



INSIGHTS THAT DRIVE
INNOVATION



**ZANZIBAR
REPORT 2023**

ACKNOWLEDGEMENTS

FinScope Tanzania 2023 was implemented under the guidance of a Steering Committee, which was chaired by Mr. Elijah Mwandumba, Commissioner for Policy Analysis Ministry of Finance and his vice-chair Mr. Kennedy Komba, Director Financial Deepening and Inclusion, Bank of Tanzania. The technical implementation and data collection was conducted by the National Bureau of Statistics and the Office of Chief Government Statistician-Zanzibar. The implementation was closely monitored by the technical committee, which was composed of a wide set of supply side associations, government institutions, financial sector regulators, and development partners. Special recognition is given to the technical core team who supported the FinScope Tanzania 2023 implementation since the beginning of its inception. The core team comprised Dr. Peter Mmari, Lucas P. Magazi, Bakari Makame, Sylvia S. Meku, Stephano G. Cosmas, Khalid Chum, Prisca Mkongwe, Hamis J. Hamis, Cyril Chimilila and Salim Kimaro.

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Abbreviations



ABBREVIATIONS

CCRO	Certificate of Customary Right of Occupancy
CHF	Community Health Fund
CMG	Community Microfinance Groups
CRO	Certificate of Right of Occupancy
FSDMP	Financial Sector Development Masterplan
FSDT	Financial Sector Deepening Tanzania
FSP	Financial Service Provider
FSR	Financial Services Registry
GDP	Gross Domestic Product
KYC	Know-Your-Customer
MFI	Microfinance Institutions
NBS	National Bureau of Statistics
NHIF	National Health Insurance Fund
NIN	National Identification Number
OCGS	Office of Chief Government Statistician Zanzibar
SACCO	Saving and Credit Cooperative Organisations
TCRA	Tanzania Communications Regulatory Authority
NFIF II	National Financial Inclusion Framework II
ZIPA	Zanzibar Investment Promotion Authority

Table of Contents

1. INTRODUCTION

2. METHODOLOGY

2A SAMPLING DESIGN

2B KEY SAMPLING STATS

3. FINDINGS

3A DEMOGRAPHICS

3B ADDRESSABILITY

3C FINANCIAL BEHAVIOUR

3D FINANCIAL INCLUSION

3E FINANCIAL USAGE

3F FINANCIAL SERVICE CONSUMER SATISFACTION

4 CONCLUSION

1 Introduction

Since 2014, the journey towards financial inclusion and unlocking the power of finance towards economic growth for Tanzanians has been crafted into a second and intentional National Financial Inclusion Framework (NFIF I 2014-2016). While the first framework was focused on enhancing core enablers that would increase access and ease uptake, the subsequent **National Financial Inclusion Framework II** (NFIF II 2018 – 2022) focused on ensuring that financial sector development made two mutually reinforcing contributions to poverty reduction: namely the derived benefits that result from enhanced and more equitable economic growth; and the direct benefits from using appropriate financial products and services.

In addition to the implementation of the NFIF II, the financial sector further embarked on the development of the **Financial Sector Development Masterplan** (FSDMP) 2020/21 – 20/30 which was formulated to address the key challenges in all sub-sectors of the financial sector to create a stable, safe, efficient, competitive and sound financial system. The identified challenges include inadequate access and usage of financial services; inadequate legal regime and supervisory framework for financial consumers; financial system vulnerability; limited long-term resources; inadequate technical and institutional resources for the financial sector to meet new technology demands; and an inadequate policy and legal framework to foster innovation.

For both the NFIF II and the FSDMP, FinScope Tanzania 2023 provides endline, as well as interim, assessment measures respectively. Hence, together in a **public-private sector collaboration** spearheaded by the Ministry of Finance and Planning Tanzania and Zanzibar and Bank of Tanzania, the Financial Sector Deepening Tanzania (FSDT), National Bureau of Statistics (NBS) and the Office of Chief Government Statistician Zanzibar (OCGS), key partners were incorporated to design, implement, and analyze the FinScope Tanzania Survey. These key implementation partners include financial services provider (FSP) industry associations, other financial sector regulators, government organizations, and academia and development partners to design, implement and analyze FinScope Tanzania 2023.

FinScope Tanzania is a **comprehensive financial sector demand-side survey** of Tanzanian adults aged 16 years and above. It provides an understanding of the **financial services uptake landscape** across the country and is a **reliable measure for demand and usage** of financial services across various population segments. Further, FinScope Tanzania's insights clearly present **barriers and levers** to financial inclusion.

5 main objectives



The survey has five main objectives:

- To understand the **behavior** (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 and progress made towards national targets under the NFIF, FSDMP as well as other national development plans
- 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 economic sectors
- To highlight opportunities for **policy review** needed to drive financial sector development

FinScope Tanzania 2023 is the **fifth wave** in the FinScope Tanzania series with previous waves in 2006, 2009, 2013 and 2017 ¹

The FinScope Tanzania 2023 report, dashboard and data have been made available on the website of all core implementation partners: Ministry of Finance and Planning Tanzania and Zanzibar and Bank of Tanzania, FSDT, NBS and OCGS.

¹ The spacing for FinScope surveys is usually 3 to 4 years, in this case a combination of factors led to the delay in the roll out of the 2023 FinScope. These factors mainly include: The overlap of the actual FinScope Tanzania data collection timetable with general elections in 2020, following which Covid-19 advisories for data collection discouraged large face-to-face surveys. Subsequently, the performance of the population and housing census in 2022 and the need to use this sampling and population frame for the survey design and weighting. Lastly a shift in the management of the FinScope Tanzania implementation.

2 Methodology

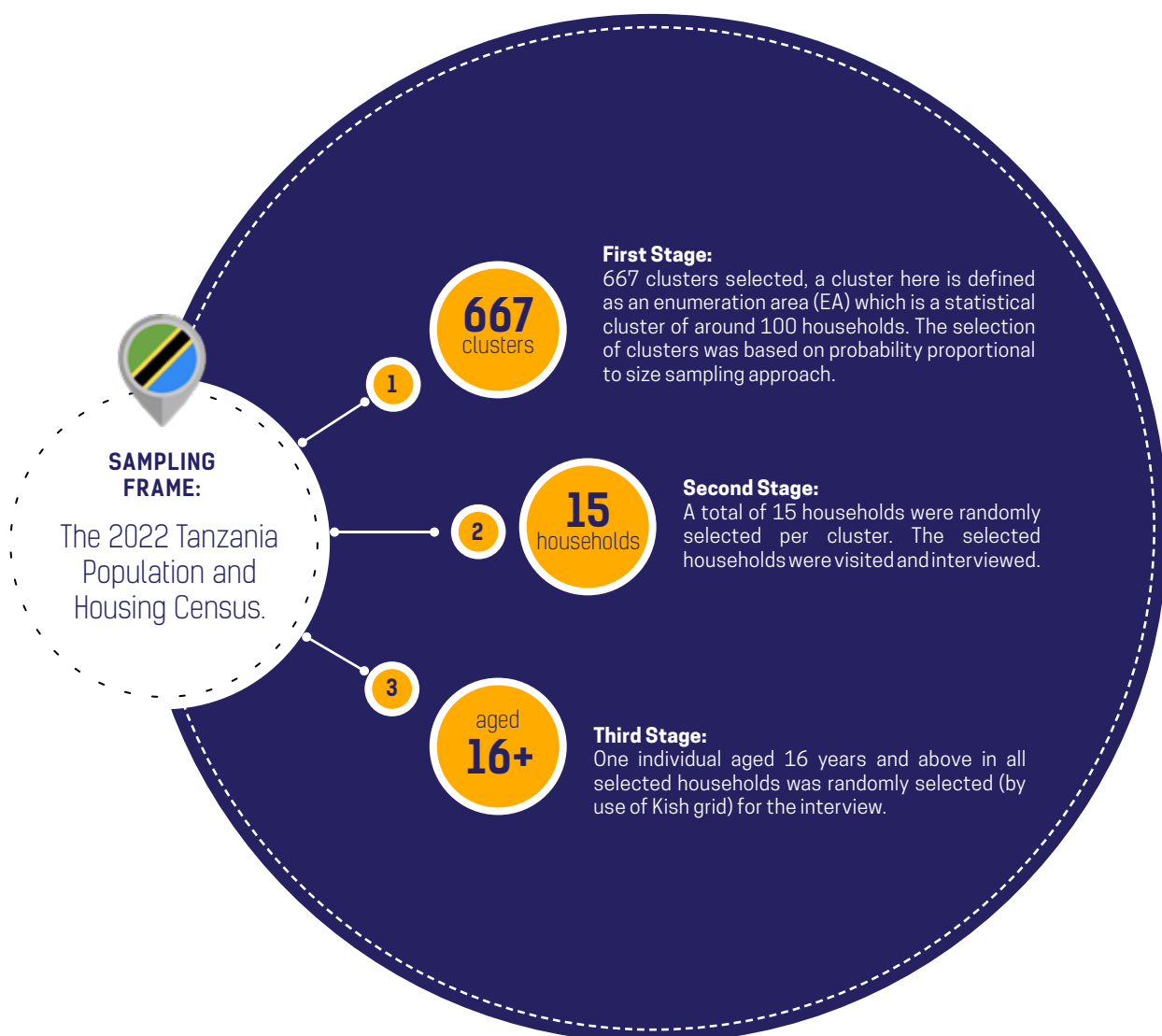




The FinScope Tanzania 2023 Survey is a national representative demand-side survey of adults (those aged 16 years or older) living in Tanzania. Using the the latest population census from 2022 by the NBS, the size of the Tanzanian adult population is currently estimated to be 34,134,251 and this accounts for 55% of the total Tanzanian 2022 Census population of 61,741,120.

2A SAMPLING DESIGN

In alignment with previous FinScope Tanzania sampling strategies, the FinScope Tanzania 2023 Survey sampling was conducted in three stages.



As was the case with previous FinScope Tanzania surveys, the sampling design was done by NBS and OCGS in consultation with the Technical Committee.

Similarly, to the 2017 FinScope Tanzania Survey, 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 unavailability of household members due to travel, burial or refusal to participate in the survey.

Results from the survey can be disaggregated by national and regional level, rural and urban areas, gender and, in some cases, for district level estimates.

FinScope Tanzania 2017 expanded to allow results to be representative at district level for five regions in the mainland Singida, Iringa, Rukwa, Mtwara and Mwanza.

In contrast, FinScope Tanzania 2023 over-sampled specific districts in nine regions to enable richer sub-level analysis. The selection of districts was oriented on the agro-economic zones of Tanzania to ensure a broad representation, considering the close relation between financial behaviors and economic activities. The regional selection was based on size of the region in the specific agro-ecological zone, how the region is representative in terms of agro-ecological features and poverty incidence, as well as levels of financial exclusion during the FinScope Tanzania 2017. These regions are:

- Manyara
- Dodoma
- Mtwara
- Pemba Kaskazini and Pemba Kusini
- Mwanza
- Kigoma
- Tanga
- Morogoro



2B KEY SAMPLING STATISTICS

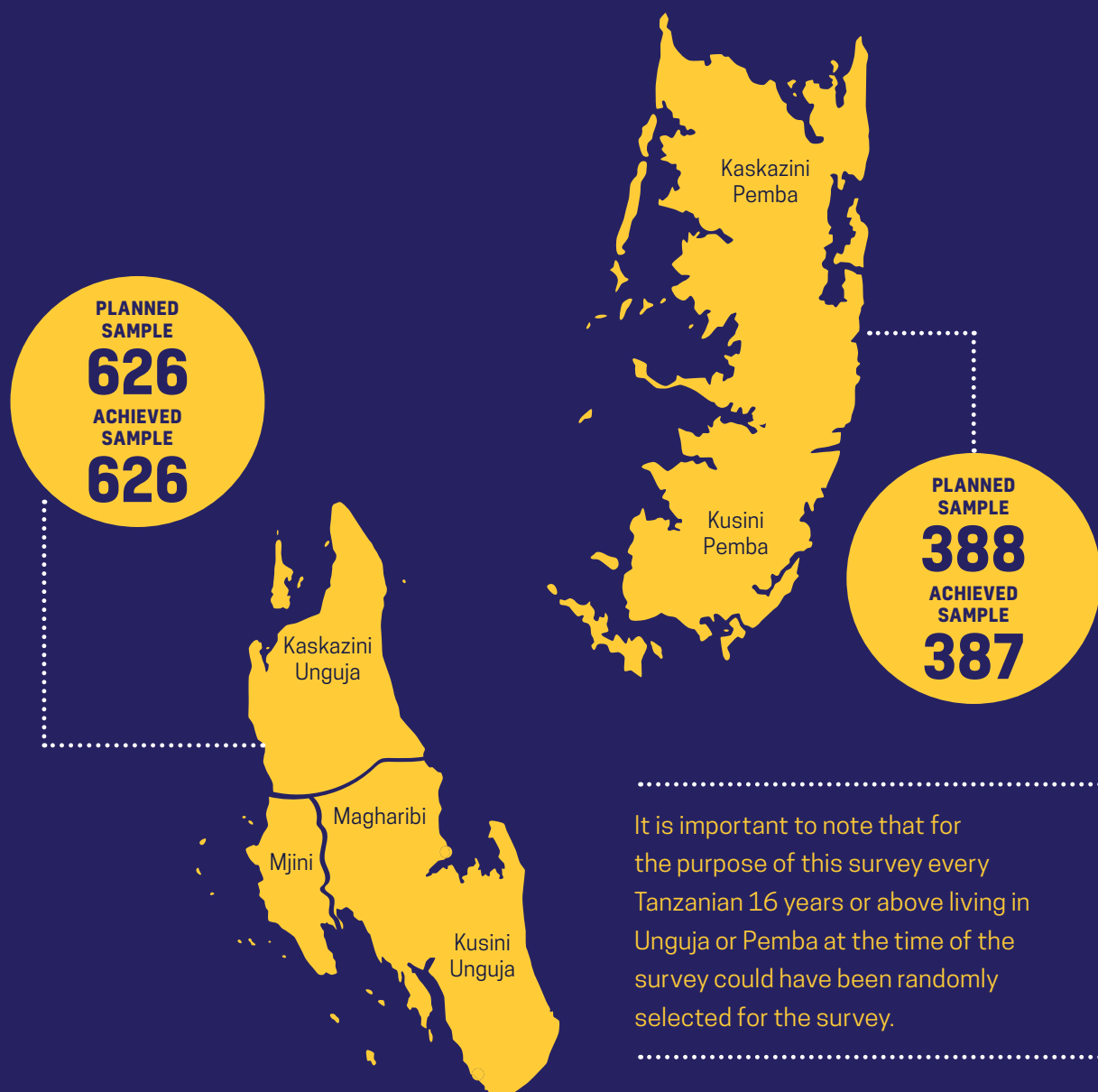
Fieldwork: March to April 2023

Sample target was $n=1,014$ 16+ adult Tanzanians, across 68 EAs with about 15 interviews per Enumeration Area (EA)

Achieved sample was $n=1,013$, which translates into a response rate of 99.9% of the targeted sample

This **was weighted** to be representative of the 16+ population, estimated by NBS to be 951,541 adults in the Zanzibar Archipelago

95% confidence level, 1% margin of error at national level reporting



3 Findings

The findings presented in this report provide 2023 statistics for the entire Zanzibar Archipelago, compared to 2017, and are contrasted with national statistics. Further, each chart presented provides a breakdown for the five regions within Zanzibar.





