



INSIGHTS THAT DRIVE

INNOVATION



ACKNOWLEDGEMENTS

FinScope Tanzania 2023 was implemented under the guidance of a Steering Committee, which was chaired by Mr. Elijah Mwandumba, Commissioner for Policy Analysis Ministry of Finance and his vice-chair Mr. Kennedy Komba, Director Financial Deepening and Inclusion, Bank of Tanzania. The technical implementation and data collection was conducted by the National Bureau of Statistics and the Office of Chief Government Statistician-Zanzibar. The implementation was closely monitored by the technical committee, which was composed of a wide set of supply side associations, government institutions, financial sector regulators, and development partners. Special recognition is given to the technical core team who supported the FinScope Tanzania 2023 implementation since the beginning of its inception. The core team comprised Dr. Peter Mmari, Lucas P. Magazi, Bakari Makame, Sylvia S. Meku, Stephano G. Cosmas, Khalid Chum, Prisca Mkongwe, Hamis J. Hamis, Cyril Chimilila and Salim Kimaro.

The Technical Advisory and Secretariat was under the leadership of Financial Sector Deepening Tanzania (FSDT) and FinMark Trust with special recognition to Eric Massinda, Emmanuel Mwamakula, Professor Andrew Temu, John Noronha, Dr Kingstone Mutsonziwa and Bobby Berkowitz. The analysis and reporting was spearheaded by the core technical team and ultimately compiled by Julia Seifert and Bobby Berkowitz. It was reviewed by Eric Massinda, Dr Kingstone Mutsonziwa, edited by Melanie Cheary and Victor Kyando, and published by FSDT.

Abbreviations



ABBREVIATIONS

| | |
|---------|--|
| CHF | Community Health Fund |
| CMG | Community Microfinance Groups |
| FSDM | Financial Sector Development Masterplan |
| FSDT | Financial Sector Deepening Tanzania |
| FSR | Financial Services Registry |
| GDP | Gross Domestic Product |
| KYC | Know-Your-Customer |
| MFI | Microfinance Institutions |
| NBS | National Bureau of Statistics |
| NHIF | National Health Insurance Fund |
| NIN | National Identification Number |
| OCGS | Office of Chief Government Statistician Zanzibar |
| SACCO | Saving and Credit Cooperative Organisations |
| TCRA | Tanzania Communications Regulatory Authority |
| NFIF II | National Financial Inclusion Framework II |

Table of Contents

1. INTRODUCTION

2. METHODOLOGY

2A SAMPLING DESIGN

2B KEY SAMPLING STATS

3. FINDINGS

3A DEMOGRAPHICS

3B ADDRESSABILITY

3C FINANCIAL BEHAVIOUR

3D FINANCIAL INCLUSION

3E FINANCIAL USAGE

3F FINANCIAL SERVICE SATISFACTION

4 CONCLUSION

1 Introduction

Since 2014, the journey towards financial inclusion and unlocking the power of finance towards economic growth for Tanzanians has been crafted into a second and intentional National Financial Inclusion Framework (NFIF I 2014-2016). While the first framework was focused on enhancing core enablers that would increase access and ease uptake, the subsequent **National Financial Inclusion Framework II** (NFIF II 2018 – 2022) focused on ensuring that financial sector development made two mutually reinforcing contributions to poverty reduction: namely the derived benefits that result from enhanced and more equitable economic growth; and the direct benefits from using appropriate financial products and services.

In addition to the implementation of the NFIF II, the financial sector further embarked on the development of the **Financial Sector Development Masterplan** (FSDMP) 2020/21 – 20/30 which was formulated to address the key challenges in all sub-sectors of the financial sector to create a stable, safe, efficient, competitive and sound financial system. The identified challenges include inadequate access and usage of financial services; inadequate legal regime and supervisory framework for financial consumers; financial system vulnerability; limited long-term resources; inadequate technical and institutional resources for the financial sector to meet new technology demands; and an inadequate policy and legal framework to foster innovation.

For both, the NFIF II and the FSDMP FinScope Tanzania 2023 provide endline, as well as interim, assessment measures respectively. Hence, together in a **public-private sector collaboration** -- spearheaded by the Ministry of Finance and Planning Tanzania and Zanzibar, Bank of Tanzania, the Financial Sector Deepening Tanzania (FSDT), National Bureau of Statistics (NBS) and the Office of Chief Government Statistician Zanzibar (OCGS), key partners were incorporated to design, implement, and analyze the FinScope Tanzania Survey. These key implementation partners include financial services provider (FSP) industry associations, other financial sector regulators, government organizations, and academia and development partners to design, implement and analyze FinScope Tanzania 2023.

FinScope Tanzania is a **comprehensive financial sector demand-side survey** of Tanzanian adults aged 16 years and above. It provides an understanding of the **financial services uptake landscape** across the country and is a **reliable measure for demand and usage** of financial services across various population segments. Further, FinScope Tanzania's insights clearly present **barriers and levers** to financial inclusion.



The survey has five main objectives:

- To understand the **behavior** (cash flow management, investing, saving etc.) and define the financial service needs of consumers (individuals, farmers, business owners)
- To establish credible **benchmarks** and **measure** the effectiveness of financial inclusion and progress made towards national targets under the NFIF, FSDMP as well as other national development plans
- To provide insights into **policy, regulatory and market obstacles** to access and usage of financial services
- To provide insights which will feed into **innovation** within the financial and real economic sectors
- To highlight opportunities for **policy review** needed to drive financial sector development

FinScope Tanzania 2023 is the **fifth wave** in the FinScope Tanzania series with previous waves in 2006, 2009, 2013 and 2017.¹

The FinScope Tanzania 2023 report, dashboard and data have been made available on the website of all core implementation partners: Ministry of Finance and Planning Tanzania and Zanzibar and Bank of Tanzania, FSDT, NBS and OCGS.

¹ The spacing for FinScope surveys is usually 3 to 4 years, in this case a combination of factors led to the delay in the roll out of the 2023 FinScope, which mainly include overlap of the actual FinScope Tanzania data collection timetable with general elections in 2020, following which Covid-19 advisories for data collection discouraged large face-to-face surveys. Subsequently, the performance of the population and housing census in 2022 and the need to use this sampling and population frame for the survey design and weighting, lastly a shift in the management of the FinScope Tanzania implementation also impacted.

2 Methodology



The FinScope Tanzania 2023 Survey is a national representative demand-side survey of adults (those aged 16 years or older) living in Tanzania. Using the the latest population census from 2022 by the National Bureau of Statistics, the size of the Tanzanian adult population is currently estimated to be 34,134,251 and this accounts for 55% of the total Tanzanian 2022 Census population of 61,741,120.

2A SAMPLING DESIGN

In alignment with previous FinScope Tanzania sampling strategies, the FinScope Tanzania 2023 Survey sampling was conducted in three stages.



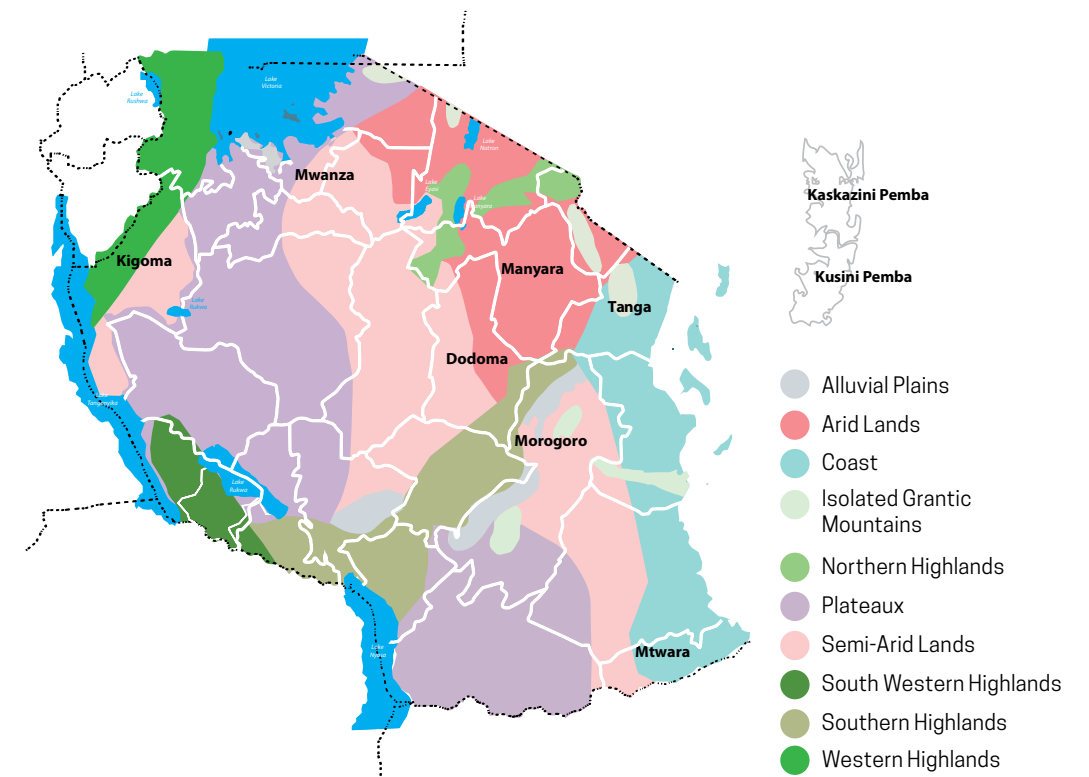
As was the case with previous FinScope Tanzania surveys, the sampling design was done by NBS and OCGS in consultation with the Technical Committee.

Similarly, to the 2017 FinScope Tanzania Survey, this wave did not provide for a replacement strategy of households or individuals who were unable to participate in the survey. The main reasons for non-participation were unavailability of household members due to travel, burial or refusal in survey participation.

Results from the survey can be disaggregated by national, regional level, rural and urban areas, gender and for some specific districts for district level estimates.

FinScope Tanzania 2017 expanded to allow results to be representative at district level for five regions in the mainland Singida, Iringa, Rukwa, Mtwara and Mwanza.

Map 1: **Agro-economic Zones of Tanzania**



In contract, FinScope Tanzania 2023 over-sampled specific districts in nine regions to enable richer sub-level analysis. The selection of districts was oriented on the agro-economic zones of Tanzania to ensure a broad representation, considering the close relation between financial behaviors and economic activities. The regional selection was based on size of the region in the specific agro-ecological zone, how the region is representative in terms of agro-ecological features, poverty incidence as well as levels of financial exclusion during the FinScope Tanzania 2017.



2B KEY SAMPLING STATISTICS

Fieldwork: March to April 2023

Sample target was n=10,005 16+ adult Tanzanians, across 667 EAs with 15 interviews per EA

Achieved sample was n=9,915, which translates into a response rate of 99.1% of the targeted sample

This **was weighted** to be representative of the 16+ population, estimated by NBS to be 34,134,251 adults

95% confidence level, 1% margin of error at national level reporting



16+
adult Tanzanians



across
667
EAs



15
interviews per EA

n=10,005
TARGETED
SAMPLE

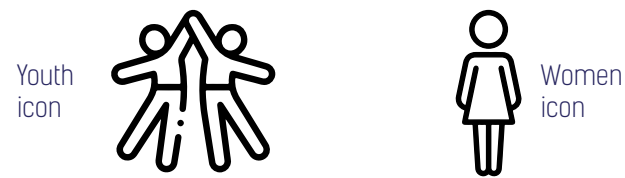


3 Findings



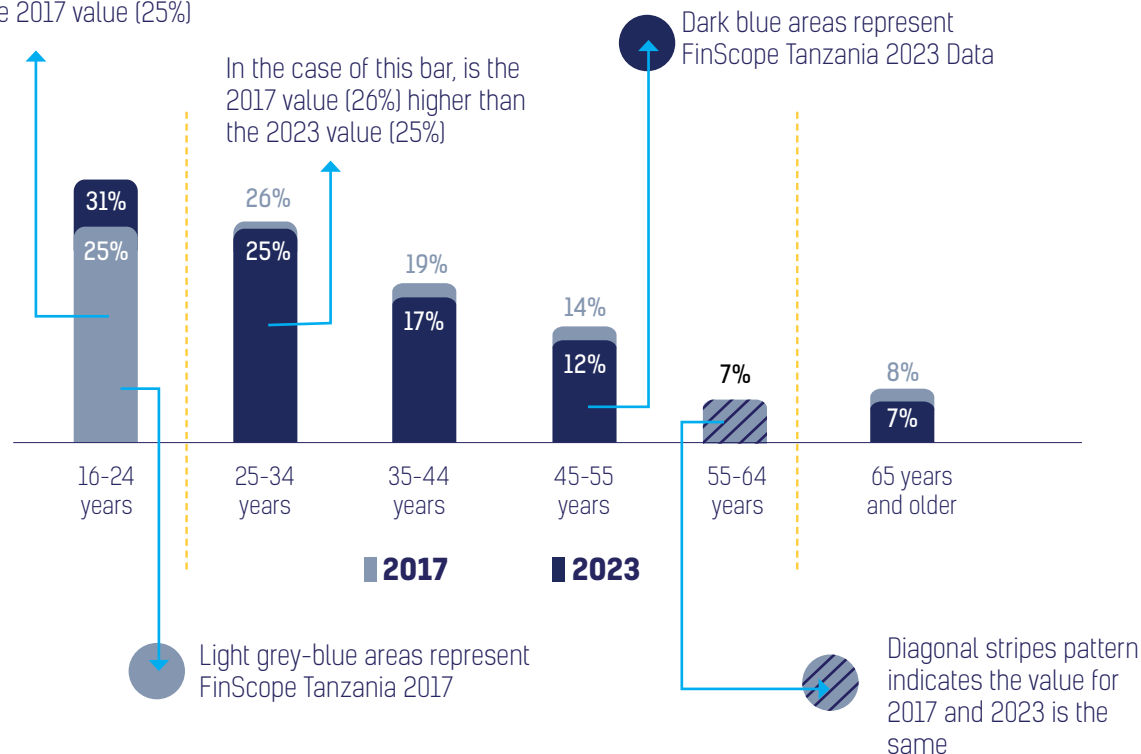
3 FINDINGS

This report presents the key findings of the FinScope Tanzania 2023 Survey. Throughout the report, analysis findings will be reported on a national level and compared with the FinScope Tanzania 2017 Survey results. This comparison was made throughout large parts of the report to allow better tracking of the development in key indicators. The below figure provides an example of how these 2017 and 2023 comparisons are shown. In addition, the report does on several occasions also provide a further disaggregated analysis by gender, age group, setting or region where significant observations were made. To easily identify statistics specific to women and youth, symbols have been placed next to the paragraphs.



Brief Guide to reading of graphs that compare FinScope Tanzania 2017 and 2023 Data

In the case of this bar, is the 2023 value (31%) higher than the 2017 value (25%)



The 2023 report structure is informed by the NFIF II value creation map for financial inclusion which outlines that addressability, uptake and usage need to interact for satisfaction with financial service usage to occur. As such, the report starts by drawing a picture of who the Tanzanian consumers are (demographics), whether they have the basic pre-conditions to be served (addressability), how they currently manage their finances (financial behavior), what their state of uptake and usage of financial services is (financial inclusion) and the extent to which they are satisfied with the services provided (financial service satisfaction).

Demographics



3A. DEMOGRAPHICS

This section of the report seeks to describe the characteristics of the respondents interviewed for FinScope Tanzania 2017. It is key to underline that the sample was weighted to reflect the population size as per the latest housing population census.

Chart 1: **Rural - Urban Split**

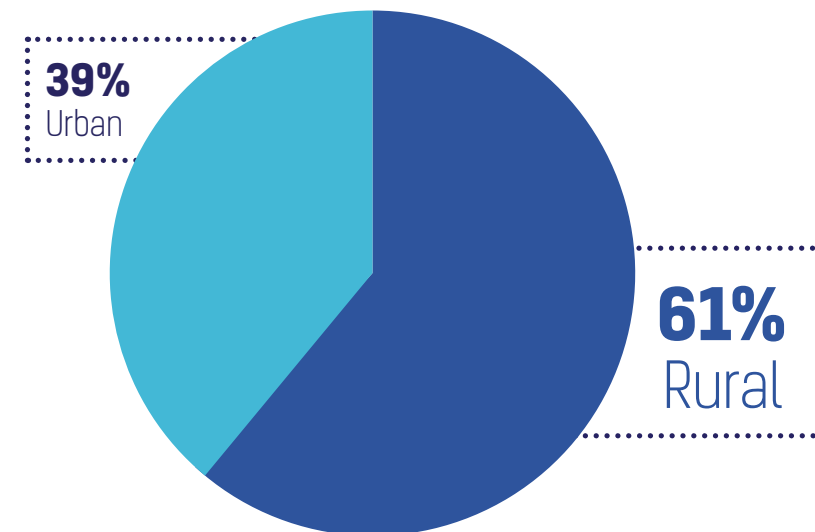
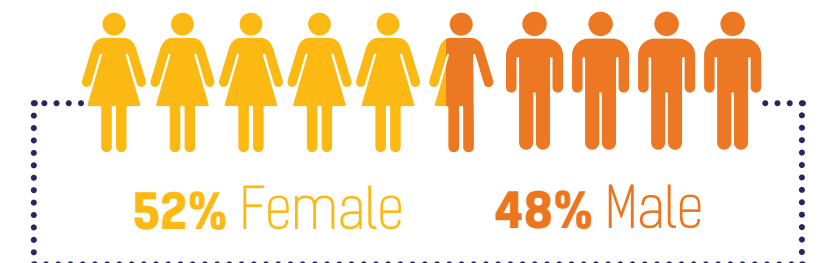


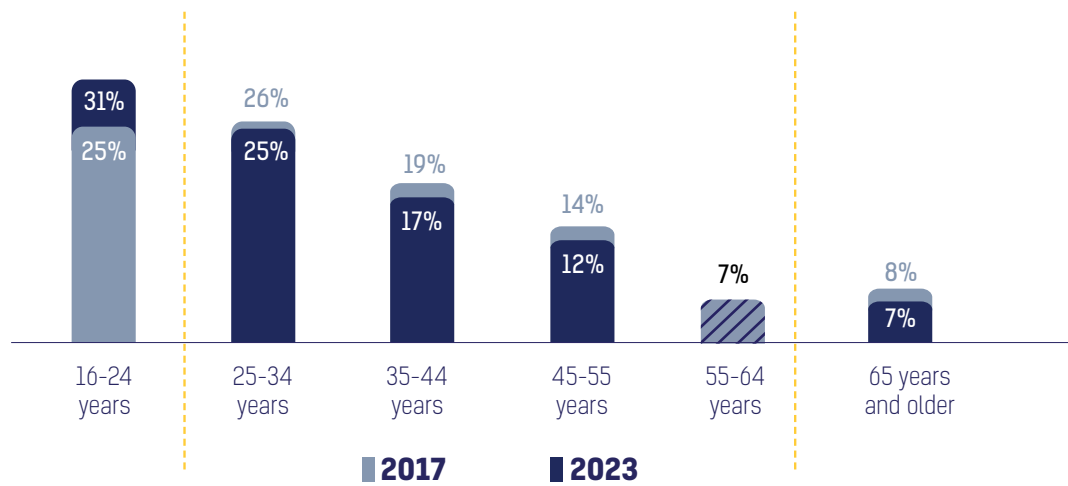
Chart 2: **Gender Split**



Source: FinScope Tanzania 2023 (March-April 2023)

In line with the general population distribution, around 6 in 10 Tanzanians (61%) of Tanzanian adults surveyed live in rural areas and are slightly more likely to be female (52%). In terms of the Rural-Urban Split, a notable 5%-point shift from 2017 can be observed, where only 34% of Tanzanian adults lived in urban areas in 2017, increasing to 39% in 2023. This trend is reflective of the general urbanization and population growth rate of Tanzania.

