



# Money Matters

## Citizens and financial inclusion

### 1. Introduction

Financial services can play a key role in improving the lives of the poor, primarily through the direct benefits that such services can provide. Access to credit and insurance, the ability to send and receive money simply and securely, and safe places to store any savings can all help reduce the vulnerability of the poor and increase their productivity. The government – through the Bank of Tanzania’s support for the National Financial Inclusion Framework of 2013<sup>1</sup> – recognised this, and set an initial target for 50% of the country’s adult population to be accessing formal financial services by 2016.

Formal banks and micro-financial institutions are traditionally the key providers of financial services, but mobile telecom firms have revolutionized the sector through mobile money services. Recognising that mobile money had made the 50% financial inclusion target obsolete, the Bank of Tanzania

now aims for 80% inclusion by 2017<sup>2</sup>. Government efforts have also ensured that earlier in 2016, Tanzania became reportedly the first country in the world to achieve full inter-network interoperability of mobile money services.<sup>3</sup>

This brief presents data on citizens’ use of various financial services – banking, insurance, credit and mobile money. In what ways do people use these services? How has financial inclusion changed over time? Who remains excluded? Data for the brief come from Twaweza’s flagship *Sauti za Wananchi* survey. *Sauti za Wananchi* is a nationally-representative, high-frequency mobile phone panel survey. It is representative for Mainland Tanzania. Information on the overall methodology is available at [www.twaweza.org/sauti](http://www.twaweza.org/sauti). For this brief, data were collected from 1,800 respondents from the

- 1 <http://www.fsdt.or.tz/national-financial-inclusion-framework-nfif/>
- 2 <http://tanzaniainvest.com/finance/banking/bank-of-tanzania-bot-sets-80-percent-financial-inclusion-for-2017>
- 3 <http://tanzaniainvest.com/telecoms/tanzania-first-country-in-the-world-to-achieve-full-interoperability>

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Sauti za Wananchi



second *Sauti za Wananchi* panel. This was the thirteenth round of calls to the new panel, conducted between 14 and 26 September, 2016.

The key findings are:

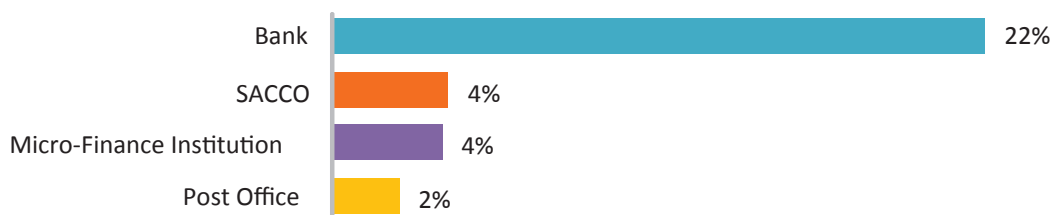
- One in five citizens have a bank account, either individually or jointly with someone else
- Access to banking varies greatly between urban and rural areas, and between richer and poorer households
- One in three citizens has ever borrowed money, with friends and family members as the most common source of loans
- One in four citizens have an insurance product – largely health insurance
- Eight out of ten citizens are using mobile money services, up from six out of ten in 2014
- The main use of mobile money services is for sending and receiving money
- Eight in ten mobile money users are satisfied with the service provided
- Four in ten mobile money users feel the services do not offer good value for money

## 2. Seven facts about financial inclusion in Tanzania

### Fact 1: One in five citizens have a bank account, up from one in ten in 2009

One in five adults (22%) in Tanzania has a bank account, either by themselves or with someone else. This is a slight increase since 2014, when the figure was 19%. Around one in twenty (4%) have an account with a Savings and Credit Cooperative Organisation (SACCO), and a similar number (4%) have an account with a Micro-Finance Institution (MFI).

