FOCUS NOTE

TANZANIA'S FINANCIAL ECOSYSTEM AND THE NEED FOR DEEPENING THE INCLUSION OF WOMEN AND YOUTH

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Published;
June 2024

FSDTanzania
Beyond Access

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Introduction

Globally, approximately 1.7 billion adults worldwide remain 'unbanked,' with women disproportionately represented among them [1]. Researchers have extensively studied the opportunities and barriers for women and youth in accessing financial services.

Recent studies in Africa have shed light on their financial marginalization and efforts to bridge these gaps by stakeholders, such as financial service providers, policymakers, and development partners.

Women and youth play crucial roles in any nation's socioeconomic advancement. Financial inclusion and access to financial services would enable investments in their health, education, and entrepreneurship[2]. This would improve their ability to contribute productively to development. Conversely, neglecting to build an ever increasingly inclusive economy has previously had lasting detrimental effects on productivity, earning potential, and contributions to broader developmental goals like poverty alleviation.

Policymakers and regulators recognize the pivotal role of women and youth as drivers of economic growth. They have therefore consistently sought to foster a conducive regulatory environment for financial service providers to provide products and services, while also expanding opportunities for consumers to access and utilize them for enhancing their livelihoods.

1. Findex, 2017.
2. Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., and Hess, J. (2020) "The global Findex database 2017: measuring financial inclusion and opportunities to expand access to and use financial services". The World Bank Economic Review, 34 (Supplement_1), pp. S2-S8.

As such, Tanzania has witnessed remarkable advancements in financial inclusion, escalating from

65% → 76%

in 2017 in 2023

(FinScope Tanzania, 2023)

However, according to the data,

18.7%

of adults in Tanzania (11.8% in Zanzibar) remain financially excluded, with the majority residing in rural areas (77%) and more than half (51%) being youth between the age of 16 to 25 years (FinScope Tanzania, 2023).

This evidence indicates that prevailing financial policies, regulations, products, and services inadequately address the needs and preferences of women and youth, necessitating a reevaluation of the financial sector ecosystem's offerings to rural women and youth markets.

Technological advancements in financial infrastructure, products, and services present opportunities for enhancing financial inclusion among women and youth. Financially marginalized last-mile consumers should be offered products and services at minimal costs and with easier access for use. Evidence indicates that digital technology could significantly advance financial inclusion by facilitating access and utilization of accounts for various transactions, including Person to Person (P2P), Person to Business (P2B), and Business to Business (B2B) transactions.

In addition, the more efficient leveraging of client information systems could facilitate the provision of digital credits and the establishment of collateral registries.

However, although technological innovation has helped improve access to the usage of financial services, there remain knowledge gaps in understanding the impact of technology on quality and welfare. For example, a persistent gender gap in mobile ownership persists across low- and middle-income countries, with women being 7% less likely than men to own a mobile phone [3]. Moreover, barriers to mobile phone ownership are linked to affordability, literacy and digital skills and safety and security [4].

Prior studies (FinScope Tanzania 2009; FinScope Tanzania 2013; FinScope Tanzania 2017; FSDT, 2017) outlined Tanzania's financial inclusion landscape, but did not focus on the financial sector's role in providing inclusive services for women and youth.

This Focus Note seeks to present the findings and recommendations of a deep-dive study conducted by the Financial Sector Deepening Tanzania (FSDT), who commissioned KPMG, on Tanzania's financial sector and the challenges facing women and youth for financial inclusion and economic empowerment.

The study investigated the financial sector ecosystem in Tanzania, documenting trends, opportunities, constraints, and drivers among financial sector actors in providing services and products to women and youth. The study took a market systems development (MSD) approach to examine demand-side constraints and the preferences of women and youth and assessed the supply side availability of suitable financial services and products for the target segment. It also looked at the financial sector rules and regulations and how they enable access to formal financial services. This focus note primarily focuses on the supply side and regulatory and policy findings of the deep-dive study and triangulates them with the recent FinScope Tanzania 2023 findings.

3. GSMA (2022) The Mobile Gender Gap Report 2022
4. GSMA (2022) The Mobile Gender Gap Report 2022

02

Tanzania's Financial Ecosystem

The street vendor sub-sector still experiences gender-based issues. Women engaging in business activities often face obstacles related to family duties, such as childcare and household management. This restricts their ability to grow their businesses.

Its core includes banks, mobile money providers, microfinance institutions, insurance companies, and investment firms providing diverse financial services. Further, regulators ensure stability and consumer protection. Customers interact with institutions to meet financial needs. Mobile money providers and fintech firms drive innovation and digital transformation, enhancing efficiency and customer experience.

Professional service providers offer expertise in compliance and risk management. Market infrastructure, like stock exchanges and payment systems, ensures transparent transactions. Collaboration, innovation, and regulatory compliance re vital for economic growth and risk management. The effective operation of a financial ecosystem supports economic activities and provides essential services to individuals, businesses, and governments.

FIGURE 1: OVERVIEW OF TANZANIA FINANCIAL SECTOR

Financial Service Providers

- *Commercial Banks*
- *Development Finnance Banks*
- *Microfinance & Community Banks*
- *Capital Markets (DSE, TMX)*
- *Mobile Financial Service Providers*
- *Social Security Schemes*
- *Insurance Companies & Brokers*

Policymakers and Regulators

- *Parliamentary Committee*
- *MoFP, PO-RALG, MoCDGWS,MoIT*
- *PMO-MoLEYP, MIIT, MoALF*
- *BOT, TIRA, CMSA, TCDC*
- *Government Agencies (SIDO, TVET)*

Users

- *Consumers (Women & Youth)*
- *Merchants*
- *Businesses*
- *Government*
- *NGOs, DP, others*

Non-Banks Financial Institutions

- *MFI (Non-deposit taking)*
- *SACCOS*
- *CMG*
- *Leasing Companies*
- *Fintechs*
- *Mobile Financial Service Providers*
- *Credit reference Bureaux*
- *Payment System Providers*
- *Guarantees and Investment Funds*

Partnership and Networks

- *Development Partners*
- *Development Agencies & UN Agencies*
- *Local and Intl NGOs*
- *Programs - Initiatives*
- *Incubators and Accelerators*
- *Colleges and Universities*
- *Training Institutions*
- *Private Companies*
- *PSO and CBO*

Women and Youth Economic Empowerment Financial Inclusion

Financial Infrastructure Readiness

- *Technical system to enable financial system to allocate resources (savers and borrowers)*
- *Technology*
- *Payment Systems*
- *Climate Information Systems (Credit & collateral)*
- *Communication Networks (Data & Voice)*
- *Energy Infrastructure (Availability of electricity & solar energy)*
- *National identity System*

Enabling Environment

- *Regulatory, supervision and standard setting (national, regional and international)*
- *Regulators*
- *Economic Empowerment Policies & Strategies*
- *Financial Inclusion Policies abd Strategies*
- *Financial Inclusion Policies & Strategies*
- *Regulatory Bodies*
- *Partnerships and Engagement Models*

In Tanzania, the financial sector includes banking, microfinance, insurance, capital markets, social security, and digital financial services (DFS)/mobile money providers. Banking dominates the market in terms of asset holding accounting for over 70% of assets. The Bank of Tanzania (BOT) regulates banks, microfinance, bureaux de change, and payment service providers/ electronic money issuers. It implements monetary and exchange rate policies, issues currency, and focuses on maintaining price stability by managing the money supply to control inflation. The goal is to sustain a low and stable inflation rate over time. BOT's mandate covers various financial institutions, ensuring stability and effective monetary management in the country's economy.

