

Digital Pathways to Financial Inclusion

Findings from the Nationally Representative FII Tracker Survey in Tanzania (Wave 1), Focus Group Discussions with Lapsed Users and Nonusers of Mobile Money, and Mobile Money Agent Research

Tanzania

November 2014



About the Financial Inclusion Insights Program

Putting the User Front and Center

Since 2007, when Kenya's Safaricom launched the popular M-PESA mobile money service, global interest in advancing financial inclusion through digital channels has grown markedly. Mobile money services in various forms are now available in more than 80 countries, according to GSMA, primarily in the developing world, while card-based and other digital cash products also have proliferated. It is now plausible to assume that in the not-too-distant future, many millions, if not billions, more people will be able to access a range of convenient, affordable and reliable financial tools for the first time, regardless of their proximity to brick-and-mortar financial institutions.

Even so, stakeholders of financial inclusion identify a lack of critical information about trends and dynamics in these relatively new markets for digital financial services. Knowledge gaps that need to be addressed include how to foster scale and sustainability, and how best to ensure these markets reach financially underserved and excluded individuals – particularly the poor, rural residents and women. There is a clear need for rigorous benchmarks for measuring progress in these areas.

The **Financial Inclusion Insights** (FII) research program responds to these needs by supplying in-depth data and analysis on the demand side of the digital financial services equation, to inform technology development, product development, commercial deployment and regulatory policy. The mission is to put the users and the potential users of these services front and center when key decisions are made in all of these areas.

The FII program's core focus is on eight countries – Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda – which together have a combined population of more than 2 billion and are currently at various stages of digital financial services development. FII country research comprises two principal elements: nationally representative **FII Tracker Surveys** and a range of **Consumer Experience Monitoring** projects that use qualitative methods to dive more deeply into specific aspects of access and use of mobile money, other digital platforms and financial services, generally. In particular, FII research and analysis focuses on monitoring developments in digital financial services, and identifying triggers and barriers to use, and user market segments.

This report summarizes key findings and insights from the nationally representative FII Tracker Survey of 2,997 adults, aged 15 and older, conducted in Tanzania during fall 2013.

The FII team and in-country partners broadly disseminate all the data and analytical materials produced under the program, notably through the FII Resource Center (www.finclusion.org) and through stakeholder-focused events in the study countries and at key conferences. We also value ongoing dialogue with financial inclusion stakeholders to ensure that the research program remains relevant and useful to them. For more information, contact the FII team at finclusion@intermedia.org.

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We help our clients understand and enhance the impact of policy, programs and investment in the 21st century's rapidly evolving economic, social and technological environments.

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Chapter 1: Key Insights

Based on the nationally representative FII survey in Tanzania, these findings and insights have emerged as key factors to consider for financial inclusion stakeholders. The insights are intended to inform these stakeholders' decision-making as they develop operational strategies to advance digital financial services.

Tanzanians' Financial Status & Needs

In recent years, Tanzania has experienced strong and stable economic development with GDP growth of seven percent per year since 2001, well above the average for sub-Saharan Africa. However, it remains one of Africa's poorest countries -- 85 percent of the population surveyed by InterMedia lives below the poverty line.

- Though 73 percent of Tanzania adults report being gainfully employed, this does not guarantee an above-the-poverty-line status or income stability, as 61 percent of those employed (or 45 percent of the adult population) are engaged in agriculture, a sector highly affected by seasonal fluctuations.
- Poverty rates vary greatly across the country, but are highest in rural areas, where 70 percent of adults live; 90 percent of rural adults are living below the poverty line compared with 73 percent of urban dwellers.

Formal Banking Access & Usage

To date, access to formal banking services is limited in Tanzania, which presents an opportunity for mobile money.

- Only 11 percent of the Tanzanian adult population has a formal bank account registered in their name, providing an opportunity for mobile money to serve unmet needs. The figure is lower in rural areas where only eight percent have access, compared with 19 percent in urban areas.
- Forty-seven percent of account holders started using a bank to start saving; however, only 4 percent of account holders reported using banks to save for future payments or purchases.
- Ninety-six percent of bank users in Tanzania access banking services via traditional methods, by ATM or at a bank branch; however, just over 2 percent of users report they are accessing banking services digitally.

Mobile Money Demand & Usage

Since launching in Tanzania in 2008, mobile money has helped to expand access to financial services to almost half the population. However, gaps still exist in extending service to vulnerable groups such as the rural poor and expanding the range of services to current users.

- The rate of mobile money use in Tanzania is amongst the highest in the world with 48 percent of the population reporting having used the services.
- The gap between the urban versus rural rate of mobile money use is significant at 65 percent to 30 percent, respectively; similarly 65 percent of those living above the poverty level are using mobile money compared with just 42 percent living below poverty; the gender gap is less prevalent at 51 percent usage for men and 42 percent for women.
- Forty-two percent of mobile money users in Tanzania have an account registered in their names, while an additional six percent use the services through other people's accounts such as through an agent.
- Withdrawals are by far the most common transactions with 95 percent of users doing so, followed by deposits (75 percent) and buying airtime (51 percent). Channeling financial support to/from their family members is also common.
- Tanzania's dynamic mobile money market has several main providers: 67 percent of people use Vodacom's M-PESA, while 30 percent use Tigo Pesa, and 28 percent use Airtel Money. One percent of mobile money users report using Zantel's Ezy Pesa, mostly in Dar es Salaam and Zanzibar. Many users use multiple services.
- Twenty-five percent of active account holders and 16 percent of other types of mobile money users said they started using the services because they wanted to save money or securely store money; however, only four percent have actually saved using mobile money.

Mobile Money Drivers

Enabling ownership and access to mobile phones is fundamental to driving uptake of mobile money. Mobile penetration has grown steadily in Tanzania in the last few years, setting the stage for the delivery of mobile-enabled services.

- Sixty-seven percent of the Tanzanian adult population now has a personal mobile phone and another 19 percent can use a mobile phone that belongs to somebody else.
- Definite ownership gaps exist between subgroups of the population, mainly by gender, urban/rural residence and poverty status.

- More than a third of users have two or more SIM cards, with Vodacom at 57 percent of the market, Airtel holding 47 percent and Tigo with 29 percent as the main providers. Only few are using Zantel mobile communication services.
- Seventy-three percent of Tanzanian adults have at least one form of nationally recognized identification, a key requirement for mobile money use. However, certain subgroups of the population including younger Tanzanian, rural inhabitants and those living below the poverty line are less likely to have an acceptable form of identification, which hinders them from accessing mobile money.
- Mobile money agents are key promoters of increased use – proximity and trust are the main criteria upon which users choose their agents; 51 percent choose a regular agent who is located within half a kilometer of where they live. Seventy-seven percent reported that they typically walk to see an agent.

Mobile Money Growth Opportunities

Most of the necessary supporting factors for mobile money growth are in place in Tanzania.

- A majority of mobile money users (61 percent) said they started using mobile money services because they needed to either receive or send a P2P payment.
- Eighty percent of mobile money users first heard of the service on the radio, while 34 percent learned of it from a billboard, and 33 percent from TV. However, nine in 10 nonusers of mobile money are aware of at least one mobile money provider, demonstrating that awareness alone is not sufficient to drive uptake of the service.
- Eleven percent of Tanzanians rely on remittances from other people as their main source of daily expenses and 40 percent of the unemployed rely on remittances – this presents an opportunity to deliver mobile money solutions to streamline these transactions and to introduce these populations to mobile money as a tool.
- Receiving wages and making e-bill payments using mobile money is an emerging use trend – 7 percent reported using mobile to money to pay their utility bills, signaling a potential for mobile money service expansion.

Barriers to Mobile Money Use

Overcoming certain barriers can lead to further expansion of mobile money use.

- Fifty-two percent of respondents reported network failures as the major problem encountered in using mobile money; 35 percent reported a lack of cash and 34 percent reported absent agents as the most commonly reported issues which present barriers to mobile money use.
- Trust in agents is a potential barrier to mobile money use – for example, focus groups conducted with mobile money users found that customers frequently express concerns about agents trying to “con them” by overcharging for transactions or adding “hidden” fees.
- A lack of interoperability between mobile money services is also a potential barrier as 13 percent of all users said, in the past 90 days, they have needed to send money between different mobile money providers, and 14 percent needed to receive money between different providers during the same period.

Stakeholders are encouraged to explore these themes further in order to understand how to promote and expand mobile money in Tanzania.

Chapter 2: Regulatory and Market Environment for Digital Financial Services

Policy and regulatory environment

In late 2013, the government of Tanzania released its National Financial Inclusion Framework (NFIF) as part of its commitment to the Maya Declaration,¹ which included a pledge to increase the level of Tanzanian adults with formal access to financial services to 75 percent in the next six years.² The framework is to be implemented from 2014 to 2016 and oversight of the implementation process will be the responsibility of the Financial Inclusion National Council, a body comprising 11 member institutions from various government ministries – including the Bank of Tanzania, Ministry of Finance and TCRA. Assisting and reporting to the National Council are the National Steering and National Technical Committees – both of which are comprised of individuals from similar if not the same organizations, but holding a lower office than those on the National Council.³

Within the framework itself, the government has provided its own definition of financial inclusion as: “Regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness.”⁴ The framework also identified barriers to financial inclusion and four priority areas that it believes to be central to reducing these barriers. Among these barriers are strict Know Your Customer (KYC) regulations; information asymmetry⁵ for both consumers and providers of financial services; insufficient access to service points/delivery channels; a lack of consumer-focused products; and the lack of interoperability among financial service providers, including banks, MFIs and mobile money providers.⁶ The priorities are:⁷

1. Enhancing existing access channels and adding new ones. This is aimed at increasing the percentage of Tanzanians living within five kilometers of a financial access point.
2. Increasing the reliability of and reducing the cost of digital payment platforms. The improved reliability, it is expected, will reduce the risk to consumers and thus reduce apprehension about using the services. Also, with a decrease in provider costs, their disincentives to provide services in rural and sparsely populated areas should diminish.
3. Creating proportionate KYC requirements and improving the national identification system. In particular, increasing the number of people in identification databases will, for providers, reduce the cost of determining a potential customer’s creditworthiness and laxer KYC requirements will reduce obstacles faced by providers in registering low-income persons.

4. Reducing information asymmetry for consumers. Misconceptions about financial services and a low level of financial literacy have meant that consumers are reluctant to adopt unfamiliar services or do not necessarily understand the value in it. Furthermore, this lack of information has made consumers more vulnerable to exploitation and news of such instances will entrench distrust in financial institutions.

In addition, the framework focuses on reducing information asymmetry for providers of financial services. In the context of scarce information about consumer behaviors and needs, financial services providers tend to rely on their “gut feeling” rather than hard facts when developing new products or modifying current market offers. This approach leads to the scarcity of consumer-focused products as discussed above. Access to research data and insights can stimulate appearance of products and services which will address demand-side needs more effectively.

Since the framework came out, the government has been demonstrating its commitment to financial inclusion by i) investing in improving rural telecommunications infrastructure;⁸ and ii) the central bank engaging mobile network operators (MNOs) and commercial banks to develop a strategy for mobile money interoperability⁹ (from which has emerged a number of promising MNO-bank collaborations/partnerships).

Digital financial services supply side

Since the industry’s early days in 2008, the number of mobile money providers and the services they offer have expanded considerably. There are now four mobile money brands in Tanzania – Airtel Money, EzyPesa, Tigo Pesa, and Vodacom M-PESA.¹⁰ Further adding to an already dynamic telecommunications market was the entry of a new telecommunications company – Smart Telecom – in April 2014. Whether or not Smart Telecom chooses to attempt to roll out their own mobile money service is, as of right now, unclear.¹¹

The Financial Inclusion Framework was created by the government mostly to guide activities of such government institutions as the Bank of Tanzania, the National Social Security Fund, and others. However, many private financial service providers have been considering the framework in their own market strategies. For example, the MNOs have been working to improve and expand their customer service offerings. Airtel upgraded its mobile money platform in early 2014; Vodacom has improved its ability to conduct risk-scoring for low-income customers (including through its M-Pawa product, offered in a partnership with CBA); and Tigo has introduced cross-border transfer services.^{12,13,14} Now, along with making P2P transfers and purchasing airtime, customers of Airtel, Tigo and Vodacom’s services are able to make bill payments and bulk payments, while Tigo Pesa

and Vodacom M-PESA users are able to make international transfers.¹⁵ Both Tigo and Vodafone are also now offering merchant payment products to their consumers.

The market has, thus far, moved quickly through the introduction and adoption of mobile money services. Over the coming two years, as the first stage of the National Financial Inclusion Framework comes to an end, we should expect to see more positive developments toward furthering mobile money adoption as well as improvements in interoperability among mobile money providers.

Some of the country's banks are also working to increase access to and the quality of the financial services being offered to customers. One of the country's major banks – CRDB – plans to open new branches across the country in early 2014, and has expanded its network of businesses using the “Tembo Card KCMC” (a Visa or MasterCard digital payment card).^{16,17} In another example, Bank of Africa Tanzania (BOA) introduced a mobile banking service (B-Mobile) in March 2014, further increasing options for accessing financial services available to Tanzanians.¹⁸ Equity Bank Tanzania also rolled out Agents in Tanzania. Equity Tanzania is affiliated to Equity Kenya, the largest bank by customer base as well as by agent-base.

Understanding the regulatory and supply-side issues that support the development of DFS sets the necessary context for presenting FII's demand-side findings and analysis.

Chapter 3: Current Financial Status, Behavior and Needs of Tanzanian Adults

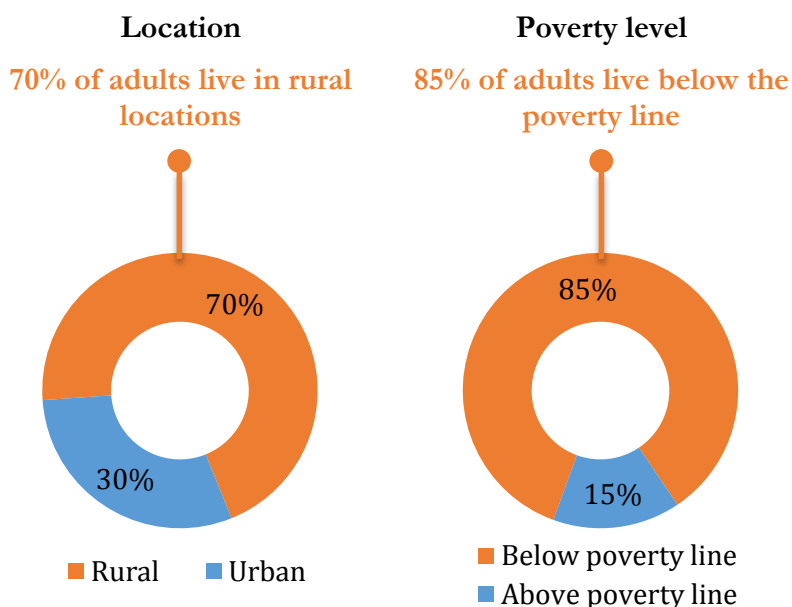
This section describes the general status of Tanzanians within the context of income generation and the use of banking and other financial services. Understanding existing dynamics, and shedding light on financial service needs, will help establish a framework for expanding financial inclusion.

Relations between poverty status and place of residence

The majority of Tanzanian adults live below the poverty line and seven in 10 reside in rural areas. Rural dwellers are significantly more likely to be poor than their urban counterparts.

Eighty-five percent of the Tanzanian adults (15+) live below the poverty line (Figure 1). There is no significant difference in poverty rates among Tanzanians by gender or age groups. However, there is a significant gap between those residing in urban and rural areas: almost three quarters (73 percent) of urban dwellers report living on less than \$2.50 a day compared with nine in 10 rural residents.

