“There is a need to develop a national strategy on consumer education and financial capability. These strategies aim, among other things, at including financial capability into schools, to educate the public on financial capability and to design training programmes for financial service providers. We need to prepare a clear money transfer laws to clarify the responsibility of service provider in order to strengthen consumer protection in Tanzania as well as establishing appropriate safety net procedures which immediately provide remedies if consumer involved into controversial deal. Failing to plan today is planning to fail in future, it is now or
1. INTRODUCTION

The mobile money transfer systems are important components of branchless banks and it is potential to financial services, it is a delivery of financial service from one person to another using information and communication technology and non-bank retail agents. Mobile phones can provide great opportunity to achieve greater financial services inclusion of billion of people worldwide who do not have bank accounts but they do own mobile phones. Mobile money transfer has been successful in Tanzania since its launch in April 2008, Vodacom has signed up more than 5 million people to M-PESA. In Kenya mobile money was launched in March 2007, Safaricom has signed up more than 7 million people to M-PESA. Brazil took the approach of using agents with point of sale devices in every municipality in the country, (DFID, 2009). Mobile money transfers at presents depends on basic handset, often using SMS to convey the message that money has been transferred, the person wanting to send money or to receive money go to the agent, and shows the message with code number, or give money to agent and direct the agent to post the money into his account number.

2. MOBILE MONEY TRANSFER SITUATION IN TANZANIA

Mobile phone cash-transfer that started as a tool for small borrowers to receive and repay their loans has turned out to be a lucrative business and way to get money from "under the pillow." Tanzania Daily News by Abduel Elinaza, 6 March 2012

The initial concept of M-Pesa, a mobile hand set cash transfer service pioneered by Vodacom Tanzania Ltd was designed to enable the users to complete basic financial transactions without the need to visit a banking hall. The central bank finds it challenging to control all the money in circulation given the fact that the vast majority of Tanzanians, over the years, have developed a culture of 'banking' their money under the pillow.

According to the Tanzania Bankers Association, only 25 per cent of the money in circulation is in banks while the remaining 75 per cent circulates informally. That poses
great challenge for the central bank efforts to control monetary expansion, especially on
taming money based inflation as it deals with only a fourth of the liquidity in circulation.

The TBA Chairman who is also the Managing Director (by then) of the National Bank of
Commerce (NBC), Mr Lawrence Mafuru, told the 'Daily News', "The formal (financial)
forming system in Tanzania remains narrow as a huge amount of money is the informal system".
He gave the example of Kariakoo shopping area where about 10 million US dollars
(16bn/) is transacted daily. But through mobile transactions, about 1.5trn/- (US Dollars
9.4bn), mostly from the informal sector, can now be formally tracked.

Fresh data shows that there are about three million subscribers using mobile phone
transaction systems out of over 23 million subscribers in the country. Most of them are
hooked to M-Pesa followed by Tigo Pesa, Airtel Money, and Ezy Pesa. Vodacom Group
data shows that about 2.7 million subscribers are using its service. The Bank of Tanzania
(BoT) Governor, Prof Benno Ndulu said the monthly service of sending and receiving
money reached 861.8bn/- as at end of December, 2011, which has helped to speed up
money transfer services to enable citizens to engage in other development activities.

The Governor said "this is pure innovation, which has simplified the way bills are paid and
money transferred". He, however, ruled out mobile phone cash transfers fuelling
inflation. Instead they eased tracking the transaction hence the money in circulation. The
trustee account for such services deposited by agents at various banks has reached
97bn/- while transactions reached 760,000 per day at the end of last December, Prof
Ndulu said.
### Table 1: Mobile Payment System Report

