

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

TANZANIA

QUICKSIGHTS REPORT FOURTH ANNUAL FII TRACKER SURVEY

Fieldwork conducted August-September 2016

November 2016



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GATES *foundation*

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Key definitions

Access to financial accounts – Access to a bank, mobile money or NBFi account means a respondent can use any of these services via their own account or the account of another person.

Active account holder – An individual who has a registered account and has used it in the last 90 days.

Advanced use of DFS – Advanced use of digital financial services includes activities beyond basic cash-in/cash-out and person-to-person transfers (e.g., savings, bill pay, investment, insurance).

Adults with DFS access – Adults (15+) who either own a DFS account or have access to someone else's account.

Below the poverty line – In this particular study, adults living on less than \$2.50 per day, as classified by the Progress out of Poverty Index published by the Grameen Foundation.

Cooperative – Typically, a business or other professional organization that is owned and run jointly by its members, who share the profits or benefits. Cooperatives can release some of the profits/funds as loans to its members.

Credit-only nonbank financial institutions – Nonbank financial institutions that only disburse loans to their customers.

Digital financial services (DFS) – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).

Financial inclusion – Included individuals are those who have an account with an institution that provides a full suite of financial services and comes under some form of government regulation. Services include savings, money transfers, insurance or investment. Institutions that only offer loans to consumers, such as some MFIs, are not considered to be full-service institutions.

Full-service nonbank financial institutions – Nonbank financial institutions that offer their customers at least one of the following services: savings, money transfers, insurance, or investment.

Grameen Progress out of Poverty Index (PPI) – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific survey questions are used to compute the likelihood that a household is living above or below a poverty line.

Microfinance deposit-taking institutions (MDIs) – Financial services for poor and low-income clients offered by different types of service providers.

Microfinance institution (MFI) – An organization that offers financial services to low income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile money (MM) – A service in which a mobile phone is used to access financial services.

Nonbank financial institution (NBFi) – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFI), cooperatives, Post Office Banks and savings and credit cooperatives.

Post Office (Savings) Bank – A bank that offers savings and money transfers and has branches at local post offices.

Savings and credit cooperative (SACCO) – A unique member-driven, self-help group owned and managed by its members, who have a common bond. Its main purpose is to build up funds through regular contributions by each member, with the aim of providing affordable credit and collective investments for its members.

Unregistered/over-the-counter (OTC) user – An individual who has used DFS through someone else's account, including a mobile money agent's account or the account of a family member or a neighbor.

Urban/rural – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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Country context

Since 2008, the Bank of Tanzania (BOT) has created an enabling environment for the expansion of financial inclusion, and the number of Tanzanians with access to financial services was growing until this year. In 2016, vigorous enforcement of laws and regulations such as mandatory mobile phone specifications, know your customer requirements, and new excise and value-added taxes coincided with a decline in mobile money access and account ownership. Compared to 2015, the 2016 FII survey data showed declines in mobile phone ownership, the number of registered mobile money accounts, and the number of active mobile money accounts. While the share of the national population holding registered mobile money accounts decreased by eight percentage points, there was a nine percentage point increase in the use of mobile money services over the counter (OTC). The share of the national population that holds registered mobile money accounts and uses them actively is nevertheless significantly larger than in 2014.

Deactivation of SIM cards: The Tanzania Communications Regulatory Authority (TCRA) in July 2016 required mobile phone companies to deactivate all improperly registered SIM cards or face steep fines. The TCRA is requiring all consumers to register their SIM cards through a recognized agent, using their official identification documents. The government edict against improperly registered SIM cards includes SIMs that were being sold without registering a subscribers' official identity documents, SIM cards sold to consumers without requiring them to fill out registration forms, pre-activated SIM cards, as well as a ban on allowing partially registered SIM cards to be activated and used in their networks.

Phone ownership: In June 2016 the TCRA placed a ban on counterfeit mobile phones and began to switch off all “fake” phones because they did not meet the equipment standards as laid out in the 2014 Electronic and Postal Communication Act (including the ability to identify and track phones). In June 2016, [the BBC](#) reported that, as of mid-June, 630,000 phones had been shut down, with over one million deactivations expected to take place. This affected phone access and ownership as indicated in this FII report.

Value-added tax (VAT) on financial transactions: In the 2016/2017 budget, the government of Tanzania imposed new taxes on all financial services to increase government revenue. These new taxes included an 18-percent VAT on bank fees and commissions, and a 10-percent consumer tax on sending and withdrawing money through mobile money transfers. Where the new taxes were passed through to consumers, registered account use became more expensive. The taxes may have caused the decline in active mobile money account usage among price-sensitive populations, especially among females, those in rural areas and the poor, who mainly perform small transactions, as well as an increase in OTC use.

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Country context

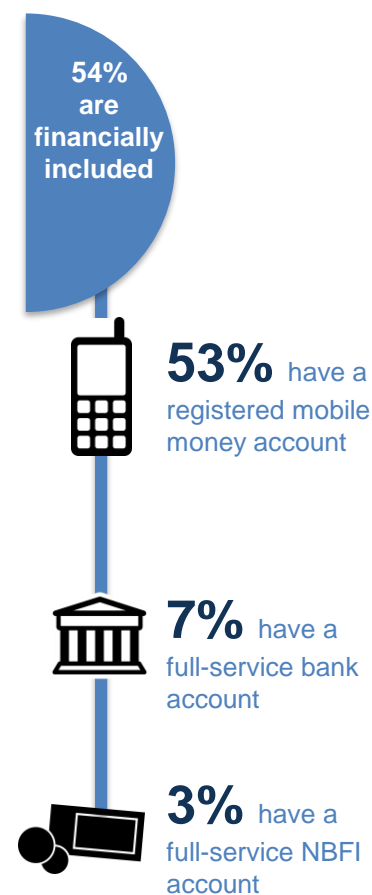
- **Interoperability:** The Bank of Tanzania (BOT) established an enabling environment for interoperability between banks and mobile money operators. All four major mobile network operators (MNOs), Airtel, Tigo, Vodacom and Zantel became interoperable February 2016 (MNOs Halotel and SMART have not joined as of yet). Tanzania is the first country in the world to have full interoperability of mobile money services, allowing customers to conveniently transact across networks at no extra cost, keeping cash digital.
- **New financial inclusion target:** The National Financial Inclusion Framework (NFIF, 2014/2017) sets a new target for the country's financially included population; the goal is to have 80 percent of Tanzanian adults using formal financial services by 2017. The target was increased after Tanzania achieved its original goal of 50 percent by 2016 earlier than expected. The increase in access to formal financial services has been driven by the use of mobile phones to access financial services.
- **Financial literacy campaign:** The National Financial Education Framework 2016-2020, established by the BOT, aims to provide communities with financial education programs to promote sound financial decision-making, and is targeted to rural residence, youth and the poor. Plans include community financial education awareness and training, including a financial education curriculum for students.

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Notable statistics

- **Fewer Tanzanians are financially included in 2016 (54 percent) vs. 2015 (62 percent), mostly due to a decline in account access and ownership, particularly a drop in mobile money account ownership.**
 - In 2016, mobile money account ownership declined to 53 percent from 61 percent in 2015, with the most notable attrition from among rural, female and lower income groups. The decline in mobile money account ownership may reflect government regulations put in place in 2016 that include the deactivation of improperly registered SIM cards and the shutdown of counterfeit phones.
 - There was a decline in phone ownership, 62 percent (vs. 77% in 2015). The BBC reported that more than 600,000 counterfeit mobile phones were disconnected and off the market by June 2016.
 - Access to any financial service declined by one point from 63 percent in 2015 to 62 percent in 2016.
 - Fifty-four percent of Tanzanian adults now have a registered financial account (vs. 62% in 2015).
 - Mobile money services provider Vodacom M-Pesa and Zantel Ezy-Pesa saw a decrease in their market shares, while Tigo Pesa and Airtel Money each experienced an increase.
 - Nearly all (94 percent) Tanzanians know of at least one mobile money provider and 53 percent have a mobile money account.
 - Over-the-counter use of mobile money increased significantly from 5 percent in 2015 to 14 percent in 2016. This also may be attributed to the deactivation of illegal phones and improperly registered SIM cards, and rising cost of using mobile money accounts created by new taxes.
 - Despite the decline in financial account access and ownership, active mobile money and bank account holders are more engaged in advanced activities than they were in 2015.
 - NBFIs account ownership increased to 3 percent vs. 1 percent in 2015, reflecting an increase in account registration with full-service and credit-only NBFIs.
- **Bank account access remained low, but constant in 2016.**
 - Access to bank accounts remained at 8 percent year-on-year, most likely due to the reported lack of points of service (POS) within close proximity of where people live. Most live more than five kilometers away from a bank POS.
 - Active bank account use among registered account holders increased by seven points, now at 72 percent vs. 65 percent in 2015.