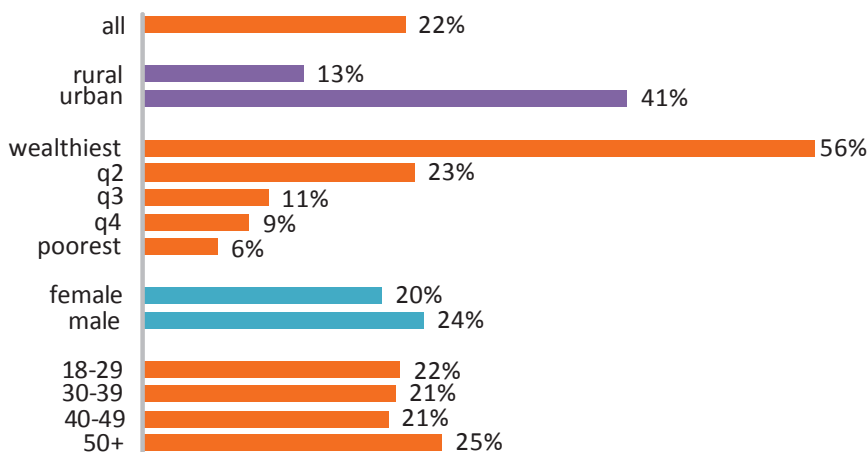
**Figure 1: Do you currently have an account at the following institutions? (percentage answering yes)**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

In urban areas, the proportion of Tanzanians with a bank account (41%) is more than three times that in rural areas (13%). Similarly, wealthier Tanzanians are nearly ten times more likely to have a bank account than the poor (56% of the richest quintile of the population, 6% of the poorest quintile). One in five women (20%) hold an account, compared to one in four men (24%), and there is little difference between different age groups.

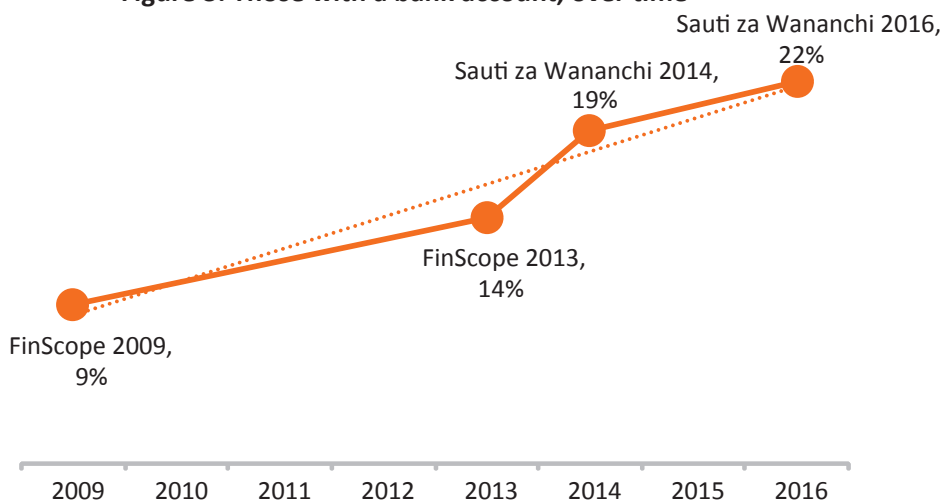
**Figure 2: Those with a bank account, among different demographic groups**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

These figures show a continued upward trend of access to banking services in Tanzania. The Financial Sector Deepening Trust (FSDT), in their 2009 and 2013 FinScope reports<sup>4</sup>, found that 9% and 14% of Tanzanian adults had a bank account in those years, and two rounds of *Sauti za Wananchi* surveys – in 2014 and now 2016 – show that this rise has continued<sup>5</sup>.

**Figure 3: Those with a bank account, over time**



**Source of data:** Financial Sector Deepening Trust (FSDT) 2009 and 2013 FinScope Report, *Sauti za Wananchi* mobile phone survey 2014 and 2016

4 FinScope reports for 2009 and 2013 for the Financial Sector Deepening Trust, available from <http://www.fsdt.or.tz/finscope/>  
 5 FinScope surveys include adults aged 16 and over, while *Sauti za Wananchi* surveys include those 18 and over.

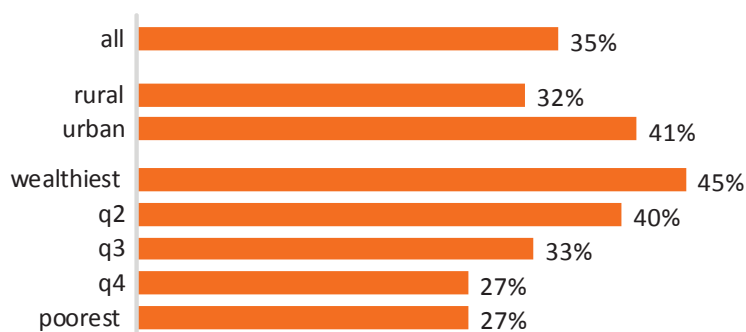
Among those with a bank account, two thirds (69%) explained that their main reason for having an account was as a safe place to save their money. A further one in five (20%), said they had a bank account in order to receive their salary. These figures are similar to those reported by the FinScope survey of 2013, which found that 75% of those with a bank account had opened it in order to save and/or to keep their money safe, and 17% did so in order to receive their salary.<sup>6</sup>