Figure 1. Key socio-economic characteristics of Tanzanian adults



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

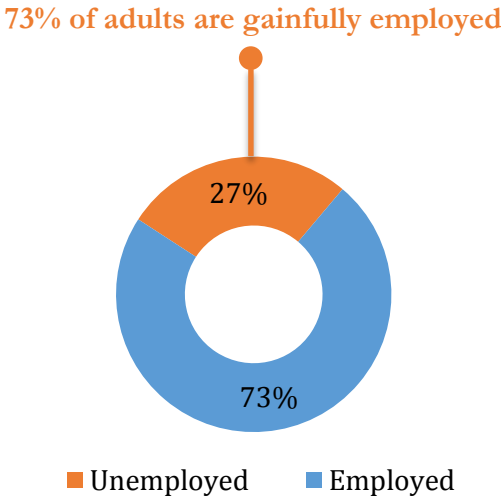
The data show the correlation between urban/rural status and poverty status (.247, $p < .01$) is stronger than between poverty status and any other demographic characteristics of Tanzanian adults. The relationships between rural residence and poverty might be partially explained by the fact rural populations live far from traditional financial institutions. As a result, they have limited access to financial services that might help them prepare for, cope with and recover from financial shocks caused by factors such as natural disasters, economic crises or crime. Some of the services that the rural poor can benefit from are savings, investment, loans, and insurance.

Sources of income: employment

Employment does not guarantee an above-the-poverty-line status or income stability because the bulk of those employed are working in agriculture, a sector highly affected by seasonal fluctuations.

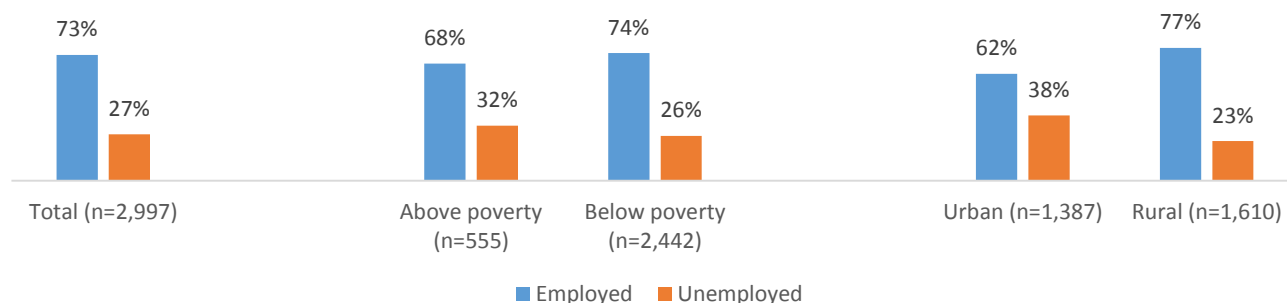
Seventy-three percent of Tanzanian adults are gainfully employed (Figure 2). However, there is only a very weak correlation between poverty status and employment status (-.048, $p < .01$) in Tanzania, which means that having a job that brings income does not protect people from poverty. In fact, more rural residents and those living below the poverty line say they are gainfully employed compared with their urban and above-the-poverty-line counterparts (Figure 3). However, 90 percent of rural adults live below the poverty line compared with 73 percent of urban dwellers.

Figure 2. Employment statistics for Tanzanian adults



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Figure 3. Employment rates, by poverty status and place of residence



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In terms of the types of employment reported by Tanzanian adults, 61 percent of those employed (or 45 percent of the adult population) said they are engaged in agriculture as farmers or farm workers, which means they are subject to income fluctuations associated with the seasonal changes. Among the remaining group, the largest proportion, 14 percent, are self-employed as business owners – a job that requires a steady flow of “customers” to be profitable.

Some of those unemployed also report subsistence farming as their main source of income: 6 percent of the unemployed occasionally sell produce they grow, or cattle or poultry they raise.

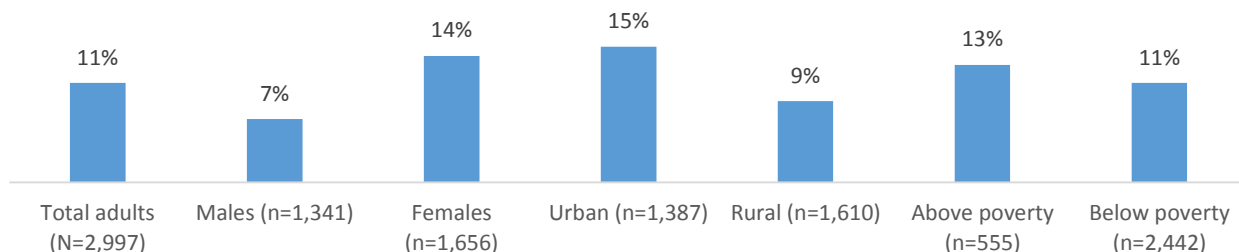
Given many of the jobs reported by those that are employed, as well as some of the income sources for the unemployed, are highly variable depending on the season, access to digital financial services could help Tanzanians weather the ups and downs in their income streams.

Sources of income: remittances

Eleven percent of Tanzanians rely on remittances from other people as their main source of income for daily expenses. The young and old, as well as females and urban dwellers, are most likely to rely on remittances to live.

Among those who do not have an income-generating job, two in five (40 percent) rely on remittances from other people, which makes it 11 percent of the total adult population. There are significant gaps in remittance-dependence by gender and urban/rural status, with females and urban residents more likely than their counterparts to report remittances as their main source of money (Figure 4).

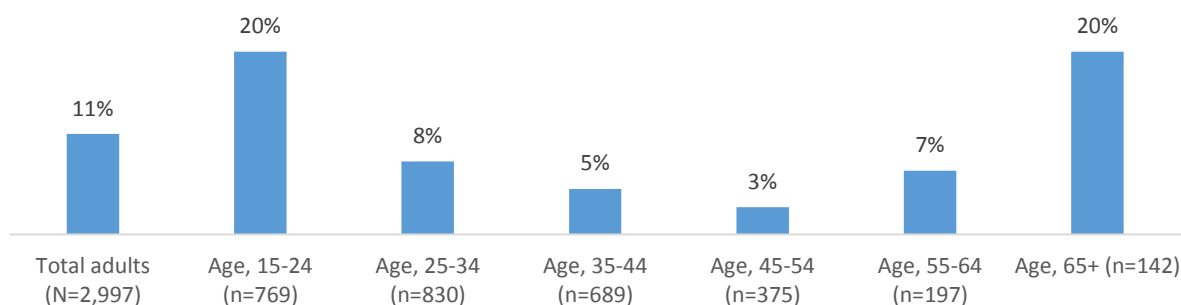
Figure 4. Percent of those who say remittances are their main source of income for daily expenses, by demographics



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

By age, those youngest and oldest report the highest rates of remittance-dependence: 20 percent each (Figure 5). This is not unexpected as the youngest and oldest are the least likely to be gainfully employed and most likely to require external support, including from family members and other relatives. The top-three regions by the percentage of adults relying on remittances as their main source of income are Singida (37 percent), Mwanza (19 percent), and Mara (23 percent).

Figure 5. Percent of those who say remittances are their main source of income for daily expenses, by age



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Main groups of Tanzanians most likely to report living on remittances:

Females who are 65 years old and older: 33 percent of the group say remittances are their main source of income for daily expenses.

Young males (15-24 years old) who reside in urban areas and live on less than \$2.50 a day: 25 percent of this group say remittances are their main source of income for daily expenses.

Sources of income: G2P payments

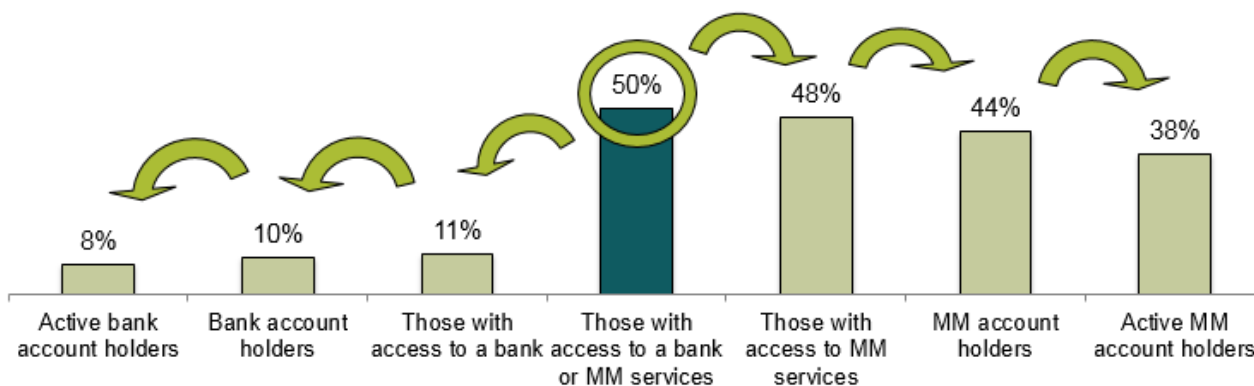
Only two percent of Tanzanian, employed or unemployed, report receiving benefits from the government. The overwhelming majority of such recipients are rural (81 percent), living below the poverty line (81 percent), and male (65 percent).

Access to formal financial services

Half of Tanzanian adults have access to financial services through a bank, mobile money service or both.

Fifty percent of Tanzanian adults are currently financially included with access to formal financial services either through a bank or through a mobile money service (Figure 6). Mobile money is the key to this high rate of inclusion because almost four times as many Tanzanians access services via mobile money than through banks: 48 percent versus 11 percent, respectively. Those who access formal banking are also much more likely to use mobile money: 84 percent of those who report access to banking services also use mobile money services, compared with the 48 percent of the general adult population.

Figure 6. Percent of Tanzanians who use each type of financial service



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Chapter 4: Banking Service Uptake and Use

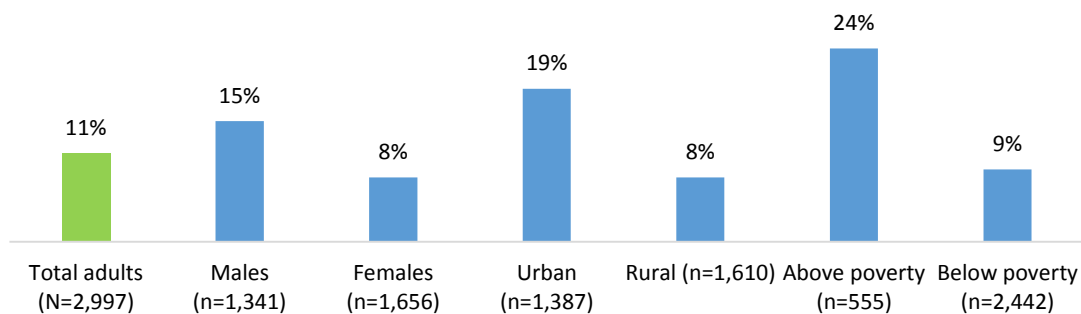
This section covers the use of banking services among Tanzanian adults. The chapter highlights barriers and stimuli to taking up banking services, describes different types of users and their preferred ways of accessing the services, and looks at the perceived importance of these services to Tanzanian users' financial lives. Some of the financial behaviors and attitudes about financial services are similar to those of users of mobile money services, but there are also differences. Understanding current behaviors, attitudes and perceptions related to financial services can help identify opportunities for the expansion of digital financial services.

Use of banking services by demographic subgroups

Females, rural residents and those living on less than \$2.50 a day are significantly less likely than male, urban residents and those living above the poverty line to have access to banking services. Age is also an important determinant of access.

Eleven percent of Tanzanian adults report access to banking services through their own account or through an account of another person: a relative, a friend or another acquaintance. While all traditionally disadvantaged groups (i.e., females, rural residents and those living below the poverty line) show a significantly lower rate of access to banking services than their counterparts, the gaps between rural and urban residents, as well as between those living above and below the poverty line, are the most drastic ones (Figure 7). In particular, urban residents are more than twice as likely to be able to use a bank account than their rural counterparts. The gap by poverty status is even wider: those living above the poverty line are almost three times more likely to have access to a bank than their below-the-poverty counterparts. These findings reinforce the discussion in Chapter 3 on the limited access to banking services among those rural and poor, and the potential for DFS to help bridge this access gap.

Figure 7. Access to banking services, by demographics

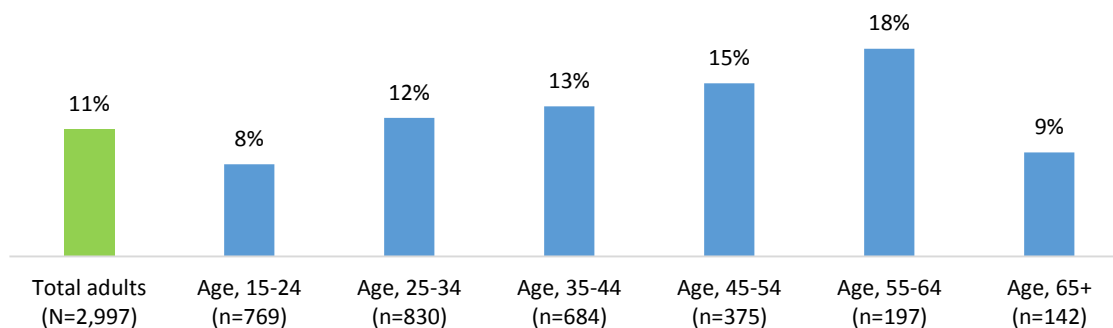


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In addition to gender, urban/rural status and poverty status, age also is a factor in determining banking services access. Age groups that report the highest rates of banking services access are 55-64 years old followed by those 45-54 years old (Figure 8).

Those youngest (15-24 years old) and oldest (65 years old and above) are the least likely to report access to banking services. The low rates of reported bank services access among these two age-groups is not unexpected. The group people 15-24 years old includes teenagers, who do not have a form of ID required to open a bank account. Teenagers reporting bank access or even a bank account registered in their names are using the accounts that, rightfully, belong to their parents or other older relatives. There are a number of reasons why those 65+ do not use banking services: their low rate of access might be partially explained by their low levels of financial activities since many of them are likely to be retired, very few receive G2P payments, and their remittances are delivered in person in cash.

Figure 8. Access to banking services, by age group



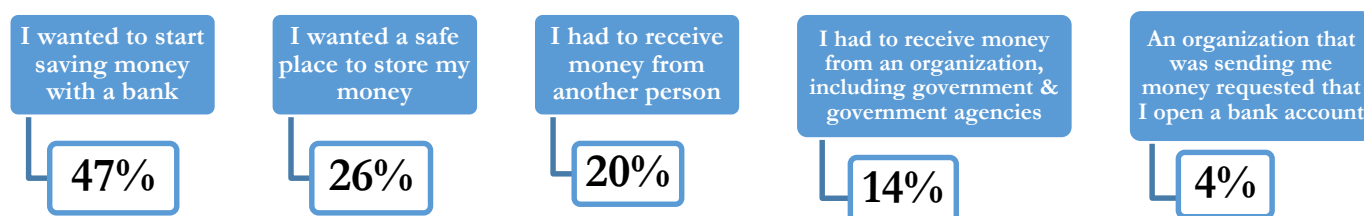
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Triggers for banking services uptake and use

Almost half of banking services users started using a bank because they wanted to start saving with a bank. Another quarter said they needed a safe place to store their money.

