DIGITAL FOR TANZANIA

Funded by the European Union

Impact Capital for Development

UNCDF Tanzania-Inclusive Digital Economies
UNCDF Policy Accelerator

ASSESSING PROGRESS AND PRIORITIES: TANZANIA'S FINANCIAL INCLUSION JOURNEY 2011-2021

Key insights from financial inclusion data to build more meaningful and inclusive access to finance in Tanzania

MARCH 2023

Contents

Authors
Caroline Morrow, caroline.morrow@uncdf.org
Sophie Falsini, sophie.falsini@uncdf.org

Design
Darina Hernikova, darina.hernikova@uncdf.org

This publication was last reviewed in March 2023. This publication was funded by the European Union. Its contents are the sole responsibility of UNCDF and do not necessarily reflect the views of the European Union.

Foreword

At the end of 2022, the United Nations Capital Development Fund (UNCDF), along with many others, took the time to reflect on the achievements realised, challenges faced, and lessons learned over the last year. With the release of the latest edition of the World Bank Global Findex Database in June 2022, financial sector stakeholders like us had new data to guide this annual process. The Findex data—especially when analysed alongside other large datasets and publications such as those from the World Bank and the GSMA, as well as our own project-level data and anecdotal evidence—provide insights that help us better understand our progress and prioritize the work ahead of us.

We asked ourselves: to what extent has there been increased access to and usage of financial services in Tanzania? Which segments of the population are benefitting most from innovation in financial technology, and why?

We consider "financial inclusion for what" and explore if access to finance is actually leading to the outcomes we desire, such as gender equity, resilience and financial health. We examine the reasons why the financially excluded remain unbanked and ask what policy and regulatory changes and market-led interventions could enable more meaningful financial inclusion. Similarly, we ask how to better measure the outcomes of financial inclusion on specific target groups.

Under the EU-funded Tanzania-Inclusive Digital Economies (T-IDE)[1] program and through the UNCDF Policy Accelerator, UNCDF is committed to using data and research to accelerate Tanzania's transition to an inclusive digital economy, ensuring that no one is left behind. This includes:

- Working with the private sector to develop data-driven, customer-centric financial products and services that better-meet people's needs
- Supporting the public sector to develop inclusive, evidence-based policies and regulatory frameworks that leave no-one behind

Supporting evidence-based and gender-intentional financial inclusion policy in Tanzania

UNCDF is currently engaging with the Bank of Tanzania and the Women Affairs Committee for Financial Inclusion (WACFI) under the Tanzania National Council for Financial Inclusion to advance evidence-based gender-intentional policies and regulations. In February 2023, UNCDF conducted participative and technical workshops to support the creation of a shared understanding of the dimensions of financial inclusion, its link to resilience, the challenges and opportunities to enhance women's digital financial inclusion in Tanzania and the frameworks to monitor and address these barriers. This was a great opportunity for both UNCDF and local stakeholders given the upcoming review of the National Financial Inclusion Framework II (NFIF) and to create momentum around concrete actions that can deepen the scope and impact of financial inclusion in the country.

[1] UNCDF is implementing the T-IDE program with support from the European Union through its Digital4Tanzania (D4T) Action.

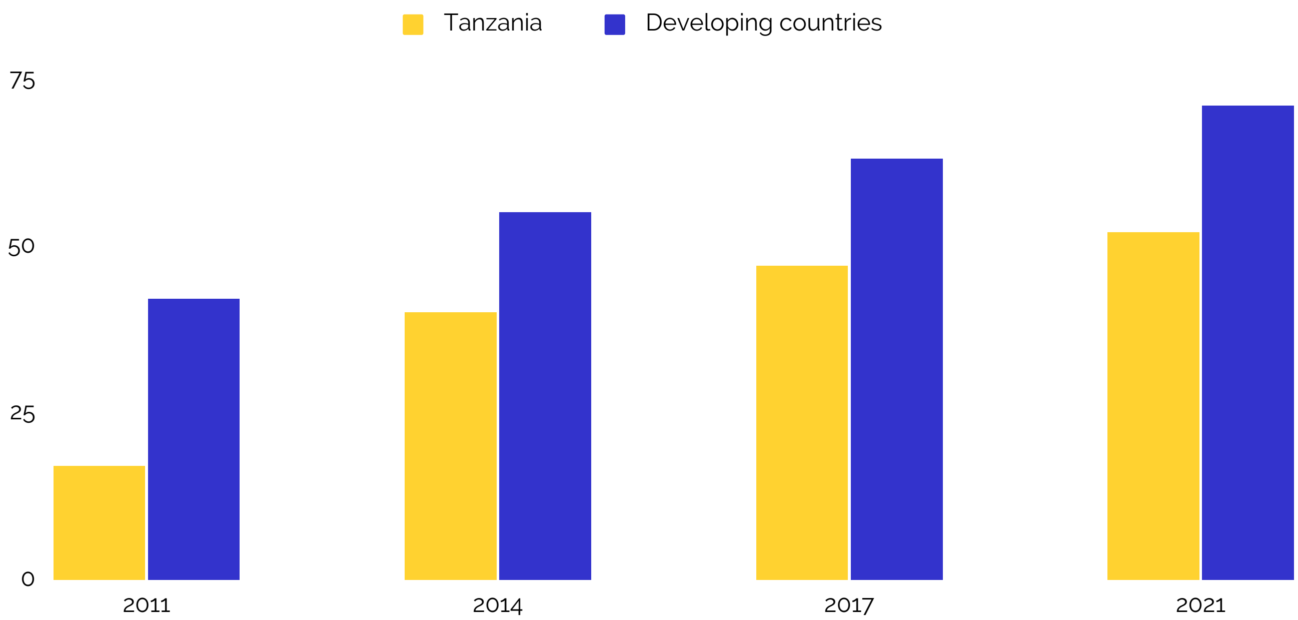
Key insights from the World Bank's Global Findex 2021 and other global databases: ACCESS

Access to finance through mobile money and financial institution accounts provides a crucial pathway to financial inclusion – especially for women. While mobile money is leading the way in Tanzania, gender gaps remain high, with women facing critical obstacles to financial inclusion. We must prioritize analysis of both growth and gaps in access to financial accounts to better understand and address challenges in Tanzania's financial sector.

1. Mobile money is leading the way in facilitating access to finance

More than a billion people around the world gained access to a financial account over the last decade, with much of this growth occurring in developing economies, including Tanzania. While the percentage of adults in Tanzania with an account is still lower than the percentage in developing economies overall, the rate of growth in account ownership in Tanzania outpaced that of developing economies. Account ownership in Tanzania grew by 35 percentage points, from just 17% in 2011 to 52% in 2021. In developing economies, it grew by 29 percentage points, from 42% to 71% over the same period.

Figure 1: **The rate of growth in account ownership in Tanzania has outpaced the rate of growth in developing countries (%, age 15+)**



Source : World Bank Global Findex 2021

Accounts vs. Financial Institution Accounts

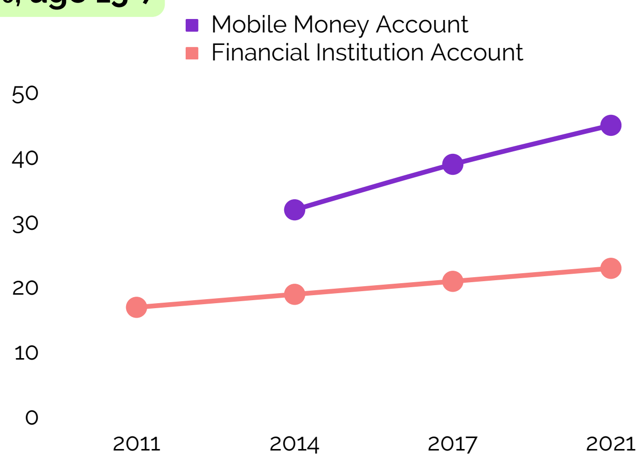
The Global Findex 2021 defines **account ownership** as ownership of an individual or jointly owned account at a regulated institution, such as a bank, credit union, microfinance institution, post office or mobile money service provider.