Tanzania's financial sector comprises demand-side users (consumers, businesses, government agencies, and non-profit organizations) seeking financial products and services, and supply-side providers (banks, licensed financial institutions, and non-bank financial institutions [5]) delivering them through various channels (branches, ATMs, mobile units, internet banking, etc.). Financial infrastructures facilitate transactions, while government policies ensure accessibility, affordability, and safety. Collaboratively yet competitively, the financial sector ecosystem in Tanzania aims to provide value to its customers.

5. Insurance, Capital Markets, Social Security Schemes, Microfinance, FinTech, Mobile Financial Service Providers, Payment System Providers, financial leasing companies, development banks, mortgage finance institutions, credit reference bureaus.

FIGURE 2: UNDERSTANDING OF THE FINANCIAL SECTOR MARKET SYSTEM THROUGH AN MSD LENS

2.1 Financial service providers (FSPS)

The interlinkage between formal and informal financial services encompasses the connections and interactions between regulated financial institutions (formal sector) and unregulated or non-traditional financial providers (informal sector). These sectors often complement each other in meeting the financial needs of individuals and businesses.

The informal sector offers accessible services in areas lacking formal banking infrastructure, serving as a vital safety net during economic shocks. Formal financial institutions offer stability with services like savings accounts and insurance but stricter requirements. Bridging gaps between these sectors promotes financial inclusion, though regulation and consumer protection challenges persist. Collaboration among stakeholders can optimize both formal and informal services to meet society's diverse financial needs effectively.

Collaboration

Partnerships among financial service providers, development partners, mobile operators, and fintechs boost financial inclusion and development. Global initiatives like the G-20 Global Partnership for Financial Inclusion (GPFI) and the Alliance for Financial Inclusion aid knowledge dissemination. In Tanzania, frameworks like the National Financial Inclusion Framework (2018-2022) and programs like the Kigoma Joint Programme highlight the importance of partnerships. These collaborations drive the financial ecosystem, enhancing inclusion, broadening access, fostering innovation, sharing data, creating opportunities, and ensuring compliance. Leveraging sector strengths, they provide tailored services, benefiting underserved groups like women and youth, nurturing financial ecosystem growth and development.

2.1.1 BANKS

The banking sector accounts for about 70% of the Tanzanian financial system, in terms of asset holding [6]. There are 45 banking institutions in Tanzania -- 34 commercial banks, four microfinance banks, five community banks, and two development banks -- operating a network of 969 branches highly dominated by large banks [7]. About half these branches are concentrated in the major urban centres of Dar es Salaam, Arusha, Mwanza, Dodoma, and Moshi [8].

Banks offer a range of transactions, payments, savings, credit, and insurance products needed by individuals, businesses, government, and non-government institutions. There is a noticeable increase in banks' interest in offering credit and savings products and other services tailored to women and youth. However, out of 34 banks, products intentionally positioned for the target segments can only be found in 19 for women and only 13 for youth. Even fewer offer products to women and youth in rural areas where agriculture is the main activity. To increase their footprints, banks have adopted agency banking, digital financial services and various linkages with CMGs to expand their footprints and deepen access to and use of financial services.

Banks' participation in driving financial inclusion, particularly for women and youth, is still low, especially in rural areas. This is due to limited sector-specific knowledge, insufficient capacity to develop innovative products, risk averseness, strategic decisions (mainly due to lack of business cases to operate in rural areas), and unavailability of financial instruments to mitigate risks sufficiently.

6. BOT, 2021
7. CRDB, NMB, NBC, TCB, and Exim
8. BOT, 2021

2.1.2 MICROFINANCE INSTITUTIONS

Microfinance plays a crucial role in financial inclusion, particularly for women, youth, and marginalized groups, by providing credit solutions with minimal requirements (NFIF, 2018). For instance, in 2018, nearly 4 million people were served by SACCOS (Tier 3 MFIs), and 1.9 million were served by Tier 1 and 2 MFIs (UNCDF, 2022). In Tanzania, microfinance institutions (MFIs) are organized into four tiers:

TIER 01	Includes deposit-taking MFIs (Microfinance Banks);	5 registered [9]
TIER 02	comprises non-deposit-taking MFIs;	760 registered [5]
TIER 03	consists of SACCOS;	533 registered [10]
TIER 04	encompasses community microfinance groups;	15,746 registered [5]

9. As of March 2022.
10. The Tanzania Cooperative Development Commission (TCDC) reported 533 registered SACCOS as of September 2021 (TCDC, 2021).

2.1 Financial service providers (FSPS)

To address operational challenges and enhance governance, transparency, and technological innovation within the microfinance sector, Tanzania revised its Microfinance Policy in 2017 and enacted the Microfinance Act in 2018 (URT, 2017). These measures aim to increase the sector's contribution to financial inclusion by introducing credit information systems, industry standards, and professionalism, especially for women and youth . Initiatives targeting women, such as the Mennonite Economic Development Associates (MEDA) partnership with Mwanga Hakika Microfinance Bank Limited (MHB), have been piloted in Kilimanjaro and Dar es Salaam to improve access to asset financing.

But there are still challenges in reaching the poorest households and addressing the specific needs of women and youth [11]. Stringent prudential requirements, compliance costs, weak institutional capacity, and limited technological advancements hinder MFI outreach and responsiveness to diverse clientele [12].

2.1.3 FINTECH

FinTech, a rapidly evolving sub-sector of financial technology, serves as a hub for innovation, filling gaps left by traditional FSPs. In Tanzania, there were about 33 FinTechs in 2021 (UNCDF, 2021). These entities leverage cutting-edge technological advancements, such as distributed computing, artificial intelligence and big data, to deliver a diverse array of services. Over the past decade, Tanzania's FinTech sector has burgeoned, welcoming numerous start-ups who offer expanded product and service portfolios to financial institutions, individuals, and businesses (UNCDF, 2021). Regulatory reforms in the payment sector and government initiatives focusing on information and communication technology have helped to fuel this growth.

Yet, despite FinTech's pivotal role in fostering financial inclusion, it faces constraints like limited access to affordable talent in business and information technology, as well as insufficient capacity-building programs and start-up capital. Efforts to address these challenges are underway, including initiatives like UNCDF's Pesatech accelerator, or the UNDP Funguo Innovation Programme, aimed at nurturing Tanzanian innovators and entrepreneurs. The government's 10-year Digital Tanzania Programme also seeks to enhance the country's digital ecosystem and connectivity, fostering a conducive environment for FinTech innovation.