The desire to save with a bank was by far the most commonly reported reason to start using banking services, reported by 47 percent of those with access to a bank (Figure 9). The second most popular reason was the need for a safe place to store one's money. Organizations, including the government and government agencies, appear influential in stimulating banking services uptake. Even though only 4 percent of users say they started using banks because of a request from an organization, an additional 14 percent had to take up banking services because an organization/government agency was using it as a channel to deliver O2P or G2P payments. This is an important findings as it confirms that G2P payments provide an opportunity for the expansion of financial inclusion, including through banks.

Figure 9. The top five reasons leading users to start using banking services (n=392)



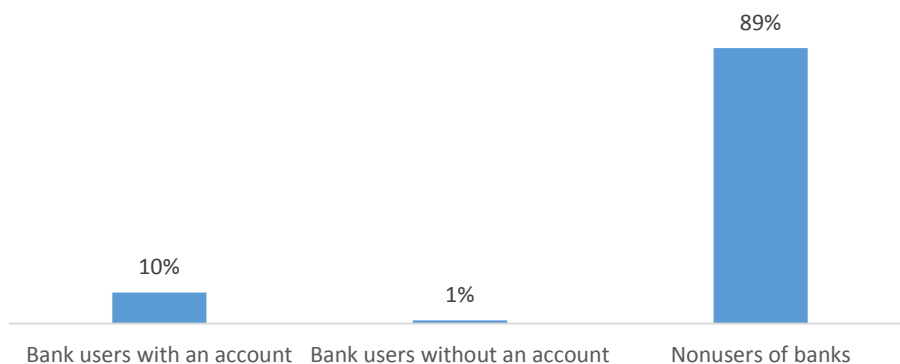
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Types of bank account users

Of the 11 percent of adults who report using banking services, the majority are using them actively. Instances of inactive/lapsed use are not common, at least not among bank users with registered accounts.

Of those who use banking services, nine in 10 have a bank account in their name (Figure 10). Using banking services without a bank account is rather infrequent partially because the range of services available to users without a bank account is limited to only a few basic transactions (e.g., direct deposits to somebody else's account).

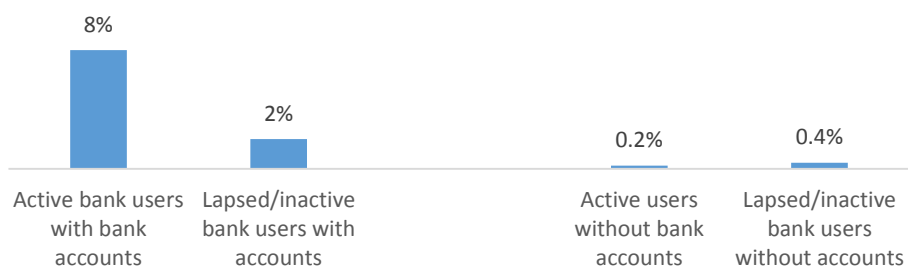
Figure 10. Percent of adults, by type of bank use and nonuse



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

The users of banking services can be further subdivided into active users and lapsed/inactive users (Figure 11). Active users are those who conduct a bank activity at least once in 90 days. Lapsed/inactive users transact with banks less frequently than once in 90 days. Lapsed/inactive use is not common and is more likely to occur among bank users who do not have a bank account and, hence, are less committed to using banking services for their financial needs than their counterparts who have a registered bank account.

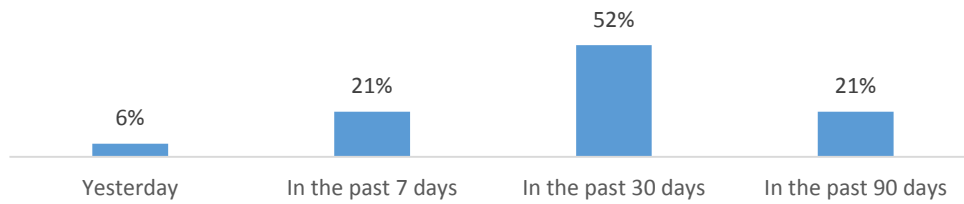
Figure 11. Percent of adults, by type of bank use



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

The majority of active bank account holders are using their bank accounts more frequently than once every 90 days (Figure 12). There is a small group who use the account daily, a fifth use their account on a weekly basis. However, just above a half (52 percent) use their bank account once a month for any type of transaction.

Figure 12. Percent of active bank account holders (n=271), by when they last used their bank account



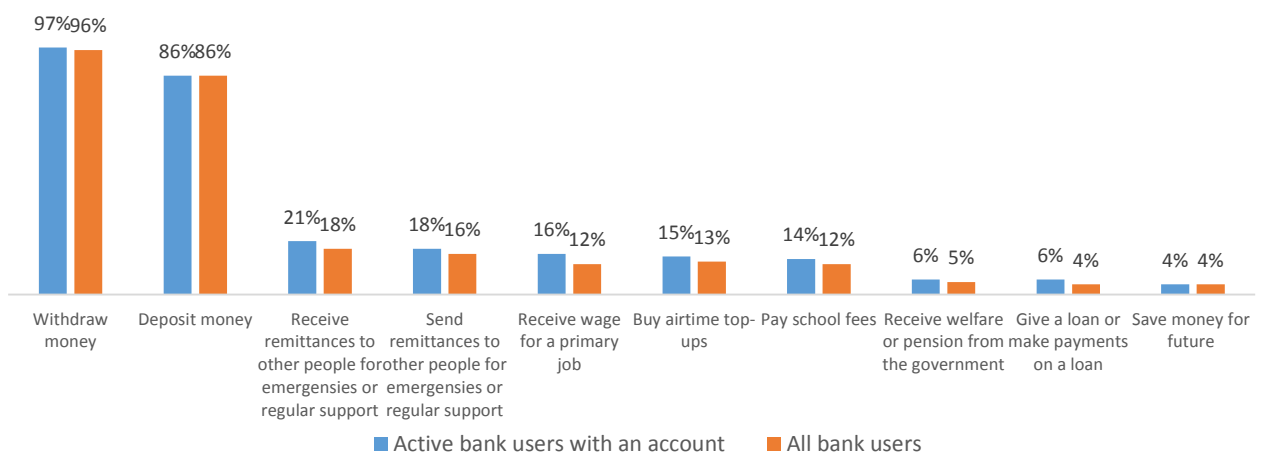
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Typical use of banking services

The use of banking services is dominated by basic activities: deposits, withdrawals and P2P payments. However, there is a group of bank users who use banks for formal payments, lending, savings and for receiving wages and G2P.

Withdrawing and depositing money are the two activities most commonly reported by bank account users (Figure 13). Almost a fifth of bank users also use banks to enable their P2P payments. However, it appears that some users are also exploring beyond-basic banking activities including value-added services such as loans, savings and G2P payments via a bank. Through their own personal use of advanced services, and by educating others about the benefits of those services, these bank users can serve as change agents for those who still turn to banks for basic use only.

Figure 13. The top 10 transactions reported by active bank account holders (n=271) and all bank user (n=392)



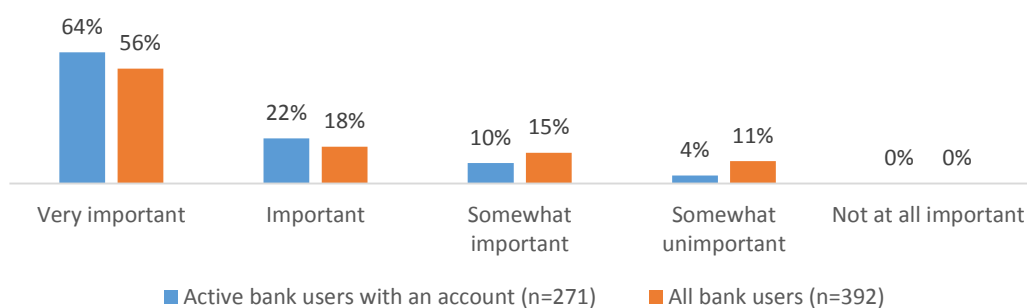
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Importance of banking services for Tanzanian adults' financial lives

Active bank account holders tend to place the importance of banking services higher than all banking service users in general.

The majority of bank users say banking services are “important” or “very important” to their financial lives (Figure 14). Active bank account holders tend to value banks slightly higher than all bank users in general, which is somewhat expected as they also report using the services more frequently, and they also use a wider range of services than average bank users.

Figure 14. How important are banking services to your financial life?



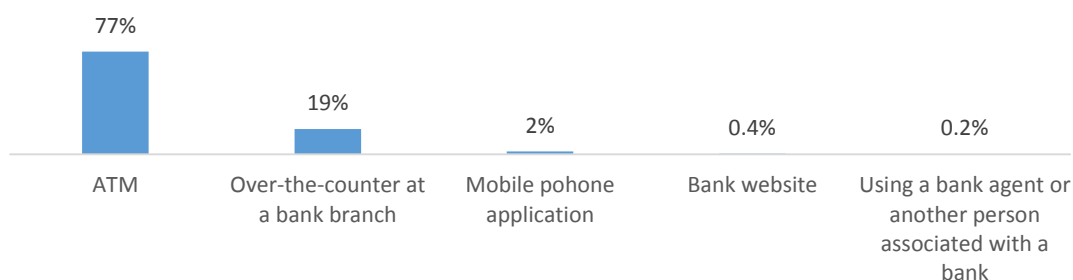
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Preferred points-of-access (POA) to banked funds

An overwhelming majority of bank users prefer accessing the services via an ATM. However, a small group is also exploring digital ways of using banking services: via a mobile phone application and via a bank's website.

Ninety-six percent of bank users in Tanzania access banking services via traditional POA: ATM or an over-the-counter (OTC) service at a bank branch (Figure 15). However, just over 2 percent of users choose to access banking services digitally: 2 percent use a mobile phone application and 0.4 percent use a bank's website. While the group of “digital bank users” is still rather small, this is an important sign that financial services users are becoming comfortable with performing financial operations virtually, and are gradually moving away from their reliance on face-to-face interactions with bank employees.

Figure 15. The top five preferred ways of accessing banking services (n=392, bank users)



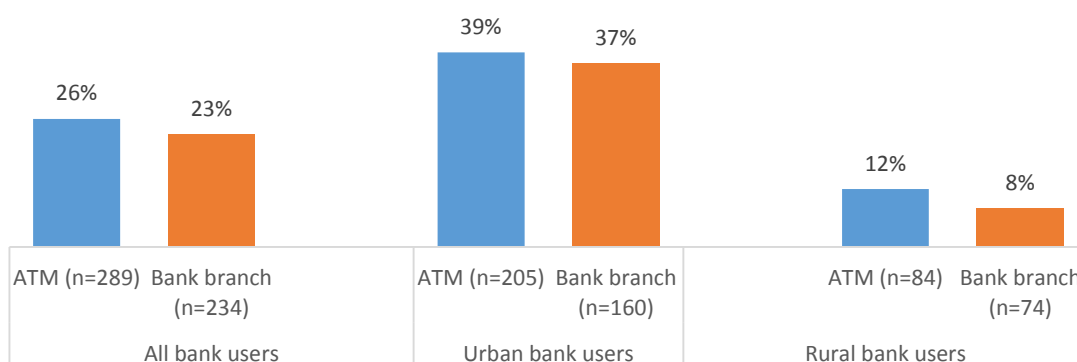
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Proximity of a bank POA to Tanzanian adults' places of residence

The lack of a traditional bank POA within close proximity to respondents' residences remains a challenge, especially in rural areas. This further underscores the need for promoting digital methods of accessing banking services.

Just about a quarter of bank users say they have an ATM and/or a bank branch within a 1-kilometer radius from where they live (Figure 16). The access rate varies dramatically between urban and rural users: almost two in five urban users say they have an ATM or a bank branch within 1km from where they live compared with only 12 percent and 8 percent of rural users, respectively. This gap in access further highlights the need for expanding the coverage and accessibility of DFS to ensure rural and remote populations have the potential to be financially included.

Figure 16. Proximity of POA in urban and rural areas: Percent of bank users who have a POA within a 1-km radius from where they live



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Barriers to banking services uptake and use

A general lack of understanding of bank services and misconceptions about the costs of using them might be preventing adult Tanzanians from registering a bank account.

When asked why they do not have a bank account, almost half of those without an account registered in their name (48 percent) said they do not have money for that (Figure 17). This answer might reflect misconceptions about how much banking services cost and how they can be used. The second most common answer reinforces the assumption they have limited understanding of the services: 7 percent of adults without a bank account said they never even thought about signing up for an account. This answer underscores the possibility of existing stereotypes about the utility of banking services, and based on these stereotypes, some Tanzanians do not consider banking services something that can benefit them personally. Overall, based on the reasons for not having a bank account given by the respondents, Tanzanians need to be further educated on the benefits and costs of having a bank account.

Figure 17. The top five reasons people do not sign up for a bank account (n=2642, those with no registered bank account)

I do not have money	48%
I never thought about using a bank	7%
There are no banks close to where I live	6%
I cannot afford the minimum balance	6%
I do not know how to open one	5%

Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Chapter 5: Foundations for the Expansion of Digital Financial Services in Tanzania

This chapter looks at the important market indicators that signal population’s preparedness for uptake of digital financial services, including possession of acceptable ID and ownership of mobile phones and active SIM cards. In combination, these market characteristics help understand whether a population has the fundamental capabilities needed to use DFS.

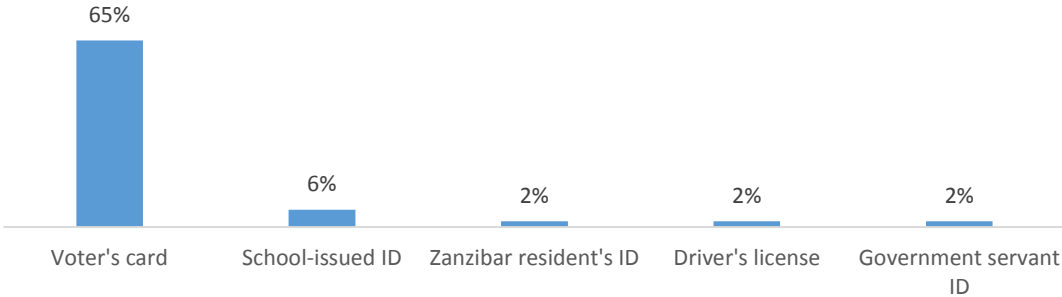
Ownership of any form of identification

Almost three quarters of Tanzanian adults have some form of an identification (ID), except those 15-24 years old, half of whom do not have any form of identification.

Seventy-three percent of Tanzanian adults have at least one form of a nationally recognized identification (Figure 18). A voter’s card is by far the most common type of an ID, followed by school-issued ID. A voter’s card can fulfill the Know Your Customer (KYC) requirements of most financial institutions, as well as mobile money registration requirements, which provides a favorable environment for expanding financial inclusion.

Figure 18. Percent of adult Tanzanians who have each type of citizen identification documents*

**Zanzibar resident’s ID are available to only Zanzibaris and not the residents of the mainland*



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

However, certain subgroups of the population are less likely to have a sufficient form of identification, which may hinder them from accessing formal financial services, whether through banks, MFIs or through mobile money. The subgroup that stands out as being the least likely to have a form of ID accepted by a formal financial institution are young Tanzanians (15-24 years old):

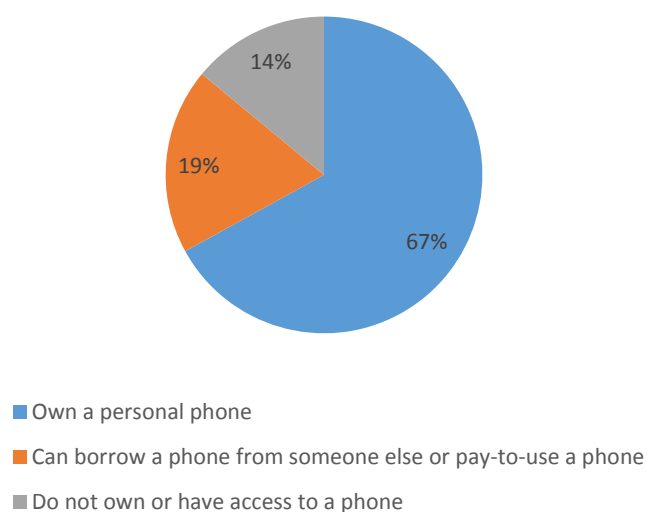
53 percent of this group do not have any form of an ID. Within that group, young rural females living on less than \$2.50 a day appear most vulnerable in this case; 66 percent of them do not have any form of identification.

