Digital Financial Services through Mobile Phones: Status and Challenges Faced by Rural Women in Tanzania

By

Lanta Daniel
Dennis Mwighusa,
Bitrina Diyamett

Working Paper DFSP-TT-007

Bringing Rigour and Evidence to Economic Policy Making in Africa

AFRICAN ECONOMIC RESEARCH CONSORTIUM
CONSORTIUM POUR LA RECHERCHE ÉCONOMIQUE EN AFRIQUE

Digital Financial Services through Mobile Phones: Status and Challenges Faced by Rural Women in Tanzania.

By

Lanta Daniel
Science, Technology, and Innovation Policy Research Organization (STIPPRO)

Dennis Mwighusa
Science, Technology, and Innovation Policy Research Organization (STIPPRO)

Bitrina Diyamett
Science, Technology, and Innovation Policy Research (STIPPRO)

AERC Working Paper DFSP-TT-007
African Economic Research Consortium, Nairobi
February 2025

THIS RESEARCH STUDY was supported by a grant from the African Economic Research Consortium. The findings, opinions and recommendations are, however, those of the author and do not necessarily reflect the views of the Consortium, its individual members or the AERC Secretariat.

Published by: The African Economic Research Consortium

P.O. Box 62882 - City Square

Nairobi 00200, Kenya

Abstract

Financial services are key to economic growth and societal well-being, boosting access to credit, savings, and overall development. Despite progress in mobile phone and mobile money adoption in Sub- Saharan Africa particularly Tanzania, financial exclusion in the country remains high compared to other East African countries, with significant gender and urban-rural disparities. This study examines digital financial inclusion in Tanzania, focusing on rural women's experiences and challenges. Using focus group discussions and policy analysis, the study highlights major gaps in awareness, usage, and understanding of mobile money services, as well as overlooked policy aspects. Key findings reveal that while awareness of digital financial services is widespread, rural communities—especially women—lack a thorough understanding of these services. This gap in comprehension limits their usage, indicating that mere awareness is insufficient. The study underscores the importance of tailored interventions, such as community engagement, capacity building for agents, and targeted policy frameworks, to address these challenges. Recommendations are provided for both the public sector and the private sector on how to enhance financial inclusion, ensuring that no one is left behind in the digital financial landscape.

Key words: Financial Inclusion, Rural women, Digital Financial Se

1. Background

Financial services wield significant influence over the advancement of any economy, yielding both societal and economic impact (Levine, 2005). On the societal front, financial services broaden credit accessibility, foster household savings, and enhance overall well-being. Economically, these services possess a multifaceted role. They function as a foundational infrastructure, fuelling economic endeavours across diverse sectors, facilitating foreign direct investments, and holding critical relevance in employment dynamics (UNCTAD, 2021; Levine, 2005; BOT, 2013). As a result of this centrality of financial services to the overall growth of an economy, financial inclusion is paramount.

Financial inclusion operates as the engine of economic growth. Until a state is achieved where everyone, including women and rural communities, can readily access these services, the anticipated momentum of economic growth remains unrealized. The World Bank's adopted definition of financial inclusion rests on the principle that all individuals and businesses should have access to financially viable and affordable products and services, aligned with their needs encompassing transactions, payments, savings, credit, and insurance. Furthermore, these offerings should be provided in a responsible and sustainable manner.

In today's digital-centric world, where progress hinges on digitalization, attaining financial inclusion without a well-functioning telecommunications sector proves challenging, particularly for developing economies. Delving into the realm of financial inclusion literature, particularly in contexts like sub-Saharan Africa, a noteworthy surge in financial inclusion becomes evident, with the telecom sector, notably mobile money services, making substantial contributions. In Tanzania, mobile phone access encompasses 88% of the population, translating to 45% ownership of mobile money accounts (Findex, 2021; GSMA, 2023). Notably, formal financial service adoption rose to 65% in 2017, marking an increase from 57.7% in 2013, closely linked to the expanding mobile phone penetration. Furthermore, active mobile wallet growth surged to over 21 million, held by 16.6 million Tanzanian adults (Mushi et al, 2017). By 2021/22, the tally of active mobile money wallet accounts had ascended to 34,971,596 (BOT, 2022).

However, despite this substantial overall growth, the World Bank reports a 6% gap between women's and men's in in account ownership in developing economies and for Tanzania, this percentage gap stands at 9% in 2021 (Findex, 2021; GSMA, 2023). A study by Demirgüç-Kunt and colleagues also indicates a strong relationship between gender and financial inclusion. The study explained further that being a woman increases the chance of being financially excluded (Demirgüç -Kunt, et al. 2022). Additionally, exclusion is also seen in terms of location whereby, while only 39 percent of rural population are most likely to own mobile money account, this number stood at 54 for the urban population (Findex, 2021).

These exclusions manifest in various dimensions, including socio-economic status, gender, and urban-rural divide. As underscored by the aforementioned data, being a rural-dwelling woman compounds these disadvantages.

Quantitative studies that have been widely done has provided general answers to issues leading to this exclusion. For Tanzania, the issue of unawareness of the services and how they are understood and perceived has been shown to be one of the major obstacles for usage gap and hence exclusion (Ndanshau & Njau, 2021; Mosha N & Kyando V, 2021; Lotto, 2018; Ahmed and Jianguo, 2014; GSMA, 2013). Henceforth, further in-depth studies through qualitative approach are of a great value to further dissect this issue for deeper understanding and provide recommendations for solutions that are context specific to the rural women residing in Tanzania.

With the above background, this study is an attempt to enhance our in-depth understanding of the obstacles behind the financial exclusion of rural women in Tanzania while comparing to men and those from urban areas and provide remedies through appropriate policy options that accelerate financial inclusion for Tanzanian rural women. The study will specifically look at level of awareness of the existence of financial services products that are at rural women disposal, perception and level of usage and challenges faced. Specifically, to

1. Assess women knowledge of the existing mobile digital financial services available through mobile phone
2. Find out women perception on the available mobile digital financial services
3. Find out level of usage and challenges for uptake
4. To assess policy and regulatory framework for suitability for inclusion.

In the following section, the paper gives an extensive literature review on the subject. The third section comprises of the research method used while the fourth section will present and discuss data obtained. Policy analysis section and conclusion and recommendation will be presented in the fifth and sixth sections respectively.

2. Literature review

There exist various definitions as to what financial inclusion is, depending on the context in which those definitions emerge. Beck and colleagues define financial inclusion as a state in which everyone can access a range of quality financial services at affordable prices in a convenient manner (Beck *et al*. 2007).The Government of Tanzania through its national financial inclusion framework define financial inclusion as a regular use of financial services by individuals and businesses through financial infrastructures to save, manage cash flows, invest in productive capacities and mitigate shocks, which are delivered by formal providers through a range of appropriate solutions with dignity and fairness (NFIF, 2017). In a nutshell according to various existing definitions, the notion of financial inclusiveness is tied to the ability of everybody in the society the -rich or poor, male or female and urban or rural - to be able to have access to financial services that are appropriate to their context and thereby promoting the "leaving no one behind" spirit of SDGs.