A notable increment in younger youth can be observed



**In 2023: 62% of adult Tanzanians are within the economically-active age ranges*

ADULT POPULATION (16+ YEARS)

2023: 34,134,251

2017: 27,864,302



23%

adult population growth

Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Given the significant total adult population growth of 23%, the notable increase of 16-24-year-olds between the FinScope Tanzania 2017 to 2023 is not surprising. As corollary, the share of Tanzanian adults that fall within the economically active ages of 25 to 64 years of age, has fallen since 2017. This is further reflected in findings presented in chart 5a showing a shift in the main revenue generating activities away from farming towards casual labor and dependency.



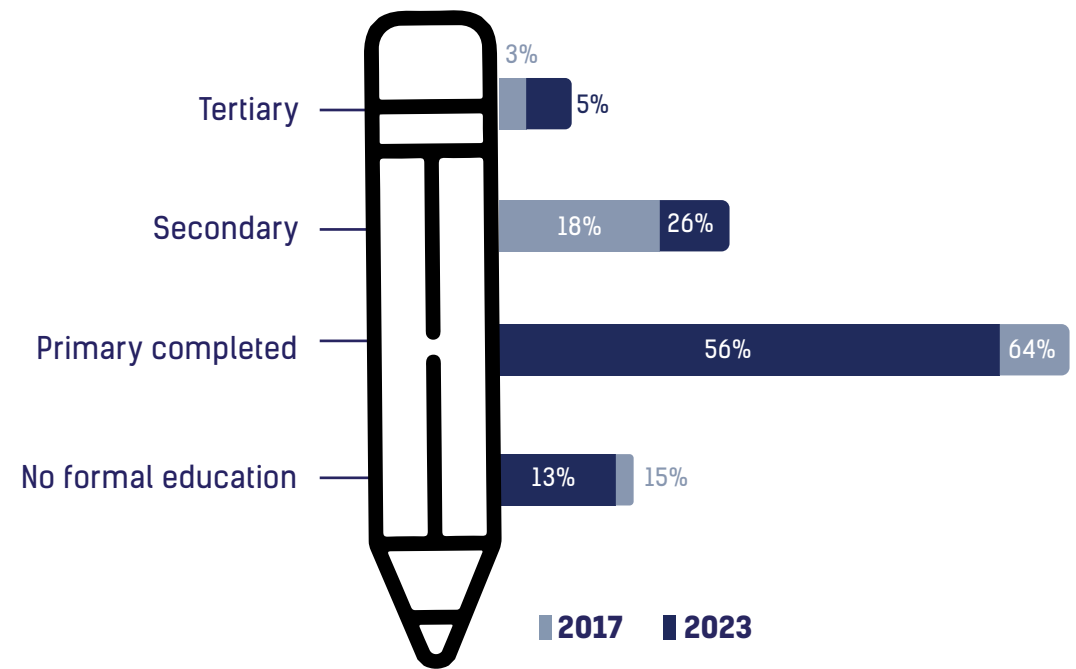
FINDING 1

Over 3 in 10

adult Tanzanians have ended their formal education post primary school



Chart 4: **Highest Level of Education**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

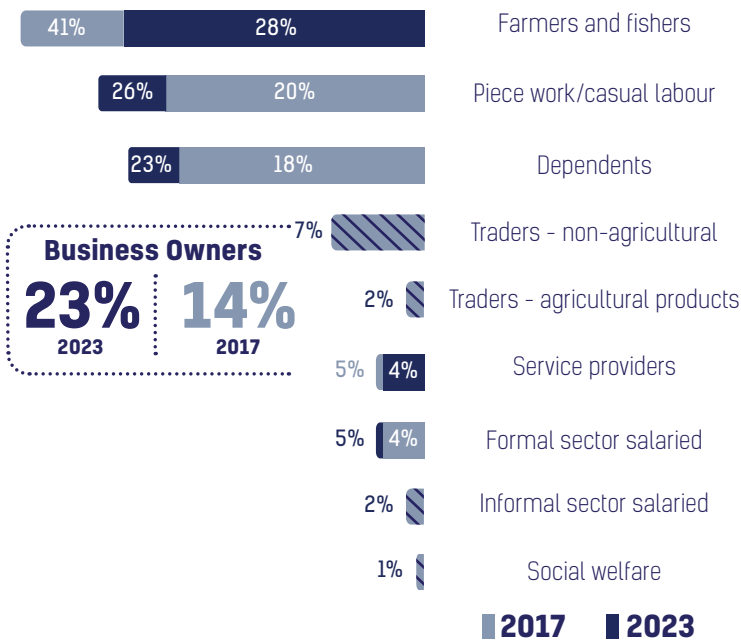
While in 2017 around 2 in 10 Tanzanian adults had ended their formal education post primary school, in 2023 around 3 in 10 Tanzanian adults had done so. This reflects further in the literacy and numeracy performance of Tanzanian adults today, seen in chart 6 and 7 in the addressability section below.

FINDING 2

There has been a shift in primary income source
away from farming
 towards casual labour and dependency

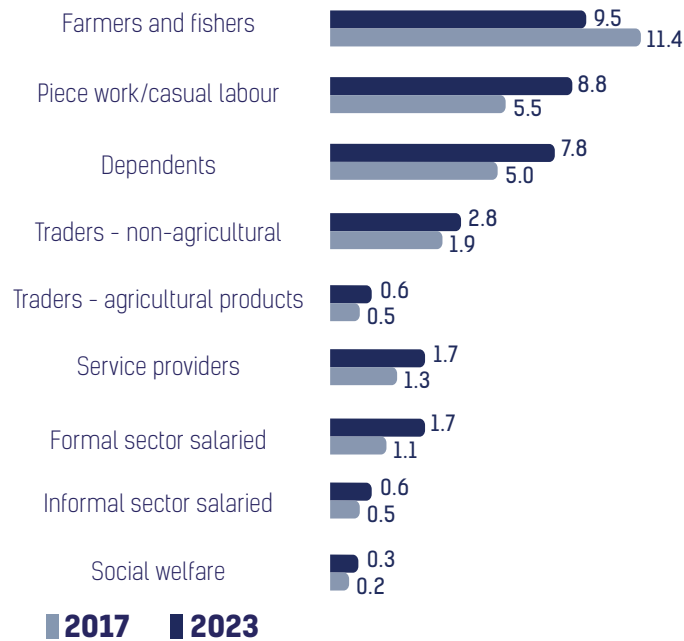


Chart 5a: **Main revenue generating activity**
 *Chart does not add up to 100% due to "other category" not shown in chart




Business Owners
23% 2023
14% 2017

Chart 5b: **Main revenue generating activity**
 (In Millions)



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

The general trend away from agriculture as the main source of revenue, previously observed in the Integral Labour Force Survey (2014, 2020/21), has now also been reflected in the FinScope Tanzania 2023 findings. Although, 28% of the population refer to agriculture as their main revenue generating activity, a 13%-point shift compared with 2017 away from agriculture can be observed. On the other hand, piece work/casual labor has grown by 6%-points (from 20% to 26%) and dependency has grown by 5%-point (from 18% to 23%). As mentioned, this has been fueled by the large increase of new labor market entrants, between the age of 16 to 24 (refer to chart 3), who account for 62% of the dependents. This shift can also be observed in nominal terms, as indicated in Chart 5b. Additionally, it is key to note that 7 out of 10 of the dependents are women. 

Addressability

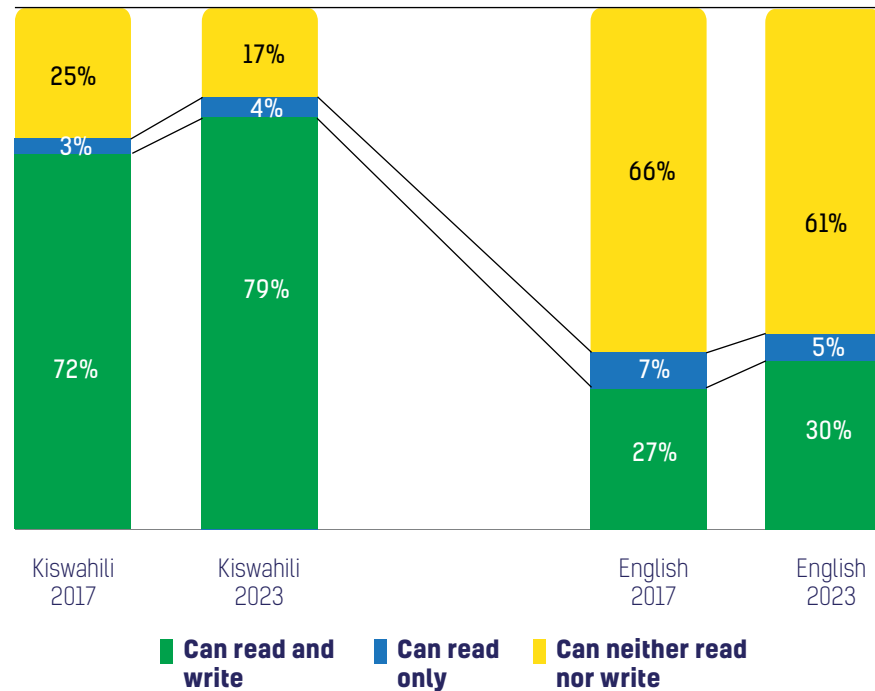


3B. ADDRESSABILITY

In this section, key addressability categories, such as literacy and numeracy ; collateral ownership; identification documentation; access to connectivity; and proximity to financial services are unpacked to better understand whether Tanzanian adults can be served by financial service providers.

FINDING 3
KISWAHILI remains the language of the consumer

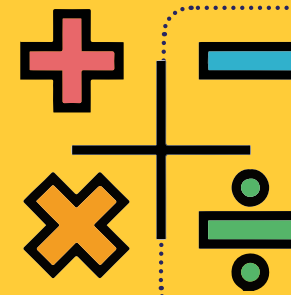
Chart 4: Highest Level of Education



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

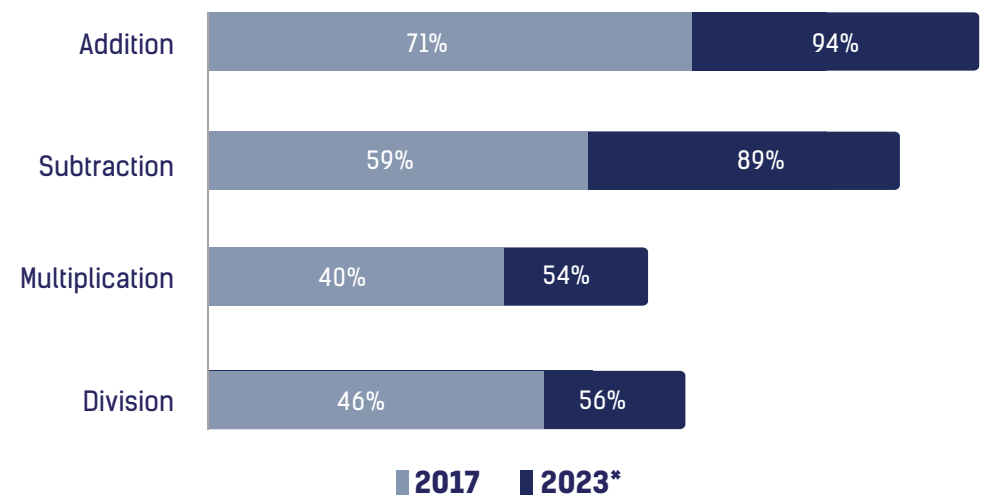
Similar to the result in 2017 (72%), Kiswahili remains the dominant language among consumers (79%) and the growth in the literacy rate is reflective of increased levels of education outlined in chart 4 above.

² Literacy and numeracy were assessed through a practical test that would require respondents to read and write an English and Kiswahili statement for the literacy assessment. For the numeracy assessment practical basic arithmetic questions were asked to allow respondents to demonstrate their ability to perform the calculation.



FINDING 4
The **skills gap** in multiplication and division vis-à-vis addition and subtraction remains

Chart 7: Numeracy Skills



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

*Due to a change in methodology in 2023 during the administration of this assessment, the base for 2023 excludes 17% of the overall sample as they opted to use a calculator, an option that was not offered in 2017

To adequately comprehend and make informed financial decisions, consumers need to have a sound understanding of basic arithmetic. Although numeracy levels, across various arithmetic functions have significantly increased from 2017 to 2023, the results continue to indicate a large gap between relatively more basic addition and subtraction and the slightly more complex arithmetic of multiplication and division. This still calls for financial service providers to avoid using technical financial terms and jargon, such as interest and repayment rates, and rather communicate in a manner that is more visual or example driven as they brand their services and offer opportunities.

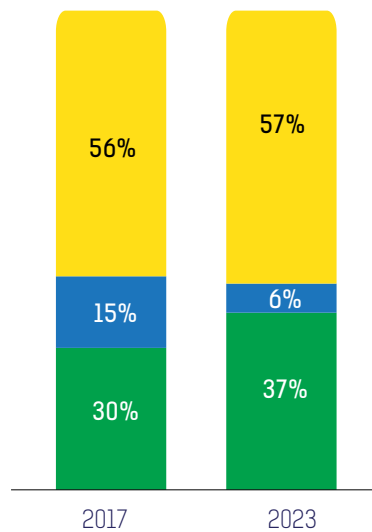
FINDING 5

7% point increase in claimed land ownership and
5% point increase in proof of ownership



15% of adult Tanzanians have some proof of ownership vs. 10% in 2017

Chart 8: **Do they own the land they live on?**



■ Yes, personally owns the land
 ■ Yes, owns the land with someone else
 ■ No

Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Ownership of land, and more so proof of land ownership, continues to be one of the key forms of collateral for formal financing and borrowing, in particular with banks. Holding proof of ownership of land is heavily linked to the likelihood of being provided with a line of credit from larger financial service providers. National ownership of land has increased by 7%-points. Respective documentation of land ownership has increased by 5%-points in total across the categories shown in Chart 9 above. However, ownership of a title deed or Certificate of Right of Occupancy (CRO) remained constant at 3%. It is however important to note that only 24% of women own the land they live on and even only 8% of youth aged between 16 to 24 years. This dynamic, considering the existing collateral regulations and requirements, significantly impacts access to mid and large loans for women and younger youth.

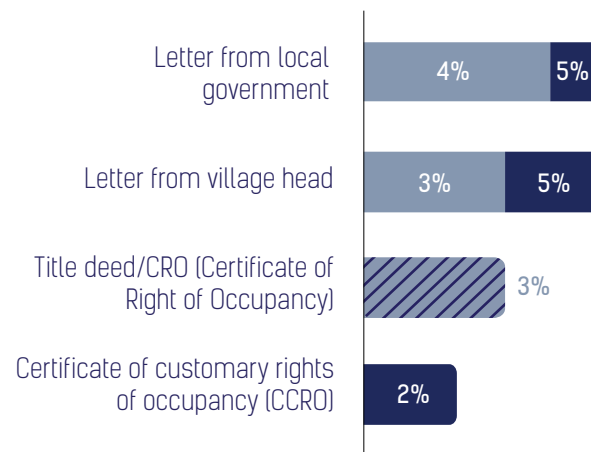


FINDING 6

Significant progress made with **NIN uptake**

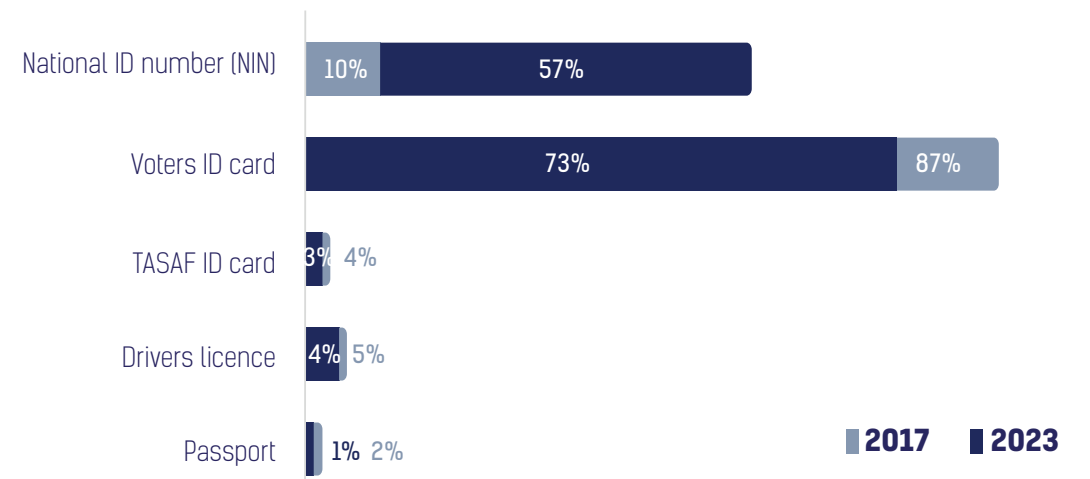


Chart 9: **What documentation do they have?**



■ 2017 ■ 2023

Chart 10: **Personal Identification Document**
 Base=National (age 18 and older)



■ 2017 ■ 2023

Base = Zanzibar only (age 18 and older)



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Although most Tanzanians 18 years or older hold a Voters ID card (73%), the penetration of the National Identification Number (NIN) increased significantly from 10% in 2017 to 57% in 2023. Considering all formal financial service providers require their customers to present a formal ID to fulfil Know-Your-Customer (KYC) requirements, ID penetration is a key accessibility indicator. This was underlined further by the requirement of the Tanzania Communications Regulatory Authority (TCRA) from 2020, which requires all sim card subscribers to present a valid NIN. Overall, over 8 in 10 Tanzanian adults hold some form of ID. Among younger youth between 16 and 24 years, however, only 4 in 10 do so. This indicates a clear gap of formal forms of identification for younger youth, which is a key uptake barrier to formal financial services for them as well as account ownership in their own name.

