



Becoming a Bank of Choice for Women in Tanzania: Insights from Tanzania Commercial Bank

MARCH 2022



OFISI YA RAIS TAMISEMI

MSHINDI WA KWANZA

PSLE 2018 - MWANZA JIJI

MZIGU SCHOOLS

OFISI YA RAIS TAMISEMI
HAIMASHAURI YA JIJI LA MWANZA
TUZO YA PONGEZI

DAUDI JOSEPHATI ELIAS

KUTOKA MZIGU SCHOOLS KWIA
KUWA MSHINDI WA TATU KITAIFA
KATIKA MTHANI WA UPIMAJI
DARASA LA NINE

**SFNA
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Women Represent an Enormous Market Opportunity

The financial sector plays a pivotal role in stimulating economic development; however, women continue to face barriers in securing finance, and very few rise to leadership positions in financial institutions. Through its [Finance2Equal Tanzania](#) program, supported by the United Kingdom's Foreign, Commonwealth and Development Office through the [Global SME Finance Facility](#), the International Finance Corporation (IFC) has been bringing together financial services companies to increase women's participation as leaders, employees, customers, and entrepreneurs. IFC has helped [Tanzania Commercial Bank](#) (TCB),¹ as well as other financial institutions in Tanzania, to enhance corporate knowledge about the benefits of gender diversity through webinars and events. This case study explores how TCB is improving access to finance for women and women-owned businesses.

THE BUSINESS OPPORTUNITY: Tanzania has made important progress in expanding financial inclusion for adults. Between 2013 and 2017, the percentage of adults with a bank account rose from 58 percent to 65 percent (National Financial Inclusion Council 2017). However, about one third of Tanzanian women still lack access to formal financial services, and about one in 10 rely on informal sources of finance (National Financial Inclusion Council 2017). In 2018, the Government of Tanzania established a target to increase adults' access to formal financial services to 85 percent, and once access is established, the government is encouraging account holders to regularly use formal financial services (National Financial Inclusion Council 2017).

In Tanzania, women own 54 percent of all micro, small, and medium enterprises (MSMEs); however, MSME owners, and especially women owners, lack access to formal sources of finance (National Financial Inclusion Council 2017). The MSME women's finance gap in Tanzania is about 4 percent of GDP, representing a staggering market opportunity that is worth Tanzania shillings (TZS) 3.9 trillion (US\$1.7 billion) (SME Finance Forum 2017).

Yet, the most significant barrier to growth that Tanzanian MSME owners (women and men) encounter is a lack of access to finance and the ability to effectively use financial products and services (National Financial Inclusion Council 2017).

This gap is driven by various banking requirements that slow access to finance. These barriers include "know your customer" (KYC) requirements to open a bank account, formal business registration requirements, the need for collateral (such as land ownership) to secure loans, the need for a credit history to assess risk, and a lack of MSME-tailored products (National Financial Inclusion Council 2017).



The MSME women's finance gap in Tanzania is about 4 percent of GDP, representing a staggering market opportunity worth TZS 3.9 trillion (US\$1.7 billion), but many Tanzanian women-owned businesses encounter barriers accessing credit because they do not own land, which is needed for collateral.