2016: Financial Inclusion*
(Shown: Percentage of Tanzanian adults, N=3,029)



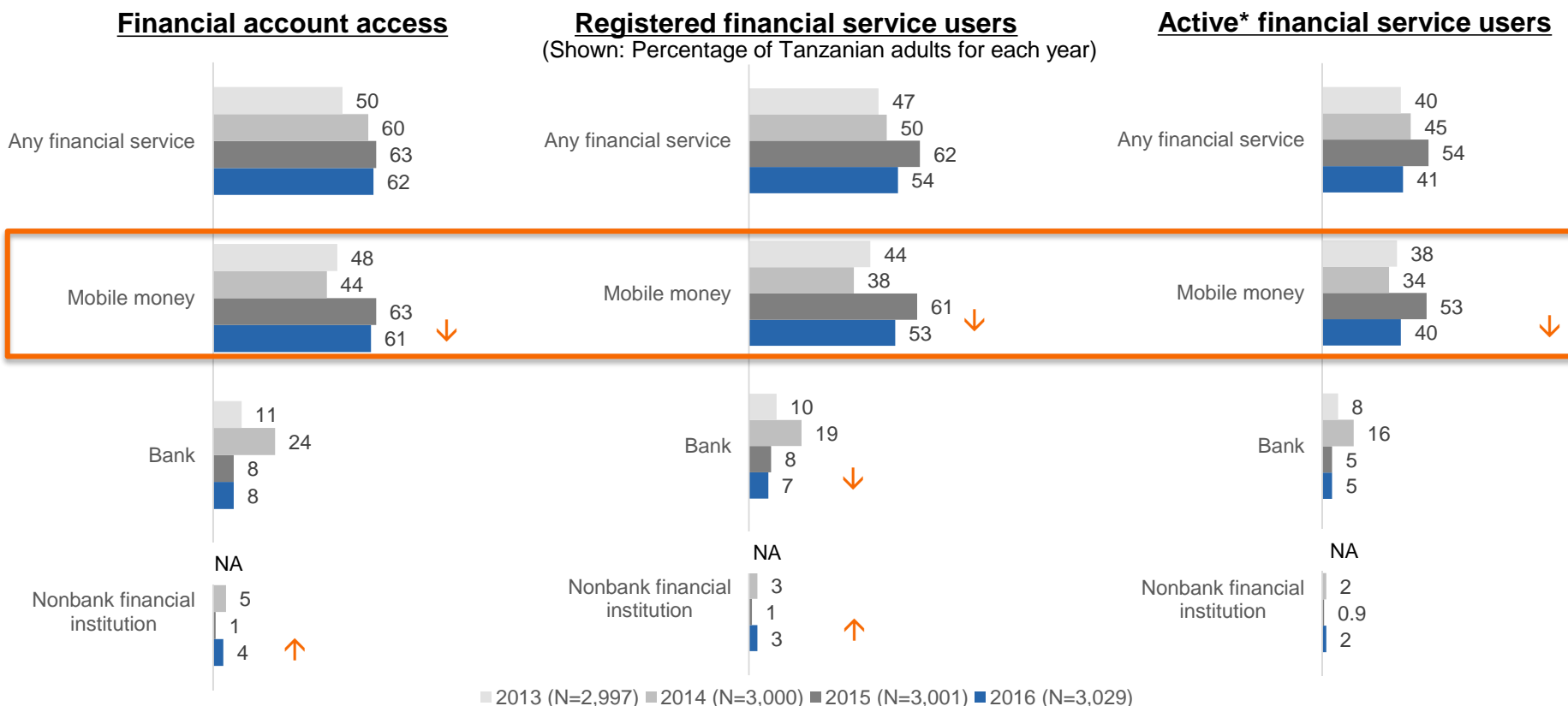
*Financial inclusion is defined as individuals having an account with institutions offering financial services beyond credit.

Overlap representing those who have multiple kinds of financial accounts is not shown.

Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029, 15+), August-September 2016.

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At-a-glance: Mobile money still drives financial services use; declines are likely due to the deactivation of illegal phones and SIMs, and increased cost of financial services as new taxes are passed on to price-sensitive consumers



NBFIs were not included in the 2013 survey. Types of account ownership are not mutually exclusive. *A registered account used in the last 90 days.

Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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FII Tanzania Tracker Survey details

Survey Summary

- Annual, nationally representative survey (N=3,029) of Tanzanian adults aged 15+
- Face-to-face interviews lasting, on average, 107 minutes
- Fourth survey (Wave 4) conducted from August 1 to September 19, 2016
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, second survey conducted in 2014 and third survey conducted in 2015

Data Collection

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index). A new set of questions from the Grameen Foundation was used compared with previous years.
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., MFI, SACCO, cooperatives, self-help groups)
- Financial literacy and preparedness
- General financial behaviors

Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029, 15+), August-September 2016.

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Survey demographics

	% of survey
Gender	
Male	48%
Female	52%
Geography	
Urban	34%
Rural	66%
Income	
Above the \$2.50/day poverty line	24%
Below the \$2.50/day poverty line	76%

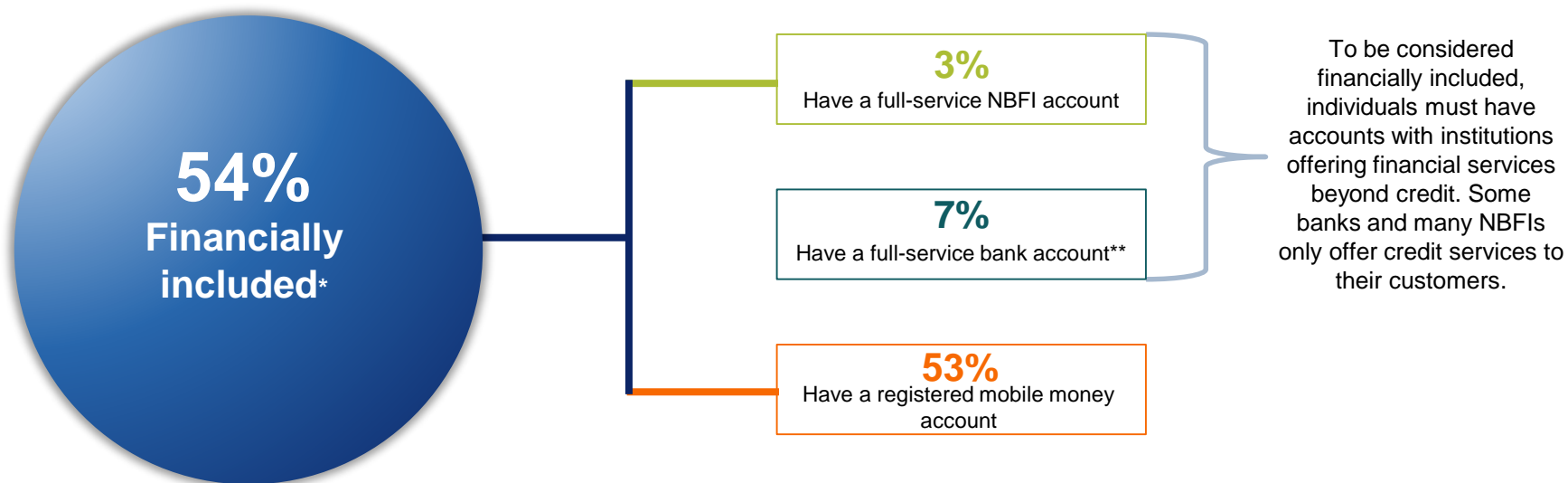
	% of survey
Age	
15-24	34%
25-34	25%
35-44	17%
45-54	11%
55+	12%
Aptitude	
Basic literacy	80%
Basic numeracy	95%

Figures are weighted to reflect national census data demographics.

Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029, 15+), August-September 2016.

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Fifty-four percent of Tanzanians are financially included; mobile money remains the main driver of financial inclusion



*Overlap representing those who have multiple kinds of financial accounts is not shown.

**Throughout this report, bank account holders have accounts at full-service institutions, unless otherwise noted.

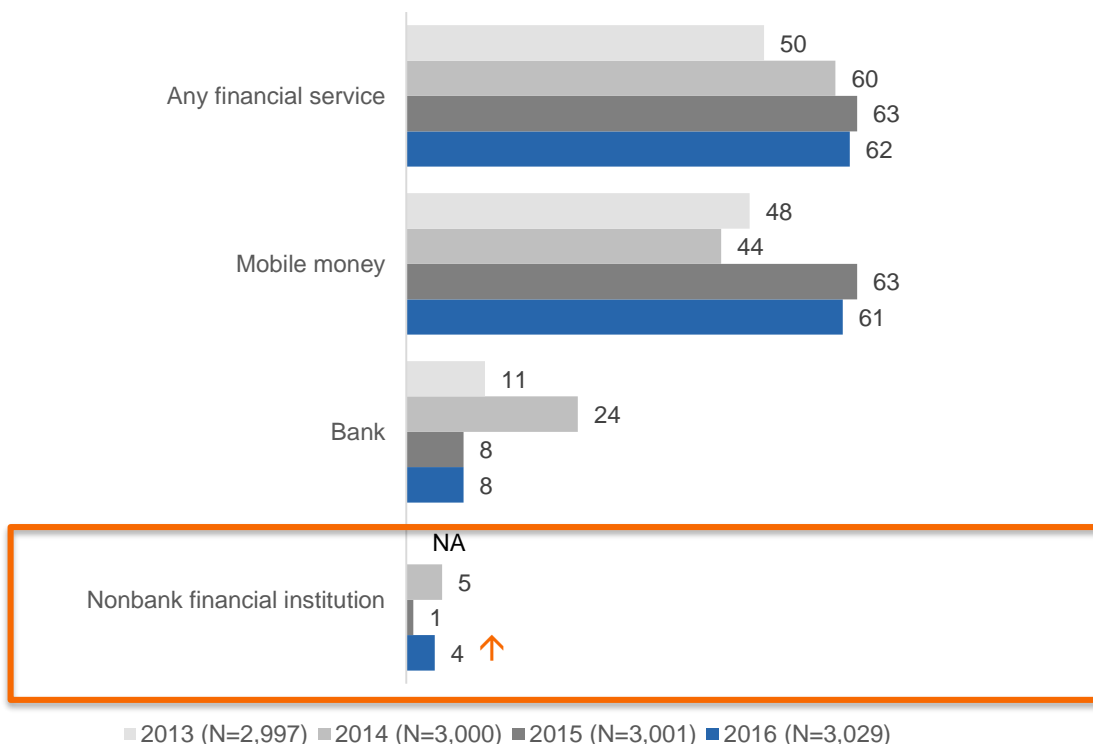
Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029, 15+), August-September 2016.