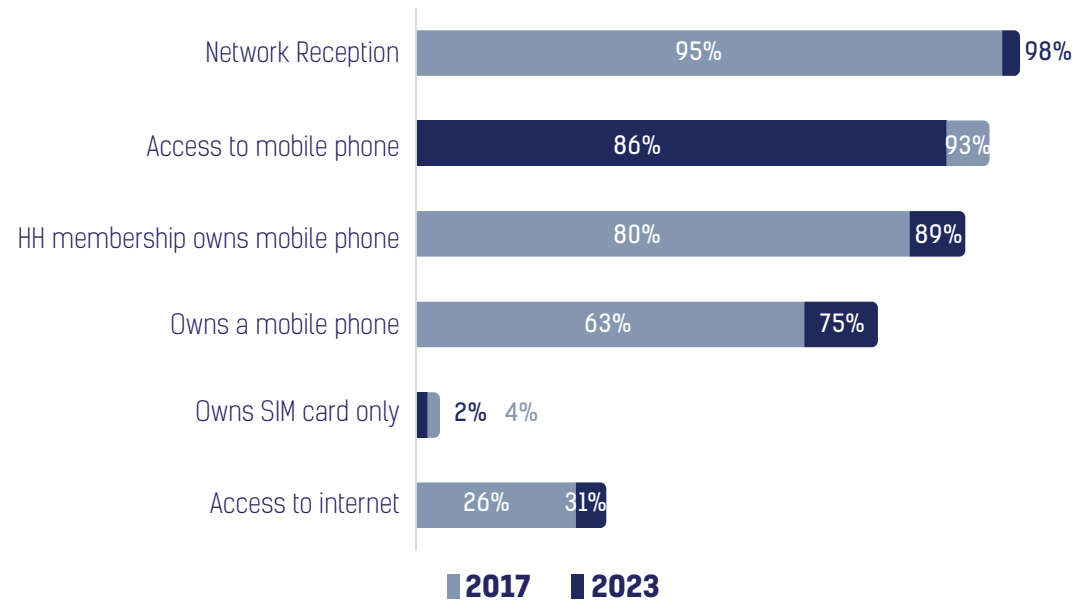


FINDING 7

75% of adult Tanzanian adults own a mobile phone



Chart 11: **Do you have access to?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Although mobile phone ownership has increased by 12%-points there are important disparities. While 80% of men claim mobile phone ownership, only 71% of women do so. Further, among younger youth, 16-24 years, only 61% claim to own a mobile phone. Access to a mobile phone, and in particular ownership, is a key lever towards financial inclusion in Tanzania. Mobile money has been one of the driving forces towards the rapid expansion of financial inclusion levels in Tanzania. In addition to the gender gap a rural-urban gap can be observed, with only 69% of Tanzanians in rural areas owning a mobile phone vis-a-vis 85% of Tanzanians located in urban areas. Lastly, it is important to note that overall 19% of Tanzanian adults own a smartphone, which is an 8%-point increase from 2017, but still less than 2 in 10 Tanzanians overall.

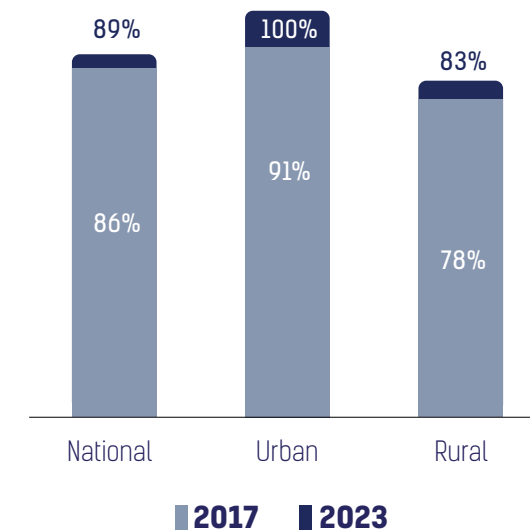
Network reception continues to be good, with 98% of respondents indicating network coverage in their area.

89% of Tanzanians live within 5km of a financial access point



In contrast to FinScope Tanzania 2017, FinScope Tanzania 2023 did not directly assess proximity to financial services. However, the newly established Financial Services Registry (FSR), hosted by the Bank of Tanzania has the capability to provide detailed proximity information to the sector.

Chart 12: **Tanzanians that live within 5km radius of a financial access point**

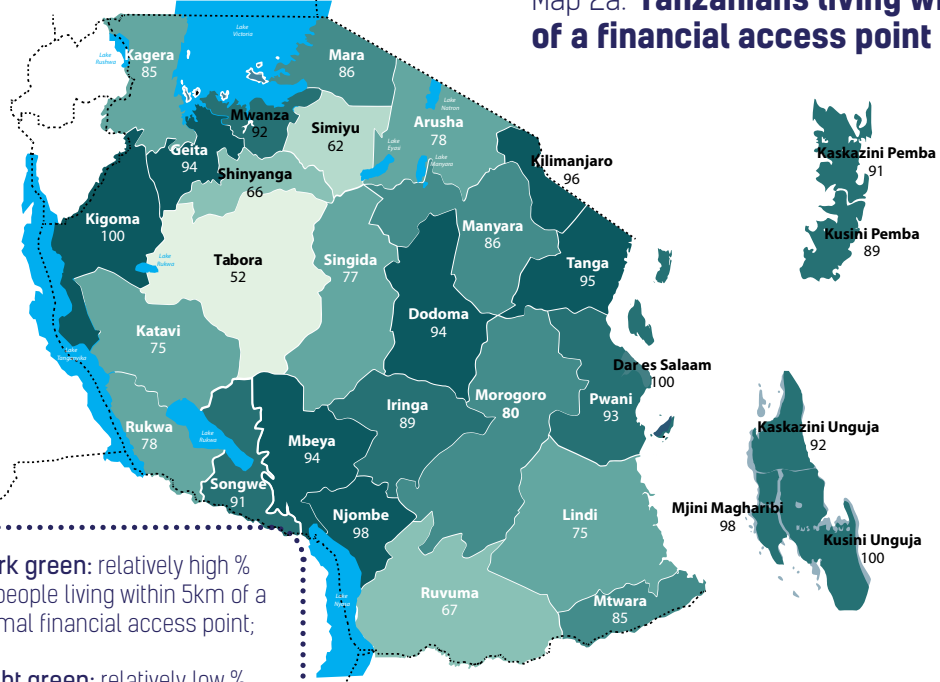


Source: FinScope Tanzania 2017 (April-July 2017) | for 2023 data was taken from the Financial Services Registry and most recent geo-spatial population data

Overall, proximity of Tanzanians living within 5km of a financial access point has increased from 86% to 89%. Further, rural access has increased significantly from 78% to 83% and urban access has increased from 91% to 100%.

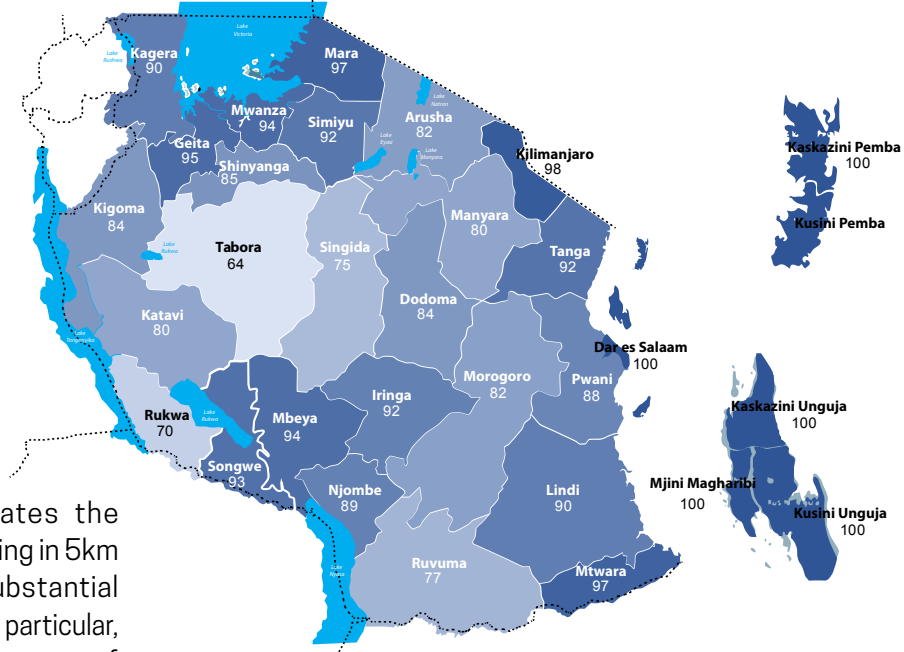
Financial Behavior

Map 2a: Tanzanians living within 5km of a financial access point in 2017



Dark green: relatively high % of people living within 5km of a formal financial access point;
 Light green: relatively low % of people living within 5km of a formal financial access point

Map 2b: Tanzanians living within 5km of a financial access point in 2023



The map above indicates the percentage of people living in 5km proximity by region. Substantial differences are notable. In particular, Tabora remains behind in terms of proximity, with only 65% of people staying within 5km proximity of a financial access point.

Source: FinScope Tanzania 2017 (April-July 2017) | for 2023 data was taken from the Financial Services Registry and most recent geo-spatial population data



3C FINANCIAL BEHAVIOR

This section unpacks how Tanzanians receive, manage and spend their money. As such it directly showcases financial use cases.

FINDING 8 Most Tanzanians rely on seasonal or occasional income



Chart 13: How is personal revenue generated and how frequently is money received from these sources?



Source: FinScope Tanzania 2023 (March-April 2023)

Most Tanzanians receive their income occasionally or seasonally. This is mainly driven by the fact that their income generation is linked to agricultural activities or to piece work/casual labor which is highly volatile to seasonal and market developments. Only those in the service industry and with a salary/wage report a regular income, mainly on a weekly or monthly basis. Although a decrease in money from trading from 59% in 2017 to 44% in 2023 was observed, the general distribution of frequency of income remained largely the same.

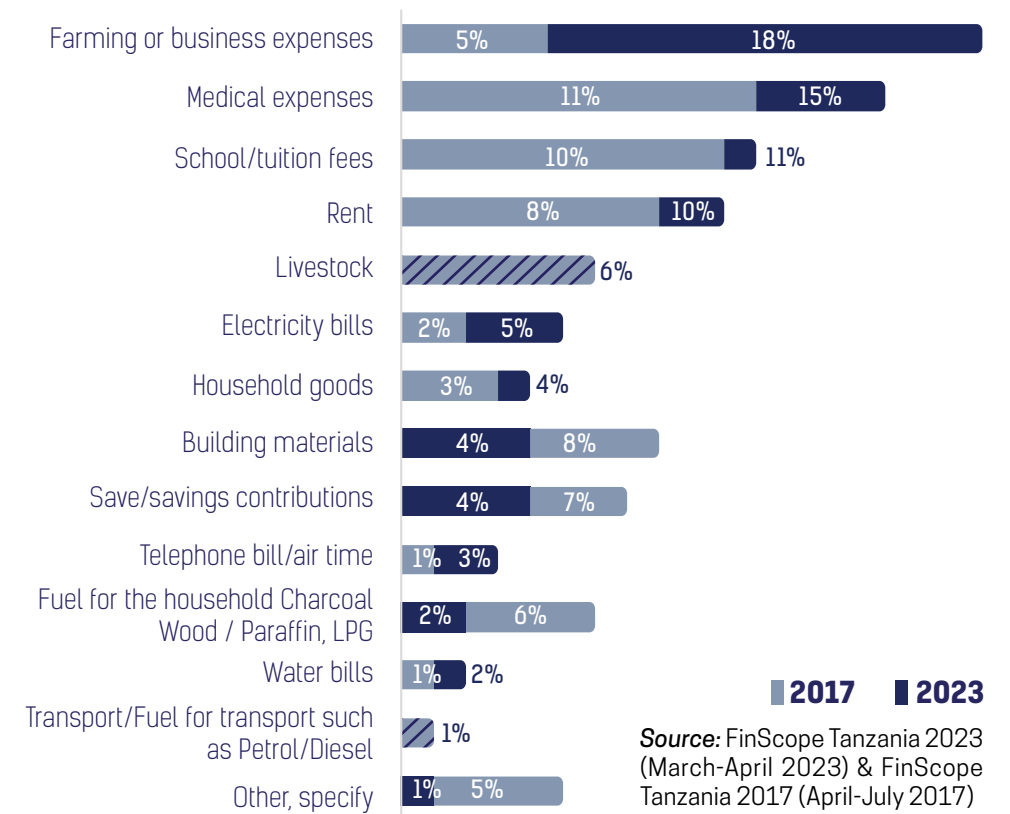
These earning dynamics impact their ability to manage various expenses.

FINDING 9

Farming or business (productive) expenses are regarded as priority expenses



Chart 14: What is the most important payment to make when you get money? (excluding food and clothes)



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

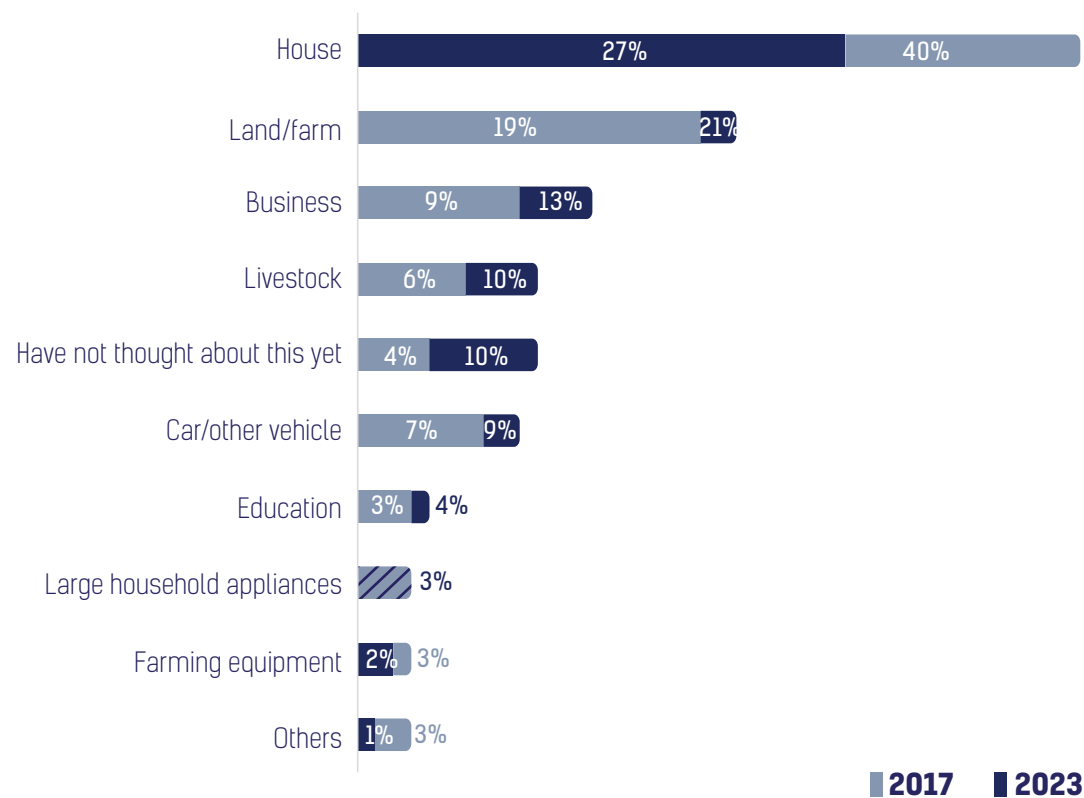
Key expenditures have shifted towards more business and farming expenses (18%), which indicate an increased priority of income-generating promotional expenditures versus building expenses, such as construction materials (4%) and savings (4%). Medical expenses remain a key expenditure and show a slight increase of 4%-points from 2017 to 15% of Tanzanians identifying it as a key expense. Utility bills and rent have also become more relevant, which is in line with increasing levels of urbanization as well as electrification and tap water provision at household level.



FINDING 10

Ownership of a house or property remains a main future spending need

Chart 15: **Can you think about something you want to buy but you cannot afford?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

The shift in priority expenses is further reflected in anticipated future spending needs and aspirations as more Tanzanians intend to spend on land/farms, livestock or business. Although most Tanzanians still anticipate spending on housing (27%), a significant decline has been observed compared to 2017 (40%).

Further qualitative assessments will be required to investigate this trend.

FINDING 11

Two thirds of Tanzanians claim to be **struggling to keep up with regular expenses**

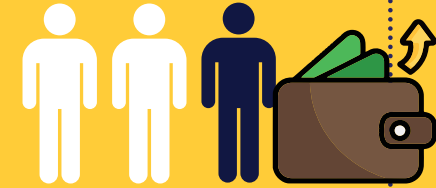
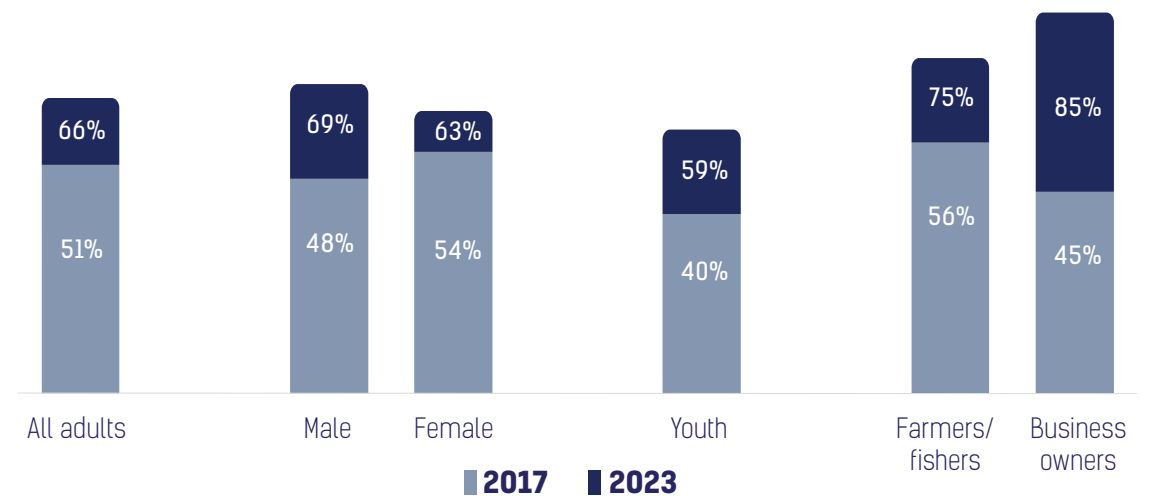


Chart 16: **Percentage of adults who claim that they often/always struggle with regular expenses**



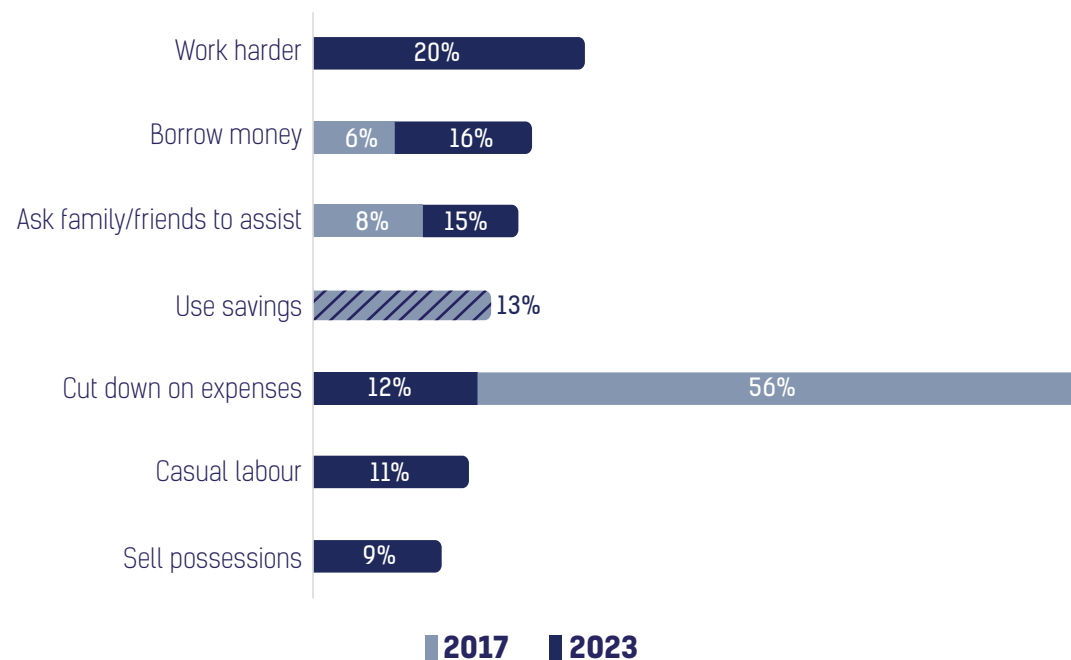
Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Business owners (85%) and farmers/fishers (75%) struggle most with regular expenses. Although overall levels of Tanzanian adults claiming to struggle with regular expenses has increased from 51% to 66%, women are now less likely to face these struggles versus their male counterparts. It is important to note that when looking at the above results the overall economic context of the two data collection periods of 2017 and 2023 should not be left out. Due to the occurrence of the global Covid-19 pandemic and a subsequent global economic recession a general decline in GDP growth has been observed across Sub-Saharan Africa with the African Development Bank forecasting sub-Saharan Africa's average GDP growth at 3.6%. That said, Tanzania is expected to outperform this average with an expected 5.3% to 5.5% growth in 2023 from its success of a 4.6% growth in 2022. However, compared to 2016 when GDP growth was at 6.8%, and in 2017 when it was at 6.3% a gap still remains.