Generally, there is ample literature, both empirical and theoretical, that shows the contribution of financial inclusiveness in the overall economy both economically and socially (Pagano, 1993; Levine, 2000; Henry, 2000; Klein and Olivei, 2008; Levine, 1997). Financial inclusion allows optimal allocation of the resources and improves living conditions of the poor and the marginalised by making access to finance easy for them. Several studies have shown great contribution of financial inclusion to households and business (Ashraf, 2009; Banerjee et al., 2015; Aportela, 1999).

In Soumare et al 2016 study on Analysis of the determinants of financial inclusion in Central and West Africa, it was pointed out that without financial inclusiveness, the poor will continue to use their own limited savings to finance their living and businesses therefore stuck in the vicious circle of poverty. The paper further pointed out the individual characteristics of financial inclusion and grouped them into four groups: (i) the potential determinants of owning a formal bank account; (ii) having saved in past 12 months, (iii) having borrowed in past 12 months; and (iv) the frequency of use of the account (Soumare et al, 2016). The nexus between financial inclusion and economic growth is also supported by Kanga et al, (2022) who explained that while the invention of new products and processes is an important source of productivity growth, it is their diffusion – meaning how inclusive they are - that has the largest impact on the level of economic development and living standards. Therefore, the new technologies in the financial services sector have the potential to enhance financial inclusion.

On the other hand, Sarma (2012) indicated that financial inclusion is divided in three distinct but related factors. These are the penetration of the financial service providers, the availability of the financial service and lastly the ability of the users or customers to be able to consume the services. Indeed, the presence of the service providers and the ability of the services will not give the desired effect if there is a limited usage by the final consumers. So as Sarma pointed out, the three named determinants are a must have and one cannot function without the other two for financial inclusiveness to be achieved.

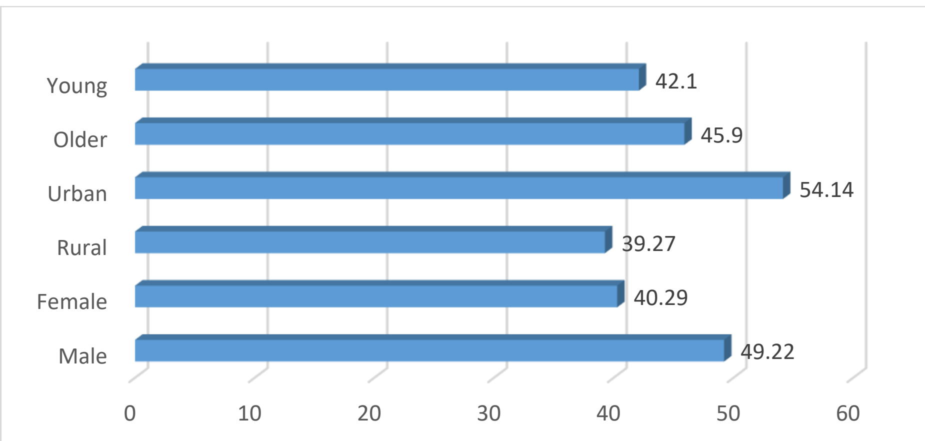
It is worth noting here that financial exclusion or the state of being excluded can also be a choice of the potential end user and not lack of access. Voluntary exclusion can be a result of the individual not seeing the potential of having the services or because there is a close family member that has access to those services, and hence they can indirectly benefit from family members (Beck *et al*., 2009). On the other hand, involuntary exclusion happens when there are obstacles beyond one ability that prevent them from accessing those services. It could be a result of lacking proper documentation or not being able to afford the costs associated (Beck *et al*., 2007; Allen *et al*., 2016)

A study by Aron highlights the advancement in technology as one of the most effective tools in bringing inclusiveness in the financial sector (Aron, 2015). The recent integration of the Fintech systems with the National ID and the banking systems has enabled informal financial services and people in the informal sector to be mainstreamed in the formal financial system. This has been made possible with the current expansion in digital transformation and use of communication technology, where a new avenue of financial deepening has been made possible with mobile phones. Aron in his paper on “Leapfrogging: a Survey of the Nature and Economic Implications of Mobile Money”, talks about how technology in the telecom sector through mobile money has advanced so much, “leapfrogging “the provision of traditional banking services (Aron, 2015). With mobile money services, individual who for one reason or another cannot or do not own bank account can now be financially included through their mobile money accounts by the MNOs. This technology has been able to resolve various financial service issues arising as a result of weak institutional infrastructure of conventional banking. The inclusive feature of mobile money is that end users can do transaction with their mobile phones through MNOs and not necessary required to have bank account, which means they are able to now bypass some difficult conditions needed in order to access bank account with a financial institution (Aker and Mbiti, 2010). Moreover, mobile technology has the ability to improve financial inclusion not only through the mobile money and the remittances but also through easy facilitation of business information, communication and management (Aker and Mbiti, 2010)

By end of June 2021, active mobile money accounts in Tanzania ha reached 31.5 million as compared to 8.9 million in 2013, and mobile money transactions increased by 29.9 percent in volume and 34.6 percent in value compared with 2019/20 (BOT, 2021). This development in the mobile phone sector has created room for mobile phone financial services which can take on board a broad spectrum of its users. The mobile financial services can cater for the poor and low-income groups, people of all gender and those living far from the vicinity of convectional banking services who would otherwise have been excluded in the formal financial system. With mobile phone, users can do transactions, save, borrow and have access to bank accounts through sim banking.

Literature has widely given evidence of a gap between men and women and that of rural and urban when it comes to financial inclusion. Women have been shown to less likely be included financially compared to men. In 2018, a study by Demirgüç-Kunt showed that only 27% of adult female and 38% of adult males in sub-Saharan Africa had bank accounts at a formal financial institution (Demirgüç-Kunt et al., 2018). In Tanzania this gap stands at 9%. The Global Findex Database 2021 also continue to indicate that mobile money account users stand at 40% and 49% for females and males respectively (Global Findex, 2021). The gap also stands at 39% and 54% for rural and Urban respectively (see figure 1). A report by Oliver Wyman further indicated that at least $700 billion in revenue is lost yearly by the financial service providers for not serving women customers (Wyman, 2019).

Fig 1: Mobile money account users for Tanzania



Sources: Global Findex Database 2021

Iskenderian in her book '*There's Nothing Micro about a Billion Women: Making Finance Work for Women*' pointed out lack of access to identification documents as being one of the obstacles that prevents women from being financially included. Other obstacles included lack of property ownership as collateral and lack of financial and digital literacy.