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Close to two-thirds of adults continue to have access to any financial service; NBFi account access increased by three percentage points vs. 2015

Access to financial services

(Shown: Percentage of Tanzania adults for each year)



Types of accounts are not mutually exclusive.

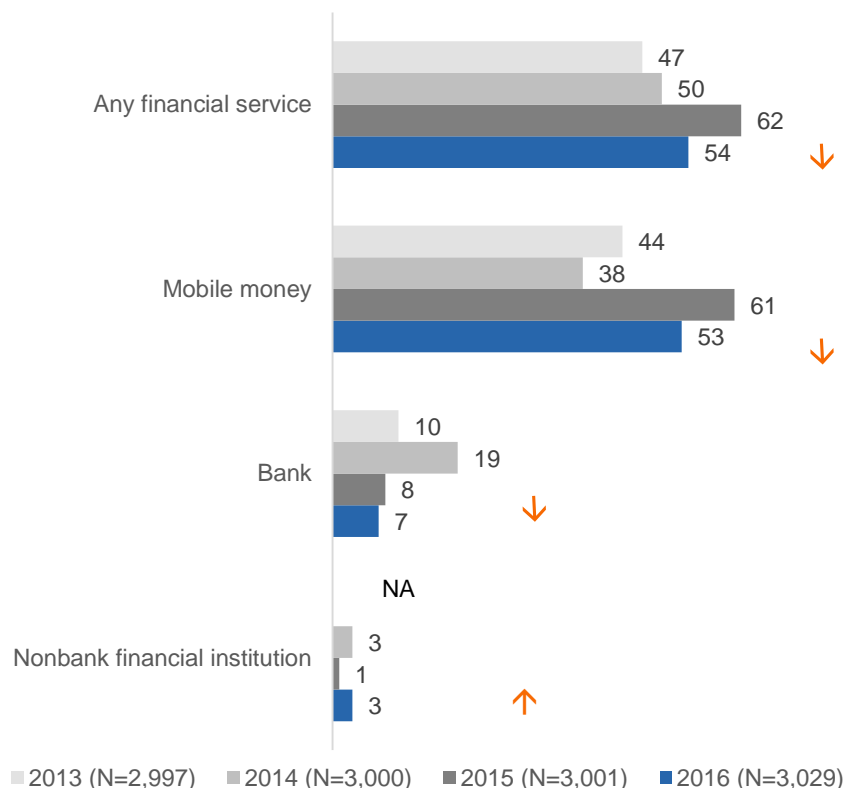
Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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Overall, there was a decline across financial services providers caused by the decrease in registered mobile money accounts and the increase in OTC use

Registered financial service users

(Shown: Percentage of Tanzania adults for each year)



Types of accounts are not mutually exclusive.

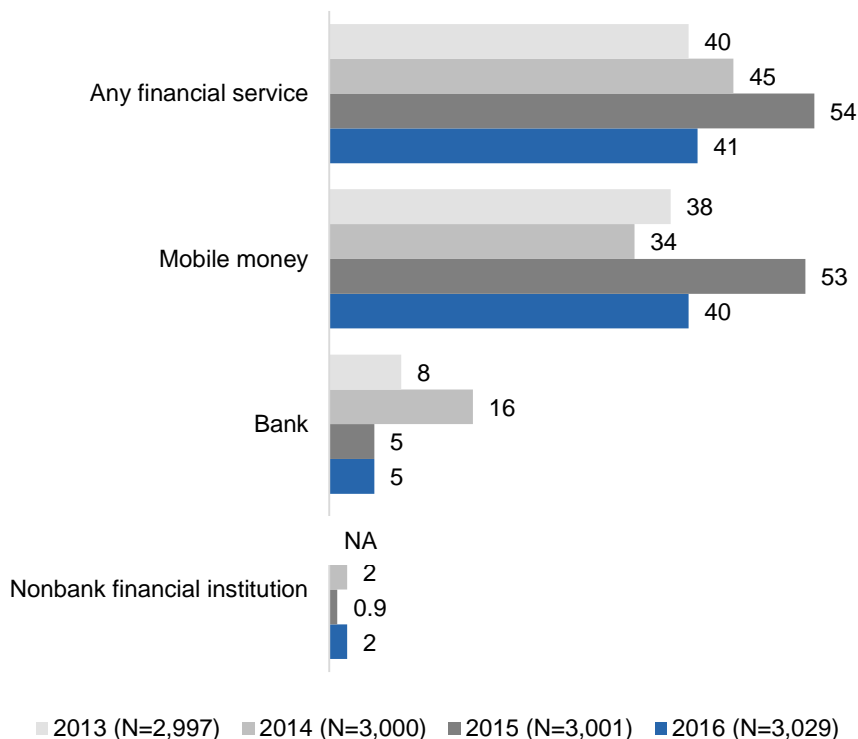
Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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The decline in active financial account usage was due to the decrease in active mobile money use; NBFIs active usage increased vs. 2015

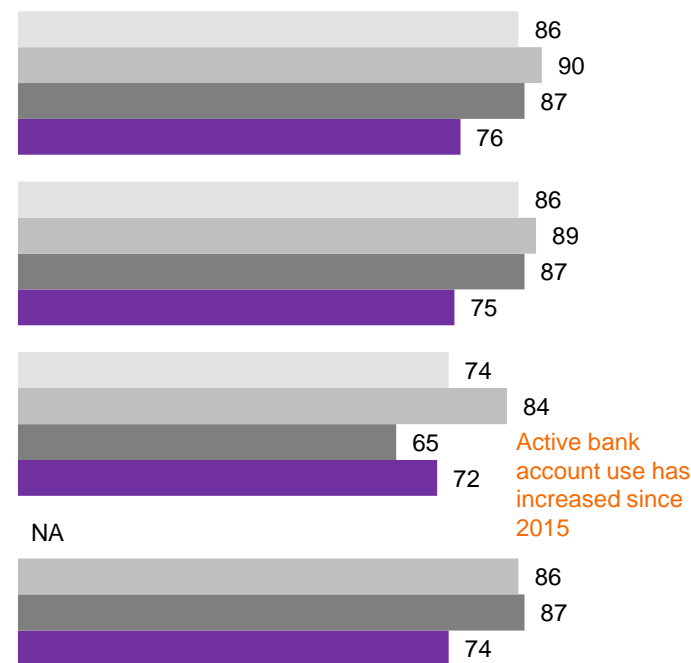
Active financial account holders

(Shown: Percentage of Tanzanian adults)



Active financial account holders

(Shown: Percentage of registered users for each type of account, by year)



Types of accounts are not mutually exclusive.