FINDING 12

2 out of 10 Tanzanian adults “work harder” when they do not have enough money for regular expenditure

Chart 17: **What do you do when you don't have enough money to cover all your expenses?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

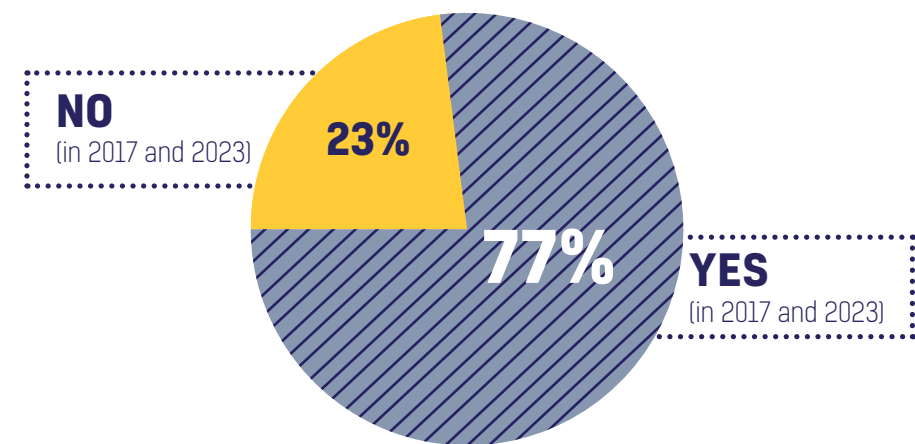
In 2017 most respondents (56%) claimed to cut down expenses when they lacked money to cover their expenses, but only 12% cite this in 2023. In contrast in 2023, only 3 in 10 Tanzanians said they increased their work levels (20% worked harder and 11% performed additional casual labor). Further, 3 in 10 said they borrowed money or asked for financial assistance from friends and family.

FINDING 13

77% of adult Tanzanians claim to **keep track of money they get and spend**



Chart 18: **Do they keep track of the money they get and spend?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

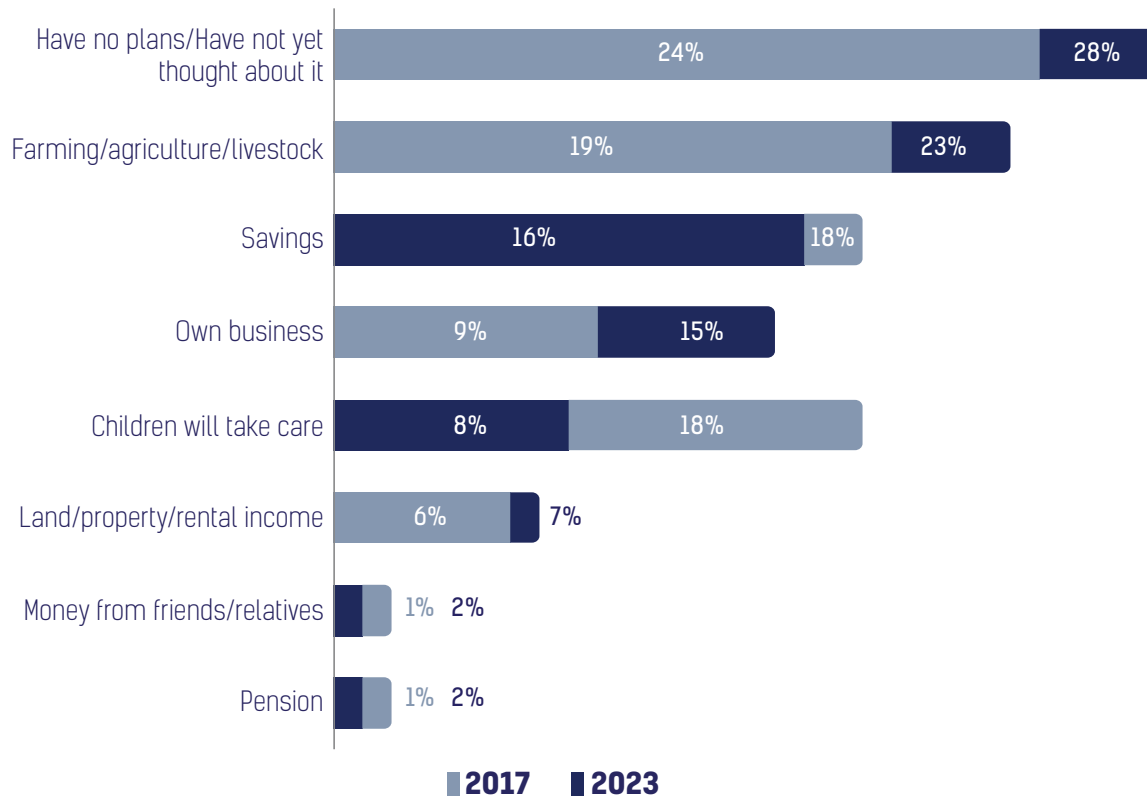
As in 2017, 77% of Tanzanians said that they keep track of the money they get and spend. In 2023, two thirds of these respondents evaluated their tracking as accurate. Further, 47% said that they usually prepare a budget for income and spending.

FINDING 14

More than a quarter of adults aged 55 years and below **have no retirement plans**



Chart 19: **How do Tanzanians aged 55 and below plan for retirement?**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

When it comes to retirement plans, 28% of Tanzanians, 55 years or below, have none and this is alike what was observed in 2017 (24%). However, there is an increase in Tanzanian adults planning to rely on farming/agriculture/livestock (19% in 2017 to 23% in 2023) and on their own business (9% in 2017 to 15% in 2023). There is also a significant decrease in Tanzanian adults who expect their children to take care of them (18% in 2017 to 8% in 2023).

Financial Inclusion



3D FINANCIAL INCLUSION

This chapter unpacks the current levels of financial inclusion and uptake of formal as well as alternative financial services of Tanzanians.

KEY DEFINITIONS

Financially Included - Individuals 16 years or older who have/use financial products/services to manage their financial lives

Financially Excluded - Individuals 16 years or older who use **NO** “external” financial mechanisms - rely only on themselves/family/friends for saving, borrowing and remitting; their transactions are cash-based or in-kind.

It is important to note, that in the context of Tanzania the set of financial services defined as “formal” has changed since the last FinScope was conducted in 2017. This is due to the implementation of the Microfinance Act in 2018, which led to the reclassification of informal financial services, such as Community Microfinance Groups (CMGs), to formal financial services under the Act.

This reclassification was implemented in the FinScope Tanzania 2023 analysis but being cognizant of the limitations of a demand-side survey, which may lack the ability to independently validate whether CMGs were fully registered or not from a supply-side or regulatory perspective.³

³ Considering these demand-side survey constraints, for the purpose of analysis all CMGs were treated as formally registered, even if they are in the process of achieving full registration status.

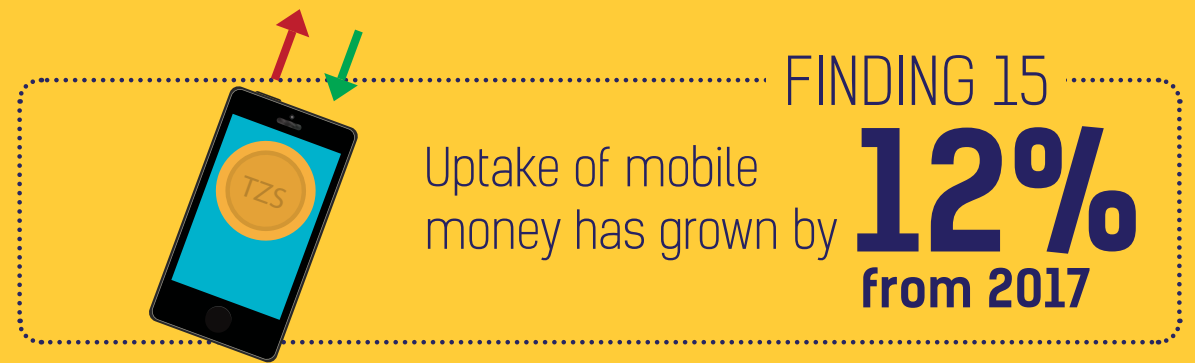


Chart 20a: **Uptake of Formal Financial Services**

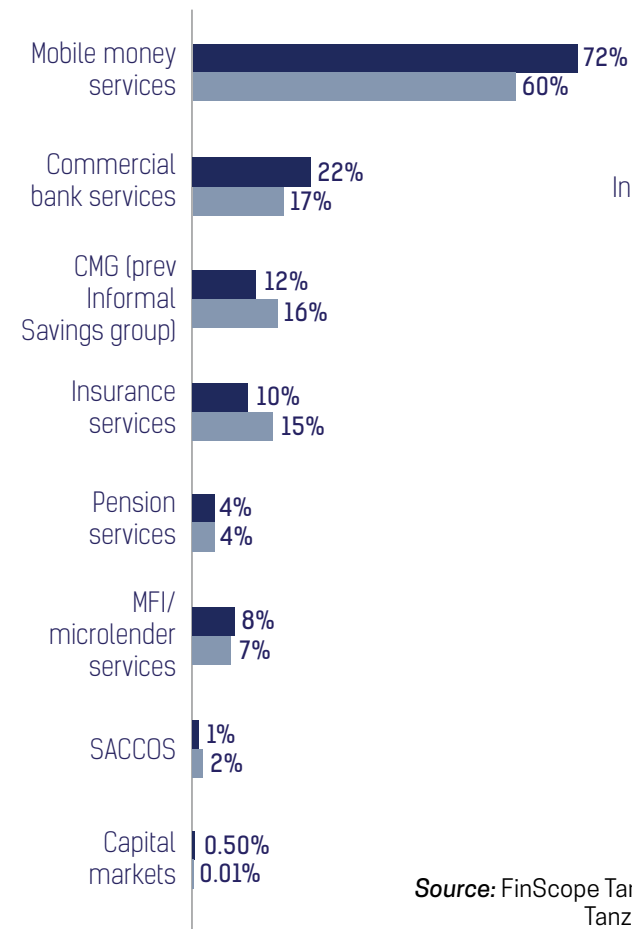
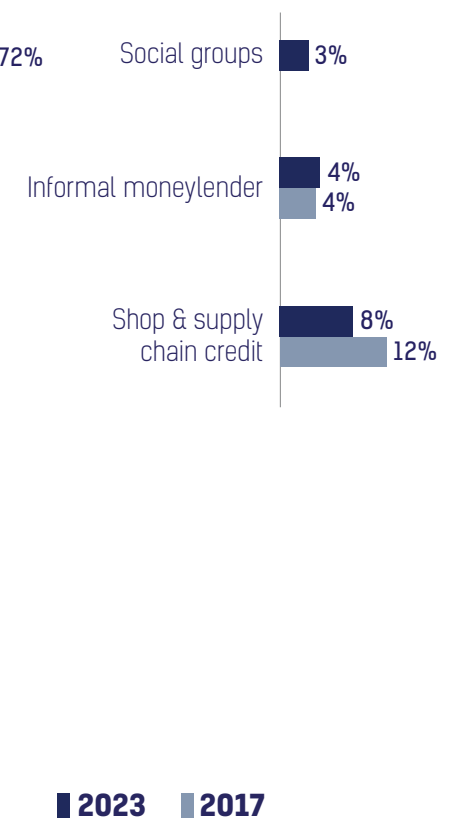


Chart 20b: **Uptake of Alternative Financial Services**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

As in 2017, the largest increment in 2023 is observed among Mobile Money services, with a 12%-point increment to 72% of Tanzanian adults utilizing mobile money services. Banking services see an increment of 5%-points, a development mainly driven by banking services that can be accessed through mobile phones.

As in 2017, the largest increase in 2023 is observed among mobile money services, with a 12%-point rise to 72% of Tanzanian adults utilizing these. Banking services see an increase of 5%-points, a development mainly driven by services that can be accessed through mobile phones.

Changes observed in MFIs/microlenders, pension providers, and SACCOs, as well as in capital markets, remain within the margin of error of this study and on a nominal scale these services observe a rise in uptake, considering the significant population growth. CMGs, which were formally included within social groups, retain a similar level of penetration. It is important to note that not all group members were fully aware of whether their groups were formalized. However, 4 in 10 of those who were aware claimed that their groups had fully completed the registration and 9 in 10 confirmed that their group had a constitution in place.

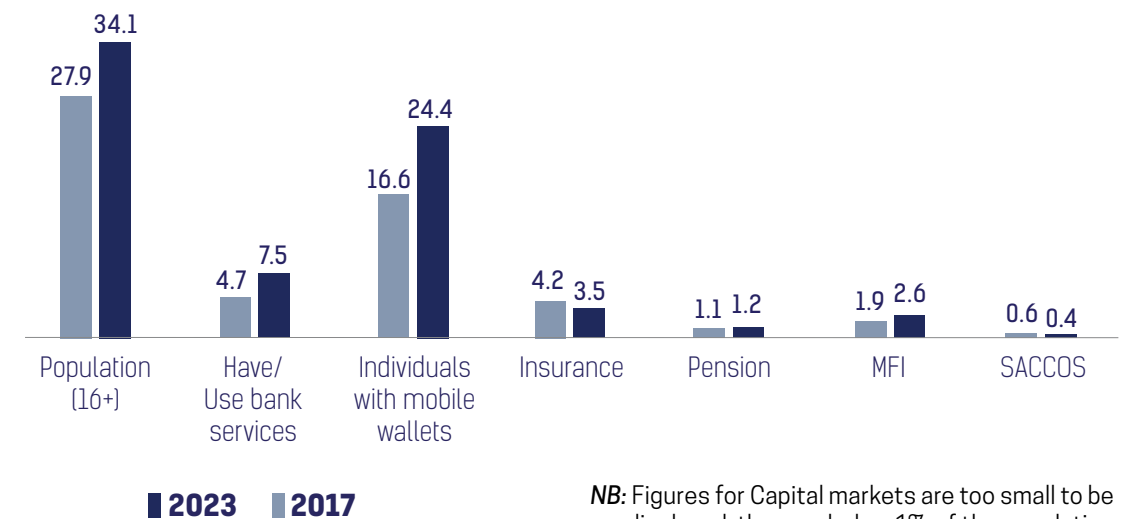
FinScope Tanzania 2023 retains a differentiation between formal MFIs/microlenders, which have formal business outlets and informal money-lenders. Only 5% of informal money-lender users (which is 0.2% of the total adult population) claimed to have asked these money-lenders if they were registered. Unlike for CMGs, where members play an active role and have a high level of awareness on their registration status, levels of inquisitiveness and awareness for users of informal money-lenders are low.

The Tanzanian Insurance sector, from a supply side perspective, has seen an 82% increase of its total Gross Premiums Written (GPW) between 2017 (637,141 Million TZS) to 2023 (1,159,348 Million TZS). FinScope Tanzania, being a demand side household survey, measures insurance uptake in terms of people reporting that they have insurance cover, hence awareness is key, but also the overall FinScope insurance sub-sector number does not double count individuals, meaning that if a person has a health insurance cover, a funeral cover and a motor-insurance cover in the overall sub-sector number she or he will only be counted once. That said, the most notable decrease in the FinScope sub-sector number is observed in the insurance sub-sector, from 15% in 2017 to 10% in 2023. Even on a nominal scale a decrease of 0.7 million people can be observed (see Chart 20c). This insurance sub-sector measure is inclusive of all types of insurance (i.e., health, life, accident, motor, agriculture, mobile insurance etc.). However, it is mainly driven by health insurance as the key product. A shift like this in the insurance market is not all surprising as insurance is a time-bound product which requires yearly re-subscription. Further, it

is heavily linked to the employment status of people, which means once this changes a shift in insurance uptake can be anticipated. In addition, several market developments, such as changes in the CHF premium rates and the number of NHIF beneficiaries per policy subscription may have impacted.

Lastly, we observe a sustained decline in shop and supply chain credit from 25% in 2013, to 12% in 2017 and 8% in 2023. This is a development which is usually directly linked to increased urbanization rates and hence a change in the existing social fabric.

Chart 20c: **Uptake of Formal Financial Services**
(Numbers displayed in are in millions)



NB: Figures for Capital markets are too small to be displayed; they are below 1% of the population

Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

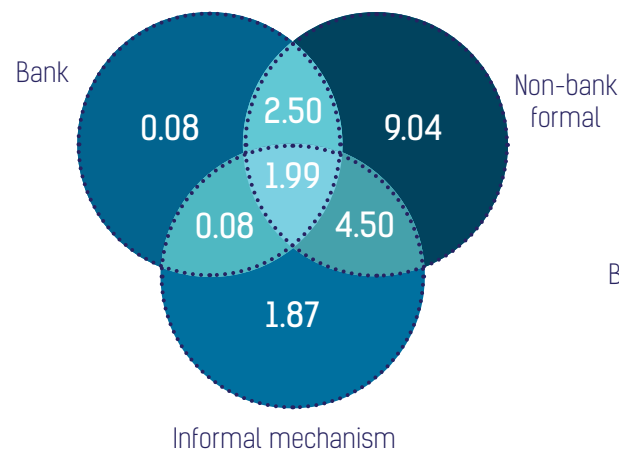
It is key to highlight that the growth in banking and mobile money service uptake has far outstripped the 23% population growth since 2017 and hence is a remarkable achievement for these sub-sectors.

FINDING 16

Significant expansion in those using multiple forms of service categories

Chart 21a: **Financial Service Overlap 2017**

(Numbers displayed are in millions)



7.79 FINANCIALLY EXCLUDED

Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

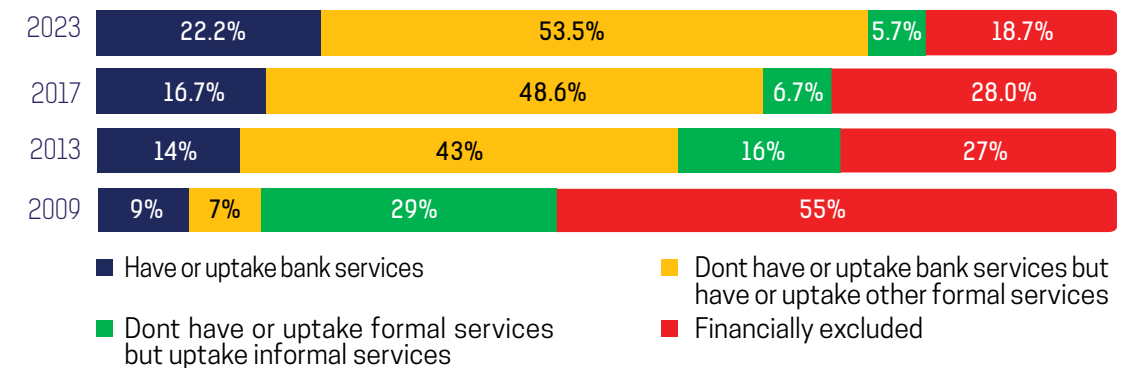
There has been significant expansion in those using both formal and informal mechanisms, especially those which are non-bank formal (from 4.5 million to 10.51 million), as well as all three forms of financial service categories (from 1.99 million to 5.41 million). This increased overlap is a sign of the increased diversification of financial sector usage and indicates that those with banking services are also further pulled towards using informal and non-banking services.

