AUDIENCE FORUM REPORT No 8

ACCESS TO FINANCE BY MAJORITY TANZANIANS:
A DREAM OR A REALITY?

11TH APRIL 2012, TGDLC, DAR ES SALAAM
Access to Finance by Majority Tanzanians: a dream or a reality?

TABLE OF CONTENTS:

1. Introduction ...........................................................................................................2
2. The forum highlights ............................................................................................2
3. Challenges facing access .....................................................................................3
4. The Unmet need .....................................................................................................3
5. Presenters overall recommendations .................................................................4
6. The participant’s recommendations and concerns .............................................5
7. Conclusion ............................................................................................................5
8. Acknowledgement .................................................................................................6
9. Appendix ..............................................................................................................7
1. Introduction

The Tanzania Country Level Knowledge Network (CLKnet) is a government and African Capacity Building Foundation (ACBF) funded initiative to provide a countrywide network of easily accessible Knowledge for Research and Policy Development in Tanzania. It therefore provides a platform where decision makers, professionals and practitioners can learn and share knowledge and information through on line and offline dialogues and discussions. This is the report of the 8th forum hosted by the network.

The presenter’s profile:

The forum held on the 11th April 2012 in Dar es Salaam and entitled Access to Finance by Majority Tanzanians: a dream or a reality? was presented by Mr. Altemius Millinga.

Mr. A. Millinga has been in the microfinance business for over 20 years and now leads YOSEFO a microfinance institution as Chief Executive Officer, and is also chair of the board of Mbanga Community Bank. He has been involved in the formation of Tanzania Association of Microfinance Institutions (TAMFI) and in the preparation of the National Microfinance Policy document.

The forum participants

The participants were drawn from a cross section of stakeholders. They represented a unique group from banks, government funds, microfinance institutions, SACCOS, village community banks - vicoba, and academia.

Facilitation

The discussion moderator was Dr. Kassim Hussein a trainer and researcher on banking and microfinance for Bank of Tanzania, The Institute of Finance Management, several banks and sits on the Loan Committee and the Board of the National Bank of Commerce (NBC).

The forum was held between 2:00 and 5:00 pm in the Serengeti Room of the Tanzania Development Information Centre (TDIC) - IFM Building.

2. The forum highlights

The presenter painted the financial scene comprising of banks, non banking financial institutions, regional banks and microfinance companies, organizations, semi-formal and non-formal financial sector. The government recognizes that in alleviating poverty it has to

---

1 who is involved now is widened NGOs-PRIDE, PTF, YOSEFO, ETC- Informal Microfinance Providers-ROSCAs, Money lenders; Formal Financial Sector: Commercial banks, Postal banks, Credit Unions and Cooperatives, non bank financial intermediaries; Government or donor projects-; Districts and Municipal councils and Churches
follow a multi-dimensional process. Therefore, access to financial services forms an essential basis on which many of the other essential services are based on. Access to finance enables:

- Households invest in activities that are likely to contribute to future income and therefore growth
- Businesses to adopt technology and improve product quality and mix.
- Financing of education and housing
- Farmers to adopt new technology, increase productivity and farm size.

3. Challenges facing access

There are several challenges. Foremost is the magnitude of the excluded population as only 12.4% of Tanzanians have access to formal financial services. In addition 56% of the population has no access to any form of financial services whatsoever. Furthermore,

- Access to financial services by rural population is very low, about 3%.
- Financial literacy is a big concern even among government officials including ministers and members of parliament. Generally, many Tanzanians do not have enough knowledge on how to access financial services.
- Most banks and financial services are crowded in urban areas based and not in the rural areas where majority of people live.
- Restrictive regulatory environment like high provisioning for unsecured loans which is not accessible by the majority.
- High operating costs by MFI’s especially for rural markets.
- The Know Your Customer (KYC) requirement excludes majority of Tanzanians particularly in the absence of a national ID which is available in Kenya.
- There is a weak supervisory system for SACCOS which may lead to loss of savings.
- Policies and regulatory framework for Community Banks appear to be inappropriate to support rural outreach.

4. The Unmet need

Indeed the poor, like everyone else, need a variety of financial services, not just loans. When poor people have access to financial services, they earn more, build their assets and cushion themselves against external shocks and therefore several actions can be carried out in terms of policy formulation and regulations. These suggestions include the need to ensure

---

2 Only 8.7% of Tanzanians use bank services. Three banks control 48% of the market - deposits and loans. About 8 banks control 76% of the banking market. Banks operate in few areas mainly Dar es Salaam, Mwanza, Arusha, Morogoro, Mbeya and Moshi. Rural Outreach is limited
understanding of the local financial market, the actors and the clients before acting, also think about wider impact on poor clients. Other proposals are:

- Supporting permanent, local financial institutions rather than direct engagement
- Support technologies, systems that help to provide a range of products through relevant delivery systems
- Make sure that rules and regulations are relevant, take more than microfinance in consideration, and test the impact to see whether you get the envisaged results
- Ensure emphasis and implementation of consumer financial literacy, as it is the foundation of a healthy informed market
- Support information flow improvement, financial institution registration and reporting, credit registries and any market improvement effort
- Have a microfinance law which will be the foundation for the orderly growth and attracting more people to invest in the industry
- There should be a tiered approach to regulating MFIs
- Microfinance regulations which are currently very unfriendly to MFIs should be reviewed
- Special attention/resources should be allocated to support rural MFIs