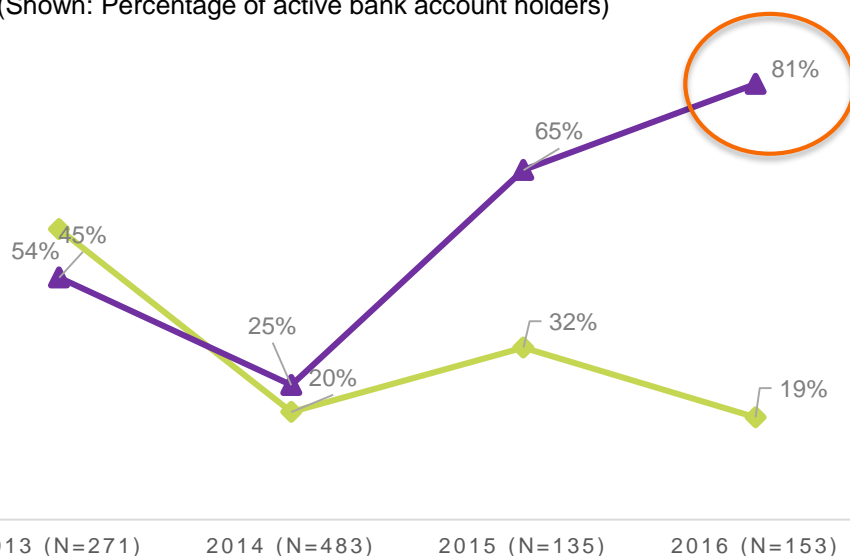
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Those who retained mobile money accounts used advanced services more often; advanced use of bank and mobile money accounts increased vs. 2015

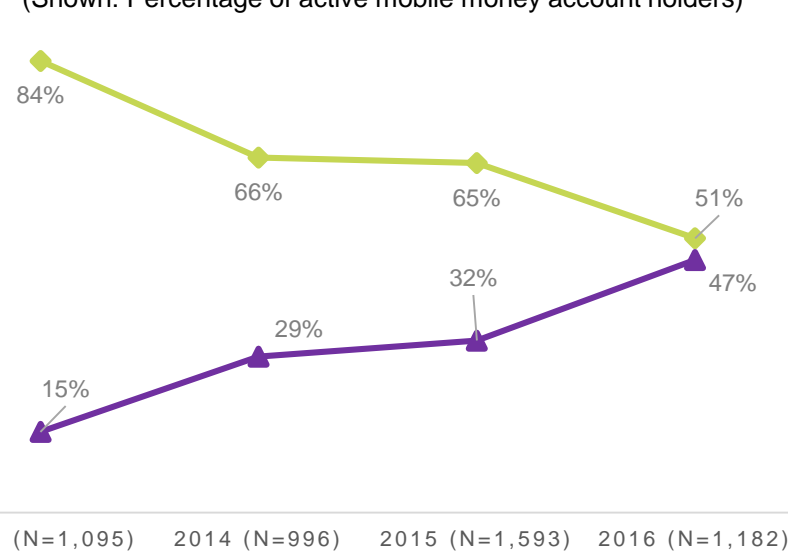
Bank uses, by type

(Shown: Percentage of active bank account holders)



Mobile money uses, by type

(Shown: Percentage of active mobile money account holders)



◆ Basic activities only (CICO, account management and P2P)
 ▲ At least one advanced activity

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 ▲ At least one advanced activity

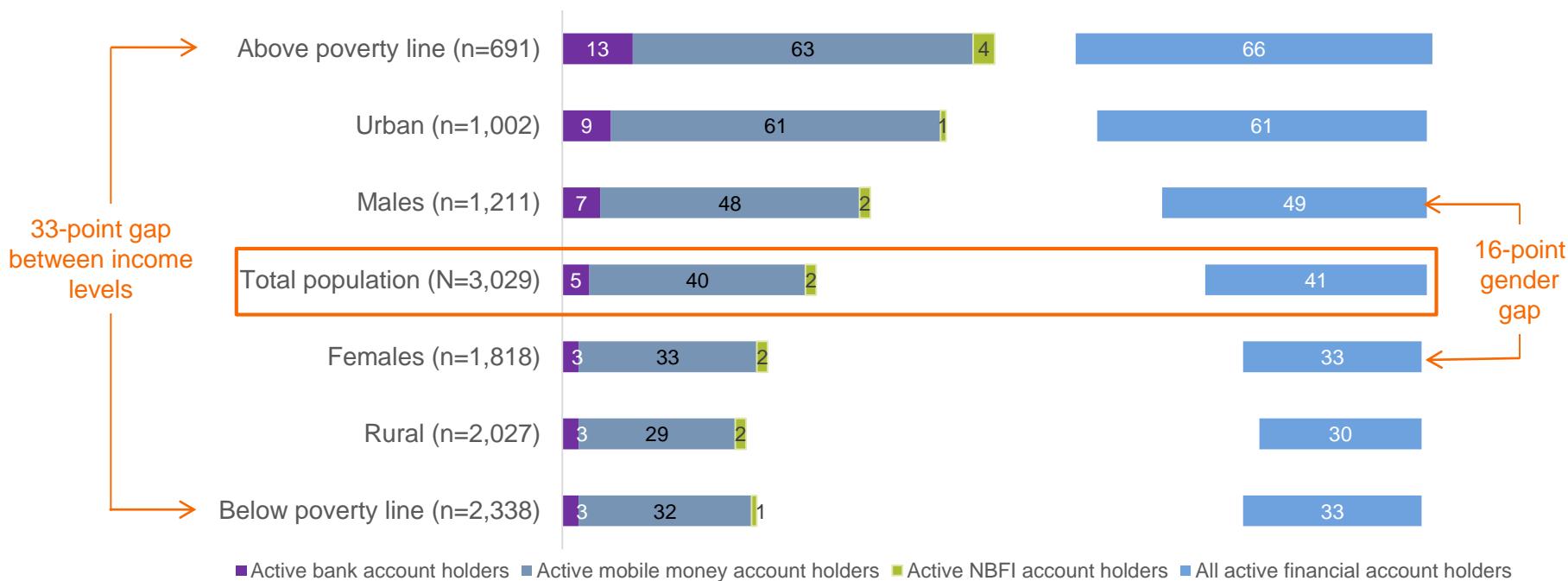
Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced mobile money activity, but bank advanced use includes airtime top-ups.

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Active account usage is higher among males, those living above the poverty line, and those in urban areas

2016: Active account usage by demographic

(Shown: Percentage of each subgroup)



Types of accounts are not mutually exclusive.

Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029, 15+), August-September 2016.

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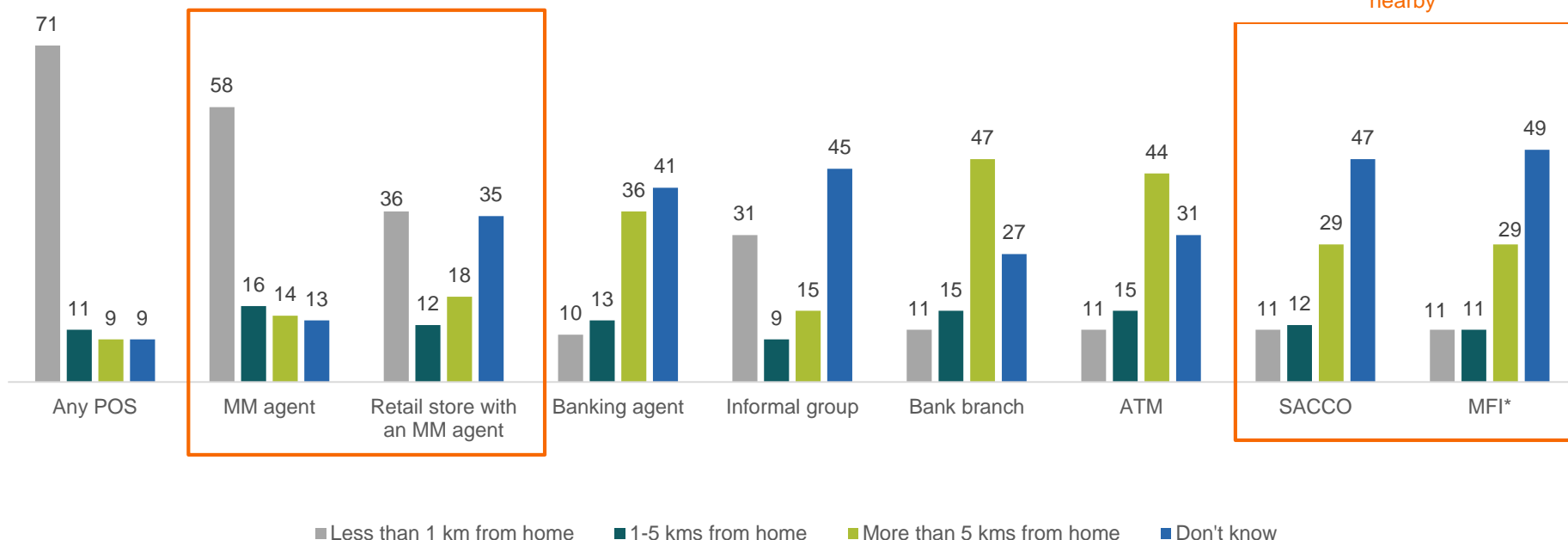
More than half of adults know of a mobile money agent within 1 kilometer of where they live; bank points of service are more than 5 kilometers away

2016: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Tanzania adults, N=3,029)

63% of adults know of a mobile money (MM) agent within 1 km of their homes

Close to half of adults do not know of any SACCO or MFI nearby



*The Tanzanian government and NGOs are using microfinance institutions such as Village Community Banks (VOCOBA) to reach the unbanked and rural communities.