FINDING 17

Formal Financial Inclusion has grown from

65% to 76%

Chart 22: **Uptake of Financial Services**



The financial access strand, a common financial inclusion visualization for showing financial inclusion levels across sub-Saharan Africa indicates that formal financial inclusion in Tanzania has grown by 11%-points from 65% in 2017 to 76% in 2023. This development was mainly driven by the significant increase in mobile money uptake, and only marginally influenced by the regulation driven formalization of CMGs. This is because only 1.6% of the population that use CMGs do not use mobile money at the same time as well.

Equally remarkable is the decline in financial exclusion, from 28% to 18.7%, which translates to a reduction of 1.42 million from 2017, reducing the number of excluded to 6.27 million adults (see Chart 21a/b). This is commendable when considering a population growth of 23%.

Financial inclusion classification as per the financial access strand. It is worth noting that CMGs in the data displayed for 2009, 2013, 2017 is still considered to be informal.

| | Banked | Commercial banks Postbank |
|--------------------------|--|---|
| FORMAL | Non-bank formal | Insurance SACCOs MFIs Remittance companies Mobile Money CMGs |
| Informal only (external) | Shops/supply chain credit Money lenders | |
| Excluded | Friends/family Save at home/ in kind | |

FINDING 18

Youth and people in rural areas **remain the most excluded**



FINDING 19

Perceived lack of income and awareness biggest barriers cited for formal financial services uptake

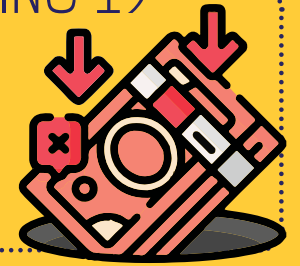
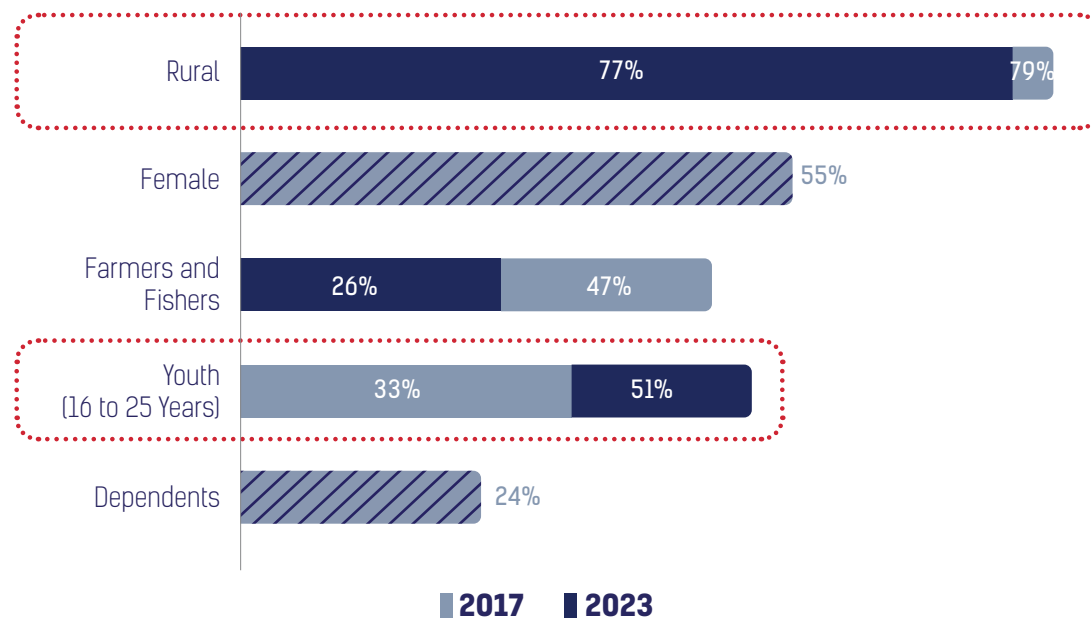


Chart 23: **Who is being left behind?**
Base=excluded only



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Overall, youth and people in rural areas that are dependent on agriculture activities as well as on others remain the most excluded people. However, it is worth noting that youth between 16 and 25 years have become increasingly excluded at now 51% from 33%. This is mostly because of a rise in the number of people at the lower end of this age group, which also lies behind the overall adult population growth of 23%. The seeming decline of farmers and fishers who are excluded is mainly driven by the fact that there was a general decline of people with agriculture as their main source of income. Although women account for 55% of the excluded, this does not indicate a significant skewedness, considering that overall they account for about 52% of the adult population.

Most Tanzanian adults who are not using formal financial services claim that they have insufficient income to utilize these services. This reflects the general perception that formal financial services require a substantial initial income. For mobile money, the uptake barriers were mainly related to the fact that people lack access to a mobile phone or sufficient use cases that would justify the use of mobile money. Although there is a positive correlation between mobile phone ownership and the use of mobile money, almost a quarter of people without a mobile phone still utilize mobile money services. This suggests that alternative access channels to mobile money, such as agents or third-party phones and over-the-counter solutions, enable almost 1 in 10 mobile money users to access the service.

PROVIDER



Mobile Money

PRIMARY BARRIER
Non-users do not have the necessary device, a phone, to be able to use services.

SECONDARY BARRIER
Non-users state that they do not engage in frequent transactions and hence do not need it.



Banks

PRIMARY BARRIER
Insufficient income to even consider opening an account.

SECONDARY BARRIER
Cannot maintain minimum balance on the account due to insufficient income.



Insurance

PRIMARY BARRIER
Potential customers do not want to think about bad things happening to them, hence they do not take up.

SECONDARY BARRIER
Lack of awareness of how insurance services work and how to obtain them as well as the perceived high cost of insurance and inability to afford insurance payments.



MFIs

PRIMARY BARRIER
Insufficient income to become an MFI customer.

SECONDARY BARRIER
Lack of awareness of how MFIs operate and where they are located.



SACCOs

PRIMARY BARRIER
Lack of awareness of how SACCOs operate, how to join them and where they are located.

SECONDARY BARRIER
Membership fee is perceived to be too high.

FINDING 20

Financial inclusion **gender and rural-urban gaps have narrowed**

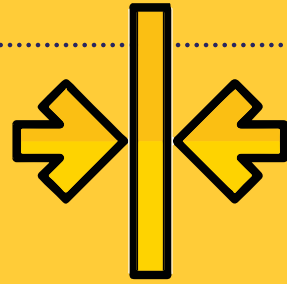
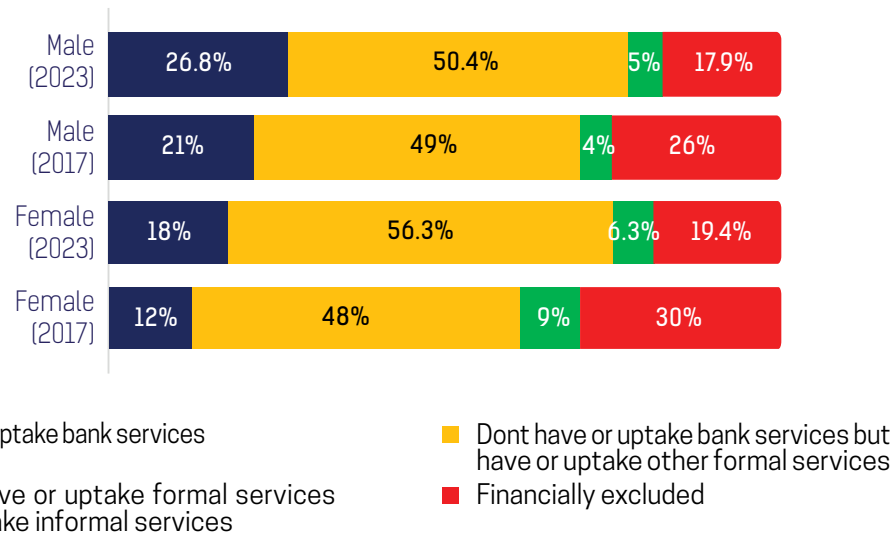


Chart 24a: **Uptake of Financial Services by Gender**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)


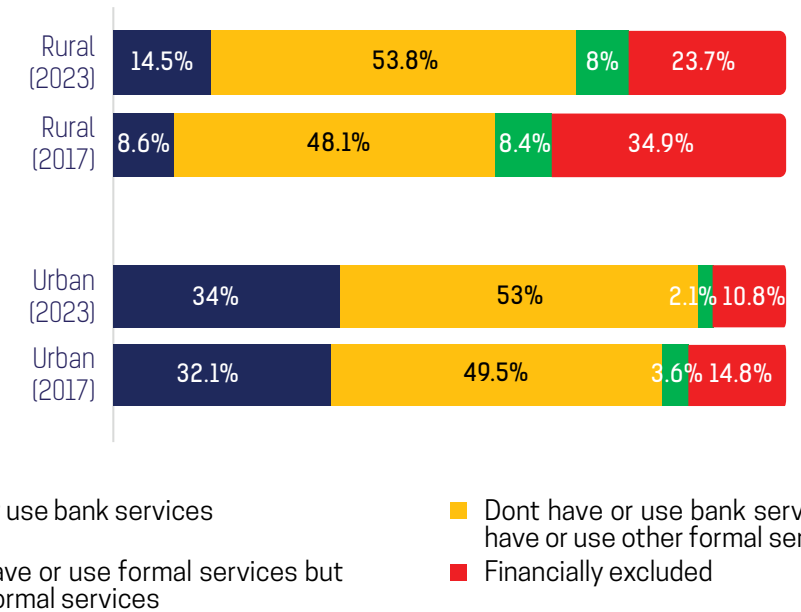
The formal financial inclusion gender gap has narrowed from 10%-points in 2017 to 3%-points in 2023. In addition, a significant decrease in female exclusion from 30% in 2017 to 19.4% in 2023 needs to be noted. Nonetheless, the banking gender gap has remained more or less the same, with about 9%-point more men being banked  compared to women. This indicates a less deepened financial service penetration among women than among men.

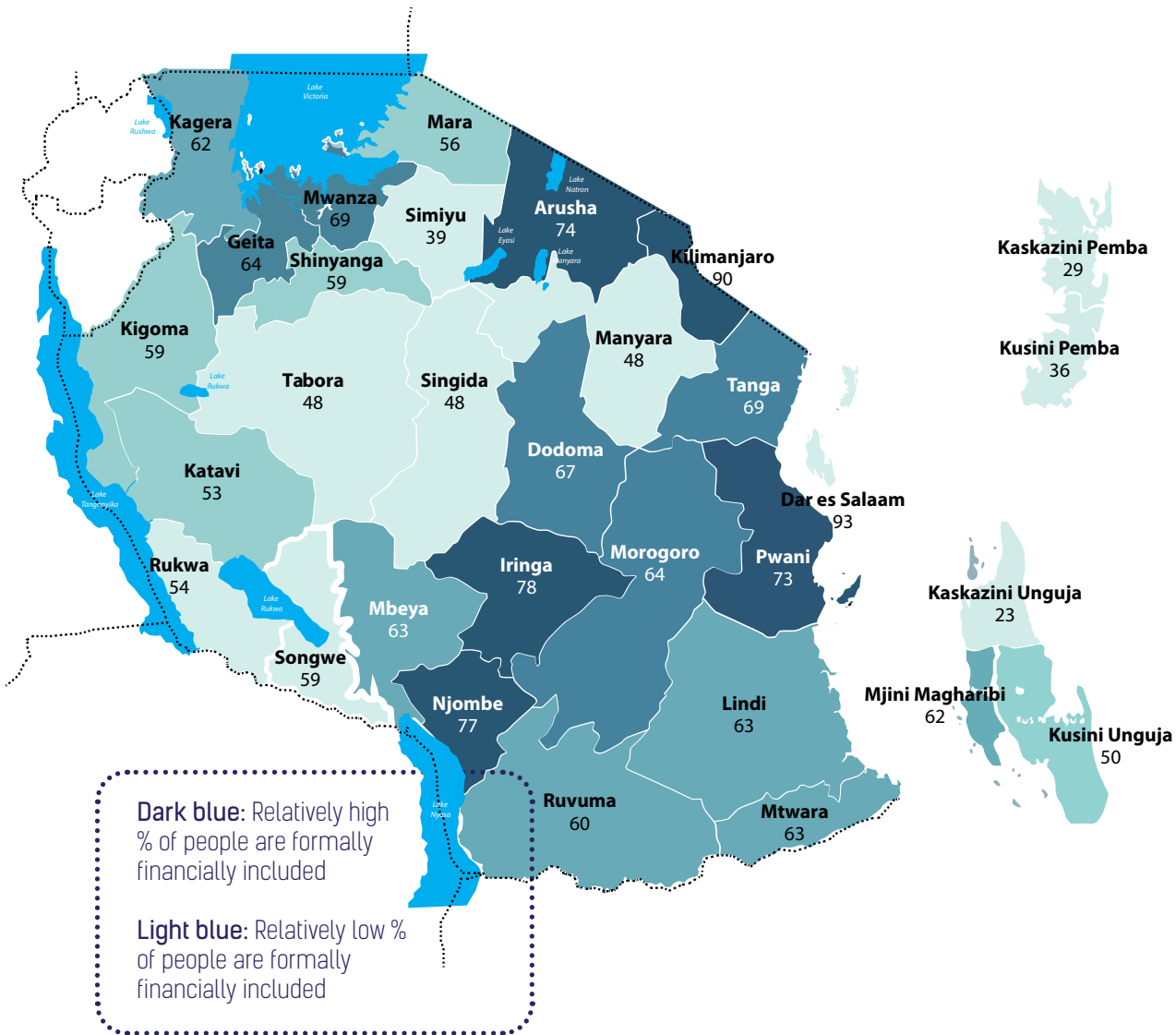
Chart 24b: **Uptake of Financial Services by Setting**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

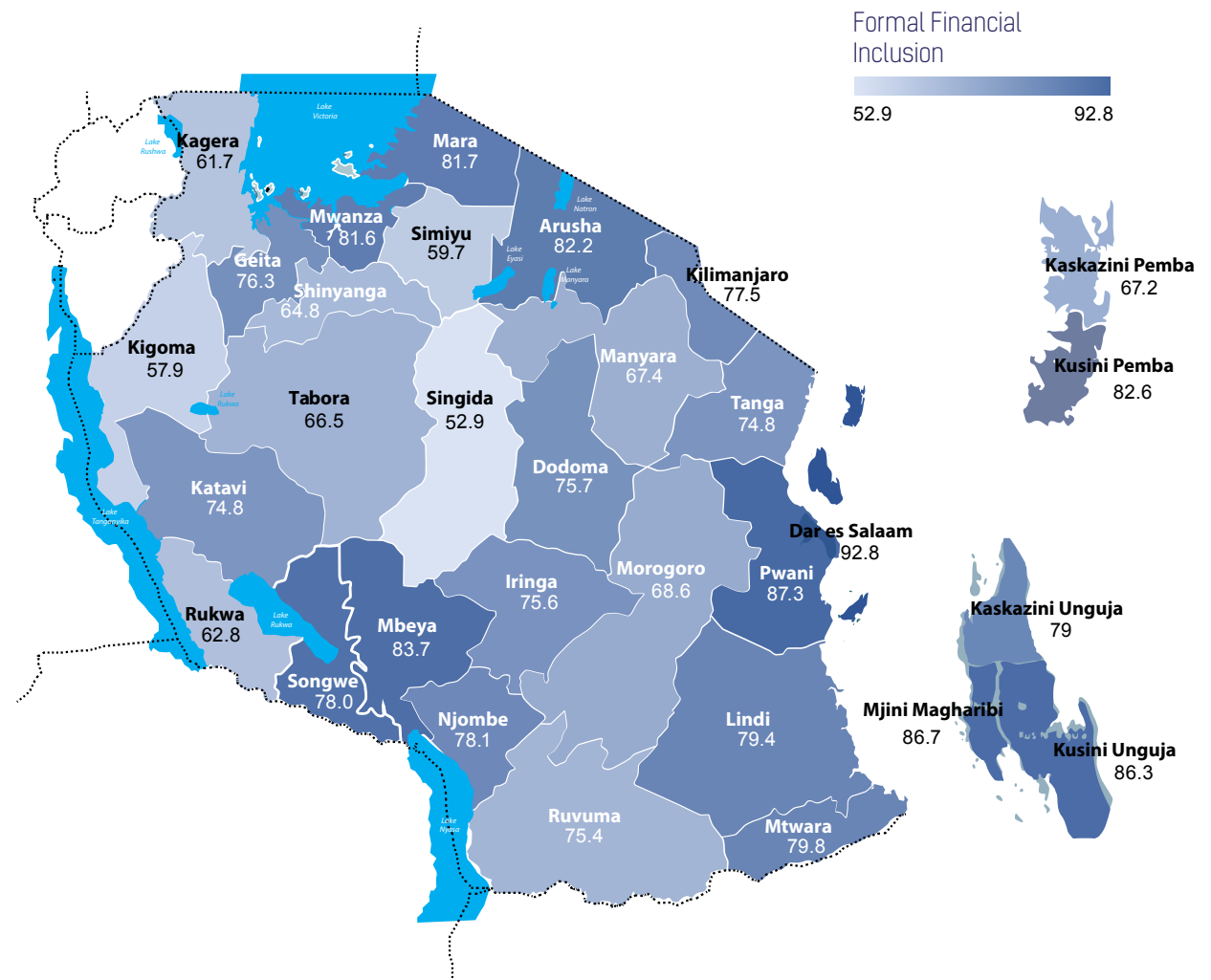
The rural-urban gap narrowed on all measures: in terms of banking uptake (4%-points), overall formal financial inclusion (5%-points) as well as exclusion (7%-points).

Map 3a: Levels of financial inclusion in 2017



Source: FinScope Tanzania 2017 April-July

Map 3a: Levels of financial inclusion in 2023



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Regional breakdowns clearly indicate that regions initially left behind in 2017, such as Singida continue to be left behind even in 2023, with Singida maintaining the lowest level of financial inclusion at 53%. Nonetheless, most regions show an increase in financial inclusion. A few regions, such as Kilimanjaro and Arusha, indicate a decline in financial inclusion, as well as a rise in financial exclusion. Further and in-depth analysis will be required to understand the underlying reasons.

