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The demand for, and barriers to
accessing financial services in Tanzania

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The Economic and Social Research Foundation (ESRF) and Development Pioneer Consultants Ltd. (DPC) are currently offering information, consulting and data analysis services related to the FinScope survey 2009.

ESRF and DPC have designed their services to complement each other by targeting different market segments. ESRF focuses on the public sector, higher learning institutes and researchers within Tanzania. DPC focuses on financial service providers, civil society and international organizations.

This second FinScope survey is regionally as well as nationally representative, with a sample size of 7,680. FinScope is the first consumer perception survey of the demand for and barriers to accessing financial services.

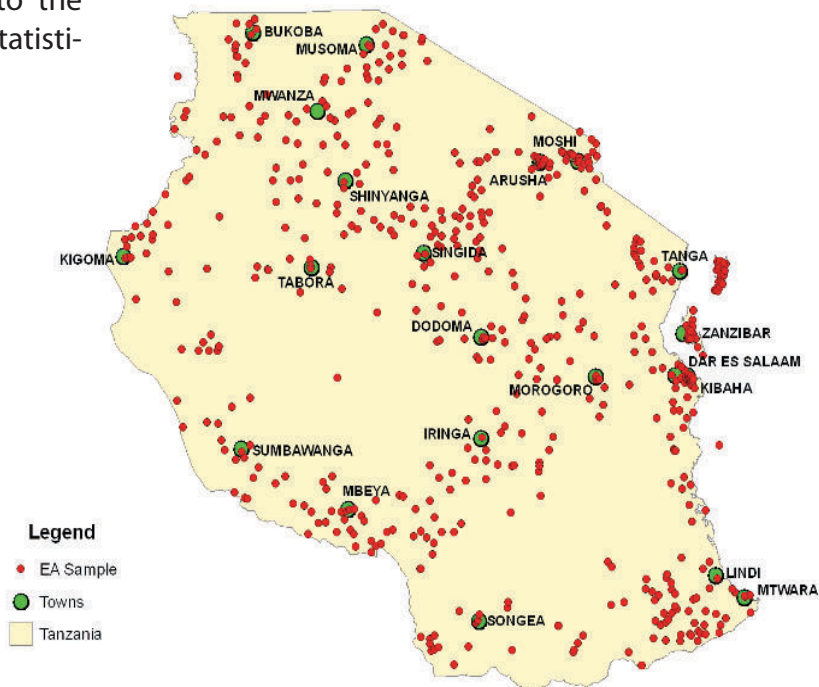
This brochure summarises some of the main findings from 2009. The whole data-set has yet to be fully mined. It contains massive potential for anyone interested in the state of Tanzania's financial service industry and the consumers who use it.

Unless otherwise stated, all charts include the adults of 16 years and over.

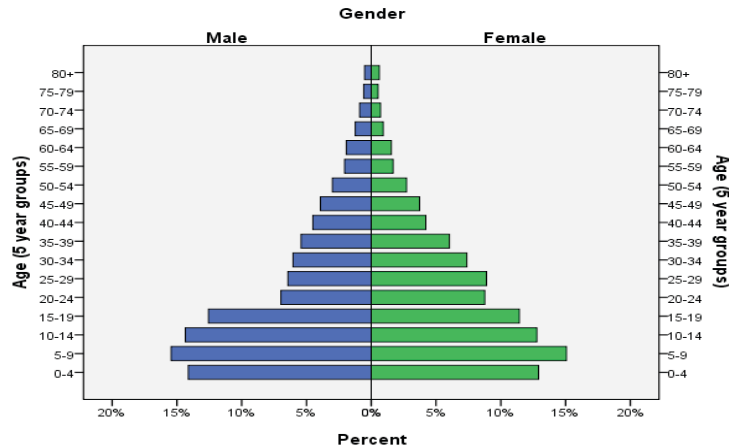
The FinScope Sample

The survey sample was drawn by the National Bureau of Statistics and is proportional to the population size. All areas and regions are statistically representative.

Nationally representative sample



Population pyramid: age & gender

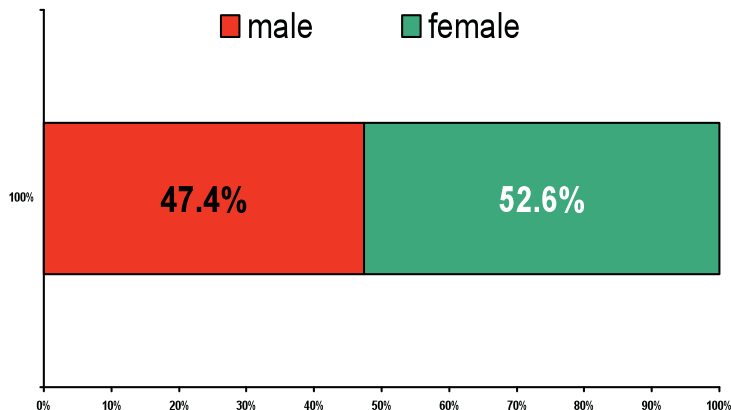


The Tanzanian Population

Tanzania has a young population which is growing at just over 3% per annum

There is concern over the decline, particularly of men, in the 20 – 24 year age group
From 20 years upwards, the population skews slightly towards females.

Demographics female – male adult population



There are about 5% more women than men in Tanzania

There has been little change in the gender split since 2006, when it was 52% female/ 48% male.

Demographic Information

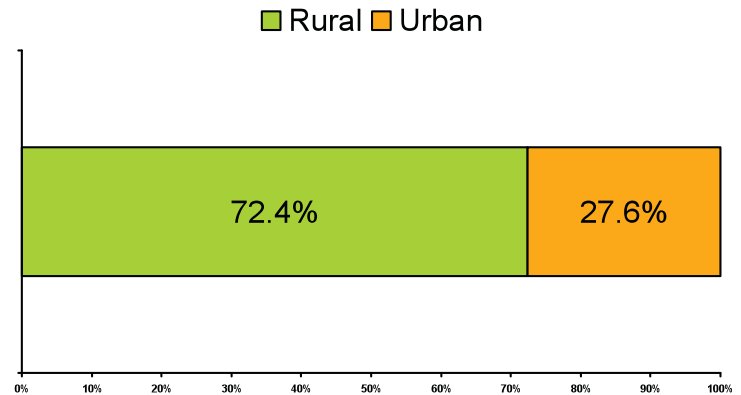
The urban / rural population split in the country remains roughly similar to 2006: just over a one quarter lives in urban, and just under three quarters in rural areas.

