Session 4:
Digital Innovation: Building Blocks for Financial Inclusion
Challenge of Financial Inclusion

Financial Inclusion: major Challenge in Tanzania

Huge geographic area with challenge of connectivity (965,000 sq. kms)
(> combined area of Kenya, Uganda, Rwanda and Burundi).
Very low density making brick and mortar networks extremely expensive

Efforts to address the challenges came with digitization after 2008

Access to formal financial Services Finscope Surveys

Tanzania Financial Inclusion Trends 2006-2013

- Included
- Excluded

In 4 years exclusion halved: Underpins importance of technology-driven solutions such as mobile phone and agent banking
Impact of Digitization on Financial Inclusion

**BEFORE** 2009

**Low Access/Usage levels** 16%

- Rural: 11%
- Urban: 27%
- Male: 17%
- Female: 14%
- Youth: 15%

**High Exclusion levels** 55%

- Rural: 60%
- Urban: 45%
- Male: 56%
- Female: 55%
- Youth: 55%

**AFTER** 2013

**Improved Access/Usage levels** 58%

- Rural: 46%
- Urban: 79%
- Male: 63%
- Female: 51%
- Youth: 57%

**Reduced Exclusion levels** 27%

- Rural: 34%
- Urban: 14%
- Male: 23%
- Female: 32%
- Youth: 27%

Bringing smart policies to life
Results of MFS in Tanzania: Trends 2008 to July 2015

44.4 Mln registered account (Incl. Multiple ownership)
29.6 Mln account holders
(Assuming 1/3 multiple holders)

16.3 Mln. Actively used accounts
58% of adult population active users

115.29 Mln Volume of transaction
July 2015
4.42 Trln TZS ($2.1 Bln) value
in July 2015
106,680 Active MNO Agents (after factoring multiples)
Results of MFS in Tanzania: Trends 2008 to July 2015

**Boost savings for unbanked**: out of 15.3 million active users Mobile Bank Services (55% of adults) more than 6 million use it for saving = POTENTIAL for migration to banking services

**AGENT banking use digital technology for online transactions**: Boost reaching the unbanked: Within 2 Years already 8 banks operate agent banking services for small savers and borrowers using mobile money platform, with 1,827 agents.

**Financial Services deepening: PARTNERSHIPS** of non-banks and Banks: Savings products - eg. Bank (CBA) and MNO (Vodacom) offer small micro-deposit and micro loan product – MPWAWA product, already enrolling 1,920,712 customers and with deposit value of 18.4 billion.

**Financial Services deepening: PARTNERSHIP** of non-banks and MFIs e.g. Airtel have teamed up with AFB to offer micro-credit only product by name of TIMIZA


Technological providers fill in the opportunity through aggregation, Interoperability and widening range of services: And use of the service as a platform
Behind the Scenes: Key Policy and Regulatory considerations

**Vision of Financial Inclusion:** The broad national financial objective is IMPORTANT. Having a clear picture of where the nation should be in terms of financial inclusion, opens the potential of harnessing technology (E.g NATIONAL FINANCIAL INCLUSION STRATEGY)

**Boldness in taking decisions informed by risk mitigation measures:** Permitting technological solutions to address the challenge of exclusion, enabling non-banks to offer the services (limited services) along side with banks (Bank and Non-bank models)

**Monitoring and evaluation of the progress (DATA):** Conducting periodic national demand surveys and frequent supply side data returns for monitoring progress, is important to inform policy decisions, reforms and products development for financial inclusion

**Cooperation and Partnerships:** The regulators need to cooperate (financial and communication regulators) and service providers (banks and non-banks) and partnerships are key in use of the platform to offer wider range of financial services

**Consumer protection:** Building trust and confidence of consumers on the security and reliability of the service for it sustainability and financial stability

**Risk based regulations (proportionate regulatory regime):** Balancing prudential regulation with proportionate requirements based on level of risks introduced by the service: Reduced KYC, Tired Customer, and transaction limits, etc.
Bringing smart policies to life

Thanking you for your attention!