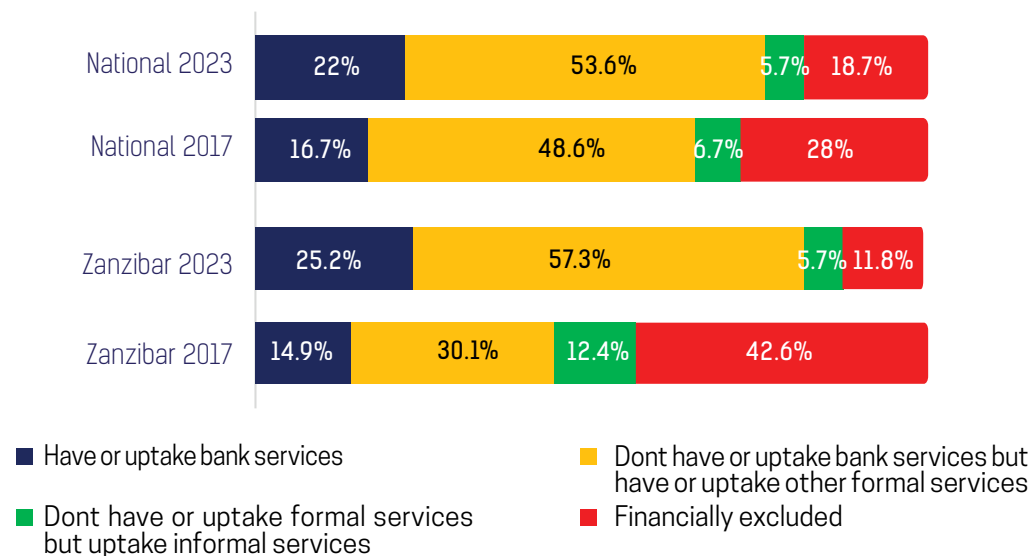
A detailed financial access strand by region can be found in Annex I.

FINDING 21

Zanzibar has made significant strides in the reduction of financial exclusion and increase in financial inclusion



Chart 25: **Uptake of Financial Services in Zanzibar**



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

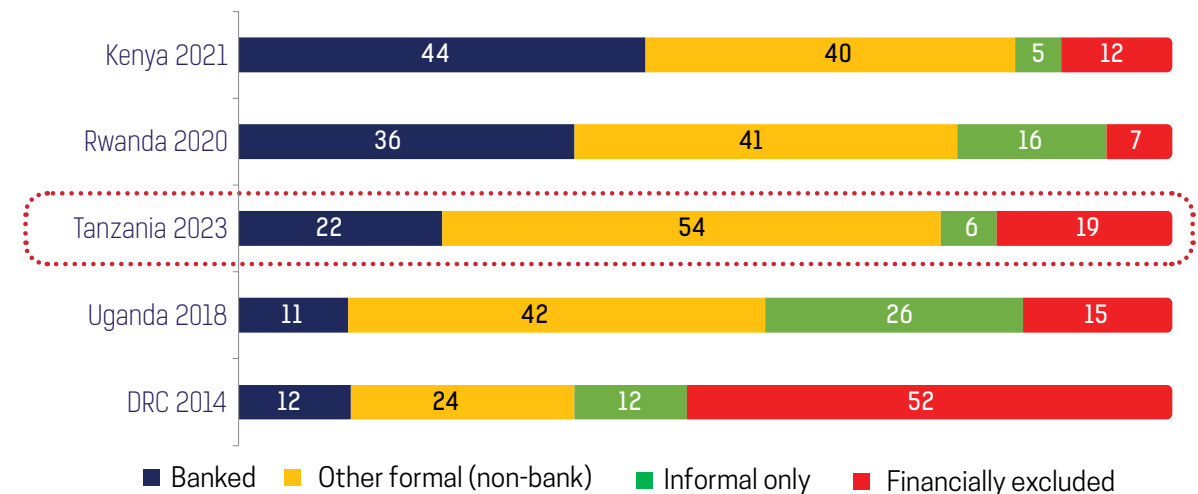
In 2017 formal financial inclusion in Zanzibar was far behind the national average with only 45% of Zanzibaris reporting the uptake of formal financial services, while in 2023 82.5% of Zanzibaris are financially included. An increase that was mainly driven by the significant increase in mobile money uptake from 38% to 78%, which also sets Zanzibar 6%-points ahead in the level of financial inclusion compared to the national average. As in the past, overall bank uptake in Zanzibar continues to be high. However, an even larger increase of uptake can be observed as levels rise by 10%-points to 25.2%. These massive strides can be attributed to both public sector policy interventions and clear goals in the development vision as well as heavy investments by the private sector players, mainly banks and mobile money companies who have expanded their footprint significantly since the last FinScope Tanzania 2017.

FINDING 19

Tanzania's levels of financial exclusion remains high compared to most EAC counterparts



Chart 26a: **Ranked comparison of financial inclusion in EAC**



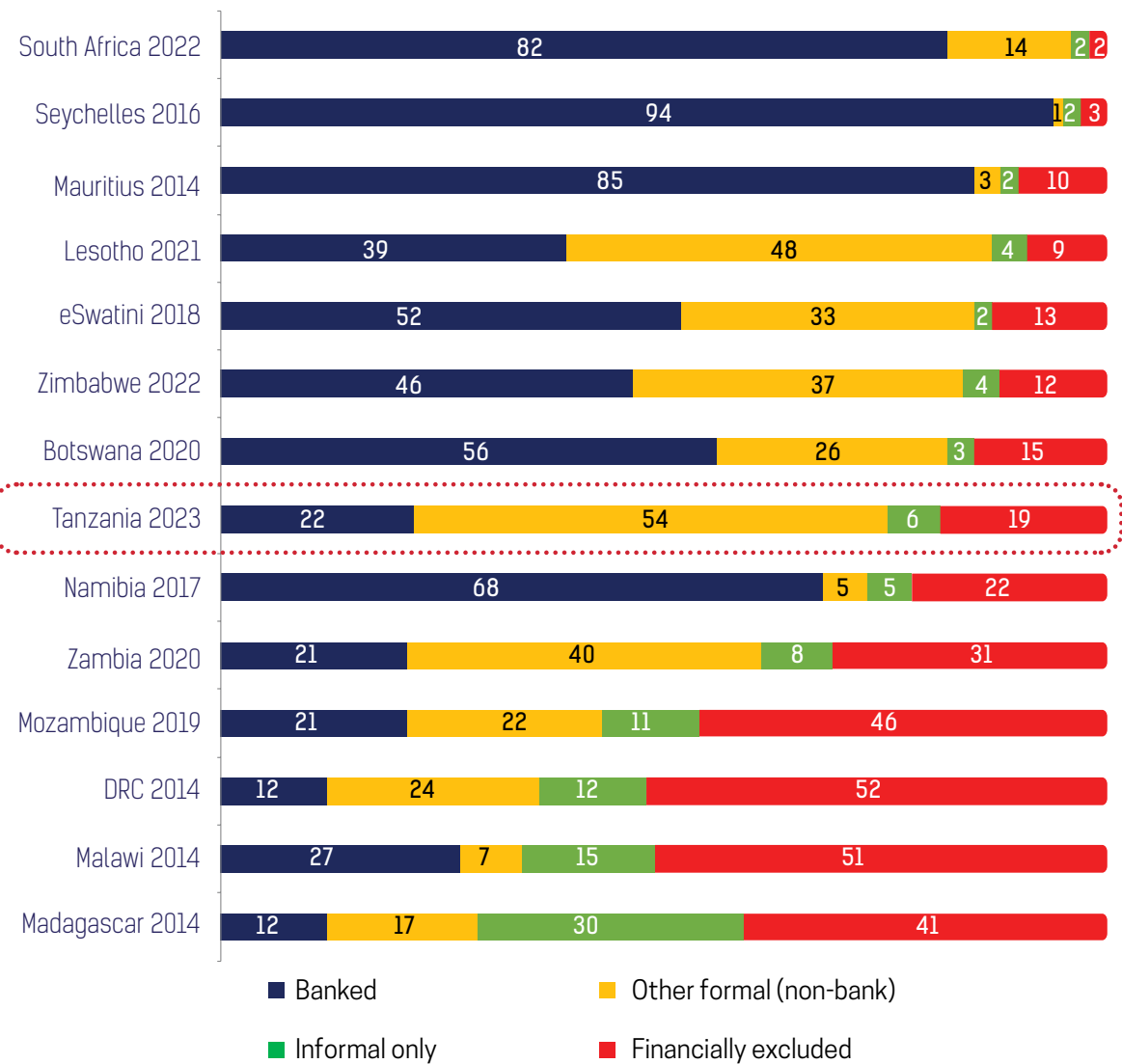
For Burundi and South Sudan data was not available for the past 15 years: (1) data collected prior in Burundi utilized a different methodology which compromises comparability, (2) for South Sudan no data is available

**NB: please note that the graphs above may not enable a direct comparison at the exact same time, but rather an indication of trends, as the data collection periods differ. In addition, global impacts, such as the Covid-19 pandemic, and national directives towards e-money usage, as well as monetary reforms, may have impacted financial uptake and usage more recently.*

Source: Various FinScope Surveys conducted during years indicated in the graph

Although Tanzania has made significant progress with formal financial inclusion and in the reduction of financial exclusion in comparison to other East African countries, Tanzania remains the country with one of the highest levels of financial exclusion. Further, it is important to note that in comparison with most of the SADC countries it shows a significant gap in terms of banking uptake. This suggests there is a substantial scope for further efforts in terms of financial deepening and efforts towards reaching the last mile of the excluded. To better understand what causes the different dynamics in the countries, a further qualitative comparative analysis and policy review is required.

Chart 26b: **Ranked comparison of financial inclusion in SADC**



Source: Various FinScope Surveys conducted during years indicated in the graph



Financial Usage

3E FINANCIAL USAGE

Tanzanians use financial services for a variety of reasons, such as remittance, payments, savings, borrowing, risk mitigation and investment. The below section outlines the uptake of the various forms of financial interactions and how Tanzanians fulfill their transactions.

a. Remittance

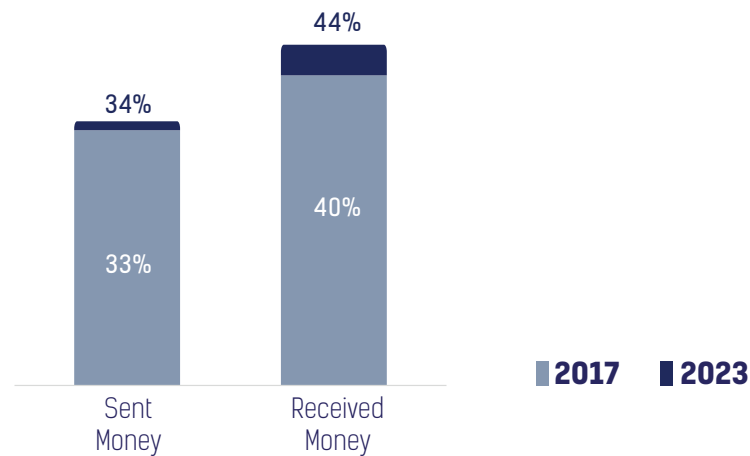
FINDING 23

Remittance

levels have largely remained the same



Chart 27: In the past 12 months have you ever sent or received money?



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

The most used form of financial interaction is sending or receiving money from people. Overall, 55% of Tanzanians were engaged in a remittance transaction in the past 12 months. Although multiple channels exist, the most preferred is by far mobile money with about 9 in 10 Tanzanians claiming to transfer their remittance through it. Further, 4 in 10 of those utilizing mobile money for their remittance claim that their transaction is interoperable⁴.

⁴ Interoperable transactions or payments have so called “off-us” transactions, meaning transactions that are done between either various providers (i.e., from mobile money wallet provider A to mobile money wallet provider B) or between various channels (i.e., from bank account A to mobile money wallet provider A).

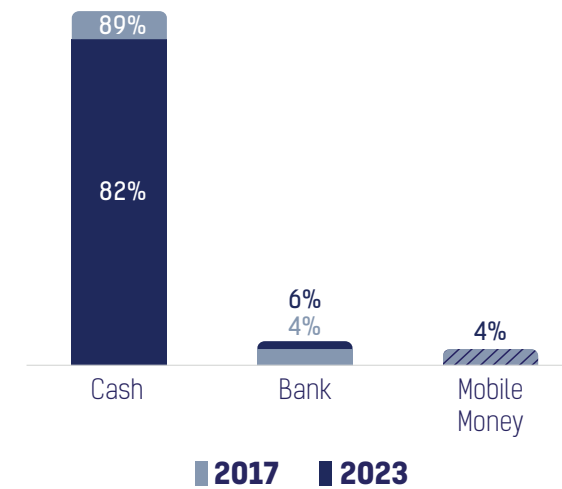
b. Payments

FINDING 24

The Tanzanian payment space remains largely untapped



Chart 29: How do Tanzanians receive an income? Through...



* Numbers may not add up to 100% as not everyone receives an income

*this chart shows data on how they receive most of their income

Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Chart 30a: How do they make payments? - 2017 Data

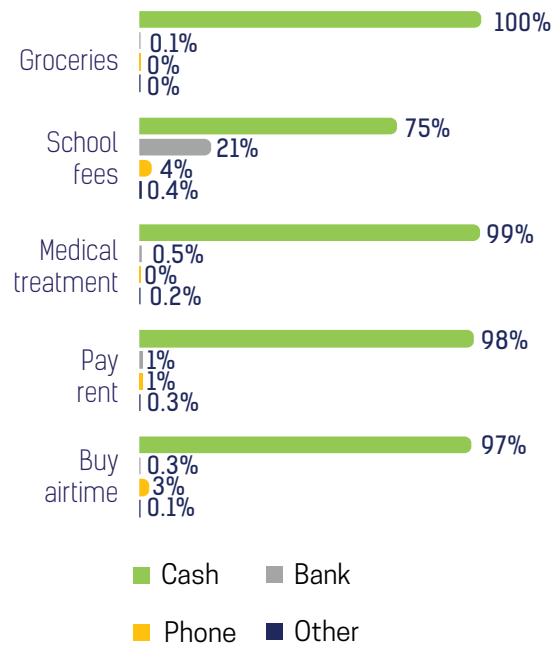
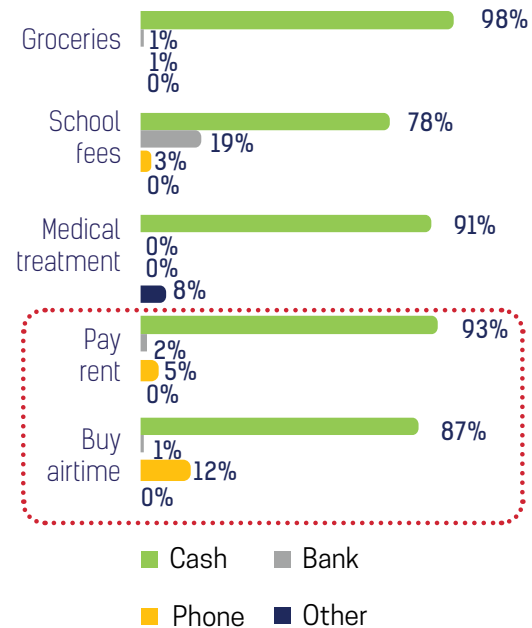


Chart 30b: How do they make payments? - 2023 Data



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

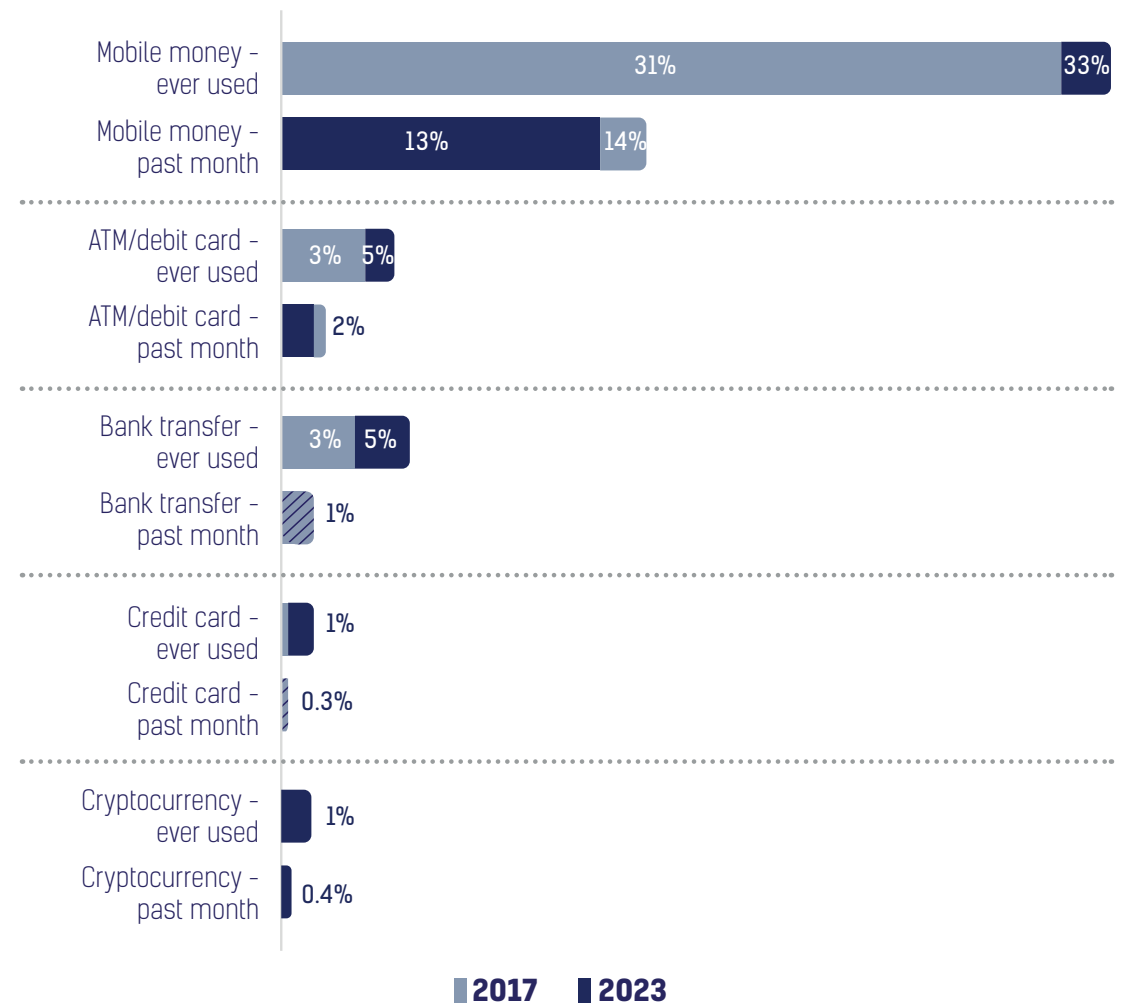
A rise in uptake of digital airtime purchase from 3% to 12% and an increase in people paying rent through their phone from 1% to 5% can be observed. However, generally, the payment space remains untapped, especially for more frequent payments such as groceries. Further, no major shift in how people receive their income has been observed. People who received income through mobile money have remained at the same level and this is surprising, considering the massive increase in new users.

FINDING 25

Gap in **converting trial into regular use of digital financial services** for purchasing goods

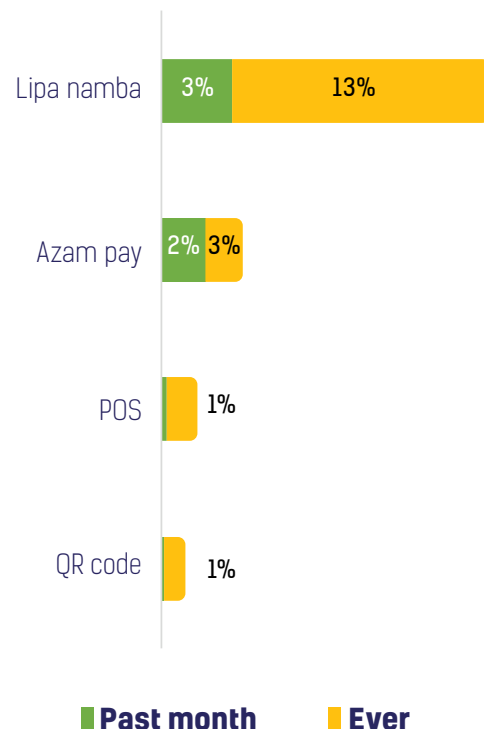


Chart 31: Digital payment instruments used to purchase goods, all adults



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Chart 32: Merchant payment channels used to purchase goods, 2023 all adults



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Overall, 39% of Tanzanians reported that they are aware of mobile money merchant payment services. However, only 33% have used mobile money to make a payment or purchase goods. Further, only 13% have done so in the past month. This indicates a gap in the conversion to regular usage and lasting behavior change. The most used merchant payment channel was the “lipa number”, the human readable code for merchant payments. QR codes were only ever used by 1% of the population and no significant recent usage has been identified. This may, among other reasons, also be linked to the still relatively low smartphone penetration of 19% of the entire adult population.