Women outnumber men by about 100,000 in urban and 700,000 in rural areas

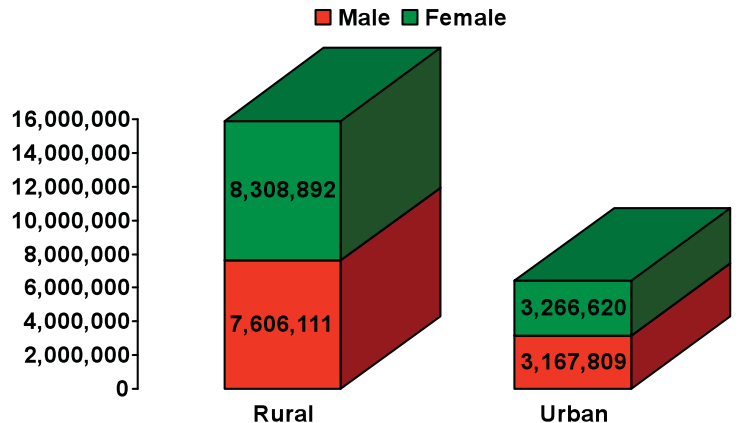
This chart shows the absolute numbers of men and women living in urban and rural areas.

There does not seem to be any substantial increase in migration from rural to urban areas by either men or women.

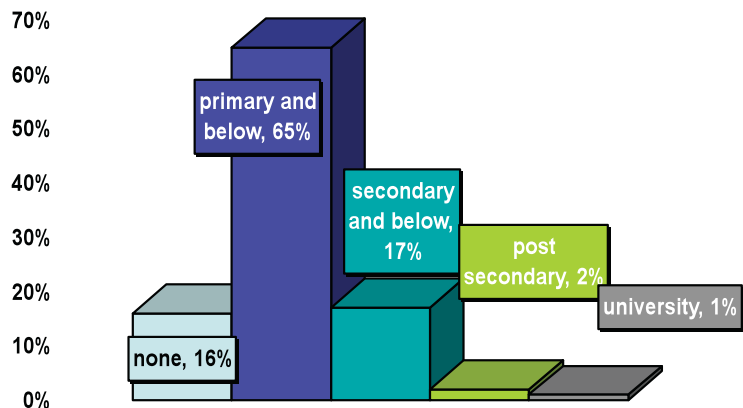
Demographics urban – rural population



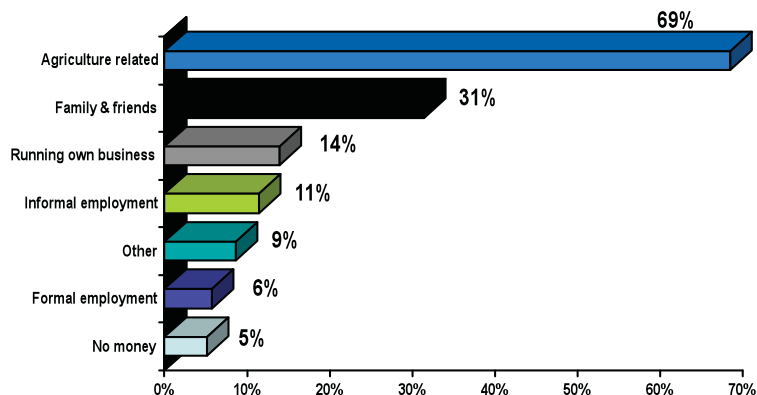
Demographics urban – rural/female – male based on the national estimates for 2009



Highest level of education reached



Source of income



Education and Income

Education remains a real concern.

Primary schooling is down 2.3% since '06 though secondary is up 4%.

However, the 2007 Household Budget Survey identified that 26% of 16 year old+ adults had no education. We have yet to pin down the discrepancy between the two survey results. If the HBS figure is correct, this is particularly worrying.

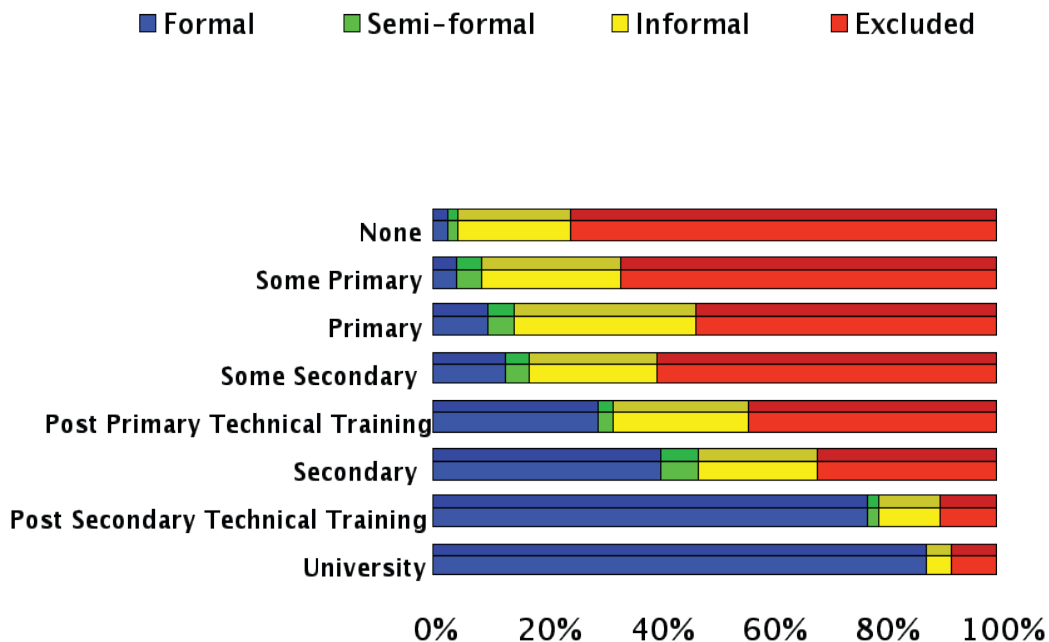
Only 20% of the adult population is getting secondary education or above. This is a small base on which to build a thriving economy and society

Tanzanians are still heavily dependent on agriculture for their source of income, although family and friends are also important. Formal employment has risen by 2% to 6% since 2006.