2.1.4 MOBILE FINANCIAL SERVICES PROVIDERS

The mobile financial service sector operates within the regulatory framework established by the National Payment Systems Act, No. 4 of 2015; the Licensing and Approval Regulations of 2015; and the Electronic Money Issuer Regulations of 2015. As of June 2022, Tanzania had 37.4 million mobile financial services subscriptions [13]. Major players include:

Vodacom'sM-Pesa
39%
Market Share

Tigo Pesa
26%
Market Share

Airtel Money
22%
Market Share

HaloPesa
9%
Market Share

T-Pesa (by TTCL)
4%
Market Share

11. UNCDF (2022) Accelerating MFIs Integration into an Inclusive Digital Economy, "Tanzania Case Study".
12. UNCDF (2022) Accelerating MFIs Integration into an Inclusive Digital Economy, "Tanzania Case Study".
13. TCRA, 2022

2.1 Financial service providers (FSPS)

Mobile financial services are used to primarily facilitate money deposits, withdrawals, and person-to-person transfers. Now, they have expanded to services such as purchasing goods and accessing credit, savings and insurance. Examples include Vodacom's Songesha overdraft facility, M-Pawa short-term loan and Mkoba group savings platform, and Tigo's Tigo-Nivushe short-term loan, Tigo-Kibubu savings platform and Bima Mkononi insurance services.

Studies indicate that mobile financial services have significantly enhanced financial inclusion, particularly for women and youth in rural areas (FinScope Tanzania 2023; Findex, 2017). Consequently, there remains considerable potential for mobile financial services to further drive financial inclusion in rural regions by offering insurance and banking services and facilitating cashless transactions such as P2G, P2P, P2B, and cross-border transactions.

2.1.5 OTHER FINANCIAL INSTITUTIONS

A number of other non-banking financial institutions are present in Tanzania: Social security schemes, governed by the Public Service Social Security Fund Act No. 2 of 2018, aim to provide economic security, healthcare, and benefits. The Public Service Social Security Fund (PSSSF) serves public servants, while the National Social Security Fund (NSSF) covers private sector employees (PSSSF, 2018).

Despite various initiatives targeting low-income earners in informal economic segments, including women and youth, enrollment of informal workers remains negligible due to various reasons such as affordability concerns [14] , low levels of planning for old age (according to FinScope Tanzania 2023 only 7 in 10 Tanzanians 55 years or younger have retirement plans) and more attractive alternative retirement strategies.

Capital Markets

Capital markets, regulated by the CMSA under the Capital Markets and Securities Act, facilitate securities issuance (CMSA, 2022), including fixed-income securities, equities, collective investment schemes, and real estate investment trusts. The DSE lists 28 companies across sectors like banking and telecommunications (DSE, 2022) and has the Enterprise Growth Market (EGM) segment to support SMEs (DSE, 2013).

Insurance

Insurance, regulated by TIRA under the Insurance Act no. 10 of 2009, operates with 21 licensed companies offering general and life assurance products (TIRA, 2022). The government aims for 90% health insurance coverage by 2030 (TIRA, 2021), yet insurance penetration remains low across the country, leaving in particular youth uninsured due to their higher levels of mobility and their transformation from being part of their "origin" family to starting out their own life.

Leasing companies

Leasing companies provide equipment financing without collateral and large upfront cash deposits, guided by the Financial Leasing Act 2008 and the Banking and Financial Institutions (Financial Leasing) Regulations 2011. As of 2022, three companies operate in this sector (BOT, 2020), contributing to financial inclusion by using leased assets as collateral. However, limited market knowledge and adequate product structuring in terms of repayment modalities hampers their potential to serve women and youth.

Mortgage companies

Mortgage companies like the Tanzania Mortgage Refinancing Company (TMRC) and First Housing Finance (Tanzania) Limited provide liquidity for mortgage lending. Though demand for housing is high, especially among low-income earners, barriers like high-interest rates and lack of affordable housing limit mortgage market participation in driving financial inclusion for women and youth (CAHF, 2022).

14. Lambin, R. and Nyyssöl, M. (2022) Exploring social policy trajectories in Mainland Tanzania. WIDER Working Paper. [Once this was edited for author last name first, it needs to be reordered in this list, starting with L, not M]

2.2. Financial Inclusion And Deepening

The Bank of Tanzania (BOT), in collaboration with the Government, has been addressing structural weaknesses and barriers hindering access to financial products and services. In 2021, an accommodative monetary policy was implemented to lower the cost of funds and lending rates, resulting in increased credit growth to the private sector.

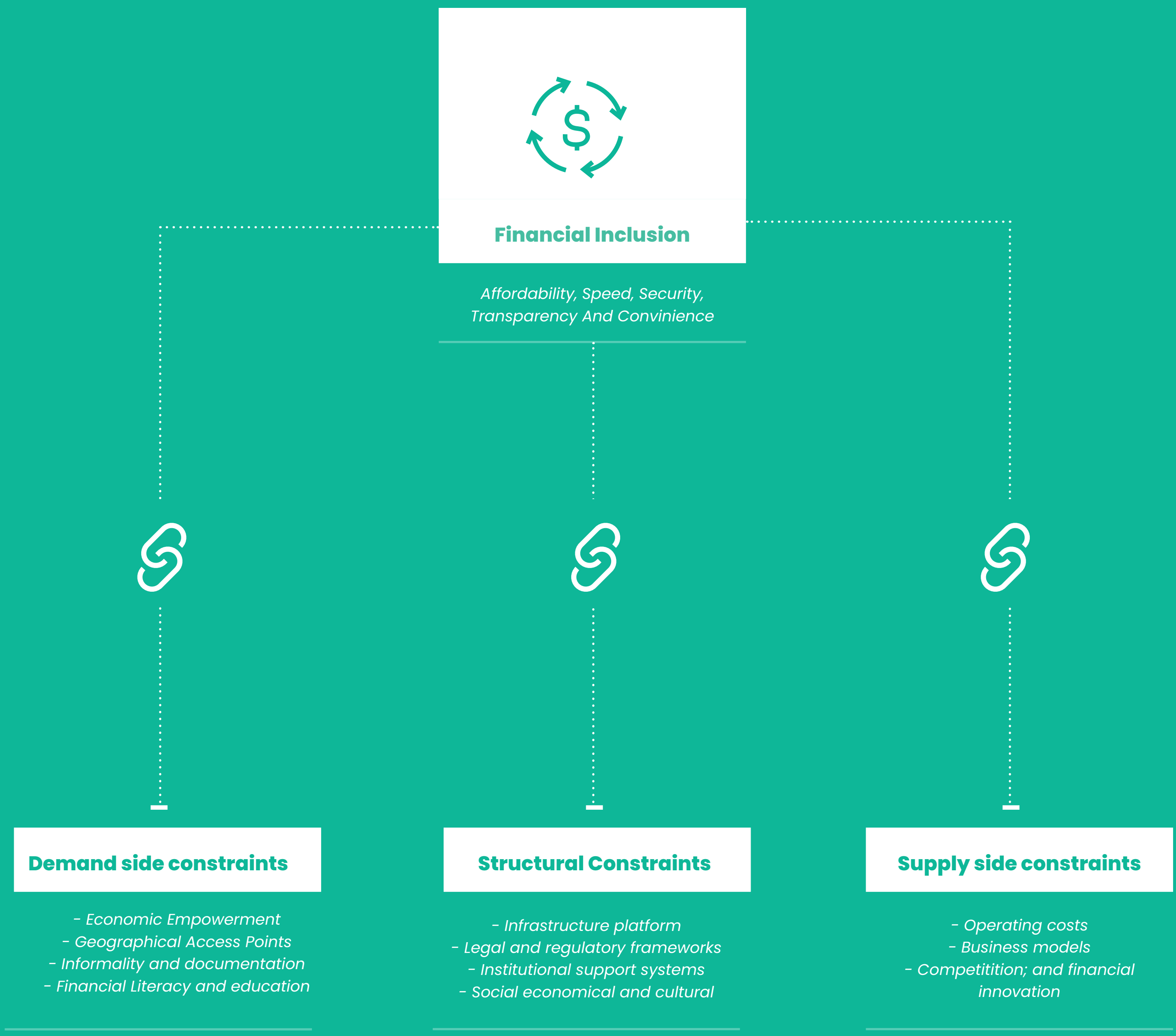
The ratio of money supply to GDP rose to 22.4% from 20.1%, and bank credit to the private sector as a percentage of GDP slightly increased to 13.9%. Despite these improvements, FinScope Tanzania (2023) reports that 76% of adults are formally included, yet 82% still rely on cash to receive their income and make common payments such as airtime (87%), pay rent (93%) or pay for groceries (98%).