SME Finance Forum 2017 and National Financial Inclusion Council 2017

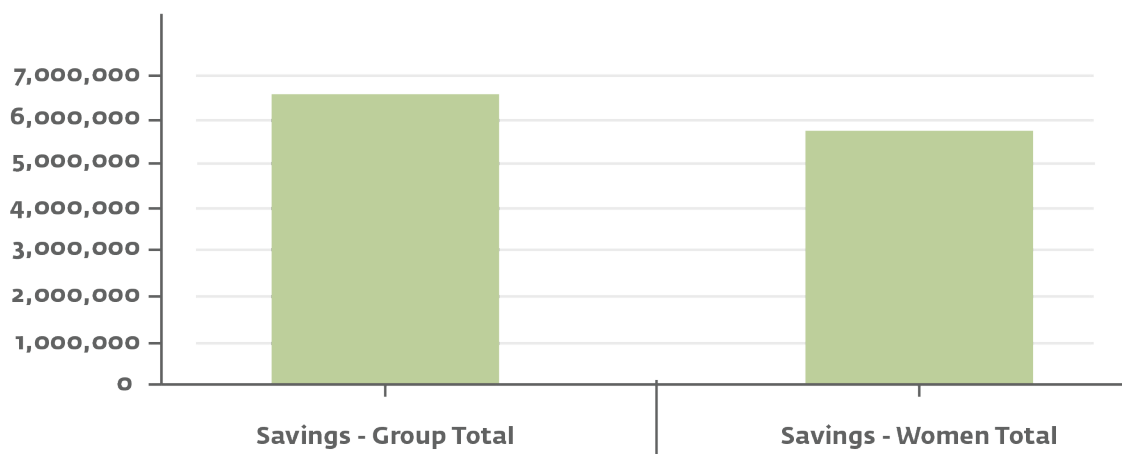
TCB WOMEN'S PROPOSITION: TCB is supporting the national agenda to increase women's access to finance by creating customized products for women, and offering services that position TCB as the bank of choice for women customers.

The board strongly believes that women represent a significant opportunity for the growth of the nation and the banking sector, and that this growth can be achieved by driving greater financial inclusion and focusing on servicing the base of the pyramid (WSBI-ESBG n.d.). By targeting women, informal groups, and formal village finance, TCB has already attracted 500,000 new men and women customers who did not previously have access to formal financial services. As a result, between 2014 and 2019, TCB gained TZS 12 billion (US\$5.1 million) in deposits (WSBI-ESBG n.d.). TCB believes that this strategy can help it become one of the 10 largest banks in Tanzania (WSBI-ESBG n.d.).

Following the acquisition of Tanzania Women's Bank in 2018, TCB looked for additional opportunities to provide more banking solutions to women through its women's banking department. TCB's strategy is to reach women first through savings products, both group and individual, and then loans. In 2020, women accounted for about 90 percent of the bank's group savings, which was worth about TZS 15 billion (US\$6.5 million) (Figure 1.1).



Figure 1.1: Savings Portfolio, US\$



Looking at lending, “TCB offers women more attractive loans with an interest rate that is two percent lower than traditional loans through a dedicated financing window for women,” explained Godfrey Mbilinyi, Senior Manager of Strategic Planning. Most lending to women occurred over the last five years, following targeted marketing activities, which resulted in an increase from 4,158 women in 2018/2019 to 7,584 women

in 2020/2021 (Figure 1.2). During that same period, the value of TCB's loans to women rose from TZS 13.6 trillion (US\$5.9 million) to TZS 25.2 trillion (US\$10.9 million). If lending to women continues at the rapid pace seen in the first two months of 2022, new loans could reach an estimated value of TZS 67.8 trillion (US\$29 million).

Figure 1.2: Loans to Women, 2018-2022, US\$



When women do get access to loans, numerous studies have shown that they are a better credit risk. IFC surveyed 133 financial institutions in its client portfolio, and found that women-owned MSMEs had lower non-performing loans (NPL) ratios for four consecutive years (2017-2020), despite the negative impacts of COVID-19 (IFC 2021a). This trend was observed regardless of whether the financial institutions had strategies to target women. But the clients that had participated in IFC's Banking on Women initiative, and had

a specific strategy targeting women customers, observed even lower NPL ratios (IFC 2021a). TCB does not currently collect sex-disaggregated data on NPLs, but Muondakweli Kaniki, the Acting CEO, noted that there is anecdotal evidence that TCB's women clients have lower NPLs. Tanzania's National Financial Inclusion Framework requires financial institutions to collect and provide the government with sex-disaggregated data on loans, but this requirement does not cover non-performing loans.



Reaching More Women

To effectively target and reach women clients, TCB deployed three strategies: (1) tailored products for women that meet their unique needs; (2) effective marketing channels; and (3) additional non-financial services to reduce the financial literacy gap.²

TABASAMU: A TAILORED SAVINGS PRODUCT FOR WOMEN: In Tanzania, and in many African countries, the unbanked often pool their finances in informal savings groups, and use their savings to extend small loans to each other. At the end of the savings term, they can collect their savings and any interest that has accrued.