Education and Income

Education and level of financial access are closely correlated

The better educated you are, the more likely you are to be formally or semi-formally included. The lower your level of education, the more likely you are to be totally excluded.

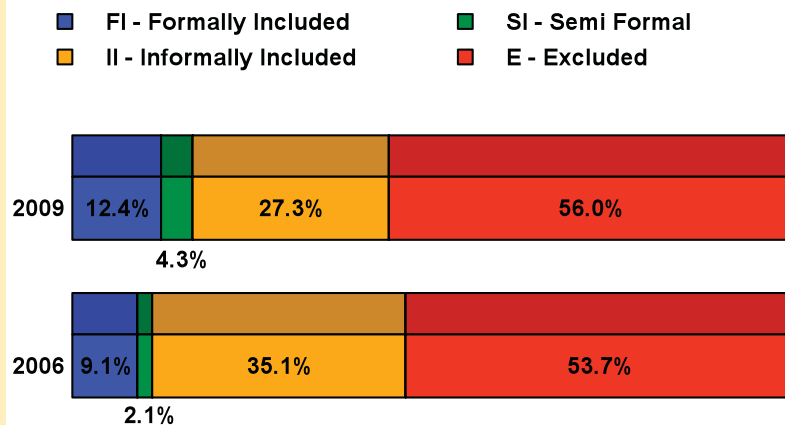


Access Strand 2009 - 2006

Access Strand

In 2009 the main findings show that the numbers of formally included rose 3.3% and semi-formal increased 2.2%. Informal has decreased 7.8%. Informal has decreased 7.8%.

There is a slight growth in those who are excluded (2.3%).



Access Strand

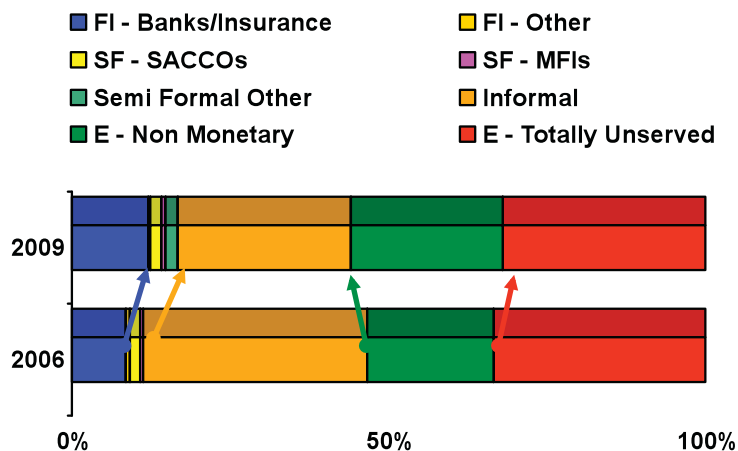
Use of ATMs and new savings accounts drove the increase in formally served.

The introduction of 'semi-formal other' accounts for most of the 2.2% increase in the use of semi-formal services. The new sub-category includes M-Pesa mobile payments service, which did not exist in 2006, as well as various government housing and education loans which were not previously captured.

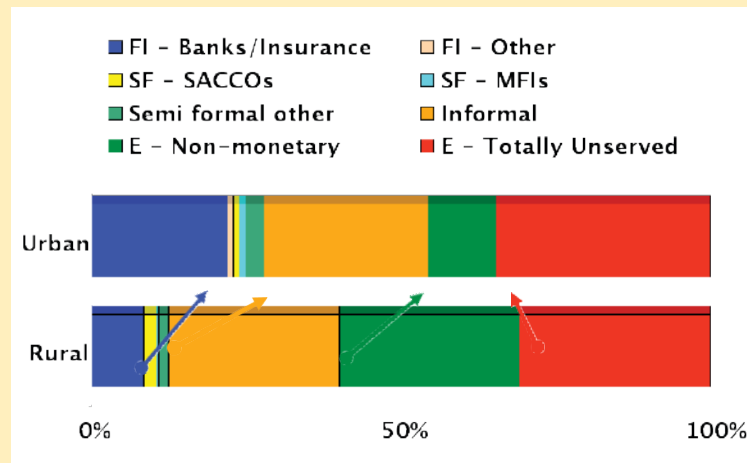
The decrease in the use of informal sector services appears to be due to people rejecting informal sources in favour of non-monetary means of finance.

The percentage of the totally excluded (ie, not including 'non-monetary') has declined slightly by 1.4%.

Access Strand – detailed



Access Strand – detailed urban/rural



Access Strand

More people in both the formal and the totally excluded categories live in urban areas, while the excluded, non-monetary and informal categories dominate in rural areas

Although a greater percentage of those who are formally served are in urban areas (22.1%), they also account for the largest percentage of the totally un-served (34.7%)

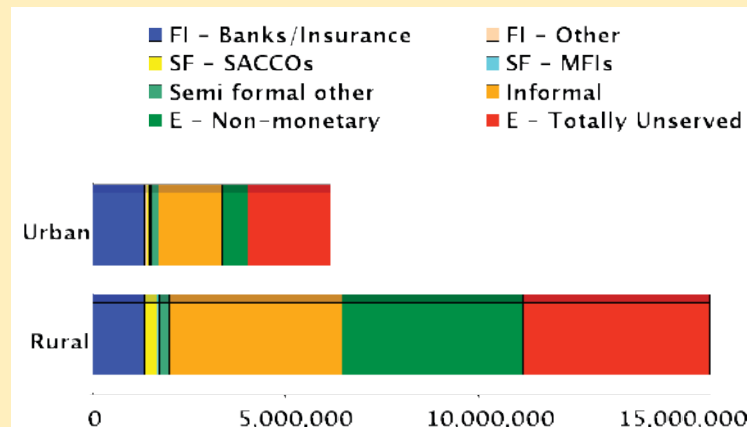
Only 8.3% of rural dwellers have bank accounts or are otherwise formally include.

The informal category is evenly divided between urban and rural dwellers.

Most people falling into the non-monetary category are in rural areas (29%), where more financial transactions are likely to be in-kind.

In this second chart the absolute numbers are shown. It is now much easier to see the relative sizes of the urban and rural segments.

Detailed urban/rural (absolute numbers)



Definitions of the detailed Access Strand can be found in the pocket at the back of this brochure

Regional Variations

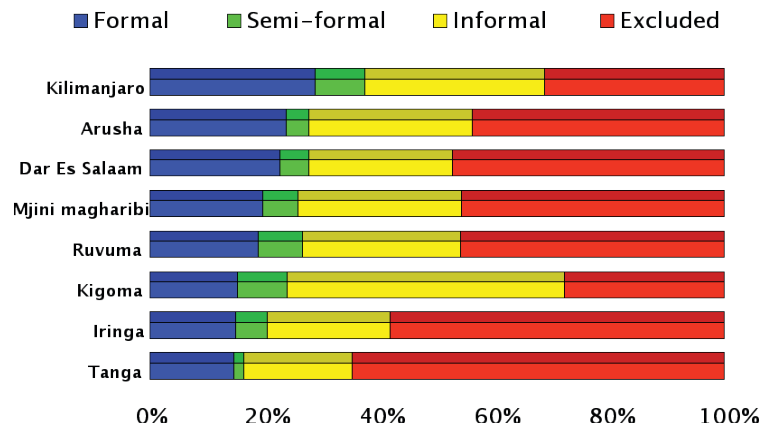
This chart shows the top eight regions in terms of those with the highest proportions of formally included people.

Kilimanjaro not only has the highest proportion of formally served, but also the lowest proportion of totally excluded.
Surprisingly, Kigoma has a higher proportion of formally included than either Iringa or Tanga

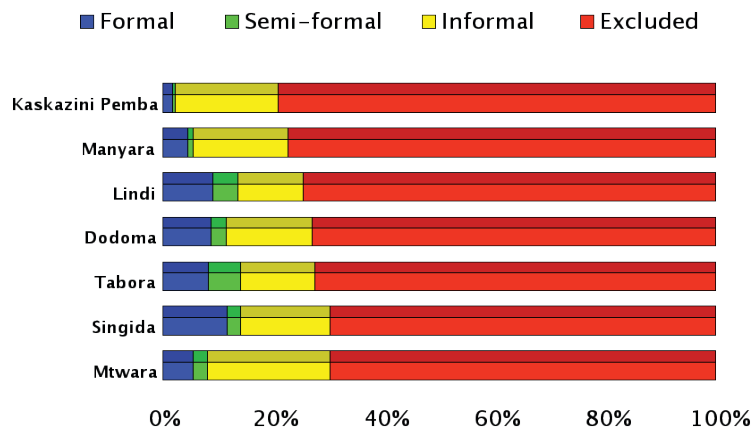
The top four regions are as one might have expected. Kilimanjaro's low percentage of totally excluded is partly the product of relatively high levels of semi-formal and informal financial access.

These eight regions are the worst in terms of the percentage of people excluded from financial services. Also, many have very poor access to formal financial services.

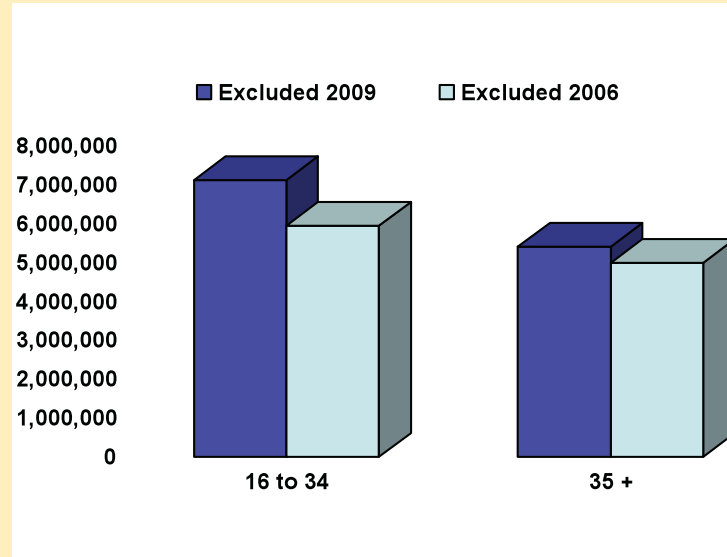
Regions with more than 14% of their population formally included



Regions with 70% or more financially excluded



The excluded by age groups for 2006 and 2009



Excluded by Age Group

Overall, the numbers of totally excluded have risen since 2006, and young people are particularly vulnerable. Both private and public sectors need to focus much more on this segment

This chart shows a comparison between 2006 and 2009 of the excluded broken down into two broad categories by age: "youth" defined as 16-34 and older people aged 35 and above.

The increase in young people being excluded has risen some 1.2m over the past three years. By contrast, the increase in older people being excluded went up by just over 400,000.

Amongst the youth the increase in exclusion appears to be more heavily weighted in the 16-24 age bracket.

The Landscape of Access

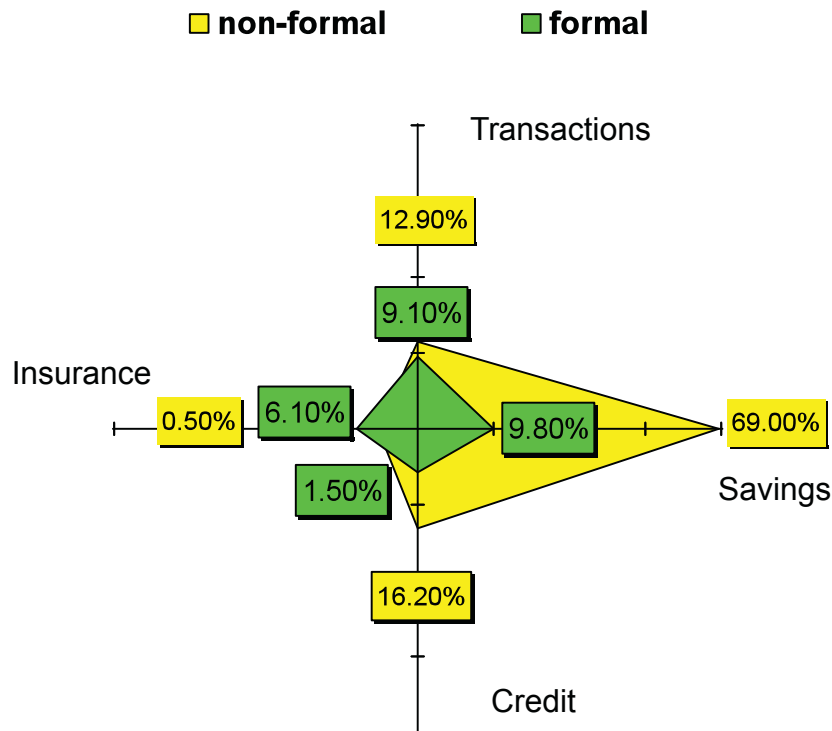
People save more than they borrow – or do anything else. More than four times the number of people save than borrow

Someone who over the past two years saved in-kind has done better than someone who has saved with a bank.

People tend to save seven times more often with non-formal providers than with banks

Almost all insurance is done through the formal sector, and in the case of financial transactions, there is almost the same usage of formal as non-formal means.

Landscape of access



N.B: These scales are logarithmic

Banking outreach 2006-2009

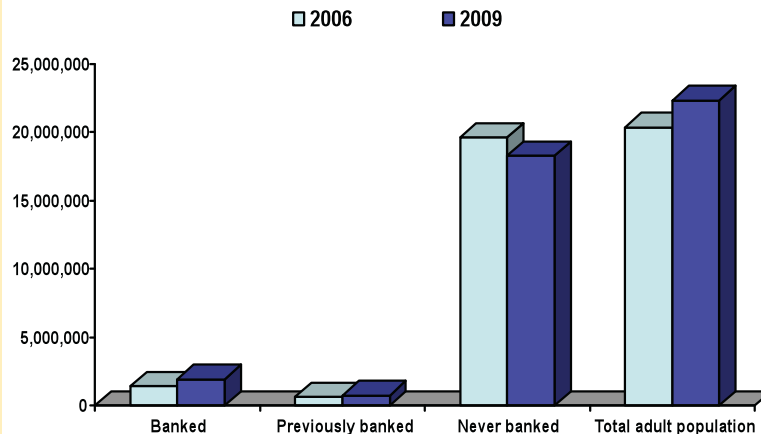
Status	Number of People	Percentage change (relative to 2006)
Currently banked in 2006	1,467,815	
Currently banked in 2009	1,951,310	33%
Previously banked in 2006	635,792	
Previously banked in 2009	776,986	22%
Never banked in 2006	19,621,136	
Never banked in 2009	18,262,202	-7%
Total adult population 2006	20,365,808	
Total adult population 2009	22,349,432	10%

Banking Outreach

There has been a healthy growth in the number of people who use banks: while the population has grown by 10% over the past three years, the number of people holding a bank account has risen by 33%.

The 22% increase in the number of people who used to use a bank but do not now is more worrying and a lost opportunity for banks.

Movement in banked adult population



Barriers to Access†

Loans are perceived as not that relevant, hard to get or too difficult to repay

The largest number of people who have never applied for a loan said this was because they fear they would be unable to make the repayments – a very similar response to that we saw three years ago.

Other reasons not shown here include ignorance about how to raise a loan and about qualifications to secure one.

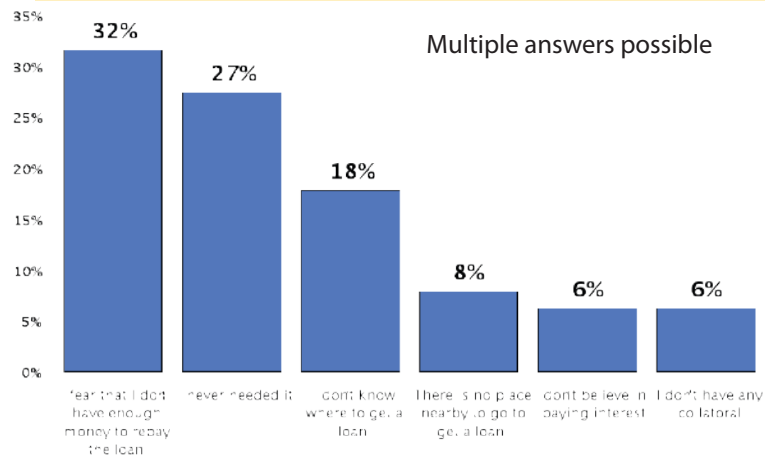
People say they have no money and the obstacles are too many to save or invest

The largest proportion of people (26%) said they either had no money to save or felt they lacked a lump sum that was sufficiently large to start saving (this may be a form of self-exclusion).

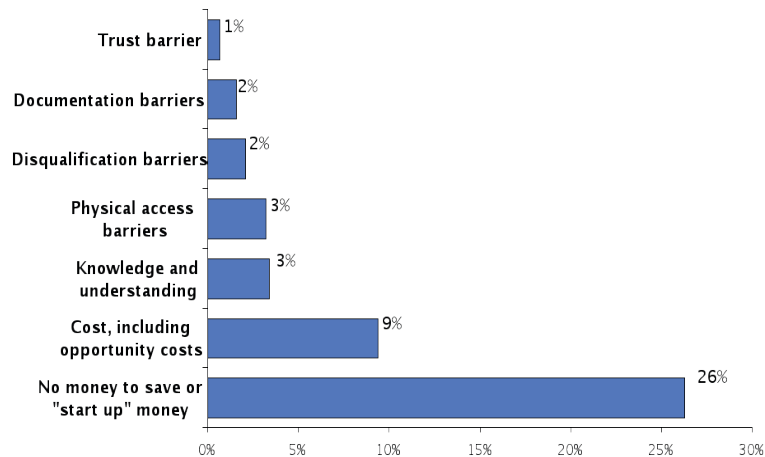
The second most common reason for not having savings and investment products (9% of people) is that the cost (or perceived cost) is too high.

Encouragingly, a lack of trust was cited by only 1% of people.

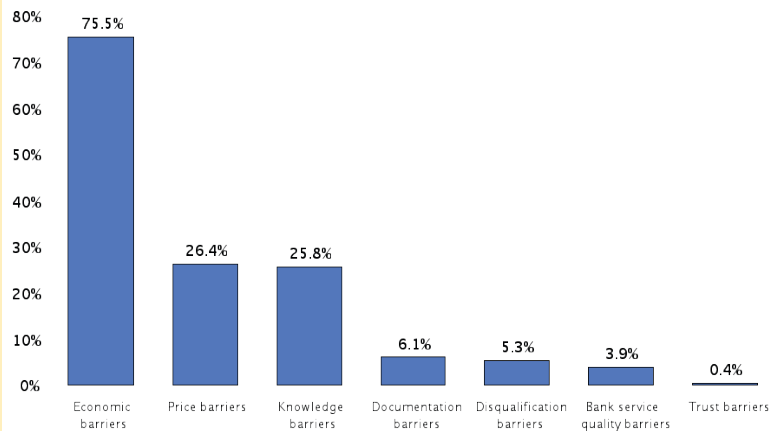
Reason for never applying for a loan



Reasons for not having savings and investment products



Reason for not having a bank account



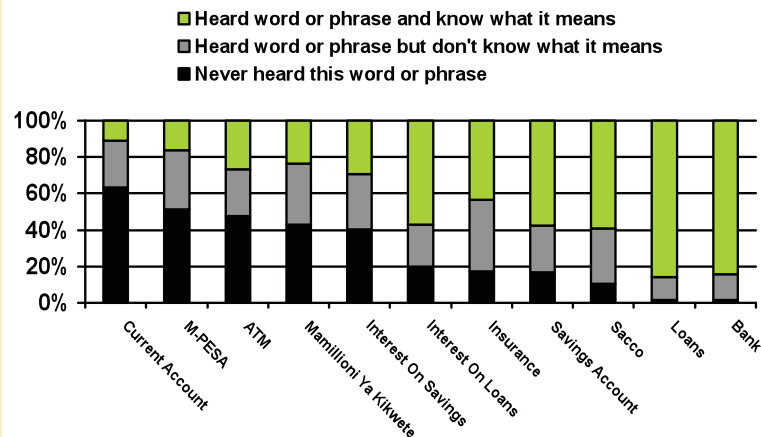
Barriers to Access†

Most people have too little money and feel that banks have too many conditions and are too far away

Opportunity and other costs of operating a bank account can also be a barrier. Anyone who has to travel to use a bank has to bear a cost – the cost of his or her time away as well as the cost of travel itself.

Lack of knowledge is a substantial barrier to access

Financial literacy 2009



There are low levels of awareness and high levels of ignorance about many financial products and terms.

Most people say they understand what a loan is, but less than 60% understand what an interest rate is. 60% of people say they understand what a SACCOS is, but only about half that number understand what interest on savings means.

Insurance

The vast majority of the adult population do not have insurance products, nor do they understand what benefits they can bring

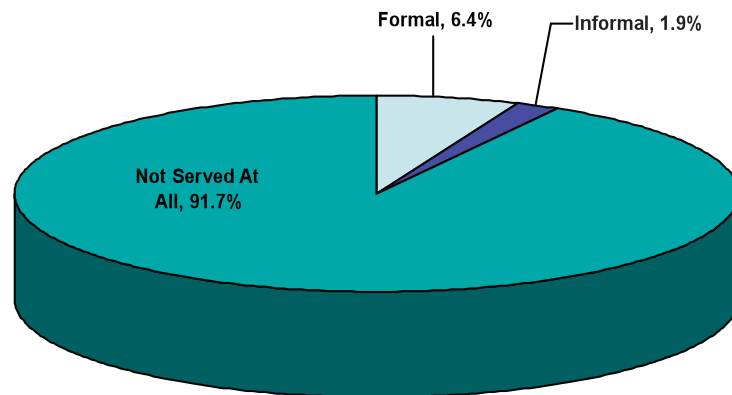
Formal insurance products include medical, building, loan, car and life insurance.

Informal insurance products include community health insurance and funeral & burial community savings groups.

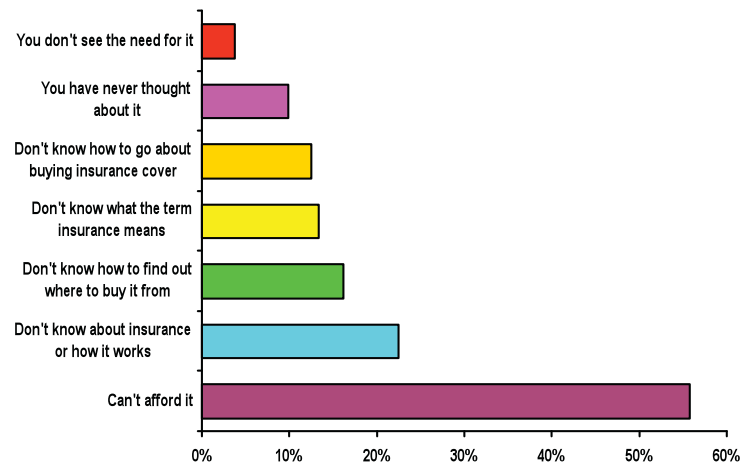
Poverty and ignorance prevent people from engaging with the insurance industry. It needs to explain the benefits of insurance to a wider audience, and tailor its products to the needs of those who might be interested if they felt it was more relevant to them.

Insurance does not have to be a dream. We can - and should - make it a reality. Poor people in particular need more cost-effective means of managing risks, to which they are disproportionately vulnerable.

Insurance

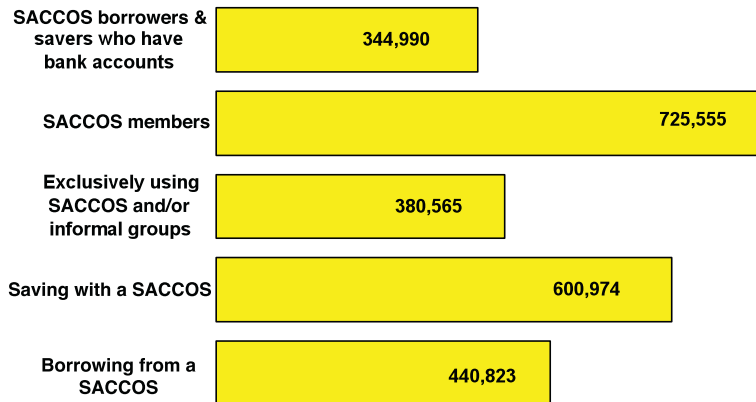


Reason for not having and insurance product



SACCOS Membership

SAC C O S



Particularly interesting here is the fact that there are 50% more savers than borrowers in SACCOS, suggesting that there is surplus money in many organisations.

Informally included

People use a variety of different methods in the informal sector, though savings clubs are the most popular

8.5% belong to a ROSCA and only 3% belong to an ASCA. To date such they are serving about 107,000 people, although this number is expected to grow.

Although not shown on this chart, 135,000 people (0.6% of the population) use money-lenders.

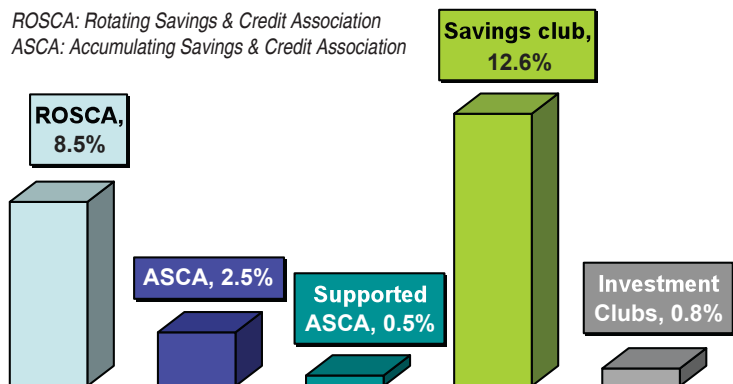
Poverty and ignorance are once again the main barriers to activity in this sector

Others don't know about such groups (21%), do not trust them or simply do not want to join in (16% each).

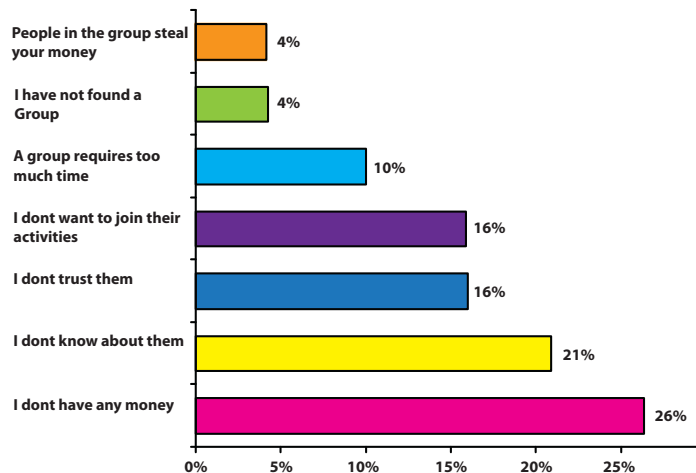
These barriers can be overcome by increased knowledge and financial education, along with ensuring that such informal savings groups are properly set up in the first place and then monitored and supported for an initial period – usually about a year.

Informally included

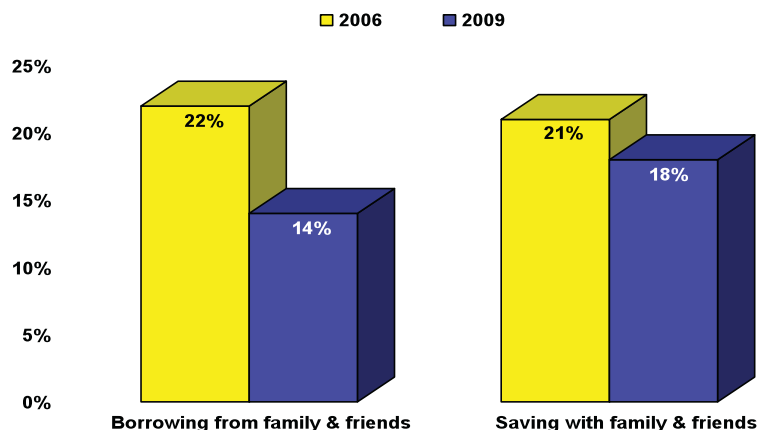
ROSCA: Rotating Savings & Credit Association
ASCA: Accumulating Savings & Credit Association



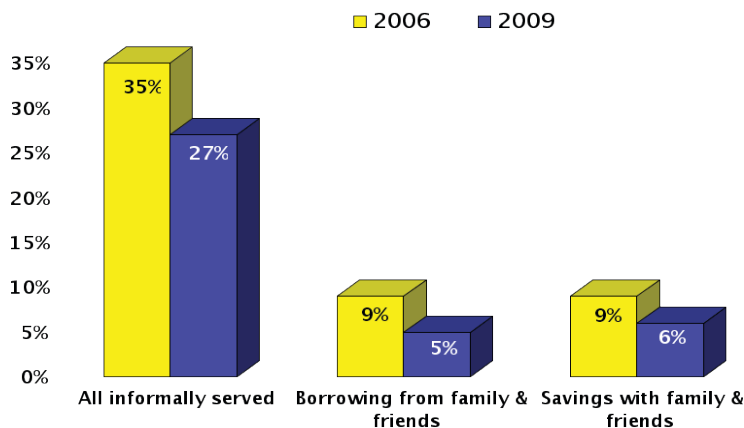
Reason for not belonging to any informal savings group or society



Adult Tanzanians who save with and borrow from friends & family



Informally served adult Tanzanians who save with and borrow from friends & family



How important are family and friends?

Family and friends remain an important contributor to financial access, even though numbers of people both borrowing and saving from these sources fell over the past three years

In the informally included segment of the Access Strand, saving with and borrowing from family and friends makes only a small contribution – much less than these services do in the population as a whole.

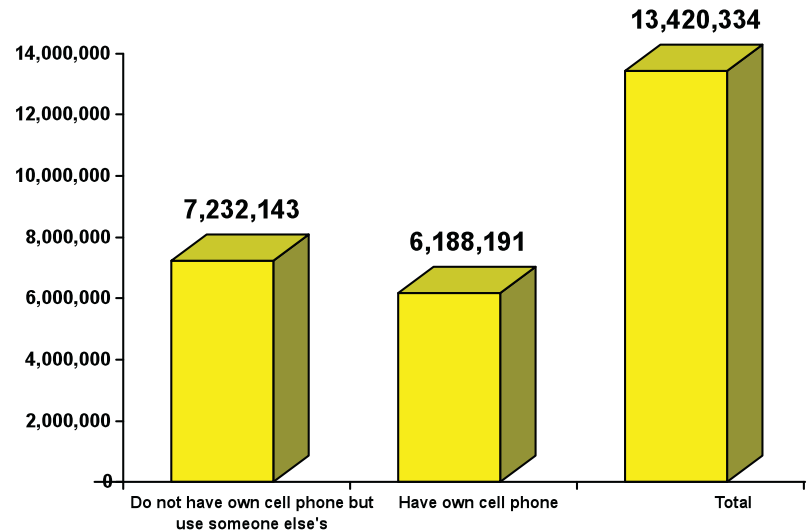
Family and friends are declining in use among the informally served, a trend which is happening with the population as a whole. This decline has contributed to the fall in the proportion of those informally served.

Mobile Phones

Well over half the population, approximately 13.4 million adult Tanzanians, have access to a mobile phone - a 130% increase since 2006.

There is huge potential to apply technology not just to payments, but to a range of financial transactions, all of which could help increase access substantially.

Mobile phones



ECONOMIC AND SOCIAL RESEARCH FOUNDATION (ESRF)



The Economic and Social Research Foundation (ESRF) is an independent, not-for-profit, non-governmental research institute in Tanzania, established in 1993. The Foundation was created in response to the need to develop institutional capacity in Tanzania for policy analysis and development management. ESRF is a registered policy analysis research institute eligible to conduct socio-economic research, build and strengthen human and institutional capabilities in economic and social policy analysis, and provide consultancies in socio-economics.

As a key research institution, ESRF analysed the 2006 Finscope survey data and is now undertaking data analysis for the 2009 survey. It focuses on data related to government ministries, departments and agencies (MDA), higher education and research institutions.

All our publications are available at ESRF premises and some can be found on our website. You may post your input into different economic and social issues on this site. ESRF also hosts a discussion forum on www.taknet.or.tz

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Website: www.esrf.or.tz

1

ACCESS STRAND DEFINITIONS

FORMALLY INCLUDED

Formal: includes people who hold an account in or have some sort of relationship with a financial institution such as a commercial bank, community bank or insurance company that is supervised by a financial services regulator.

Formal Other: includes people who use products from formal institutions such as pension fund or hire purchase companies which are not supervised by either the BoT or the Insurance Commissioner.

SEMI-FORMAL

Semi-formal SACCOS: includes people who use products from these organizations which are formally registered but not supervised by a financial service regulator.

Semi-formal MFIs: includes people who use products from these organizations which are formally registered but not supervised by financial services regulator.

Semi-formal Other: includes people who use products from institutions offering financial services other than SACCOS and MFIs. These institutions have a formal character but are not supervised by a financial services regulator. This category includes M-Pesa and government loans for housing and education.

INFORMAL

Includes people who use products offered by informal associations or groups. For example, Rotating Savings and Credit Associations (ROSCAs), Village Community Banks (VICOBAs), Village Savings and Loans Associations (VSLAs), other community based savings groups, family and friends, small businesses and money lenders.

EXCLUDED

Non-Monetary: includes people who have no dealings with and are excluded from any of the segments above. But this category does include people who may save or borrow, lend or remit but do so by non-monetary means (in-kind).

Totally un-served: includes people who have no dealings with, and are excluded from any of the segments above.

2

DEVELOPMENT PIONEER CONSULTANTS (DPC)

Development Pioneer Consultants (DPC) are based in Dar es Salaam and have coordinated both the FinScope survey 2006 and 2009.



The site contains a great deal of information about the FinScope survey in general and in Tanzania in particular. There is some free analysis based on the surveys carried out in Tanzania.

DPC also offers a competitive analysis service, providing specific, detailed and particular information tailored to your individual requirements.

Please visit our new blog: <http://finscope-at-dpc.blogspot.com>. Blogs are interactive, stimulating and informative online diaries. We write about current issues relating to FinScope and invite you to comment, contribute and exchange.

You can contact us by registering on the FinScope at DPC website, by writing to us at info@dpc-tz.com or by calling us on +255 (0) 22 260 0674.

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DGROUP WEBSITE

For more information about the FinScope survey 2006 and 2009 go to the FinScope Tanzania (dgroup) platform:

<http://dgroups.org/groups/FinScope-Tanzania>

This is a membership only site which you are invited to join. Please follow the links provided. You will find up to date information about FinScope 2009, and be able to enter into discussions with other members about issues surrounding the survey.

Various other documents, including articles, interviews and press releases, are posted on the site which is updated regularly.

The FinScope 2006 e-book is also available on the site, where extensive analysis is grouped in themes.

4

FINANCIAL SECTOR DEEPENING TRUST (FSDT)



The Financial Sector Deepening Trust (FSDT) has funded both the FinScope 2006 and 2009 surveys.

The Trust was established in 2005. It is now funded by five government donors: Canada, the UK, Sweden, the Netherlands and Denmark, plus the Government of Tanzania. The Bank of Tanzania is also closely involved with the FSDT and is represented on the equivalent of its board of directors.

The FSDT's overall aim is to help provide greater access for more people and businesses to engage with financial services throughout Tanzania. Given that over 70% of Tanzanians live in rural areas, these are a particular focus for the Trust. This objective ties in closely with Mkukuta and the Government's Second Generation Financial Sector Reform Programme.

For more information on the FSDT, please see our website on www.fsdt.or.tz

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