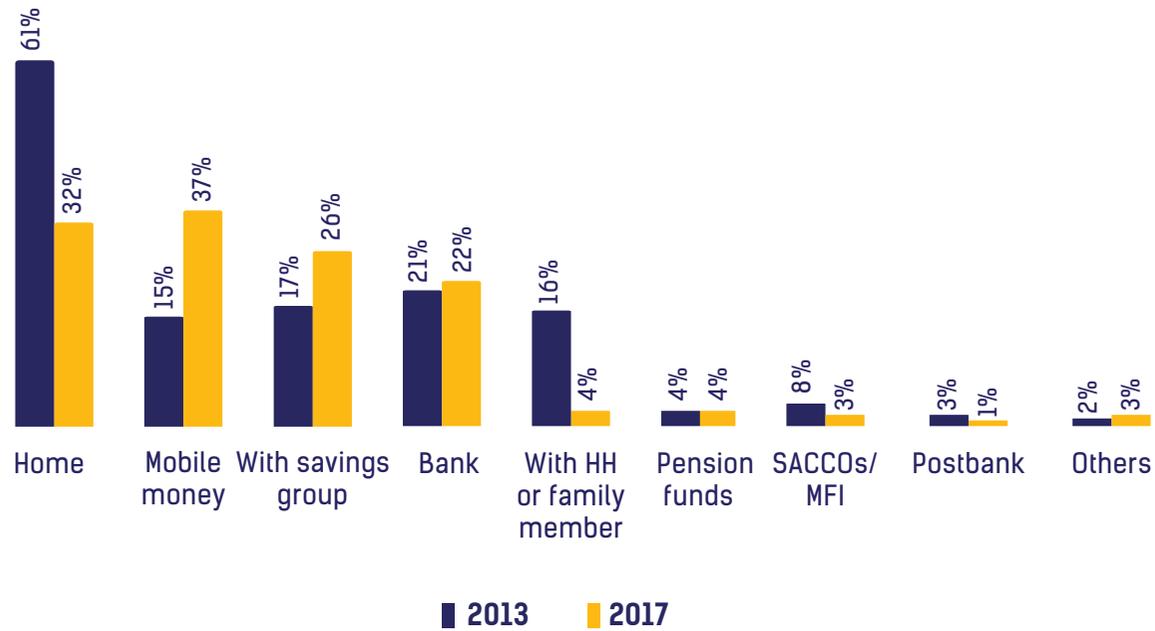
Chart 36: **Where are people saving?**

■ **Home** ■ **Mobile Money** ■ **Savings Group** ■ **Bank** ■ **With HH or family member**
■ **Pension funds** ■ **SACCOs/MFI** ■ **Postbank** ■ **Other**

Source: FinScope Tanzania 2017 April-July

Source: FinScope Tanzania 2017 April - July

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

	2013	2017
Home	61%	32%
Mobile money	15%	37%
With savings group	17%	26%
Bank	21%	22%
With HH or family member	16%	4%
Pension funds	4%	4%
SACCOs/ MFI	8%	3%
Postbank	3%	1%
Others	2%	3%

■ **2013**   ■ **2017**

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

FACT 3

46%
of adult Iringa residents **borrowed in the past 12 months**

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 37: **Who do they borrow from?**
Base: = Those who borrow

	Smooth cashflow	Productive Investment	Asset Building
National	73%	18%	6%
Iringa Region	62%	30%	7%
Iringa Manispaa	60%	35%	4%
Mafinga Mji	48%	39%	13%
Iringa Wilaya	71%	24%	5%
Kilolo	55%	35%	9%
Mufindi	72%	22%	8%