In three studies by Lusardi et al, (2014) it was shown that men are more financially knowledgeable compared to women both amongst the older respondents as well as the young ones (Lusardi, Mitchell, and Curto, 2010; Lusardi and Mitchell, 2009; Lusardi and Tufano, 2009). It was further elaborated that even though women are more likely to incorrectly answer the financial literacy questions, they are also more likely to admit that they do not know the answers to the questions asked (Lusard et al, 2014). In trying to explain gender differences in financial literacy, some studies concluded that traditional explanation may not fully explain this gap. While Fonseca et al. (2012) suggested that men and women might be acquiring financial literacy differently, Bucher-Koenen et al. (2012) brought in the "self-confidence" card as one of a major factor explaining the gap.

Iskenderian (2022) also pointed out the fact that it is hard for financial service providers to cater for all customer segments especially women since they do not collect gendered data that inform them of the type of services that might be excluding some customers.

Another study by the Grameen foundation (2013) on use of mobile financial services among poor women in rural India showed that Indian women are far less likely compared to men in usage of formal financial service providers or have access to formal products. It was further indicated that lack of confidence in their abilities persists even when they have received trainings. In another study from Uganda, the survey showed that men were more welcoming to mobile money services like saving and other financial transactions as compared to women (Chamboko et al. 2018).

In this study on understanding the challenges and harnessing the opportunities for women in digital financial services in Sub-Saharan Africa, the authors further elaborated that women were more likely to use informal services, indicating that formal services lack the value that informal services continue to provide.

Tanzanian data from the 2021 Global Findex on usage also shows this gap between men and women and amongst rural and urban population (see figure 2, 3 and 4).

Fig 2: Mobile Money Usage in selected services in Tanzania
Source: Global Findex Database 2021

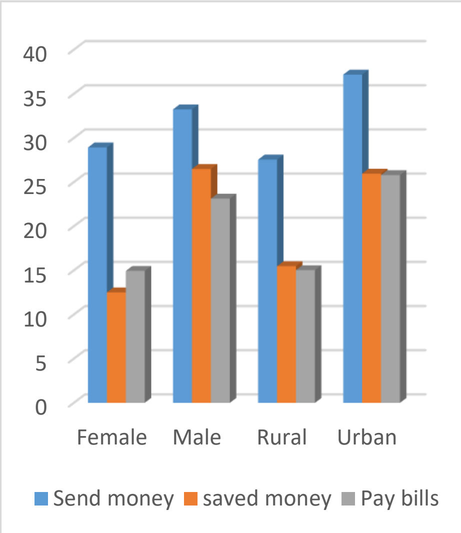


Fig 3: Usage of mobile phone to send money in Tanzania
Source: Global Findex Database 2021

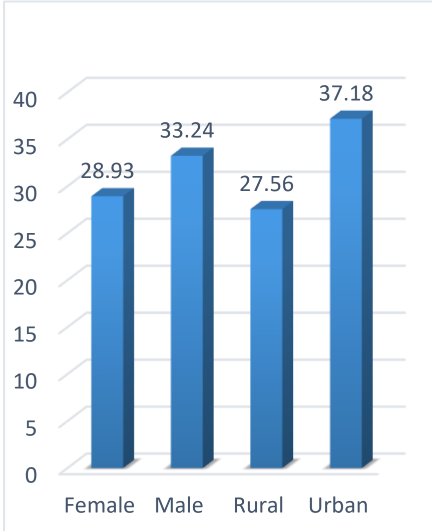
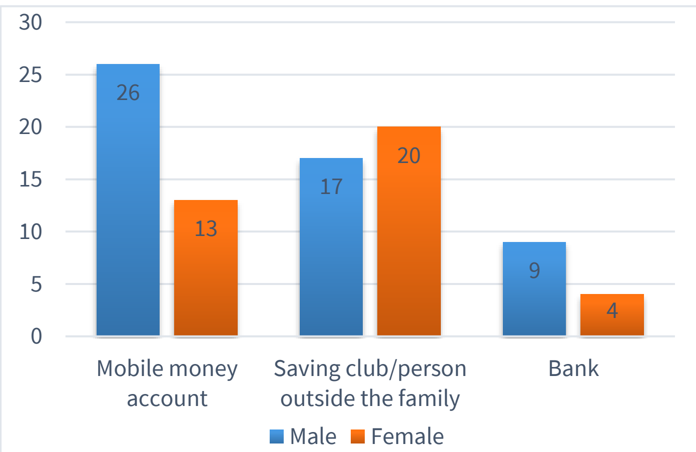


Fig 4: Percentage in saving methods in Tanzania
Source: Global Findex Database 2021



In an attempt to plant new understanding to rural women on the digital financial inclusiveness, the traditional microfinances that are located in those areas could be good agents. But again, such institutions may find it difficult to change their traditional models and adopt digital transformation of financial services to make use of mobile money services.

A study by Ndanshau and Njau on Demand-Side Determinants of Financial Inclusion in Tanzania reveals that insufficient money and unawareness of the financial services that are at one's disposal were the most common barriers to financial inclusion in Tanzania (Ndanshau & Njau, 2021). This is also the case in central and West Africa in Central and West Africa where lack or less liquidity is the key barrier to access formal finance, followed by the high costs of financial services, (Soumaré et al, 2016)

Additionally, a study by GSMA shows that barrier to adoption of the mobile financial services include Low awareness and understanding of the availability, value and benefit. Even though men and women face the same challenges when it comes to mobile financial services, women tend to experience similar challenges in a more acute way (GSMA 2013). The study further dissected the journey to adopting mobile financial services where six stages were highlighted. These are 1) unawareness stage where a customer has never heard of the mobile money services, 2) awareness stage, 3) understanding stage where now the customer knows the usefulness of the services, 4) knowledge stage where one knows the steps to transact, 5) trial stage and lastly 6) regular use stage.

From the above diverse review of literature from different contexts and information from data specific to Tanzania, the level of awareness and how the potential users perceive these services is key when it comes to usage. The information from literature have also been largely quantitatively derived to give us a broad picture of how things are. In the next sections, this work dwells further in qualitative data that is specific to Tanzania to further get an in depth understanding on the subject matter specifically looking at the status of inclusion/exclusion of the Tanzanian rural women and the role that policy plays in the process – policy aspect seems to be something that has largely been overlooked in the reviewed literature. The work will seek further on the level of awareness of rural women on the existence of mobile financial services, usage and challenges faced and compare them with males and urban population. Specifically, to assess 1.) Rural women knowledge of the existing digital financial services available through mobile phone, 2) rural women perception on the available digital financial services, 3) level of usage and challenges for uptake and lastly 4) policy and regulatory framework for suitability for inclusion.

Theoretical and Conceptual framework

What really drives the usage of mobile phone digital financial services? To understand this, the study is using extended technological acceptance model (ETA) along with a concept from a study by GSMA (2013) highlighting mobile financial services adoption journey to must evolve through six stages where awareness is a crucial stage leading to usage (GSMA, 2013).