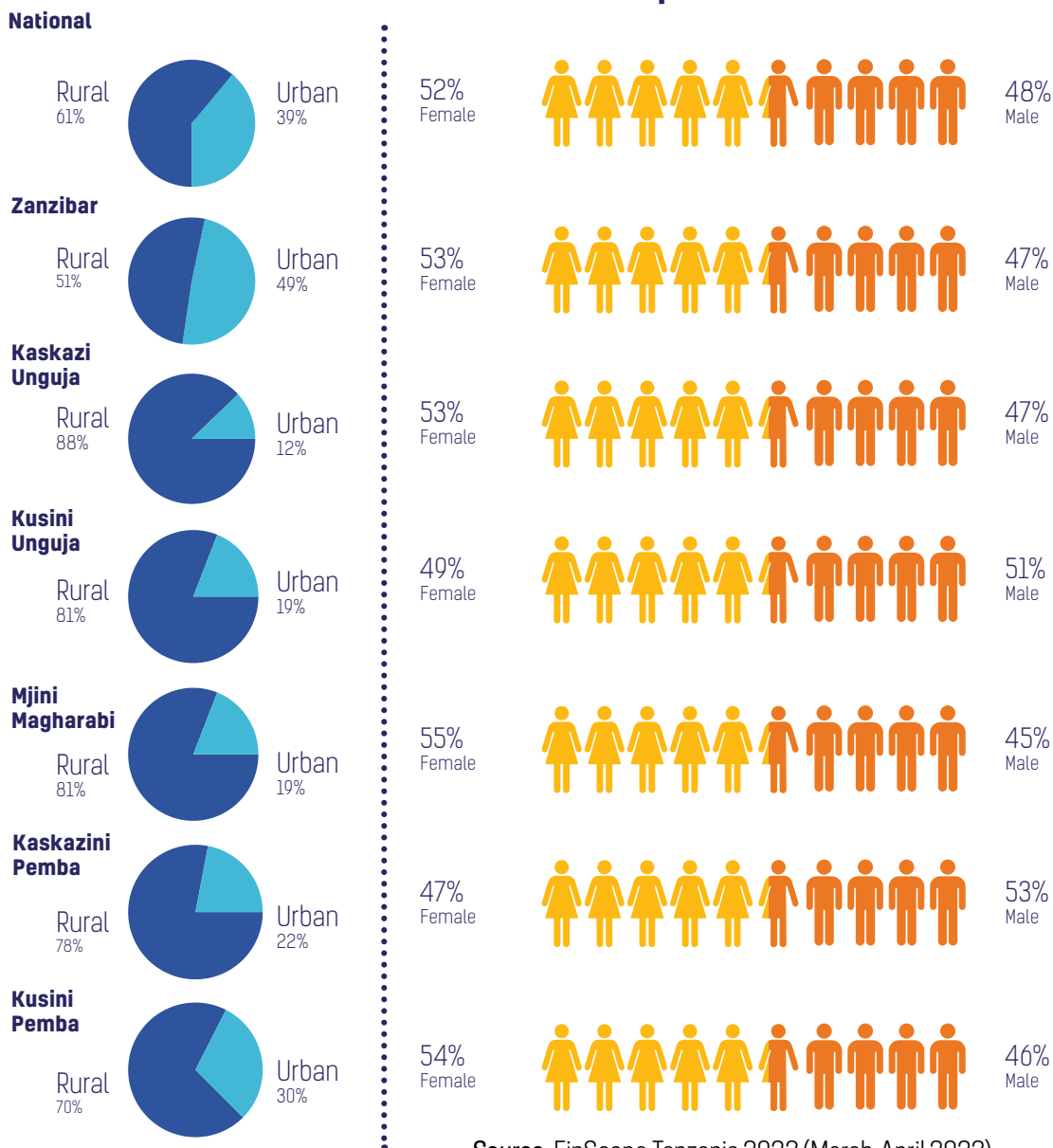
Demographics



3A. DEMOGRAPHICS

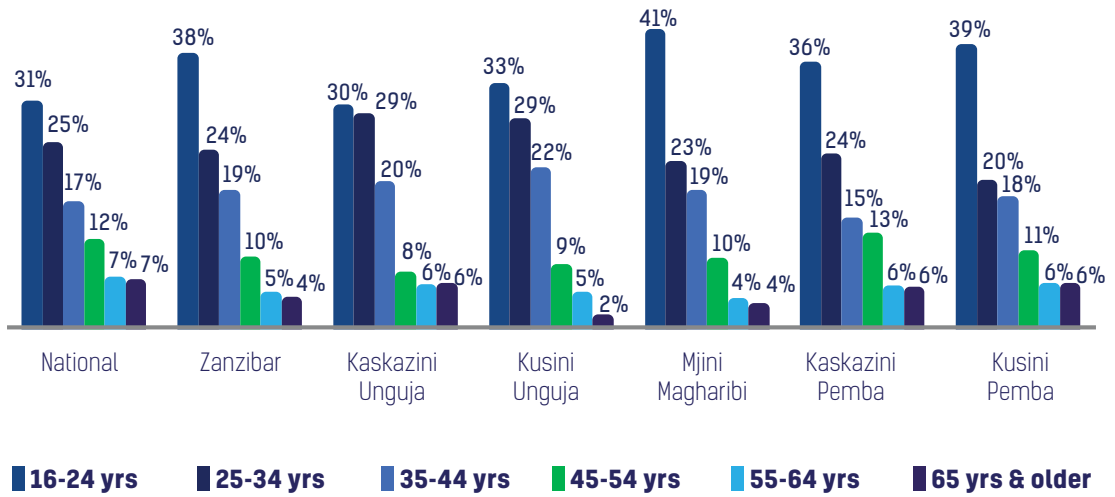
Several significant demographic shifts within the survey population were observed, as outlined below. Zanzibar, overall, has seen a shift towards an increased urban population. While in 2017 only 45% of adults resided in an urban setting, now 49% do so.

Chart 1: **Rural - Urban Split**



Since the last FinScope in 2017, a 27% growth in the adult population (16 years and above) from 747,432 (in 2017) to 951,541 (in 2023) was observed; hence 38% of the respondents are now below the age of 25.

Chart 2: **Age Group Distribution**



Source: FinScope Tanzania 2023 (March-April 2023)

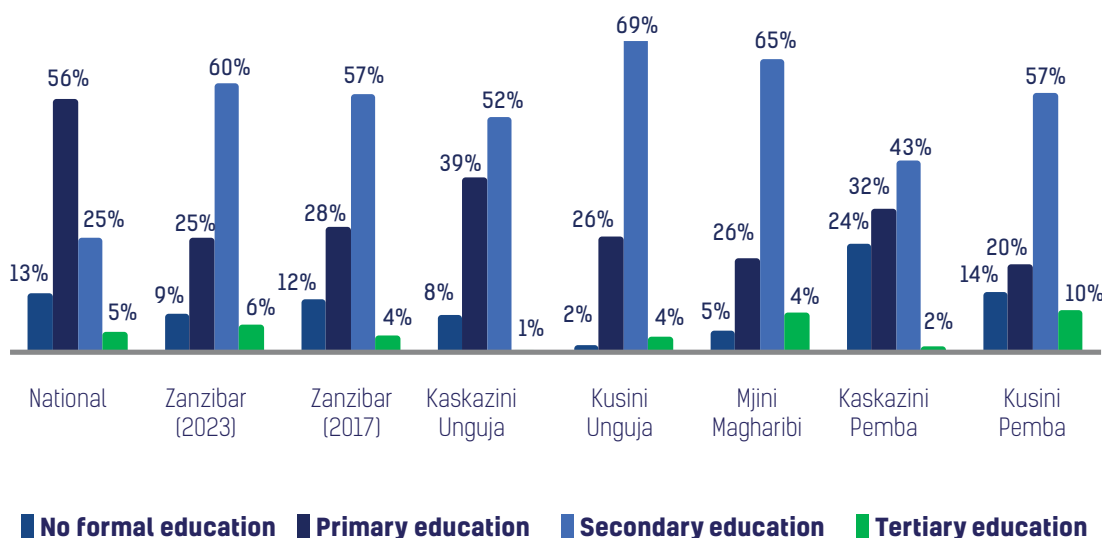
FINDING 1

6 in 10

respondents in Zanzibar
have attended
secondary school



Chart 3: **Highest Level of Education**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

When it comes to secondary school, 6 in 10 respondents from Zanzibar have attended. However, education levels in Kaskazini Pemba and Kaskazini Unguja differ significantly from the rest of the islands. The education levels on Zanzibar are significantly better than the national average where 56% have obtained primary education. This reflects positively on literacy levels of the isles.

FINDING 2

More than a third of respondents in Zanzibar mainly **depend on others** for income

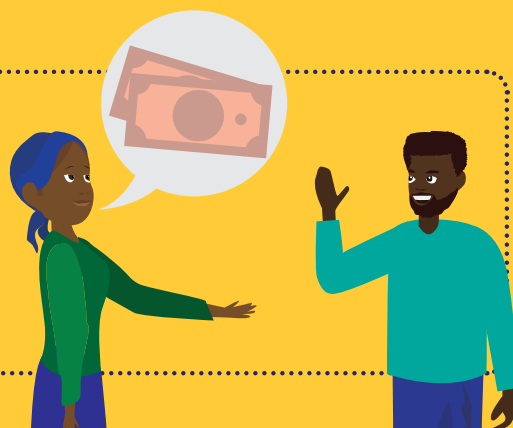
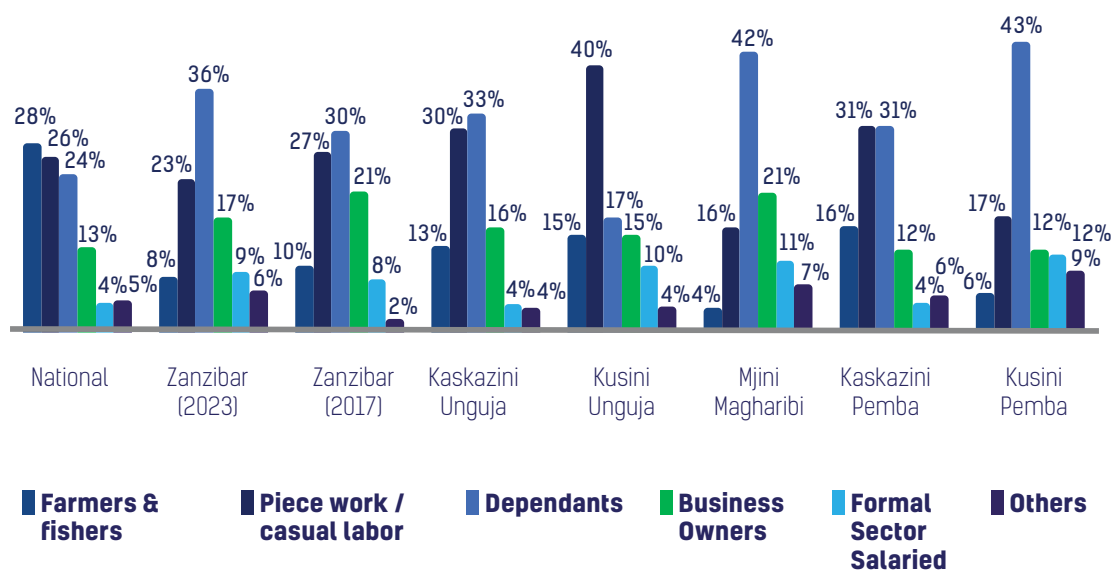


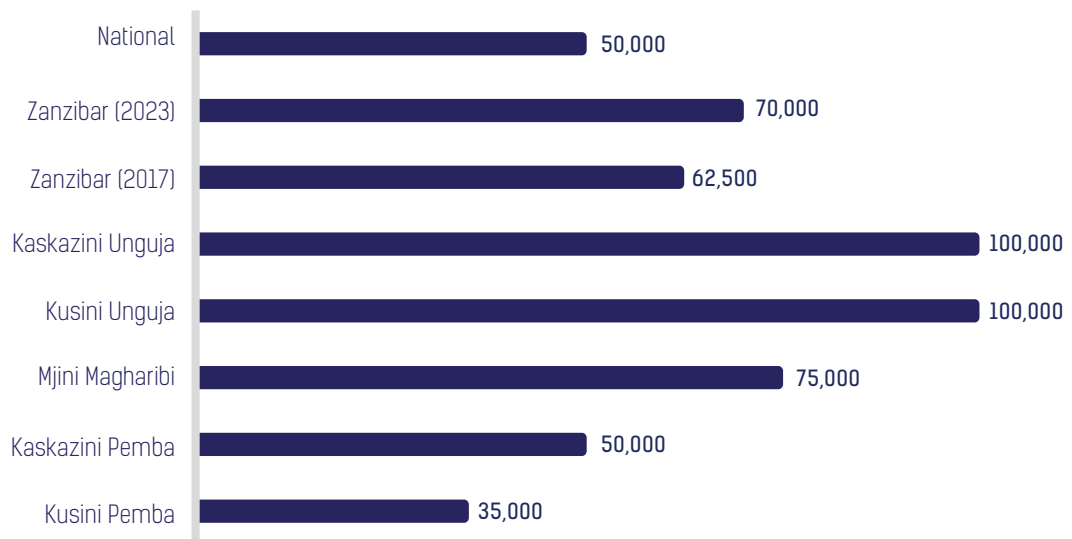
Chart 4a: **Main revenue generating activity**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

More than a third (36%) of respondents from Zanzibar mainly depend on others for their livelihoods. Kusini Unguja is heavily dependent on casual labor, which is occasional in income generation. High levels of dependency are also reflected in the latest household budget survey conducted in Zanzibar. While on a national scale, dependency can be a driver towards formal financial inclusion as dependants receive income from others, especially via mobile money. In Zanzibar, the trend appears to differ. When it comes to female dependants especially, a majority do not receive money to cater for their needs. Instead, they receive mainly goods, such as groceries.

Chart 4b: **Median Monthly Income in Tsh**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

The monthly median income of respondents from Zanzibar is 70,000 TZS, with higher incomes in Unguja (100,000 TZS). Nationally, the monthly median income is 50,000 TZS.

Addressability

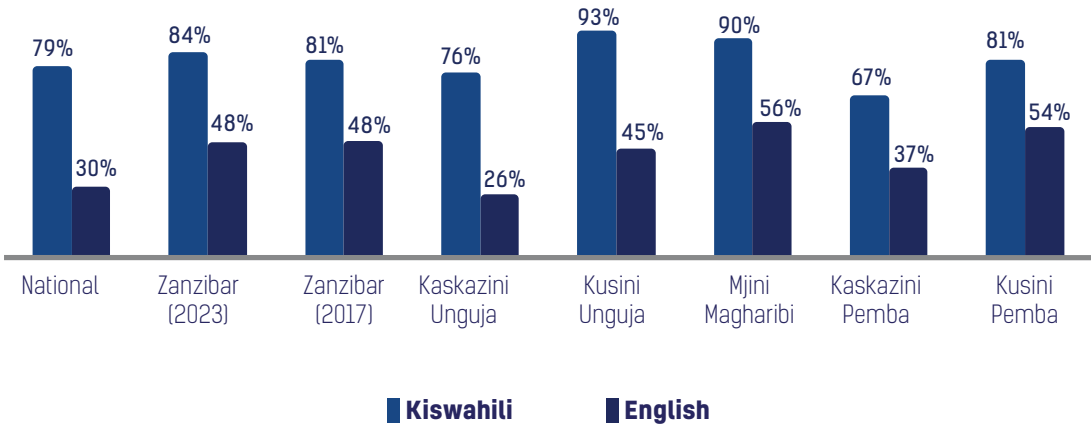


3B. ADDRESSABILITY

In this section, the report will unpack whether respondents in Zanzibar are able to be served by financial service providers.