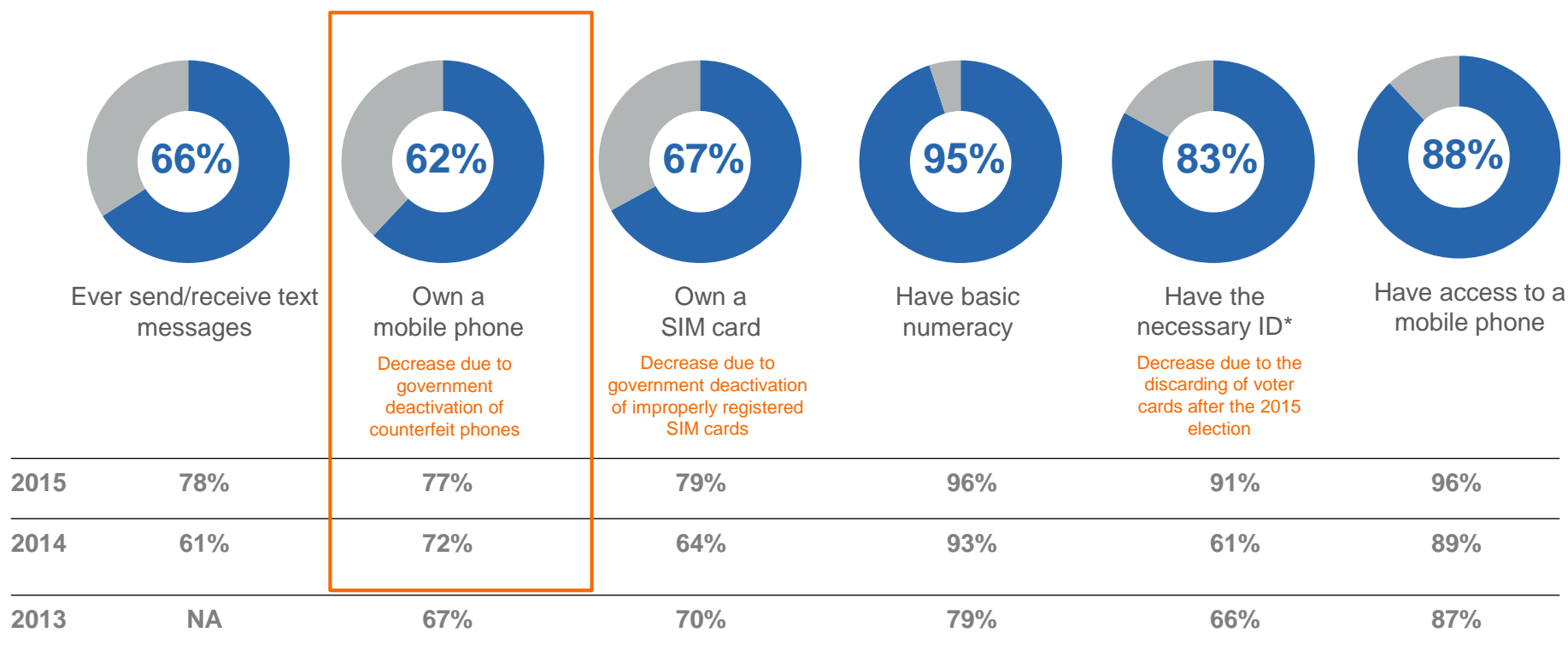
Source: InterMedia Tanzania FII Tracker survey Wave 4 (N=3,029 15+), August-September 2016.

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Declines in readiness indicators were sharp for owning a phone and SIM card, texting capabilities, access to a phone and valid identification vs. previous years

2016: Key indicators of preparedness for digital financial services

(Shown: Percentage of Tanzanian adults, N=3,029)



*Identification documents (ID) necessary for registering a mobile money or a bank account include one of the following: a national ID, passport, driver's license, employee ID, military ID, or voter's card.

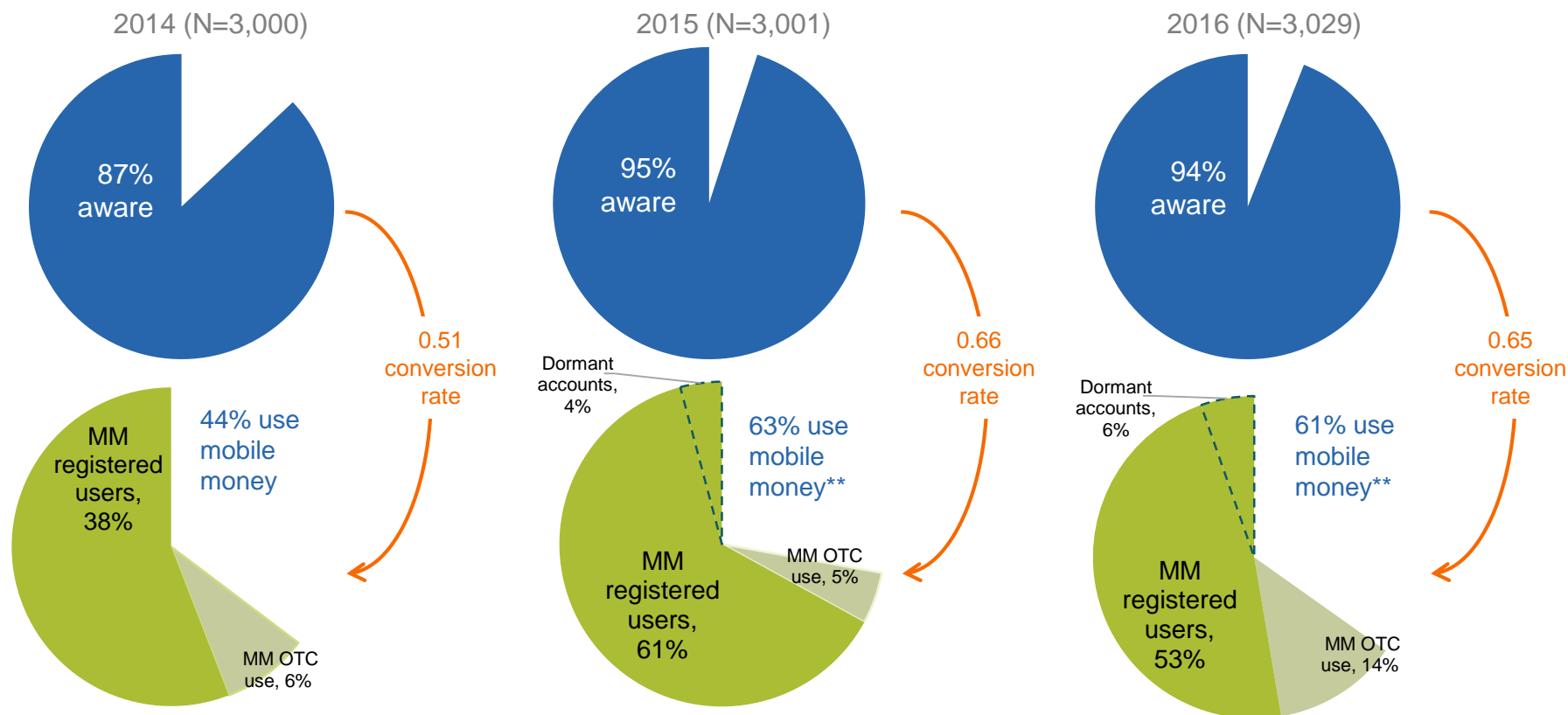
Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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Mobile money registered accounts showed an eight-point decline from 2015; OTC use spiked by nine points, and dormant accounts increased in 2016

Conversion from awareness of mobile money providers* to mobile money use

(Shown: Percentage of Tanzania adults for each year)



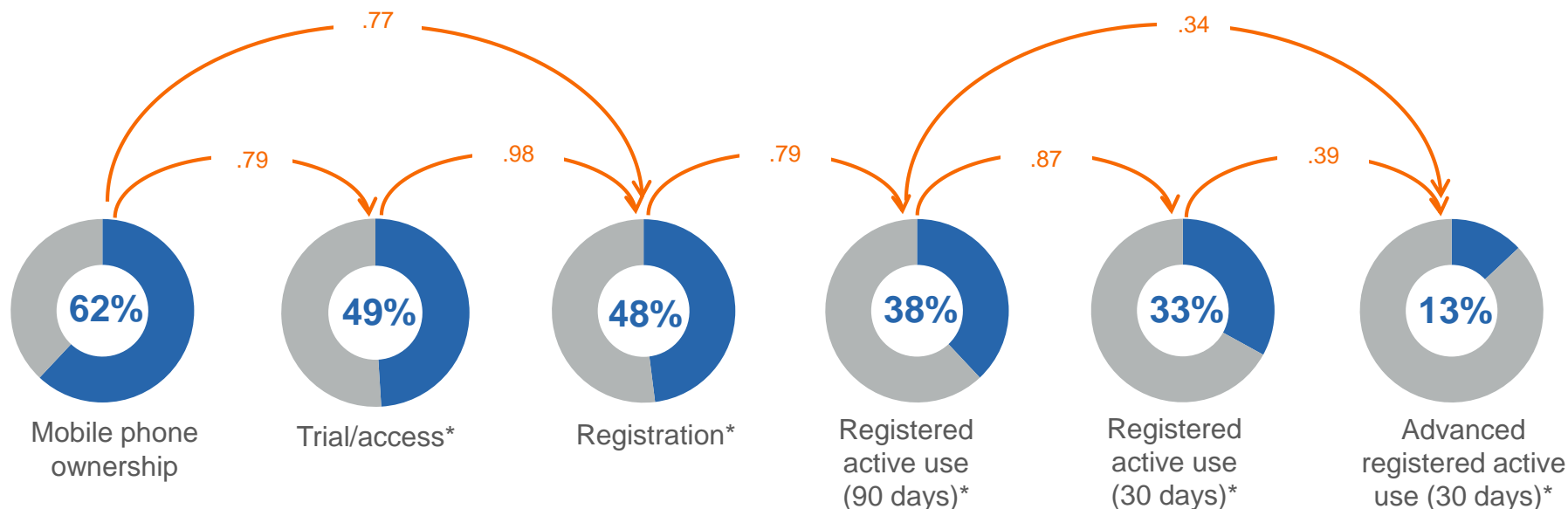
*Aware of at least one mobile money provider. **Rounded percentages include registered and OTC account use minus the percentage of accounts left dormant.
 Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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Nearly all mobile phone owners who use mobile money on a trial basis end up registering their accounts; few phone owners have completed the customer journey to monthly active use of advanced services