The Savings Group Information Exchange, [Savix](#), estimates that more than 1 million people in Tanzania are participating in about 50,000 savings groups that are outside the formal financial system. Nearly 75 percent of the members are women. While each person has saved an average of US\$38, they are collectively saving more than US\$46 million, which they have used to provide US\$26 million in loans to each other, with an average loan size of US\$70. At the end of the savings period, savers get a 14 percent return on their savings. TCB saw an opportunity to help bring formal financial services to the underserved by

replicating the informal savings groups “product” with TCB’s formal savings product.

In 2019, TCB launched [Tabasamu](#), a savings product just for women, which they can access either individually or as part of a formal or informal group. To lower the barriers to account ownership, TCB has made a concerted effort to waive some fees for this specific product. For instance, there is no withdrawal or monthly ledger fee, unlike the normal savings or current account, which has a TZS 1,600 (US\$0.70) fee per transaction. Group account holders can also access loans directly from the savings of the group. In the future, account holders may be able to use a portion of the savings in their Tabasamu account as a guarantee toward a traditional TCB bank loan.

The Tabasamu accounts have been growing, in both ownership and value. As of June 2021, Tabasamu had about 1,200 individual and group accounts, with an average total balance of TZS 538 million (about US\$232,560) (Figures 1.3 and 1.4).³ As of November 2021, there were about 1,720 Tabasamu accounts, worth TZS 751.5 million (about US\$325,000) (Figures 1.3 and 1.4).⁴ The average savings per person is about US\$188, which is far higher than the US\$38 under the informal savings groups.

Figure 1.3: New Account Holders

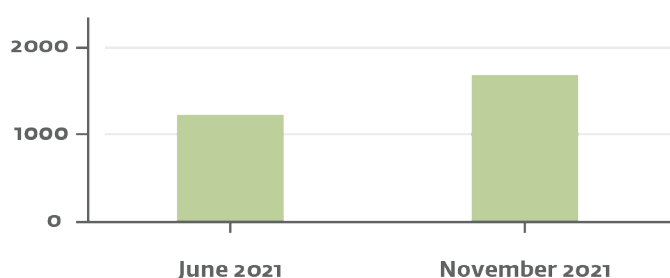
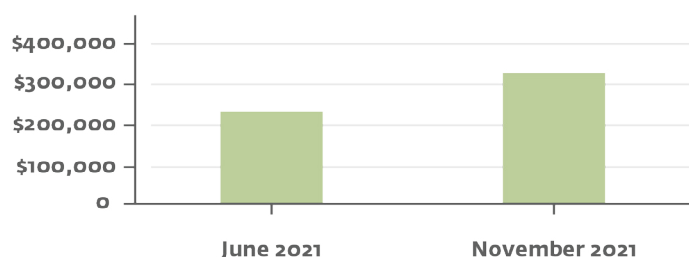


Figure 1.4: Account value (US\$)



The Tabasamu product is accessible from bank branches, but it is not yet mobile-phone enabled. TCB has a partnership with Vodacom for a sister product, M-Koba, a mobile group savings product whose members are predominantly women. Since its launch in February 2019, M-Koba has registered 31,600 groups and 339,000 individuals, who, collectively, have put TZS 44.1 billion (US\$19 million) into the financial system (Muhura 2020). As of December 2021, the balance was TZS 13 billion (US\$5.6 million). The success of this product has led TCB to look at ways to continue to leverage mobile technology to improve existing products, or to add new products.

EFFECTIVE MARKETING CHANNELS TO REACH WOMEN: While early progress with Tabasamu was modest, which in part was due to COVID-19 lockdowns, TCB needed a more effective approach to reach more women faster. It developed a new, more cost-effective engagement strategy—networking forums—where TCB could meet with many women at once in a conference setting. Participants were mostly owners of small and medium-sized businesses, and the theme was “The Role of Women in Growing the Economy.”

