Promoting Financial Inclusion in Tanzania

SAFIN Session-Tracking data on MSMEs and Agro enterprises Rome -Italy

Sosthenes Kewe
27 November 2017
Agenda

1. About FSDT
2. Data market & Gaps
4. Tools deployed for demand & supply side
5. Lens into MSMEs & Agricultural Value Chains
6. Obstacles to scaling up these models
7. Strategies moving forward
FSDT Goal - FI Value Creation Model

All Tanzanians & businesses derive value from the regular use of financial services which are delivered with dignity and fairness.

- Relevant
- Appropriate
- Convenient
- Affordable
Purpose: Changes desired in FS

A financial sector in which stakeholders implement policies, regulations and solution which are innovative and responsive to the needs of:

- MSMEs
- Smallholder farmers
- Poor individuals
FSDT Strategic Objectives

- Advocating for improved policy, legal & regulatory environment
- Promoting relevant market infrastructures, ways to reduce transactions costs
- Stimulating improved access to financial services for MSMEs
- Stimulating access to finance for smallholder farmers and individuals
Research Agenda- “Insights to Solutions”
“Markets are institutions [set of rules] that exist to facilitate exchange – that is, they exist in order to reduce the cost of carrying out transactions” – Coase (1988)

“To be generically against markets would be almost as odd as being generically against conversations between people” – Sen, Development as Freedom

“We have good reasons to buy and sell, to exchange, and to seek lives that can flourish on the basis of transactions” – Sen, ibid.
Research – Mission & Vision

**Mission**

A financial sector whose players proactively seek and use evidence when making decisions that result in solutions that meet the needs of market.

**VISION**

To facilitate *uptake and utilization* of insights by the financial sector.
Tools Available in Tanzania

- Smallholder Farmers
- AgFiMS
- MSME Survey
- Action Research
- FINSCOPE TANZANIA
- Enterprise Survey
- Supply side Studies
- GIS Mapping
- Doing Business reports,
What do we get from these Tools?

Characteristics of businesses - Profiles

Determine uptake and usage & channels used

Finance & business needs and capabilities

Identify opportunities & Barriers for MSMEs and Smallholders
Fact 4: 41% of adult Tanzanians meet majority of their expenses through money generated from farming activities.

Main revenue generating activity

- Farmers and fishers: 41%
- Piece work/casual labor: 20%
- Dependents: 18%
- Traders - non-agricultural: 7%
- Traders - agricultural products: 2%
- Service providers: 5%
- Formal sector salaried: 4%
- Informal sector salaried: 2%
- Social welfare: 1%

More than three quarters of dependents are women.
Fact 8: 44% of adult Tanzanians borrowed in the last 12 months

Why do they borrow?
Base=only those who borrow

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical expenses/medical emergencies</td>
<td>24%</td>
</tr>
<tr>
<td>Living expenses</td>
<td>23%</td>
</tr>
<tr>
<td>An emergency other than medical</td>
<td>14%</td>
</tr>
<tr>
<td>Education or school fees</td>
<td>7%</td>
</tr>
<tr>
<td>Funeral expenses</td>
<td>4%</td>
</tr>
<tr>
<td>Other cash flow regulating expenses</td>
<td>2%</td>
</tr>
<tr>
<td>Starting or expanding your business</td>
<td>10%</td>
</tr>
<tr>
<td>Farming expenses</td>
<td>8%</td>
</tr>
<tr>
<td>Business expenses</td>
<td>1%</td>
</tr>
<tr>
<td>Buying, building, improving a house to live in</td>
<td>4%</td>
</tr>
<tr>
<td>Buying land (farm or living)</td>
<td>2%</td>
</tr>
<tr>
<td>Buying livestock</td>
<td>1%</td>
</tr>
</tbody>
</table>

59% of those borrowing borrowed more than once in the past 12 months
Confidence on financial matters

Low levels of confidence – particularly in dealing with financial service providers. This is the outcome of low levels of literacy, numeracy and knowledge of financial products and services.

<table>
<thead>
<tr>
<th>Level of confidence</th>
<th>Making financial decisions</th>
<th>Dealing with financial service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very confident/confident</td>
<td>65%</td>
<td>32%</td>
</tr>
<tr>
<td>Not confident at all</td>
<td>35%</td>
<td>68%</td>
</tr>
</tbody>
</table>
The GAP

Low uptake and under utilization of insights
Are FSP’s data centric?

How analytically mature is your organisation?

Becoming a truly data-led organisation with competitive data-driven activities is a 3-5 year journey

Most FSP’s are here

Analytically Impaired
Reactive operational and compliance reporting

Localized Analytics
Analyses of trends and benchmarks; customizable self service dashboards

Analytical Aspirations
Statistical analyses to solve business problems. Centralized staffing and integrated data

Analytical Company
Predictive models integrated with business systems. Agile ‘Test and Learn’ campaigning

Analytical Competitor
Data housed in cloud. Multiple external data sets. Pervasive data driven decision making and results
Anatomy-Data Market

Support Functions

- Analysis
- Product Development
- Collection
- Utilization
- Design
- Advocacy

Usage

Supply

FSP’s businesses
Regulators
Innovators
Investors

Researchers
Analysts
Think Tanks
Governments?

Regulations
Informal Rule
Attitudes
Rules
1: Lack of research capacity
   - Poor research design skills
   - Lack of a conceptual understanding of FI
   - Lack of analytical capacity

2: Poorly structured and under-utilized supply side data

3: Lack of frequent and timely demand side data

4: Inability to ensure moving from “information” to “action”

5: The absence of a research and learning culture

6: Under utilization of evidence in innovation and product development
Obstacles to scaling research models

- Culture of using evidence
- Analytics to Insights - Relevance
- Quality of Engagement
- Cost & Funding sources
- Regulatory concerns - big data
Then, Now, New & Next...
Re-thinking FSDT’s RESEARCH Agenda

- Solution design
- Convening/Thought Leadership
- Knowledge/Learning Sprints
- Analysis
- Packing
- Data Visualization
- Field Surveys
- Supply Side Data/Big Data
- Feedback Lab

Expected Outcome

- Improved capacity to meet market needs
- Regular use of financial services
- Evidence Based Decision Making

Design
- Research Brief
- Conceptual Framework
- Analytical Framework
If the facts don’t fit the theory, 
change the facts 
-Einstein
Sosthenes Kewe
Executive Director
Financial Sector Deepening Trust

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