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>Y 2008</th>
<th>Y 2009</th>
<th>Y 2010</th>
<th>Y 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MOBILE SYSTEM BANKING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VOLUME</td>
<td>442,954.00</td>
<td>7,011,852.00</td>
<td>20,132,283.00</td>
<td>33,037,328.00</td>
</tr>
<tr>
<td>VALUE IN TZS (MILLIONS)</td>
<td>56.73</td>
<td>132.63</td>
<td>154.54</td>
<td>224.07</td>
</tr>
<tr>
<td><strong>MOBILE FINANCIAL SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PAYMENT SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO, OF REGISTERED CUSTOMERS</td>
<td>11,200.00</td>
<td>4,192,683.00</td>
<td>10,663,623.00</td>
<td>21,184,803.00</td>
</tr>
<tr>
<td>NO, OF AGENTS</td>
<td>2,757.00</td>
<td>14,469.00</td>
<td>29,095.00</td>
<td>83,795.00</td>
</tr>
<tr>
<td>VOLUME</td>
<td>408,216.00</td>
<td>3,272,422.00</td>
<td>18,430,256.00</td>
<td>134,922,457.00</td>
</tr>
<tr>
<td>VALUE IN TZS (MILLIONS)</td>
<td>25,208.00</td>
<td>158,538.00</td>
<td>1,006,430.00</td>
<td>5,563,281.00</td>
</tr>
</tbody>
</table>

Source: BOT Website

### 3. CHALLENGES POSED BY MOBILE MONEY TRANSFER IN TANZANIA

This technology has brought some challenges to the systems of beneficiaries of electronic money. Electronic money challenges to interest rates control stems from liabilities, rendering, central banks unable to conduct meaningful open market operation, and increased financial instability could emerge from increased elasticity of private money production and period run out of electronic money into central bank money that generate liquidity crisis. (Palley, 2000) other banks that being the first dealer of M-PESA have come across with the problems of losing customers and the queuing are now reduced because of many microfinance customers are now using M-PESA transaction instead of banking services, as the services they wanted are available anywhere through mobile handset. Since there is no research conducted in Tanzania to come out with
information about the assessment of the contribution of mobile/electronic money transfer services in Tanzania and the impact in public economic development. This is what motivated me to carry out this research project as a means to assess the contribution of mobile money transfer technology in Tanzania. However this study has assessed the contribution of mobile/electronic money transfer in both economic and social development in Tanzania, and the effect raised in the side of money laundry and inflation.

4. MOBILE MONEY TRANSFER COMPARISON AMONG EAST AFRICA

4.1. Mobile Money Transfer (MMT) in Tanzania

MMT is offered by several service providers in Tanzania. As one of these – M-PESA – by far has, at the time of our study, the largest customer base and is covered more extensively by background material, we centre more on M-PESA than on other providers. Although this dominance may be changed, Vodacom – that offers the M-PESA service - is to date the MMT service provider that has reached the widest market acceptance.

Also banks are offering mobile services. In general, they tend to offer mobile solutions as an additive channel (Porteus, 2008), hence customers get “a new door” to the same services (or similar) as they would have received over the counter. These services have not been particularly aimed at previously unbanked market segments. Indications however suggest that this is about to change. Banks are showing an increased interest towards the previously unbanked market segments, and we also see new types of alliances evolve. NMB of Tanzania for example has its own mobile platform that competes with M-PESA though it requires both sender and receiver to hold NMB accounts. In Kenya, where the MMT development is ahead of that in Tanzania, M-PESA have partnered with Equity Bank to jointly offer bank account service (branded M-KESHO). M-KESHO users can transfer money back and forth in
between their mobile M-PESA account, and their bank account residing at Equity Bank. In addition, other services related to micro-credits and micro insurances are offered. This is a development that is highly likely to spread, both in terms of development of the content and sophistication of services as well as geographically to other markets

Vodacom launched M-PESA in April 2008 in Tanzania. Although, the market diffusion has been slower than in neighboring Kenya, there are today approximately 1.5 M users and 6,000 agents in Tanzania. (In June 2009, there were 280 000 registered users and 1000 agents). Recent data from AudienceScapes1 (2010) point to even higher penetration and states that there 2.75 million MMT users in Tanzania. Safaricom of Kenya claims that there 10 million users in 2010. The objective of presenting the case of M-PESA Tanzania is not to analyze its success or impact in relation to Kenya, but to independently evaluate the use of MPESA among MSEs in Tanzania. Vodacom is the largest MNO in Tanzania competing with Zain, Tigo, and Zantel. (Zain was acquired by Bharti and re-branded into Airtel in late 2010.)