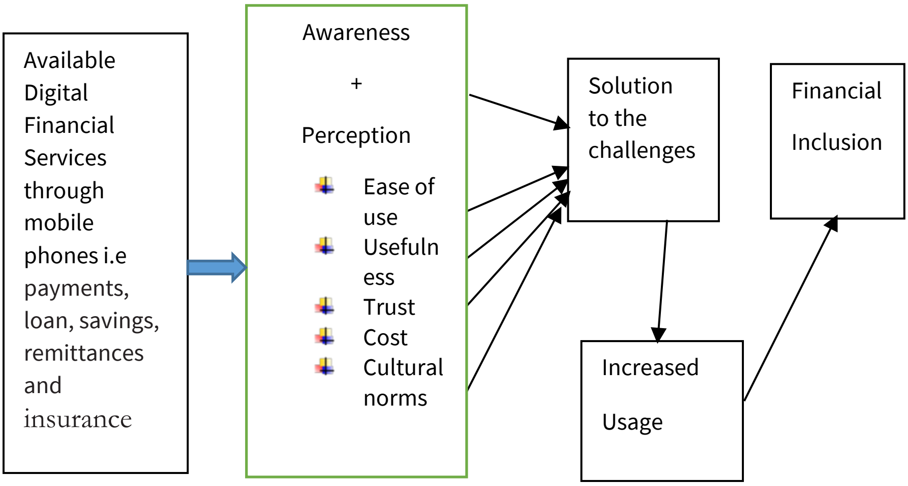
According to GSMA (2013), mobile financial services adoption follows a journey through six stages, each of which plays a vital role in the overall process. The journey begins with "awareness," where individuals become conscious of the existence of mobile financial services. This stage is essential as it lays the foundation for the subsequent stages, eventually leading to actual usage of these services.

Meanwhile, the Extended Technological Acceptance Model, often referred to as ETA, is a powerful framework that helps us understand and predict how individuals perceive and accept new technologies (Venkatesh & Davis, 2000). This model builds upon the original Technology Acceptance Model (TAM) and extends its scope to include additional factors that influence people's attitudes towards adopting new technologies.

For the digital financial product to be able to penetrate well to the intended users, the extended technological acceptance model can be used to explain its path. ETA comprises several interconnected components that influence one another. These components include 1) Perceived Usefulness which refers to an individual's belief that a technology will enhance their performance or make their tasks easier to accomplish and 2) Perceived Ease of Use which gauges how effortless a person believes it is to learn and use the technology. Various other studies have also pointed out the determinants of increased usage of a technology to include ease of use, usefulness, cost of its usage, subjective norms, trust in terms of safety and reliability among others. (Chowa, 2014; De Leon, 2019; Islam, 2016). All these are embedded in perception.

Hence, this study employs both the concepts of awareness from GSMA (2013) and perception from ETA model as crucial factors influencing the utilization of digital financial services. The underlying idea is that addressing the obstacles related to awareness and perception regarding these digital financial services will contribute in to increased usage by consumers, thereby promoting financial inclusion.

Fig 5. Conceptual Framework



Source: Authors own construction adopted from Venkatesh & Davis, 2000; Chowa, 2014; De Leon, 2019; Islam, 2016 and GSMA, 2013

3. Methodology

To meet the objective of this study regarding getting an in-depth understanding on awareness, perceptions and usage of financial services that are found in the mobile phones, qualitative data was used. Policy analysis was also used in dissecting the policy in place and asses on issues around women usage of digital mobile financial services especially those that are found on mobile phones.

Qualitative analysis

Information was collected from 6 focus group discussions (FGD) to get in depth information about issues concerning women's awareness, perception and usage of digital financial services that are available via mobile phones. Participants of these FGD were purposively selected to be those owning a mobile phone and are engaging in economic activities that earns them income. This was done in order although the study focuses on women in rural areas, the study also comprises of groups of men both from rural and urban and across different age groups and that of urban women. Groups of younger participants comprises of those aged below 30 years and older groups were above 30 years. This mix of group gives room for comparative analysis. Each FGD comprised of 15 women or men living in rural or urban setting. The rural area chosen was Bukoba District on the Northeast of Tanzania and the urban groups ware from the Tanzanian commercial city Dar Es Salaam.

Questions for the interview guide were divided into three segments each following the first three research objectives and were addressed in a free-flowing way. The focus group discussion lasted between 1.5 and 2 hours, depending on the amount of information each group had.

Fig 6: The composition of the focus groups is shown in the table below

Female Groups	Male Groups
1 group with rural older women who own a mobile phone	1 group with rural older men who own a mobile phone
1 group with rural young women who own a mobile phone	1 group with rural young men who own a mobile phone
1 group with urban women who own a mobile phone	1 group with urban men who own a mobile phone

After the FGD, information obtained was subjected to content analysis. Data on each subtopic were grouped together differentiating feedback from each of the six groups.

Policy analysis

This was done by analyzing the policies governing the digital financial services sector and highlighting key issues related to digital financial inclusion for women in rural areas. The policy particularly zeroed in is the National Financial Inclusion Framework, 2018-2022 and aligned with findings from the Focus Group discussions.

4. Findings and Discussions

This section comprises the empirical results from the Focus group discussions (FGD) reflecting the research objective of the study and the analysis of the existing government policies. The focus groups comprised of six groups; women from the city, men from the city, young female from the rural, young men from the rural, older female from the rural and older men from the rural as set out in figure 2 above. The discussions were meant to dig deeper on rural women's awareness, perception and use of digital financial mobile services that are accessed via their phone and make comparison with other groups of users from the cities and also the males. Figure 7 shows a snapshot of the FGD findings which are further discussed in the subsections that follows.

Fig 7: FGD overview

	RURAL				**URBAN**	
	WOMEN		MEN		WOMEN	MEN
	Above 30 Years	Below 30 Years	Above 30 Years	Below 30 Years	Above 30 Years	Above 30 Years
Awareness	-Can name at least 7 services. - 4 of the services were understood	-Can name at least 7 services. 4 of the services were understood	-Can name at least 7 services. 4 services were understood	-Can name at least 7 services. 4 services were understood	-Can name at least 7 services. -Can explain at least 7 services.	-Can name at least 7 services. -Can explain at least 7 services.
Perception	-Difficult understanding menu - useful services -high costs -have confidence with safety of the services -no cultural barriers	- easy to use - useful services -high costs -have confidence with safety of the services -no cultural barriers	-Confusing dialling codes - useful services -high costs -have confidence with safety of the services -no cultural barriers	- easy to use - useful services -high costs -have confidence with safety of the services -no cultural barriers	- easy to use - useful services -high costs -have confidence with safety of the services -no cultural barriers	- easy to use - useful services -high costs -have confidence with safety of the services -no cultural barriers
Usage	Most used Send and receive money Average frequency 4 in 1moth saving method Saving groups	Most used Send and receive money Average frequency 2-3 in a moths saving method Saving groups	Most used Send money, loan, buy airtime Average frequency 4 in 1month saving method own saving at home	Most used Send money, buy airtime Average frequency 2-3 in 1moths saving method own saving at home	Most used Send receive loan and bill payment Average frequency 8 times in 1moth saving method Saving groups	Most used Send receive loan and bill payment Average frequency 11 in 1month saving method -Own saving at home -Bank

Awareness of the financial services that can be accessed through mobile phone

When asked during the FGD if they are aware of the kind of financial services that are available from their phone, it was found that rural women who own mobile phone - both young and older one - are very aware of the existence of various financial services that are available through their mobile phones. This was the same in all the six groups with a variation of the kind of services and products that were well known.