5. Presenters overall recommendations

In summary, the presenter came up with the following recommendations:

- Policy and regulatory authority should encourage the formation of different types of financial institutions especially those which could serve the rural areas.
- Ensure all available land is surveyed so that title deeds could be offered as collateral for loans.
- Roll out financial literacy programs in the country to enable people to understand financial instruments and use them for development purposes.
- Credit reference bureaus should be established to support the lending industry.
- The regulator should give banks freedom to set their collateral requirements for Micro and small enterprises.
- Community banks have the potential to increase access to finance in rural and remote areas hence the need for government to provide financial support.
- Bank of Tanzania (BoT) should have a separate department for supervising community banks and should set up separate regulations appropriate to their size, location of business and nature of business.
6. The participant’s recommendations and concerns:  
The participants also brought forward some recommendations and concerns. These are as follows:

- The government should make it easier for landowners to be issued with title deeds for their piece of land and to improve land registries. These can also resolve the change of use for example from agriculture to mining and therefore avoid conflicts.
- The participants also wanted efficiency of micro fiancé providers be increased. For example, the interest rate for micro credit was very high and the collection mechanisms at times were inhumane.
- There were concerns on the role of mobile phone banking and transfer service and whether such technologies and payment mechanisms may actually be affecting circulation of funds.
- On the other hand it was thought that mobile technology and ICT brings opportunity not only in payment and settlement mechanisms but also in harnessing and growing businesses. It would thus be worthwhile to develop legal, business and security frameworks to promote best practices in mobile technology rather than inhibit it as already 30% of Tanzanians own a SIM card.
- The informal and formal money lenders should be scrutinized to curb facilitation of money laundering.
- A participant who traced the evolution of cooperatives over 50 years emphasised on ownership of such entities and that for now vicoba represents member’s ownership as in traditional cooperation movement spirit.
- MFI’s should develop products that are suitable for different market needs and these should favour loans for production as opposed to retail, loans for agriculture, agribusinesses. A review of the strategy or policy to make every able person to do productive work should be undertaken.
- Every person above 18 should be mandated to open an account with financial institutions.

7. Conclusion  
The forum discussed a topical issue in development and addressed the development agenda of accessing finance to alleviate poverty and improve the standard of living of majority Tanzanians. The discussion focussed on policy and regulatory frameworks for licensing and supervising institutions that provide micro credit. The majority of participants were from micro credit service provision and could be holding an institutionalist view where some balance from policy makers or regulators would have been more useful as it may have provided some welfarist views on whether more or less regulation is good.
8. Acknowledgements

The forum was made possible by having well prepared and presented views and experiences of Mr. A. Millinga, as well as the participants who dedicated their afternoon to attend. The arrangements of Ms. Harriet Lwakatare and her CLKnet team as well as the support and participation of the TaGLA interim Executive Agency Mr. Charles Senkondo had made the forum a success. A forum evaluation form was filled by participants which provided feedback on this forums and future events.
9. Appendix:

PARTICIPNATS:

<table>
<thead>
<tr>
<th>No.</th>
<th>ORGANISATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Youth Self Employment Foundation (YOSEFO)</td>
</tr>
<tr>
<td>2.</td>
<td>Tanzania Global Learning Agency (TaGLA)</td>
</tr>
<tr>
<td>3.</td>
<td>Ministry of Industry and Trade</td>
</tr>
<tr>
<td>4.</td>
<td>Dar es Salaam University College of Education (DUCE)</td>
</tr>
<tr>
<td>5.</td>
<td>MICROPHACE</td>
</tr>
<tr>
<td>6.</td>
<td>DIATA</td>
</tr>
<tr>
<td>7.</td>
<td>Kawe Development Women’s Trust Fund</td>
</tr>
<tr>
<td>8.</td>
<td>President’s Trust Fund (PTF)</td>
</tr>
<tr>
<td>10.</td>
<td>African Technology Policy Studies - Tanzania Chapter (ATPS-TZ)</td>
</tr>
<tr>
<td>11.</td>
<td>Copyright Society of Tanzania (COSOTA)</td>
</tr>
<tr>
<td>12.</td>
<td>HAJJ Trust SACCOS</td>
</tr>
<tr>
<td>13.</td>
<td>Azania Bank</td>
</tr>
<tr>
<td>14.</td>
<td>Kampala International University (KIU)</td>
</tr>
<tr>
<td>15.</td>
<td>Changanyikeni Youth Development Group (CYDG)</td>
</tr>
<tr>
<td>16.</td>
<td>Researchers</td>
</tr>
<tr>
<td>17.</td>
<td>Public</td>
</tr>
</tbody>
</table>
Report by Dr Kassim Hussein – Consultant

The Tanzania Country Level Knowledge Network (CLKnet) is a countrywide Knowledge Network for Research and Policy Development which was developed to create a platform where decision makers, professionals and practitioners can learn and share knowledge and information through online and offline dialogues and discussions.

The project is supported by the Government of Tanzania and the African Capacity Building Foundation (ACBF) and is hosted by the Tanzania Global Development Learning Centre (TGDLC).