Believing in the power of word of mouth, good will, and repeat customers, TCB targeted an audience that comprised 60 percent of the bank’s existing customers, and 40 percent of its prospective clients. Janeth Zoya, Chief Manager, Liability and Women Banking explained, “We want to increase our wallet share of existing customers by helping them to understand the full suite of the financial options TCB offers, such as SME loans, insurance, and retirement plans.” Between September 2021 and October 2021, TCB held three Women’s Business Forums in the most important regions of Tanzania, and over 1,500 women participated.

Preliminary data show that since the marketing drive through the conferences was initiated, about 425 new accounts were opened. These included fixed deposits, personal accounts, and informal groups, and their value was about TZS 744 million (about US\$320,500). Following the forums, 50 loans were approved at a value of TZS 260 million (about US\$112,000). The loan pipeline for the Dododma region was estimated to be worth TZS 185 million (about US\$80,000). Janeth added, “The success of the forums has contributed to the growth of other TCB banking products and business, and goes well beyond the Tabasamu account. Thus, TCB plans to hold more women’s forums in the future.”

ADDITIONAL NON-FINANCIAL SERVICES THAT REDUCE THE FINANCIAL LITERACY GAP: Since one of the barriers that women face is financial literacy, TCB’s Women’s Business Forums integrated sessions on financial education.



One woman entrepreneur who was featured at the forum explained how she was able to cultivate her milling company. Her first loan with TCB was for TZS 500,000 (US\$216) and over 10 years she grew her business to be worth TZS 600 million (about US\$260,000). TCB also has a mentoring program to pair successful women entrepreneurs with younger women who are starting out.

The sessions covered topics such as savings, debt management, borrowing ethics, and business management skills. The sessions included training on record keeping; how to manage cash flow and profits; and workshops for young entrepreneurs on long-term sustainability concepts, such as succession planning in family-owned businesses.

To inspire women and build their confidence, TCB invited successful businesswomen to speak about their experience. They shared their stories using simple language, and avoided banking jargon.

Sabasaba Moshingi, the CEO, explained that the forums “offer women a platform to connect, share knowledge, and ideas on entrepreneurial issues (Tanzania Daily News 2021).” Through the forums, TCB is providing tools to effectively address some of the entrepreneurial challenges that women face, in an environment that allows them to gain financial literacy and network with women peers.

Recommendations

Financial institutions can capitalize on the tremendous market opportunity by taking action in a few key areas: (1) develop products that respond to women's needs; (2) invest in cost effective marketing strategies; (3) deploy technology to drive efficiency and reduce cost; and (4) collect and use sex-disaggregated data to inform the strategy.

1) Develop products that respond to women's needs: The Tabasamu product is a one-size-fits-all product that has helped provide financial services to many women, while delivering results for TCB. However, the bank believes that it can capture more market share by further tailoring products and services to meet women's unique needs, and especially by segmenting the market.

2) Invest in cost effective marketing strategies: Cost-effective marketing strategies, such as conference style events, can go a long way in reaching greater numbers of women, and word-of-mouth advertising and social media can be effective tools, too.

3) Deploy technology to drive efficiency and reduce costs: Mixing banking with mobile technology is essential to drive rapid product growth.

4) Collect and use sex-disaggregated data to inform the strategy: Financial institutions can gather sex-disaggregated data on topics such as non-performing loans. Such data can be used to inform a tiered credit risk strategy, and encourage the use of alternative collateral that does not require land ownership.



ENDNOTES

¹ In 2021, TPB Bank Plc changed its name to Tanzania Commercial Bank. **Page 3**

² IFC describes non-financial services as a broader set of solutions that include financial education, mentoring, as well as networking. See Non-financial Services: [The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks \(IFC and FMO 2020\)](#). **Page 6**

³ There were 1,182 individual account holders, with an average total balance of TZS 502 million (about US\$215,900). There were 46 group accounts, with an average total balance of TZS 36 million (about US\$15,560). **Page 6**

⁴ Since inception. Note that once the savings cycle matures customers may withdraw their money to fulfill their savings goals. **Page 6**



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