While sending and receiving money, purchasing airtime, and accessing loans were well understood by all groups, insurance services remained largely unknown to rural groups, regardless of gender or age. Like urban groups, rural groups—both male and female, across all ages—were able to name many of the digital financial services available on their mobile phones. The difference between the urban group and the rural ones was on elaborating the function of this services. Although rural groups, regardless of gender and age, could name and list various digital financial services, they were unable to explain them in detail or describe their functions. The reason for this is that they have been receiving advertisement messages about these services on their phones but could not fully grasp their functions; they were only aware of the names of these products. On the other hand, urban men and women could generally explain the functions of these financial products in detail, depending on the telecom company associated with their SIM card.

When asked about Mobile Banking, the urban groups both female and male acknowledged to be aware of the service and understood how it functions and majority of them have been using it. "*It is the most convenient financial technology ever for me, I cannot imagine being in a queue at a bank, we were wasting so much time. Now I can just withdraw from my account and send money to someone through my phone in just one minute.*" One of the participants in the urban female group elaborated.

Mobile banking services were also mentioned by rural groups—both men and women across all ages. Despite this awareness, they could not fully elaborate on how these services functions. This is attributed to the fact that most of the rural women do not own bank accounts and hence not in a position to use the sim banking services. This situation aligns with a study by Aker and Mbiti (2010), which highlights that mobile phones enable users to conduct transactions through mobile wallets provided by MNOs, allowing them to bypass some of the difficult requirements needed to access a bank account with a financial institution. "*I know sim banking services are available on my* *phone and that I can withdraw money from bank to my M- Pesa account, but I really do not know where to start if I want to do that and far most, I will need to also have a bank account which I really do not have at the moment"*

Additionally, all the FGD participants, including rural women, had registered for mobile money services. This can be explained by the fact that when SIM cards are purchased, agents instruct users on how to register for mobile money and activate their accounts immediately. Even though the mobile money accounts are active, some rural young men acknowledge that they have never used their accounts, while in the other five groups, all participants have used these services at least once. This finding is supported by Beck et al. (2007), who suggest that people may face no barriers to accessing financial services but may simply choose not to use them. Having a mobile phone alone does not necessarily equate to financial inclusion.

Perception on financial services through mobile phone

In the inquiry on the perception of these services and their ease of use, older rural women raised the issue of being able to read and understand the choices on the menu, even if they can read. The only options that were easily understood were those for withdrawing money from agents and sending money to another number. One of the participants narrated that

"*When you dial mobile money menu number you can find up to seven or nine options to what you can do in the accounts, but I can't make sense of all of them, I only know how to withdraw my money from the agent and how to send money to another number*"

Another one added that

"*I do not understand why they send messages and information messages in English while we speak Swahili and English is a foreign language to us*"

While options for choosing the language are available, the technicality of how to do that came up as one of the issues especially for the rural older males and female as compared to the rest of the groups.

While language seemed to pose more difficulties in the ease of use of mobile services for older rural women than for men, inconsistency in dialing codes for mobile money accounts across different telecom companies posed a difficulty for older rural men. One respondent explained

"*Due to finding cheaper prices for data bundles or voice call bundles we find ourselves owning more than one sim card from different telecom companies. But each company has its own dialling number for mobile money accounts and some even have multiple dialling within the same telecom company, this is most of the time very confusing. I must dial several times to get it right*"

In terms of usefulness, all the groups expressed the time-saving benefits that mobile money provides. There were no differences in perceptions of usefulness across gender, location, or age. The same applied to money safety, as all six groups expressed confidence in the security of their transactions through mobile money.

In terms of cost, regardless of age, gender, or location, the cost associated with using mobile money was consistently regarded as notably high. This outcome can be attributed to the government-imposed levy, which led some mobile money users to avoid conducting transactions through their phones. This observation aligns with a study by Soumaré et al. (2016), which identified elevated costs of financial services in West Africa as a significant barrier to access. As expressed by a participant in the focus group discussions: "*It is way cheaper to take a public transport and deliver money in cash than sending it through mobile money because you are taxed when you send and the one receiving it is also taxed.*"

When asked about the influence of culture on their use of digital financial services, nearly all participants across the six groups stated that their culture does not prohibit the use of these products. They explained that, due to increased exposure and globalization, discriminatory cultural norms have gradually diminished. However, a few young men from rural areas expressed the view that sending money to their elders in person carries a deeper level of respect compared to using digital currency.

Level of usage and Challenges of uptake

In the FGD results, while sending and receiving money through mobile money is widely used across all six groups, the rural groups—both male and female, across all ages—lag behind in their use of insurance services. During the discussions, it became clear that even the concept of insurance itself was not well understood, let alone the idea of being digitally insured through mobile money accounts. Although the urban group had some knowledge of insurance services offered by telecom providers, they were not particularly enthusiastic about their effectiveness, and as a result, few were willing to utilize these services. One of participant had said;

"*I think the telecom companies needs to rethink their way of marketing this service, the current way in use of just calling me in the middle of nowhere wanting to tell me over a long phone call what the service is all about, is really annoying and ineffective*."

Furthermore, although sending and receiving mobile money is the most commonly used service across all six groups, the frequency of usage differs between urban and rural areas and across age groups. Usage is less frequent in rural areas compared to urban areas, and younger rural groups use these services less than older rural groups, regardless of gender. When rural groups were asked about the lower frequency of usage, both young and older women attested that they do not have enough cash flow to engage in frequent transactions.

The FGD findings also revealed that saving is one of the underutilized mobile digital services across all six groups, regardless of gender, age, and location (see also Figure 4). When asked how they save, most women—regardless of location, age, or gender—save through savings groups, where members pool their money together monthly with the expectation of receiving their money back after six or twelve months. With this method of saving, members are then allowed to borrow from the pooled funds and repay the loan with a small interest. This interest is subsequently distributed among the group members at the end of the saving period. In contrast, saving habits differ between men in rural and urban areas. While urban male groups provided mixed feedback on saving in banks or at home, rural male groups exclusively save at home, often in a special box or a hidden location where no one else can see it.