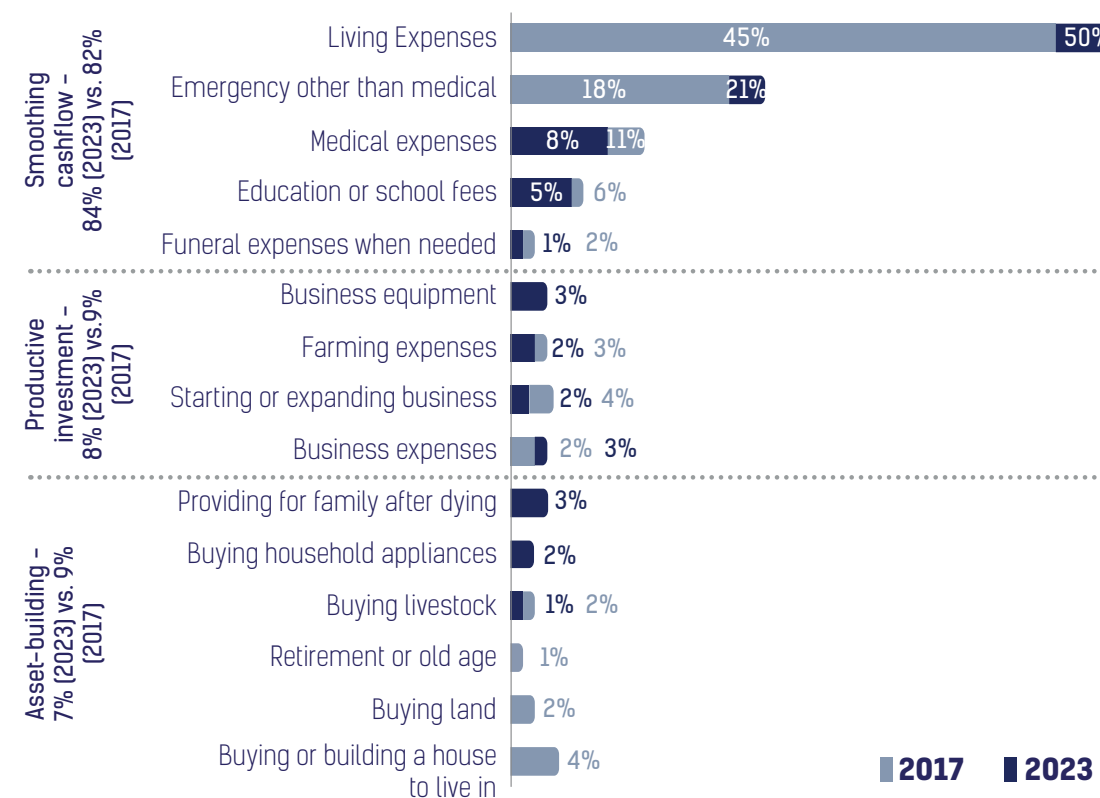
c. Savings

FINDING 26

47%

of adult Tanzanians **saved in the past 12 months**, primarily to smooth cash flow

Chart 33: Why are they saving?
Base=only those who save



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

There has been a rise of Tanzanians that have saved in the past 12 months with 47% of Tanzanians reporting to have saved in 2023 compared with 43% in 2017. However, the majority (84%) continue to save to smooth cash flow. This type of saving does not contribute to an effective increase in assets or productive investment but is rather a form of risk mitigation in times of need.

FINDING 27

Informal means of savings remain dominant; however bank savings are on the rise



Chart 34a: **Where are people saving? (formal)**
Base= those that save

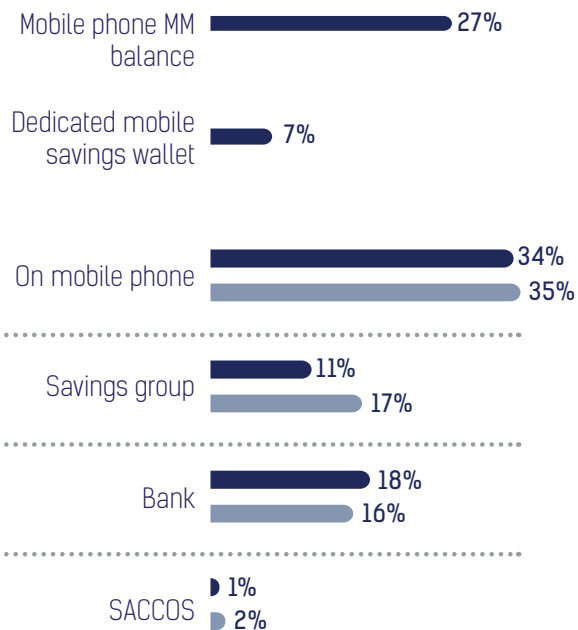


Chart 34b: **Where are people saving? (informal)**
Base= those that save



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

The preferred means of savings remains informal, with 47% of Tanzanians who save, saving at home. However, a slight 2%-points increase in direct savings with banks can be observed among savers. The use of dedicated mobile savings wallets, which retain an actual bank account for deposit receipt at the backend, are on the rise, with 7% of savers utilizing the service.

d. Borrowing

FINDING 28

36% of adult Tanzanians **borrowed in the past 12 months**, mainly for smoothing cash flow

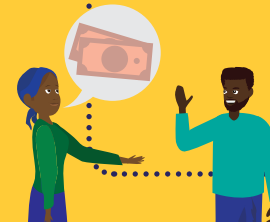
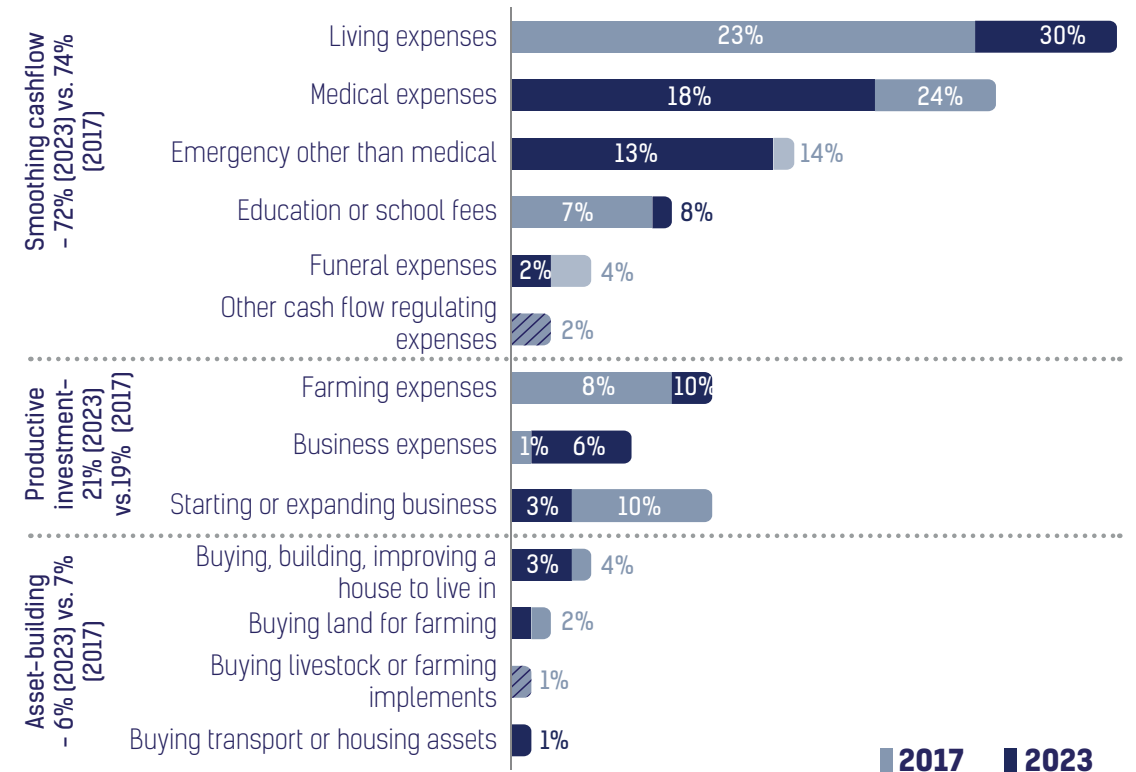


Chart 35: **Why do they borrow?**
Base=only those who borrow



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

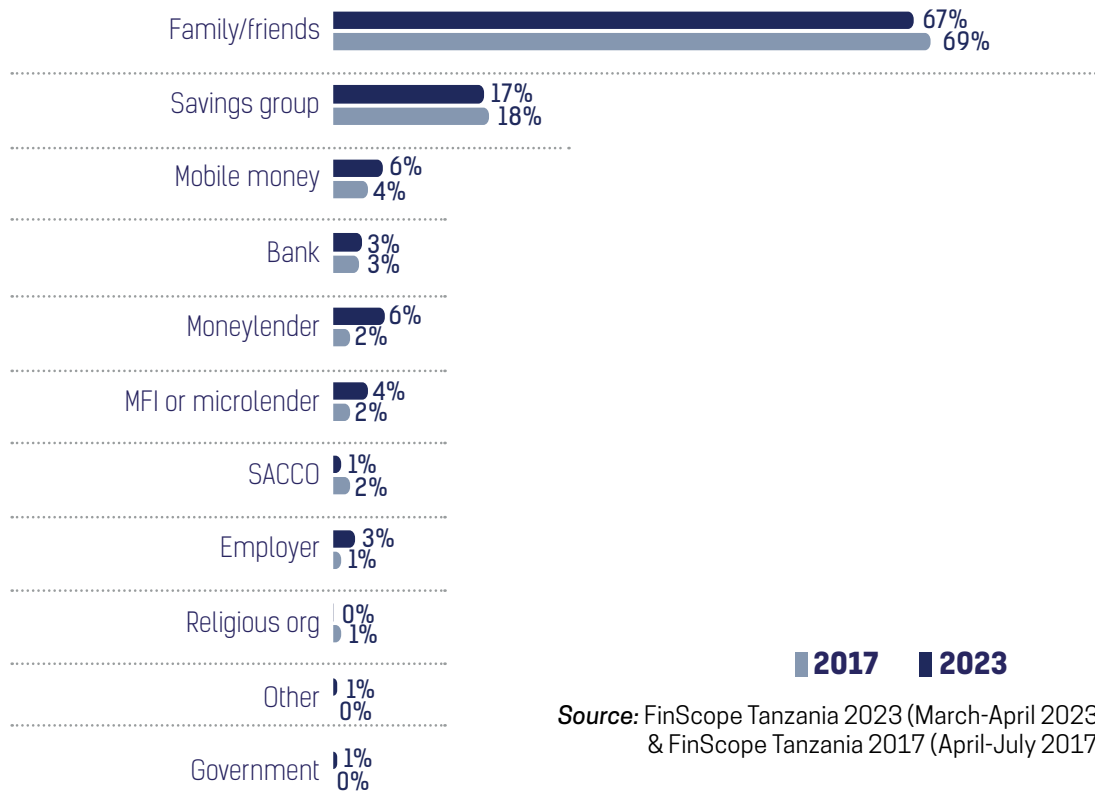
In 2017, 44% of Tanzanian adults had borrowed in the past 12 months, while in 2023 only 36% reported to have done so. Over 7 in 10 Tanzanian adults have borrowed to smooth their cash flow. The number of borrowers taking a loan to start or expand their business fell 7%-points, instead the number of borrowers taking loans for business expenses rose 5%-points and for farming expenses by 2%-points.

FINDING 29

Friends and family remain the key sources of credit



Chart 36: **Where do people borrow from?**
Base= those that borrow



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

As in 2017, friends and family remain the key source of credit with over two-thirds (67%) of Tanzanian adult borrowers accessing their loans in this way. The proportion borrowing credit from banks is unchanged, while mobile money loans and informal money lenders have seen a 2%-points and 4%-points increase respectively. Easy and timely access, proximity, convenient repayment terms were the most significant choice drivers.

Although 62% of those borrowing borrowed more than once in the past 12 months around 9 in 10 borrowers evaluate their current debt as manageable.

Further inquiry showed that only 7% of Tanzanian adults are aware of a credit reference bureau, which may limit their ability to effectively manage their credit score, as well as their prospects of formal credit access and a more advanced credit line.

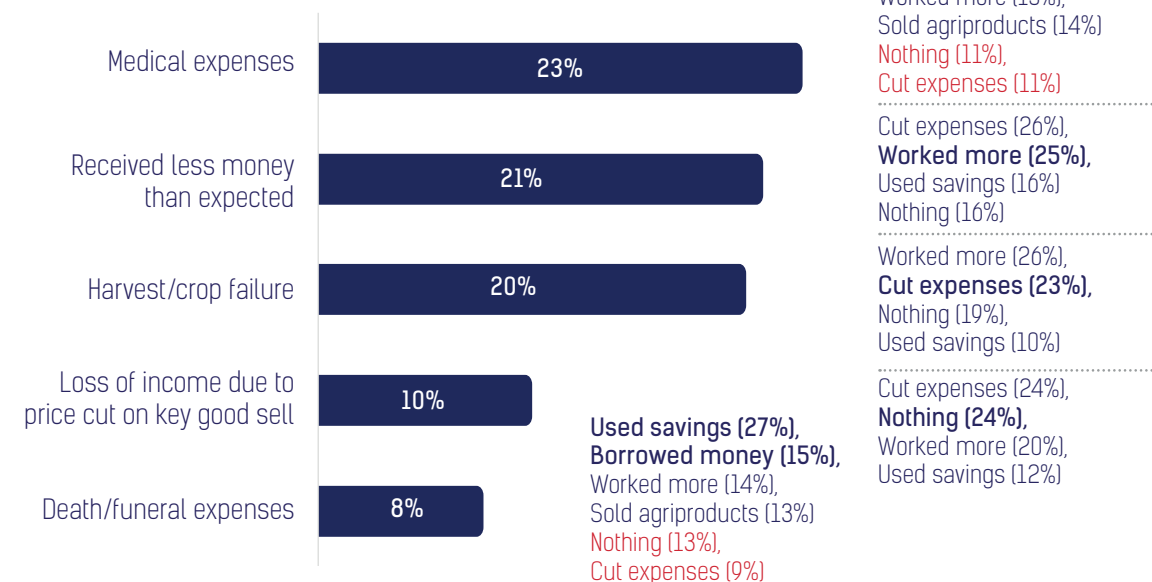
e. Risk Mitigation

FINDING 30

Responses to income and expense shocks differ by type



Chart 37: **Large shocks experienced in past 12 months, primarily impacting earnings**



Source: FinScope Tanzania 2023 (March-April 2023)

Medical expenses were a shock primarily impacting earnings, according to 23% of Tanzanian adults, 21% received less money than expected and 20% suffered from some form of crop or harvest failure. In contrast, in case of less income from their economic activities, people tend to predominantly work more or cut down their expenses in case of a medical expense they fall back on savings (22%) or borrowing (17%).

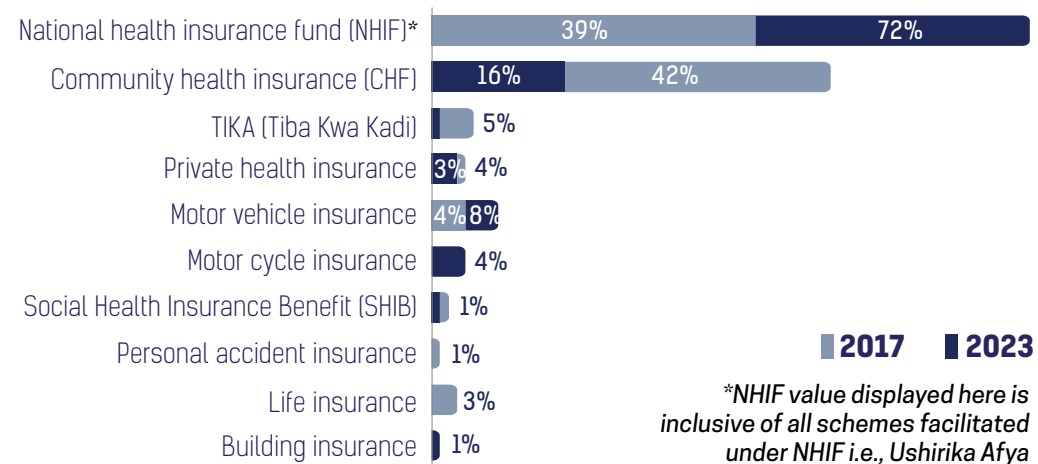
Insurance is one of the key formal risk mitigation mechanisms and it retains an important measure to assess risk preparedness of adult Tanzanians. With 10% of the Tanzanian adult population utilizing some type of insurance, it is worth unpacking this sub-sector a little further.

FINDING 31

Medical insurance remains driver of insurance uptake, **but composition has shifted from CHF to NHIF**



Chart 38: **What insurance products are people using?**
Base=only those insured



Source: FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017)

Medical insurance continues to contribute to the majority of insurance uptake in Tanzania. In 2017, the majority of health insurance uptake was seen through CHF, with 48% of insured Tanzanian adults covered through it. In 2023, only 16% of insured Tanzanian adults relied on it. Instead, a significant increase in NHIF beneficiaries is observed, increasing from 39% of the insured in 2017 to 72% of the insured in 2023. As previously outlined, various market dynamics, such as the rise in the CHF premium and increased marketing promotion through NHIF, are likely to have led to the shift.

Of those Tanzanians that are covered by insurance, 68% report to have made a claim within the past 6 months, which indicates a good level of usage to actively benefit from the risk coverage that their premiums provide.

In addition to insurance services, CMGs, which are used by 12% of Tanzanian adults, provide another formal risk mitigation mechanism.

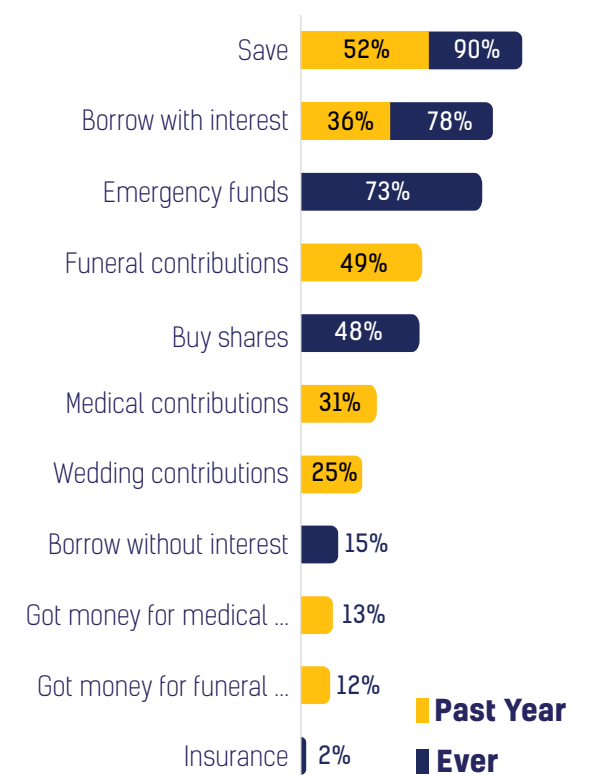
FINDING 32

Over a third (35%) of CMG members joined to access emergency funds

Chart 39a: **Main reason started using**
Base=only CMG members



Chart 39b: **Services used**
Base=only CMG members



Source: FinScope Tanzania 2023 (March-April 2023)

Over a third (35%) of CMG members joined their group to access emergency funds and 73% of members have accessed emergency funds. Of these, 49% accessed funds for funeral expenses and 31% for medical contributions. As such, CMGs are a key risk mitigation method.