Financial institution refers to banks and other financial institutions that offer a transaction account that falls under prudential regulation by a government body (excluding mobile money accounts). The definition does not include non-bank financial institutions such as pension funds, retirement accounts, insurance companies, or equity holdings such as stocks.

The key implication for the analysis in this report is that when we say "account," we include mobile money accounts. When we say "financial institution account," we do not include mobile money accounts.

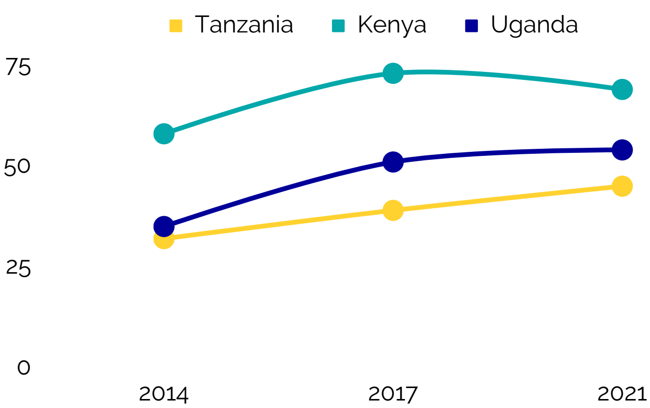
This relatively rapid growth in account ownership stems largely from the adoption of mobile money. Since 2014, the pace of growth in mobile money account ownership has been greater than that of growth in financial institution accounts (e.g., bank accounts). In 2021, the share of adults in Tanzania with mobile money accounts was nearly double the share of those with financial institution accounts: 23% vs 45%, respectively. While mobile money has been facilitating increased access to finance across Sub-Sahara Africa (SSA) (Tanzania is one of eleven countries, all in SSA, in which a larger share of adults has a mobile money account than a bank account), growth trajectories vary by country. A country's policy and regulatory environment, as well as its digital infrastructure, competition and pricing in the mobile money market, the availability/accessibility/affordability of financial services and consumer readiness all play a role.

Figure 2: **Account ownership 2011-2021 (%, age 15+)**



Source : World Bank Global Findex 2021

Figure 3: **Adoption rates of mobile money accounts 2014-2021 in Tanzania, Kenya, Uganda (%, age 15+)**



Source : World Bank Global Findex 2021

Key insights from Global Findex 2021 and other global databases: **ACCESS**

While rates of mobile money account ownership are lower in Tanzania than in Kenya and Uganda, growth rates have been steadier since 2014. The stark difference in uptake of mobile money accounts between Tanzania and other countries in the region merits further investigation.

2. Mobile money and digital financial services provide a pathway to financial inclusion for women in particular

Mobile money can be an important pathway to financial inclusion, economic empowerment and resilience for women. Financial services delivered via mobile phone can bridge the last-mile gap, reaching women where they work and live, and offer a more private and secure experience than traditional banking.

When we look at the gender gap in account ownership in Tanzania, the picture is at first worrisome: it nearly doubled from seven percentage points in 2011 to 13 in 2021. (Meanwhile, the gender gap in developing countries narrowed to six percentage points after being stuck at nine for many years!). However, when we disentangle different types of accounts, we see that although the percentage of women in Tanzania with a financial institution account decreased, the percentage with a mobile money account increased. Over the same period, account ownership among men increased for both financial institution and mobile money accounts. Additionally, while women are still less likely than men to own a mobile money account, the pace of growth for women has been higher than for men, narrowing the gender gap in mobile money. This suggests that for women, the barriers to access mobile money account ownership are lower than those for financial institution accounts. These could be both policy and product related. For example, mobile money accounts have lighter and more tiered Know Your Customer (KYC) requirements, lower and more transparent fee/cost structures and are designed with better fit for purpose.

Figure 4: **Gender gaps in ownership of a mobile money account, 2014-2021 (%, age 15+)**

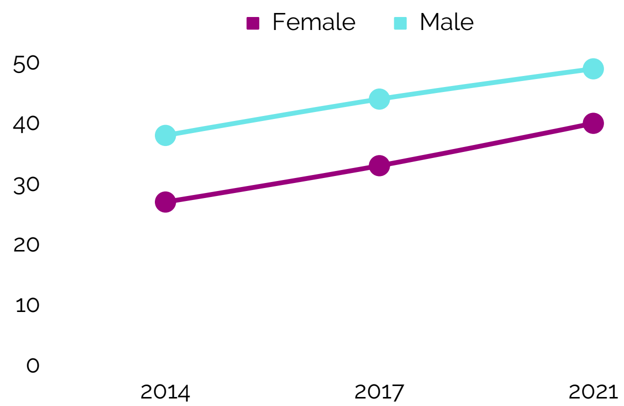
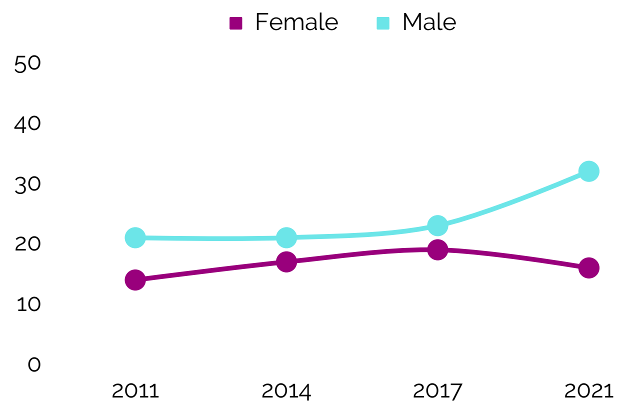


Figure 5: **Gender gaps in ownership of a financial institution account, 2011-2021 (%, age 15+)**



Source : World Bank Global Findex 2021

While these trends paint a less worrisome picture, relative gender gaps[2] in Tanzania remain high, especially as compared to its neighbours. It is clear that women still face obstacles in becoming financially included.

Figure 6: **Financial institution (FI) vs. Mobile money (MM) accounts (%, age 15+)**

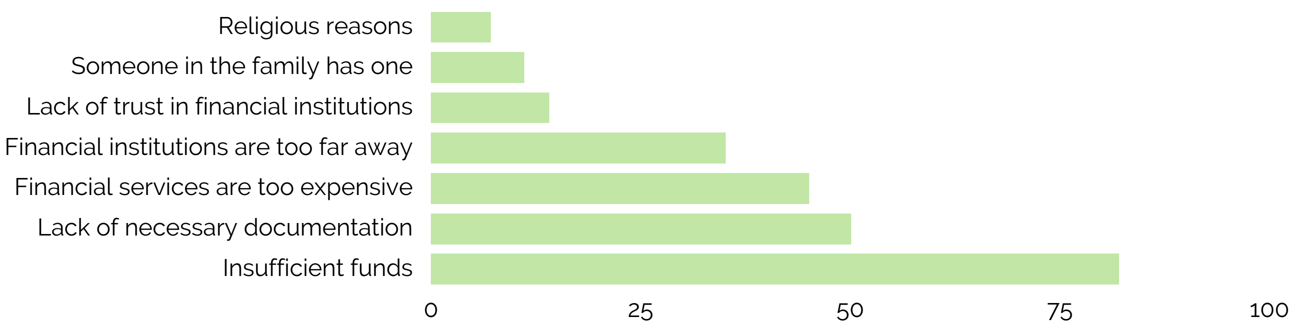
Source : World Bank Global Findex 2021

3. Barriers persist: Affordability, accessibility, lack of documentation and low literacy drive exclusion

- **Insufficient funds, lack of documentation and expensive financial services pose a barrier to financial inclusion**

As Findex 2021 data shows, adults in Tanzania identify insufficient funds, lack of documentation and expensive financial services as the three main reasons for not owning an account.