While financial constraints were a major reason for the less frequent use of financial services by rural females, rural males cited not seeing the usefulness of these various mobile financial services as their main reason. One was quoted as saying "*you just do not use a service just for the sake of it, it has to be something useful to consume*"

This calls for new approaches to repackaging these services and innovative marketing strategies that consider the different market segments. It also requires examining traditional ways in which society saves, borrows, insures, makes payments, and handles other financial transactions, in order to create digital products that replicate the most important features of these traditional methods for easier adoption.

The findings from these focus group discussions boil down to two major factors contributing to the gaps among those already owning mobile phones: 1) Information on the services, and 2) Financial constraints. Regarding information on digital financial services, a 2021 study by Ndanshau & Njau also supports this finding. While there were no significant differences in the awareness of available digital financial mobile services across all six groups, the level of understanding of how these services function was low in rural areas.

The results of the discussions revealed a gap in the packaging of information about these digital financial services, as well as in how this information is structured and delivered to potential customers. The current packaging and delivery methods do not adequately serve rural groups, including women. The 'one-size-fits-all' marketing approaches often overlook rural women due to their unique life contexts and varying levels of understanding of these services. Agent-based marketing could effectively address this gap, as agents are closer to the communities they serve and have a better understanding of the local context, enabling more effective communication with potential customers.

Additionally, financial constraints pose a significant gap, where in cities with more money circulation, these services are better understood and more widely used. In contrast, rural areas are limited to using services primarily for sending and receiving money, with lower usage frequency compared to urban areas. This gap is further pronounced among women in rural areas, where their income levels are considerably lower. This finding resonates with a study by Soumaré et al. (2016) on key barriers to accessing formal finance, where, in West Africa, low liquidity was identified as the number one barrier.

Policy and regulatory framework for inclusion

There are a number of policies that touches on financial inclusion including the National Information and Communication Technology Policy (NICTP) of 2016 which among others thing, focuses on access and availability of affordable broadband services [1]; the National Microfinance Policy of 2017 which puts emphasis on distribution channels for digital microfinance services among others [2]; and also the Financial Sector Development Master Plan 2020/21-2029/30.

In this section we focus in on the National Financial Inclusion Framework of 2018 to 2022 [3] and how this has taken consideration to women and more specifically those that are underserved like those in the rural areas. This framework aims at increasing usage of financial services through application of technological solutions. In policy analysis, a policy is set to achieve its mission if the needs it aims to address have been accurately diagnosed and if the strategy and objectives proposed are relevant to those needs, among other factors. Mobile money, being central to financial inclusion, would stand a better chance of realizing its mission if a framework acknowledges and aligns with this central role.

A very crucial point of entry in examining this framework is by first looking at how financial inclusion is defined. The framework defines financial inclusion

---

[1]https://www.ega.go.tz/uploads/publications/sw-1574848612-SERA%202016.pdf
[2]https://mof.go.tz/docs/Policy%20-%20Fedha%20English%203%20(2).pdf
[3]NFIF (2017), National Financial Inclusion Framework 2018-2022, Dar es Salaam, Tanzania;

https://www.afi-global.org/wp-content/uploads/publications/2017-12/NFIF%202018-2022.pdf as “a regular use of financial services by individuals and businesses through financial infrastructures to save, manage cash flows, invest in productive capacities and mitigate shocks, which are delivered by formal providers through a range of appropriate solutions with dignity and fairness.” This definition failed to mention the unserved or underserved group that are generally excluded. With this definition, an increase in number of people who regularly use the financial services regardless of who they are is marked as an achievement in financial inclusion. However, in the other parts of the document, the framework refers to these groups mentioning households, micro, small & medium enterprises, giving special attention to women. Therefore, even though the excluded groups may not be explicitly featured in the definition, the framework acknowledges them and makes special reference to their inclusion. As a result, the blueprint attempts to address and rectify the gap.

Other supporting statements regarding the good intentions of the framework lie in its mission, which is described as a public-private stakeholder initiative aimed at building an inclusive and effective financial system in a coordinated manner. This is significant because the telecom sector, a private sector entity, plays a pivotal role in financial inclusion. Therefore, a joint framework between the public and private sectors stands a better chance of realizing this mission. Additionally, the framework aligns with various national visions and goals, recognizing finance as a key driver of economic growth and poverty reduction. This holistic approach strengthens the framework as a robust guide to achieving financial inclusion.

In diagnosing the problem, this framework acknowledges the high levels of financial exclusion. It further highlights that most excluded groups are people living in rural areas, smallholder farmers, youth, and women, stating, '30% of women are still excluded compared to 26% of men.' This finding aligns with the results from the focus group discussions presented earlier. The framework also emphasizes the importance of women as a key market that warrants increased attention, not merely as a segment to receive preferential treatment. As a result, it focuses on providing financial education and financial literacy programs specifically for women."

The Framework acknowledges the perceived relevance of the products and services at the customers’ disposal as being the main usage barrier. It is further explained that this relevance gap arises both from inappropriate product design as well as from inappropriate communication about the benefits of these products. These obstacles have also been observed in numerous studies that have been carried in the country as well as in the focus group discussions carried out for this study. However, the point on the need differentiation of marketing strategies for various social groups has been left out. During the focus group discussion packaging of information and media for marketing, these products were not effective especially for rural women who live in a different context as compared to urban dwellers or the Males. Other challenges diagnosed by the framework include low levels of general literacy and numeracy, which lead to high financial incapacity, as well as the high cost of financial services and products as perceived by consumers.

In the diagnostic component, the framework has successfully identified the issues it aims to address. The challenges highlighted are backed by research evidence and can be traced to various studies conducted within the country.

In addressing the strategies set to solve the challenges highlighted, the framework indicates that it will focus on providing financial education and financial literacy programs for women, ensuring that all financial service providers (FSPs) submit gender-disaggregated data for analysis, and integrating gender issues into policies and other related national strategies, among others. This statement highlights the framework's focus on financial inclusion for women. It also addresses the challenge of collecting gendered data, as pointed out by Iskenderian (2022) in her book *There is Nothing Micro About a Billion Women*. Furthermore, the framework aims to utilize unique and verifiable identification methods to expedite access to financial services for the underserved and unserved, especially women, by closing information asymmetry in the financial system and addressing existing Know Your Customer (KYC) challenges.

The framework also clearly outlines the envisioned outcomes, their targets, measures, and initiatives to achieve the desired results. Some of these initiatives include the integration of the National Identification Database (NIDA) with financial service providers (FSPs), which will enable unique identification and facilitate the identification of underserved and unserved populations, as well as simplify Know Your Customer (KYC) issues. The framework also outlines specific targets to be reached, providing a baseline for these goals.