2016: Distribution of Tanzanian mobile phone owners at each major step in the customer journey for mobile money, and conversion rate between steps

(Shown: Percentage of Tanzania adults, N=3,029)



*Phone owners

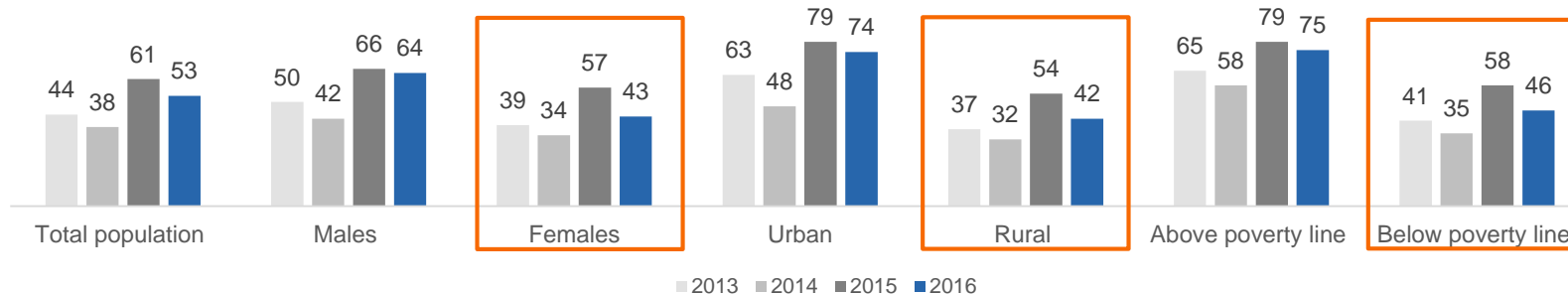
Source: InterMedia Tanzania FII Tracker surveys Wave 4 (N=3,029, 15+), August-September 2016.

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Mobile money account ownership and active usage decreased vs. 2015 across all demographics, but more so among female, rural and low-income groups

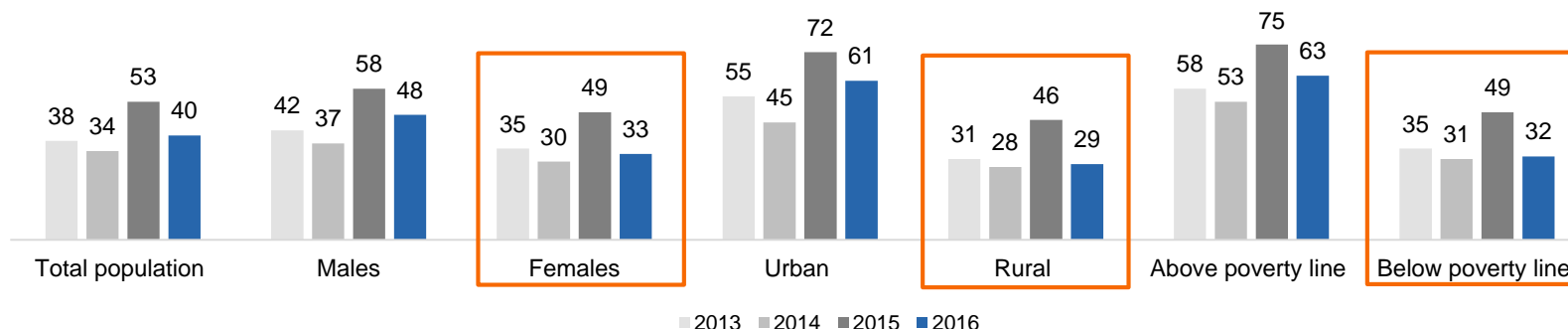
Demographic trends for **all** registered mobile money account use

(Shown: Percentage of Tanzania adults who fall into each category*)



Demographic trends for **active** registered mobile money account use

(Shown: Percentage of Tanzania adults who fall into each category*)



*Categories are not mutually exclusive.

Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-September 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (=3,029, 15+ August-September 2016.

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A steep increase was seen in the percentage of active registered mobile money account owners engaged in advanced activities, mainly saving and paying bills, vs. 2015

47%

of active registered users have used at least one advanced mobile money function*

(vs. 32% in 2015 and 29% in 2014)

2016: Advanced mobile money account uses
(Shown: Percentage of active mobile money account holders, n=1,919) 2015 (n=914)



Question allowed for multiple responses.

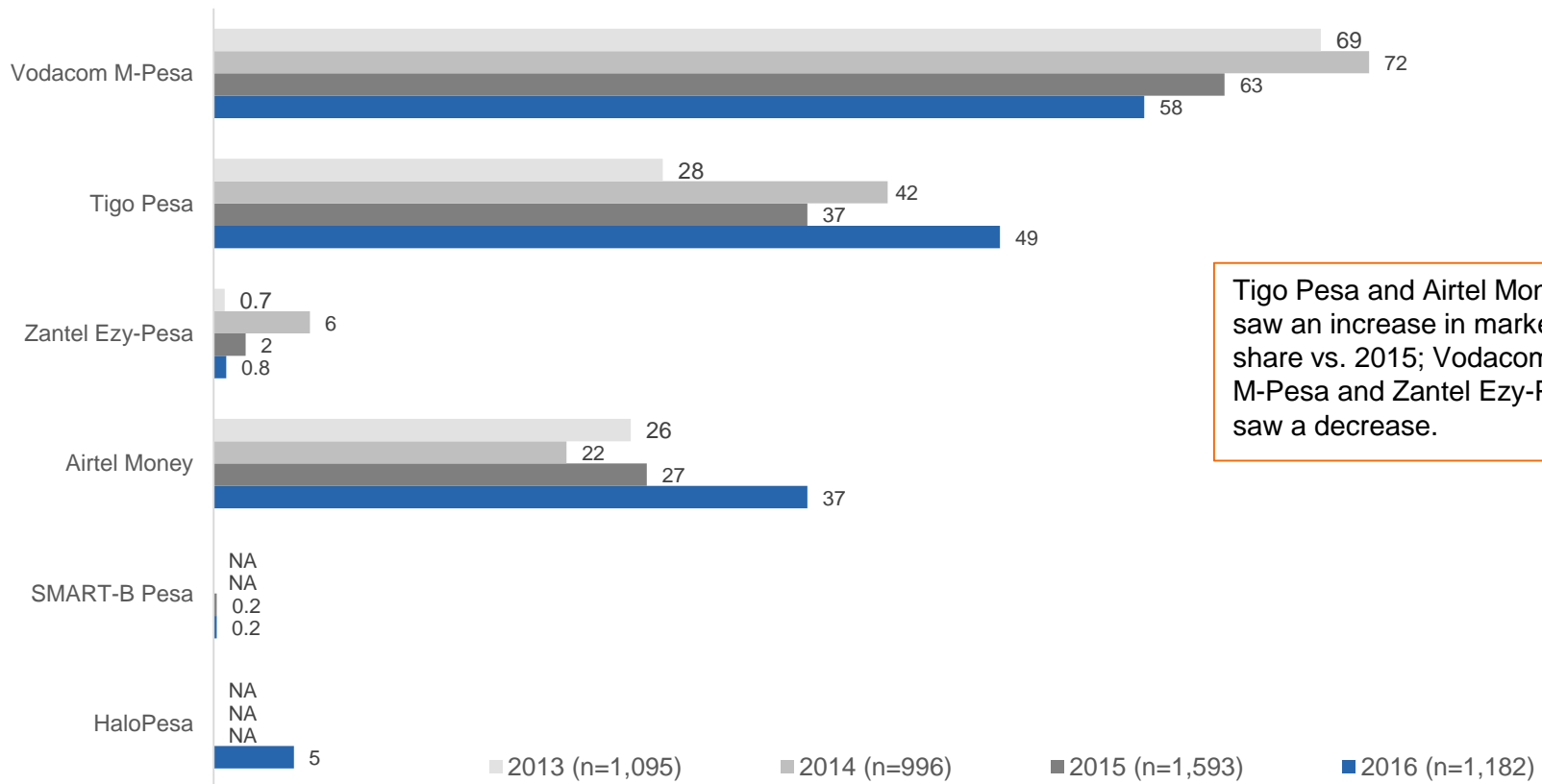
Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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Interoperability has fostered competition, and provider dominance is less apparent

Active mobile-money provider account holdings

(Shown: Percentage of active mobile money account holders who report using selected providers, by year)



Tigo Pesa and Airtel Money saw an increase in market share vs. 2015; Vodacom M-Pesa and Zantel Ezy-Pesa saw a decrease.