Among those with no bank account, eight out of ten (81%) said that this was because they didn't have enough money to put into an account. Again, this echoes FinScope 2013 findings, which also found that lack of money was the main reason for not having an account.

## Fact 2: One in three Tanzanian households has ever borrowed money, mostly from informal sources

One in three Tanzanian households (35%) have borrowed money or taken a loan. This figure is higher in urban (41%) than rural (32%) areas, and higher among wealthier households than among the poor (45% to 27%).

**Figure 4: Have you or a member of your household ever borrowed money or taken a loan (cash / money) (percentage answering yes)**

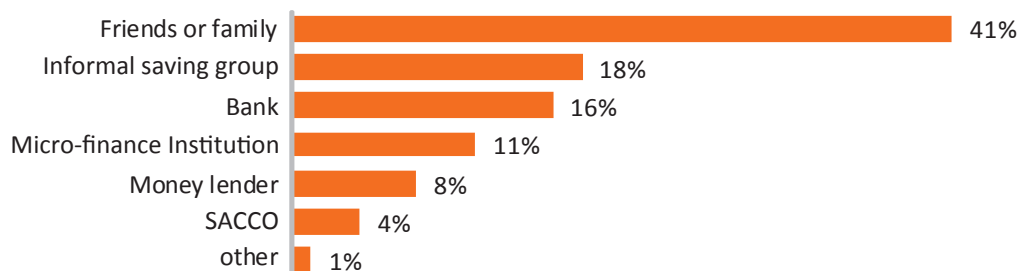


**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

A wide range of purposes for borrowing money was given, including business reasons (34%) and daily household expenses (26%). Among households that have taken a loan, four in ten (41%) borrowed from friends or family members. Other informal sources, such as informal savings groups (18%) and money lenders (8%), also featured. Formal sources, such as banks (16%), micro-finance institutions (11%) and SACCOs (4%) were reportedly less common sources.

<sup>6</sup> FinScope, 2013

**Figure 5: Where did you take the loan from / borrow from? (n=634)**



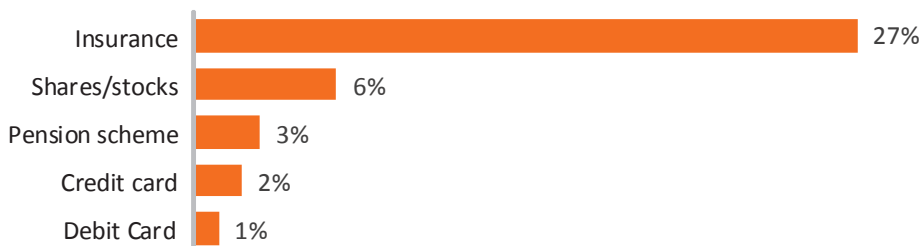
**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

Among those borrowing money from a source other than a bank, the main reasons given for this choice (not to use a bank) were that the amounts being borrowed and repaid were too small (34%) and to avoid cumbersome bank procedures (20%). Only one in ten (10%) said that avoidance of bank interest rates was the main reason for this choice.

### **Fact 3: One out of four citizens have an insurance product**

Just over one out of four (27%) adults have an insurance product, while smaller numbers report having stocks or shares (6%), a pension scheme (3%), a credit card (2%) and/or a debit card (1%).

**Figure 6: Are you using / do you have any of these other forms of financial products? (percentage answering yes)**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

Combining the figure for insurance services with data from the FinScope surveys, the increase in health insurance cover is rising rapidly, albeit from a low base: in 2009, 6% of adults had insurance, a figure which doubled to 13% by 2013<sup>7</sup>. The data reported in this brief shows access to insurance has doubled again since 2013. Among those with an insurance product, the vast majority (98%) report having health insurance. This means that 26% of Tanzanian adults report having some form of health insurance.