However, the framework falls short of its ambition to eliminate exclusion for underserved groups – specifically women and rural residents – which it explicitly mentions and emphasizes in its objectives. This can be observed in the well-defined outcomes and initiatives designed to achieve this, yet the exclusivity or focus on these groups is not evident. Upon reviewing the list of expected outcomes, there is no single outcome that specifically targets women. The only instance where the word 'women' appears in the list of intended outcomes and initiatives is in the measurement variable, where '%

of women who have used financial services within the past year' will be gauged. This metric is tied to the broader outcome of 'All adults save, borrow, transact, and mitigate financial risk.' This outcome is supported by initiatives such as: 1) Developing and implementing responsive and inclusive policies, 2) Encouraging and supporting innovations, and 3) Implementing the National Financial Education Framework.

On the other hand, there is only one initiative that mentions the rural population. The initiative aimed at providing an enabling environment to FSPs to reach the underserved and un-served including creating incentives that drive usage of digital financial services especially in rural area. This was to be achieved by rural electrification. Although it is worth acknowledging how important electricity is for mobile phone usage, the framework could also have more than one initiative directed to the rural population reflecting the priority as stipulated in the early pages of the Framework. These cases show how somehow the focus on the special groups mentioned earlier in the framework got lost on the way towards policy strategies and implementation.

Generally, the ex-ante analysis of this framework on financial inclusion in Tanzania indicates that the framework is good – it is well targeted at addressing the inclusion challenges. However, it misses out focused interventions it was initially meant for. If there are not enough customized and focused initiatives for rural areas, women, and other excluded groups, the financial inclusion achieved as a result may simply reflect an increase in the number of people using financial services, rather than addressing the needs of the underserved.

5. Conclusions and Recommendations

In conclusion, as indicated by various surveys, academic, and policy literature, financial inclusion in Tanzania has gained momentum and improved compared to previous years. While this progress is evident, the level of exclusion, particularly for women in rural areas, remains a significant issue. One of the main reasons for this, as highlighted in the literature, is the lack of awareness and understanding of existing digital financial services. This paper, through qualitative inquiries, has provided deeper insight into this issue.

The results from the focus group discussions gave in-depth context specific information that ascertain the reality that indeed women from the rural setting have lower usage of these services not only in terms of frequency of usage but also in the variety of services used. Limited understanding of the services that they can access came out as one major factor. Although focus group participants could mention names of various products, they could not explain what the functions of these product are and what could be the benefit of using them. It is worth mentioning that FGDs involve a small number of participants, making it challenging to generalize findings to a larger population. The participants' views may not fully represent the broader diversity of opinions and can be influenced by cultural norms, social hierarchies, and power dynamics within the group. Despite these limitations, focus group discussions remain a valuable tool for gathering qualitative insights, especially when used in conjunction with other research methods and secondary information.

Consequently, the National Financial Inclusion Framework, although looks good and indeed has the ambition to improve inclusiveness, the results from the focus group discussions implies that it has missed to focus on context specific intervention in its strategies and implementation in speeding financial inclusion for rural women. This failure is also evident by limited specific plans targeting women and rural residents in the strategies and initiatives highlighted in the framework itself. The unique fine details on how marketing strategies are done and how these products are specified go a long way into making these services inclusive or not.

Reflecting from this study, the recommendations are made to both the private sector in the telecom industry and the Government.

For the private sector

- The service providers are recommended to find a way of efficiently linking up with the underserved, especially those in the rural areas to make sure they understand their financial service needs. This can be done by strengthening the role of agents in the KYC issues and borrowing features from the traditional ways used especially on saving.
- It is also recommended that service providers invest in capacity building of the mobile money agents so that they can also participate in marketing a wide range of financial service products to the mobile money users they serve.
- The service providers are recommended to find effective marketing strategies that are suitable for the underserved, especially rural women. This could be done by increasing female agents in rural areas.

Meanwhile, for the Government

- We propose that policy framework should have specific initiatives and implementation strategies that target different groups of underserved, especially women in rural areas and explicitly mention these targeted groups down to the programmes levels.

- Initiatives on increasing literacy levels both financial and technological should be crafted to reflect the need and context of rural women both in content and media of delivery.
- Policy should provide incentives for the service providers to reach out to rural areas; this can be done by increasing government –to- person payments in forms of wages, social transfers and other payment which drives volume in mobile money usage. The same can be done for person-to-government payments where government receives municipal levy and other payment through mobile money.

References

Ahmed, M. S., and Jianguo, W. 2014. "Financial Inclusion and Challenges in Tanzania." Research Journal of Finance and Accounting 5, no. 21.

Aker, J. C., and Mbiti, I. M. 2010. "Mobile Phones and Economic Development in Africa." Journal of Economic Perspectives 24, no. 3: 207-232.

Allen, F., Demirguc-Kunt, A., Klapper, L., and Peria, M. S. M. 2016. "The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts." Journal of Financial Intermediation 27: 1-30.

Aron. 2015. "'Leapfrogging': A Survey of the Nature and Economic Implication of Mobile Money." Centre for the Study of African Economies, University of Oxford: Oxford, UK.

Ashraf, N. 2009. "Spousal Control and Intra-household Decision Making: An Experimental Study in the Philippines." American Economic Review 99, no. 4: 1245-1277.

Aportela, F. 1999. "Effects of Financial Access on Savings by Low-Income People." Retrieved from https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=7797b4a48434a76aee3fd978cec9a347902b8b77

Banerjee, A., Duflo, E., Glennerster, R., and Kinnan, C. 2015. "The Miracle of Microfinance? Evidence from a Randomized Evaluation." American Economic Journal: Applied Economics 7, no. 1: 22-53.

Beck, T., Demirguc-Kunt, A., and Honohan, P. 2009. "Access to Financial Services: Measurement, Impact, and Policies." World Bank Research Observer 24, no. 1.

Beck, T., Demirguc-Kunt, A., and Levine, R. 2007. "Finance, Inequality and the Poor." Journal of Economic Growth 12: 27-49.

Beck, T., and De La Torre, A. 2007. "The Basic Analytics of Access to Financial Services." Financial Markets, Institutions & Instruments 16, no. 2: 79-117.

BOT. 2022. Annual Report 2021/2022. Bank of Tanzania. https://www.bot.go.tz/Publications/Regular/Annual%20Report/en/2022123017282850.pdf

BOT. 2021. Annual Report 2020/2021. Bank of Tanzania. https://www.bot.go.tz/Publications/Financial%20Report/Financial%20Statements/en/2023010213193397.pdf

BOT. 2013. "Official launch of the National Financial Inclusion Framework: Welcome and opening remarks delivered by Prof. Benno Ndulu, Governor of the Bank of Tanzania." Retrieved from https://www.bot.go.tz/Publications/Other/Speeches/en/2020021122482971247.pdf

Bucher-Koenen, T., Lusardi, A., Alessie, R., and Van Rooij, M. 2017. "How Financially Literate Are Women? An Overview and New Insights." The Journal of Consumer Affairs 51, no. 2: 255–283. http://www.jstor.org/stable/26627408

Chamboko, R., Heitmann, S., & Van Der Westhuizen, M. (2018). Women and digital financial services in Sub-Saharan Africa: Understanding the challenges and harnessing the opportunities

Chowa, G., Ansong, D., and Despard, M. R. 2014. "Financial Capabilities: Multilevel Modeling of the Impact of Internal and External Capabilities of Rural Households." Social Work Research 38, no. 1: 19-35.