Vodacom’s current market share is 39 % (Citizen, March 24th, 2010). The market for mobile payments has been totally dominated by Vodacom as both Z-Pesa and ZAP have failed to build a customer base (Rotman, 2009). ZAIN and Zantel have reportedly had technical issues and weak support to dealers, which partly explains the slow growth. Zantel has more or less pulled out of the market and allocates no resources to a re-entry for the time being. The recent entry by Tigo that launched Tigo Pesa in early September 2010 is the arrival of a real contender in the market. Tigo’s business model is similar to that of Vodacom’s.

The survey across several sub-Saharan African countries 2011 Shows that Two-thirds of Kenyans who had sent money to family members or friends living in a different city or areas in Kenya sent the money via a mobile phone, making them the most likely to transfer money this way. Uganda and Tanzania were second and third most likely
(43% and 32% of remittance senders, respectively) to report that they had made a mobile phone-based transaction in the 30 days prior to the survey.

Table 2. Channels used to send Domestic remittances in 2011

<table>
<thead>
<tr>
<th>Countries</th>
<th>Mobile phone money transfer</th>
<th>Money transfer services</th>
<th>Cash sent by bus and through someone else</th>
<th>Exclusively brought money in person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>66%</td>
<td>1%</td>
<td>5%</td>
<td>27%</td>
</tr>
<tr>
<td>Uganda</td>
<td>43%</td>
<td>0%</td>
<td>18%</td>
<td>38%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>32%</td>
<td>3%</td>
<td>16%</td>
<td>46%</td>
</tr>
<tr>
<td>Botswana</td>
<td>4%</td>
<td>8%</td>
<td>13%</td>
<td>53%</td>
</tr>
<tr>
<td>Zambia</td>
<td>4%</td>
<td>17%</td>
<td>33%</td>
<td>29%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>3%</td>
<td>0%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2%</td>
<td>2%</td>
<td>60%</td>
<td>28%</td>
</tr>
<tr>
<td>Soeraloni</td>
<td>0%</td>
<td>5%</td>
<td>58%</td>
<td>29%</td>
</tr>
<tr>
<td>South Africa</td>
<td>2%</td>
<td>13%</td>
<td>17%</td>
<td>35%</td>
</tr>
<tr>
<td>Congo Kinshasa</td>
<td>0%</td>
<td>24%</td>
<td>34%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: Gallup World: www.gallup.com

These figures contrast with results from seven other sub-Saharan African countries surveyed in 2011, where fewer than one in 20 senders of domestic remittances used mobile money transfer services. In Congo (Kinshasa) and Sierra Leone, for example, mobile phones were never used to make that kind of transaction. Respondents there sent cash or brought it in person. With the exception of Kenya, at least half of remittance senders in all countries surveyed used only these informal payment channels.
M-PESA in Tanzania was launched after successful introduction in Kenya and the M-PESA roll out in Tanzania was built on the lessons learned in Kenya. Both Safaricom of Kenya and Vodacom used the existing dealer network for airtime to develop an M-PESA agent network, though later entrants show a much more diversified profile than just selling airtime. The emphasis on a tiered structure in Kenya with super-dealers and ‘aggregators’ in which many agents are recruited solely for M-PESA (and not for airtime distribution) has grown slower in Tanzania (Camner et al., 2009). The rationale for not combining airtime vending with MPESA is Vodacom’s intention to promote M-PESA as a means to top up airtime rather than buying vouchers. Maintaining the airtime dealer network is more costly than letting users’ top up on their own airtime from their M-PESA accounts (Voogt, 2010).

In general, aggregators can play an important role in balancing agents’ liquidity and float levels. An aggregator can be responsible for a group of agents’ ability to look after customer needs to transact. Aggregators can have staff employed to transport cash to and from agents, and also electronic tools to monitor its agents’ cash/float balance. In Tanzania, Vodacom’s “master agents” have mobile phone numbers that are toll-free for “their” agents so that agents can call in and report shortages of cash or float (Davidson and Leishman, GSMA, 2010).