■ **Smooth cashflow**   ■ **Productive Investment**   ■ **Asset Building**
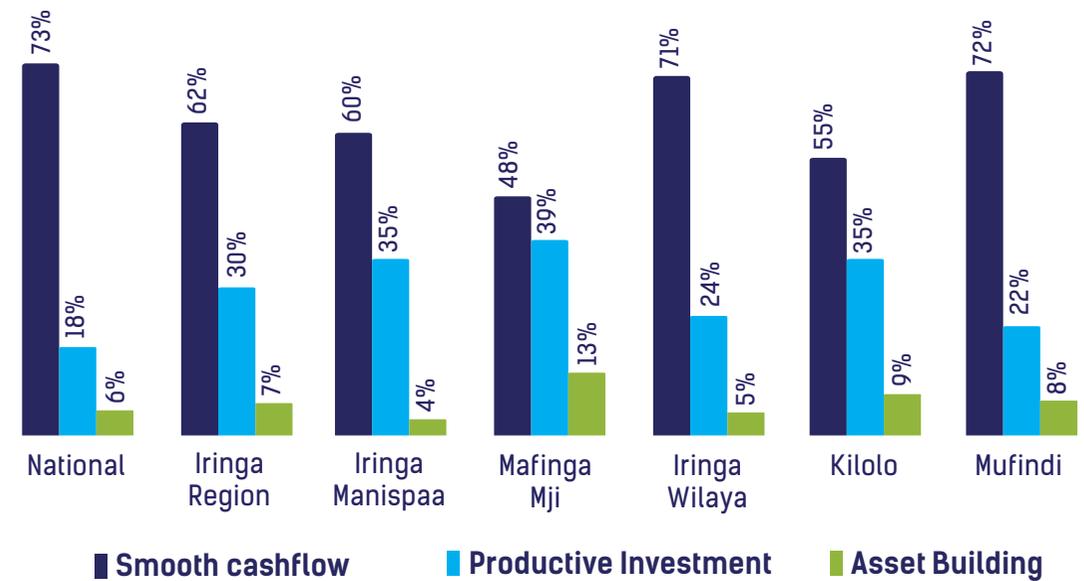
Source: FinScope Tanzania 2017 April - July
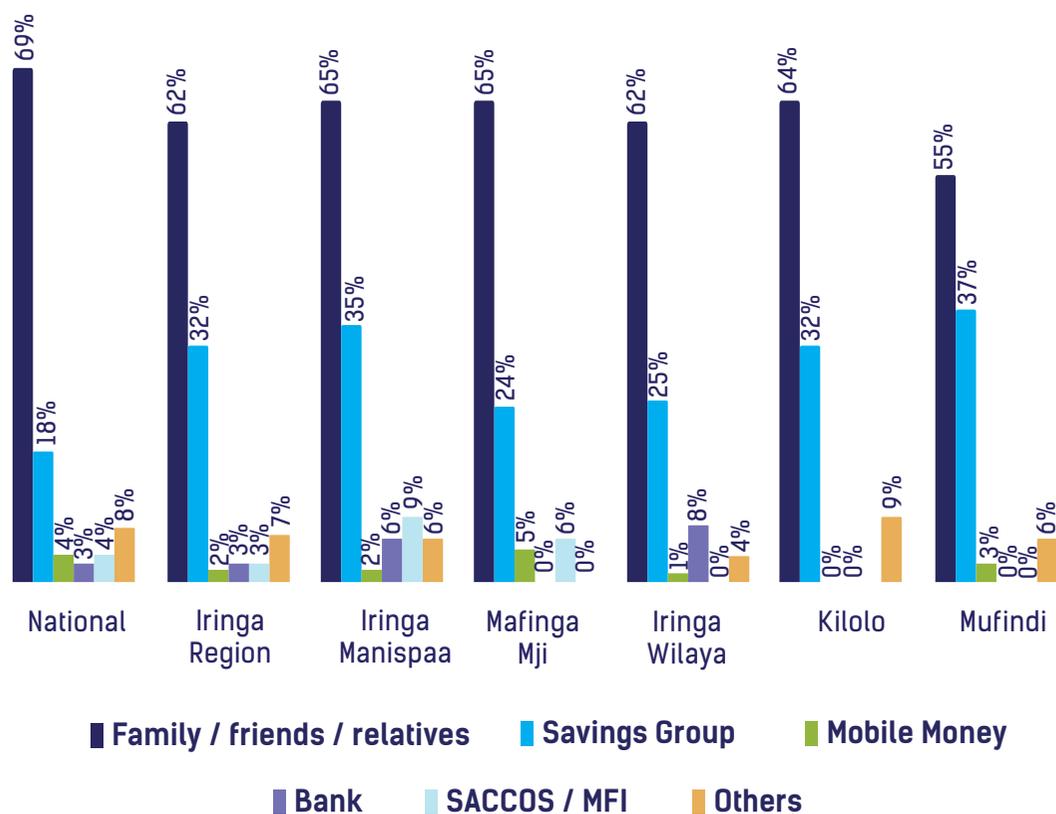
Friends and family
remain key sources of credit