SMART-B Pesa was launched in December 2013; HaloPesa was launched in October 2015

Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

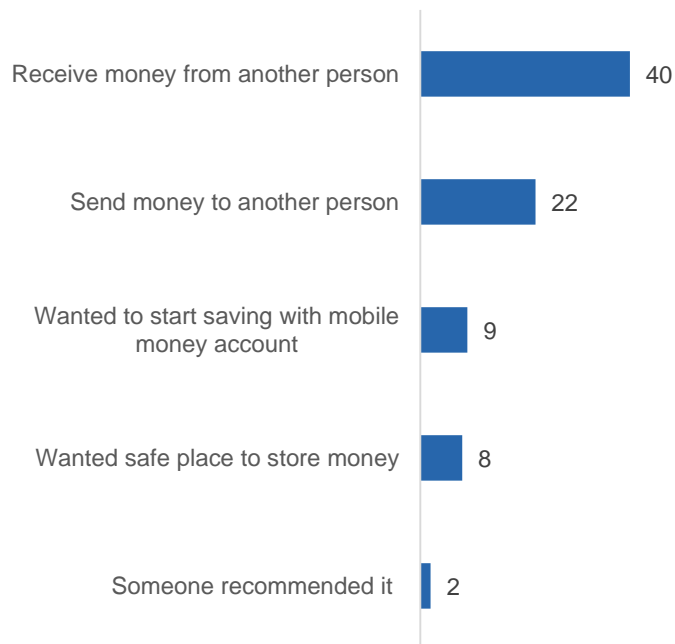
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Regular use of mobile money is driven by person-to-person transfers and cash-in cash-out activities

2016: Top reasons active account holders

start to use mobile money

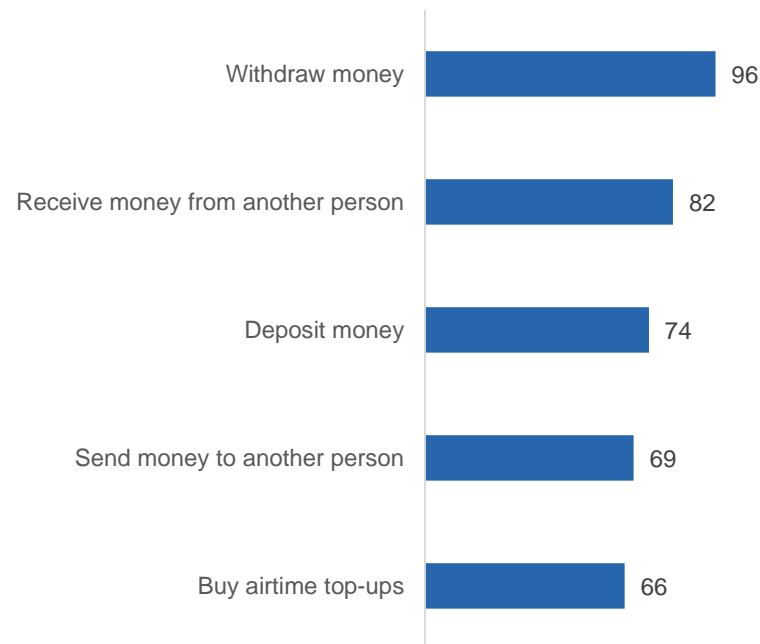
(Shown: Percentage of active mobile money account holders, n=1,182)



2016: Top uses of mobile money services

among active account holders

(Shown: Percentage of active mobile money account holders, n=1,182)



Question allowed for multiple response

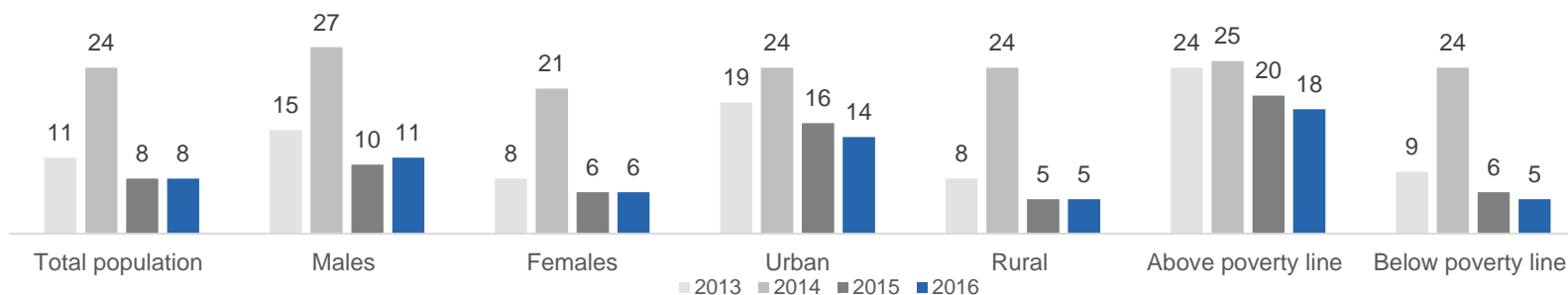
Source: InterMedia Tanzania FII Tracker survey Wave 4(N=3,029, 15+), August-September 2016.

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Bank account access and ownership remained low among females, rural and the poor; account ownership declined more among urban residents

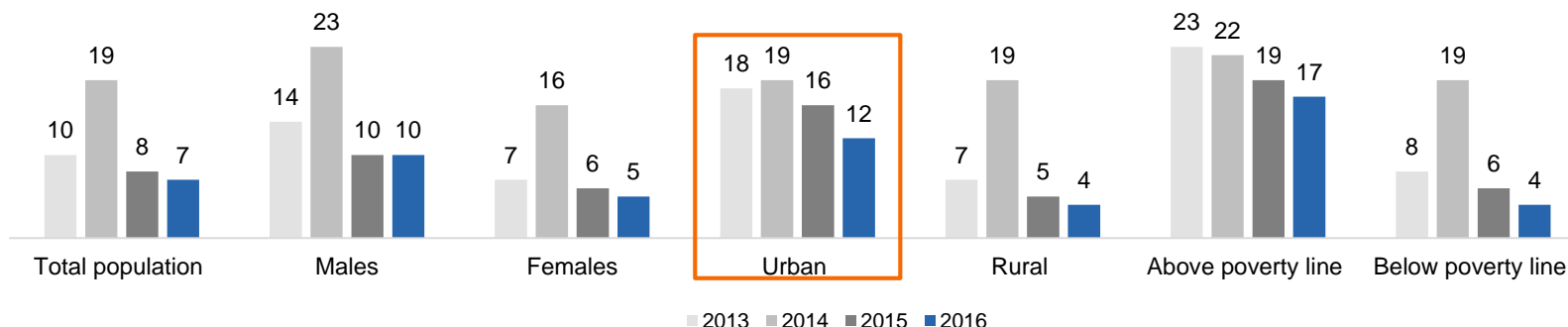
Demographic trends for access to bank account

(Shown: Percentage of Tanzania adults who fall into each category*)



Demographic trends for bank account holders

(Shown: Percentage of Tanzania adults who fall into each category*)



*Categories are not mutually exclusive.

Source: InterMedia Tanzania FII Tracker surveys Wave 1 (N=2,997, 15+), November 2013-March 2014; Wave 2 (N=3,000, 15+), August-September 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4(=3,029, 15+) August-September 2016.

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Digital and non-digital use of bank accounts are on par year-on-year; access to bank accounts via internet or mobile phone declined vs. 2015

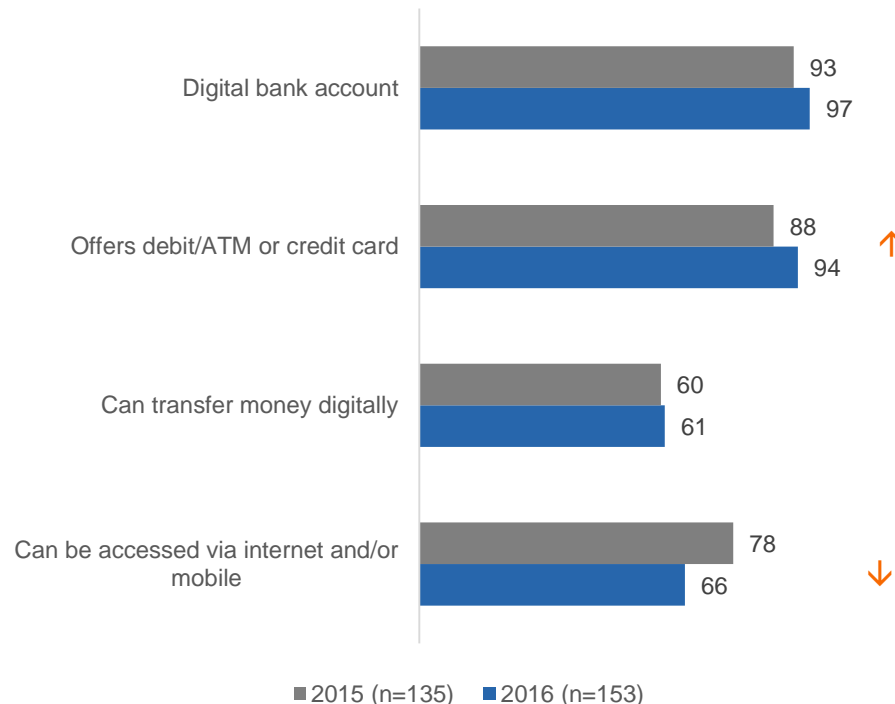
Digital bank account access and usage

(Shown: Percentage of Tanzania adults)



Digital access among active bank account holders

(Shown: Percentage of active bank account holders)



Digital bank accounts are those that offer at least one of the following options: debit/ATM or credit cards, internet or mobile access, or a digital money transfer capability.