Moreover, 5.7% solely use informal financial services, while 18.7% remain fully excluded, primarily rural residents, smallholder farmers and youth between 16 to 24 years of age.

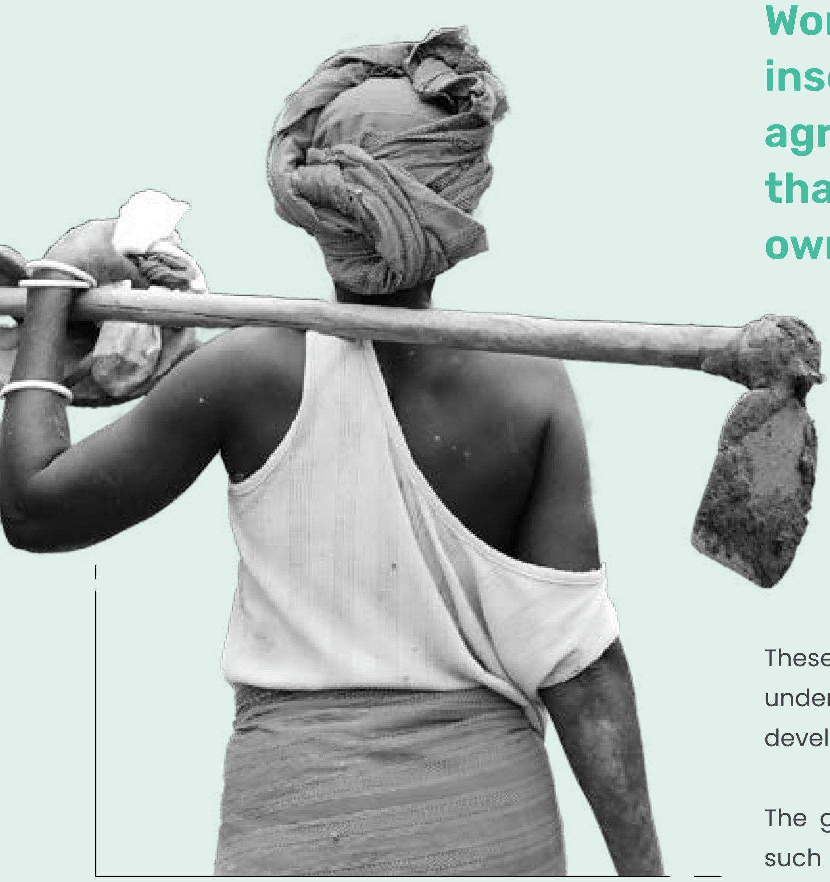
FinScope Tanzania 2023 indicates that the formal financial inclusion gender gap has narrowed from 10%-points in 2017 to 3%-points in 2023. In addition, a significant decrease in female exclusion from 30% in 2017 to 19.4% in 2023 needs to be noted. Nonetheless, the banking gender gap has remained more or less the same, with about 9%-point more men being banked compared to women. This indicates a less deepened financial service penetration among women than among men which can be attributed to factors like financial illiteracy, inappropriate services, lack of movable collateral registries, rural infrastructure limitations, high lending rates, cultural norms, and limited mobile phone ownership. These challenges significantly impede the financial inclusion of women and youth in Tanzania.

2.2. Financial Inclusion And Deepening

FIGURE 1: FINANCIAL INCLUSION



(SOURCE: MAUREEN ET AL. (2021))



WOMEN

Tanzania's economy has shown remarkable growth in the past decade, yet significant gender disparities persist in economic participation and income.

Women often occupy low-wage, insecure jobs [15], particularly in agriculture, where they earn less than men and have limited land ownership rights [16].

These disparities hinder their access to financial services, undermining their role in poverty reduction and economic development.

The gender gap in financial inclusion is driven by factors such as low educational attainment, early marriage, limited reproductive agency, and customary land tenure practices. Additionally, women face barriers such as low financial literacy, lower earnings, limited savings, and inadequate access to collateral like land. Addressing these challenges requires targeted interventions to improve women's access to education, reproductive health services, land ownership, and financial literacy. Moreover, designing financial products tailored to women's needs and expanding their access to collateral sources are crucial steps toward closing the gender gap in financial inclusion and unlocking the full potential of women in Tanzania's economy [17].

15. (Idris, 2018).
16. This factor is influenced by the ambiguity and confusion from overlapping customary and statutory legal systems influential members of society.
17. (Maureen et al., 2021).

2.2. Financial Inclusion And Deepening

YOUTH

FinScope Tanzania 2023 reports that 31% of Tanzanian Youth aged 15-24 and 17% aged 25-35, are excluded from the financial system. Rural youths aged 16 to 24 are the most excluded, primarily due to accessibility, awareness, and affordability issues.

Economic empowerment through skills, entrepreneurship, and enterprise development is vital for youth financial independence and job creation [18].

In Tanzania, 47% of MSME owners are under 35 [19] , yet many face hurdles accessing financial products for productive investments. Challenges include stringent KYC requirements, high transaction costs (interest rates, processing, and facility fees), limited tailored financial solutions, and information asymmetry due to high enterprise informality. Addressing these constraints is crucial for fostering youth participation in the financial system and supporting their entrepreneurial endeavors for sustainable economic growth.

18. (De Gobbi, 2014; Sukarieh & Tannock, 2008).
19. (URT, 2020).

2.3. Factors Shaping The Future Financial Ecosystem

Several emerging trends and issues are reshaping the future of the ecosystem:

FinTech Innovation

FinTech disrupts traditional services, offering innovative solutions via mobile apps, blockchain, and AI. Personalized financial products, open banking, and FinTech integration into traditional institutions are expected to continue. Though promising the FinTech sector in Tanzania remains heavily screwed towards money transfer and payment applications as well as digital short-term credit solutions, which leaves room for more innovation.

Digital Transformation

Consumers demand seamless digital experiences, driving financial institutions to invest in platforms, mobile banking, robo-advisors, and chatbots. Future strategies will emphasize customer-centric approaches and emerging tech like machine learning and biometrics. As much as DFS has been driving financial inclusion in Tanzania for the past decades, rapid digital transformation always also bears risks, such as the increased gap between those digitally included and those excluded, which in Tanzania may drive a deeper rift for women and youth.