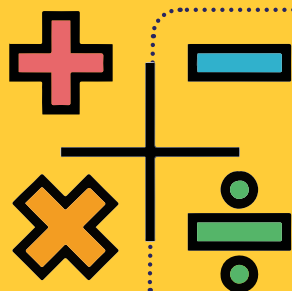
FINDING 3 **KISWAHILI** remains the language of the consumer

Chart 5: **Literacy - English & Kiswahili**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

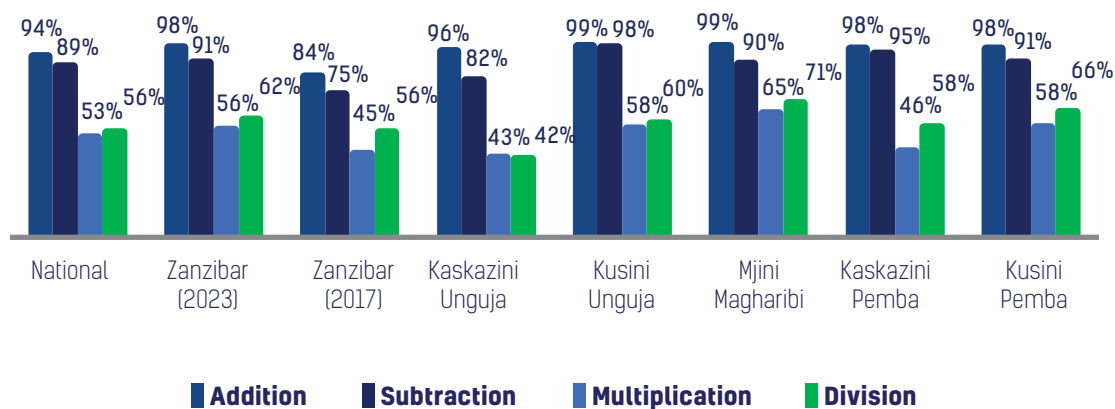
Kiswahili remains the language of the consumer, with 84% of respondents in Zanzibar being literate in Kiswahili and 48% in English. Zanzibar shows higher levels of English literacy than nationally, a fact that can be directly tied to an increased number of respondents from Zanzibar having reached secondary school education.



FINDING 4

Respondents in Zanzibar can
add and subtract
but less can divide and multiply

Chart 6: **Numeracy Skills**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Respondents from Zanzibar can add and subtract but fewer can divide and multiply. However, respondents from Kaskazini Unguja and Kaskazini Pemba are seen to lag behind in terms of their ability to solve more advanced arithmetic.

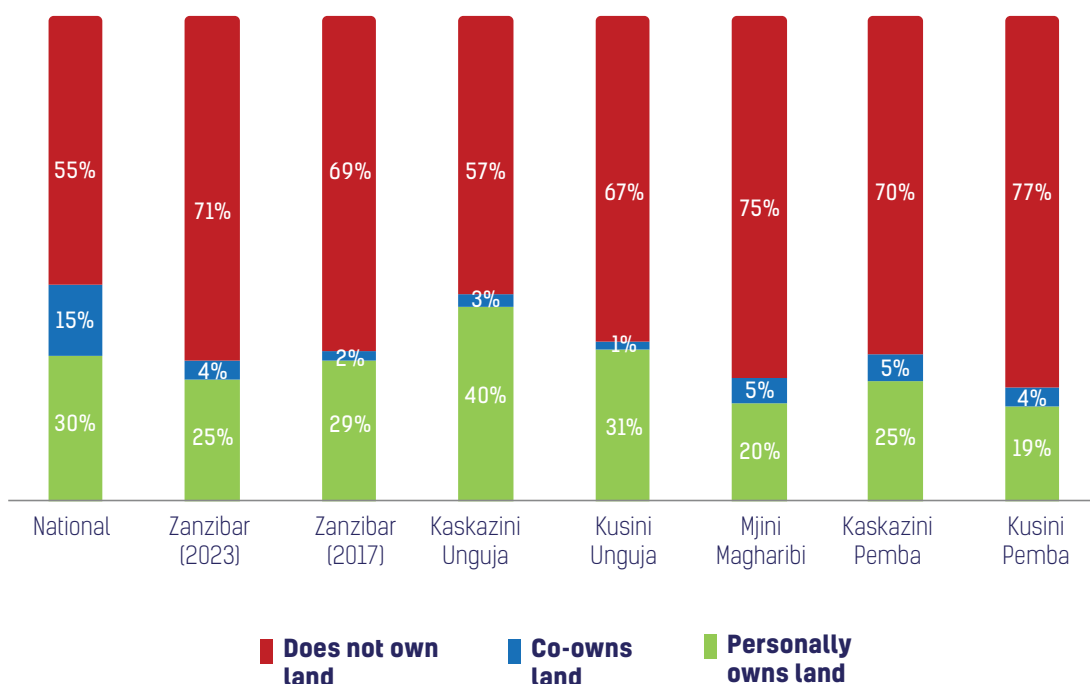
FINDING 5A

Only **3 in 10**

respondents in Zanzibar own
the land they live on



Chart 7: **Do they own the land they live on?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Only 3 in 10 of respondents in Zanzibar (29%) own the land they live on, compared with national ownership of 45%.



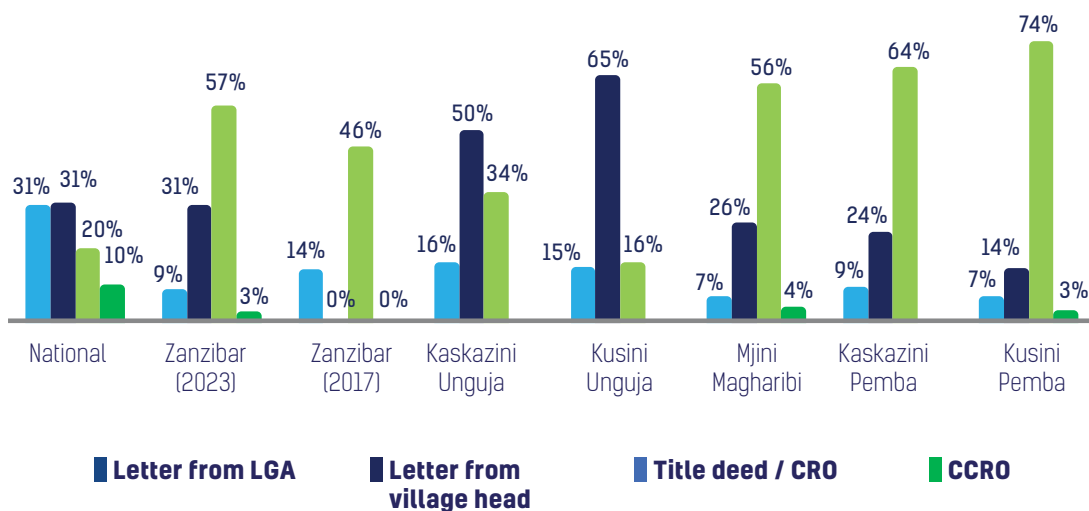
FINDING 5B

6 in 10

respondents in Zanzibar who own land have documentation as proof of ownership

Chart 8: **What documentation do they have?**

Base = those who claim a form of documentation



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

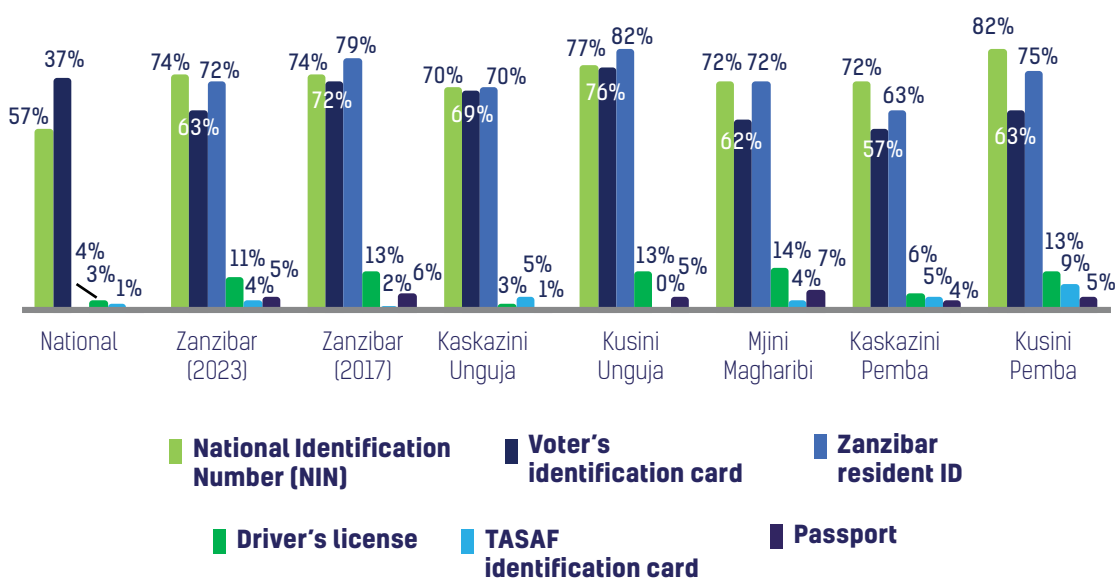
Although less people in Zanzibar own land, more have proof of ownership, with 6 in 10 respondents in Zanzibar having documentation as proof of ownership. Out of these, 57% have a Certificate of Right of Occupancy (CRO) compared with the national figure of 20%. Ownership of land and in particular formal proof of ownership are key as they remain a primary source of collateral for most formal FSPs.

FINDING 6

More than 7 in 10
respondents in Zanzibar
have a NIN



Chart 9: **Personal Identification Documents**
(only 18+ year olds)



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

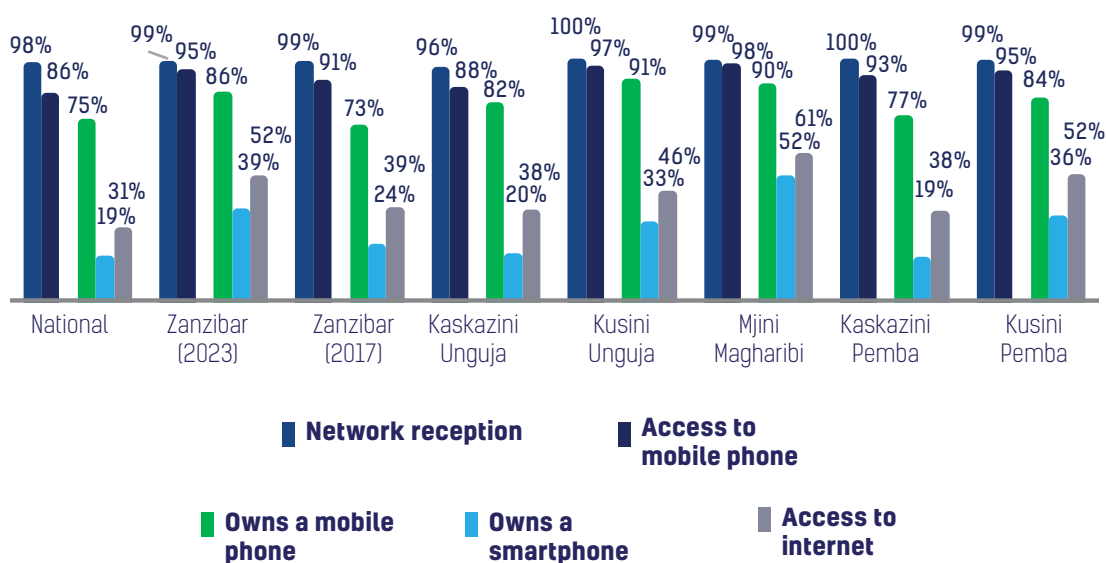
When it comes to possessing NINs, 74% of respondents in Zanzibar, 18 years and above, were in possession of one. Of these, 69% held an actual NIDA card, while 5% were in possession of the number. Ownership of the Zanzibar residents ID remains high too at 72%.

FINDING 7

4 in 10 respondents in Zanzibar own a smartphone



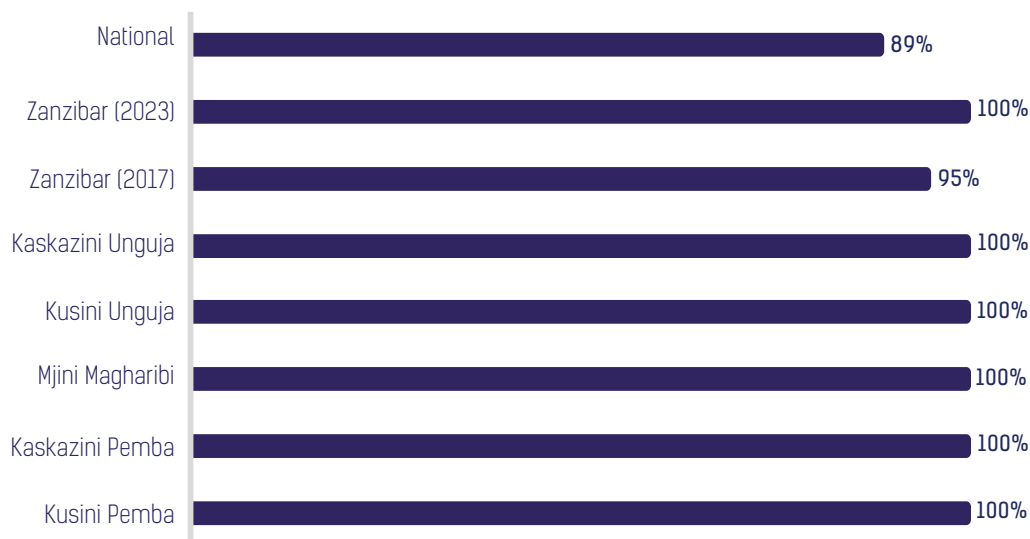
Chart 10: **Do you have access to?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

In regard to smartphones, 4 in 10 of respondents in Zanzibar own one compared with 19% nationally. Overall, phone ownership in Zanzibar is high at 86% compared with 75% nationally. Apart from higher rates of phone ownership, significantly more respondents in Zanzibar (52%) have access to internet than nationally (31%). It is also important to note that both ownership of smartphones and access to the internet has grown significantly since the last FinScope survey in 2017.

Chart 11: **Adult Zanzibaris that live within 5km radius of a financial access point**



Source: FinScope Tanzania 2017 (April-July 2017) and Financial Services Registry Data for 2023

In 2017, only 95% of respondents in Zanzibar lived within a 5km radius of a financial access point. Financial Services Registry (FSR) data from 2023 indicates that now 100% of respondents in Zanzibar stay within a 5km radius of a financial access points compared with 89% nationally. This outcome can be credited to government efforts to encourage formal FSPs to expand their reach, especially in, and private sector investments in the isles to expand financial sector reach.