Mobile phone and SIM-card ownership

Eighty-six percent of adult Tanzanians have a mobile phone or can use a phone that belongs to someone else. Those who own mobile phones use their phones twice as frequently as those who use phones that belong to other people.

Owning a mobile phone is a key enabler that drives people to use mobile money and therefore an important metric to track. Sixty-seven percent of the Tanzanian adult population has a personal mobile phone and another 19 percent can use a mobile phone that belongs to somebody else (Figure 19). The rate of SIM-card ownership is slightly higher than the ownership of mobile phones: 70 percent of Tanzanian adults have an active SIM card and 15 percent more use SIM cards that belong to other people.

Figure 19. Percent of Tanzanians, by type of mobile phone access



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

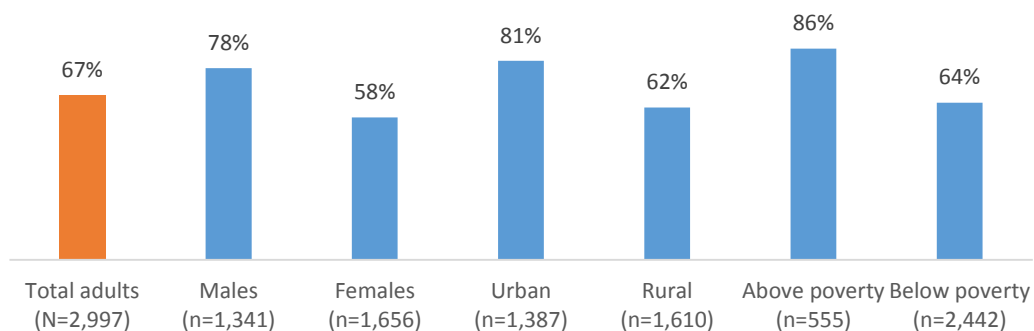
Tanzanians, who can access a phone, tend to use their phones frequently: 69 percent of those with access to a mobile phone used it “yesterday” and 18 percent more used it in the seven days prior to the survey. Only 4 percent used a mobile phone more than a month prior to being interviewed.

However, the frequency of use is strongly dependent on whether a person owns the phone: 95 percent of those with their own mobile phones used it in the seven days prior to the survey compared with 54 percent of those who borrowed phones from other people. This means that borrowing mobile phones is not conducive to active use of mobile phones and/or mobile phone services.

Members of traditionally disadvantaged groups – females, rural and those living below the poverty line – are most likely to show lower rates of mobile phone access and ownership than their counterparts.

The proportion of females who own a mobile phone is 20 percentage points lower than the proportion of males with a personal phone (Figure 20). The gaps in ownership are similarly high between urban and rural residents and between Tanzanian adults living above and below the poverty line.

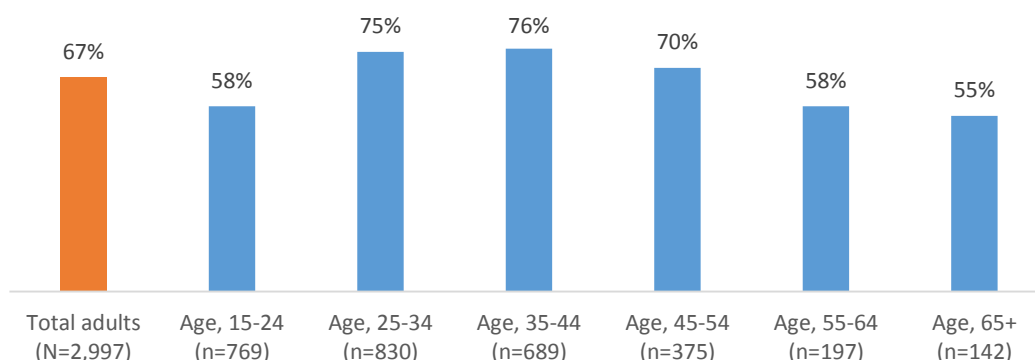
Figure 20. Percent of Tanzanian adults who own mobile phones, by demographic characteristics



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Age is another factor that plays a key role in defining the level of mobile phone ownership. Tanzanians 15-24 years old and 55-64 years old report the second lowest rate of mobile phone ownership: only 4 percentage points higher than the ownership rate reported by those 65 years old and older (Figure 20). The age-gap dramatically increases when age is combined with the other three demographic characteristics – gender, place of residence and poverty status.

Figure 20. Percent of Tanzanian adults who own mobile phones, by age

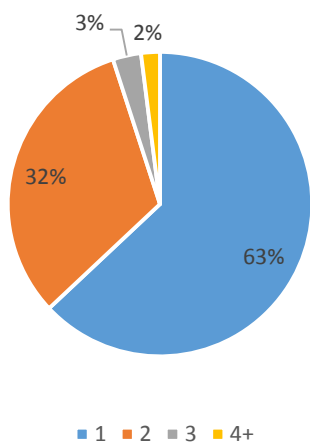


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

More than a third of those who have SIM cards have two or more cards; some have SIM cards with multiple providers.

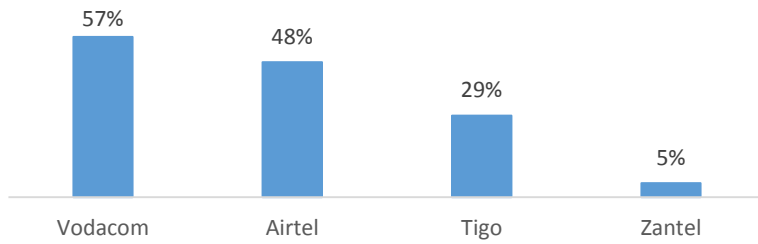
The data also show of those who have a SIM card, 37 percent have more than one card (Figure 21). There is also a significant overlap between users of different providers: 39 percent of the users have SIM cards with more than one provider (Figure 22). Vodacom continues to dominate the Tanzanian market of mobile communications; however, Airtel is a very close second.

Figure 21. Percent of those, who own SIM cards (n=2,298), by number of active SIM cards they have



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Figure 22. Percent of those, who own SIM cards (n=2,298), by mobile communications provider



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Chapter 6: Mobile Money User Profile

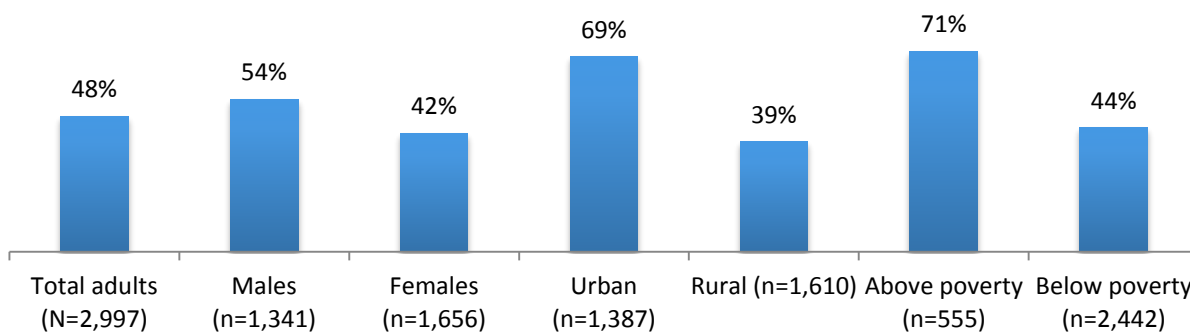
This chapter examines current mobile money use levels, observed trends in uptake, patterns between subgroups of the population, and other characteristics of this growing market.

Mobile money user demographics

Mobile money users are relatively more prevalent among males, urban dwellers, and those living above the poverty line. They are also more likely to be found among Tanzanian adults with secondary education or higher.

The mobile money usage rate in Tanzania is among the highest in the world, second only to Kenya.¹⁹ Just under half of Tanzanian adults (48 percent) have used mobile money services. However just as in other East African countries, mobile money users in Tanzania are still very likely to exhibit the demographic characteristics of an early adopter: they are more likely to be male than female, they are more likely to live above the poverty line and reside in urban areas (Figure 23).

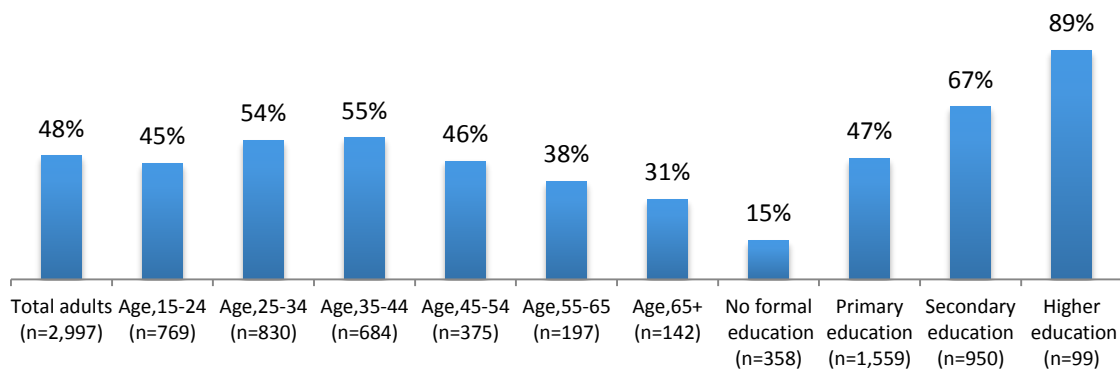
Figure 23. Percent of mobile money users, by demographic characteristics



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Mobile money users are likely to be between 25 and 54 years old. They are also most likely to have a higher or, at least, secondary education (Figure 24).

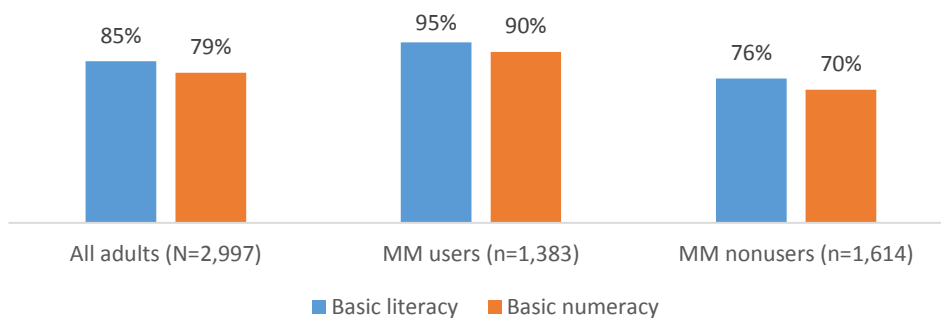
Figure 24. Percent of mobile money users, by age and level of education



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In addition to the level of education, mobile money users show high rates of basic literacy and numeracy (Figure 25). Mobile money users are significantly more likely to have both skills than their counterparts who are not using mobile money services. Thus, a simple lack of basic numeracy and literacy might be another barrier preventing some Tanzanian adults from adopting mobile money.

Figure 25. Percent of mobile money users and nonusers, by basic literacy and numeracy skills

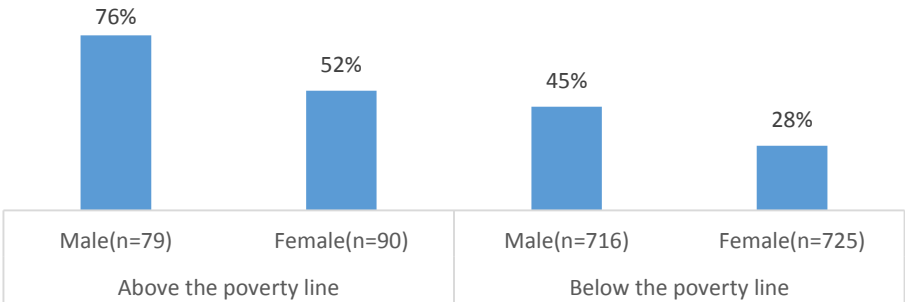


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

The gender gap and the difference by poverty status in mobile money use are most pronounced in rural areas. In urban areas, there is a slight difference by gender but the use is rather even across demographics.

The analysis of mobile money use by different segments of the Tanzanian adult population shows that there is a significant gender gap in the use of mobile money services but only in rural areas: in rural segments above and below the poverty line, females are at least 50 percent less likely to be using mobile money services than males (Figure 26).

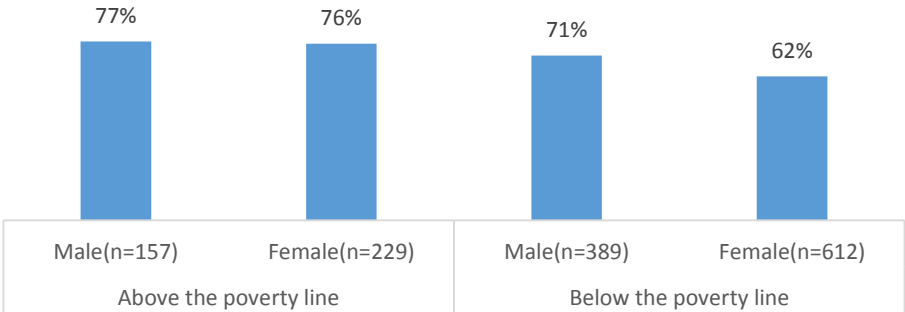
Figure 26. Mobile money use in rural areas, by gender and poverty status



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In urban areas, there is negligible difference between males and females. However, mobile money activities differ by poverty status, although only slightly (Figure 27). Both urban males and females living above the poverty line are more likely to be using mobile money than their below-the-poverty-line counterparts --by 6 percentage points for males and 14 percentage points for females.