Regulatory Challenges

Regulators adapt to new technologies, updating frameworks for cybersecurity, data privacy, and consumer protection. FinTech and traditional institutions must comply, necessitating collaboration to balance innovation and risk management. Tanzanian regulators appear up to the challenge with various initiatives ongoing to develop regulatory sandboxes that provide room for development of enabling regulation and facilitating test and learn environments for regulators to ensure adequate consumer protection while supporting innovation.

Data and Analytics

Data insights drive customer behavior, risk management, and personalized offerings. AI and machine learning analyze data for informed decisions, requiring robust governance, privacy, and ethical practices.

Cybersecurity and Financial Crimes

Digitization heightens cybersecurity risks and financial crime threats. Investments in robust security measures and collaboration between stakeholders are critical to combat evolving threats effectively.

Impact Investing

Technology expands access to underserved populations, while impact investing promotes social and environmental outcomes alongside financial returns, fostering sustainable practices. This is further strengthened by the increased emergence of local investment networks that support start-ups not only through cash injections but more so through mentorship and networks.

Climate Finance and Risks

Addressing climate-related challenges is crucial for resilience. Financial institutions, regulators, and consumers must adapt to these trends, embracing innovation for an inclusive, technologically advanced future.

03
Research methodology and objectives

The study utilized a market system development approach to examine demand-side factors (focusing on women and youth), supply-side actors (financial service providers), regulations (policymakers and regulations), and support functions (infrastructure and partnerships). Methodologies included literature reviews, interviews, consultations with stakeholders, and focus group discussions.

Different financial inclusion stakeholders were targeted: Financial Service Providers, Policymakers, Development Partners, Local Government Authorities (LGA), women and youth (young men and women). The survey selected women and youth from 17 districts of Tanzania's mainland and five districts in Zanzibar – mostly based on the districts' financial exclusion level based on results from FinScope Tanzania 2017.

The study collected data from 18 banks, 120 microfinance institutions, 5 FinTech companies, 1 insurance broker, 2 mobile money operators, three regulatory bodies, 11 government ministries and agencies, and 16 development partners, including development agencies, local and international non-government organisations (NGOs). The study also conducted 97 focus group discussions (80 women groups and 17 youth groups) covering approximately 1,000 people. The respondents were selected from 17 districts of Tanzania's mainland and 5 Districts in Zanzibar. Districts were chosen on the basis of financial exclusion levels using data from FinScope Tanzania 2017.

In addition to the general objective of assessing the financial ecosystem in Tanzania, the study also had a number of specific objectives:

Consumers' needs and wants

Inherent constraints, and social and structural factors influencing or incentivising women and youth to access and use financial products and services.

Partnerships or networks

Roles played scope, interventions, location, target group, incentives, and challenges.

Initiatives or campaigns aimed at financial capability, behavioral change in women and youth, and opportunities to scale up these initiatives or campaigns.

Financial products and services

Provide insights that will feed into innovation in the financial sector, including consumer feedback on the products/services and gaps and FSP feedback on outreach and potential for scale.

Develop a registry of all financial products and services, including their providers.

Legal and regulatory framework

Policies, laws and regulations, and how they support or affect the delivery of financial products and services to women and youth.

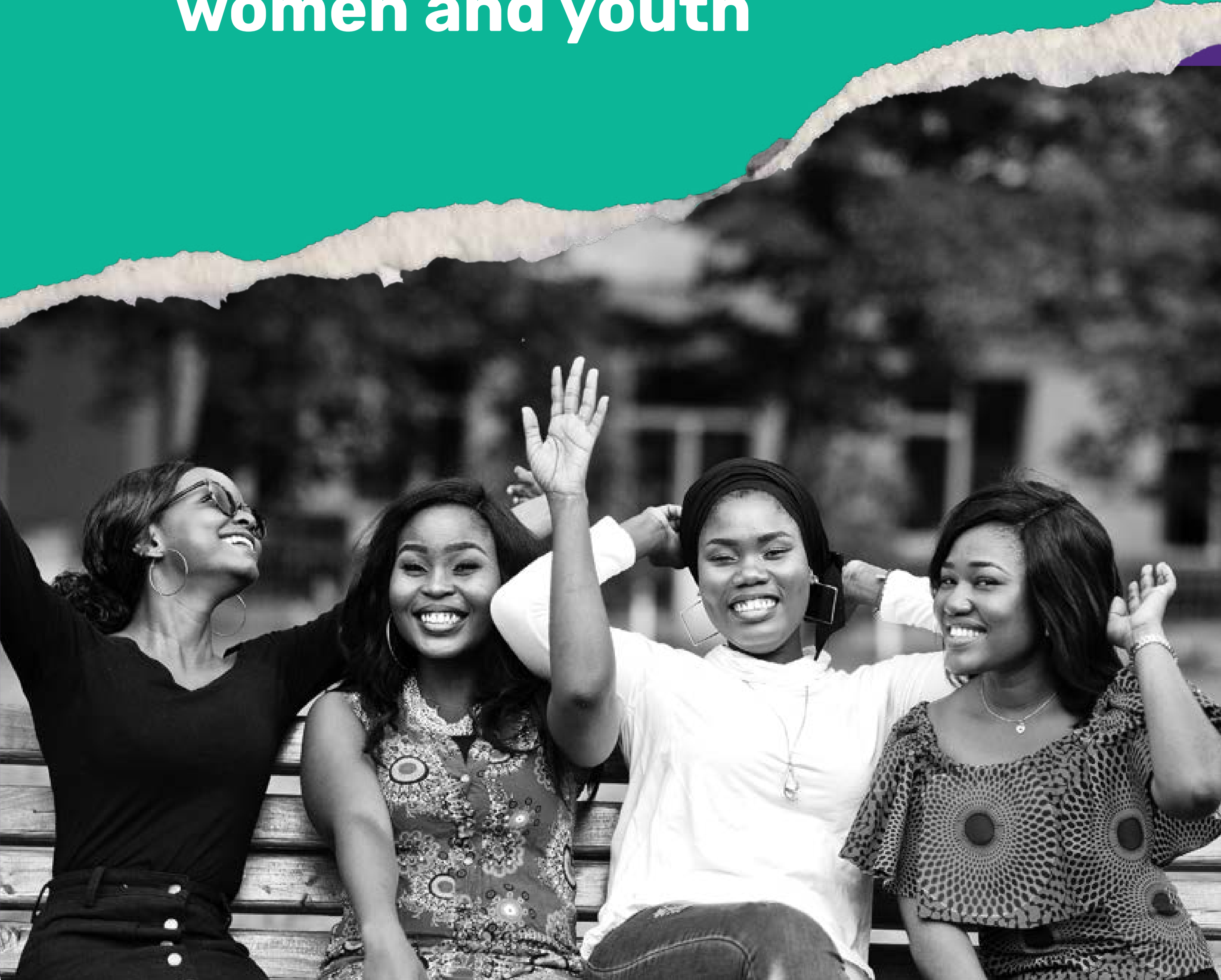
Financial sector infrastructure

How infrastructure equips the financial sector players and other stakeholders in meeting the needs and aspirations of women and youth markets.