Financial Behavior



3C FINANCIAL BEHAVIOR

This section unpacks the financial behaviors of respondents in Zanzibar, to better understand their needs and existing untapped opportunities for FSPs to tap into.

FINDING 8

Most respondents in Zanzibar
do not have consistent sources of income

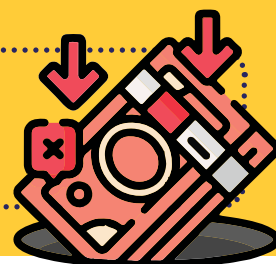
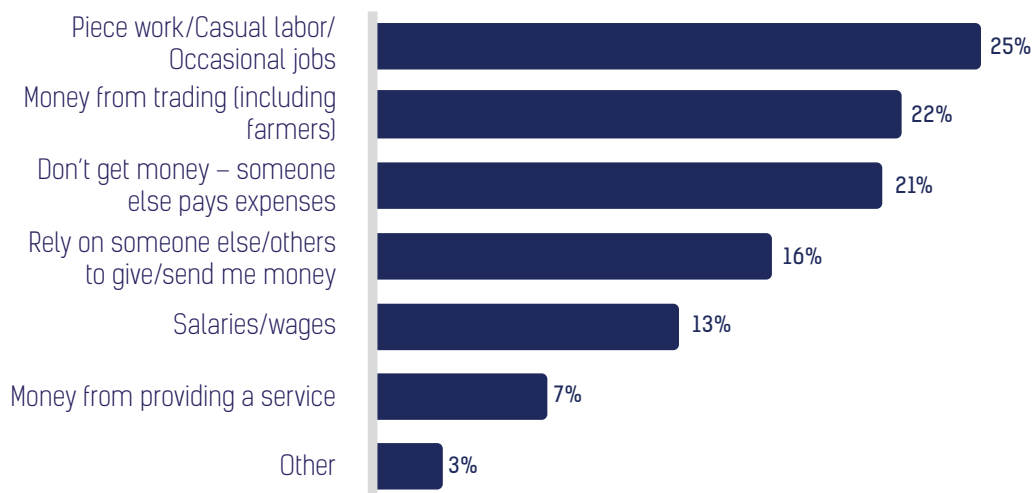


Chart 12: **How is personal revenue generated?**

Base = Zanzibar Only



Source: FinScope Tanzania 2023 (March-April 2023)

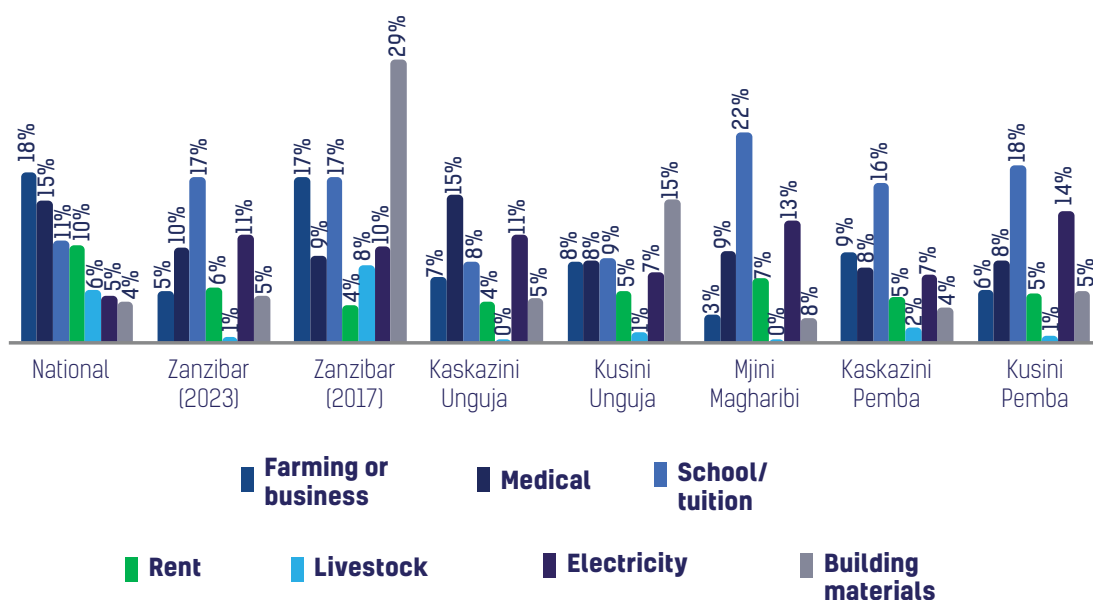
In Zanzibar, 61% of respondents have an occasional income, with 21% not receiving any cash at all, but rather goods or services directly. As outlined earlier, these individuals are mainly women dependent on male household members who give them groceries and other household items. As they receive these items instead of cash, dependency does not provide a pathway towards financial inclusion.

FINDING 9

Tuition is a notable priority expense for respondents in Zanzibar



Chart 13: **Priority expenses across the regions (excluding food and clothes)**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

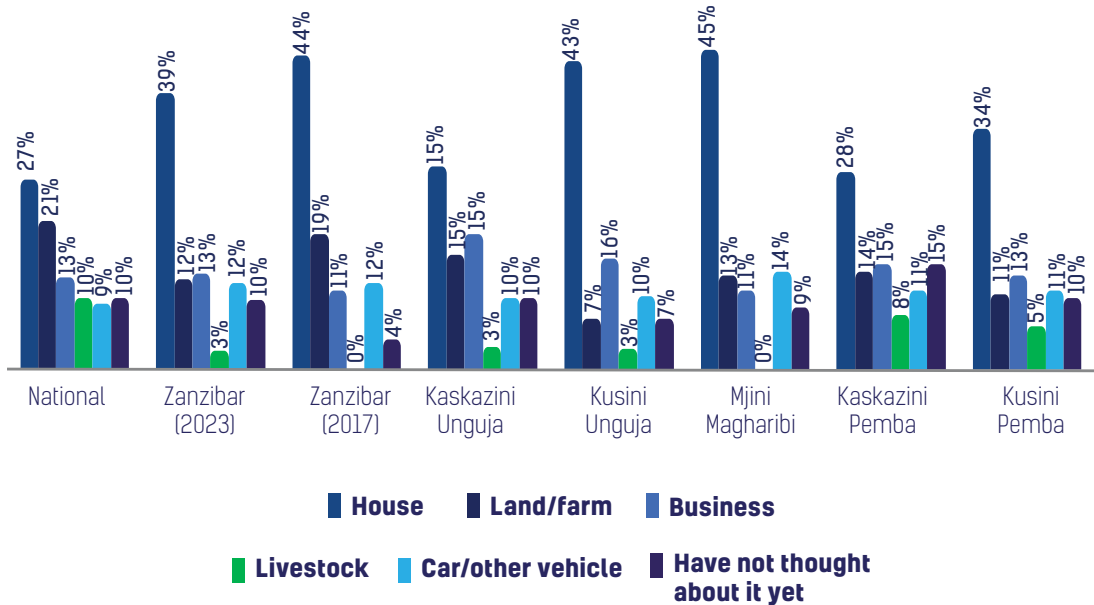
Apart from clothes and food, tuition and school fees are a notable priority expense (17%) for respondents in Zanzibar. However, in Kusini Unguja a shift can be seen with the most relevant expense being building materials (15%). This may be driven by the fact that Kusini Unguja is currently facing increased investments due to ZIPA land allocation, which in turn has shown increased investments by the local residents.

FINDING 10

Ownership of a house or property remains a main future spending need for respondents in Zanzibar



Chart 14: **Can you think about something you want to buy but you cannot afford?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

About 4 in 10 respondents from Zanzibar aspire to own a house in future. Among respondents in Kaskazini Unguja a higher proportion (19%) than in Zanzibar overall is looking forward to own their business.

FINDING 11

6 in 10 respondents in Zanzibar
**Zanzibar struggle with keeping
up with regular expenses**

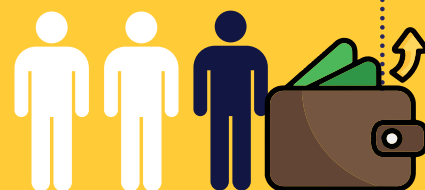
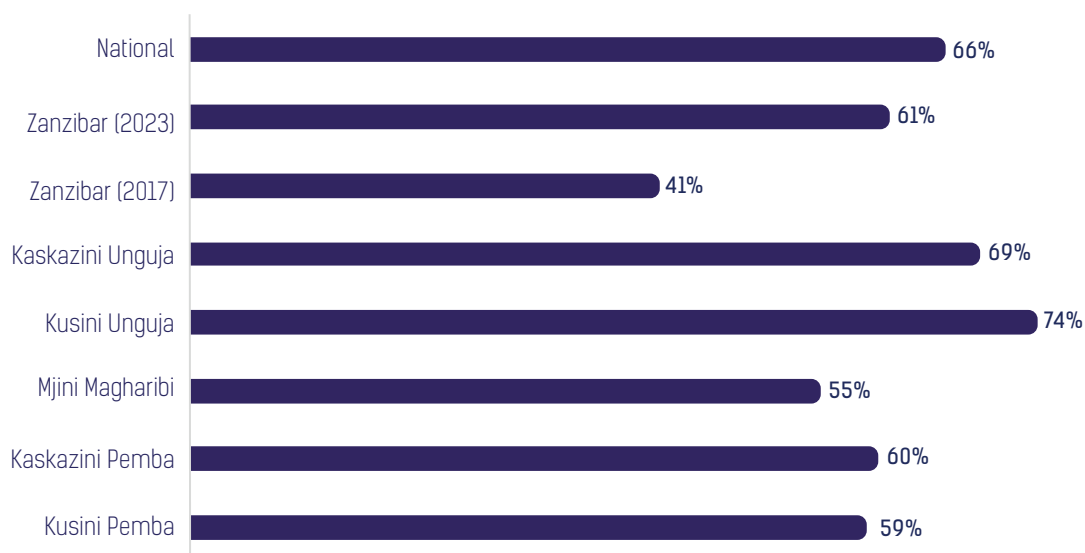


Chart 15: **Percentage of adults who claim to often/always struggle with regular expenses**



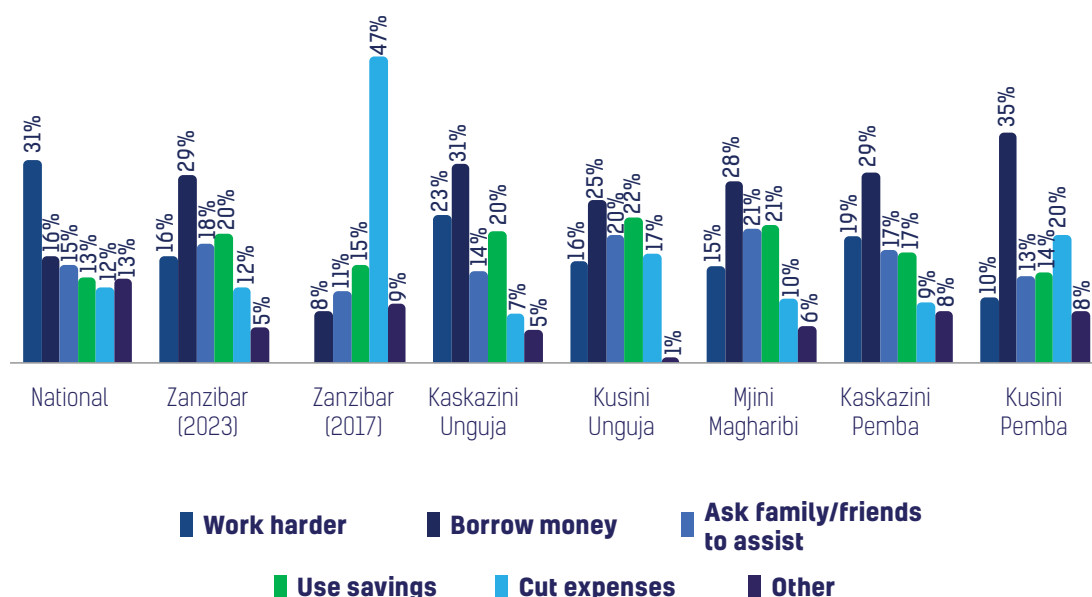
Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

In Zanzibar, 61% of respondents struggled with regular expenses, slightly less than the national 66%. But in Unguja Kusini 74% struggle. An overall increase in these struggles in Zanzibar can be observed from 41% in 2017. This is mainly linked to the overall economic decline in terms of GDP, as well as the global recession due to the post pandemic effects. Considering tourism is a key driver for Zanzibar's economy, a sector that was heavily impacted by the global Covid-19 pandemic, this trend is no surprise. Although Zanzibar kept receiving tourists throughout the global pandemic, tourism statistics published by OCGS show a significant dent during the pandemic years of 2020 and 2021. However, there was a strong recovery in 2022, exceeding pre-pandemic tourism arrival numbers. Comparing December arrival statistics from 2017 through 2022, this can clearly be observed. In December 2017, 51,112 arrivals were recorded and they continued to rise to 60,685 arrivals in December 2019. But we can see a decline in December 2020 (48,594) and December 2021 (48,167) with a strong recovery in December 2022 when there were a record number of 66,720 arrivals.

FINDING 12

3 out of 10 respondents in Zanzibar borrow **money** when they do not have enough money for expenses

Chart 16: **What do you do when you don't have enough money to cover all your expenses?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

While in 2017, the majority of respondents opted to cut down on expenses, in 2023 29% of respondents claim that they borrow money to meet their needs. This is a significant shift in behaviour and indicates an increased acceptance of a variety of financial intermediary solutions.