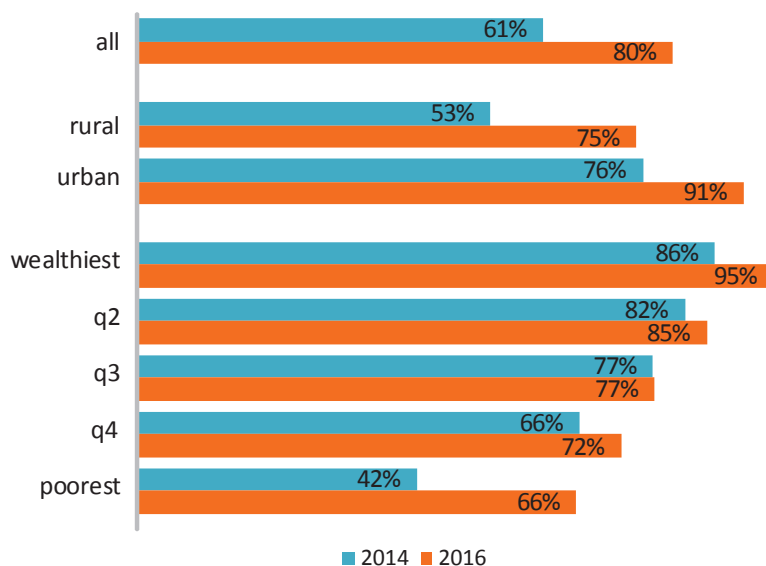
7 FinScope 2009,2013

#### Fact 4: Eight out of ten citizens use mobile money services, up from six out of ten in 2014

Eight out of ten (80%) Tanzanian adults report using mobile money services. This is an increase since 2014, when six in ten (61%) reported the same. A larger proportion of citizens in urban areas (91%) report using mobile money services than their rural counterparts (75%). This gap has shrunk since 2014, when the figures were 76% for urban areas and 52% for rural ones.

Similarly, the gap in access to mobile money services between wealthier and poorer households has also narrowed since 2014. In 2014, 86% of those in the wealthiest households used mobile money services, more than double the proportion (42%) of those in the poorest households. By 2016, these figures had grown to 95% and 66% respectively. Younger people are slightly more likely than older people to have a mobile money account, with 82% of those aged 18-29 having one, compared with 75% of those aged 50 or above. And men (83%) are slightly more likely than women (77%) to have a mobile money account.

Figure 7: Are you using mobile money services? (percentage answering yes)

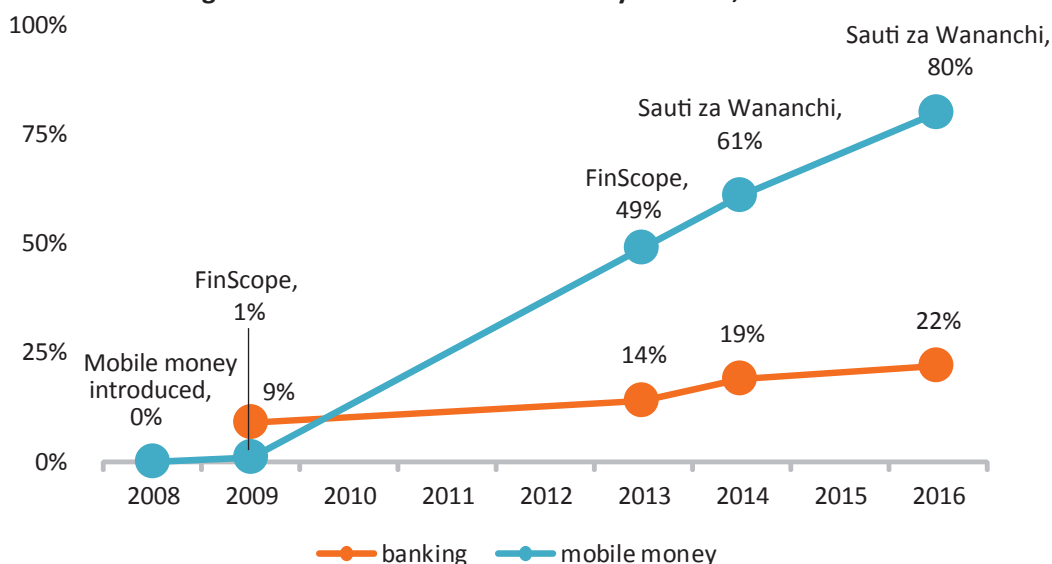


Source of data: *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

When combined with data from the FinScope surveys, a clear trend is shown of rapidly increasing access to mobile money since the service was first introduced in Tanzania in 2008. A year later, just 1 in 100 adults (1%) had a mobile money account, but up take has risen rapidly since then, to the current figure of 80%<sup>8</sup>. In contrast, the increase in access to bank accounts over the same time period has been slow but steady. In 2009, nearly ten times as many people had a bank account as had a mobile money account. By 2016, nearly four times as many people have mobile money accounts as hold bank accounts.

8 FinScope 2009, 2013

**Figure 8: Those with a mobile money account, over time**



**Source of data:** Financial Sector Deepening Trust (FSDT) 2009 and 2013 FinScope Report, *Sauti za Wananchi* mobile phone survey 2014 and 2016

The most common mobile money provider is M-Pesa (Vodacom), with just under half (46%) of citizens having an M-Pesa account. Three in ten (30%) have an account with TigoPesa and one in four (24%) with Airtel Money.

**Figure 9: Which mobile money provider(s) do you use? (n=1439)  
(among those who use mobile money services)**



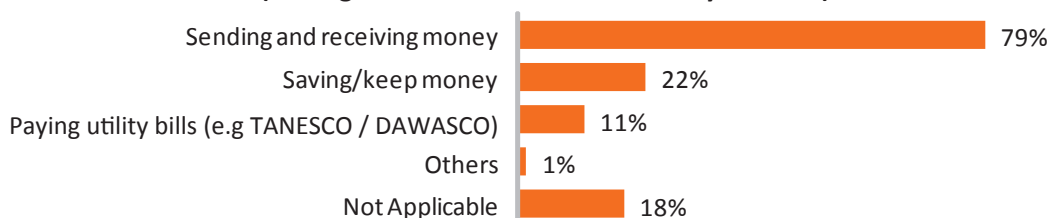
**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

This includes one in six (16%) Tanzanian adults who report holding mobile money accounts with more than one provider, including a small number (2%) who have accounts with the three different providers.

### **Fact 5: The main use of mobile money services is to send and receive money**

Almost all (98%) of those who use mobile money use the service to send and receive money. Smaller numbers also use their accounts to save or keep money (27%) and/or to pay utility bills such as TANESCO or DAWASCO (14%).

**Figure 10: What services do you mainly use your mobile money for? (n=1439)  
(among those who use mobile money services)**



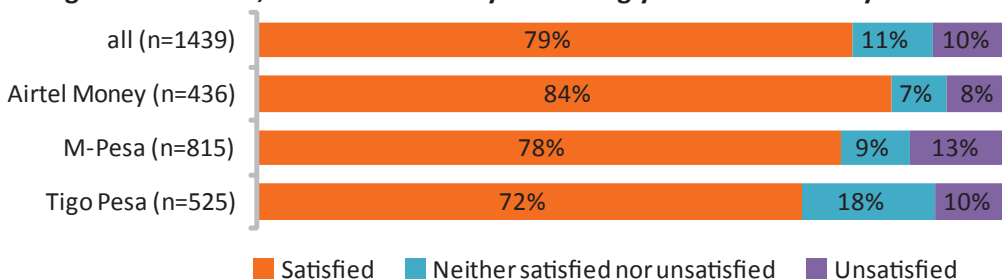
**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

There appears to be a relatively small increase over time in the use of mobile money services to pay utility bills and similar business transactions. The 2013 FinScope survey found that 10% of Tanzanian adults used mobile money services to pay bills, school fees and other business transactions while these *Sauti za Wananchi* data show that 11% of citizens use mobile money services to pay bills. However, these figures may mask greater growth in uptake of these ancillary services offered by mobile operators as the FinScope survey and *Sauti za Wananchi* address the question slightly differently.

## Fact 6: Eight in ten users of mobile money are satisfied with the service

Eight in ten users of mobile money (79%) are satisfied with the service, with one in ten (10%) unsatisfied and one in ten (11%) neither satisfied nor unsatisfied. There are some differences in the satisfaction levels of users of different mobile money service providers. Users of Airtel Money are more satisfied (84%), and users of Tigo Pesa are less satisfied.

**Figure 11: Overall, how satisfied are you in using your mobile money services?**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

Among those who are satisfied with mobile money services, the ease of use (27%) and the speed (24%) were cited as citizens' main reasons for their satisfaction. Among the 10% who are dissatisfied with mobile money services, the cost of the service was spontaneously given as the only significant reason for their dissatisfaction.

Looking specifically at cost, six out of ten users of mobile money services feel the cost is just right (59%), or even that it is too low (2%). This leaves a substantial proportion of users (four in ten, or 38%) who criticised the services for not offering good value for money. This



suggests that although cost is a real concern, customers are forced to bear it due to the limited options.

**Figure 13: On the cost of mobile money services (n=1439)**



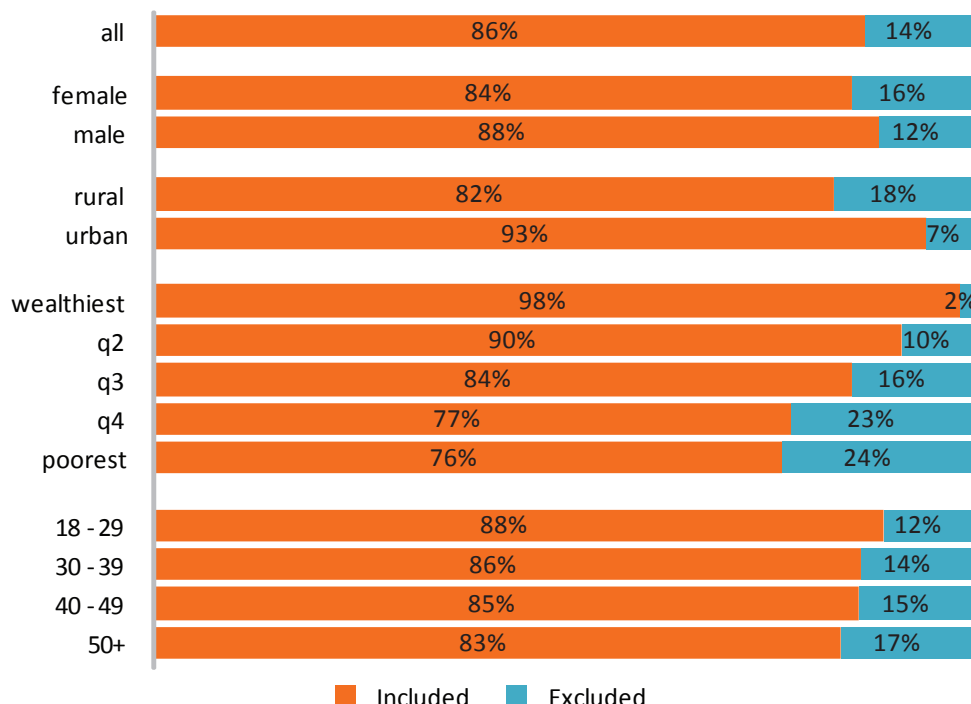
**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

### Fact 7: One in six citizens is financially excluded

One in six (14%) adults in Tanzania is financially excluded, defined as not having a bank account, mobile money account, insurance product or loan from a formal financial institution (bank, MFI or SACCO).

Financial exclusion is slightly higher among women (16%) than men (12%), and in rural areas (18%) compared to urban areas (7%). There is a clear link with economic status, with the poorest citizens (24%) far more likely to be financially excluded than the rich (2%). Differences by age group are smaller, but younger citizens are slightly less likely than older citizens to be financially excluded.

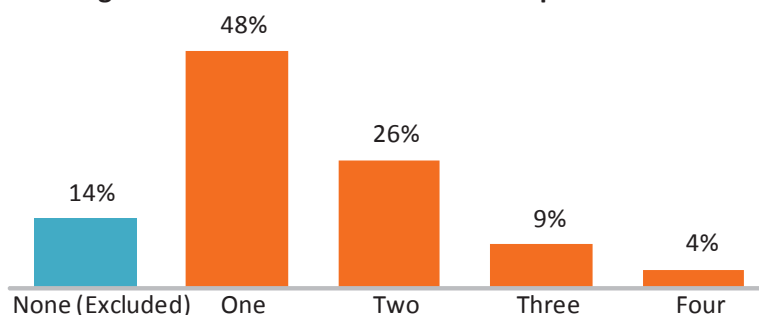
**Figure 14: Financial inclusion and exclusion by demographic group**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

Overall one in twenty citizens (4%) has all four of these financial products (bank account, mobile money, insurance and a loan from a formal institution), and one in ten (9%) have three such products. And majority almost half (48%) have one financial product.

**Figure 14: Number of formal financial products held**



**Source of data:** *Sauti za Wananchi* mobile phone survey - Round 13 (September 2016)

### 3. Conclusion

There is no doubt that mobile money has revolutionised the financial services landscape in Tanzania in recent years. 86% of Tanzanian adults are now “financially included”, in that they make use of either banking, credit, insurance or mobile money services from the formal sector, up from just 16% in 2009<sup>9</sup>. While growth in access to banking has been slow but steady, from 9% of adults to 22% over the same period, use of mobile money has skyrocketed over this period, from 1% in 2009<sup>10</sup>, a year after the service was first introduced in Tanzania, to 80% now.

Banks remain largely a service used by a small and relatively wealthy urban elite. Eight out of ten (81%) of the unbanked argue that they don’t have enough money to justify opening or maintaining a bank account. In addition, use of formal credit providers lags considerably behind other forms of financial services. Just one out of three Tanzanian adults report having ever borrowed money, the majority of whom used an informal source. Just one in ten adults have borrowed money from a formal credit provider – banks, micro-finance institutions or SACCOs. In contrast, mobile money services are accessible to the vast majority of Tanzanian citizens, with clear signs that access to mobile money among the poor and in rural areas is catching up with their richer and urban counterparts. Although the current use of mobile money is largely for remittances and keeping money, there is still considerable room for growth for a wider range of electronic products and services (ie business transactions; utility payments; saving and credits etc). It should though be noted that four in ten complain that mobile money services are too expensive and citizens (mostly the poor) are forced to bear them due to limited choices.

9 FinScope 2009, 2013.

10 *ibid*

The apparent growth in access to insurance services – dominated by health insurance – is also positive. The proportion of Tanzanian adults with at least one insurance product doubled between 2009 and 2013<sup>11</sup>, and doubled again between 2013 and 2016, though from a very low base. If this trend continues, it has the potential to have the same transformative effect on the health sector that mobile money has brought to financial services. With services such as M-Pawa, L-Pesa, TIMIZA and Tigo Nivushe (small unsecured loans) and Bima Mkononi and bimaAFYA (health insurance schemes), the mobile networks clearly sense an opportunity here, whereby they can partner with the banks and other financial players to ensure more products options for citizens and also encourage take up of diverse products in the market.

The rapid growth of mobile money could also be a blessing in disguise for the financial sector as banks may be forced to be more innovative to keep up with the new trends and avoid being muscled out. This ripple effect is already taking place, on 1 November this year, the National Microfinance Bank (NMB) partnered with Tigo Tanzania and Airtel Money to support availability of both cash and e-money (floats) to mobile money agents to smoothly run their business without the liquidity issues which most agent face. This partnership demonstrates how the banks and mobile communications companies can support financial inclusion and demonstrates the need for adaption and innovation from banks to address the changing way of doing business.


At the same time there are some ongoing challenges to financial inclusion and the expansion of financial services through mobile operators (and other institutions). Although there has been a rapid expansion in use of mobile money services (from 61% in 2014 to 80% in 2016), the services are largely used to send and receive money. Business transactions using mobile money, including paying bills remain far less common. The success or failure of mobile money as a tool for full financial inclusion will in part depend on how well people respond to and take up the additional services offered.

There may, however, be hidden barriers to entry for these services, whether they are offered by mobile operators or others. Uwezo, East Africa's largest citizen-led learning assessment, finds that two out of ten pupils complete primary school without being able to do Standard 2 level multiplication. The lack of numeracy skills may well impact people's ability to understand and access many financial services. Moving forward, institutions offering financial services will need to pay careful attention to these types of hidden barriers and how they can be overcome.

Tanzania's government, business and citizens should be congratulated for the broad strides made in the country towards financial inclusion. As these data clearly show there is a significant positive trajectory in access to these services. The landmark achievement of being the first country in the world to achieve interoperability between financial institutions is an important step in this regard. Nonetheless there are still groups that remain underserved, and many people are still only using the most basic facilities of the services available.

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11 *ibid*



To propel Tanzania forward, it will be essential to go the last extra mile to include these harder to reach groups. As clearly expressed in the Sustainable Development Goal agenda; broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves, their families and their community.