The M-PESA money transfer network was designed for person-to-person remittance, and consequently not designed to take the specific needs of MSEs into account. However, as many MSEs are very small companies in which owner and manager is the same person, the payment to the owner is by default the same as paying to the MSE. This means that the person-to-person set up could in reality work for MSEs as well. So far very little research and studies have addressed the use and needs of MSEs for sending money through M-PESA (or any other mobile payment system).

*Figure 1. Market Share by Subscribers by 2008*
4.2. Mobile Money Transfer (MMT) in Kenya

Ng’weno (2010) declared that, mobile money transfer in Kenya (M-Pesa) has averting hunger, illness and missed school. It creates the ability of friends and family to immediate real time transaction, as to help prevent unnecessary period of going without food. House hold are with M-Pesa are more succeeded at weathering negative events and specifically do not reduce their food consumption. In additional to that mobile money transfer allows families in Kenya to take a relative to see the Doctor soon at their illness and children are able to attend schools without lack of delay of fees. For example Bridge International Academy, a for-profit primary school franchise in Kenya, has introduced a policy wherein all payments coming in from parents or going out to suppliers and staff must be made through its M-PESA or Equity Bank accounts. Centralizing all payment transactions facilitates record-keeping, minimizes errors, and provides real-time access to data on the business. Bridge has developed an automated system whereby school managers use text messages to request or deny payments to staff and suppliers without ever handling the money themselves, which provides greater security and lower rates of malfeasance.

4.3. Mobile Money Transfer (MMT) in Uganda

According to Wilberforce quoting Aula (2010), it is evident that Electronic Funds Transfer System has not been popular. For example in the first quarter of its
inception, only it contributed to 1.3% and 0.5% of the volumes and values exchanged in Kampala Automated Clearing House respectively. Despite the percentage increase between April-June quarter of 2007, evidence shows that its growth is still low, for example it had increased to only 14.9% and 6.7% respectively and only experienced a tremendous increase in 2007 because of governments’ policy decision to use Electronic funds Transfers a principle mode of payment with effect from July 2007 and the abolition of using cheques which are above 20 million.

Singh, (2009) In considering the difficult paying system in Uganda, the Bank of Uganda in collaboration with the Ministry of Education and Sports, educational institutions and commercial banks designed and introduced the EFT system to be used while paying fees since February 2007. This seems to be a great innovation in the payments system, however the fact that EFT usage is still low, leaves a lot to be desired. If you compare with other countries like Australia, electronic payment is growing and 37.7% of the population is willing to engage in online payment and in India, people rely on EFT and smart cards based on electronic payment systems.

In showing advantages of EFT Mugerwa and Ntabadde (2006) pointed out the EFT as the solution to the long queues and delays in making payments in banks. This is because it is very fast as an EFT instruction/transaction is processed within eight working hours, compared to cheques which take 4 working days. Bank of Africa (2010) added that EFT facilitates secure transfers of funds between banks and is a cheaper payment system for salaries and standing instructions. Akampurira (2007) supports the above view but adds on that EFT is a must necessity due to advent of information technology.
5. THE IMPACT OF MOBILE MONEY TRANSFER ON ECONOMIC DEVELOPMENT IN TANZANIA

5.1. Enhanced Economic Activity

Getting cash into the hands of people who can use it is limited on the supply-side rather than demand-side; more than the shortage of funds, it’s the ability to move money from the sender to the receiver that is the stumbling block. Since the creation of money, the ability to move it from A to B—the so-called “velocity of money”—has been a fundamental cornerstone of economic activity. But the issue is exactly how money transfer is made to happen in an emerging market where the infrastructure is poorly developed and where very few people have or even want bank accounts. Mobile Money Transfer platform is instrumental in substituting the banking infrastructure as in most of the emerging markets, the mobile phone penetration far out numbers the bank account penetration (by a ratio of 3:1, i.e. for every one bank account holder, there are three mobile phone owners).

M-PESA, TIGO-PESA, AIRTEL MONEY etc have been instrumental in driving growth and development in Tanzania. The World Bank estimates that reducing remittance commission charges by 3-5% could increase the flow of formal remittances by 50-70%, boosting local economies. Reducing the cost of each individual remittance would enable the delivery of lower value remittances than today’s average transfer value of US$200. M-PESA has resulted in higher remittance and hence higher economic activity leading to faster growth.

5.2. Reduced Cash in the Economy

In the absence of formal banking system, most of the transactions are cash based giving no audit trail to the regulators. Mobile Money Transfer brought in the transparency in the money transactions by reducing the cash economy and digitizing...
the transactions. Mobile Money Transfer is equivalent of credit card or debit card which allows the regulators to monitor the trail. There is more visibility on the money flows as the remittances move from informal channels to formal channels.

5.3. Security

Mobile Money Transfer provides unbanked mobile phone users with a secure platform which uses simple, tailored menus on their phone to send fully encrypted and PIN locked messages to a thoroughly audited financial accounting system. It was observed by the World Bank that M-PESA not only increased the Monetary Financial Institutions activity but is also used as a medium of storage of money. Informal saving channels are much less secure than formal saving facilities. Those who can afford it least suffer the highest risk. Both the banked as well as unbanked customers of M-PESA are using it as storage medium as it is easily accessible. There are many more agents of M-Pesa than bank which means that the customers need not travel long distances to withdraw cash.

With M-PESA, there is no need to carry cash and hence the risk of the cash getting lost or stolen is not there.

5.4. Convenience

Many people in emerging economies have to travel far from home to find work and need to be able to send money back to their families so they can pay bills. The cost of money remittance is very high in most of the parts of the world ranging from 3 to as high as 10%. This is the reason why more people depend on informal channels (through friends and family) to remit money or physically deliver the money. Traditionally, this has meant high fees, risky unregulated services, or long expensive trips carrying cash in an unsafe and unpredictable environment. It has been observed that Mobile Money Transfer users needed to make fewer trips back home to deliver money and the transaction size also came down with frequent
transfers. Unlike bank, the Mobile Money Transfer service is accessible and money can be sent anytime, anywhere.

5.5. Lower Costs

Mobile technology can lower the cost of remittances as it removes the need for physical points of presence and ensures a timely and secure method of transaction.

5.6. Business environment

Mobile Money Transfer reduces the overall transaction cost of moving capital along a network and increases the flow of capital. While the amount of money M-PESA moves is relatively small among formal financial systems in Tanzania, the number of transactions and volume of flow is increasing and covers larger segments of Tanzania’s population in terms of income, age and depth and breadth of access (Airtel Report, 2012)

5.7. Capital accumulation

Being able to save money instead of spend it enables wage earners to accumulate financial resources on their phone safely even without having to have a bank account or resort to a less secure mechanism such as keeping cash under the mattress.

6. THE CHALLENGES FOCUSING ON POLICY GAPS BETWEEN THE USE OF MOBILE MONEY TECHNOLOGY AND ECONOMIC DEVELOPMENT IN TANZANIA

Tanzania has seen remarkable gains on mobile phone service uses; there had been rapid uptake of various services key among them the mobile phone based solution for money transfer. Mobile phone banking is mainly used for money transfer and information sharing, this system frees up consumer from traditional banking system, mobile phone money transfer needs customer to register with service provider once, set up user
ID/password hence allowing a customer send, receive money, and pay bills while on-the-move and anywhere in Tanzania anytime s/he pleases. Mobile money banking started with the creation of services by the banks which could enable bank account holder to access certain information through his/her mobile phone. These facilities aimed to enable customers to access information relating to their accounts or transfer money.

According to Financial Sector Deepening Trust for Tanzania (FSDT), the most recent data available indicates that less than 10% of adult Tanzanians reported having access to a formal banking such as having a bank account; this leaves a percentage of more than 90% outside the bracket out of reach for mainstream banking such as conventional tellers or ATM networks of banks. So to say mobile phone money transfer such as NBC mobile service, Zap for Zain and M-Pesa for Vodacom are essential opportunities for consumers to narrow down the gaps left by traditional banking systems. This service already reaches unbanked persons in rural and urban areas in Tanzania, most agents happen to be air time distributors or retail outlets for handsets that manage cash transactions during money transfer.

Availability of multiple outlets across the country implies more points of contact with customers as opposed to the traditional banking hall set up. Additionally, the flexible operating hours of the mobile phone agents leaves them with greater opportunities to satisfy banking requirements that may arise at any time. On the contrary banks operate for an average of eight hours per day. The supplementary Automated Teller Machines (ATMs) do not have a sufficient outreach since they are only available in major towns.

While the fees charged for transactions are largely below those levied by traditional banks for similar services, low incomes amongst the vast proportions of the population tends to reduce the levels of affordability, I presume that prices are expected to decline over time as competition intensifies. Observably population categories with lower levels of education happen to be the larger user category. The capacity for unschooled and
semi illiterate persons to quickly capture the skills of manipulating the considerably sophisticated mobile phone menu items is still questionable.

Though not seriously impaired, the capacity of a wider population of Tanzania users is fairly curtailed by not being fully conversant with all that they can accomplish through the mobile. Deliberate interventions must be undertaken to successfully ensure that the targeted persons particularly the rural residents and females are empowered not only with technology but with skills and finance as well.

To prevent these communities from lagging behind they must be familiarized with the benefits and opportunities of mobile banking. Calculated strategies to overcome hindrances require exploration so that these groupings can be converted into meaningful participants who will utilize this technology for economic take off. Mobile phone money transfer signifies is the fact that M-banking has created a formidable avenue for income redistribution.

Other challenge is, rural areas are faced with numerous challenges including how to manage the float (Cash) in light of prospected demand. Operators have tended to focus mainly on the densely populated economic zones; more so increase in local and international money transfers services with maximum consumer protection; against risks of fraud, loss of privacy and even loss of service is extremely critical for growth of m-banking.

The fair and transparent treatment of customers is not always ensured and the lack of financial capability is still being exploited negatively. The providers of financial services need to understand that they stand to gain themselves from an informed customer decision.

This sort of service revolution should led to make finance work for Tanzania, we should
ask ourselves “did we set the right priorities in financial literacy and consumer protection?” “What do we need to do (better) right now to make finance work for Tanzania and Africa as a whole?”, things such as to empower people to be capable of managing their financial assets and liabilities by better understanding their rights and responsibilities.

In order to protect consumers it is inevitably not to do; awareness creation and social marketing to behavioral change, increasing consumers’ financial capability which aims at empowering consumer. The government thorough sectoral regulatory authorities (in this case Bank of Tanzania and Tanzania Communication Regulatory Authority) also have a role to play in protecting consumers by ensuring that financial institutions, business firms, fund raiser through mobile phone and mobile phone service providers; provide regular reliable information and apply recognized standards and suitable codes of conducts.

We need to develop a national strategy on consumer education and financial capability. These strategies aim, among other things, at including financial capability into schools, to educate the public on financial capability and to design training programmes for financial service providers. We need to prepare a clear money transfer laws to clarify the responsibility of service provider in order to strengthen consumer protection in Tanzania as well as establishing appropriate safety net procedures which immediately provide remedies if consumer involved into controversial deal. Failing to plan today is planning to fail in future, it is now or never.

We are making a special request to strengthen collaboration among relevant organizations through establishment of a liaison committee on a regular and on-going basis consisting of banks, service provider, regulatory authorities, consumer groups, lawyers, Tanzania private Sector Foundation, Tanzania National Business Council, Confederation of Tanzania Industries, Tanzania Chamber of Commerce and others to join
us to prepare joint operations for consumer protection. Only when there is knowledgeable consumer in place and thereby strengthening institutions and building capacity for sound decision making, proper progress can be made in the other areas of democratic governance, including agriculture, economic and social development, welfare, and many others.