Figure 27. Mobile money use in urban areas, by gender and poverty status



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

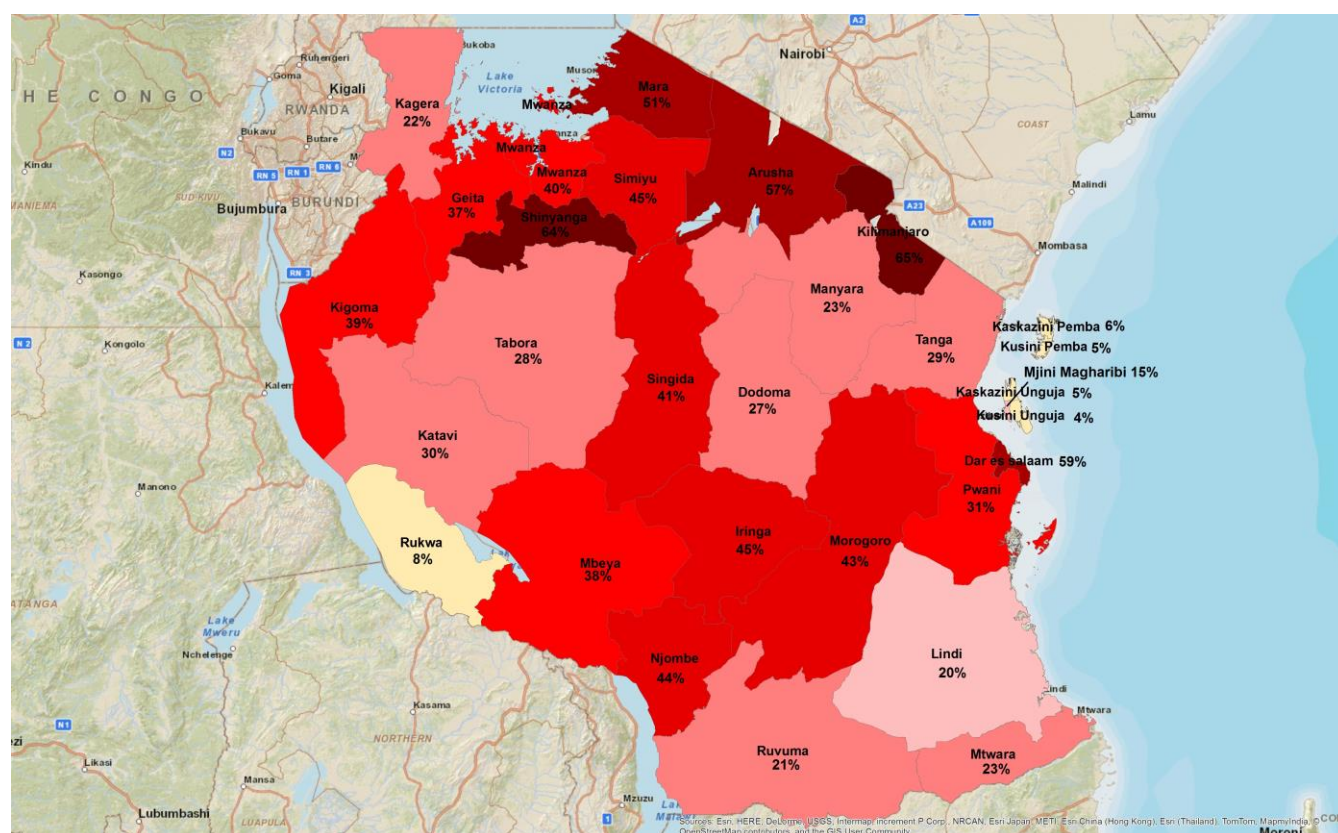
Overall, the gender gap appears to depend on the female’s poverty status and place of residence (urban vs. rural). The difference in use just by gender is not large.

Mobile money use is the highest in the municipal areas with high population density.

The top three regions by active registered mobile money use are Kilimanjaro (65 percent of the area population are active users of mobile money) followed by Shinyanga (64 percent of residents). Dar es Salaam is only third on the list with 59 percent of residents actively using their registered mobile money accounts (Figure 28). The areas with the highest use rates are characterized by high population density as well as dynamic economies, including tourism and trade.

Zanzibar residents across islands show the lowest rates of mobile money use. The uptake of mobile money services in Zanzibar has been very slow, and this can be partially explained by the extreme poverty of the population, low population density and relatively isolated economy of the islands, which are focused on agricultural production for export.

Figure 28. Map of mobile money service use in Tanzania, by region



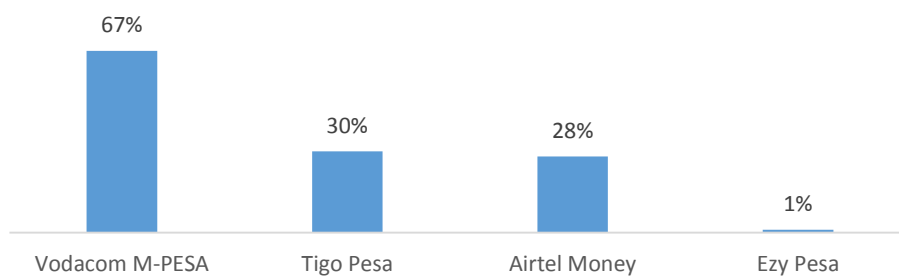
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Mobile money providers

Tanzania boasts a dynamic mobile money market with several strong providers.

Vodacom M-PESA remains the leading provider of mobile money services in Tanzania (Figure 29). Tigo Pesa and Airtel Money are in second and third place. Zantel's Ezy Pesa is used only by a very small portion of mobile money users.

Figure 29. Percent of mobile money users (n=1,383), by provider.



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Interoperability

There is a distinct demand for interoperability among mobile money providers.

Tigo Pesa, the “youngest” among the Tanzanian mobile money providers, is quickly expanding its audience and leads increasingly intense competition for customers; part of this competition includes multiple discounted offers regularly provided by all mobile money providers. This competition has led to mobile money users using different providers for different activities, depending on the current promotional and discounted offers.

There is a need among mobile money users to transact across mobile money providers: 13 percent of all users said, in the past 90 days, they needed to send money between different mobile money providers, and 14 percent needed to receive money between different providers during the same period. Of both groups, at least half said they would incur additional fees for delayed payment if they were not able to make these inter-provider mobile money transactions.

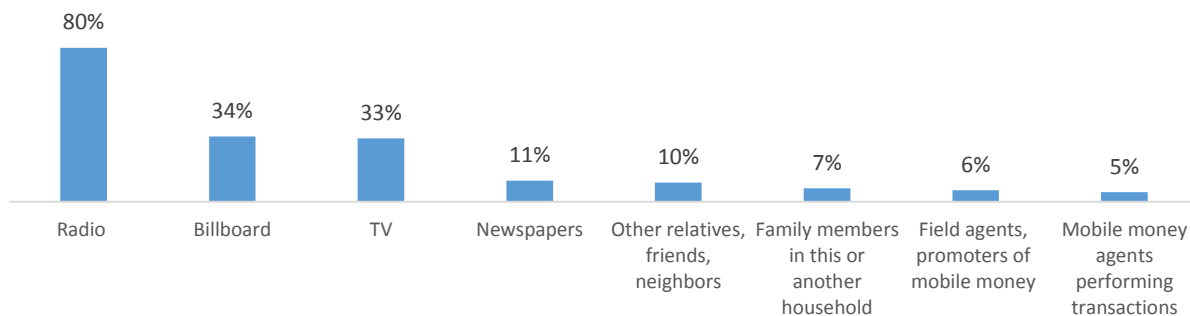
Source of information and triggers for mobile money uptake

The bulk of mobile money users first learned about the services from radio. Billboards and TV follow, while people, peers or agents are less important as sources of initial information about mobile money.

Four in five mobile money users first learned about specific mobile money providers from radio (Figure 30). TV and billboards compete for the second place. Compared with media sources, peers (including family members, relatives, friends and neighbors) and mobile money agents do not currently play an important role in promoting awareness of the service providers.

Figure 30. Sources of first information about mobile money as reported by mobile money users (n=1,383)*

**The percentages do not add up to 100% because the question was asked separately for each mobile money provider.*



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Radio, billboards and TV are the three main sources of initial information about mobile money services for both urban and rural Tanzanians. As might be expected, urban users are slightly more likely to learn about the services from TV, while rural residents rely more on radio and billboards. However, in both cases, other people – relatives, peers or agents – are only secondary information sources.

P2P transfers are the key trigger to mobile money uptake.

A majority of mobile money users (61 percent) said they started using mobile money services because they needed to either receive or send a P2P payment. This is not unexpected because mobile money was introduced across East Africa as the service for inter-person transfers through

the “Send money home” campaign. Until today, a lot of mobile money users continue to use the services mostly for P2P payments.

However, there is also a group of users who started using mobile money because they either wanted to save money or just find a safe place for safekeeping their funds. While the group is not as large as P2P users, and few of them actually saved/stored money on their accounts, it is important to highlight that customers have started to recognize mobile money services can be used for activities other than P2P transfers.

Figure 31. The top five reasons mobile money users started using the services (n=1,383, mobile money users)

I had to receive money from another person	43%
I had to send money to another person	18%
I wanted a safe place to store my money	14%
I wanted to start saving money with a mobile money account	9%
I saw media advertisement that convinced me	3%

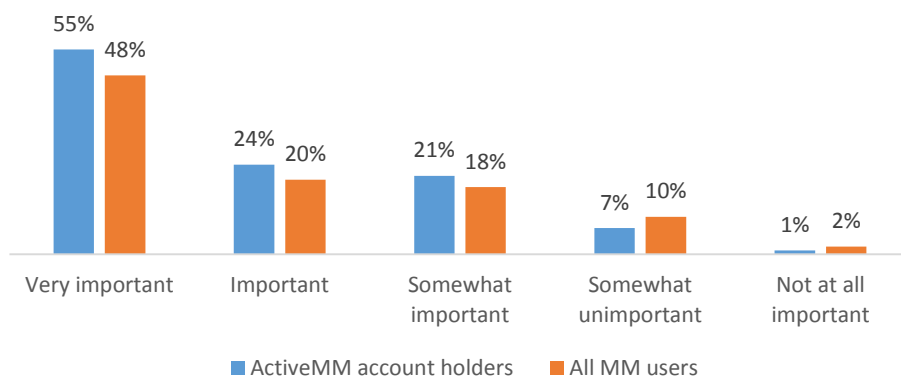
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Importance of mobile money services

Active mobile money account holders are significantly more likely than all mobile money users in general to say that the mobile money services are very important for their financial lives.

When asked how important mobile money services are to their financial lives, 55 percent of active account holders said the services are very important compared with 48 percent of all mobile money users. This is not unexpected as active account holders tend to have access to more services through a registered account; they also use a range of value-added services, including bill-pay and savings.

Figure 32. Importance of mobile money services to the financial lives of active mobile money account holders (n=1,095) and all mobile money users (n=1,383).



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Barriers identified for nonusers of mobile money services

Most nonusers are aware of mobile money services. They also might have a need for a formal financial services that mobile money can fill. However, the lack of personal mobile phones is a barrier to mobile money service uptake.

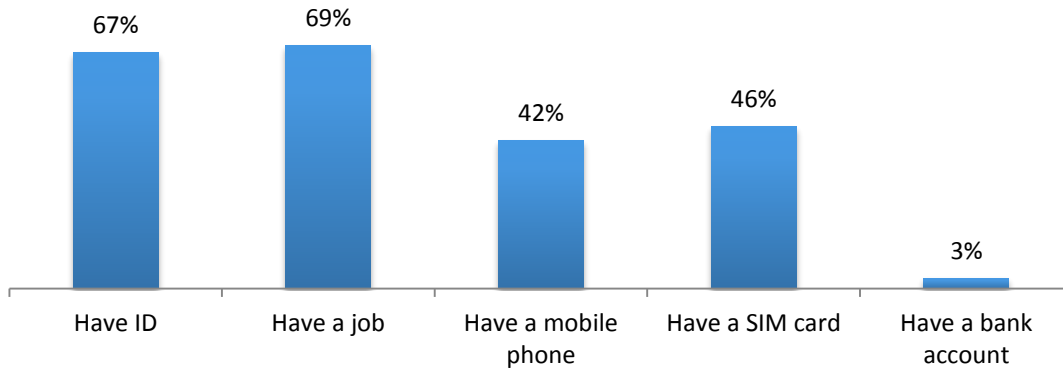
Nine in 10 nonusers of mobile money are aware of at least one mobile money provider. Moreover, looking at some of the characteristics of mobile money nonusers, they seem to have the basic tools necessary to become mobile money users: 68 percent of nonusers have an ID and 61 percent have a SIM card (Figure 33). They also have a potential need for financial services: 70 percent of nonusers are gainfully employed, which means they earn money (even if not regularly) and, potentially, need services that give them access to saving, investing, transferring, storing or paying bills.

While, overall, nonusers of mobile money have the potential to use mobile money services and have a need for such services, only 3 percent of the group has a bank account; the remaining 67 percent handle their money informally. In addition, the majority of nonusers do not have a personal mobile phone: only 42 percent of nonusers have a personal phone. The lack of a personal mobile phone is a key barrier to mobile money uptake. If a person has to share a mobile phone, the individual is not likely to use the phone frequently nor are they likely to use the phone for financial activities.

As discussed in the earlier chapters, all disadvantaged demographic groups – females, rural residents, those living below the poverty line, young and old age groups – are significantly less likely to own a mobile phone compared with their counterparts. These groups are also less likely to use mobile

money services. Thus, the lack of a personal phone prevents disadvantaged demographic groups from benefitting from mobile money services.

Figure 33. Percent of nonusers of mobile money services who have mobile communications equipment, an ID, job or a bank account (n=1,614)



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

CHAPTER 7: Mobile Money Use Cases

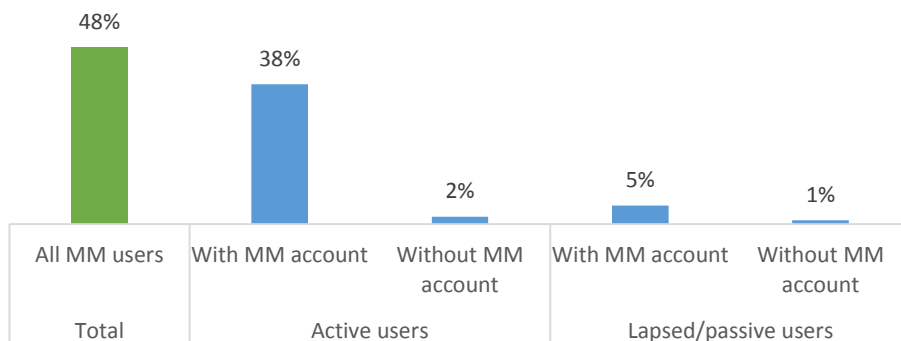
This chapter highlights mobile money features and products most used by mobile money users in Tanzania. It also presents an initial segmentation of mobile money users by the type of products they use and the frequency of their use of the services.

Types of mobile money use

Of the 48 percent of adults who report using mobile money services, eight in 10 are using them actively, whether with or without a registered account. Instances of inactive/lapsed use are not frequent. Active mobile money account use is dependent on urban/rural status, gender and poverty status of the users.

Forty-eight percent of adult Tanzanians report ever using mobile money services. Forty-two percent have an account registered in their name and 6 percent more use the services through other people's accounts, including through an agent (Figure 34). Forty percent of users make at least one mobile money transaction/activity every 90 days, which is defined as active use of the services. Lapsed use is significantly less common than active use at 8 percent of the population.

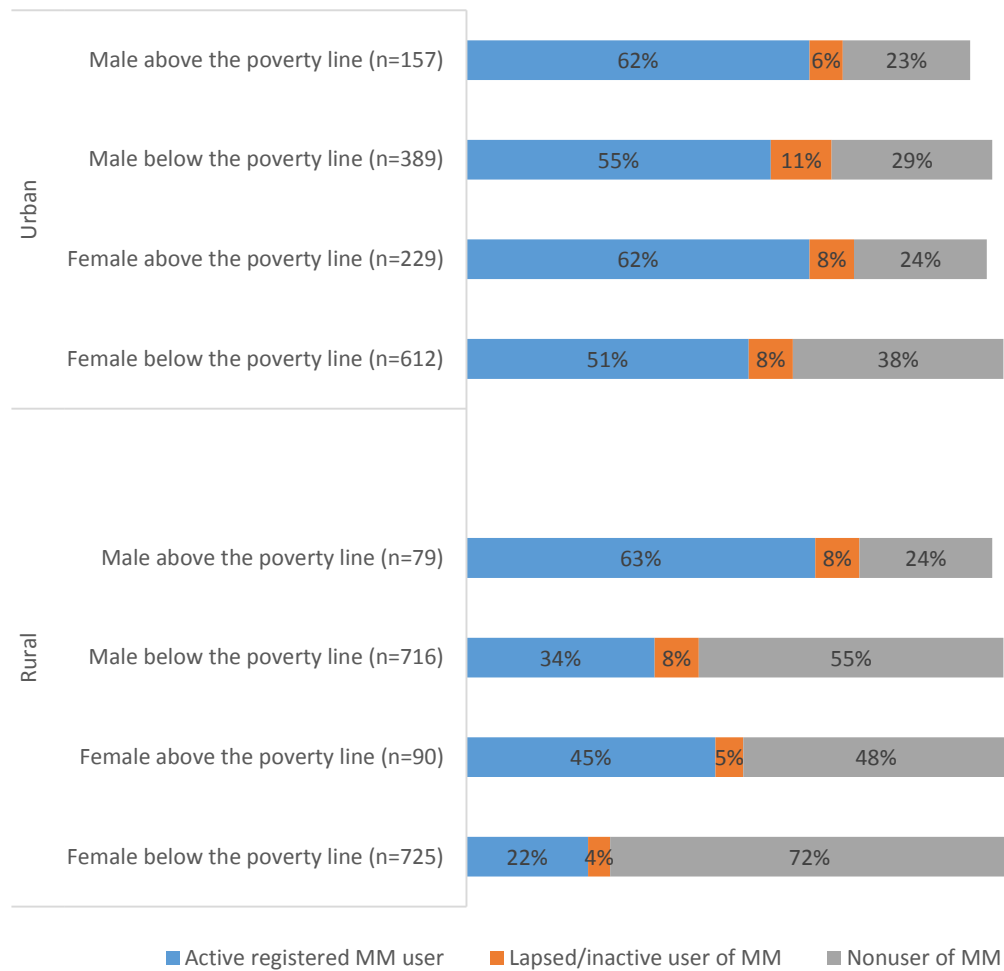
Figure 34. Percent of adults, by type of mobile money use



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

By demographic characteristics, active account holders are most likely to be found among urban and rural males and urban females living above the poverty line (Figure 35). Urban males living below the poverty line have the highest rate of inactive/lapsed use of the services. There is a significant gap in active use of mobile money services by gender and poverty status, especially in rural areas.

Figure 35. Percent of mobile money users and nonusers, by demographic characteristics

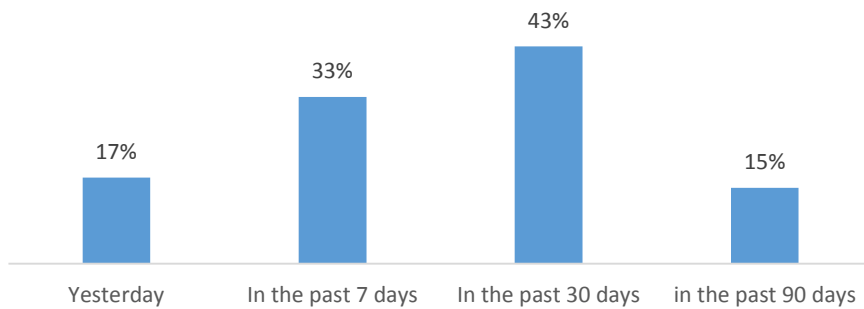


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Half of active mobile money account users use the services on a weekly basis

For the purposes of this study, “active use of one’s own mobile money account” is defined as a minimum of one mobile money transaction via an account that is registered in the respondent’s name in the 90 days prior to the survey. However, in reality, active account holders report doing transactions more frequently than that, with half making transactions at least weekly, and three-quarters transacting via their mobile money account at least once a month (Figure 36).

Figure 36. Frequency of mobile money transactions among active mobile money account holders (n=1,095)



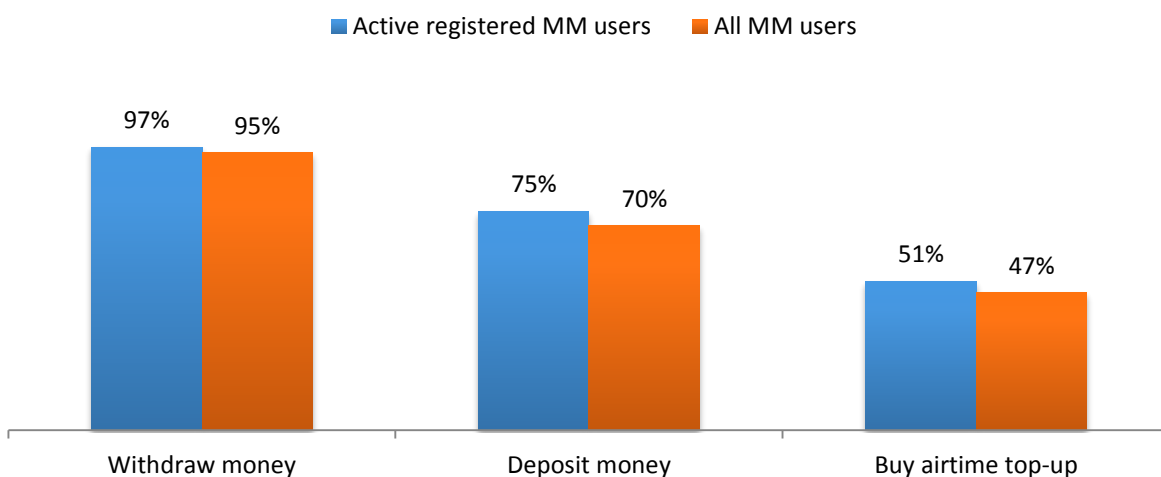
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Basic use

Withdrawals are by far the most common mobile money activity. Fewer users deposit money, which means the money they withdraw comes from a combination of their own deposits, as well as those from other people (P2P transfers), and from private and government organizations (G2P transfers and wages).

As might be expected, the three most common applications for mobile money services are the three basic transactions: withdrawing money, depositing money and buying airtime top-ups (Figure 37). Withdrawing money is by far the most common transaction: almost all of active account holders and 95 percent of all mobile money users have used the services to withdraw money at least once. Active mobile money account holders report performing all transactions with mobile money at only slightly higher rates than all mobile money users in general.

Figure 37. Active mobile money account holders (n=1,095) and all mobile money users (n=1,383), who have ever used the services for the three basic transactions



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

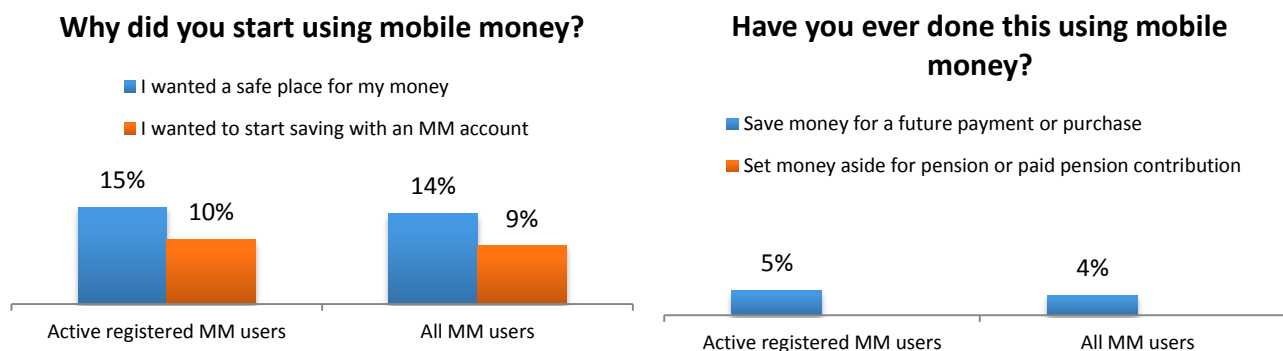
There is also a significant overlap between deposits and withdrawals: 73 percent of active account holders and 50 percent of other types of users report conducting both activities using mobile money services. This might mean that a large group of mobile money users might be storing their money using mobile money services.

Saving money

The security of mobile money for saving and safekeeping money appeals to a quarter of mobile money users. However, few use the services to purposefully save money.

Twenty-five percent of active account holders and 19 percent of all mobile money users said they started using the services because they wanted to save money or securely store money with the mobile money platform (Figure 38). Yet, when asked if they actually use mobile money services to save money or to set money aside for pension/pension contributions, very few even among active registered users responded positively.

Figure 38. Reasons for starting to use mobile money and actual use among active MM account holders (n=1,095) and all mobile money users (n=1,383)



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

A low reported rate of purposeful savings does not mean that Tanzanian adults do not use mobile money services for safekeeping their money (Figure 39). On average, Tanzanian mobile money users make three deposits and withdrawals per month. However, an average deposit is larger than the average withdrawal. It is possible that some mobile money users deposit more because they plan to distribute money to multiple parties (i.e., make bill payments or P2P transfers). However, it is also

possible that some leave/store money using mobile money services. Further research is needed to explore this behavior.

Figure 39. Deposit and withdrawal activities among Tanzanian mobile money users (n=1,383)

<i>Transaction</i>	<i>Times per month (Average)</i>	<i>Amount per transaction (Average)</i>
Deposit	3	\$33.14
Withdrawal	3	\$19.58

Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Person-to-person transfers

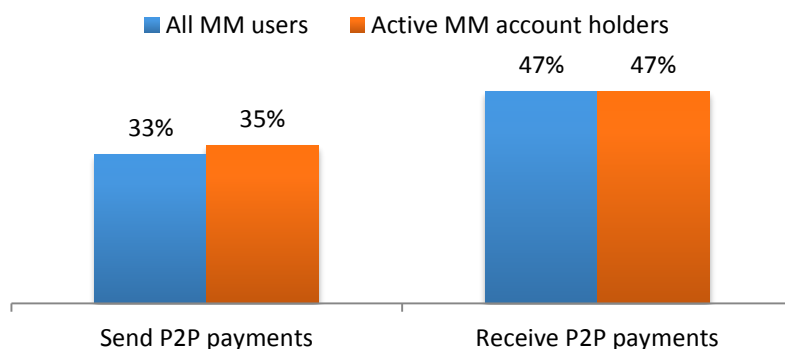
More respondents receive than send P2P transfers via mobile money services, which means there is a group of users who only use mobile money for channeling financial support to/from their family members.

Similar to Kenya, mobile money was introduced in Tanzania as the service enabling person-to-person (P2P) transfers. As discussed earlier, 61 percent of all mobile money users in Tanzania said they started using the services because they had to receive money or send money to/from another person (see previous chapter for details). Thus, it is expected that P2P transfers will be among the most common uses for mobile money services.

The survey data shows that a third of mobile money users use the services to send money to other people, for emergency or regular support. Just under a half receive money from other people via mobile money, also for either emergency or regular support (Figure 40).

It is important to note here that only 4 percent of the population and 9 percent of all mobile money users turn to the services exclusively to receive P2P transfers and withdraw money. This means that while P2P transfers are a good trigger to mobile money uptake, most users eventually find other applications for the services that complement and enhance their financial lives.

Figure 40. Percent of mobile money (MM) users (n=1,383) and active account holders (n=1,095) who send and receive P2P payments via mobile money services



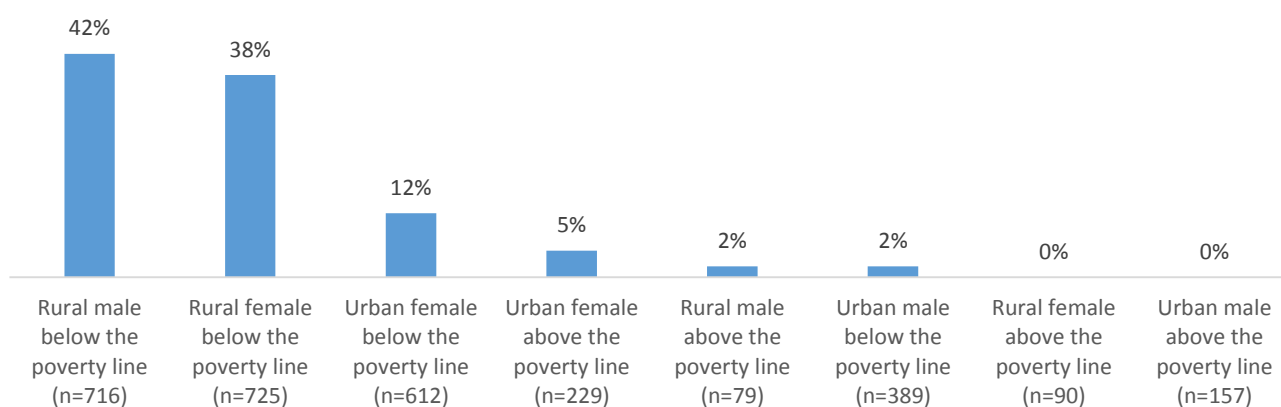
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Regardless of demographic characteristics, there appears to be more respondents saying they receive P2P transfers via mobile money services than those who say they send P2P transfers (Figure 40). This means that there is a group of Tanzanian mobile money users who are using the services only to receive P2P transfers and withdraw money (i.e., passive users of mobile money services).

Passive P2P recipients of mobile money services do not appear to have barriers to using other mobile money services; rather, they make a choice to only receive and withdraw P2P transfers.

Four in five passive P2P recipients (those who only use mobile money services to receive and withdraw P2P transfers) belong to the rural poor: 42 percent are rural males living below the poverty line and 38 percent are rural females living below the poverty line (Figure 41). Only 10 percent of passive users do not have a personal mobile phone and only 12 percent do not have a formal education. Contrary to what might be expected, the largest group of passive users is 15-24 years old (34 percent), followed by those 35-44 years old (22 percent). Those older than 55 years old represent only 14 percent of passive users.

Figure 41. Percent of passive P2P recipients, by demographic groups.



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

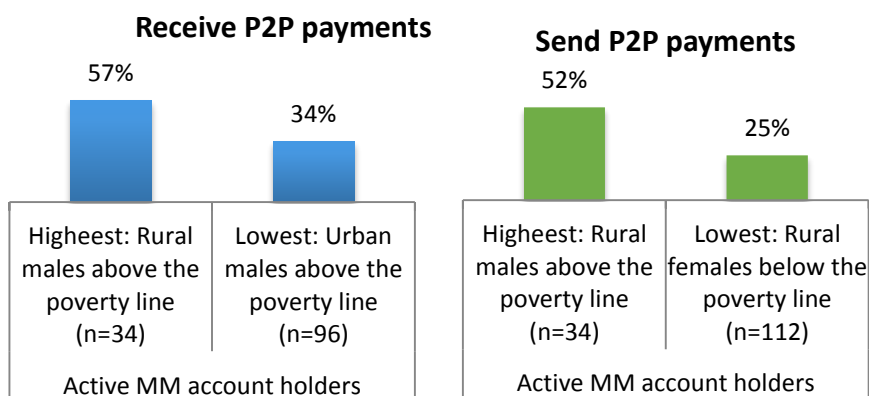
Interestingly, 68 percent of passive P2P recipients have a registered mobile money account and had used it at least once in the 90 days prior to the survey, which technically means they are a part of the group of “active mobile money account holders.” This overlap once again shows that “customer journeys” of mobile money users are as diverse as the groups of customers.

Fifty-four percent of passive P2P recipients say the service is important or very important to their financial lives. The high regard for the services by this group can be explored as a foundation for promoting other potential applications of mobile money that could benefit them.

Rural males living above the poverty line report the highest rates of sending and receiving P2P transfers; it is possible they are employing P2P transfers as a form of informal borrowing or as a part of business activities.

Further analysis shows that a group of rural males living above the poverty line have the highest reported rate of sending P2P transfers via mobile money services, regardless of whether they are active or lapsed users (Figure 42). Interestingly, the same group also reports the highest rate of sending P2P transfers. In previously conducted InterMedia studies on mobile money use in Tanzania,²⁰ some respondents reported using mobile money services to deliver informal loans; such informal loan activity might be the reason for the high traffic of P2P transfers reported by rural wealthy males. Business payments, sent and/or received by business owners, might be another potential reason for the high rate of P2P transfers reported by rural wealthy males; this use case will be further explored in the next section.

Figure 42. Percent of active mobile money (MM) account holders and lapsed users with the highest and lowest rates of P2P transfers



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Rural females living below the poverty line are the least likely to send P2P transfers via mobile money services. They are also twice more likely to send transfers for emergencies than to send transfers for regular support. While this group is the least likely to have the skills and equipment to take up the service, they find a way to access it when there is a pressing need – an emergency case that requires sending financial support.

The group with lowest rate of receiving P2P transfers through mobile money services is reported by urban males living above the poverty line. This is somewhat expected because urban wealthy males already (a) live above the poverty line, and (b) are most likely to be single (71 percent of those who are lapsed users and 49 percent of active registered users of mobile money). Thus, not only they are above the poverty line, they also do not have as many dependents as do their married counterparts.

Rural females living below the poverty line are the least likely to report sending P2P transfers using mobile money. While the low reported rate is somewhat expected, this finding is very important from a different perspective. Rural poor females who send P2P transfers are twice as likely to send money for emergencies than for regular support: 6 percent vs. 11 percent among the lapsed user group and 9 percent vs. 18 percent among the group of active registered account holders. This means that even the most disadvantaged groups such as rural poor females can find a way to access mobile money services if it fits their urgent financial need. This finding can be used to inform mobile money educational and promotional programs targeted to rural females living below the poverty line.

Incoming and outgoing payments

Receiving wages and making e-bill payments using mobile money is an emerging use trend, signaling a potential for mobile money service expansion.

Aside from P2P payments, very few mobile money users report receiving money from or sending money to government agencies or non-government organizations (Figure 43). There are, however, two important findings that are worth highlighting. First, there is a group of mobile money users (7 percent), who use mobile money, on average, twice a month to pay utility bills. This means that one or more utility companies in Tanzania have a system in place to enable such payments. Second, there is a very small proportion of users reporting receiving wages via mobile money. As discussed earlier in the chapter, a very small group of businesses report disbursing salaries to their employees via mobile money services. However small, mobile money can capitalize on these two emerging trends to expand the services to underserved populations by providing a secure channel for sending/receiving payments of different sizes, with different frequency and a varied number of recipients.

Figure 43. Percent of mobile money users who send/receive payments via mobile money services

INCOMING PAYMENTS			OUTGOING PAYMENTS		
Type of payment	% of MM users who have ever performed a transaction	Average times per month	Type of payment	% of MM users who have ever performed a transaction	Average times per month
Receive pension from the government	0.3%	1	Pay a utility bill	7%	3
Receive their benefits from the government	0.1%	0	Pay a school fee	2%	NA
Receive wages for a primary job	1%	1	Pay a medical bill	1%	NA
Receive wages for a secondary job (s)	1%	3	Pay a government bill	0.3%	NA
			Pay at a grocery store	0.2%	NA

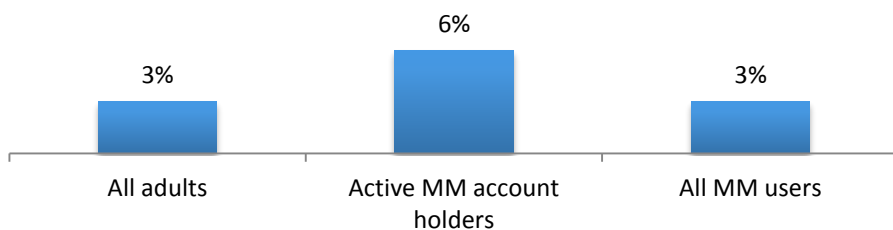
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Business use

Using mobile money services for business-related transactions is not common even among active mobile money account holders. However, among those who use the services for this purpose, 24 percent are farmers, which suggests mobile money can serve the needs of this group and have the potential to expand its audience significantly by attracting more Tanzanians engaged in agriculture, the largest industrial sector in the country.

Only 6 percent of active mobile money account holders make business-related transactions using a mobile money service; business use among other types of mobile money users is reported at a lower rate (Figure 44).

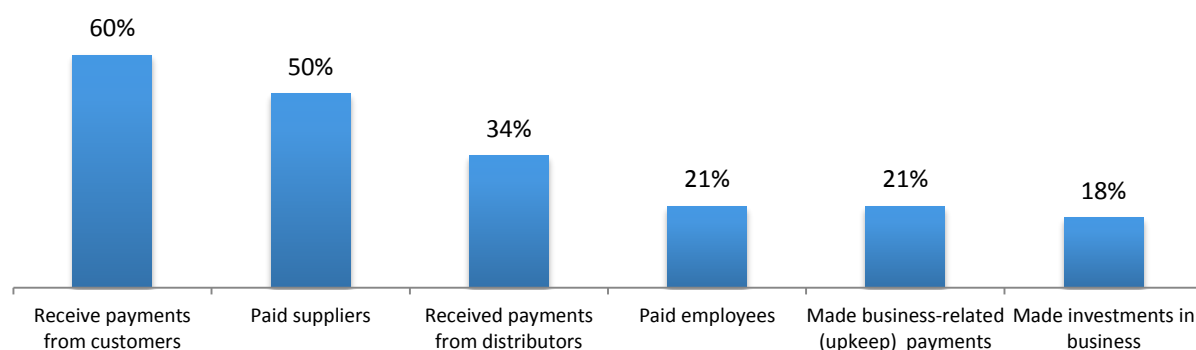
Figure 44. Percent of Tanzanian adult, active mobile money account holders (n=1,095) and all mobile money users (n=1,383) who use mobile money services for business activities.



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In Tanzania, the most common business application for mobile money is to receive payments from customers followed by sending payments to suppliers (Figure 45). The most common business transactions done via mobile money have to do with receiving multiple payments (customer payments) and disbursing infrequent, or at least, not regular payments (paying suppliers); what is not very common is the use of mobile money to disburse regular, multiple transactions (i.e., pay salaries and utilities). The high total cost of making multiple regular transactions might be the reason business people do not use mobile money services for small frequent disbursements, especially for disbursements that can otherwise be done free of charge. Another reason could be the need for cash as opposed to electronic value. If businesspeople have suppliers who prefer cash payments, they will not convert their hard cash to e-value for such transactions. An incentive is required to have these business people accept e-value as payment.

Figure 45. Percent of those who use mobile money for business transactions (n=86), by type of transaction

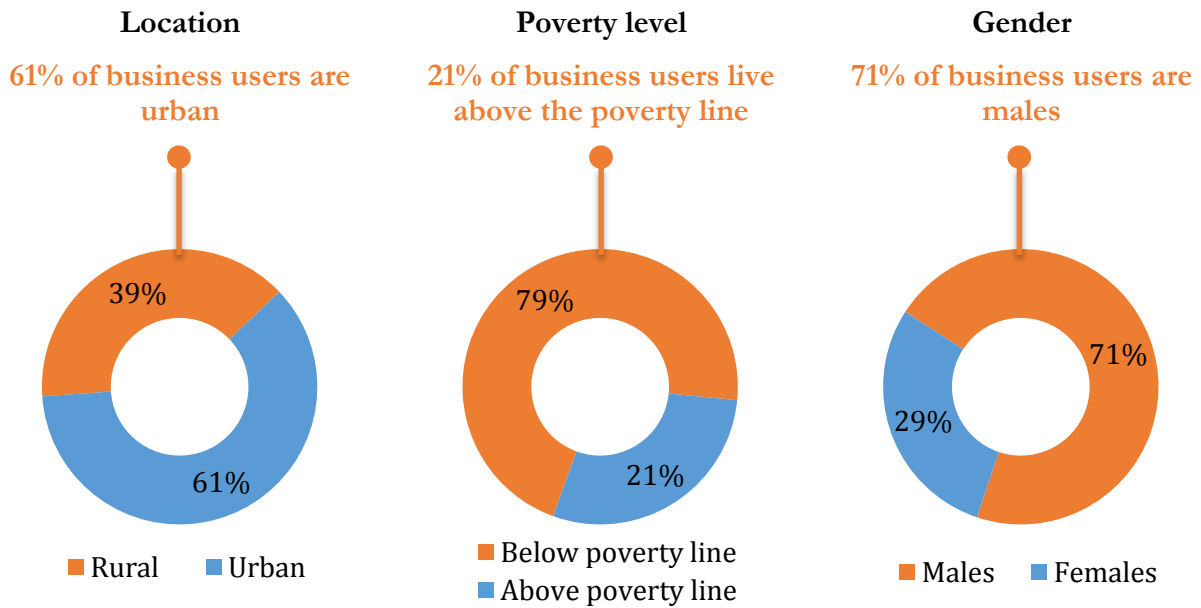


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

The top three groups of those who use mobile money for business transactions are business owners (30 percent of mobile money business users), farmers (24 percent) and shop owners (9 percent). The small size of the subgroup of farmers who use mobile money for business transactions does not allow for further analysis of such transactions. However, a follow-up study on the transactional needs of farmers is essential to understanding how to expand mobile money services to include more Tanzanians working in agriculture – Tanzania’s largest and most important sector of its economy.

By demographic characteristics, mobile money users, who make business-related transactions via mobile money services, they are more likely than the general population to be urban (61 percent vs. 30 percent of all adults) and live above the poverty line (21 percent vs. 15 percent of all adults). They are also significantly more likely to be males (71 percent vs. 49 percent of all adults).

Figure 46. Percent of mobile money users who use mobile money services for business activities, by demographic characteristics



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Chapter 8: Experiences with Mobile Money Agents

This chapter looks at mobile money users' experiences with the agents they use regularly, as well as with mobile money agents in general. Poor agent service can be a major barrier to service uptake and use. The FII survey and agent trio study attempt to identify agent service areas that may require improvement to stimulate further expansion of mobile money services.

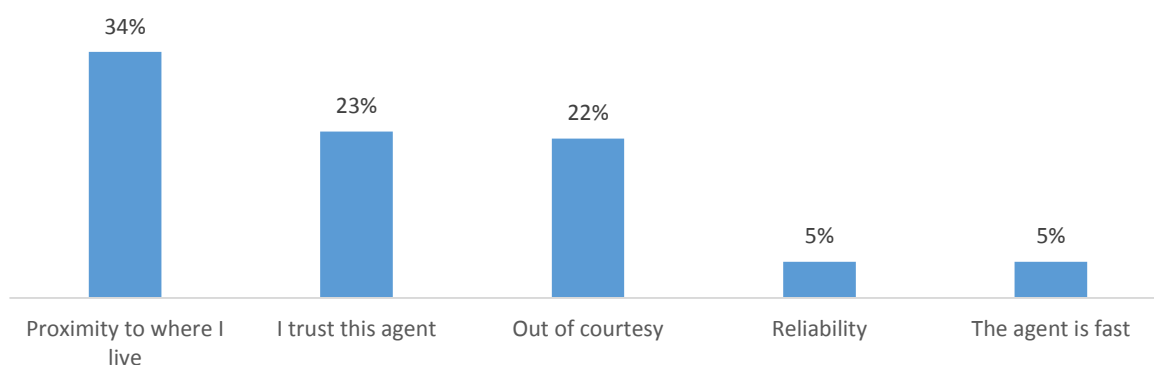
Use of regular mobile money agents by demographic subgroups

Just over a quarter of mobile money users report having regular mobile money agents. Proximity is the key reason for going to the same agent all or most of the time. However, the initial choice of an agent is driven by the look of the agents' signage.

Seven in 10 mobile money users choose to go to different agents for their transactions; only 27 percent use the same agent all or most of the time. The tendency to use the same agent for their mobile money transactions is slightly more common among females than males: 30 percent of female users reported using a regular agent compared with 25 percent of male users. Other demographic groups did not exhibit notable differences in agent use.

The choice of a regular agent is generally driven by the agent's proximity to a user's home: 34 percent of those who use the same agent all or most of the time said they come back to the same agent because the agent is close to where they live (Figure 47).

Figure 47. Main reasons for choosing a regular agent among active mobile money account holders, who use a regular agent (n=279)



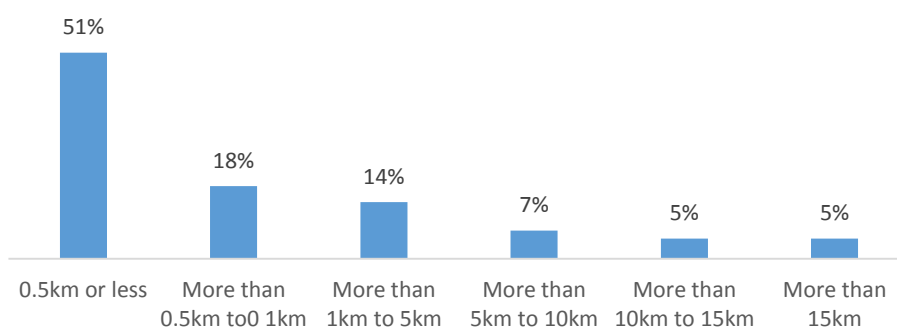
Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In-depth interviews with mobile money customers¹ revealed that large and visible signage is key to attracting new customers to a specific agent. Many new customers, especially in urban areas, choose agents based on their display of large billboards or mobile money signs. From the interviews, many customers also said they frequently use the same agents because they know the agents and trust them; agents who provided good customer service also retained customers. Some of the customers however used the same agent because s/he was the only one available, especially in rural areas.

About a half of mobile money users use an agent who is 0.5km or less from where they live; the majority of users (75%) are in urban areas and most of them walk to the agent location in under 15 minutes.

Some active users make an effort to travel long distances to find their regular agent: 17 percent of the active mobile money users who tend to use the same agent cover between 5km to over 15km to get to their regular agent.

Figure 48. Distances traveled to agents from their homes, among active mobile money account holders, who use a regular agent (n=279)

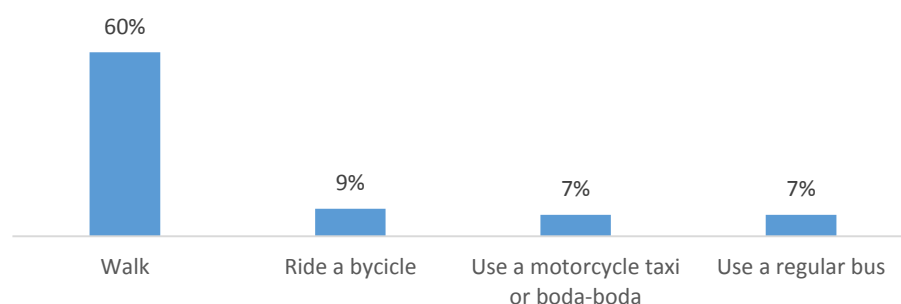


Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

Close to eight in 10 active mobile money customers who use the same agent mostly walk to their agent’s place, most of the active users who walk are in urban areas (98%), and among them, there are more females than males. Other common means of getting to their regular agents are riding a bicycle, using a motorcycle or minibus taxi or taking a regular bus (Figure 49).

¹ Tanzania – FII Quick Sights Report Mobile Money Customers and Agent Experiences (April 2014)

Figure 49. Means of getting to the regular agent, among active mobile money account holders, who use a regular agent (n=279)



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

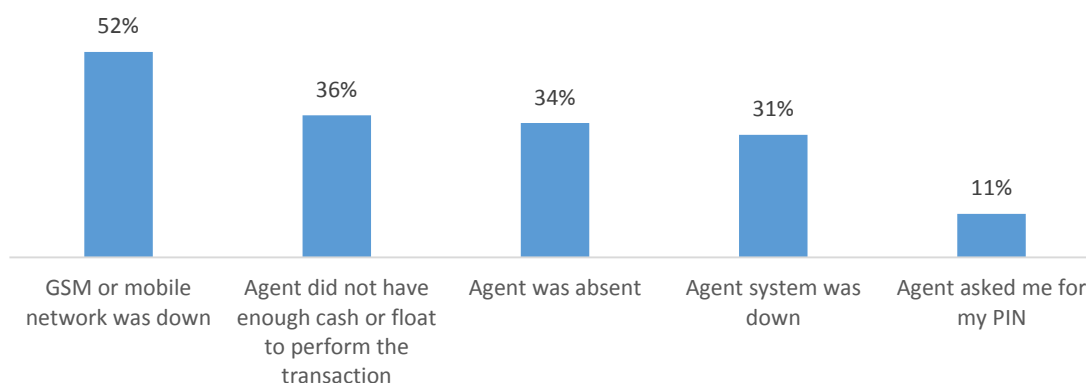
Several challenges exist in successfully completing mobile money transactions with agents - network problems, lack of cash, and absent agents are among the most commonly reported issues.

GSM or mobile network problems are the issues most commonly reported by Tanzanians who use mobile money. These problems disrupt services and limit people's access to their own money. Fifty-two percent of the group has experienced the mobile network being down when they needed to conduct a transaction (Figure 50).

A substantial number of mobile money users also complained about the quality of the agent's performance. For example, about a third of the group, each, reported the agent was absent when they visited, did not have enough cash to help with their transactions, or the agent's system was down. Low agent liquidity was slightly more of a complaint in the urban areas while agent absenteeism was equally problematic in both rural and urban areas.

Eleven percent of the mobile money users also complained about the agent asking for their PIN. This was more prevalent in rural areas.

Figure 50. Top 5 key problems with agents, all mobile money users (n=1,383)



Source: InterMedia FII tracker survey in Tanzania; November 2013 – March 2014; N=2,997.

In-depth interviews with agents² further revealed additional agent performance flaws. For example, many customers complained that frequent network failures often prevent agents from successfully completing a transaction, and these issues are common in both urban and rural areas. Customers also noted that transaction confirmation messages arrive late or do not arrive at all. In most cases, this problem is also due to network breakdowns. Having to wait for transaction verifications leads to further frustration among customers and reinforces their mistrust of agents. The mistrust is further heightened by the customers' lack of understanding of how the service charges work. Customers frequently expressed concerns about agents trying to “con them” by overcharging for transactions or adding “hidden” fees. When possible, customers do not return to an agent they suspect of fraud. Agents not having e-float is an issue, but not as troublesome as network and messaging issues.

² Tanzania – FII Quick Sights Report Mobile Money Customers and Agent Experiences (April 2014)

Summing up

Despite strong and stable economic development in Tanzania over the past decade, the Tanzanian population remains among the poorest in the East African region; 85 percent of those surveyed live below the poverty level. Such overwhelming poverty is partially due to the fact that the bulk of the country's population is rural and remote and relies on agriculture as the main source of income. Rural/remote and poor, the majority of Tanzanians do not have easy access to such formal financial institutions as banks and MFIs, which can provide services necessary to help the country's population weather seasonal income fluctuations.

Having recognized this challenge, the Tanzanian government, with the support of the Bank of Tanzania (BoT), released the National Financial Inclusion Framework (NFIF) and established the Financial Inclusion National Council to oversee the implementation of the framework.

The government's commitment to financial inclusion has led it to invest in rural infrastructure, relaxing KYC requirements and encouraging collaboration between banks and mobile network operators and mobile money providers. As a result, Tanzania enjoys a dynamic and competitive DFS market with a growing customer base and increasingly innovative product offers (e.g., M-Pawa as the newest DFS product).

The structure of and the trends in the Tanzanian DFS market are rather unique in the African context. Going forward, it would be important to gain more understanding of the following areas:

- Youth engagement in the DFS market – young people appear highly engaged in financial activities as passive recipients of P2P transactions as well as active participants of financial activities. It would be important to understand the attitudes, behaviors and financial needs of this segment and the potential youth offer for expanding the DFS customer base.
- The potential for DFS to enable G2P and O2P (organizations to people) payments and adults' e-bill activities – the Tanzanian market demonstrate an emerging trend for adults receiving their government benefits and wages through mobile money and banking services. Some also report disbursing formal payments (medical and utility bills and school fee payments) through these two financial services. Observing this trend will be important. If it continues it could encourage more people to use DFS for receiving and sending formal payments, helping to relieve some of the major pain points, especially among rural/remote residents.

Mostly rural and poor, the Tanzanian population faces two important barriers to financial inclusion through DFS: low rates of mobile phone ownership and low literacy rates. Government policies aimed at reducing these two impediments will encourage further financial inclusion.

Methodology

Nationally representative survey of adults (15+)

The FII tracker survey in Tanzania is an annual, nationally representative survey of 2,997 Tanzanian individuals aged 15 and older. The survey includes face-to-face interviews lasting 45 to 60 minutes. The first survey was conducted from September 12 to October 4, 2013.

Working with Tanzania National Bureau of Statistics (TNBS)

- InterMedia and TNBS agreed on a sample of 2,997 that was nationally representative of adults (15+).

Sampling Frame

- TNBS's sampling frame of all EAs, by district, was used to draw the sample of the required EAs for the survey.

Sampling Enumeration Areas (EAs)

- TNBS drew the sample of the required number of EAs by region based on the 2012 census.
- A sample of 300 EAs was drawn from urban and rural strata using a systematic probability proportional to population size method (using numbers of households rather than people).
- Ten interviews were conducted per EA.

Sampling Start-Points, Households and Respondents

One start-point within each EA was chosen by randomly selecting from a list of local landmarks identified by village elders. Households were selected using a random route walk and standardized skip pattern and process for substitution.

One respondent per household was selected using the Kish grid method and relevant consent for eligible respondents under 18 years of age was obtained. Ten interviews were conducted per EA.

Focus groups with lapsed and nonusers of mobile money

Sixteen focus groups were conducted with lapsed users and nonusers of mobile money:

Objectives

- Provide insights into why they stopped using or are not using mobile money services.
- Understand barriers to and triggers for uptake and use of mobile money.
- Understand participants' financial behaviors and current pain points and identify potential for new digital services.
- Map common transactions to see where mobile money services can facilitate financial inclusion

Key Research Questions

- If and how does digital literacy affect the use of mobile money services?
- Why did lapsed users stop using mobile money?
- Are nonusers aware of mobile money services? If yes, why they are not using them?
- What routine financial transactions do participants conduct, what goods and services do they buy, and how do they make those financial decisions?
- Which of these transactions are the most difficult to conduct?
- Can mobile money serve participants' daily transaction needs, and, if so, how?

Participant Profile and Selection

- Fieldwork took place between Nov. 30 and Dec. 19, 2013.
- Prior to the selection of specific districts, researchers selected two large regions in Tanzania, which showed the highest rates of mobile money use based on the outcomes of the FITS 2013 panel study: Coastal region (Dar es Salaam and surrounding areas) and the Lake region (Mwanza and surrounding areas).
- Within each region, we listed all districts covered by the FII national survey.

- One urban center in each region was selected purposively: Dar es Salaam for the Coastal region and Mwanza for the Lake region.
- Other districts in each region were selected randomly from the list of districts covered by the FII national survey.
- The age group for all participants was 25-34.
- There were eight participants in each focus group, with the exception of one group that had seven participants.

Agent interviews, consumer exit interviews and mystery shopping exercises

Airtel Money, Tigo Pesa, Vodacom M-Pesa and Zantel Ezy Pesa agents were represented in all three research elements.

Objectives:

- Mobile money agent in-depth interviews, customer exit interviews and mystery shopping exercises were conducted to provide a triangulated analysis of user experiences at cash-in-cash-out (CICO) points.
- The study focused on the dynamics between the mobile money provider, the agent and the customer at the agent location.
- The analysis aimed to highlight key barriers to uptake and registration, and best practices that stimulated continued use.
- The findings provide insights on potential provider- and agent-led improvements that can help agents better meet customer needs.

METHODOLOGY I: CONSUMER EXIT INTERVIEWS

50 one-on-one interviews were conducted.

Key research questions:

- How satisfied are customers with the service they received?
- How knowledgeable and helpful are agents in resolving problems?
- What does the agent do well?
- What are the routine problems they face while transacting with an agent?

- What can agents and providers do to provide better customer service?

Selection:

- Regions were selected based on mobile-money-use rate, according to the FII national survey (high-use areas).
- Districts were randomly selected from FII national survey locations in three key regions: Dar es Salaam, Mwanza and Arusha.
- Exit interviews were conducted with every 2nd customer leaving a specified agent location after conducting a mobile money transaction.
- fspmmaps.com was referenced for selecting agent locations against the following criteria:
 - ✓ Agents of the four main mobile money providers;
 - ✓ 30 urban and 20 rural agents;
 - ✓ A range of agent premises (e.g., shop, stand, umbrella).
- We found instances where selected agents were no longer active and required replacement.
- We found instances where selected agents were no longer active and required replacement.

METHODOLOGY II: MYSTERY SHOPPING EXERCISES

50 anonymous customer interactions were conducted.

Scenarios:

- Unregistered sending
- Registered, want to send
- Inactive, registered, lost PIN
- Receiving money
- Registered, sent money to the wrong number

What did the scenarios test?

- Do agents encourage or discourage registration?
- Do agents provide adequate support for customers to register?

- How knowledgeable and helpful are agents in resolving problems?
- Do agents provide good service when customers need assistance (e.g., when they have sent money to the wrong number)?
- Do agents ask for customers PIN or charge extra fees?
- What are key problem areas at agent locations and how can agents improve service?

Selection:

- Regions were selected based on mobile-money-use rates, according to the FII national survey (high-use areas).
- Districts were randomly selected from FII national survey locations in three key regions: Dar es Salaam, Mwanza and Arusha.
- fspmmaps.com was referenced for selecting agent locations against the following criteria:
 - ✓ Agents of the four main mobile money providers;
 - ✓ 30 urban and 20 rural agents;
 - ✓ A range of agent premises (e.g., shop, stand, umbrella).
- We found instances where selected agents were no longer active and required replacement.
- Both single- and multiple-provider agents were selected as part of the study.

METHODOLOGY III: AGENT IN-DEPTH INTERVIEWS

50 one-on-one interviews with agents were conducted.

Key research questions:

- Who is the agent's customer base?
- What are the key issues and problems agents face in interacting with their customers and providing mobile money services?
- Are agents adequately supported by mobile money providers in conducting mobile money business?
- What does the agent think the providers can do better to support agents and their customers?

- Do agents think mobile money is a good business venture?
- What do agents need in order to provide better service?

Selection:

- Regions were selected based on mobile-money-use rate, according to the FII national survey (high-use areas).
- Districts were randomly selected from FII national survey locations in three key regions: Dar es Salaam, Mwanza and Arusha.
- fspmaps.com was referenced for selecting agent locations against the following criteria:
 - ✓ Agents of the four main mobile money providers;
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 - ✓ A range of agent premises (e.g., shop, stand, umbrella).
- We found instances where selected agents were no longer active and required replacement.
- Both single- and multiple-provider agents were selected as part of the study.

Glossary

Active mobile money/bank account holder – An individual who has a registered mobile money account or a bank account and has used it in the last 90 days.

Active mobile money/bank user – An individual who has used mobile money/a bank in the past 90 days, either through a personal, registered account or through someone else’s account.

Basic use of banking services – Includes transactions such as depositing and withdrawing money, person-to-person transfers.

Below the poverty line - In this particular study, adults living on less than \$2.50 per day (at 2005 purchasing power parity), as classified by the Grameen PPI.

Digital financial services (DFS) – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). For this study, digital financial services include bank services and mobile money services.

Formal financial services – services offered by financial institutions that are regulated by state. These institutions include commercial, development banks as well as specialized non-bank financial institutions (NBFI) such as post banks, savings and loan companies, deposit-taking microfinance banks.

Grameen Progress out of Poverty Index (PPI) – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.

Informal financial services – services offered by groups and associations that are not regulated or supervised by state, such as Esusu associations, savings collectors, village savings groups.

Interoperability – The ability of users of different digital financial services (e.g., Safaricom M-PESA, Airtel Money and bank accounts) to transact directly with each other through interoperable platforms.

Lapsed mobile money/bank user – An individual who has used mobile money/a bank at some point in the past, but has not done so in the last 90 days.

Mobile money – A service in which a mobile phone is used to access financial services.

Mobile money agent – A person or business contracted by a mobile money provider to offer services to mobile money customers.

Microfinance Institution (MFI) – A financial institution specializing in banking services for low-income groups or individuals. A microfinance institution provides account services to small-balance accounts that would not normally be accepted by traditional banks, and offers transaction services

for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

MNO – Mobile network operator, a wireless communications services provider that owns or controls all the elements necessary to sell and deliver services to an end user including radio spectrum allocation, wireless network infrastructure, back haul infrastructure, billing, customer care, provisioning computer systems and marketing and repair organizations.

MVNO – Mobile virtual network operator, a wireless communications services provider that, unlike MNO, does not own the wireless network infrastructure over which the MVNO provides services to its customers.

Over-the-counter use - Using DFS through an agent's account. This is a type of unregistered use.

Unregistered user – An individual who uses DFS only through someone else's account, such as a friend, family member or agent.

Value-added services– DFS transactions that go beyond simple deposits, withdrawals, money transfers and airtime top-ups.

Endnotes

¹ The Maya Declaration is the first global and measurable set of commitments by developing and emerging country governments to unlock the economic and social potential of the 2.5 billion ‘unbanked’ people through greater financial inclusion. More than 90 such countries – representing more than 75 percent of the world’s unbanked population – have supported the Declaration. Each country makes measurable commitments in four broad areas that have been proven to increase financial inclusion (<http://www.afi-global.org/maya-declaration>).

² <http://www.afi-global.org/blog/2014/07/23/tanzania-hits-financial-inclusion-target-early-due-mobile-surge>

³ NatFIn Framework pages 19-21

⁴ NatFIn Framework page 13

⁵ A situation in which one party in a transaction has more or superior information compared to another. This often happens in transactions where the seller knows more than the buyer, although the reverse can happen as well. Potentially, this could be a harmful situation because one party can take advantage of the other party's lack of knowledge (<http://www.investopedia.com/terms/a/asymmetricinformation.asp>).

⁶ Ibid 11-12

⁷ Ibid 16-17

⁸ <http://www.ippmedia.com/frontend/index.php?l=65633>

⁹ <http://www.cgap.org/blog/tanzania-ready-interoperability-mobile-money>

¹⁰ <http://www.mobileworldlive.com/mobile-money-tracker>

¹¹ <http://www.telegeography.com/products/commsupdate/articles/2014/04/14/smart-telecom-enters-crowded-tanzanian-mobile-market/>

¹² <http://www.busiweek.com/index1.php?Ctp=2&pI=533&pLv=3&srI=%2069&spI=&cI=11>

¹³ http://www.csrwire.com/press_releases/36806-First-Access-and-Vodacom-Tanzania-Ink-Financial-Inclusion-Deal

¹⁴ <http://www.reuters.com/article/2014/02/24/tanzania-tigo-idUSL6N0LT2W120140224>

¹⁵ <http://www.mobileworldlive.com/mobile-money-tracker>

¹⁶ <http://www.busiweek.com/index1.php?Ctp=2&pI=590&pLv=3&srI=49&spI=27&cI=10>

¹⁷ <http://www.busiweek.com/index1.php?Ctp=2&pI=793&pLv=3&srI=49&spI=27&cI=10>

¹⁸ <http://in2eastfrica.net/bank-of-africa-tanzania-introduces-b-mobile-banking/>

¹⁹ <http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18>

²⁰ InterMedia’S Financial Inclusion Tracker Survey (FITS) in Tanzania, 2012.



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