It is interesting to note that 2% of CMG members have also gained insurance benefits through their CMG. As such, the groups also function as an intersection between community finance and the larger insurance sector.

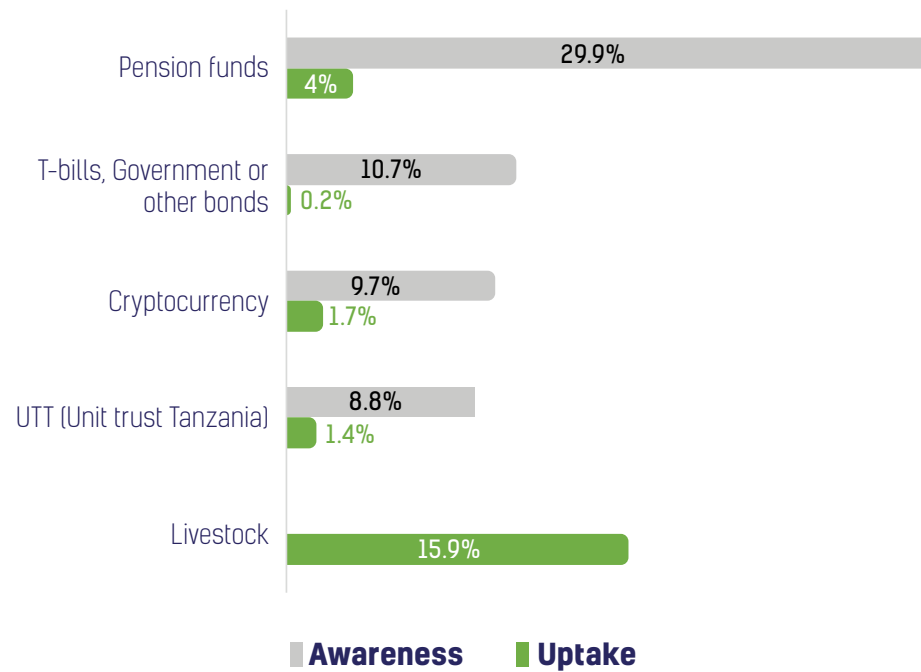
f. Investments

FINDING 33

About **3 in 10** Tanzanians are aware of investment vehicles **but only about half have taken them up**



Chart 40: **Investment**
Base = total adult population



Source: FinScope Tanzania 2023 (March-April 2023)

Although 3 in 10 Tanzanians are aware of some form of investment vehicle, only half of them have taken them up. The most uptake (15.9%) is seen for investment in livestock. More formal investment vehicles such as bills, bonds, shares or UTTs see on only marginal uptake. Yet, about 1 in 10 Tanzanians are aware of them.

Pension fund uptake remains strongly linked to employment. Although awareness is significant (30%), only 1 in 10 of those aware have actually taken up the opportunity.

Financial Service Satisfaction



3F FINANCIAL SERVICE SATISFACTION

In the FinScope Tanzania 2023 Survey, various satisfaction indicators were introduced to FinScope Tanzania. The section below provides a summary of how consumers of the respective services evaluate them. The analysis was done “provider agnostic” but provides a breakdown by sub-category. The continued measurement of these indicators will be paramount as Tanzania continues to move towards its next Financial Inclusion Framework. Satisfaction and quality of service are key to the NFIF II value creation map in the journey towards increased usage and benefits through financial services.

FINDING 34
 Majority of customers **report high levels of accessibility, fair treatment and access to information**


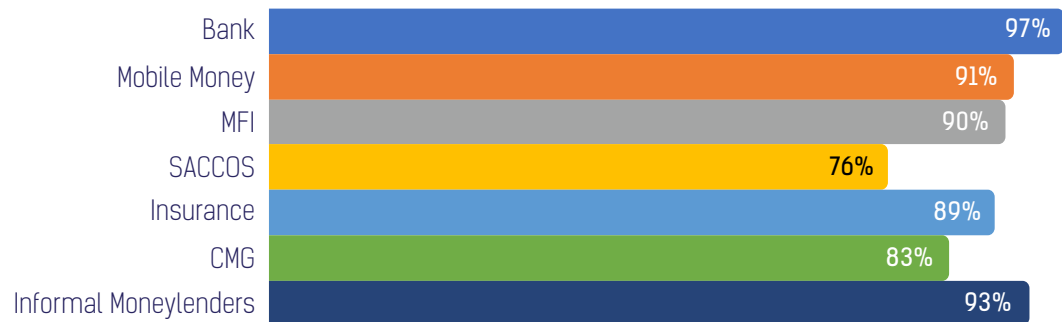


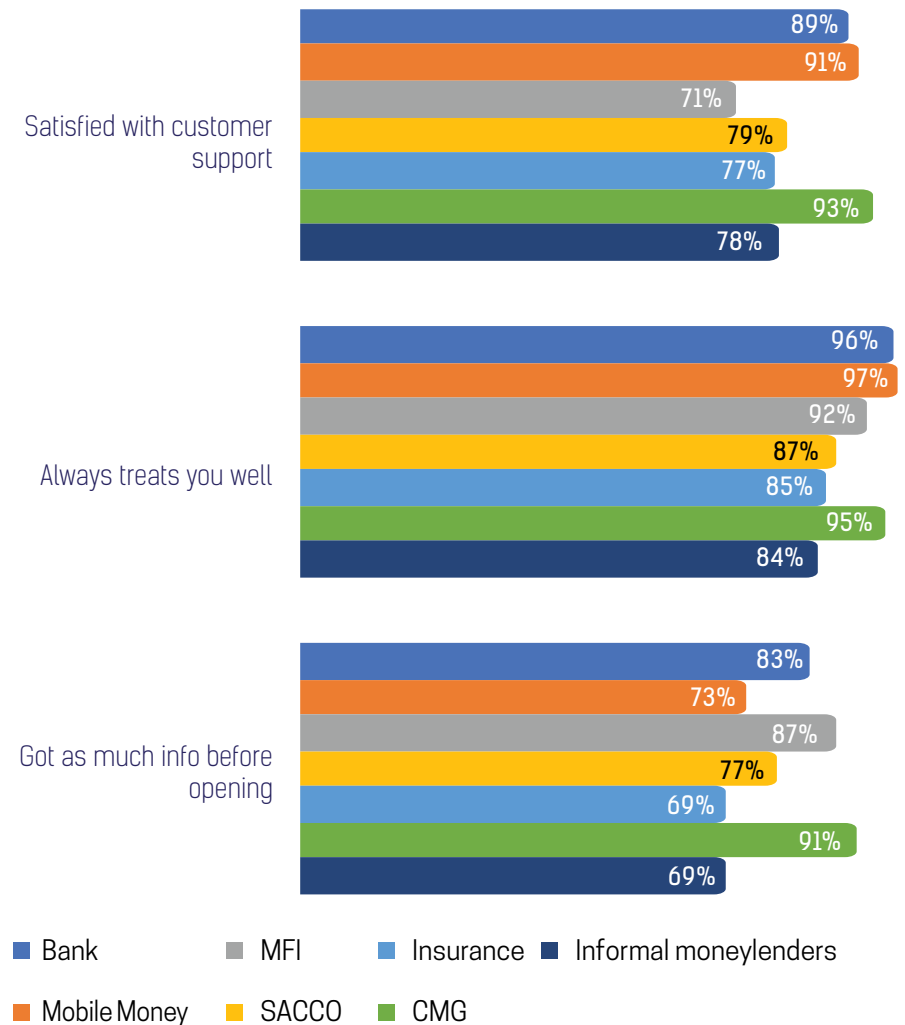
Chart 41: **Can access whenever need to**
 Base = Only those using the respective service



Source: FinScope Tanzania 2023 (March-April 2023)

Chart 42: **Fair treatment and information statements**

Base = Only those using the respective service



Source: FinScope Tanzania 2023 (March-April 2023)

Generally, consumers are highly satisfied with the services’ accessibility and the information provided to them. However, SACCO users indicate lower satisfaction levels when it comes to their availability compared with their peers. This may be because SACCO infrastructure is mostly limited to a few key offices and lacks other channels which are more digital.

Further, insurance users lag other financial service consumers when it comes to satisfaction levels. This fact has also been identified in previous FinScopes, where generally low levels of awareness on how insurance operates was recorded.

FINDING 35

Majority of customers are **satisfied with product/service market fit**

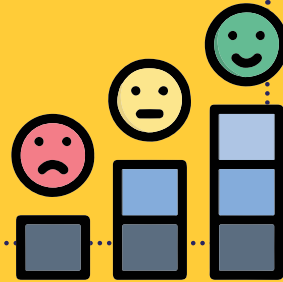


Chart 43: **Products and services meet financial needs**

Base = Only those using the respective service



Source: FinScope Tanzania 2023 (March-April 2023)

Consumers generally describe a high level of product-market fit which is encouraging. However, among insurance users only 7 in 10 indicate that they feel that the product meets their needs. This should be explored further, especially due to the fact that, unlike mobile money and banking insurance, services required annual re-subscription. High levels of satisfaction in terms of product/solution market fit are paramount to retain customers.

The indicator that fewest FSP users generally agree with is the measure of “reasonable cost”. Membership-driven organizations, such as CMGs and SACCOS, perform significantly better in this indicator with 91% of CMG users and 77% of SACCO users claiming the cost is reasonable. This may be due to a combination of actual affordability of the cost; the more participatory approach these sub-sectors use to define their costs of service; and the potentially lower opportunity costs associated with them i.e., credit without additional collateral etc.

The banking sector, with 61% of its customers confirming reasonable costs, is far behind

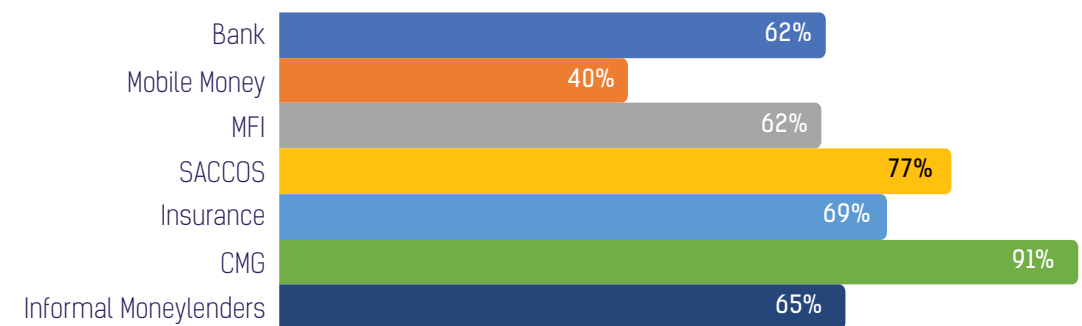
FINDING 36

Member led financial service provider (i.e. CMGs and SACCOS) **consumers perceive their services as more reasonable priced**



Chart 44: **Have reasonable fees and charges**

Base = Only those using the respective service



Source: FinScope Tanzania 2023 (March-April 2023)

the indicator high performer CMG and should reassess various aspects which may lower the customer assessment, such as opportunity cost, ledger fees etc.

Mobile money is even further behind, with only 4 in 10 of its customers claiming reasonable costs. This is concerning since mobile money is the most penetrated financial service in the country this result reflects negatively on the sub-sector and more so on the sector at large. Around 9 in 10 mobile money users confirm that they are well connected with this service, receive satisfying consumer support and have the highest product market-fit affirmation. But they also perceive the high cost of service to be a key concern. This particularly effects the recency and frequency of service usage of lower-income earners in rural areas, it was observed.

Conclusion



FinScope Tanzania 2023 set out to clearly articulate and document key demand-side developments by comparing its results with those of FinScope Tanzania 2017. In doing so it shed light on the financial behaviors and needs of Tanzanian adults aged 16 and older, providing a reliable measure for the demand and usage of financial services across population segments. This can be used to inform the assessment of the NFIF II (2018-2022) and the formulation of the NFIF III (2023-2027), as well as offer a temperature measure along the path towards the implementation of the FSDMP (2020/21-2029/30). Further, FinScope Tanzania 2023 highlights areas of opportunity and gaps that can be picked up by policy makers, regulators and innovators in the sector to foster the development of evidence-driven policy and regulatory and solution design.

The analysis, building on the NFIF's value creation map for financial inclusion, outlines that previous key **access barriers**, such as proximity to a financial access point (increased from 86% to 89%), access to a National Identification Number (NIN) (increased from 9% to 52%), ownership of a mobile phone (increased from 63% to 75%) are slowly diminishing as key access enablers increase.

However, it is important to point out that youth below the age of 18 are still excluded from having a NIN; people in rural areas are still more likely to live over 5km away from a financial access point; and access to a mobile phone is still skewed towards men (80% vs. 71%).

Further, **uptake** has increased significantly, with 76% of Tanzanians being formally financially included versus 65% in 2017. Moreso, a significant decline of financial exclusion was observed, with only 19% of Tanzanians still excluded compared with 28% in 2017. Although success seems evident, not all sub-sectors have seen this. Take the notable decline in the insurance sub-sector, for example, where only 10% of Tanzanians (5%-points less than in 2017) are covered by any type of insurance. In addition, those aged 16-24 remain a key excluded group, which, paired with their mainly occasional income sources such as casual labor/piece work, makes them more volatile to financial shocks.

Although uptake of mobile money has significantly contributed to the increase of formal financial inclusion in Tanzania, **usage** remains a key concern. The recency of usage (past 90 days), especially among rural population segments has seen a decline. This is driven by the low **satisfaction** levels in terms of "reasonability of cost" of service, as well as other factors, such as proximity and lack of use cases. The predominant financial sector use case remains remittance (55%). Financial services, such as formal credit (15%), formal savings (17%) and formal payments (13%), remain low.

FinScope Tanzania 2023 outlines the current financial sector demand-side development constraints and provides relevant insights and information to support Tanzania's financial sector players in reaching the **next frontier**. This unfolds itself through the need for universal access and leaving no one behind; strengthened sub-sector development, especially for insurance; social protection and investment; as well as a need to shift from trial and awareness towards uptake and usage.

The sector players, public and private alike, are challenged to utilize the evidence generated to increase uptake of services, such as insurance, pension, formal investment vehicles, as well as the regular usage of digital payments. Further, the report has offered qualitative insights, which can be picked up by academia and market researchers. It has also highlighted where further deep-dive analysis should occur to enhance these insights further.

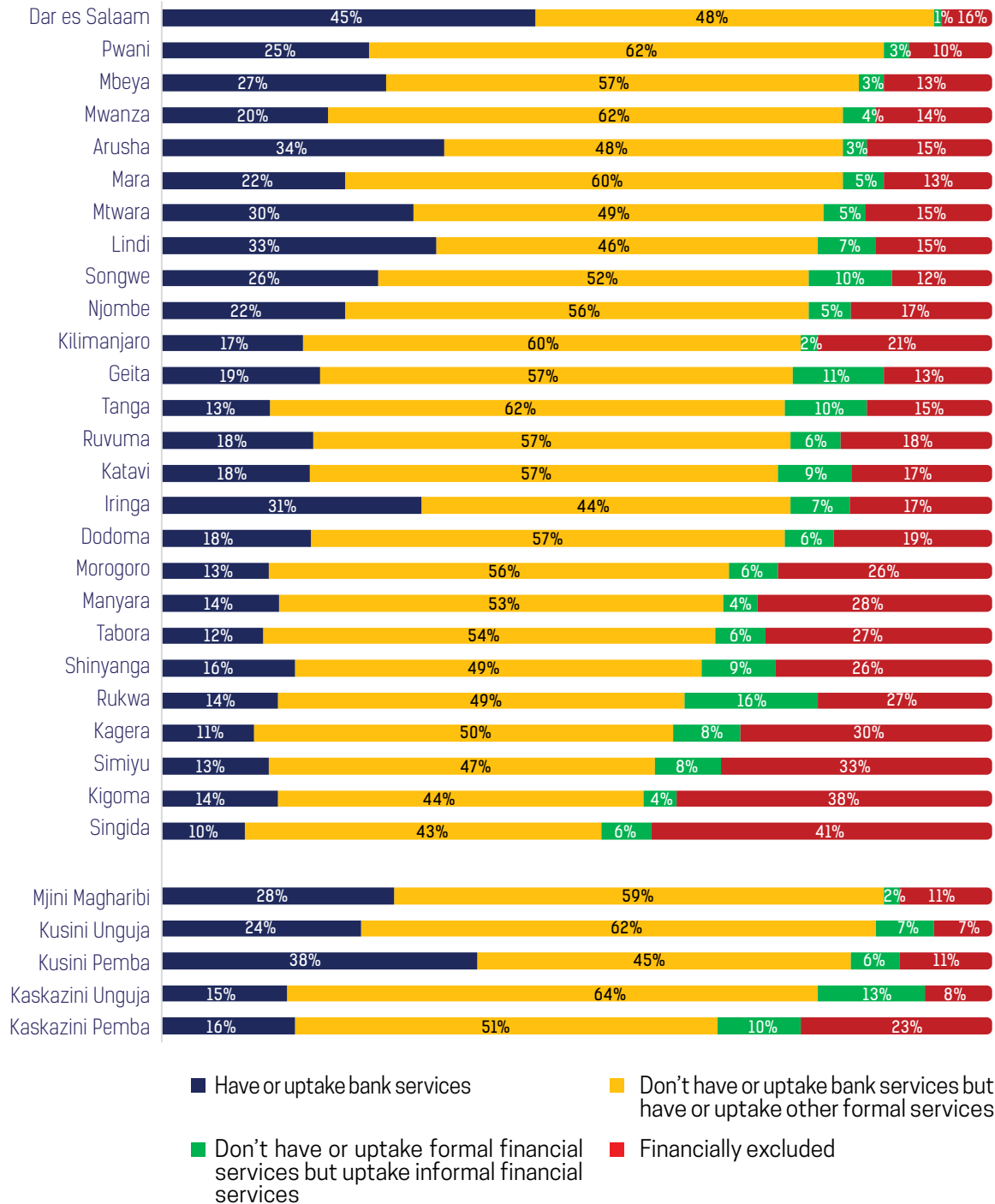
Both structural and behavioral shifts are needed to address remaining barriers to financial inclusion and achieve increased quality of service delivery and customer satisfaction. This ultimately increases the financial sector's value for Tanzanians and its contribution to economic growth and well-being.

Annex



FINANCIAL INCLUSION STRAND BY REGION

Uptake of Financial Services by Region*



*sorted by level of formal financial inclusion (starting with the highest to the lowest) and separated by Mainland and Zanzibar Regions

CORE IMPLEMENTING PARTNERS:



OTHER TECHNICAL COMMITTEE MEMBERS:



