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BRIDGING THE GAP

TANZANIA NARROWS THE FINANCIAL INCLUSION GENDER GAP

A CASE STUDY OF POLICY CHANGE TO SUPPORT WOMEN'S FINANCIAL INCLUSION

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Women's World Banking

INTRODUCTION

Policymakers and central bankers have a leading role to play in creating a more enabling environment to expand women's financial inclusion. A recent discussion paper by the Alliance for Financial Inclusion (AFI) and Women's World Banking, *Policy Frameworks to Support Women's Financial Inclusion*,[1] makes a compelling argument for women's financial inclusion and provides seven key recommendations for policymakers and central bankers.

The report presents evidence that policy measures to increase financial inclusion need to be country-specific, based on each country's gender gap and specific challenges and opportunities. To eliminate the persistent gender gap and expand access to financial services for both women and men, policies should be adapted and integrated in national financial inclusion strategies and other policy initiatives.

AFI and Women's World Banking conducted this case study to examine the experience of Tanzania, where there are promising approaches to gender-focused financial inclusion policies.

Tanzania has made progress in closing the financial inclusion gender gap. Although financial inclusion for women was not articulated as a clear and explicit policy goal in the country's 2013 National Financial Inclusion Framework, over the last two years the Framework has been evolving to support a more favorable financial environment for women. Today, the Framework better articulates women's financial inclusion as a policy goal, which the country explicitly attributes to engagement in AFI-sponsored dialogue. The regulatory framework for mobile money has been key to the success of the policy framework in Tanzania, and financial infrastructure has also fostered financial inclusion for women. As in other countries, the main challenge remains in expanding financial services to low-income women in rural areas.

BOX 1: AN OVERVIEW OF TANZANIA

- With a population of 51.8 million, Tanzania is the sixth largest country in Africa. 70% of Tanzanians live in rural areas.
- GDP growth was 7% in 2014, yielding a per capita GDP of $930. Income inequality between urban and rural areas is rising.
- Approximately 28.2% of Tanzania's population lived below the poverty line in 2012, down from 34% in 2007. This was the first decline in 20 years, as poverty became more responsive to growth. However, inequality has widened between urban and rural populations; of the approximately 12 million Tanzanians living in poverty, 10 million are in rural areas.
- Tanzania's main development challenges include addressing infrastructure issues, improving the business environment, increasing agricultural productivity and value-added outputs, improving service delivery to build a healthy and skilled workforce, and managing urbanization. Tanzania's youthful labor force is growing every year; and the role of the private sector in employment creation is seen as essential.

Source: World Bank

1 Released at the AFI Global Policy Forum in Maputo, Mozambique in September 2015.

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EXAMINING TANZANIA'S GENDER GAP

With more than 25% of the population living below the poverty line, Tanzania still compares favorably to other Sub-Saharan countries in terms of access to financial services.

However, while non-bank financial institutions serve men and women equally and microfinance institutions serve proportionately more women, commercial banks continue to serve relatively more men. Although banks seem to be missing out on the female market, particularly in rural areas, mobile network operators (MNOs) and FinTech companies report a narrower gender gap among male and female mobile money users in urban areas.[2]

According to the World Bank's Global Findex data, the gender gap in Tanzania narrowed from 7% to 4% between 2011 and 2014: 17.1% of women held an account at a financial institution in 2014 versus 21.1% of men, with 19% access overall (See Table 1). From 2011-2014, the percentage of women holding an account at a financial institution increased by 3.3 percentage points, while the percentage of men holding an account rose only 0.3 percentage points. Tanzania is one of five Sub-Saharan African countries where more adults have a mobile money account than an account at a formal financial institution.[3] Mobile account access is at impressive levels for both genders, but women still fall behind men at 27% versus 38%.

For additional data, Tanzania conducted FinScope surveys in 2006, 2009 and 2013, which show enormous progress in financial inclusion overall, both in banks and other formal institutions. Although the gender gap widened, women's financial inclusion in formal institutions increased from 14.4% to 51.2% over this four-year period. The increase in inclusion overall is essentially due to the expansion of mobile money—only 1.1% of adults used mobile money in 2009, but this had risen to 49.9% by 2013.

In the mobile money space, adoption of mobile phones and huge growth in distribution channels has led to an increase in mobile wallet usage. FinScope data shows 44% of women and 54% of men use mobile money. Usage not only includes sending and receiving money, but also savings and stored value (used by 25.6% of adults in 2013).

According to FinScope data, the increase in women's financial inclusion has been due to three factors: mobile money, savings in groups and microfinance.

TABLE 1 FINDEX DATA: THE EVOLUTION OF THE GENDER GAP IN TANZANIA (% AGE 15+)

	2011	2014
Account at a financial institution, all adults	17.3	19.0
Account at a financial institution, female	13.8	17.1
Account at a financial institution, male	20.8	21.1
Gender gap	**-7.0**	**-4.0**
Mobile account, all adults		32.4
Mobile account, female		26.6
Mobile account, male		38.4
Gender gap		**-11.8**

Source: Global Findex data, World Bank

TABLE 2 FINSCOPE DATA: THE EVOLUTION OF THE GENDER GAP IN TANZANIA

2013	BANKED	FORMAL OTHER	INFORMAL ONLY	EXCLUDED
Male	17.9%	45.1%	14.3%	22.7%
Female	10.1%	41.1%	17.2%	31.6%
Gender gap for formal access	-10.3			
2009				
Male	11.5%	5.9%	27.1%	55.6%
Female	7%	7.4%	30.4%	55.5%
Gender gap for formal access	-3.0			

Source: EFInA

2 Financial technology, also known as FinTech, uses software to provide financial services. FinTech companies are generally start-ups founded to disrupt incumbent financial systems and corporations. For more information, see https://www.hottopics.ht/stories/finance/what-is-fintech-and-why-it-matters/.

3 According to the World Bank's Global Findex Database 2014, all 13 countries where the share of adults with a mobile money account is 10% or more are in Sub-Saharan Africa. In five of these 13 countries—Côte d'Ivoire, Somalia, Tanzania, Uganda and Zimbabwe—more adults reported having a mobile money account than an account at a financial institution.

WOMEN'S FINANCIAL INCLUSION IN TANZANIA: BARRIERS AND OPPORTUNITIES

PRINCIPLE BARRIERS AND CONSTRAINTS

On the supply side, the principle barriers to women's financial inclusion are inappropriate services that do not meet client demand, and the high cost of financial services due to inefficiencies in delivery channels. Demand-side constraints include information asymmetries, lack of documentation, irregular income patterns, lower income than men and low financial literacy.

Structural and regulatory barriers identified during the development of Tanzania's National Financial Inclusion Framework include stringent or lack of proportionate requirements for client on-boarding, lack of a regulatory framework for broad-based microfinance services, delays in rolling out a national ID system, lack of a legal framework allowing for quick contract enforcement in the event of default, stringent Know-Your-Customer (KYC) requirements, high security requirements for bank branches, and the absence of an explicit financial consumer protection framework.

OPPORTUNITIES TO EXPAND WOMEN'S FINANCIAL INCLUSION

Two (related) opportunities have been identified to advance women's financial inclusion: (1) digital financial services and (2) the development of new products and services of particular interest to women. Tanzania has already made considerable progress in these areas and laid the groundwork for future opportunities.

1. Digitization of financial products and of delivery channels

Digital financial services can be instrumental in increasing women's financial autonomy and supporting women's participation in the formal economy.

Tanzania has made remarkable progress in the uptake of mobile financial services, with usage nearly doubling between September 2011 and October 2012. Mobile money first emerged through a test-and-learn approach adopted by the Bank of Tanzania, followed by legislation and regulations to support mobile financial services usage and infrastructure.

Mobile money platforms are often the only financial services available to Tanzanian women. Although the expansion of mobile money is still largely based on person-to-person (P2P) transactions such as remittances, a significant number are already using it for savings, and phones are expected to become a major source of all financial transactions.

However, persistent barriers remain. Mobile money usage in Tanzania continues to be shaped by demographics, with poor, rural women the least likely to use mobile money services. Barriers for these women include insufficient understanding of how to use mobile financial services, lack of access to a mobile agent, high costs and negative perceptions of these services.

Continuing the policies that address these barriers will foster more access and financial inclusion for all women in Tanzania.

2. New products, product bundling and savings

The expansion of digital financial services has set the stage for the development of new products and product bundling. One example in Tanzania is a transactional mobile bank account offered by Vodacom M-Pawa in partnership with the Commercial Bank of Africa. Another example is Tigo's interest-bearing account offered through a mobile wallet. This account features a higher interest rate than a one-year term deposit at a bank, thereby offering a place to save with a return.

Several Tanzanian institutions are using digital channels to offer credit scoring models that benefit women and other underserved segments. For example, mobile money offers credit scoring, dynamic pricing and fraud algorithms via a system of multiple microloans. The Commercial Bank of Africa launched one such credit scoring model using tiny digital loans to build a credit history. GO Finance is an online lender that uses a model based on data analytics, leveraging digital data and mobile money channels to underwrite and manage loans for small and medium-sized enterprises (SMEs), particularly targeting farmer cooperatives and others in the agricultural value chain. Another interesting example is a partnership between Airtel and JUMO (an African FinTech platform), which offers unsecured loans using credit scoring based on predictive data analytics. They do not differentiate between male and female loan applicants, but experience has shown that women have a higher repayment rate, and this has led to larger-sized loans. The Airtel/JUMO partnership is now piloting a savings product especially relevant to women, who are more likely to save with frequency.

4 A November 2015 policy report prepared by the World Bank Development Research Group, the Better Than Cash Alliance, the Bill & Melinda Gates Foundation and Women's World Banking for the G20 Global Partnership for Financial Inclusion, *Digital Financial Solutions to Advance Women's Economic Participation*, makes the case that digital financial services contribute to the G20 goal of increasing women's participation in the global economy. The report found that: (1) digital financial services accelerate financial inclusion, which is essential to women's economic empowerment; (2) digital financial services can give women greater control over their finances and financial decision making; (3) digital financial services can increase women's labor force participation; and (4) digital financial services can improve the performance of women-owned businesses.

5 InterMedia. 2013. *Mobile Money: A Path to Financial Inclusion. Findings from the Tanzania Mobile Money Tracker Study.*

LESSONS FROM TANZANIA: EFFECTIVE POLICIES, IMPLEMENTATION AND NEXT STEPS

Tanzania was an early signatory to AFI's Maya Declaration, committing to contribute to AFI's strategy development and to reach 50% financial inclusion by 2015. This goal would be reached by implementing interoperability solutions for mobile financial services providers, developing a comprehensive financial consumer protection and financial education framework, developing an agent banking framework and ensuring data integrity.

Tanzania's National Financial Inclusion Framework – a Public-Private Stakeholders Initiative was launched in December 2013, with a three-year timeline. The Framework is built upon Tanzania's successful experience with mobile money services and other technology-driven financial services. It identifies four priority areas: (1) proximity, (2) robust electronic platforms, (3) robust information and (4) informed customers and customer protection. Clear objectives are framed under each priority area.

Although the 2013 Framework has clear, meaningful targets for financial inclusion, gender-specific targets were not built into the initial strategy. However, the Framework states that "priority is given to poor rural households and their enterprises, as well as low-income women and youth with a special focus on children."

Tanzania has largely met the goals under the 2014–2016 Framework and has already set more ambitious goals. Most importantly, the implementation of the Framework provided useful lessons on measurement and has led to a greater focus on neglected sectors, including gender. A process to update the Framework and the related results matrix is underway, including a push to develop and measure gender-specific targets, along with specific targets for SMEs, financial infrastructure and financial capability. To take stock of the evolution on digital financial services, the new metrics under the results framework will include phone ownership and mobile wallets. The new measurement framework is expected to be endorsed by the Financial Inclusion Council in February 2016.

In *Policy Frameworks to Support Women's Financial Inclusion - Discussion Paper*, AFI and Women's World Banking framed a set of seven policy areas that would provide a solid policymaking foundation for women's financial inclusion. (See Box 2)

Although the need to formulate policy to support women's financial inclusion was not explicit in Tanzania's initial National Framework, the strategy does in fact include the adoption and implementation of many priority policies that support a more favorable environment for women's access to finance. In 2016, Tanzania will unveil a Revised Measurement Framework with explicit objectives to expand women's financial inclusion, and significant policy advances are already underway, making the country a model policy environment for expanding women's access to finance.

BOX 2: SEVEN HIGH-IMPACT POLICY AREAS TO ADVANCE WOMEN'S FINANCIAL INCLUSION

1. Greater focus on the value proposition of women's financial inclusion, with explicit policy objectives and quantitative targets, can lead to transparent, women-inclusive policies.
2. Gender-disaggregated data collection and research set the stage for fine-tuning policy.
3. Reforms in legal and regulatory frameworks can create space for innovation that supports greater financial inclusion for women.
4. The development of financial infrastructure is critically important part of implementing sound policy.
5. Refined and strengthened financial consumer protection regulation can address the concerns and issues of women clients, balancing protection with expanded outreach.
6. Financial education and financial literacy programs for women are a critical investment to promote women's financial inclusion.
7. While beyond the scope of financial sector policy, legislation and regulations, addressing social norms that constrain women's financial inclusion can have important repercussions for financial inclusion.

Existing and expanding policies include the following:

1. Women's financial inclusion as an explicit policy objective with quantitative targets

Tanzania's 2013 Framework gives priority to poor rural households and their enterprises, including low-income women and youth, without specifying gender targets.

Following the high-level conference on women's financial inclusion held in Yamoussoukro in August 2015 and the 7th AFI Global Policy Forum (GPF) held in Maputo in September 2015, the Bank of Tanzania decided to introduce gender targets and indicators in the revised measurement framework, with the possibility of integrating gender issues into the Financial Inclusion National Framework itself. Discussion and approval of the revised measurement framework has been scheduled for February 2016.

2. Financial inclusion data disaggregated by gender

The Bank of Tanzania is in the process of expanding its financial inclusion database to include data by gender and age, and results are expected to be similar to the 2014 Global Findex data. Overall, financial inclusion data will expand from access data to usage and quality data, which will more accurately capture the state of women's financial inclusion in Tanzania.

Tanzania has developed policies based on FinScope surveys in 2006, 2009 and 2013, which provide financial inclusion data broken down by gender. A new FinScope survey will be conducted in 2016 and is expected to have an even stronger influence on policy direction.

3. Reforms to legal and regulatory frameworks

Tanzania is known globally for having one of the most conducive regulatory environments for financial inclusion. The 2014 Global Microscope report rates Tanzania as the best country in Africa and ninth globally.

Tanzania's legal and regulatory framework for mobile money has expanded mobile money for both women and men. Described as "policy-enabled and market-led," it is an internationally-recognized achievement that provides the space and clarity for a variety of providers to enter the digital financial services market. Under this framework, MNOs are allowed to be e-money issuers (mobile accounts), initially on the basis of a letter of non-objection. Following a test-and-learn period, the Bank of Tanzania issued a draft regulation in May 2012 that provides a licensing regime for non-banks intending to offer mobile payments services, with trust accounts at a commercial bank for the float (100% coverage). In 2013, agent banking guidelines were issued, and the National Payment Systems Act came into force in October 2015. Payment System Licensing Approval Regulations and Electronic Money Regulations were issued in October 2015.

The current KYC regime in Tanzania is viewed as one of the main barriers to financial inclusion. This is not due to lack of identification (76% of adults have a valid ID—a legacy of the recent electoral process), but rather the requirement under anti-money laundering (AML) regulations to produce a second ID to verify the first ID. This requirement does not account for the size of a transaction or the total volume of transactions, which as a result often excludes poor, rural women who are not likely to have a second form of identification. However, a risk-based tiered KYC regime can be put in place following the completion of Tanzania's National Risk Assessment under FATF standards, which is currently underway. Mobile wallets have already been created on the basis of lighter KYC, leading to an uneven playing field for banks seeking to reach the female market.

Tanzania's National Financial Inclusion Framework calls for the introduction of a movable collateral regime, which is seen as an important way to support women's financial inclusion. A modern secured transactions law would enable both business and consumer debtors to access credit using whatever form of collateral in their possession. This is particularly relevant for women who are less likely to have access to traditional forms of collateral. A concept paper on Secured Transaction Law and Collateral Registry was approved by the BoT, which is organizing a project team to spearhead changes to the movable collateral legislation.

4. Development of financial infrastructure

Alongside its regulatory framework for mobile money, Tanzania has made considerable progress in developing a payments infrastructure—one of the goals in the Framework. Tanzania is one of the most progressive countries in the world in terms of interoperability, with the greatest industry buy-in, which also increases value for customers. With support from the Bill & Melinda Gates Foundation and the International Finance Corporation (IFC), industry dialogue is driving interoperability in Tanzania through a monthly meeting of operators. These conversations examine which cases can lead to interoperability (how to implement it, pricing model, who pays what and for what) with final decisions made by the participants. Tigo and Airtel were the first to introduce wallet-to-wallet interoperability in Tanzania, and Vodacom is expected to join in mid-2016. Discussions about interoperability in other areas, such as bulk payments and retail settlements, are ongoing.

Tanzania's first two credit reference bureaus were established in 2012 and 2013. They receive data from the national credit reference database (created by the Bank of Tanzania) and additional client information from other sources, such as utilities companies. This critically important financial infrastructure builds an information base on women as clients. An alternative credit reference system is in development using mobile phone data, which includes credit scoring of microfinance loan products.