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

Legend:
- Family / friends / relatives
- Savings Group
- Mobile Money
- Bank
- SACCOS / MFI
- Others

Source: FinScope Tanzania 2017 April - July

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.
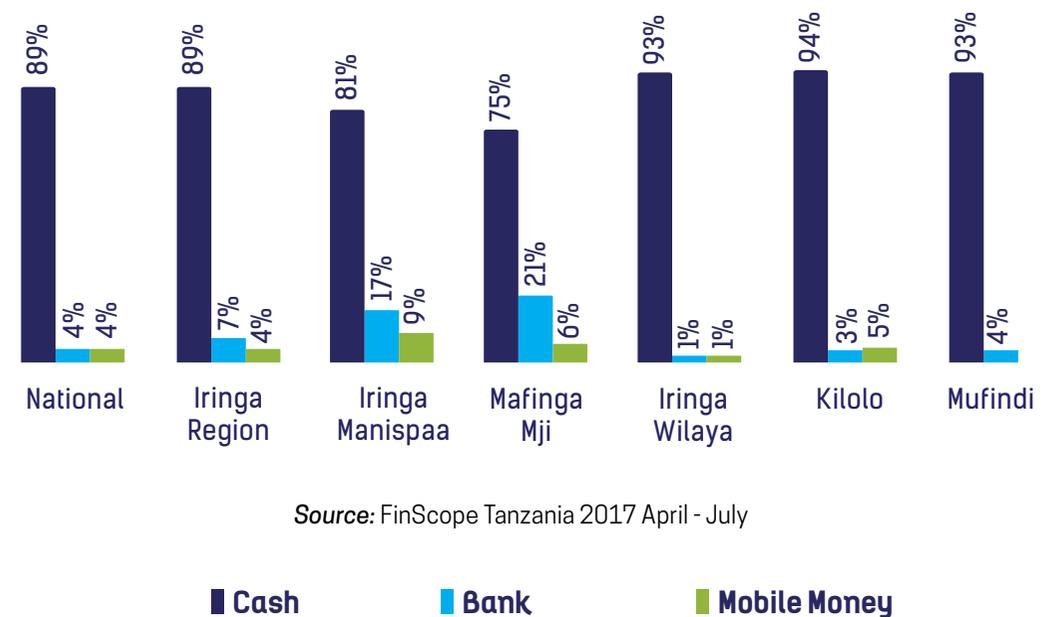
The payment space is largely untapped

Chart 39: **How do they receive their income?**

	National	Iringa Region	Iringa Manispaa	Mafinga Mji	Iringa Wilaya	Kilolo	Mufindi
Cash	89%	89%	81%	75%	93%	94%	93%
Bank	4%	7%	17%	21%	1%	3%	4%
Mobile Money	4%	4%	9%	6%	1%	5%	