Figure 7: **No account because... (% of adults age 15+ without an account)**



Source : World Bank Global Findex 2021

When it comes to cost constraints, these may be both real and perceived. Real cost constraints point to broader economic issues as well as poor livelihood opportunities for people to earn sufficient income. By some measures, progress in living standards has been stagnant, with the portion of people living below $2.15/day remaining at 45% between 2011-2018 (World Bank Poverty and Inequality Platform - 2017). Mobile device prices also increased by 8% between 2014-2021 (GSMA Mobile Connectivity Index 2021).

[2] In this paper, the relative gender gap is calculated as: (% of male population with access) - (% of female population with access) / (% of male population with access.

On the other hand, there are people who can theoretically afford to open a financial account (including the cost to travel to a bank branch, pay account-opening and initial deposit fees, etc.) and who may even want to engage with the financial system, but do not because the costs are too high in relation to the perceived benefits of doing so.

Finally, limited access to proper documentation is a major constraint to account opening and driver of financial exclusion. Sixty percent of the population in Tanzania lacks an ID (World Bank ID4D 2021) and 50% of individuals without an account mention lack of documentation as one of the reasons for not having one (World Bank Findex 2021).

Lack of trust in formal financial institutions (paying unexpected fees being one of the reasons) [3] should also be acknowledged as a key barrier, especially since it may foster informality and undermine financial stability.

- **Affordability and accessibility remain barriers to financial inclusion for women in particular**

While the constraints described above are applicable to both men and women, women are disproportionately affected.

Given their lack of livelihood opportunities and relatively low earnings as compared to men, many women do not have enough disposable income to open an account or utilize financial-related products and services.

Accessibility to financial services and products is also a challenge. Despite a large growth of mobile money agents in Tanzania since 2014, proximity to agent outlets and liquidity of those agents, in particular for bank agents, remains an issue (see figure 7). This is particularly challenging for women, who face mobility challenges and are bound to household duties due to socio-cultural norms.

Finally, with a 5% gender gap in access to identification documents (World Bank ID4D 2021), low access to documentation is a key barrier for women. While KYC requirements are typically not as onerous for mobile money as they are for bank accounts, women are typically less likely than men to have verifiable identification.

- **The high cost of digital and mobile internet-enabled devices is a constraint to the uptake of digital financial services**

With the proliferation of digital financial services, customers must weigh the costs and benefits not just of financial products and services themselves, but of devices and data. In Tanzania, the data shows a steadily growing gap between available digital infrastructure and usage, with the proportion of the population with access to mobile broadband but not connected to or using a mobile internet service, doubling in the last five years.

[3] In Tanzania, 31% of adults who received private sector wages into an account mentioned that they paid higher than expected fees (World Bank Findex 2021).access.

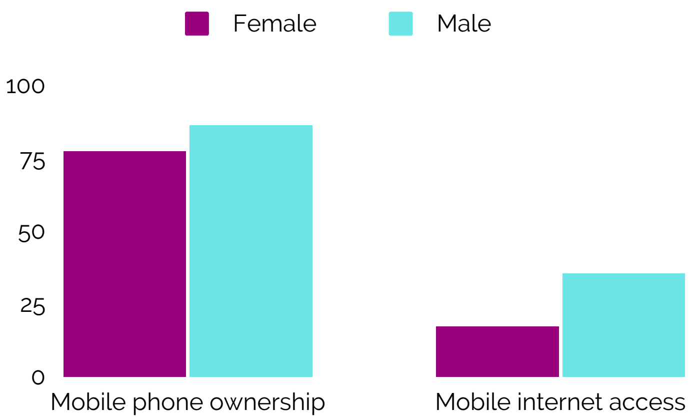
Key insights from Global Findex 2021 and other global databases: **ACCESS**

And while 81% of Tanzania's total population has 3G mobile network coverage, only 26% of the population are connected to or use either 3G or 4G services—the majority use 2G-compatible devices, which are cheaper (Sone Osakew et al., GSMA 2023). This suggests that the high costs of internet-enabled devices and services (again, real or perceived) are barriers not only to financial accounts, but to mobile accounts and digital services as well.

As suggested by the GSMA, women remain 35% less likely than men to spend on mobile services and 64% of women in Tanzania report high handset and SIM costs as one of the reasons why they don't own a mobile (GSMA Mobile Gender Gap Report 2019).

There may be an opportunity for the private sector to offer flexibility in payments, alternative credit assessments and subsidies to expand device ownership and for the public sector to review the impact of taxes and levies on mobile devices and digital services.

Figure 8: **Gender gap in mobile phone ownership and mobile internet access (% of population)**



Source: GSMA "Tanzania's Digitalization Journey: Opportunities for value creation"

Note: Mobile broadband refers to 3G, 4G, or 5G technologies; mobile internet access requires a smartphone

Tanzania requires SIM cards to be registered with national IDs

Know-Your-Customer (KYC) identification verification processes are foundational to accessing finance and are essential to reducing the risk of financial fraud. Although KYC requirements are typically less onerous for mobile money accounts than bank accounts, it is important to understand recent changes to the landscape.

In 2019, the Tanzania Communication Regulatory Authority (TCRA), announced that only National Identification Authority (NIDA) IDs could be used for SIM card registration. While registration via other forms of ID (voter card, passport, driver's licence) had been required since 2018, this policy change meant that registrations would be biometric moving forward.

Implementation of the regulation was not smooth at first, with only 42% of all SIM card owners able to biometrically register by the initial deadline of 31 December 2019. The government extended the deadline to 20 January 2020 to avoid mass switch-offs of mobile users. Later that year it adopted another regulation making NIDA IDs the exclusive ID cards for the SIM card (re)registration process.

While one result of the regulation may be greater incentive to register with NIDA to avoid SIM deactivation, policymakers and researchers should consider the extent to which these regulations hider or enable women's access to finance via mobile money, as women are typically less likely to have verifiable identification.

Source: Dr. Patricia Boshe, African Law and Technology Institute. [Digital Identity in Tanzania]

