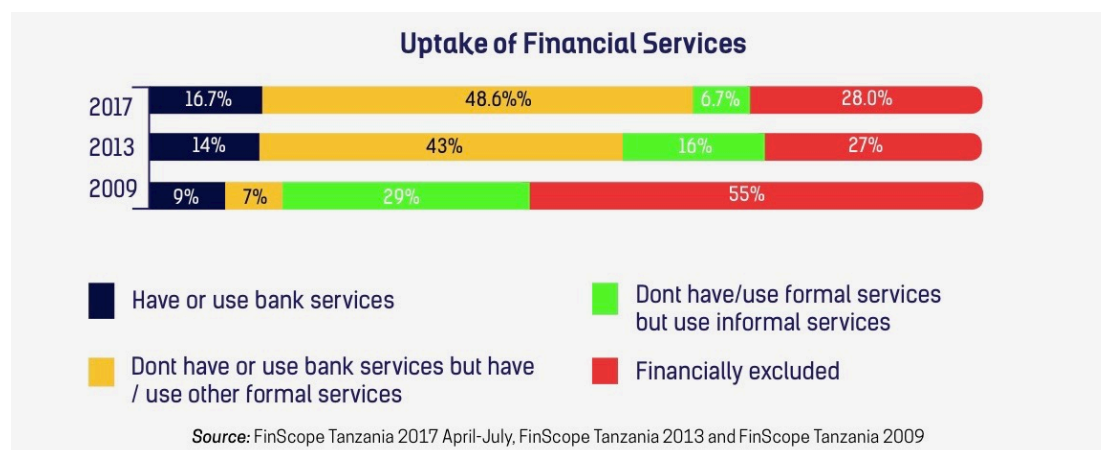


TANZANIA: MARKET POTENTIAL AND AVAILABLE DATA SOURCES

FinScope Tanzania 2017

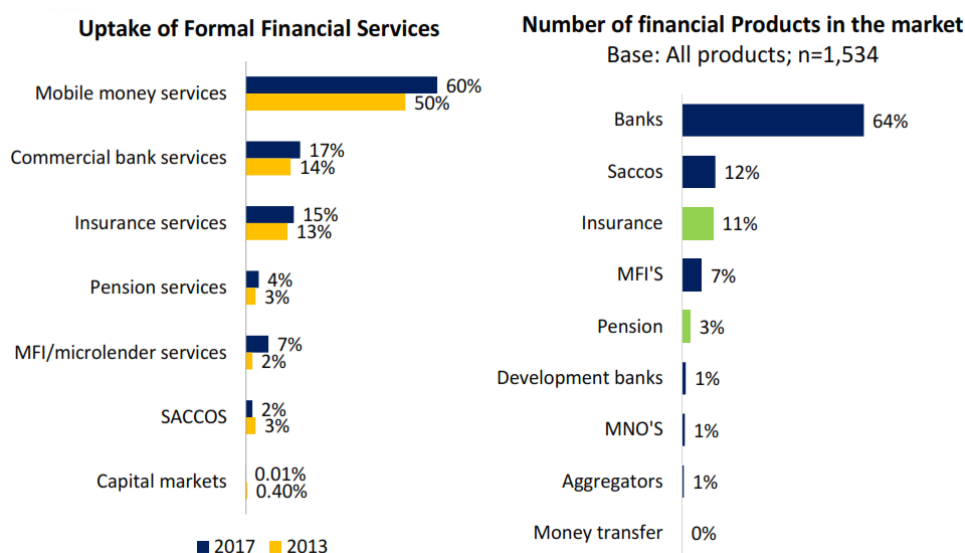
Uptake of formal financial services in Tanzania, including banking and insurance products, has reached 65% in 2017¹ compared to 57.7% in 2013.² Accessibility, measured by the proportion of the population living within 5km from where financial services are provided, has grown from 45% to 86%.