Source: InterMedia Tanzania FII Tracker surveys Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+) August-September 2016.

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Eight in 10 active bank account holders have engaged in advanced activities; saving, payroll and bill pay are the leading advanced activities

2016: Advanced bank account uses

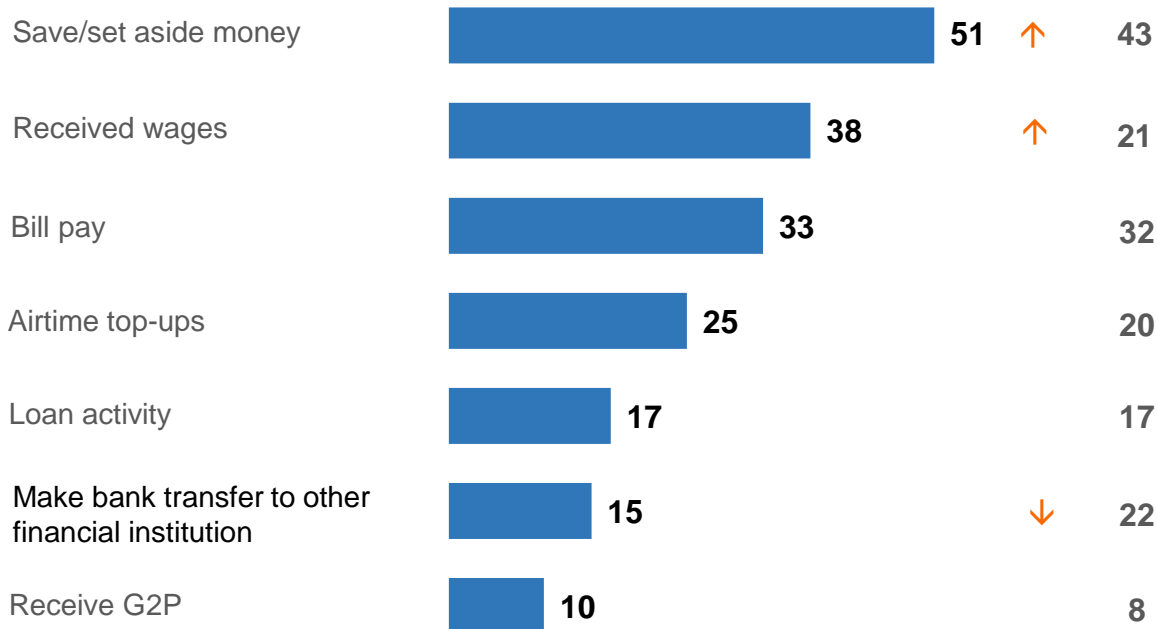
(Shown: Percentage of active bank account holders, n=153)

2015
(n=135)

81%

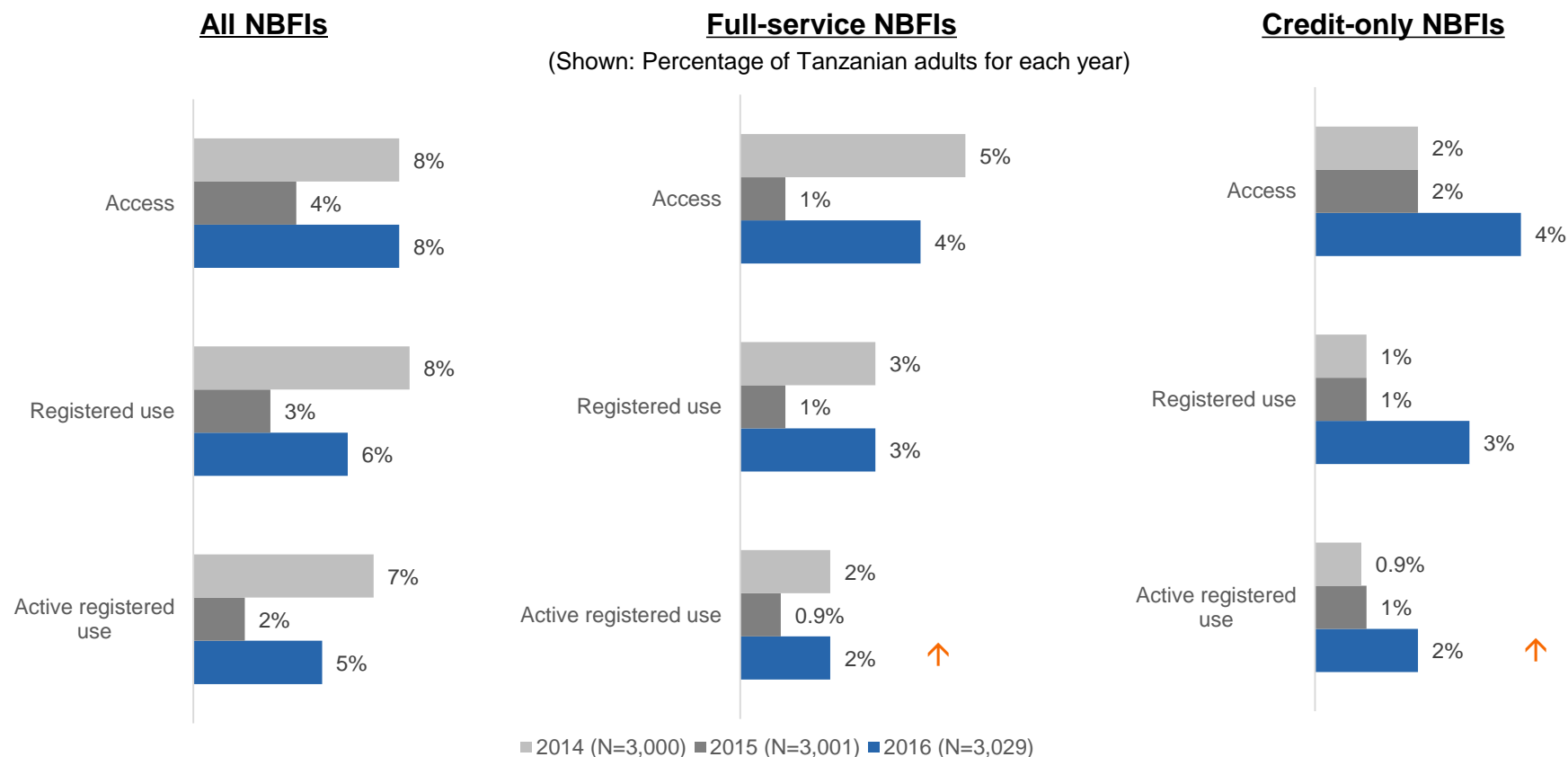
of active bank account holders have used at least one advanced banking feature

(vs. 65% in 2015 and 25% in 2014)



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NBFI account use increased in 2016, including the use of full-service and credit-only NBFI



Source: InterMedia Tanzania FII Tracker surveys Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029, 15+), August-September 2016.

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Four in 10 have active digital stored-value accounts in 2016, and those who use them to access advanced financial services has steadily grown since 2014

Main FSP Indicator	2014	2015	2016	Base Definition
	%	%	%	
	Base n	Base n	Base n	
Adults (15+) who actively use digital stored-value accounts	35%	54%	41%	All adults
	3,000	3,001	3,029	
Poor adults (15+) who actively use digital stored-value accounts	32%	49%	33%	All poor (income <\$2.5/day)
	2,633	2,484	2,338	
Poor women (15+) who actively use digital stored-value accounts	29%	46%	27%	All poor women (income <\$2.5/day)
	1,389	1,288	1,419	
Rural women (15+) who actively use digital stored-value accounts	25%	38%	22%	All rural women
	1,049	995	1,161	
Adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	12%	19%	20%	All adults
	3,000	3,001	3,029	
Poor adults (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	10%	15%	14%	All poor (income <\$2.5/day)
	2,633	2,484	2,338	
Poor women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	8%	13%	10%	All poor women (income <\$2.5/day)
	1,389	1,288	1,419	
Rural women (15+) who actively use digital stored-value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	7%	6%	7%	All rural women
	1,049	995	1,161	

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFi account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia Tanzania FII Tracker surveys Wave 2 (N=3,000, 15+), August-October 2014; Wave 3 (N=3,001, 15+), September-October 2015; Wave 4 (N=3,029) August-September 2016.

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