Options for alternative collateral include the establishment of a warehouse receipts system as part of the agricultural finance agenda. A warehouse receipt board has been established and the development of the warehouse receipts system is underway, beginning with an analysis of the organization of markets for critical value chains and the organization of purchasing for big buyers. Priority chains will be the first products under the system. The development phase will be a good opportunity to examine the value chains for cash crops women produce.

5. Financial consumer protection regulation

Until now, Tanzania's industry-based financial consumer protection regime has not taken a unified approach, with banks, microfinance institutions and insurance companies each following their own rules.

The protection that does exist for financial consumers has so far fallen under Tanzania's Fair Competition Commission. Without broad financial consumer protection legislation, regulators in the financial sector have established windows to receive and handle all grievances raised by consumers (complaints desk and ombudsman). However, non-deposit-taking institutions (credit-only institutions), a sub-sector serving high numbers of women, do not have a regulator. This forces customers to either take complaints to the Ministry of Finance or the Bank of Tanzania, or remain silent.

The Financial Inclusion National Council has elevated the importance of financial consumer protection, which has become even more necessary with the expansion of digital financial services. Plans are underway to develop a national financial consumer protection framework. The process has been spearheaded by the Bank of Tanzania and involves other stakeholders, such as the Fair Competition Commission. It is expected that the framework will have three major dimensions: financial capability, consumer recourse mechanisms and enforcement through legislation. The Bank of Tanzania sees consumer protection as particularly important for women as they are considered to be more vulnerable to the environment. Therefore, one option may be to include explicit gender-specific aspects in the financial consumer protection framework.

6. Financial education and financial literacy programs

A financial capability survey was conducted in Tanzania in 2014, with results presented in a 2015 report. A revised Financial Education Framework based on these results will be released at the same time a national financial education secretariat is also being established, which will coordinate financial literacy programs. The Financial Education Framework is expected to be ready by February 2016. Women entrepreneurs/women at home and rural poor/"survivalists" are two market segments among five that have been identified by the financial capability baseline survey as targets for financial education interventions.

7. Legislation and regulations that address social norms

Cultural barriers tend to be related to education levels and social norms, which differ across tribes in Tanzania. The country has taken steps to create a positive legal framework for gender equality, but some barriers remain.

Asset ownership is an important issue impacting women's access to financial services. Co-titling of landholdings between husbands and wives was introduced in Tanzania to ensure women benefit from legal reforms. In an experimental study, researchers[6] encouraged co-titling by offering price discounts to landowners who wished to acquire formal land titles and agreed to accept their wives as owners or co-owners of the land. These small financial incentives achieved almost complete gender parity without affecting demand for land titles, representing a low-cost yet effective way to achieve gender equality in land ownership.

While a number of improvements are still underway, Tanzania serves as a model policy environment for expanding women's access to finance. The National Financial Inclusion Framework is a powerful vehicle to advance policy change in favor of women, and Tanzanian policymakers have demonstrated commitment to additional policy improvements, notably the current revision that introduces gender targets to the Framework.

While a focus on gender could have been made more explicit initially, the Framework set the stage for narrowing the gender gap in access to financial services. Since much of the agenda laid out in the 2013 Framework has been achieved, the update of the results matrix to include financial inclusion targets provides an opportunity to intensify the focus on gender.

Perhaps most notably, Tanzania's internationally-recognized mobile money framework and the establishment of interoperability have provided a major impetus to women's financial inclusion. As mobile money receives growing attention for bringing women into the formal financial system, Tanzania's conducive policy environment for mobile money stands out as a success.

Even though much has already been achieved under the National Financial Inclusion Framework, there are still opportunities to accelerate women's financial inclusion, including:

- Setting gender targets in the revised National Financial Inclusion Framework and intensifying efforts to achieve those targets by focusing more attention on the outreach of financial services to poor, rural women.
- Expanding the Bank of Tanzania database to include sex-disaggregated data.
- Introducing simplified KYC across financial services providers once Tanzania's National Risk Assessment is completed.
- Moving forward with the revision of the movable collateral regime.
- Promoting financial consumer protection initiatives and pursuing the development of the Financial Consumer Protection Framework.
- Finalizing the Financial Education Framework.

6 Michael O'Sullivan, Arathi Rao, Raka Banerjee, Kajal Gulati and Margaux Vinez. 2014. *Levelling the field: improving opportunities for women farmers in Africa*. Washington, DC: World Bank Group.

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