However, a large segment of the population remains financially excluded. Only 17% of the population is currently using bank services. 49% rely instead on other forms of formal financial services (particularly mobile money but also standalone insurance and microfinance) although many also use informal services. Just under 7% of adults use only informal financial services while 28% are not using any financial services at all.

Products

There are 1,534 financial products in Tanzania, 64% of which are offered by banks, followed by SACCOs (12%), Insurance companies (11%) and MFIs (7%).



Source: FinScope Tanzania Report 2017

Despite cumulatively offering 75% of the financial products in the market, the banking and insurance sectors serve barely one in five of the total population. MNOs and fintechs /platform-providers serve 60% of the

¹ FinScope Tanzania 2017, FSDT

² FinScope Tanzania 2013, FSDT

population yet only contribute to 2% of all products in the market. This presents an opportunity for the banking and insurance sectors to partner with MNOs and fintechs to reach more clients.

Opportunities for the Financial Sector:

Banks

The above data points to a significant opportunity for banks to reach 83.3% of the unbanked population. FSDT analysis of FinScope data suggests that of the 23.2 million unbanked adults, 6.6 million are potentially 'bankable' and 9 million, with some changes and further development, could become bankable.³

Insurance

15% (4.3 million) of adults (over 16 years old) have taken up insurance but of these, just over 3.8 million only took up publicly-mandated health insurance, and around 300,000 took up private health insurance and another 300,000 other types of insurance. 35% of adults reported they had large unforeseen expenses during the past 12 months which points to an opportunity for appropriate and affordable insurance and savings products. Affordability and awareness are seen as the biggest barriers to uptake.

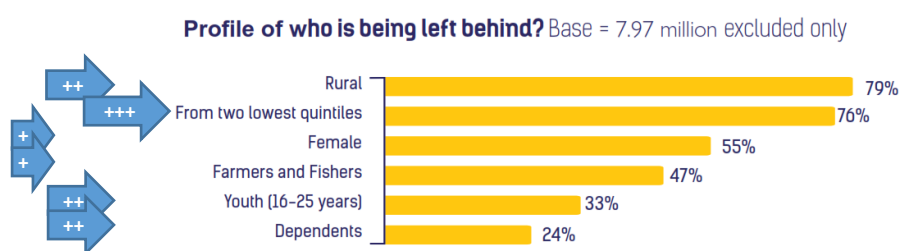
Mobile money and payments services

60% of Tanzanian adults – over 16 million people – use mobile money and although a proportion of this represents adults with access to a mix of financial services, much more than half of the 60% only use mobile money for basic transfers and maybe payments. The opportunities identified above for the banking and insurance sectors also present opportunities for other FSPs to collaborate with these institutions to identify patterns of transactions that point to unmet or only partially met need. Fintechs and platform-providers can sometimes see value that mobile operators and financial institutions struggle to find, especially where the activity is via social media rather than phone-specific: a quarter of Tanzanian adults now have internet access-

Meeting the Financial Inclusion Challenge in Tanzania – doing good by doing business

The focus of the DataDisrupt project is to improve the usability of financial service products and deliver them better and the National Financial Inclusion Framework 2018-2022 (see below) calls for exactly this shift of emphasis from access to usage. Data analytics plays a crucial role in identifying who signs up for a product/service but then stops using it – internal data is an obvious starting point but often lacks the depth of customer characteristics that big access survey data sets such as FinScope offer; the two need to be put together to get real insights.

The big access survey data sets are also the only source of information on the not insignificant numbers of Tanzanian adults – almost 10 million in total – who are still not using formal financial services in any way, 80% of whom can be considered entirely financially excluded because they use neither formal nor informal alternatives. Obviously these people are relatively marginalised in society, and the chart below shows proportions of those adults who class as fully financially excluded by different socio-economic and demographic characteristics, all of which are raised relative to the population overall but flagged where they are particularly heightened.

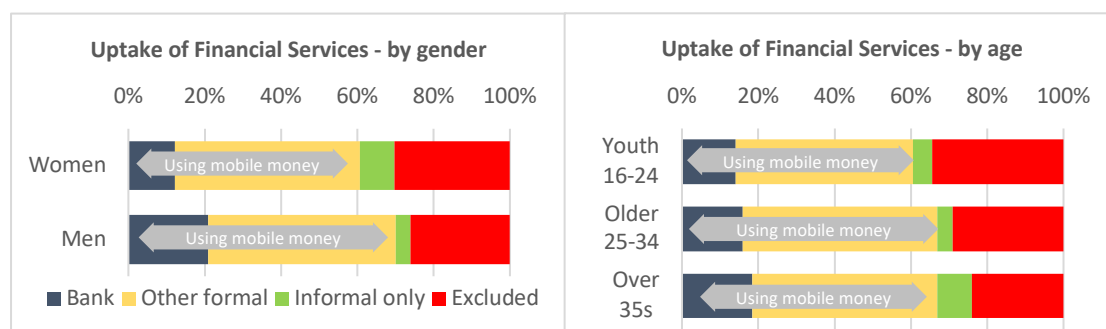


Source: FinScope Tanzania 2017 April-July

³ FSDT looked at the characteristics of the currently unbanked (in terms of connectivity, education levels achieved, numeracy levels, wealth) and divided them into 3 segments: Bankable – with current products on offer these individual should be bankable; Development – lack some of the characteristics that would make them bankable – some changes are needed; and Unbankable – so significantly different from the current bank adults that they will most likely not be banked in the short term and no changes in the market.

The reasons for these lower levels of uptake are complex:

- Despite 78% of rural adults now having a financial services touch point within 5km of where they live and work this may not constitute access for anything more than P2P mobile money transfers (5km is long way to walk to deposit a spare dollar or two when it's not needed for immediate spending). The disproportionate presence of rural adults among the excluded may also be driven by income inequality, which is itself a particularly rural-urban divide;
- Women generally feel less comfortable going into financial institutions, are less aware of the different institution types and products and services available, do not perceive a need to use financial services, and are also less likely to own a mobile phone.



- More than half (14.6 million) of the Tanzanian adult population (16 years and above) are aged below 35 years, split roughly 50:50 between the 16-24 versus 25-34 age bands. Only 14% of the (16-24) younger age band have a bank account but approaching 60% are using mobile money. The 25-35 year old age bracket is slightly more financially included and the heaviest users of mobile money (66%).

DataDisrupt's objective is to reach the unserved and underserved in significant numbers, with less of a focus on who is reached, but the overall goal will not be reached without at least beginning to address the excluded.

National Financial Inclusion Frameworks and public domain data/information sources

National priorities for the financial sector in Tanzania are laid out in the following frameworks:

- *National Financial Inclusion Framework 2018-2022* (launched on 21 December 2017) – it shifts emphasis for financial inclusion from access to usage. The DataDisrupt project will contribute to two of the four outcome areas identified in the framework:
 - *Usage* – i) usage of relevant, appropriate, affordable and convenient products, and ii) adults save, borrow, transact and mitigate risks.
 - *Satisfaction* – services and products meet consumer needs
- *National Financial Education Framework* – important because according to FinScope 2017, lack of literacy and financial incapability were reported to be among the main challenge to financial inclusion and this is disproportionately true among women and youth.
- *National Insurance Education Strategy* – aims to move the sector beyond health insurance.

Other public domain sources include the following publications

	Year	Source
FinScope	2006/09/13/17	FSDT
Sub-Divisional Population Projection	2016/17	NBS
Micro-insurance Landscape; Inclusive Insurance Focus Note Series	2015	FSDT
Financial Diaries with Smallholder Households	2014/15	CGAP/FSDT
Statistical Business Register Report	2014/15	NBS
National Panel Survey Wave 4	2014/15	NBS
Findex – Global Financial Inclusion Survey	2013 (2017 coming)	World Bank
GIS Mapping of Financial Access Points High Level Report	2013	FSDT
Population & Housing Census 2012	2012	NBS
Tanzania Gender Dimensions Monogram	2015	NBS