Source: FinScope Tanzania 2017 April - July

■ **Cash**   ■ **Bank**   ■ **Mobile Money**

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.
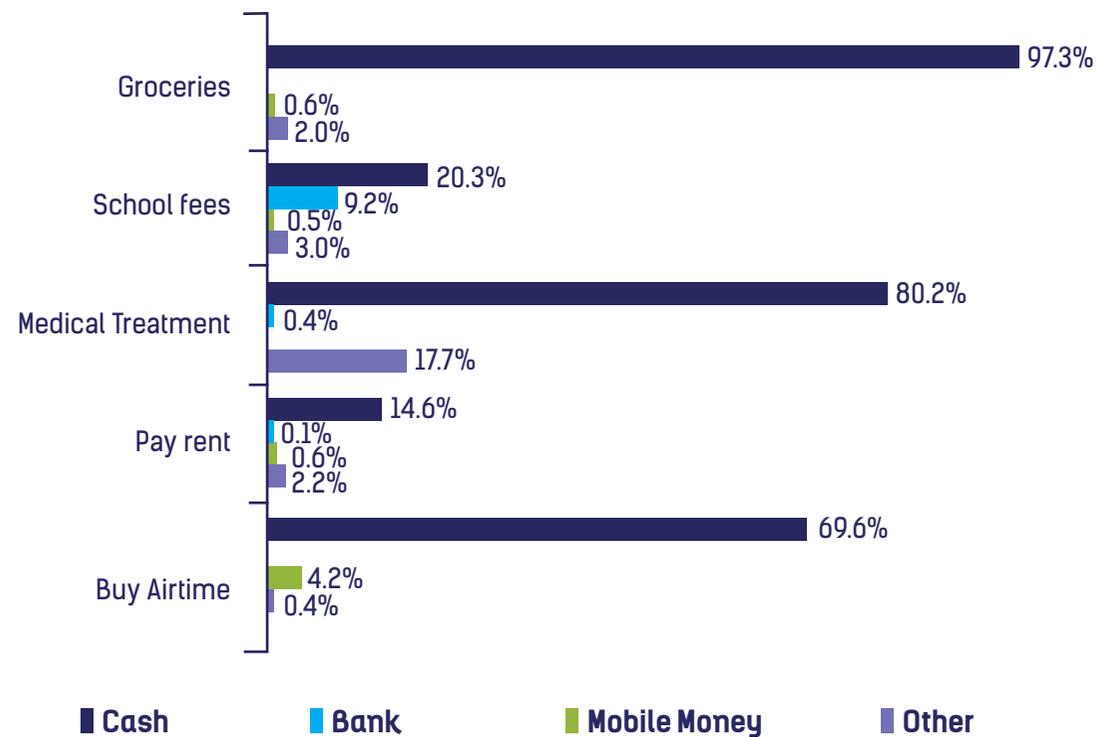
FinScope asked respondents how they receive income and make payments, to which an overwhelming majority of the respondents mentioned doing so using cash. It is very clear that, as most payments are received in cash, most outgoing payments are also likely to be made using cash. Kilolo, Iringa Wilaya, 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 the lack of formal financial services in the areas.
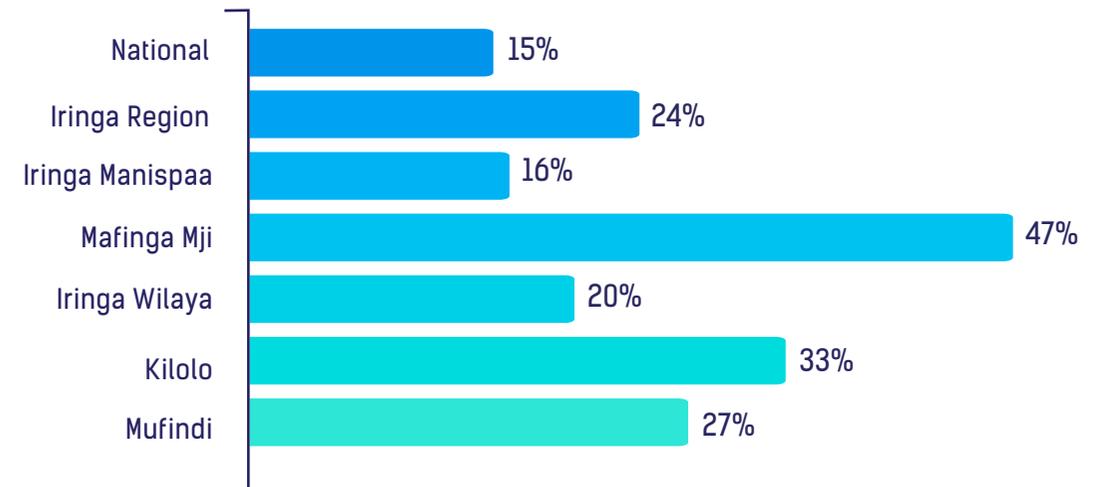
On the part of traders, they also mentioned paying in cash to small farmers but through banks when they make payments to large companies like Sao Hill when they buy trees blocks for timber harvesting. Furthermore, it can be seen in Chart 39 that there is more usage of bank services (21%) in Mafinga Mji 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?**

- Groceries: Cash 97.3%, Mobile Money 0.6%, Other 2.0%
- School fees: Cash 20.3%, Bank 9.2%, Mobile Money 0.5%, Other 3.0%
- Medical Treatment: Cash 80.2%, Bank 0.4%, Other 17.7%
- Pay rent: Cash 14.6%, Bank 0.1%, Mobile Money 0.6%, Other 2.2%
- Buy Airtime: Cash 69.6%, Mobile Money 4.2%, Other 0.4%