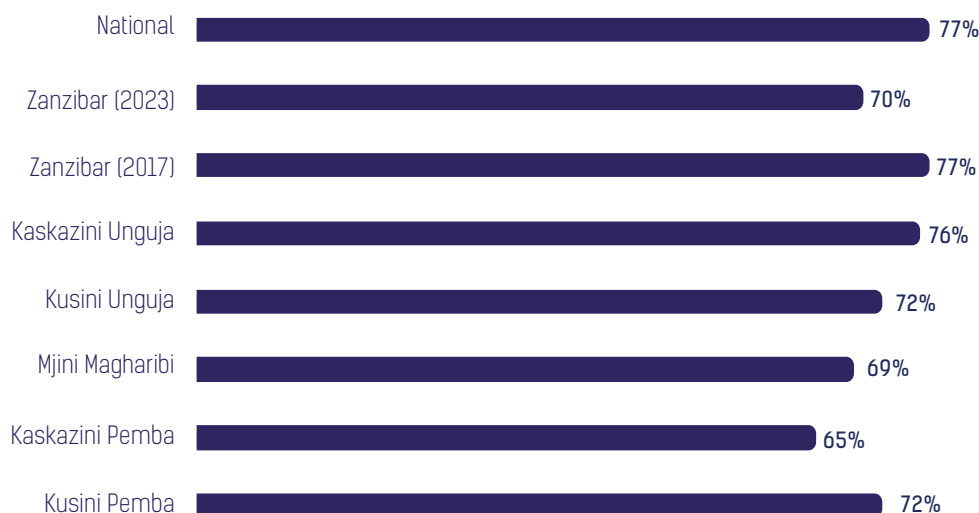
FINDING 13

7 out of 10

respondents in Zanzibar
**claim to keep track of
money they get and spend**



Chart 17: **Do they keep track of money they get and spend?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

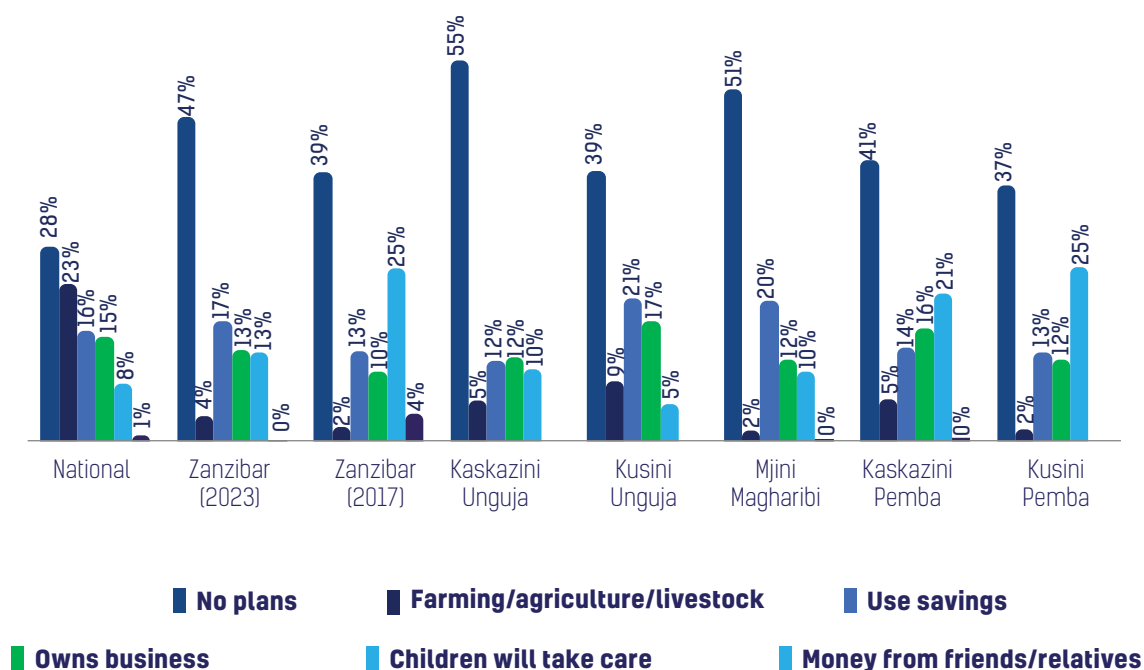
With 7 in 10 respondents tracking the money they receive and spend, a majority show an understanding of the importance of controlled money management.

FINDING 14

Almost half of respondents in Zanzibar **aged 55 years and below have no retirement plans**



Chart 18: **How do Tanzanians aged 55 and below plan for retirement?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Almost half of respondents in Zanzibar (47%) aged 55 years and below have no retirement plans. This compares with 28% nationally. A variety of reasons drive this trend: Zanzibari culture encourages living in a multi-generational family setting, which guarantees support not only from children but younger household members during old age; further, most formal insurance and pension schemes lack an Islamic window, which hinders their uptake due to cultural barriers; lastly, the Revolutionary Government of Zanzibar has introduced a government supported retirement scheme for every elderly society member in Zanzibar under which they receive funds every second month.

Financial Inclusion



3D FINANCIAL INCLUSION

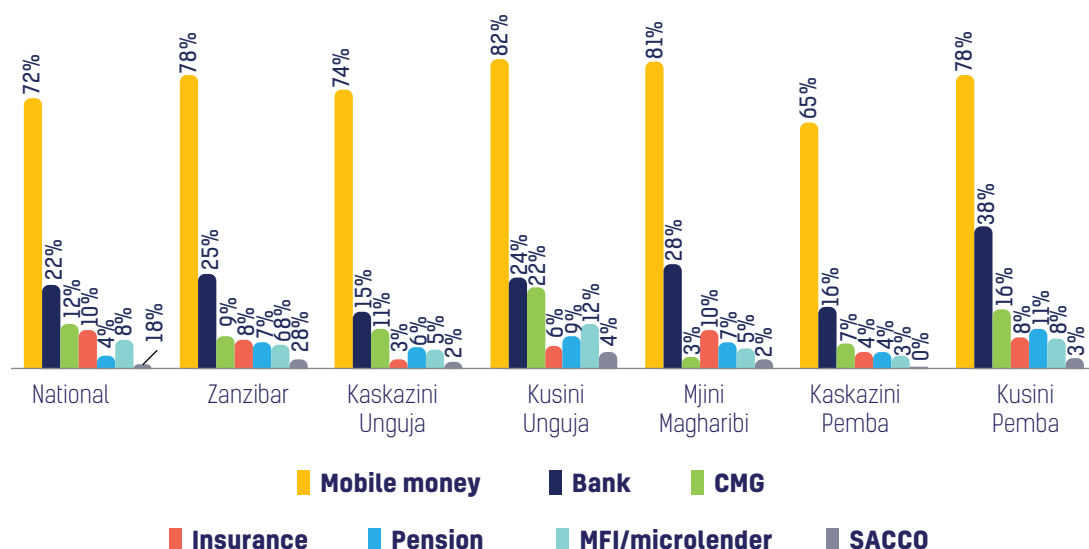
This section unpacks the uptake of formal and informal financial services across the various demographics and outlines remaining barriers for uptake.

FINDING 15A

Almost 8 in 10 respondents in Zanzibar have taken up **mobile money services**



Chart 19a: **Uptake of Formal Financial Services**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

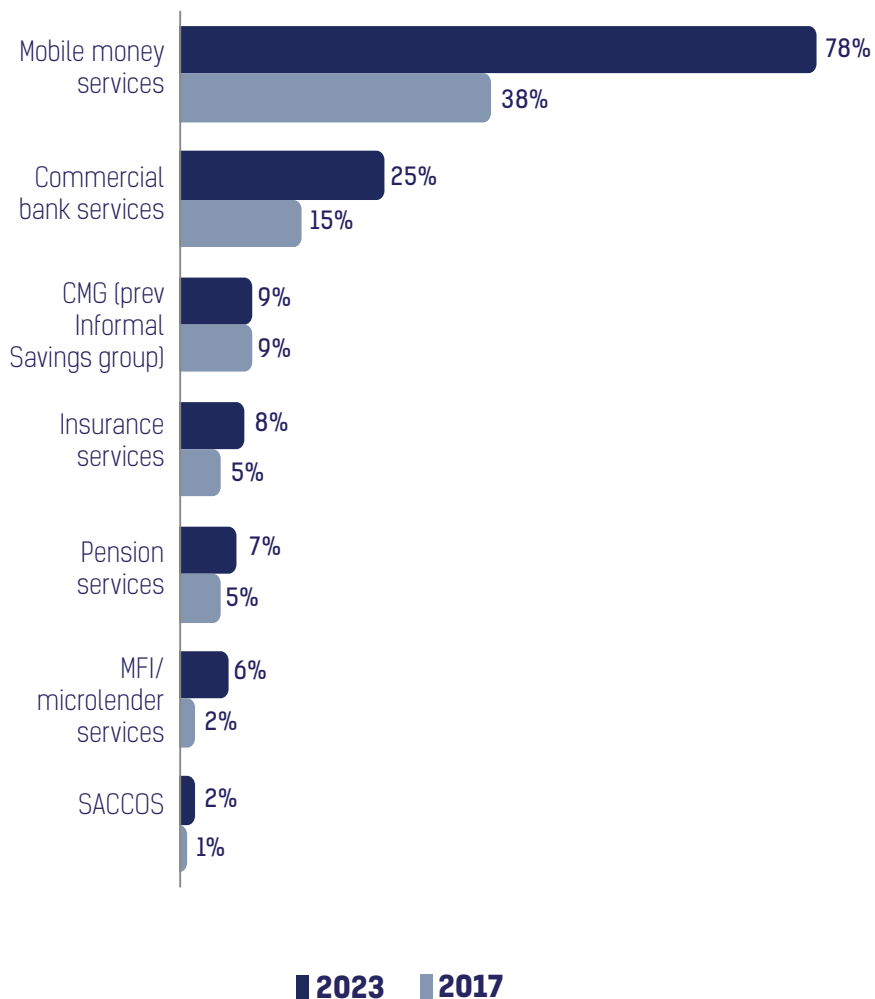
Compared with the national average, Zanzibar has more residents which have taken up both mobile money and banking services. Further, more people have access to formal pension services, which is mainly linked to the higher proportion of residents in Zanzibar in formal employment.

FINDING 15B

Number of respondents in Zanzibar **with mobile money has more than doubled since 2017**

Chart 19b: **Uptake of Formal Financial Services**

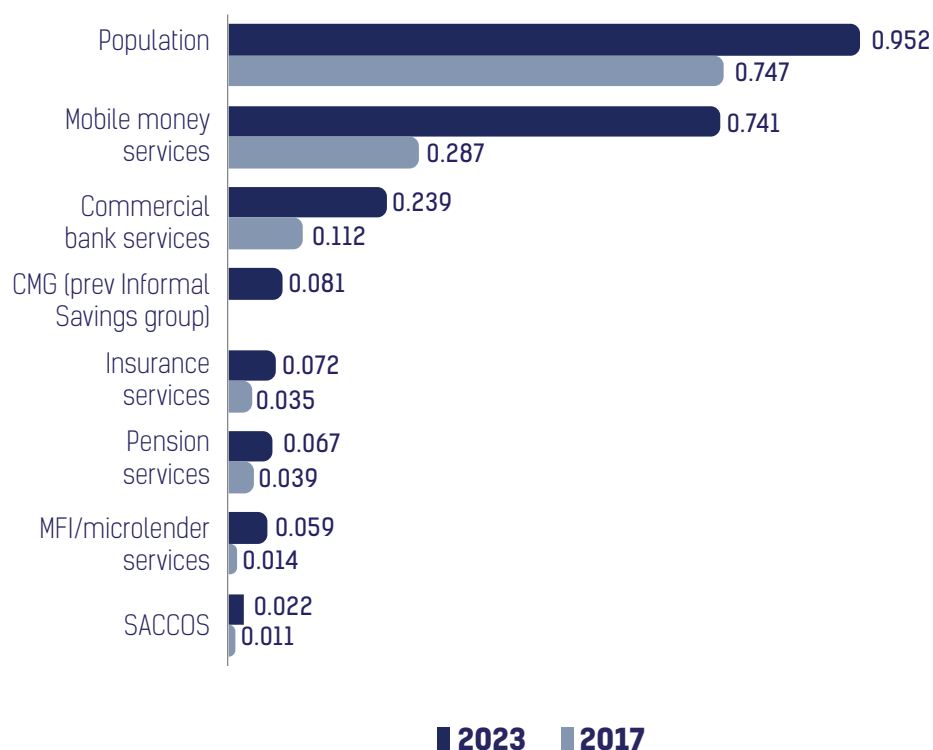
Base = Zanzibar only



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Chart 19c: **Uptake of Formal Financial Services**
Number displayed in million

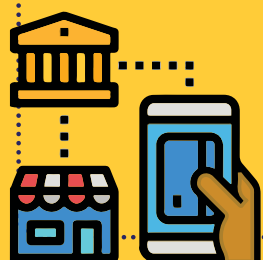
Base = Zanzibar only



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

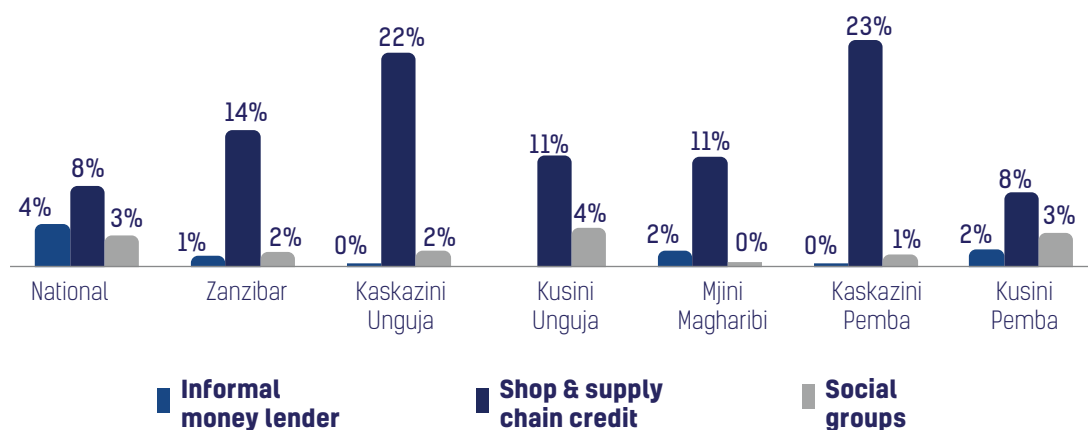
The number of respondents in Zanzibar with mobile money has more than doubled since 2017 -- 38% in 2017 to 78% in 2023. The uptake of other formal services has also increased with 25% of respondents in Zanzibar using banking services compared with 15% in 2017, 8% use insurance services versus 5% in 2017, 7% use pension services compared with 5% in 2017, 6% use MFI/microlender services compared with 2% in 2017, and 2% use SACCO services versus 1% in 2017.

These strides can be attributed to both government and private sector efforts to ensure increased access to formal financial services. In particular, the increased expansion of mobile money agents and the opening of multiple bank branches, agents and ATMs has been observed on Pemba and within more remote locations within Unguja since the previous FinScope Tanzania 2017 survey.



FINDING 15C
14% of respondents in Zanzibar
**can rely on supply
 chain credit**

Chart 19d: **Uptake of Informal Financial Services**



Source: FinScope Tanzania 2023 (March-April 2023)

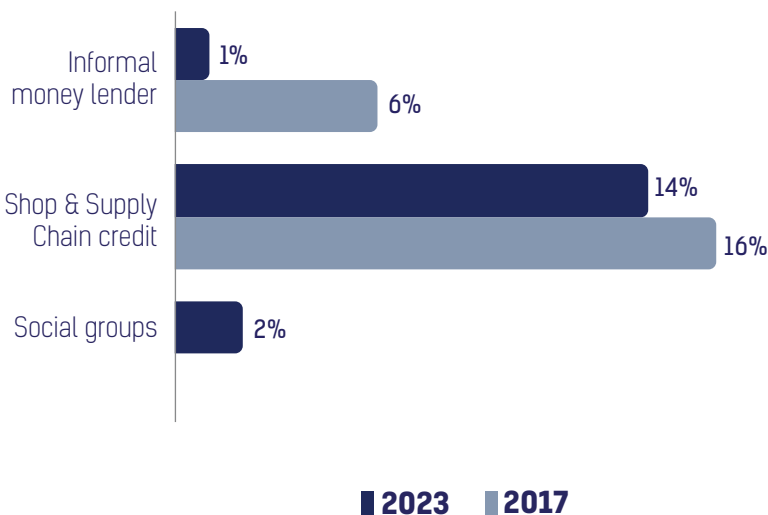
Informal service uptake is at 2% for social groups and shop & supply chain credit (**mali kauli**) is at 14%. **Mali kauli** of informal financial service is especially high in more rural areas, such as Kaskazini Unguja and Kaskazini Pemba with 22% and 23% respectively. However, compared with 2017, a decline in informal financial services uptake can be observed. This trend has also been recognized on the national level and can be attributed to the population growth and continuous decrease of social fabric due to higher levels of mobility in younger population segments.