04

Findings:

Challenges and opportunities for financial inclusion of women and youth



4.1. Demand For Financial Services

Needs and wants

The study revealed that the majority of respondents require loans or credit products to manage their cash flow for personal and business needs, with 92% expressing a need for low-interest financial options (FinScope Tanzania, 2017). Specifically, 83% of respondents reported that loans helped grow their income, while 79.8% stated that loans facilitated business expansion and productivity. This reflects the reliance on loans among Tanzanians, where 44% regularly borrow to manage cash flow. The demand for loans is particularly high due to the unreliable income sources, with 44% earning from trading activities, including seasonal farming (FinScope Tanzania, 2023).

Access to and use of financial products and services

The study found that for daily transactions, most respondents prefer using current accounts through bank branches or mobile money wallets. Specifically, 72% use current accounts primarily, with fewer opting for savings accounts. This aligns with Global Findex 2017, where 59% of women and 56% of youth in developing economies have bank accounts, reflecting the importance of current accounts for receiving salaries, government payments, and remittances. Regarding preferred channels, 51% favor bank branches over mobile money and bank agents (30% and 26%, respectively). Challenges like transport costs (71% of respondents) and digital financial literacy (10%) influence channel usage.

Influences on access and use

Various factors impact access and usage of financial products and services, including income levels, transaction costs, convenience, and awareness. High fees on transactions and credit accounts, along with indirect costs like transport expenses to branches or cash points, hinder accessibility. Low-income levels and limited product knowledge further compound these challenges (BIS and World Bank, 2016). Interviews reveal 76% prioritize low costs, 27% emphasize financial literacy, and 14% cite transaction costs as key determinants for accessing and utilizing financial products and services.

Constraints on access and use

Women and youth face numerous hurdles accessing financial services. 34% encounter difficulties due to stringent procedures, while 27% lack knowledge. Proximity to bank branches hinders 21%, and 13% are deterred by high charges. Additionally, 12% struggle with low income and high-interest rates. These findings align with FinScope Tanzania 2017, which identified insufficient income, awareness, and high charges as barriers to financial access.

4.2. Constraints On Women And Youth Accessing Economic Opportunities

Limited investment capability

Women and youth indicated that they have limited investment capability due to a lack of capital, difficulty accessing loans, and insufficient loan amounts to facilitate investment or business start-up requirements. Likewise, women and youth lack land and appropriate technologies and equipment to expedite their business activities. Several challenges hinder financial service providers (FSPs) from investing in women and youth. One major issue is that guarantee schemes intended to facilitate loans typically cover only up to 60% of the loan amount, leaving a significant 40% risk uncovered. Additionally, the loans often have strict repayment terms with very short periods before the first repayment is due. For youth, the requirement for years of experience, which they often lack, is another barrier, indicating a need for project-based rather than individual-based financing.

Limited or lack of skills

Women and youth indicated that they lack vital entrepreneurial skills and financial literacy, which hinder them from exploring opportunities around them. Likewise, lacking these skills can impact the business's profitability, and delays or failure to repay loans affect other potential beneficiaries.

Socio-cultural norms

Socio-cultural norms, including gender roles and religious beliefs, vary from region to region. In more socially restrictive communities, economic opportunities for women may be limited due to traditional roles and less property ownership. . Dependency on men and parents – for both women and youth -- can hamper economic independence. Nevertheless, more recently examples are emerging of women and youth succeeding despite restrictive socio-cultural norms.

In Zanzibar, demand for Sharia-compliant services, offered by banks like Amana, CRDB, and PBZ, reflects religious influence. However, the absence of more complex services like takaful-reinsurance restricts financial inclusivity (Zaidi et al., 2018).

Unfavorable business environment

Some business environments, such as the business formalization process, limit women and youth from accessing potential economic opportunities. This includes long and complicated business registration processes, high costs of licensing, and lack of documentation and identifications.

Geographical analysis and trends

In many areas, constraints like capital, entrepreneurial skills, and strict collateral requirements limit economic access. Restrictive social norms are dominant in Mara, Kigoma, Pemba, and Unguja, while financial literacy challenges are evident in Mwanza, Kagera, and Mara. Lack of awareness and stringent requirements hinder financial service use, with bank proximity being an issue in Mtwara, Kigoma, Manyara, and Pemba, and low-income posing challenges in Singida.

Innovative financial solutions for women and youth

Financial service providers in the study offer various products targeting women, but fewer cater to youth. The study identified 37 innovative programs and products. Examples include the JASIRI Bond issued by NMB Bank to raise capital to provide loans to women-owned enterprises, Equity Bank's INUA savings account for women, and ECOBANK's Elevate account for women-owned businesses. Tanzania Commercial Bank offers a Tabasamu account for women, connected to Vodacom M-Koba for transactions. Tier three and four MFIs lack specific products but offer group loans for women and youth, addressing the challenge of stringent collateral requirements.

4.2. Constraints On Women And Youth Accessing Economic Opportunities

Among the 37 products, 51% target women, 35% target youth, and 14% target both. Though these products and solutions are positioned to target women and youth not all are actually adequately designed to cater the needs of the respective target segments as they fail to understand the realities of the target segments. In most cases this means that the products/solutions are marketed as a women or youth solution but dwelling deeper, in terms of a review of features it becomes fairly quickly evident that these solutions are not fit for purpose and hence fail to attract the anticipated consumer segments or see a high level of dormancy/ low performance shortly after initial uptake.

FSPs strategies or programs

Most FSPs have distinct strategies for women's markets, with 50% having a specific plan compared to 31% for youth markets. Tanzania Commercial Bank (TCB) recruits over 1,200 individuals through its Tabasamu Group Account. CRDB Bank offers a Malkia Proposition with bundled products for women, while ABSA Bank's SHE initiative includes individual desks for women's inquiries and gender champions in branches. These initiatives illustrate FSPs' commitment to addressing the needs of women. Such transformative strategies are mostly lacking for the youth market.

Channels used by FSPs to reach women and youth

FSPs employ various channels to engage women and youth, such as digital platforms, workshops, and direct sales. Tier two MFIs use street vendor leaders to extend reach. Tier three and four MFIs lack specific channels, relying on informal groups evolving into savings networks. These strategies address the unique needs of women and youth markets. Though digital solutions are the future the current women and youth digital access gap may further exclude these marginalized groups if no other alternative channels and points of aggregation are utilized to effectively engage and address the youth market.

Shortage of gender disaggregated data

Gender-disaggregated data is lacking among interviewed financial service providers, crucial for tailored products and policies for women. Microfinance institutions and SACCOs gather it more consistently than commercial banks, development banks, and fintechs. This inconsistency may result from limited guidance, operating systems, and awareness. Boosting awareness among ecosystem players about the data's value is vital, necessitating improvements in both skills and systems for effective collection and utilization. Even fewer FSPs have made it customary to report their customer data disaggregated by age groups.

4.3. Challenges For Fsps In Offering Solutions To Women And Youth

4.3.1 Institutional Factors

Limited access to financial resources

MFIs struggle to secure enough funding, hampering efforts to offer financial services to women and youth effectively. Limited funding constrains expansion.

Regulatory barriers

Regulations and policies often burden MFIs catering to women and youth, with strict licensing, capital, and collateral requirements hindering outreach.

Limited infrastructure

MFIs face challenges reaching rural youth and women due to infrastructure and mobile access issues, with high costs from sparse populations hindering branch establishment. These challenges impact delivery costs and undermine rural service provision viability.
Insufficient or out to date customer relation management systems and failure of adequate data capture upon client onboarding and respective updating procedures are a significant challenge to FSPs.