■ **Cash**   ■ **Bank**   ■ **Mobile Money**   ■ **Other**

Source: FinScope Tanzania 2017 April - July

Chart 41: **Are they insured?**

- National: 15%
- Iringa Region: 24%
- Iringa Manispaa: 16%
- Mafinga Mji: 47%
- Iringa Wilaya: 20%
- Kilolo: 33%
- Mufindi: 27%

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.
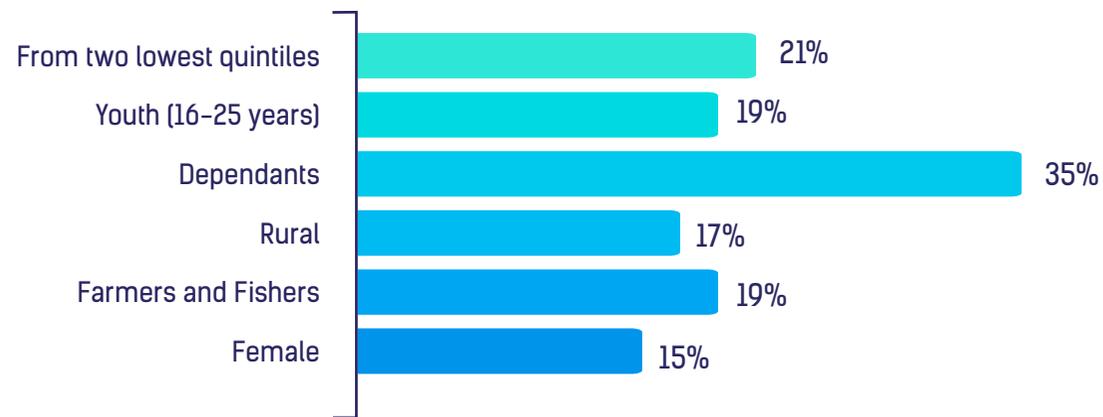
The insurance market is dominated by usage of health insurance products. About 99% of those who are insured use health insurance. The most significant health insurance uptake is Community Health Fund (CHF) insurance (53%) and National Health Insurance Fund (NHIF) insurance (28%) and these are key uptake 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

requirement for 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.

Chart 42: **Who is being left behind?**
Base: = Who is being excluded

Category	Percentage
From two lowest quintiles	21%
Youth (16–25 years)	19%
Dependants	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

	Banks	MFIs	SACCOs	Mobile Money	Insurance
PRIMARY BARRIER	Insufficient income to even consider opening an account Bank service charges are high	I don't need it or insufficient money	Lack of awareness of how SACCOs operate and how to join them Lack of trust with SACCOS	Don't need it, don't have frequent transactions I don't have a phone/devise to be able to use services	Perceived high cost of insurance and inability to afford insurance payments
SECONDARY BARRIER	Insufficient income Cannot maintain minimum balance on the account	Service charges are high Service is far away	Membership fee is perceived to be too high	Lack of trust on safety of money in mobile phones My family members do not approve of me having mobile money	Lack of trust with insurance operators

Source: FinScope Tanzania 2017 April-July

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.

FinScope Tanzania 2017 has provided valuable insights on peoples' financial behaviour and how it relates to their daily lives. It is worth noting that the majority of adults in Iringa display prudent financial management behaviour; they know how much they earn and spend, keep track of earnings and expenditure, and limit expenditure when they run out of money. However, there is scope for further improvement in financial management through expanded usage of formal financial services like SACCOs and banks, this is because the majority still save at home and hence may face difficulties in limiting unnecessary expenditures. 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. Generally, it is as important as ever to encourage and support innovation and partnerships between key players to deliver financial services that are convenient and affordable.

The main challenge that remains is how to address the financially excluded proportion of the population. People living in rural areas, on low incomes, smallholder farmers, old aged and youth 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. Voter ID cards are one of most trusted identification documents and most of those who do not have this identification are those financially excluded.

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.

Low and inconsistent cash flow appears to significantly limit many people in engaging in financial systems. Almost 4 in 10 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 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-Costumer
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