

WORKSHOP ON FINTECH, PAYMENTS AND FINANCIAL INCLUSION

GABORONE, BOTSWANA

*Digitally delivered Financial Services in Tanzania
Emerging Opportunities and Risks to foster Financial Inclusion,
Protection, Integrity and Stability*

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OUTLINE OF THE PRESENTATION

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- 2. Financial Inclusion**
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1.0 INTRODUCTION

- Adoption of mobile phone technology has created opportunities for digitization of financial services through the **Mobile Money platforms** in Tanzania, Sub-Saharan Africa and other Developing Countries.
 - TZS mobile money adoption played a major role in accelerating financial inclusion, FinScope Survey, 2017;
 - Diverse providers: Mobile Money in Tanzania is telcos led (Vodacom, Airtel, Tigo, Halotel, TTCL, and Zantel)
 - With **inter-operability** among mobile wallets.
- DFS **Regulatory Architecture** in Tanzania provides supportive environment Fintech innovation.
 - while Tanzania Communication Regulatory Authority (TCRA) focuses on communication element of the mobile money value chain.
 - Regulatory coordination conducted through MOU between BOT & TCRA.



1.0 INTRODUCTION ...CONT.

- The digital platforms enable **connectivity of objects**, amplifying the potential of **financial services digitization** and expanding opportunities to use the platforms to expand outreach through accessible and convenient delivery channels
 - For funds transfer and payments, savings, credit, insurance and investment
- The digital platforms enable **connectivity of objects**, amplifying **financial products development** using data generated from equipment connectivity
 - Off-grid Power finance, Uber-bank arrangement to offer car loans for taxi drivers, equipment financing solutions



2.0 FINANCIAL INCLUSION

- DFS innovations are enhancing **Financial Inclusion** by addressing some **traditional financing constraints**, particularly for smallholder farmers, small enterprises operators and low income households:
 - Geographical Proximity: urban and rural
 - Bank account opening constraints
 - Information asymmetry – data generated by airtime, mobile money and other mobile delivered transactions.
 - Collateral – digital credit based on data combined with connected equipment
- FinScope 2006 financial access to formal financial services_ percent of adult population compare to access level in 2015.
- Opportunities using DFS platform combined with connectivity of objects to design appropriate products:



3.0 FINANCIAL CONSUMER PROTECTION

- BOT has legal mandate to supervise **market conduct in DFS**.
 - The Payments Systems Licensing and Approval Regulations, 2015 all payments service providers to put in place complaints and handling and resolution arrangements.
 - Monitoring tools for market conduct risks requiring improvement, with Regtech offering potential for efficiency and effectiveness enhancement.
- Emerging Consumer Risks in DFS:
 - **Over-indebtedness**
 - **Disclosure** improvement needed on terms and conditions.
 - **Data** – confidentiality and protection.
- **Consumer recourse** provided by BOT, Tanzania Communication Regulatory Agency and Fair Competition Commission. MoU for coordination in place.



4. FINANCIAL INTEGRITY

- **AML and CFT oversight** role covered in the Payments Systems Licensing and Approval Regulations, 2015:
 - all payments service providers to put in place policies and procedures for detecting and reporting incidences money laundering in line with anti-money laundering and combating of the financing of terrorism laws.
- BoT provided with mandate to **access electronic money issuance system** to facilitate remote monitoring of electronic transactions,
 - including access to balance of trust accounts (the Electronic Money Regulations, 2015)
- **All DFS providers** responsible for identification, monitoring and reporting of money laundering incidences to **Financial Intelligence Unit**, housed at the Ministry of Finance.
- Access to **National ID** remains a major constraint:
 - With Government initiative to accelerate access to National ID with some biometric features to all adult citizens.
 - Alternative IDs in use as an interim solution – eg. Voters Registration Card, Driving License, Passport
- **RegTech** can play important role to enhance DFS supervision, considering the high volume and small value mobile money transactions.



5. FINANCIAL STABILITY

- Bank of Tanzania (BOT) responsible for licensing, regulation and supervision of **all payments system service providers** under the National Payments Systems Act, 2015;
 - **Prudential supervision** conducted by BOT
- **Macro-prudential oversight**, integrated oversight including other components of the financial system – financial intermediaries and markets conducted with BOT
 - in collaboration with other Financial Regulators and the Ministry of Finance through an MOU under Tanzania Financial Stability Forum.
- Room to enhance DFS oversight through **RegTech**



6. CONCLUDING REMARKS

- DFS has contributed to accelerating financial inclusion in Tanzania
 - With more room for improving **appropriate products design** for low income individuals, small-holder farmers and micro-enterprise operators
 - Growing **connectivity** and **data** generated as major enablers of products design.
- Innovations to consider **associated risks** in:
 - financial consumer protection, stability and integrity.
- **Behavioral sciences** and **data analytics** offering potential harnessing the potential of digital financial services.



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THANK YOU!

MERCI!!

ASANTENI SANA!!!