Limited human resources

Tier 3 MFIs lack skilled staff in credit risk and general management, hindering their operations and Sacco management.

Limited financial literacy and awareness

Limited financial literacy among women and youth hinders their engagement with MFIs. Lack of understanding of financial concepts makes them hesitant to access services fully. MFIs often invest in financial education programs to overcome this challenge.

Insufficient risk assessment tools

Tier 2 and 3 MFIs struggle due to a shortage of risk assessment tools for assessing the creditworthiness of women and youth. This results in higher perceived risks, leading to less favorable loan terms or hesitancy in offering financial services to these groups.
Further, a lack of alternative credit scoring tools and mechanisms limits most BOT regulated entities to the limited number of potential costumers that actually have a credit reference report at one of the existing CRBs; which due to existing CRB regulations is significantly screwed towards male and older population segments.

Lack of strategic drive

Some Tier 2 and 3 MFIs lack efficient business operations and financial resources to meet growing demands and regulatory requirements. This hampers product design and strategy, discouraging service provision to youth and women's markets.

4.3.2.Market Factors

Limited availability of national IDs

Research findings indicate challenges for women and youth in acquiring official IDs needed for bank or mobile money accounts, crucial for KYC. Many lack photo IDs, despite significant efforst to ensure wide spread roll out of National Identification Numbers (NIDA), only 57% of Tanzanians 18 years and older hold a NIN. While some banks accept voter cards, youth without them face barriers, particularly in tier-one microfinance institutions. However, tiers three and four MFIs often prioritize trust-based group lending over individual ID checks, offering leniency or exemptions.

4.3. Challenges For Fsps In Offering Solutions To Women And Youth

Information asymmetry

Customers get loans from FSPs. FSPs still require prospective customers to provide proof of a recognisable physical address, bankable business plan, and collateral, which remains a challenge for many adults in rural areas.

Lack of product awareness and knowledge

FSPs say they market their products through various media, but still experience low product uptake. The focus group discussions involving women groups in Zanzibar, Songwe, Songea, and Kasulu pointed out that this may be partly due to how the message is communicated and inadequate financial education.

4.3.3 Structural Factors

Policy and regulations

Regulatory compliance costs pose a major hurdle for FSPs, especially MFIs, serving women and youth. Tier two MFIs face interest rate caps on all products, limiting their ability to offer affordable options. Tier four MFIs must submit quarterly reports, maintain an office, and employ an internal auditor as per the Microfinance Act of 2019.

Limited enabling infrastructure

In certain regions like Kigoma, bank branches can be far, making effective network development costly and difficult. This challenge extends to mobile money and agency banking services, hindered by factors like network coverage and sparse populations in rural areas. Limited population densities make it hard for banks and mobile money operators to justify infrastructure investments, further limiting branch and agency banking expansion.

4.4. Opportunities to scale up financial services and products for women and youth

Commercial banks like TCB, NMB, ECOBANK, and CRDB offer specific products for women's markets, but awareness is low, especially in rural areas. Factors include product features, eligibility requirements, and distribution channels. To enhance inclusivity, banks should reassess products and collaborate with partners serving women and youth. Below-the-line marketing strategies can effectively reach these markets.

Many FSPs aim to enhance strategies and value propositions for women and youth markets via group accounts.

They favor group accounts for their accountability, reducing loan repayment risks and collateral requirements through joint liability and social capital aspects.

The study found that many community-based microfinance groups lack bank accounts, using insecure methods like wooden suitcases with multiple padlocks, leading to security risks and past financial losses. Digitizing savings group products by banks, MNOs, and fintech companies offers solutions. Banks can provide training and awareness, develop group-specific products, or collaborate with MNOs and FinTechs. Digitization enhances member experience, reduces meeting times, and improves record-keeping accuracy. For example, Tanzania Commercial Bank partners with Vodacom via the M-Koba platform. Other banks offering digitized savings group products include Banc ABC, NMB Bank (Pamoja account), and DCB Bank (VICOBA account). FinTech companies like mfuko Pesa and ECCOBA also offer digitized products for tier three and four MFIs.

05
Best practices, success stories in inclusive finance for women and youth

5.1. Best Practices

Women's Financial Inclusion Toolkit: The German Agency for International Cooperation (GIZ) developed a Toolkit to help practitioners in developing countries overcome barriers to women's financial inclusion, such as legal issues and restrictive social norms. Available online, it includes practical tools, guidance, and project ideas. Examples include projects with Informal Financial Institutions by Technoserve and The Biashara Club by KCB Bank Kenya.

Women Creating Wealth (WCW) Enterprise Development Programme: A pan-African entrepreneurship development program implemented by the Graça Machel Trust to support the high growth of women entrepreneurs in Malawi, Tanzania, and Zambia. The program focuses on imparting entrepreneurial behaviors, skills, and confidence to women entrepreneurs incorporating access to finance, including investor readiness. As of the end of December 2022, the program has successfully graduated 400 high-growth entrepreneurs in the areas where it operates.

IFC and Goldman Sachs 10,000 Women Initiative: The initiative was established to foster economic growth by providing women entrepreneurs worldwide with a business and management education, and access to capital and networks.

European Investment Bank (EIB) Financial Sector Technical Assistance in East and Central Africa: The European Investment Bank (EIB) collaborated with a consortium including AFC Agriculture & Finance Consultants GmbH, Akademie Deutscher Genossenschaften (ADG), and INTEGRATION International Management Consultants GmbH to enhance its MSME financing programs totaling over EUR 1 billion in East Africa. This technical assistance, in partnership with local financial institutions, aims to boost their capabilities and those of MSMEs to optimize fund use and improve financial service quality. The program has trained 11,000 bank employees and equipped over 25,000 MSMEs with financial literacy and business skills, benefiting 16 financial institutions.

Affirmative Finance Action for Women in Africa (AFAWA): The AfDB, in partnership with the African Guarantee Fund, is implementing a pan-African program to boost financial access for women-owned enterprises. It focuses on developing financial mechanisms, providing advisory services to financial institutions to better serve women, and engaging with policymakers and private sectors for supportive regulatory reforms. Initiatives include The Biashara Club by KCB Bank Kenya and the Peer Learning Programme by the Financial Alliance for Women.

5.2. Success Stories

Tushafanywe Saving and Credit Cooperative Organisation

Tushafanywe Saving and Credit Cooperative Organisation (SACCO) Limited, situated in Kigoma District, originated as an informal ROSCA group in 2013 to help members finance their businesses after facing difficulties securing traditional bank loans. Initially, members could borrow between TZS 100,000 and 1,000,000 based on their savings. By 2014, the group evolved into a SACCO, formalizing under Cooperative law No.6 in August 2014 with 22 members. Today, Tushafanywe SACCO has expanded to 63 members and offers loans ranging from TZS 1,000,000 to 20,000,000. The SACCO provides various loans including business, agricultural, youth start-up, women-specific, emergency, and educational loans, each adhering to its unique conditions and credit policies.Below are some of the Tufashanywe Sacco Ltd Members who have benefited from the loans borrowed from the SACCO:

> ***Beatrice Kiobya,*** *a founding member of Tufashanywe SACCO, started her cosmetics business with a loan of TZS 500,000. She increased her savings and repaid her loans, and now has a TZS 15,000,000 loan for expanding her shop.*
>
> ***William Aikido,*** *another member, began with a TZS 1,000,000 loan for his sofa-making business. Through subsequent loans, including a recent TZS 10,000,000 one, he expanded his business and hired three employees.*
> *Mwanahawa Hassani, who owns an Ankara store, started with a TZS 2,000,000 loan and can now borrow up to TZS 15,000,000. She rapidly expanded and developed her business.*

Juhudi ni Mafanikio Youth Group – Morogoro

The youth group began in March 2022 with 15 members but reduced to 10 by April due to financial constraints. They created a manual and constitution and are now legally registered. Within three months, they started businesses in soap-making and modern poultry farming. The group received training and support from development partners like Care International in collaboration with the Vocational Education and Training Authority (VETA). Their collective efforts have led to successful ventures in modern vegetable farming using drip irrigation and an expansion into modern poultry farming.

