

afi Alliance for
Financial Inclusion
Bringing smart policies to life

**Session 4:
Digital Innovation: Building Blocks for Financial Inclusion**

Challenge of Financial Inclusion



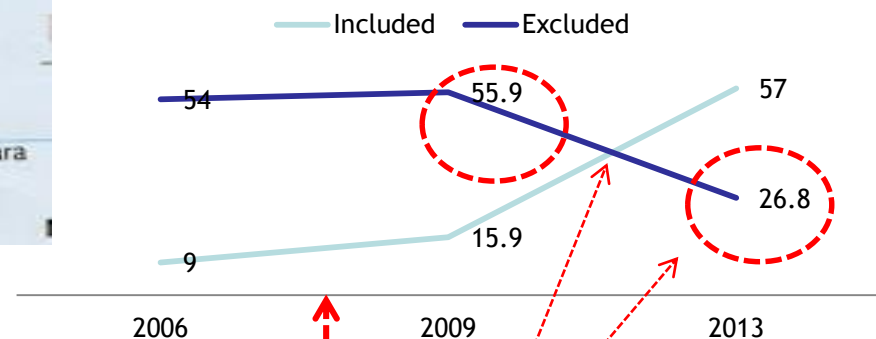
Financial Inclusion: major Challenge in Tanzania

- ✓ 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



2008, Introduction of mobile financial services created opportunity to leapfrog in terms of achievements

RESULTS

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

Impact of Digitization on Financial Inclusion



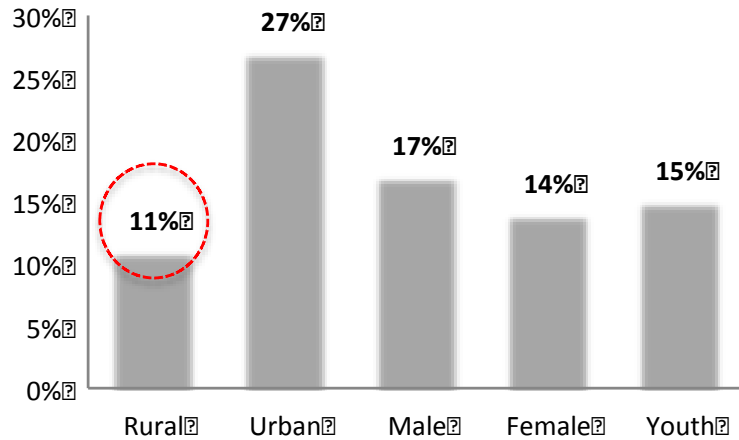
BEFORE

2009

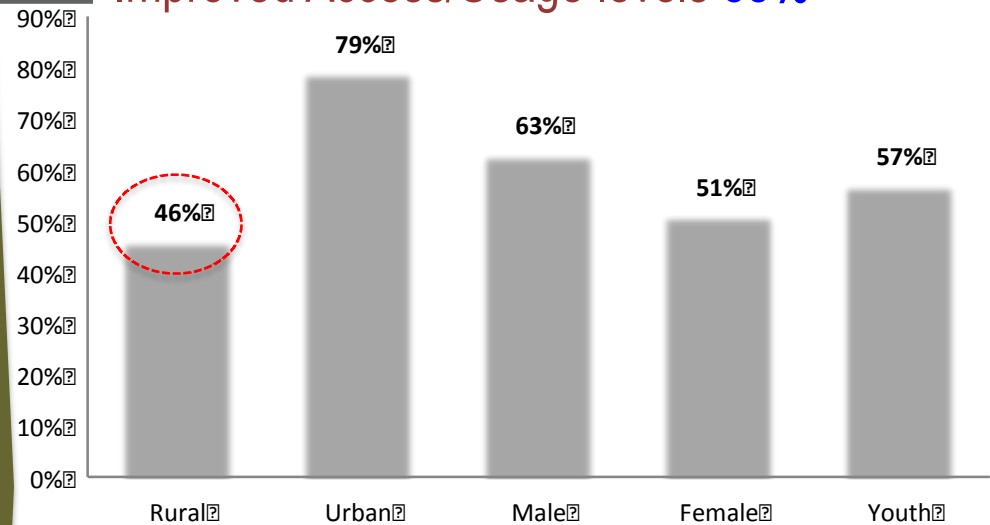
AFTER

2013

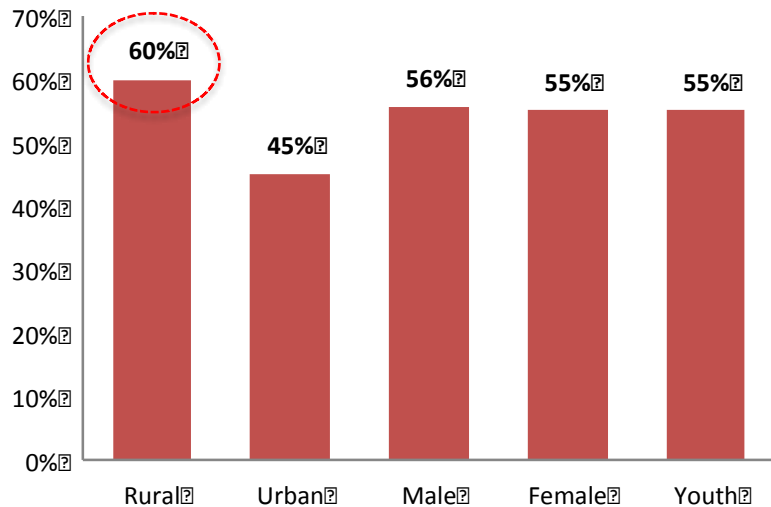
Low Access/Usage levels **16%**



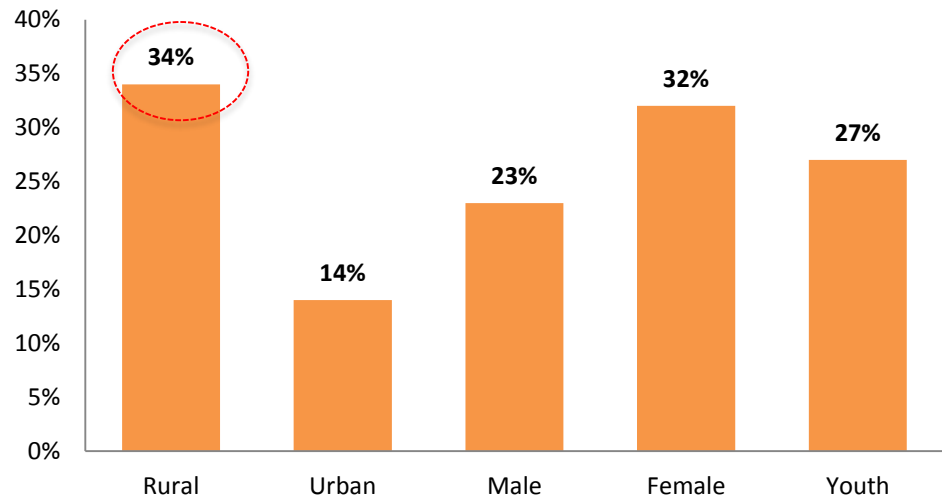
Improved Access/Usage levels **58%**



High Exclusion levels **55%**



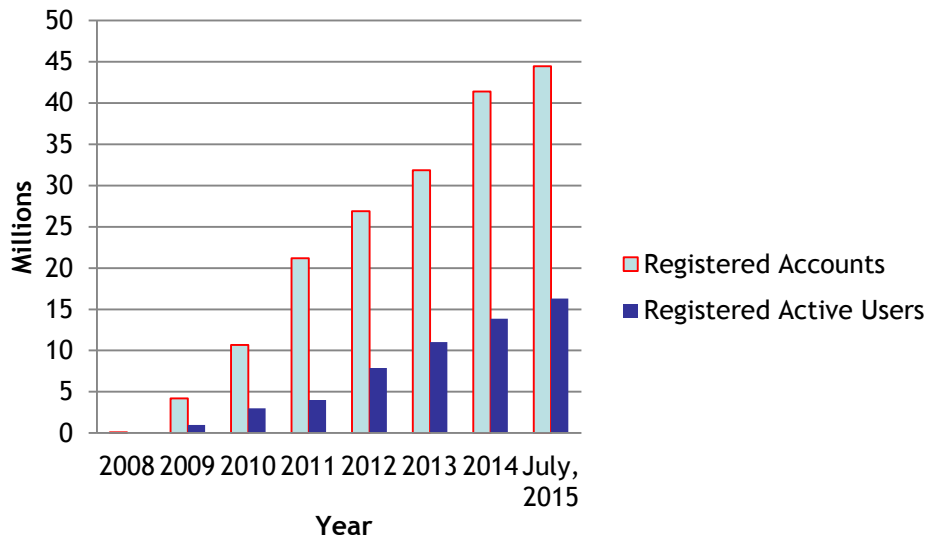
Reduced Exclusion levels **27%**



Results of MFS in Tanzania: Trends 2008 to July 2015



Tanzania MFS Trends 2008-July 2015



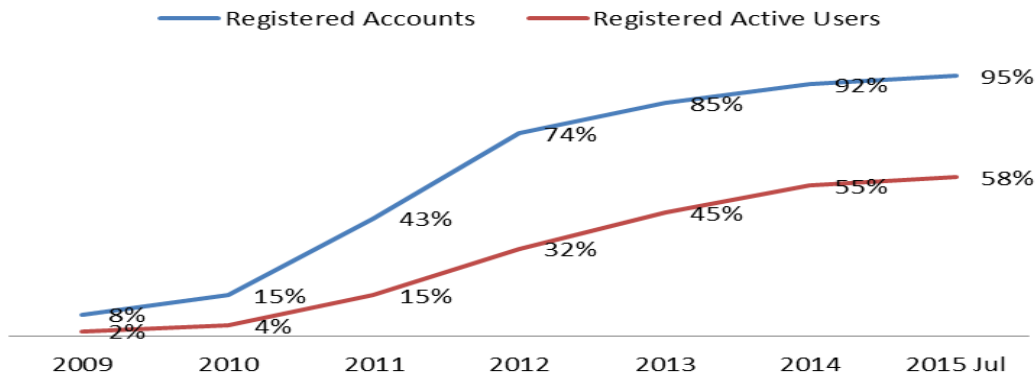
44.4 Mln registered account (Incl. Multiple ownership)

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 TrIn TZS (\$2.1 Bln) value in July 2015
106,680 Active MNO Agents (after factoring multiples)

Tanzania MFS Trends



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 – M-PAWA 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

A wide range of payment service platforms offering cost reduction and convenience P2G, P2B, P2P, B2B, Mobile Commerce, Tax payments, Government Levis, etc

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



Consumer protection: Building trust and confidence of consumers on the security and reliability of the service for its 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

Thanking you for your attention!

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