Key insights from Global Findex 2021 and other global databases: **ACCESS**

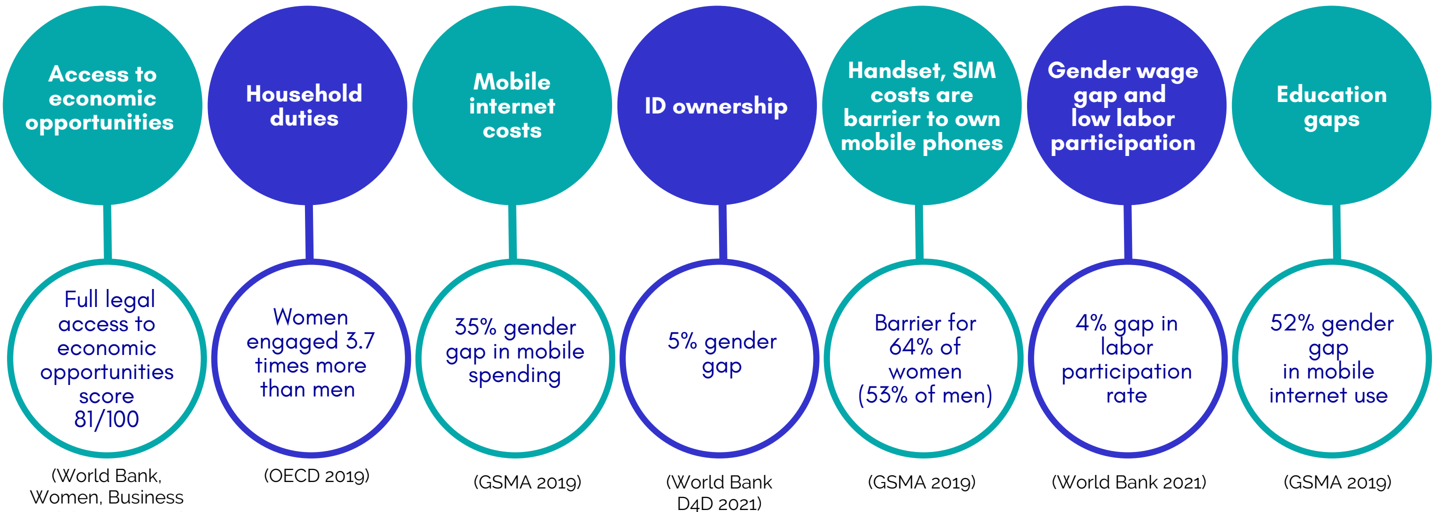
- **Low levels of financial and digital skills are a persistent constraint to meaningful, safe and secure access to finance**

Financial and digital literacy are essential to ensuring that account holders can confidently make informed financial decisions and access recourse mechanisms; it also reduces vulnerability to financial fraud and abuse linked to new digital financial service (DFS) products (e.g., mobile app fraud, SIM swap fraud and data breaches, agent fraud and Ponzi schemes), which low-income and rural women are disproportionately exposed to (Chalwe-Mulenga et al., CGAP 2022).[4]

The Findex 2021 data shows that only 28% of adults without a bank account say they could use one without help if opened, and the numbers are only marginally better, at 32%, for mobile money accounts owners. Moreover, only 64% of people with a mobile money account say they can use one without help from anyone, including a mobile money agent. While this is a majority of account holders, this is still a significant number of people with accounts that are effectively unable to use them—or at least reap their full benefits comfortably. Again, the situation is worse for women than men. According to the GSMA, women are 51% less likely than men to use mobile internet (GSMA, Mobile Gender Gap Report 2019); relatively low levels of literacy are likely a driver.[5]

Basic literacy and numeracy are also foundational to financial inclusion. According to FinScope Tanzania 2017, while 72% of Tanzanians can read and write in Kiswahili, only 27% can read and write in English. This points to the importance of locally adapted market solutions which are available in local (and simplified) languages, as well as the need to monitor, strongly regulate and block spam and phishing messages while enabling complaint mechanisms corridors which are efficient and easy to access.

Figure 9: **Women face barriers to inclusion across a range of themes**



Source: UNCDF Policy Accelerator, 2023

[4] While for men it's only 53% (GSMA Mobile Gender Gap Report 2019).

[5] 17% women vs 35% men using mobile Internet (GSMA, Mobile Gender Gap Report 2019).

Key insights from Global Findex 2021 and other global databases: **ACCESS**

While all of the above-mentioned reasons are some of the main ones for not owning an account, they highlight that there is no single set of circumstances driving gender equity in account ownership.

Women are not a monolith; some segments may be more constrained by cost, while others are held back by limited literacy and trust. There is a clear need for relevant financial products and services to be developed with the specific needs of different types of women in mind. Focus group discussions with key customer segments, analyses of existing customer behaviour and iterative product testing, are essential. Similarly, digital financial service providers, policymakers and regulators need to join efforts to advance women's financial inclusion and reach those that continue to be un- and under-served.

Key insights from the World Bank's Global Findex 2021 and other global databases: **USAGE**

To derive real benefits and harness the opportunities that come with financial inclusion, newly-accessed financial products and services must be used in meaningful, relevant, regular and safe ways. Data on payment, savings and borrowing provide insights into behavioural and **usage** patterns that help us understand the extent to which financial services are having a positive impact on people's lives. Understanding who is positively impacted and who is not (and why) highlights pathways to developing an improved approach.

1. While access to mobile money accounts is growing, meaningful usage in terms of digital payments, savings and borrowing lag behind – especially for women

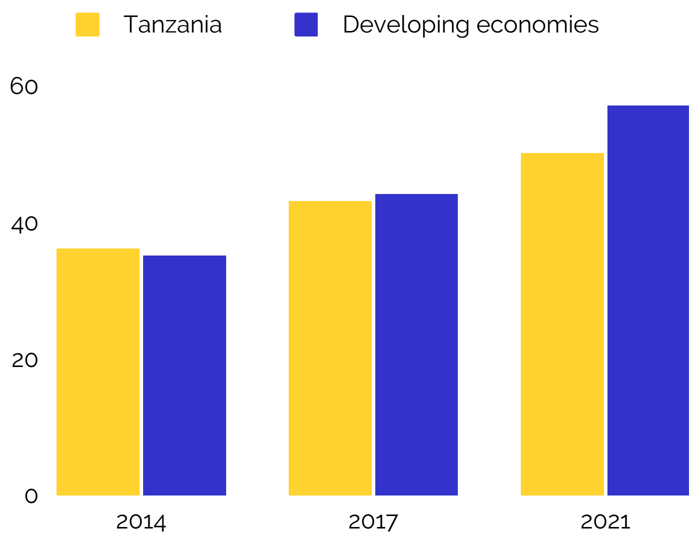
Despite the notable progress in account ownership, it is only the first step towards meaningful financial inclusion. Having an account makes it easier and safer to store money, build savings, make payments and access credit. To be meaningfully financially included, individuals must be able to access relevant, affordable and safe services and be capable of making sound financial decisions. To what extent are these potential benefits being realized?

- **PAYMENTS: The proportion of people making digital payments is growing despite a fragmented merchant payment system yet gender gaps persist**

There has been a lot of attention recently to the benefits of digital payments. For both senders and receivers, digital payments provide greater security and reduce costs. While the Findex 2021 data shows promising trends in the digital payments space at the global level and in developing economies—accelerated in part by the Covid-19 pandemic—the picture for Tanzania is less clear.

The share of adults in Tanzania making or receiving a digital payment grew from 36% to 50% from 2014 to 2021 – a steady increase. While this is positive progress, the gender gap for sending or receiving digital payments has stagnated since 2017, and Tanzanian women in 2021 were 22% less likely to have made or received a digital payment than men.

Figure 10: **Share of adults who made or received a digital payment (%, age 15+)**

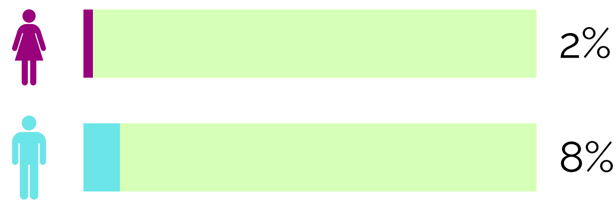


Source : World Bank Global Findex 2021

Key insights from Global Findex 2021 and other global databases: **USAGE**

Some hypotheses suggest that lower digital and numeric literacy, lack of trust in using the devices as well as social norm constraints might be responsible for these lower trends, yet further investigation would be required.

Figure 11: **Women and men who made a digital merchant payment (%, age 15+)**



Source : World Bank Global Findex 2021

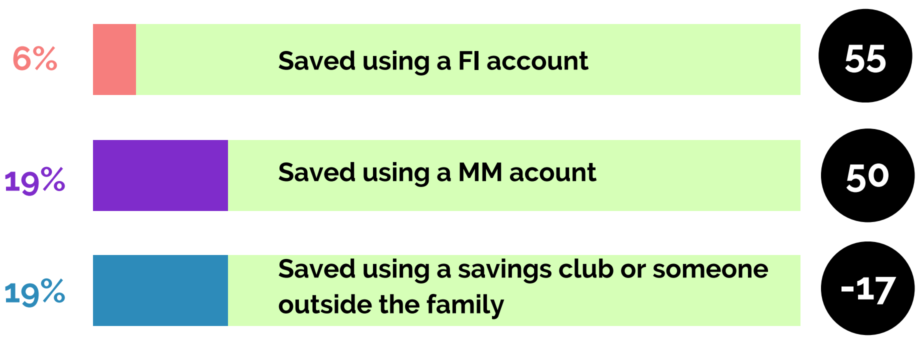
Additionally, although Tanzanians have benefitted from mobile money interoperability for person-to-person payments since 2014, the merchant payment ecosystem remains fragmented. A lack of interoperability between merchant points-of-sale and digital wallets means customers often pay in cash, despite having mobile money. Thus, while there is growth in digital payments, most of these payments are for sending money (31%) or paying bills (19%); only 8% of men and 2% of women reported making a digital merchant payment.

While cash is king, there is momentum to build upon: of those who did make a digital in-store merchant payment, 52% did so for the first time after the start of the COVID-19 pandemic. Moreover, the government of Tanzania has committed to developing the country's digital infrastructure; the 2022 launch of the Tanzania Instant Payment System (TIPS) offers the opportunity for more people, especially the underserved, to benefit from seamless digital payments. As TIPS rolls out, stakeholders in the public and private sector should pay attention to the ways in which women can utilize and benefit from digital payments.

- **SAVINGS: Mobile money accounts are popular tools for savings, but women are half as likely as men to have saved using a mobile money account**

Beyond payments, financial accounts help people build savings, which enable higher income-generating and productive investments and are key to building financial resilience. Mobile money accounts are an important method of saving in Tanzania: in 2021, 49% of adults reported saving any money, with 19% saying they saved using a mobile money account or with savings clubs and people outside the family, compared to just 6% of adults who saved at a formal financial institution. As a higher number of customers prefer to save via mobile money, the rate of customers saving at a financial institution has been decreasing since 2011.

Figure 12: **Saving patterns (%) and their relative gender gaps (%) (age 15+)**



Source : World Bank Global Findex 2021

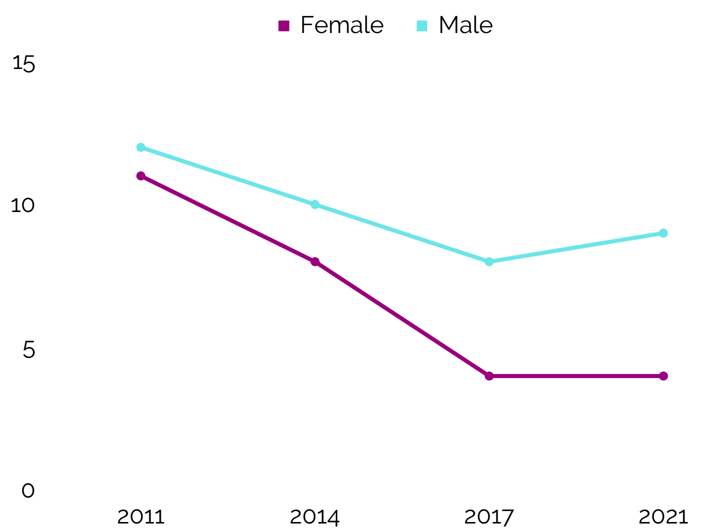
Key insights from Global Findex 2021 and other global databases: USAGE

Our experience suggests that low usage of financial institution accounts for savings are similar to the reasons for not opening an account in the first place: insufficient funds, high costs of products and services and a lack of proper documentation. Mobile wallets, on the other hand, may be better suited for people who are saving relatively small amounts and/or lack trust in formal financial institutions.

While mobile wallets have the potential to be beneficial to women's empowerment, women in Tanzania are half as likely as men to save using mobile money. Even more worrying, relative gaps for financial institution savings have been increasing steadily, from 8% in 2011 to 55% in 2021. When it comes to saving using savings groups (specific for Tanzania are Village Community Banking [VICOBAs], Village Savings and Loan Associations [VSLA]) or with a person outside their family, the gender gap is reversed: fewer men than women choose these informal avenues. Notably, however, even though the proportion of women saving via a club or outside their family has increased since 2011, it has slightly decreased between 2017-2021.

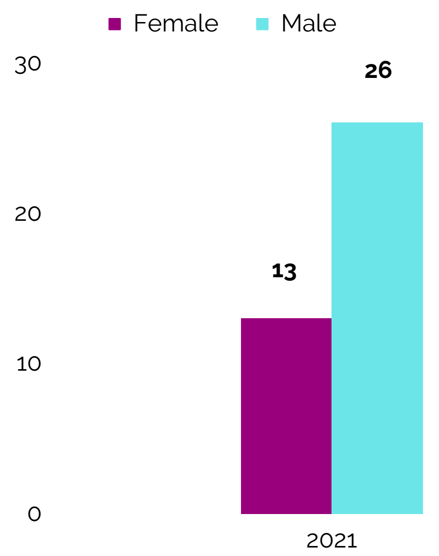
This suggests that while traditional savings groups will likely remain an important method of saving for large numbers of women, particularly in rural areas, they could also become an effective entry point for market-led initiatives that aim to increase mobile-money saving among women. For this to succeed though, formal financial products and services must be designed to overcome the barriers to usage described above. They must be affordable, trustworthy and relevant for their users, which stresses the need to invest in literacy and awareness raising campaigns, stronger transparency as well as proper monitoring and training of mobile money agents.

Figure 13: **Saved at a financial institution, 2011-2021 (%, age 15+)**



Source : World Bank Global Findex 2021

Figure 14: **Saved using mobile money account, 2021 (%, age 15+)**



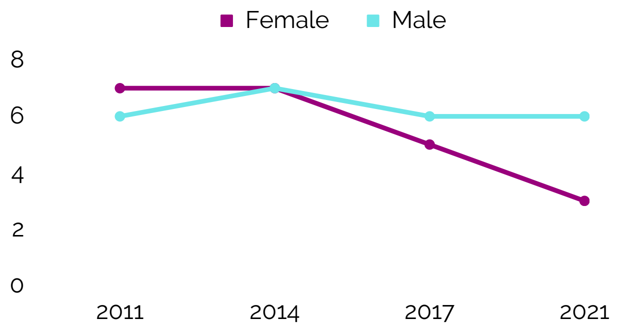
Source : World Bank Global Findex 2021

Key insights from Global Findex 2021 and other global databases: **USAGE**

- **BORROWING: Adults in Tanzania still prefer to borrow informally**

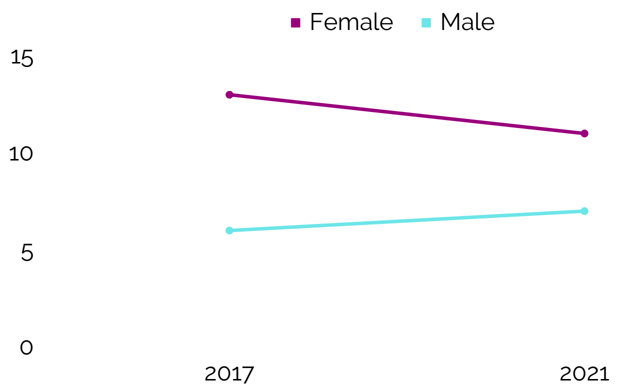
When faced with unexpected expenses (such as paying medical bills, funerals or repairing the damages caused by a storm) as well as future ones (such as planning for a wedding or education), low-income adults worldwide turn to borrowing. Yet, oftentimes, the high interest rates of microcredit institutions as well as the lengthy and cumbersome procedures imposed by banks make formal access to credit a challenge. This is particularly true for women, who do not always have necessary collateral requirements to access credit or loans.

Figure 15: **Borrowed from a formal financial institution, 2011-2021 (%, age 15+)**



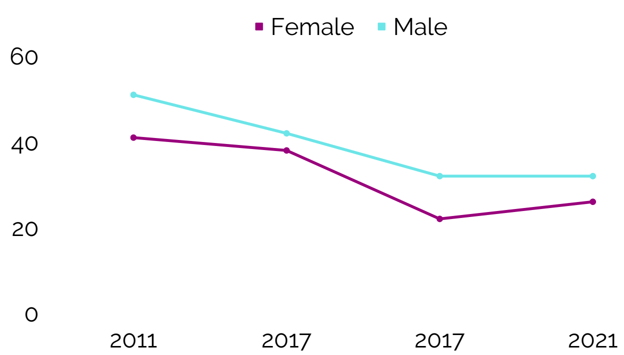
These challenges are evident in Tanzania as well. As emerged from Findex 2021, despite a decreasing trend, most people still rely on informal sources of borrowing (family and friends in particular) rather than formal ones (financial institutions). For women specifically, savings groups remain an important go-to source, despite numbers having slowed down since 2017.

Figure 16: **Borrowed from a savings club, 2017-2021 (%, age 15+)**



What these graphs do not show is the delivery of digital credit products, which since 2014 have played a role in advancing digital transformation. While the Bank of Tanzania has adopted an array of regulations to create a more enabling financial system, digital credit still poses risks to low-income adults (AFI 2020).

Figure 17: **Borrowed from family or friends, 2011-2021 (%, age 15+)**



Issues of over-indebtedness, irresponsible pricing and lending, weak complaints resolution mechanisms and inappropriate product designs can harm more than benefit consumers. When paired with low literacy levels and reduced access to information, this can foster unhealthy and risky financial behaviours, especially for women, which in the long term might harm their trustworthiness in formal financial systems.

Source for all graphs: World Bank Global Findex 2021

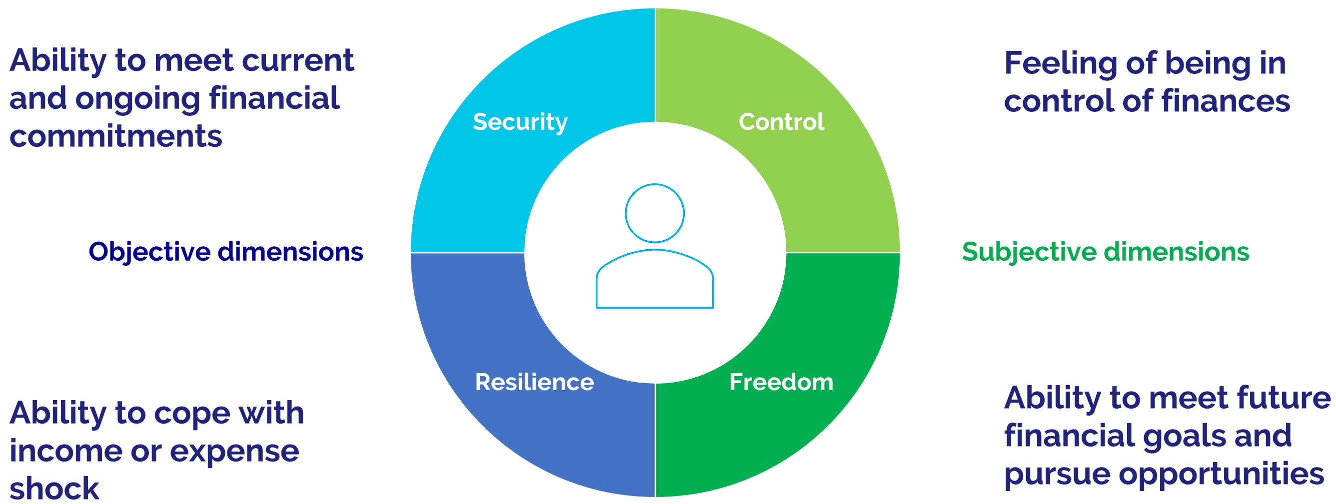
Key insights from the World Bank's Global Findex 2021 and other global databases: FINANCIAL HEALTH

Access to and use of financial products and services is key to advancing financial inclusion, yet these alone do not always translate into improved **financial health**. Financial health is the ability to fulfill your current needs, cover emergencies and to be able to plan for the future. Financial inclusion must go beyond access and usage; the ultimate goal is to empower people to make sound financial choices and be in control of their own financial lives.

1. Access and usage matter, but quality and impact of financial inclusion cannot be overlooked

We have so far examined financial inclusion through the lenses of access and usage. Just as access to affordable, relevant and safe financial services is a prerequisite to usage, meaningful usage of those services is essential to improving individual and collective financial health, resilience and economic stability. Yet, increased access to and usage of finance does not always translate to improved financial health: account ownership grew by almost 30% in developing countries over the last decade, but 4 out of 5 of adults report they do not have enough savings for unexpected expenses (World Bank Findex 2021).

Figure 18: **Dimensions of Financial Health**



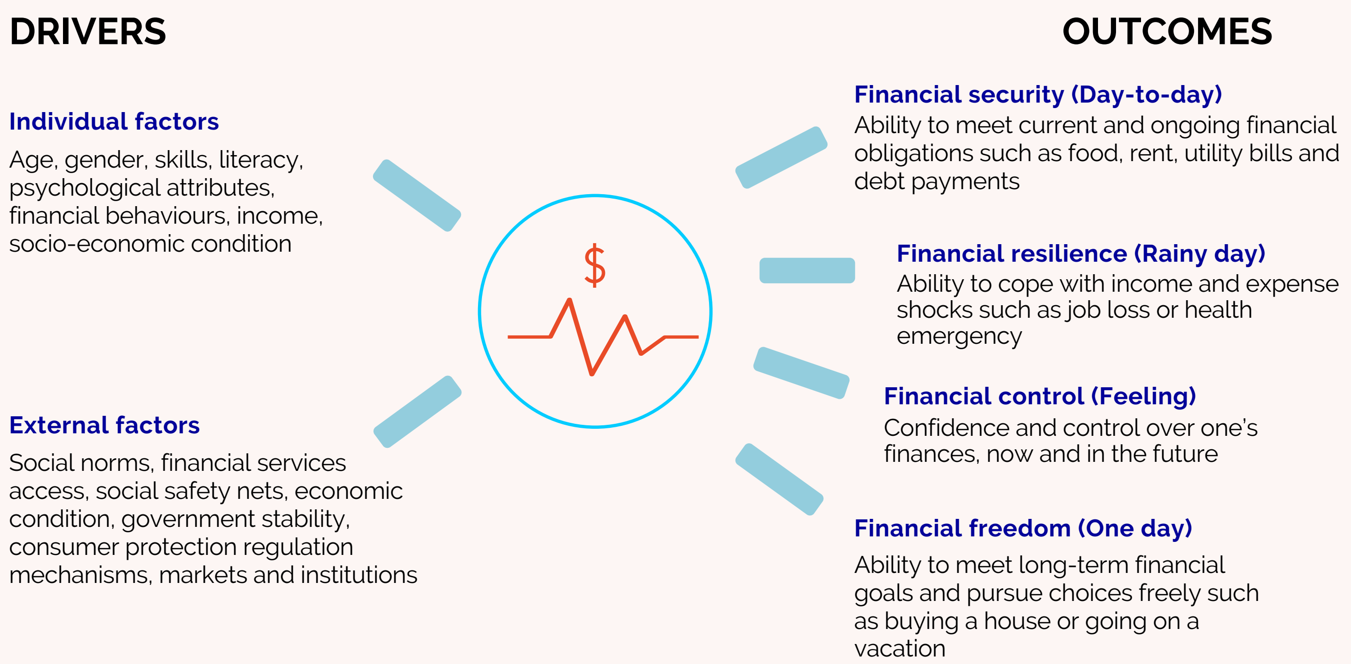
Source : UNCDF 2022

FINANCIAL HEALTH

To be meaningfully financially included, individuals need to be capable of making sound financial decisions and feel in control of their financial lives while being protected under an enabling regulatory environment. Choice and control are essential elements of financial inclusion that defines people's resilience—their ability to meet daily needs, absorb economic shocks and plan for the future. Financial resilience is a key component of financial health.

As shown in figure 19 below, financial health is multidimensional, influenced by individual (age, gender, income) and external (social norms, market stability, access to financial services) factors. These factors are important drivers of financial health, both on their own and in combination with one another.

Figure 19: **What drives financial health outcomes?**



Source : UNCDF 2022

2. Financial health offers a larger, more comprehensive perspective to define and measure impact

There is no universally accepted way to measure financial health, but Findex 2021 contains updated indicators that provide initial insights into it—for example, the ability to come up with emergency funds, where those emergency funds come from and people's most worrying financial issues. The trends are unfortunately not promising, both at the global level and for Tanzania.

When looking at financial resilience—the ability to deal with economic shocks – 71% of adults in developing economies have access to an account, but only 55% can access emergency funds in thirty days without much difficulty. In Tanzania, the situation is worse: only 18% of men and 13% of women can access emergency funds in 30 days without much difficulty; 34% of men and 43% of women are very worried about their ability to do so. The most commonly cited source of emergency funds for adults in Tanzania is family or friends (27%), followed by additional work (23%); only 8% of adults said they would access a loan from a bank, employer or private lender and only 7% said they would rely on savings. The most common financial concern in Tanzania is the ability to pay for medical costs in case of a serious illness or accident, with 51% of adults saying this is their most worrying financial issue.

Vis-à-vis its neighbours Kenya and Uganda, the trends in Tanzania are more troublesome. In 2021, 14% of adults in Tanzania found it impossible to access emergency funds in thirty days, while in Kenya and Uganda it was 6% and 8% respectively. Similarly, while all three countries exhibit high gender gaps in financial resilience, the gap is largest in Tanzania.

Figure 20: **Impossible to secure emergency funds in 30 days: Tanzania, Kenya and Uganda (%, age 15+)**

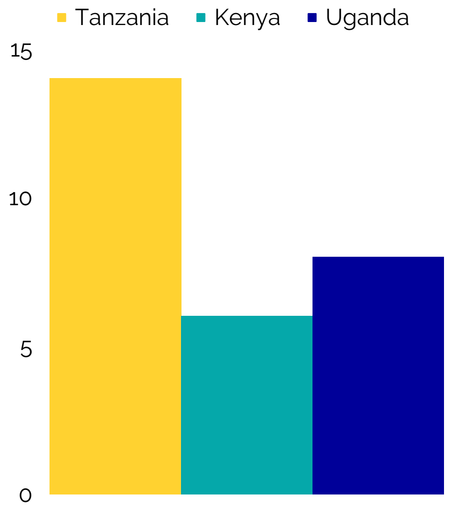
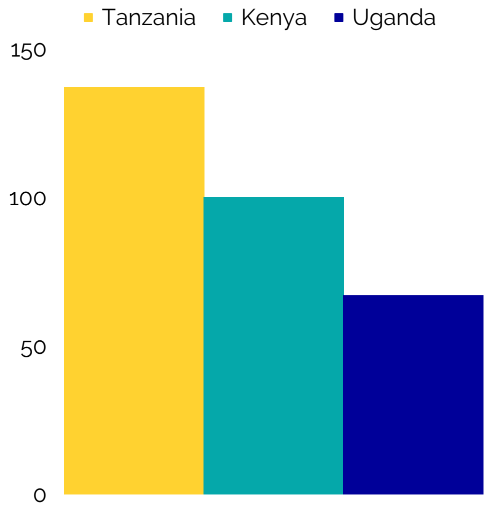


Figure 21: **Relative gender gap: Impossible to secure emergency funds in 30 days (%, age 15+)**



These large gender gaps in resilience raise many questions. While women are inclined to save, their preference for savings clubs and other informal mechanisms may leave them insufficiently prepared for emergencies as compared to men. Gender gaps in resilience may also be driven by risks that accompany growth in DFS: for example, irresponsible lending and the exposure to fraud and lack of control that results from limited digital financial literacy. Inadequate financial consumer protection regulations may also be at play, as seen in Kenya and India, where digital consumer credit providers hide exorbitant interest rates with false advertising, sometimes pulling customers into a debt trap.

Similarly, hard-to-measure social and cultural norms play a major role in hampering women's financial health outcomes; women in Tanzania are overrepresented in the low-value informal sector, show a higher poverty index, experience a 4% labour force participation rate gap and do not enjoy equal inheritance rights (World Bank, Gender Statistics).

Conclusions: Moving forward, without leaving anyone behind

In line with global and regional trends, there has been steady progress in account ownership in the last decade, largely driven by an increase in mobile money account ownership. This is true for both men and women; and while women are still less likely than men to own mobile money accounts, the gender gap in mobile money account ownership is narrowing. Continued progress in access to finance will depend on affordable, accessible and safe DFS and mobile devices, as well as inclusive and secure verifiable identification systems.

Despite this progress, a significant portion of the population remains un- or under-served by the financial system. To ensure that all people—especially women and those traditionally left behind—reap the benefits of rapid innovation in digital technology, stakeholders must consider much more than access and focus on strengthening meaningful usage that builds resilience and financial health.

Increasing financial inclusion in Tanzania

Put affordability and accessibility front and centre

Affordability remains a key constraint to financial inclusion

- Market-led initiatives should aim to reduce the real costs of financial products and services. For example, tiered account opening fees, subsidies, alternative credit assessments or flexible payment plans for mobile devices and internet services, with an eye toward women and underserved segments.
- Market-led initiatives should aim to reduce the perceived costs of financial products and services by increasing their relevance. For example, user research and customer-centric product design that considers specific needs of specific customer segments. Rather than targeting "women," design products tailored to female smallholder farmers, MSME-owners (in different sectors), female university students, for example.
- Market-led initiatives should champion gender-intentionality: assess how gender wage gap, social norms, labour participation gaps and ownership of resources gap influence women's purchase power, choice and control.
- The government should continue to invest in digital infrastructure and connectivity, especially in rural areas, in order to drive down costs of financial services at the last-mile.

Accessibility is fundamental to increasing inclusivity and closing gender gaps

- Lack of proper documentation is still a major constraint to financial inclusion. The public sector should lead initiatives to ensure inclusive access to trusted and verifiable ID systems (i.e., wider access to NIDA). This should be coupled with lighter and tiered KYCs.
- Public-sector led initiatives should continue to improve the enabling environment for digital payments. It is key to encourage uptake and usage, build-out infrastructure to cover rural areas, reduce transactional costs. improve mobile money agent liquidity and reach while ensuring people can efficiently access cash when preferred.

Prioritize safety and build consumer trust in the digital financial system

- Public and private sector should lead initiatives to build financial and digital capability and to increase safe and effective usage of financial services while reducing exposure to fraud.
- Regulators play a role in promoting a customer-centric approach to monitoring and supervision, focusing on the impact of financial products, services, policies and regulations on end-users.
- Regulators are responsible for enhancing the implementation of financial consumer protection regulation and for strengthening internal policies and procedures on disclosure, transparency, fair access, privacy and data protection, guarantee schemes and insolvency as well as enforcing re-dress mechanisms.
- Policymakers and regulators should continue to channel resources to fund awareness campaigns on consumer risks, redress mechanisms and basic literacy skills, which can contributes reinforce trust in the system.
- The private sector should ensure good and high-quality customer service, especially directed toward vulnerable groups, while training and supervising mobile money and bank agents on how to take the perspective of the end-user when providing support.
- Development partners, civil society organisations, academia and the private sector should continue to invest in gender segmentation in research and product design, which can help build the business case for serving women and low-income customers.
- The private sector should design products and services that address the needs and aspirations of female and low-income customers (and potential customers) while reducing potential risks. The private sector can leverage research outcomes highlighting the business case for investing in women. Regular monitoring of the uptake and usage of these products and services can improve their impact.

Measure what matters

Measuring financial health is more complex than measuring access and usage, but it is key to understanding the long-term impacts of increased access to financial services and, in turn, ensuring that financial inclusion leads to the outcomes we desire (e.g., financial security, resilience, control and freedom).

- **People's experiences matter**, and gathering insights about users' perceptions, fears, challenges and perceived risks will lead to more inclusive financial systems. Financial service providers should build on insights from customer-oriented research (with a focus on underserved segments) while strengthening their own analytical capacity and product design. Despite the initial resources required to become more customer-centric, identifying what really matters for end-users will create additional business cases.

- **Evidence-based research is essential** to better understand the impact of financial inclusion on different population segments, as well as unique challenges and opportunities they face. This requires:

    - Public sector research: Policymakers and regulators should collect and use demand and supply-side data to analyse policy, regulatory and market challenges, understand the impact of current frameworks, address major barriers, develop pertinent solutions and cooperate with the private sector to prevent risks and react to them (e.g., consumer complaints, rising gaps).

    - Private sector research: Financial service providers and mobile network operators should invest in regular, high-quality data collection disaggregated by socio-demographic traits to analyse their clients' profiles, existing or possible risks, gender gaps as well as financial trends. This requires investments in digitizing data systems, protecting data privacy as well as establishing a good collaboration with regulators in order to support them to make evidence-based decisions and ensure a good flow of information.

- **Policymakers and regulators are to adopt a more holistic perspective of financial inclusion**, leveraging financial health approaches to achieve better and more sustainable impact on their population. Creating an enabling environment to reinforce choice and control over financial services becomes key, while strengthening measurement indicators. The revision of the Tanzania National Financial Inclusion Framework II (NFIF) could be a powerful opportunity to leverage such holistic approach, by including financial health targets and associated indicators which can support the country in measuring financial inclusion progress, closing gender gaps and increasing financial resilience.

Leverage participative policymaking models to drive accountability and inclusivity

- Policymakers should build meaningful partnerships with regulators, the private sector and civil society organisations, especially during the design and implementation phases of policies and regulations.

- Policymakers, regulators and the private sector should include consumer voices in policy design and represent consumers and excluded group's needs in discussions, making sure to hold government and private sector accountable and reduce harmful practices.

- All stakeholders should foster women's economic participation and include women representation at decision-making levels, fostering gender diversity in leadership.

References

"2020 Mobile Connectivity Index." GSMA. https://www.mobileconnectivityindex.com.

Boshe, Dr Patricia. "Digital Identity in Tanzania." Centre for Internet and Society (CIS) and Research ICT Africa (RIA). https://researchictafrica.net/wp/wp-content/uploads/2021/11/Tanzania_31.10.21.pdf.

Chalwe-Mulenga, Majorie, Eric Duflos, and Gerhard Coetzee. 2022. "The Evolution of the Nature and Scale of DFS Consumer Risks: A Review of Evidence." CGAP. February 2022. https://www.cgap.org/research/reading-deck/evolution-of-nature-and-scale-of-dfs-consumer-risks-review-of-evidence.

"Connected Women: The Mobile Gender Gap Report 2019." 2019. GSMA. https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/GSMA-Connected-Women-The-Mobile-Gender-Gap-Report-2019.pdf.

"DataBank | Gender Statistics" World Bank 2021. https://databank.worldbank.org/source/gender-statistics.

"DataBank | Identification for Development (ID4D) Data." 2021. World Bank. 2021. https://databank.worldbank.org/source/identification-for-development-(id4d)-data.

Demirgüç-Kunt Asli, Leora Klapper, Dorothe Singer, and Saniya Ansar, World Bank. The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Washington, DC. doi:10.1596/978-1-4648-1897-4. Licence: Creative Commons Attribution CC BY 3.0 IGO, 2022

"Delivering Financial Health Globally: A Collection of Insights, Approaches and Recommendations." 2022. UNCDF. August 24, 2022. https://www.uncdf.org/article/7008/delivering-financial-health-globally-a-collection-of-insights-approaches-and-recommendations.

"Digital Credit Regulation in Tanzania." 2020. Digital Credit Regulation in Tanzania. AFI. November 4, 2020. https://www.afi-global.org/publications/digital-credit-regulation-in-tanzania.

"Digital Financial Services: 14 Actions to Increase Inclusion and Protection." UNCDF Policy Accelerator. Accessed February 28, 2023. https://policyaccelerator.uncdf.org/whats-new/dfs-actions-sector-increase-inclusion-protection.

"FinScope Tanzania 2017." FSDT. April 21, 2016. https://www.fsdt.or.tz/finscope.

"Gender, Institutions and Development Database (GID-DB) 2019." 2019. OECD. 2019. https://stats.oecd.org/Index.aspx?DataSetCode=GIDDB2019.

Osakew, Sone, et al. "Tanzania's Digitalisation Journey: Opportunities for Value Creation." GSMA. January 24, 2023. https://www.gsma.com/mobilefordevelopment/resources/tanzanias-digitalisation-journey-opportunities-for-value-creation.

"Poverty and Inequality Platform, Country Profiles: Tanzania." World Bank. 2017. https://pip.worldbank.org/country-profiles/TZA.

"Tanzania National Financial Inclusion Framework (NFIF) 2018 - 2022." FSDT. January 31, 2019. https://www.fsdt.or.tz/national-financial-inclusion-framework-nfif-2.

About UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations' flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

About the Digital4Tanzania (D4T) Programme

In March 2022, The European Union launched the Digital4Tanzania (D4T) Programme, which aims to contribute to the impact of digital transformation on Tanzania's inclusive economic growth and citizen wellbeing. With a budget of EUR 35M, its specific objectives include:

1. Digital government: improving the digital economy and the use of e-government and e-services.
2. Inclusive connectivity: increasing accessible and equitable connectivity services in rural and peri-urban areas, in particular for social services.
3. Digital trade support: developing the fintech sector and innovation ecosystems in the country and the region.

The programme will be jointly implemented by The Ministry of Information, Communication and Information Technology (MICIT), EU Member States and the UN Capital Development Fund (UNCDF).

About Tanzania Inclusive Digital Economy (D4T-IDE) Project

With support from the European Union through its Digital4Tanzania (D4T) Action, UNCDF is currently implementing the Tanzania Inclusive Digital Economy (D4T-IDE) project. Launched in September 2022, D4T-IDE is a four-year project that aims to increase access to and usage of digital payments and digital financial services in Tanzania, while enabling the innovation ecosystem to better support entrepreneurs and further drive digital innovation. The project will contribute to the development of a national digital economy strategy, as well as other policies and regulations that enable innovation; support small digital financial service providers' integration to the national payment system (TIPS); and support inclusive innovation to ensure no-one is left behind.

UNCDF

Impact Capital for Development

uncdf.org/tanzania | policyaccelerator.uncdf.org