Ebenezer Women's Group - Morogoro

The group started in 2015 with 12 members aiming to foster change for themselves and their families. By buying shares weekly, they secured soft loans to start businesses, achieving financial independence. These ventures included modern chicken farming, tailoring, and vegetable gardening, enhancing their livelihoods and enabling them to contribute financially to their families. With partner-led training focused on financial growth and business, the Ebenezer women's group combined their resources to buy a 15-acre plot and establish a beekeeping business. They now manage 15 beehives, producing up to 20 liters of honey per hive every six months.

5.2. Success Stories

Umoja wa Madereva Bajaji Sinza Bus Terminal (UMABASITE)

UMABASITE, standing for "Umoja wa Madereva Bajaji" at Sinza Bus Terminal, is a youth group of 16 members, mostly under 35, aiming for financial freedom and social wellbeing. They save up to TZS 200,000 monthly and received a TZS 41,340,000 government youth loan from Ubungo Municipal in March 2021. They used this loan to buy five tricycle motorcycles ("Bajaj") for members without personal motorcycles, who then remit monthly payments back to the group's account. The group plans to repay this loan fully and apply for another to ensure each member owns a Bajaj, potentially increasing income and allowing ventures into new businesses like spare parts shops. The deputy chairman praised the government's support and urged banks to offer favorable terms to dedicated youth, combating stereotypes and recognizing their business potential.

06

Conclusions and recommendations

In conclusion, there is a need for loans or credit among women and youth, with 92% favoring low-interest options. However, barriers like income levels, transaction costs, and limited awareness impede financial service access. Challenges include stringent account opening requirements, lack of information, distant bank branches, and high fees, reflecting limited investment capacity, skills gaps, socio-cultural norms, and unfavorable business environments. Financial service providers cater more to women than youths, facing challenges such as insufficient data, untrained staff, and regulatory compliance costs.

Stakeholder efforts prioritize inclusive finance to enhance gender equality and economic access. Yet, urgent legislative revisions are needed to reduce transaction costs. Current laws supporting financial services are hindered by strict collateral requirements and inadequacies in movable collateral laws. Additionally, property, marriage, and inheritance laws, along with socio-cultural norms, further limit asset ownership for women and youth.

The financial sector should continue innovating to foster inclusive finance for women and youth. It should invest in understanding their specific needs, designing affordable, targeted products using human-centered design approaches, and implementing policy measures to enhance their economic participation. Strong collaboration among government, private sector, and development partners is essential to address structural issues, enhance data availability, and improve the infrastructural and regulatory environment to broaden financial inclusion in Tanzania.

6.1. Women And Youth Need Affordable And Demand-Driven Financial Services.

Women and youth often require loans or credit to manage personal and business finances, aiding in income growth and business expansion. Financial service providers should understand these needs and utilize methods like human-centered design to develop tailored products. Partnerships with other entities can mitigate risks and enhance access.
Access to financial products is influenced by income, transaction costs, and awareness. Measures should focus on increasing opportunities for participation, lowering transaction costs, and enhancing knowledge.

Providing affordable capital, skills training, and creating a conducive business environment promotes economic empowerment. The financial sector should offer innovative credit products, business development services, and gender awareness programs to facilitate access to economic opportunities for women and youth

6.2. THE SUPPLY OF FINANCIAL SERVICES NEEDS TO BE RESPONSIVE TO NEEDS AND AFFORDABLE.

Regulators should require the mandatory submission and collection of disaggregated data, provide guidelines, and promote awareness among financial service providers. Commercial banks need to increase efforts in offering innovative products and services to youth and women by investing in understanding women's needs and wants.
FSPs are not effectively targeting the youth market, missing opportunities to participate in driving inclusive finance and recruit potential future customers.

Community-based financial groups lack the technical capacity to enhance their value creation; innovative business models are needed to ensure more group members graduate to access higher credit. There is a need to foster greater inter-linkage between the formal and informal financial providers.
The Tanzania financial sector ecosystem can learn and test various successful best practices from regional and international practitioners to enhance their product offerings to women and youth. Technological innovations led by big techs and fintechs are driving the deployment of new payment, credit, insurance, and savings products.

6.3. PARTNERSHIPS AND NETWORKS ARE ESSENTIAL IN THE FINANCIAL SERVICES ECOSYSTEM.

The Ministry of Finance, along with agencies like BOT and TIRA, collaborates with the private sector and development partners to tackle structural weaknesses hindering financial inclusion, with a focus on women and youth. Coordinated efforts are needed to reach last-mile users, requiring a review of NFIF 2018-2022 and the new National Financial Inclusion Strategy.

Market-driven partnerships respond to customer needs and market dynamics, allowing organizations to combine resources and expertise for innovative products. These partnerships target women and youth, enhancing competitiveness and expanding markets. Market-driven networks unite industry players, regulators, and stakeholders to collectively address market challenges and opportunities. They promote information sharing, innovation, and relationship-building, empowering participants to navigate market trends and drive industry growth. Improving gender equality through increased access to economic opportunities and education can boost women and youth empowerment, contributing to growth.

6.4. Financial Infrastructure is key to facilitating inclusive finance.

Financial infrastructure, including payment systems and credit information, can significantly boost women and youth financial inclusion. Deploying innovative services with lower costs and establishing integrated collateral registries are crucial. Reviewing payment system legislation to minimize compliance costs, simplifying collateral registration laws, and enacting new laws for collateral registries are vital. Moreover, revising data aggregation laws facilitates using diverse data sources for underwriting credit for women and youth.

6.5. LEGAL AND REGULATORY EFFORTS TO FACILITATE UPTAKE BY WOMEN AND YOUTHS.

Stringent credit regulations' collateral requirements and the absence of efficient movable collaterals framework hinder women's and youth's access to credit. Reviewing credit regulations and enacting laws for a collateral registry is crucial.

Consumer protection laws spread across agencies confuse consumers, hindering effective engagement.
Property, marriage, and inheritance laws, along with social-cultural norms, limit women and youth asset ownership. Reviewing these laws is essential. Microfinance regulations burden small practitioners; BOT and stakeholders should reassess and recommend new rules. Civil law clauses slow collateral recovery, affecting financial service providers. Reviewing these clauses is necessary.

Financial Sector Deepening Tanzania
2nd Floor “De Ocean Plaza“
Plot 400 Toure Drive Oysterbay
P. O. Box 4653
Dar es salaam, Tanzania

www.fsdt.or.tz