7. CONCLUSION AND RECOMMENDATIONS

7.1. Conclusion

The overall objective of this study was to assess the contribution of the electronic financial transfer services in Tanzania in economic and social aspect both to the community and Government. Among all source of information electronic money transfer services, have shown positive contribution on the economic and social development in Tanzania both to individual people and to the government too. On the other hand electronic money transfer services has shown negative contribution on the influencing money laundry and terrorist as there are instruments designed to prevent or limit money laundry (Ant money laundry). Moreover, electronic money transfer system does not affect financial liquidity or influence inflation.

Furthermore, the literature shows that electronic financial transfer system have strong positively impact to central bank’s policy on economic and social development of the people, this is judged according to benefits gained by people and government from the electronic financial services specifically the M-PESA, TIGO -PESA, EASY – PESA and AIRTEL MONEY. Despite the evidence of the positive contribution of electronic financial transfer services to social and economic developments, and negative impact to money laundry, inflation and money liquidity. There was some limitation existed while using mobile financial transfer system.
Indeed, the running cost is high compared to other electronic financial services (i.e. interest charged when sending and receiving money is high), these cost differs with respect to amount of money in transaction, the cost of checking the balance of customers accounts is also involved: the second problem indicated by the literature was the network failure: this problem reported to happening time to time, coverage of service area is still a problem, that most of the rural areas are not covered with network services hence no services in large area in the villages, this include all mobile telephone companies.

7.2. Policy Recommendations

7.2.1. Government and Taxation

Government of Tanzania is the biggest disburser of money through paying salaries to civil servants as well as pensions. Given the limited reach of financial institutions, especially in the rural areas, Government can greatly improve their services by adopting mobile money to disburse such funds on a regular basis equally especially to those civil servants working in villages and remote areas. Government also receives money from citizens. Adding a mobile money channel can help increase convenience for users to pay taxes and Government fees wherever they are, resulting in a more efficient revenue collection for the Government and TRA to control movement of someone income, for the purpose of controlling Tax evaders.

In addition, the ability to reach a large portion of the low-income population through their mobile phones and connect them to the formal economy allows for the delivery of more efficient social services (policies) like emergency payments for disasters, relief efforts for epidemics, health threats, etc. All of this would further enhance the adoption of mobile money across the region. Even as Governments in East Africa Community desire for greater tax revenues, they should continue to refrain from taxing mobile money.
transactions for now. For example, the Ugandan Government taxes on prepaid mobile voice services stand at 30 per cent (18 per cent VAT and 12 per cent excise duty), and in Kenya at 26 per cent (16 per cent VAT and 10 per cent excise duty). Imposing taxes on mobile money services could be counterproductive because these would be passed directly on to consumers. The result would be higher prices and reduced transaction volumes. The core group of people that mobile money is lauded for providing a channel to serve—the poor—could flee since they are more sensitive to price changes. This would increase the risk that mobile money reverts to serving those that already have alternative options in accessing financial services.

7.2.2. Consumer protection

From interviews in the field, consumers are not sure who to approach if and when they have complaints related to mobile money, especially when they involve the Mobile Network Operator (MNO). This may be a reflection of countries focusing on attracting investment and providing an open ground for innovation. Regulators need to start paying more attention to consumer-related issues and define some standards to which MNOs/partner banks need to adhere so as to ensure higher consumer satisfaction.

Potential areas of action include:

i. Regulators in conjunction with MNOs/partner banks providing mobile money services should define some service quality metrics that can be tracked over time to ensure improvements. Performance across these metrics should be periodically disseminated to the public for reasons of transparency and accountability.

ii. MNOs/partner banks should be required to setup dedicated customer support centre and systems. Currently, these are embedded within support systems for other conventional services like voice and these
are already deluged with users complaining about issues with these other services.

iii. MNOs and their agents should be required to display their various mobile money services and related charges visibly at each of their locations. Other terms and conditions related to services should also be readily accessible by consumers.

iv. Use of mobile money creates lots of data and a trail that can be followed. This can be used for both good and bad objectives. It is therefore important to specify who can have access to this information, when and how? How can a user authorize access to his/her own data stream? Such questions should be addressed within the general framework of privacy and data retention laws within EAC.

v. Mobile money opens a set of risks that did not exist before, especially for poor people. Examples include the loss of a mobile phone with mobile money, identity theft and fraud.