FINDING 15D

A lower proportion of respondents in Zanzibar use informal financial services than in 2017

Chart 19e: **Uptake of Informal Financial Services**

Base = Zanzibar only



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

All these developments have led to a significant increase in financial inclusion from 45% in 2017 to 83% in 2023 and to a significant decline in financial exclusion from 43% in 2017 to 12% in 2023.

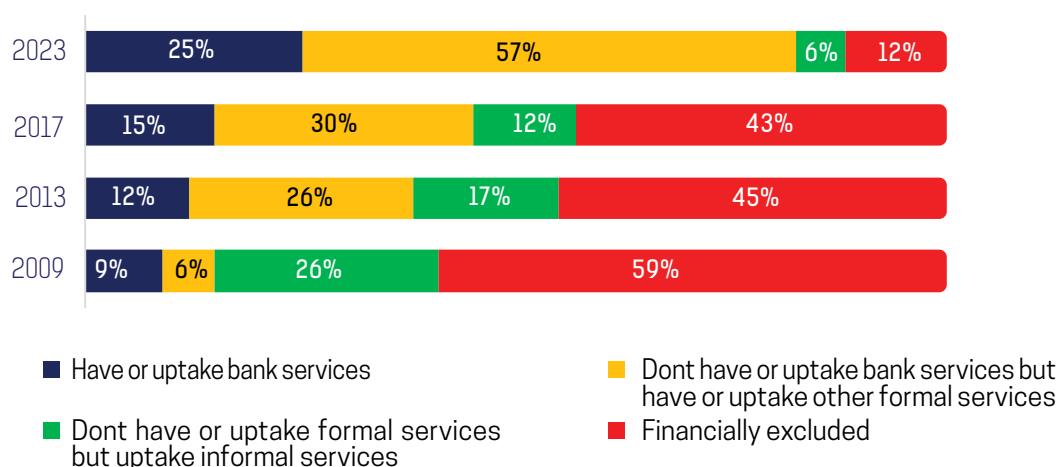
However, gaps remain with women, people in rural areas, youth between 16 to 24 years and respondents in Kaskazini Unguja and Kaskazini Pemba are less likely to be included as the below charts portray.

FINDING 16

Formal Financial Inclusion has grown from **15% in 2009** to **82% in 2023**

Chart 20a: **Uptake of Financial Services**

Base = Zanzibar only



Source: FinScope Tanzania 2009, 2013, 2017, 2023

FINDING 17

The financial inclusion urban-rural gap has narrowed, **but the gender gap remains**, albeit at much higher financial inclusion levels

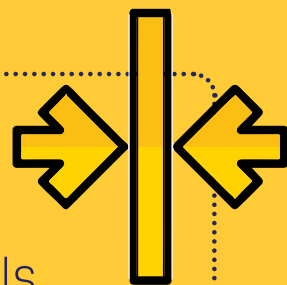
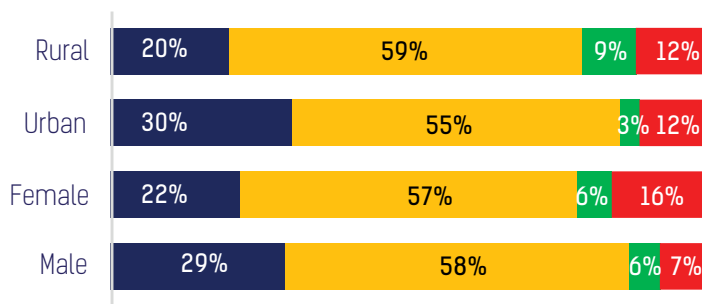


Chart 20b: **Uptake of Financial Services – demographic**

Base = Zanzibar only



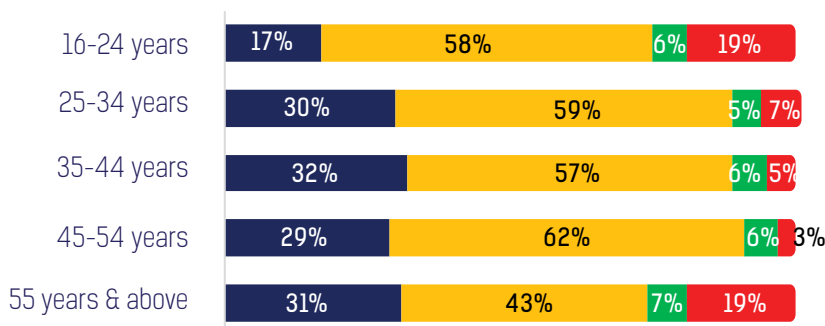
Source: FinScope Tanzania 2023 (March-April 2023)

FINDING 18

Formal Financial Inclusion has grown across all ages

Chart 20c: **Uptake of Financial Services – demographic**

Base = Zanzibar only



Source: FinScope Tanzania 2023 (March-April 2023)

■ Have or uptake bank services

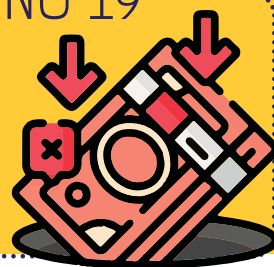
■ Don't have or uptake formal services but uptake informal services

■ Don't have or uptake bank services but have or uptake other formal services

■ Financially excluded

FINDING 19

Perceived lack of income and awareness biggest barriers cited for formal financial services uptake



Although significant strides were made in terms of formal financial service uptake, awareness and financial product knowledge remain the most inherent barriers towards further uptake of formal financial services. This cuts across various provider types.

PROVIDER	PRIMARY BARRIER	SECONDARY BARRIER
 Mobile Money	Lack of access/ownership of phones	Do not engage in frequent transactions
 Banks	Insufficient income to even consider opening an account	Cannot maintain minimum balance on the account due to insufficient income
 Insurance	Potential customers do not want to think about bad things happening to them , hence they do not take up.	Lack of awareness of how insurance services work and how to obtain them and the perceived high cost of insurance and inability to afford insurance payments.
 MFIs	Lack of awareness of how MFIs operate and where they are located.	Insufficient income to become an MFI costumer.
 SACCOs	Lack of awareness of how SACCOs operate, how to join them and where they are located.	Membership fee is perceived to be too high.

This section unpacks the financial usage across key financial intermediary functions, such as transfers, payments, saving, borrowing and risk mitigation.

FINDING 20

Less than
4 in 10 respondents in Zanzibar
sent or received money

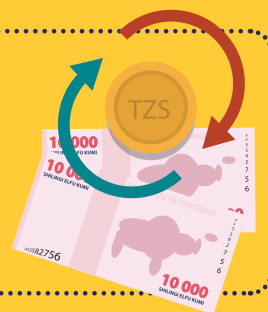
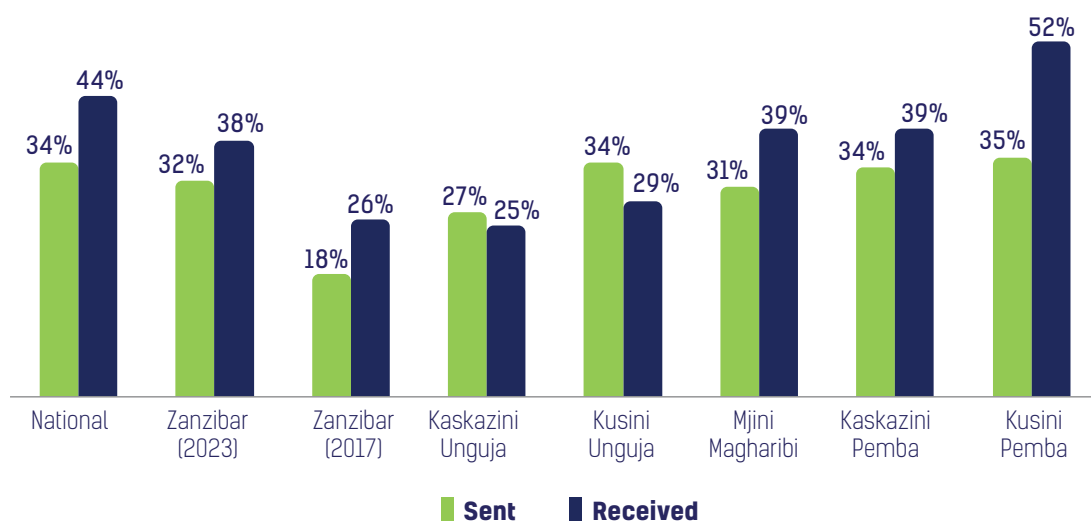


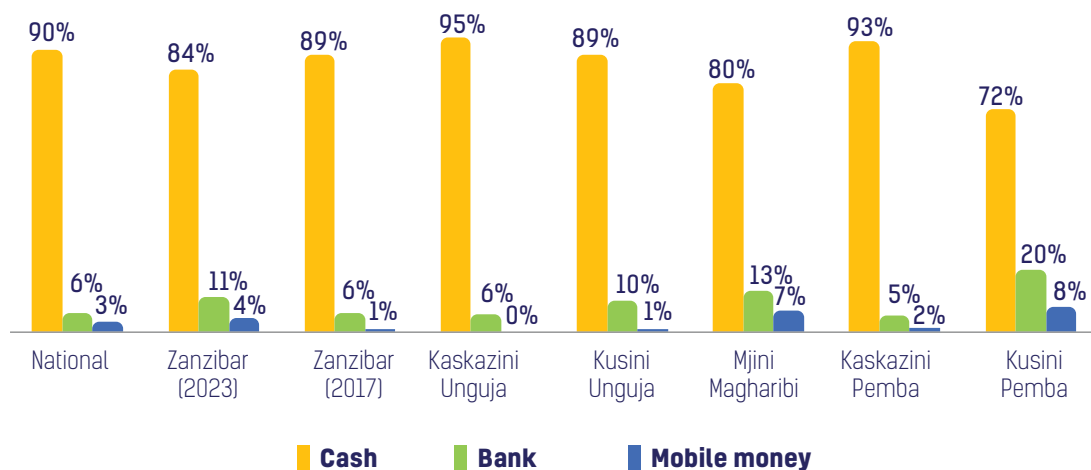
Chart 21: **In the past 12 months have you ever sent or received money?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Less than 4 in 10 respondents in Zanzibar sent or received money. This is an increase from 2017, where only about a quarter of respondents received money and less than 2 in 10 were sending money but it still ranks below the national average. An outlier can be observed in Kusini Pemba, where 52% of respondents have received money, but only 35% send money. This goes hand in hand with the higher levels of dependency in Kusini Pemba. Most of the remittances received are from within the islands (the flow can mainly be observed from Unguja to Pemba) or from various regions of Mainland Tanzania.

Chart 22: **How do they receive their income?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

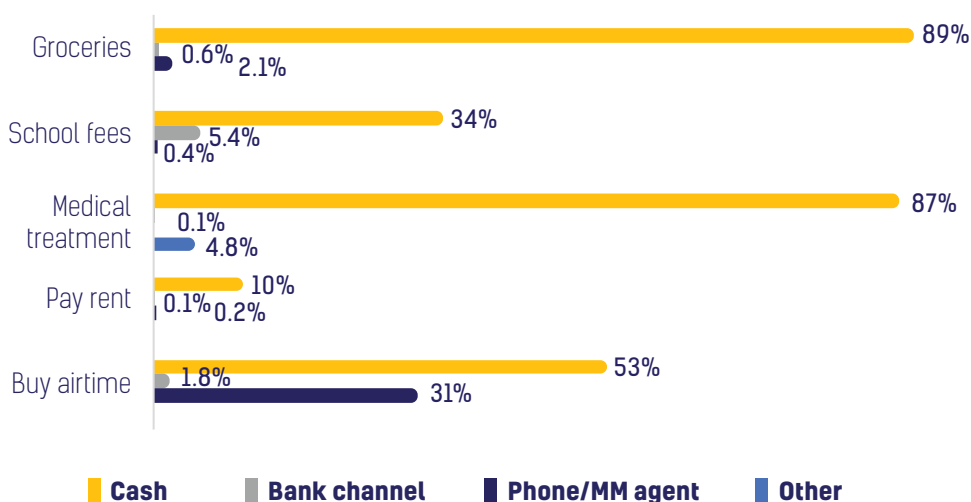
In Zanzibar, 84% of respondents receive their income in cash, with only 11% through banks and 4% through mobile money. Compared with 2017, a slight increase in electronic payments can be observed. But considering the high number of casual labourers on the isles who pick up occasional work, FSPs may need to reflect further on their approach towards, not only regular salary payments facilitated through bank and mobile money transfers, but also seasonal worker payments.

FINDING 21

The payment space remains largely untapped

Chart 23: **How do they make payments?**

Base = Zanzibar only



Source: FinScope Tanzania 2023 (March-April 2023)

More than 8 in 10 respondents in Zanzibar mostly make common payments (i.e. purchase of groceries) with cash. Even the purchase of airtime is still mainly in cash, with 53% of respondents doing so. Only 31% buy through mobile money.