Demirgüç-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2022). *The global findex database 2021: Financial inclusion, digital payments, and resilience in the Age of COVID-19*. World Bank Publications.

Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., and Hess, J. 2018. "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution." The World Bank.

De Leon, M. V. 2019. "Factors Influencing Behavioral Intention to Use Mobile Banking among Retail Banking Clients." Jurnal Studi Komunikasi 3, no. 2: 118-137.

Findex. 2021. Global Findex Database. Retrieved from https://www.worldbank.org/en/publication/globalfindex/Data

Fonseca, R., Mullen, K. J., Zamarro, G., and Zissimopoulos, J. 2012. "What Explains the Gender Gap in Financial Literacy? The Role of Household Decision Making." Journal of Consumer Affairs 46, no. 1: 90-106.

FinScope Tanzania. 2023. Survey Report: Finance Sector Deepening

Grameen Foundation. 2013. "Use of Mobile Financial Services among Poor Women in Rural India and the Philippines." Grameen Foundation USA. Retrieved from https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/07/Use-of-Mobile-Financial-Services-Among-Poor-Women-in-Rural-India-and-the-Philippines.pdf

GSMA. 2023. "Advancing Women's Financial Inclusion in Tanzania: The Role of Mobile Money." United Kingdom. Retrieved from https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2023/01/TZA-final.pdf

GSMA. 2013. "Unlocking the Potential: Women and Mobile Financial Services in Emerging Markets." Partnership with Visa Inc. Retrieved from https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2013/02/GSMA-mWomen-Visa_Unlocking-the-Potential_Feb-2013.pdf

Henry, P. B. 2000. "Stock Market Liberalization, Economic Reform, and Emerging Market Equity Prices." The Journal of Finance 55, no. 2: 529-564.

Iskenderian, M. E. (2022). *There's Nothing Micro about a Billion Women: Making Finance Work for Women*. MIT Press, Cambridge Massachusetts.

Islam, K. A., and Salma, U. 2016. "Mobile Banking Operations and Banking Facilities to Rural People in Bangladesh." International Journal of Finance and Banking Research 2, no. 4: 147.

Kanga, D., Oughton, C., Harris, L., and Murinde, V. 2022. "The Diffusion of Fintech, Financial Inclusion and Income Per Capita." The European Journal of Finance 28, no. 1: 108-136.

Klein, M. W., and Olivei, G. 2008. "Capital Account Liberalization, Financial Depth, and Economic Growth." Journal of International Money and Finance 27, no. 6: 861-875.

Levine, R. 2005. "Finance and Growth: Theory and Evidence." Handbook of Economic Growth 1: 865-934.

Levine, R., Loayza, N., and Beck, T. 2000. "Financial Intermediation and Growth: Causality and Causes." Journal of Monetary Economics 46, no. 1: 31-77.

Levine, R. 1997. "Financial Development and Economic Growth: Views and Agenda." Journal of Economic Literature 35, no. 2: 688-726.

Lotto, J. 2018. "Examination of the Status of Financial Inclusion and Its Determinants in Tanzania." Sustainability 10, no. 8: 2873.

Lusardi, A., and Mitchell, O. S. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." American Economic Journal: Journal of Economic Literature 52, no. 1: 5-44.

Lusardi, A., Mitchell, O. S., and Curto, V. 2010. "Financial Literacy among the Young." Journal of Consumer Affairs 44, no. 2: 358-380.

Lusardi, A., and Mitchell, O. S. 2009. "Financial Literacy: Evidence and Implications for Financial Education." Trends and Issues: 1-10.

Lusardi, A., and Tufano, P. 2009. "Teach Workers About the Perils of Debt." Harvard Business Review 87, no. 11: 22–24.

Mosha N & Kyando V. 2021. "Unlocking Mechanisms for Greater Youth Financial Inclusion." Financial Sector Deepening Trust. Dar es Salaam, Tanzania.

Mushi, E., Grundling, I., Seifert, J., and Kewe, S. 2017. FinScope Tanzania 2017: Insights that Drive Innovation. Financial Sector Deepening Trust (FSDT).

National Financial Inclusion Framework (NFIF), 2017. "A Public-Private Sector Initiative." National Council for Financial Inclusion.

Ndanshau, M. O., and Njau, F. E. 2021. "Empirical Investigation into Demand-Side Determinants of Financial Inclusion in Tanzania." African Journal of Economic Review 9, no. 1: 172-190.

Pagano, M. 1993. "Financial Markets and Growth: An Overview." European Economic Review 37, no. 2-3: 613-622.

Sarma, M. 2012. "Index of Financial Inclusion–A Measure of Financial Sector Inclusiveness." Centre for International Trade and Development, School of International Studies Working Paper Jawaharlal Nehru University. Delhi, India.

Soumare, I., Tchana Tchana, F., and Kengne, T. M. 2016. "Analysis of the Determinants of Financial Inclusion in Central and West Africa." Transnational Corporations Review 8, no. 4: 231-249.

UNCTAD. 2021. Financial Inclusion for Development: Better Access to Financial Services for Women, the Poor, and Migrant Workers. eISBN: 978-92-1-005564-2

Venkatesh, V., and Davis, F. D. 2000. "A Theoretical Extension of the Technology Acceptance Model: Four Longitudinal Field Studies." Management Science 46, no. 2: 186-204.

Wyman, O. 2019. Women In Financial Services 2020-A Panoramic Approach. Retrieved from https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2019/November/Women-In-Financial-Services-2020.pdf

Mission

To strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa.

The mission rests on two basic premises: that development is more likely to occur where there is sustained sound management of the economy, and that such management is more likely to happen where there is an active, well-informed group of locally based professional economists to conduct policy-relevant research.

Bringing Rigour and Evidence to Economic Policy Making in Africa

- Improve quality.
- Ensure Sustainability.
- Expand influence.

www.aercafrica.org

Learn More

www.facebook.com/aercafrica

www.instagram.com/aercafrica_official/

twitter.com/aercafrica

www.linkedin.com/school/aercafrica/

Contact Us
African Economic Research Consortium
Consortium pour la Recherche Economique en Afrique
Middle East Bank Towers,
3rd Floor, Jakaya Kikwete Road
Nairobi 00200, Kenya
Tel: +254 (0) 20 273 4150
communications@aercafrica.org