7.2.3. Registration and transaction Limits

Registration before being able to use any mobile money services is still a barrier for adoption in Tanzania, primarily because it has been a retroactive step-Mobile Network Operator had already issued the bulk of their SIMs before they launched mobile money platforms. While the need for Know Your Customer is well articulated, the challenge to put together the necessary documentation and dedicate the time to visit an MNO or their agents is still perceived to be a considerable hurdle, especially for those that would just like to experiment with the service. At the agent, a user has to complete a registration form, which can be an intimidating step for poor people. M-PESA in Tanzania has now automated the registration process so that an agent can complete it via mobile phone with no paperwork.
A user can present a range of documents, as identification for registration across EAC, a welcome flexibility. But this also points to the need to craft national IDs across the different countries. The lack of a nationally accepted form of ID implies that registration is a two step process. The completed form and ID photocopy from the agent’s location need to be forwarded to the MNO offices for processing, after which a mobile money account is activated. This delay can add frustration to the registration process. With the exception of Kenya, EAC is still struggling to come up with an acceptable form of national identification. However, there are discussions at EAC level seeking to enable national IDs to be accepted across the region.

Regulators may explore avenues to provide an opportunity for more individuals and small businesses to experience mobile money without the hurdle of pre-registration. Then, as the amounts they transact increase, they can be required to register. This can lower the bar to participating for micro enterprises and individuals. Certain limits that apply to transactions on different systems may also be restrictive for business operations.
**LIST OF ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ATM</td>
<td>-</td>
<td>Automatic Teller Machine</td>
</tr>
<tr>
<td>BOT</td>
<td>-</td>
<td>Bank of Tanzania</td>
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<tr>
<td>CMSA</td>
<td>-</td>
<td>Capital Market</td>
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<tr>
<td>CRDB</td>
<td>-</td>
<td>Cooperative Rural Development Bank</td>
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<tr>
<td>ECB</td>
<td>-</td>
<td>European Central Bank</td>
</tr>
<tr>
<td>EMI</td>
<td>-</td>
<td>Electronic Money Institution</td>
</tr>
<tr>
<td>EMI</td>
<td>-</td>
<td>Experience of Electronic Money Institution</td>
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<tr>
<td>EU</td>
<td>-</td>
<td>European Union</td>
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<tr>
<td>GDP</td>
<td>-</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GSMA</td>
<td>-</td>
<td>Global System for Mobile Communication Association</td>
</tr>
<tr>
<td>IFEM</td>
<td>-</td>
<td>Interbank Foreign Exchange Market</td>
</tr>
<tr>
<td>IVTS</td>
<td>-</td>
<td>Information Valuer Transfer System</td>
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<tr>
<td>MMT</td>
<td>-</td>
<td>Mobile Money Transfer</td>
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<tr>
<td>MOU</td>
<td>-</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>M-PESA</td>
<td>-</td>
<td>Brand Name</td>
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<tr>
<td>NDF</td>
<td>-</td>
<td>Net Domestic Financing</td>
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<tr>
<td>SIM</td>
<td>-</td>
<td>Sim card line</td>
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<tr>
<td>SMS</td>
<td>-</td>
<td>Short Messages Services</td>
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<tr>
<td>TCRA</td>
<td>-</td>
<td>Tanzania Communication Regulatory Authority</td>
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<tr>
<td>TZS</td>
<td>-</td>
<td>Tanzania Shilling</td>
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<tr>
<td>TTCL</td>
<td>-</td>
<td>Tanzania Telecommunication Company Ltd</td>
</tr>
</tbody>
</table>
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