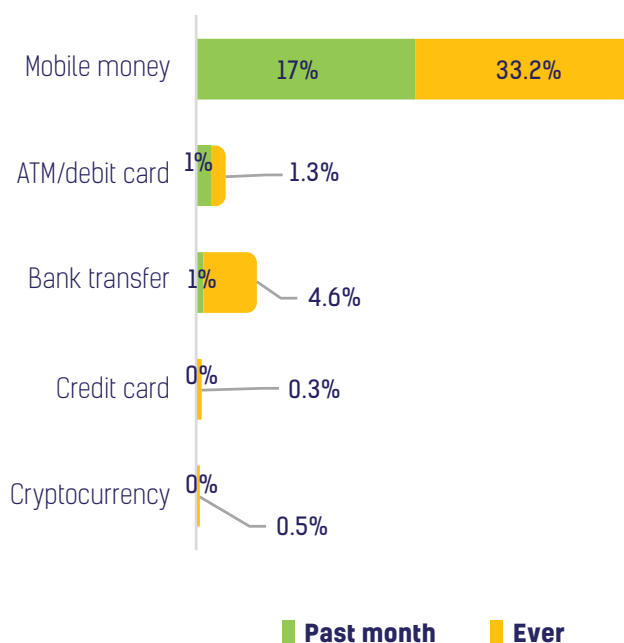
FINDING 22

There is a gap in converting trial into **regular use of digital financial services for purchasing goods**



Chart 24a: **Digital payment instruments used to purchase goods**

Base = Zanzibar adults



Source: FinScope Tanzania 2023 (March-April 2023)

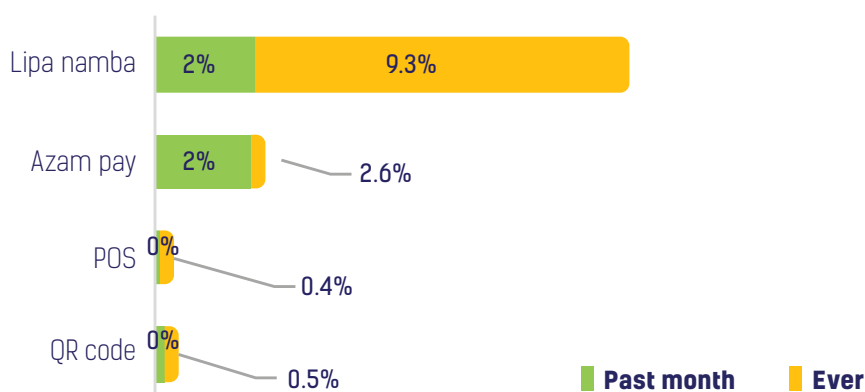
FINDING 23

Lipa namba is more popular than conventional POS



Chart 24b: **Merchant payment channels used to purchase goods**

Base = Zanzibar adults



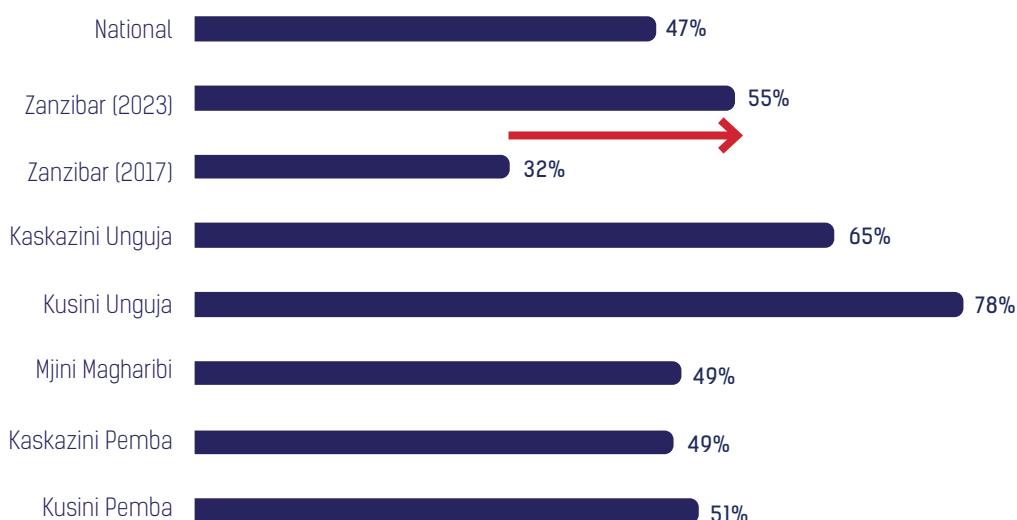
Source: FinScope Tanzania 2023 (March-April 2023)

Only 9% of respondents in Zanzibar have ever used a lipa number/lipa kwa simu, with 2% doing so monthly. This indicates that although respondents in Zanzibar are aware of digital payment options, most of them do not utilize them as their first choice. This behavior is fueled by a variety of reasons. Subsequent qualitative focus group discussions with residents unveiled that mobile money fraud, fear of reverse transactions, unawareness of cost structures and low penetration of actual “lipa kwa simu” merchant tills do not encourage most Zanzibar residents to adopt merchant payments as their default payment option.

Further, although penetration of POS is high in Zanzibar, they are mainly placed in tourism outlets and are used by tourists. Respondents were discouraged from their usage as it appears a common, although illegitimate, practice by many businesses in Zanzibar to charge a surplus of 3% to 5% on POS payments due to VISA/Mastercard fees.

55% of respondents in Zanzibar saved in the past 12 months

Chart 25a: **Savings**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

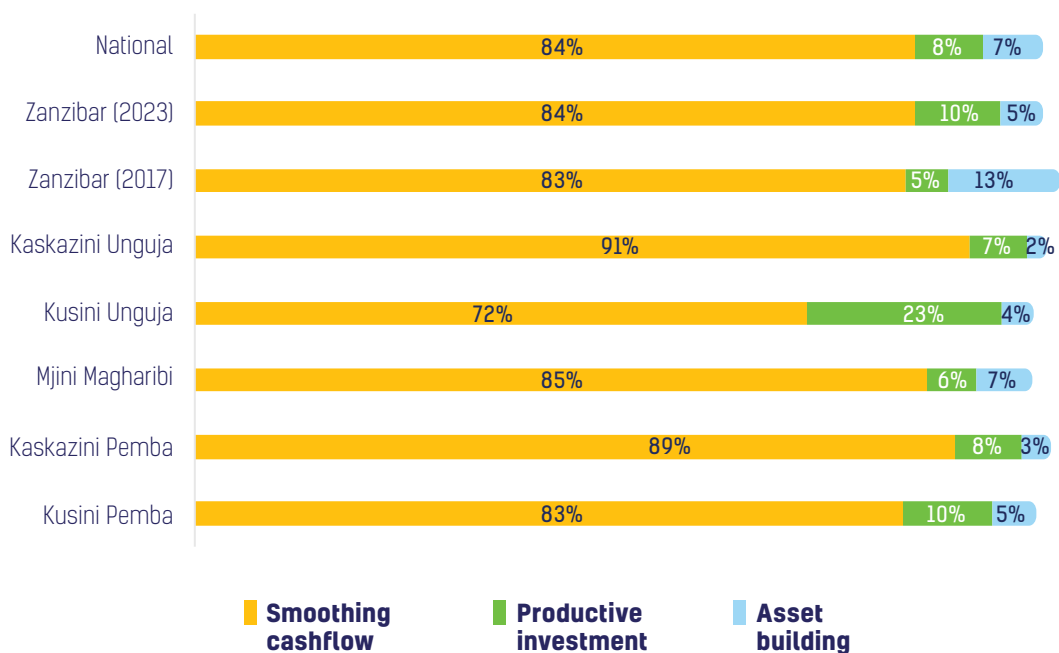
In Zanzibar, 55% of respondents saved in the past 12 months, this indicates a significant increase from 2017 where only 32% saved. This shows an encouraging trend, which appears to have been sparked by the awareness of potential economic downturns, such as the recently experienced pandemic.

FINDING 25

Cash flow smoothing still dominates but productive investment appears to be increasing

Chart 25b: **What do they save for**

Base = only those who saved



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Unsurprisingly, most savings are for cash flow smoothing purposes (84%) to cover basic needs in times of economic hardship. Only in Kusini Unguja could an increased saving for productive investment be observed, which goes hand-in-hand with their expenditure on building materials, which indicates an increased economic activity and rise of investment in this region.

Informal means of savings remain dominant

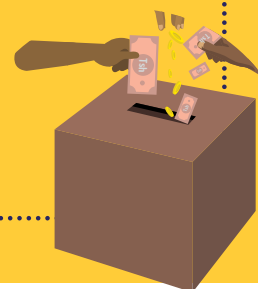
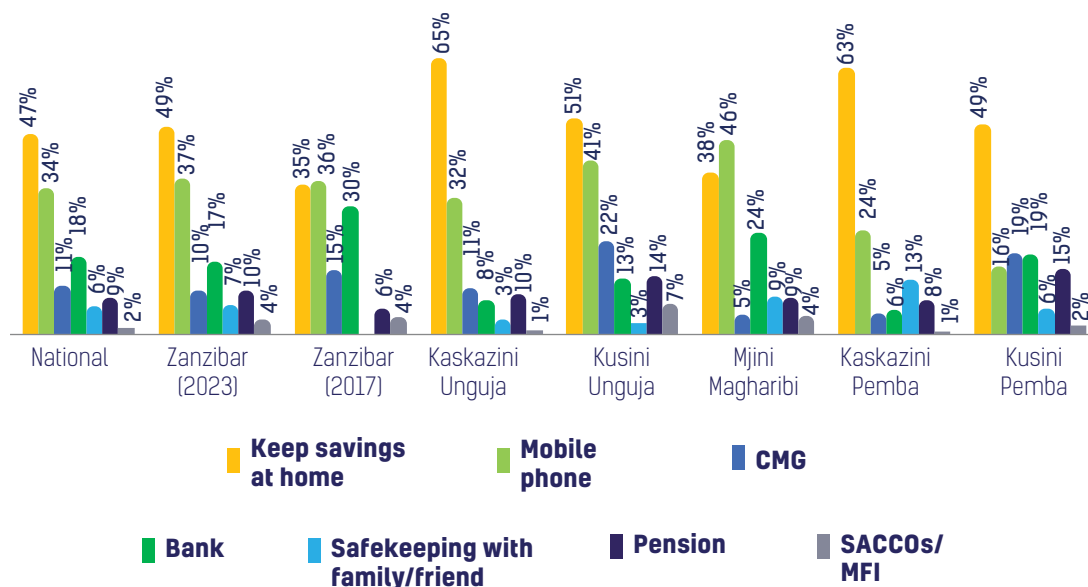


Chart 26: **Where are people saving?**

Base = only those who saved



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

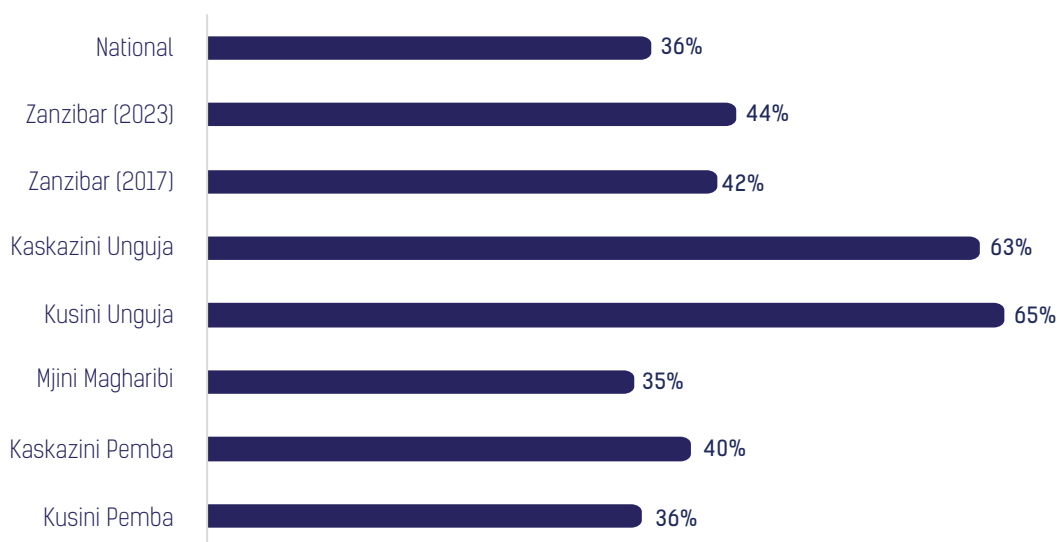
Considering that most respondents in Zanzibar save for cash flow smoothing, they retain their savings simply at home (49%) or on their phone (37%) to ease quick access in case of need. While in 2017, 30% retained savings in banks, now only 17% of respondents do so. Follow-up qualitative group discussions confirmed that one of the reasons is to avoid reduction in savings balance due to charges, which may occur on current accounts held with most Tanzanian commercial banks.

FINDING 27

44%

of respondents in Zanzibar
**borrowed in the
past 12 months**

Chart 27a: **Borrowing**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

In the past 12 months, 44% of respondents in Zanzibar borrowed, which is a slight increase from 42% in 2017. Respondents in predominantly rural Kaskazini and Kusini Unguja especially show higher borrowing rates, which was driven by their seasonal incomes in tourism. Tourism was still recovering from post-pandemic fatigue at the time of the survey.

FINDING 28

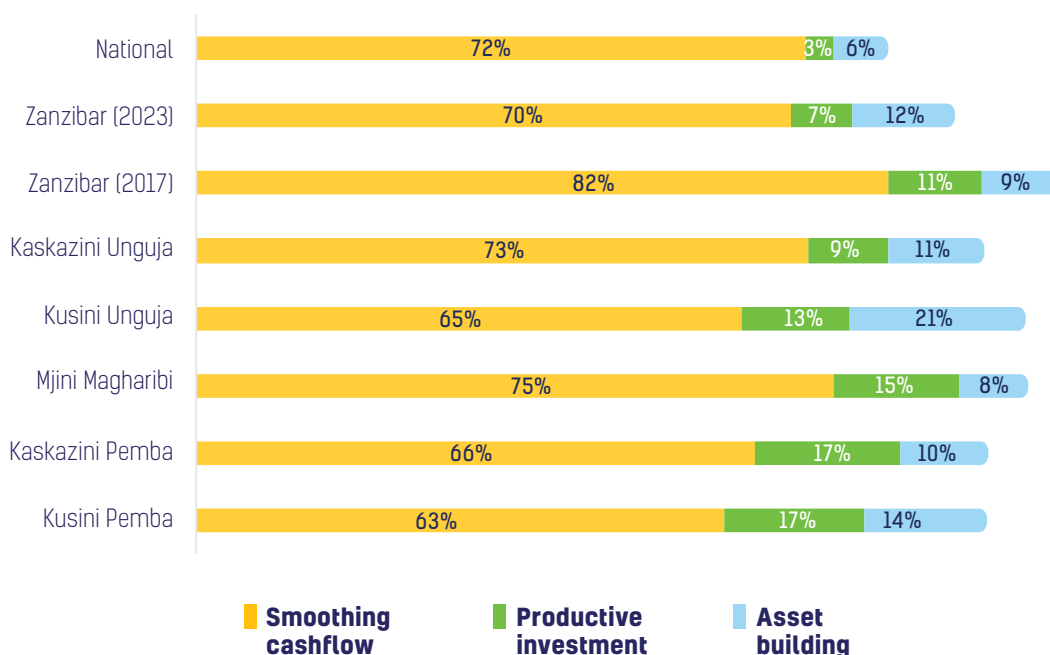


7 in 10

respondents in Zanzibar that
**borrowed did so to
smooth cash flow**

Chart 27b: **What did they borrow for?**

Base = only those who borrowed



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

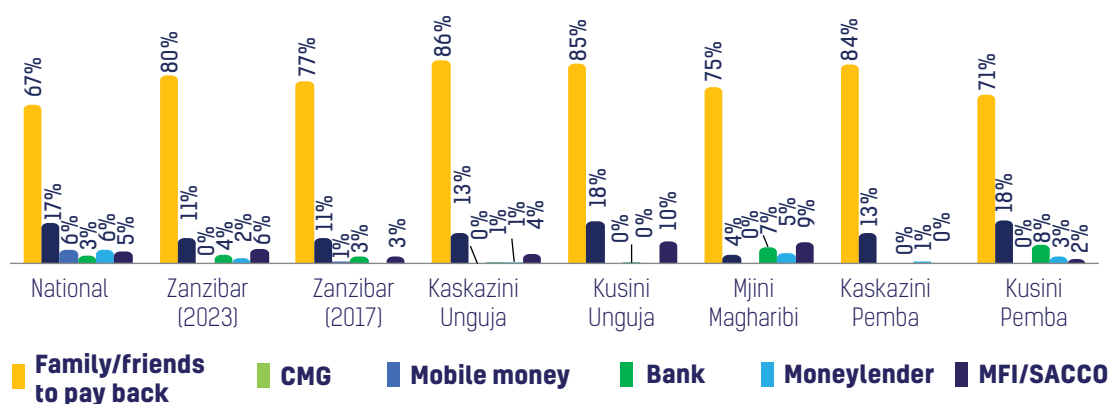
Similarly to savings, most people borrow for cash flow smoothing (70%), only 12% for asset building.

FINDING 29

Friends and family remain the key sources of credit



Chart 28: **Where do they borrow from?**
Base = only those that borrowed



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Considering that borrowing for cash flow smoothing purposes is mainly in emergency situations and does not require significant amounts, respondents mainly access funds/credit through friends and family (80%) or savings groups/CMGs (11%), which provide credit at reasonable terms with no collateral and mostly in a short period of time.

Only 4% of borrowers in Zanzibar take loans from banks and less than 1% from mobile money. Yet mobile money has seen a significant penetration growth on the isles. The lack of Islamic financing options, in particular on mobile money, was pointed out by respondents in subsequent qualitative engagements as one of the key barriers to a low formal credit uptake, in particular among mobile money providers.

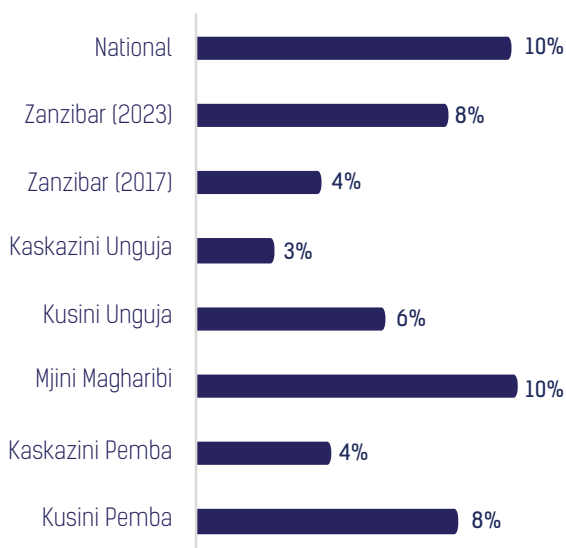
Apart from money transfers, payments, savings and borrowing, risk mitigation is a key financial intermediary function that in a formal set-up is mainly covered by insurance provision.



FINDING 30

**Less than
1 in 10** respondents in
Zanzibar **are insured**

Chart 29: **Are they insured?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

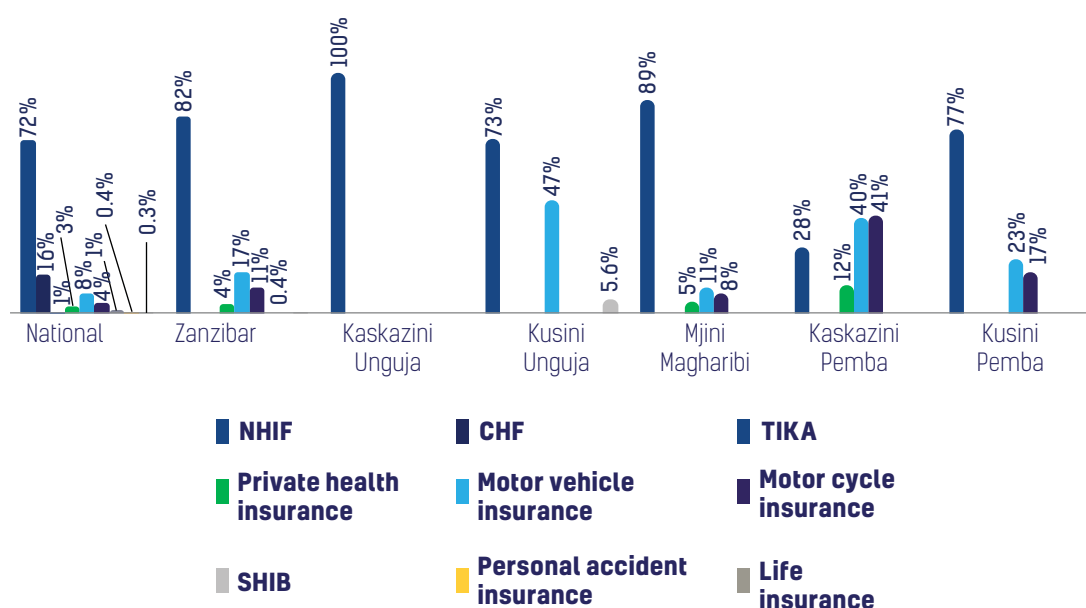
In Zanzibar, 8% of respondents are insured compared with 10% nationally. Although Zanzibar remains behind the national average, this indicates a significant increase from the 4% in 2017. Three reasons were observed in subsequent qualitative data collection engagements that provide a justification for this trend: Zanzibar provides free health care to all in its government hospitals, which generally reduces the need for health insurance coverage; and the recent budget for 2023/24 confirmed that the Revolutionary Government of Zanzibar is in the process of the roll out of universal health insurance for all, which will further reduce the need for alternative insurance cover. However, since these schemes are limited to Zanzibar, residents of Zanzibar that have regular interactions and trips to Mainland Tanzania are still in need of insurance cover to secure themselves in case they happen to fall sick when they are on the Mainland.

FINDING 31

NHIF is the driver of insurance uptake amongst respondents in Zanzibar

Chart 30: **What insurance products are people using?**

Base = only those insured



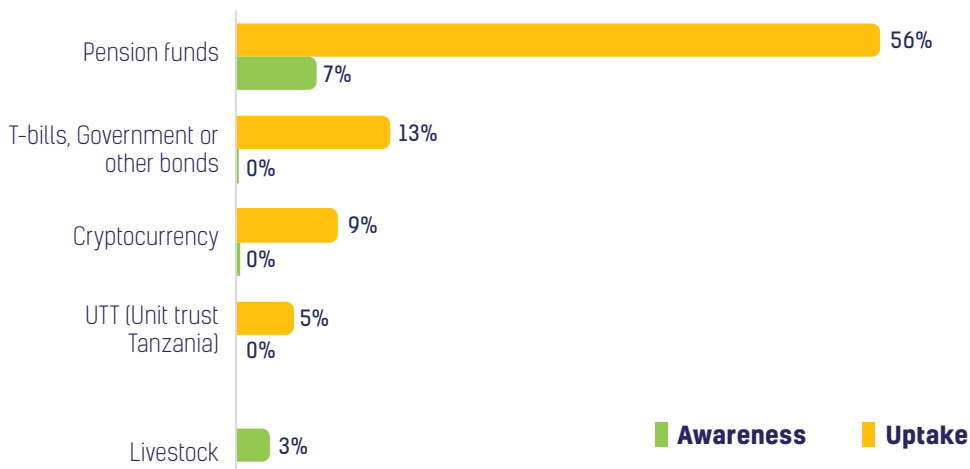
Source: FinScope Tanzania 2023 (March-April 2023)

It is not surprising to see that the main form of insurance among the insured is NHIF (82%), which not only extends cover on the mainland but also to various private health facilities on the isles. NHIF health insurance is followed by motor vehicle insurance (17%) and motorcycle insurance (11%) which people are obliged to have by law once they own a vehicle or motorcycle.

FINDING 32

About half of respondents in Zanzibar **are aware of pension funds but only about 7% of them have taken them up**

Chart 31: **Investment**
Base = Zanzibari adult population



Source: FinScope Tanzania 2023 (March-April 2023)

In Zanzibar, 56% of respondents are aware of pension funds but only 7% have subscribed. As outlined earlier in the report, this may be driven by existing government pension schemes and the conducive social fabric in Zanzibar which supports the elderly. However, even other forms of investment remain low in both awareness and uptake, with less than 1% of respondents in Zanzibar having invested in bills, bonds or UTTs. Even more traditional forms of investment, such as livestock, which are popular on the mainland and have seen a 15% uptake on a national scale, are only at 3% in Zanzibar. As such, an increased need for local investment schemes that provide an Islamic window for investment are required. For example, the government's ambitions to establish a Zanzibar Stock Exchange may drive investments on the isles significantly, as they provide a localized and contextualized investment opportunity.



Financial Usage



3F FINANCIAL SERVICE CONSUMER SATISFACTION

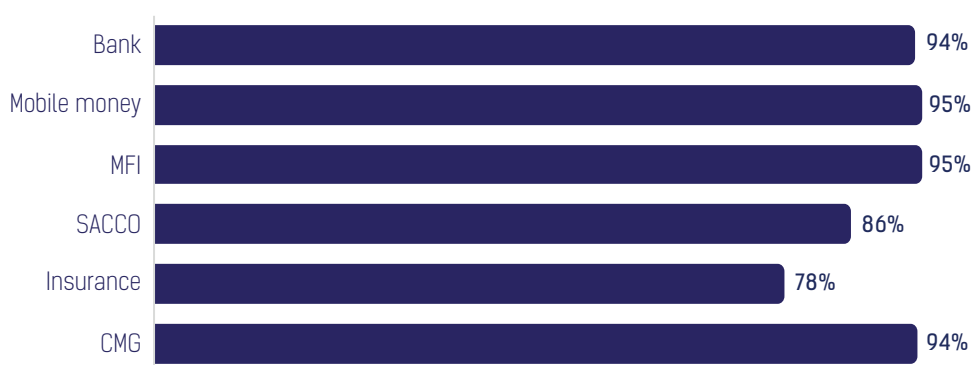
This section briefly unpacks key financial service consumer satisfaction indicators, which are paramount to ensure continuous usage of formal financial services and can amplify referral and recommendation-driven uptake and usage of these services.

FINDING 33

Majority of customers are satisfied with product/service market fit

Chart 32: **Products and services meet financial needs**

Base: Only Zanzibaris using the respective service



Source: FinScope Tanzania 2023 (March-April 2023)

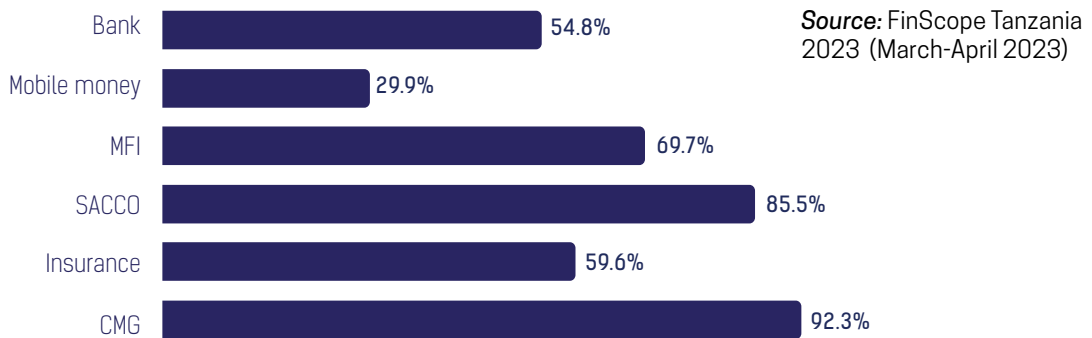
Overall financial service users feel that the products available meet their needs. Only insurance products indicate lesser consumer satisfaction which is mainly linked to the fact that the products currently available in the market do not align with Islamic insurance principles, as further in-depth interviews with consumers revealed.

FINDING 34

Member-led FSPs (i.e. CMGs and SACCOs) whose services consumers **perceive as more reasonably priced**

Chart 33: **Have reasonable fees and charges**

Base: Only Zanzibaris using the respective service



Although general satisfaction is high, the cost of services remain a concern, with only 3 in 10 mobile money users claiming the charges are reasonable. Even among bank customers, only slightly more than half (55%) confirm that they feel the cost and charges are reasonable. Such perceptions can heavily affect frequent usage, especially daily usage or usage for small-scale transfers/payments. Member-based organizations, such as CMGs and SACCOs, have increased consumer satisfaction when it comes to charges as their rates and fees are set in consultation with members.

Consumers appear cost sensitive but overall usage recency has increased significantly since the last FinScope. In 2017 only 4 out of 10 financial service users in Zanzibar were accessing their financial services within the past 30 days. Now 84% of financial service users in Zanzibar used mobile money in the past 30-days and 70% of banking service users (past 90-days usage is reported at 94% for mobile money users and 83% for banking users).

It is, however, important to note that less affluent segments, especially in the rural areas, have not seen such a strong increase in recency.

Conclusion



The FinScope Tanzania 2023–Zanzibar Report set out to provide key demand-side insights on developments in comparison with the FinScope Tanzania 2017–Zanzibar Report, national trends from 2023 and regional comparisons for all five regions in Zanzibar.

In doing so, it has shed light on the financial behaviors and needs of Tanzanian adults aged 16 and older that lived in Zanzibar at the time of the survey. It provides a reliable measure for the demand and usage of financial services across population segments. It has been used to inform the assessment of the NFIF II (2018-2022) and the formulation of the NFIF III (2023-2027), as well as offer a temperature measure along the path towards the implementation of the FSDMP (2020/21-2029/30). Further, FinScope Tanzania 2023 highlights areas of opportunity and gaps that can be picked up by policy makers, regulators and innovators in the sector to foster the development of evidence-driven policy and regulatory and solution design.

The analysis, building on the NFIF’s value creation map for financial inclusion, outlines that previous key access barriers are slowly diminishing as key access enablers increase: proximity to a financial access point increased from 95% to 100%; access to a National Identification Number (NIN) remained high (74%); ownership of a mobile phone (increased from 73% to 86%), access to internet (increased from 39% to 52%) and smartphones (increased from 24% to 39%). However, it is important to point out that youth under the age of 18 are still excluded from having a NIN.

Further, uptake has increased significantly with 78% of respondents in Zanzibar having taken up mobile money services versus 38% in 2017 and 25% have banking services versus 15% in 2017, exceeding the national average on both measures. Moreso, a significant decline of financial exclusion was observed with only 12% of Tanzanians still excluded compared with 43% in 2017, again positioning Zanzibar below the national average which is a tremendous achievement for the sector. Although success seems evident, not all population segments have seen this equally. Those aged 16-24 remain a key excluded group, which, paired with their mainly occasional income sources such as casual labor/piece work, makes them more volatile to financial shocks.

Although uptake of mobile money has significantly contributed to the increase of formal financial inclusion in Tanzania, usage remains a key concern. The recency of usage (past 90 days), especially among rural population segments, remains below average and dissatisfaction with cost for mobile money and banking services keeps driving consumers towards cash. The predominant financial sector use

case remains remittance (47%). Other financial intermediary services, such as formal credit (12%) and formal savings (31%) remain low. And formal payments (excluding school fee payments) are at 34%, with only 17% using them regularly at least once a month.

FinScope Tanzania 2023–Zanzibar Report outlines the current financial sector demand-side development constraints and provides relevant insights and information to support Tanzania’s financial sector players in reaching the next frontier. This unfolds through the need for universal access and leaving no one behind; strengthened sub-sector development, especially for merchant payments; social protection and investment; and a need to shift from trial and awareness towards uptake and usage.

The sector players, public and private alike, are challenged to utilize the evidence generated to increase uptake of services, such as insurance, pension, formal investment vehicles, and the regular usage of digital payments. Further, the report has offered qualitative insights, which can be picked up by academia and market researchers. It has also highlighted where further deep-dive analysis should occur to enhance these insights further.

Both structural and behavioral shifts are needed to address remaining barriers to financial inclusion and achieve increased quality of service delivery and customer satisfaction. This ultimately increases the financial sector’s value for respondents in Zanzibar and its contribution to economic growth and well-being.

CORE IMPLEMENTING PARTNERS:



OTHER TECHNICAL COMMITTEE MEMBERS:



