INSTANT AND INCLUSIVE PAYMENTS
Consumer research insights
Focus on Tanzania
SIIPS 2022
The State of Instant and Inclusive Payment Systems (SIIPS) in Africa report is an AfricaNenda initiative, together with the World Bank and the United Nations Economic Commission for Africa. It is an annual review that is developed from a detailed assessment of instant payment systems in Africa, through mixed research methods that involve conducting an in-depth industry analysis to establish key trends, best practices, and benchmarks that can inform the development and scaling of instant and inclusive payment systems and accelerate financial inclusion in Africa.

The State of Instant and Inclusive Payment Systems in Africa report, SIIPS – Africa 2022 is the inaugural edition. The report aims to inform public-sector and private-sector players in Africa and beyond about the developments in the instant retail payment system (IPS) ecosystem in Africa, including an assessment of the inclusivity of such systems, both in functionality (the extent to which they are accessible to all end-users) and governance (the extent to which all licensed payment providers have fair access and design input opportunities). For this report, only systems with live transactions and functionality as of June 2022 were included. The data in this report was gathered from publicly available resources from March to July 2022, and it was supported by extensive stakeholder interviews during the same period.

The consumer research was conducted between May and June 2022. It involved extensive in-country qualitative and quantitative research covering low-income adult individuals and micro, small, and medium-sized enterprises (MSMEs) across seven countries, namely; The Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Tanzania, and Zambia. This consumer research exercise will be replicated in different countries each year, and insights will contribute to the annual SIIPS report content.

This is the Tanzania focus report. The sample is not nationally representative, as this exercise was intended to draw out insights to inform how IPSs can be designed to better meet the needs of end-users.
1 Research methodology overview

1.1 Research objectives & process

2 Assessment of payment instruments: Addressing payment needs and usage

2.1 Leading payment needs are purchasing airtime (individuals) and receiving customer payments (MSMEs)

2.2 Mobile money is adopted by individuals, but cash usage is still prevalent. Opportunities to drive digital payments include merchant payments.

2.3 Making payments through bank accounts is prevalent among individuals and MSMEs on a monthly basis.

2.4 MSMEs are twice as likely as individuals to make digital payments through mobile money.

3 Understanding consumer behavior: Perceptions, drivers, and barriers to making digital payments

3.1 Mobile money awareness and usage are high among individuals and MSMEs.

3.2 Beneficiary receiving options, transaction traceability, and payment amounts are key determinants of whether payments are in cash or digital.

3.3 Key considerations for cash or mobile money usage include perceived convenience and security, government policies, perceived transparency and accountability.

3.4 Network challenges and poor connectivity are the leading barriers to the usage of digital payments among individuals and MSMEs.

3.5 Cash is still king because of several issues, including the unavailability of valid account registration documents, inadequate access points, and poor customer experience with digital payments.

3.6 User experience: Understanding how drivers and barriers play out along a user journey.

4 Conclusion and recommendations

4.1 Summary

4.2 Consumer voices: Recommendations on expanding digital payment options
For the purpose of fieldwork, the data collection tools use consumer-friendly terms to collect feedback. The payment term and corresponding consumer term are shown in the table below.

<table>
<thead>
<tr>
<th>Consumer research term</th>
<th>Instrument [channel]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile money wallet</td>
<td>MM [USSD/app]</td>
</tr>
<tr>
<td>Mobile money agent</td>
<td>MM [agent]</td>
</tr>
<tr>
<td>Payment application</td>
<td>PSP [USSD/app/browser]</td>
</tr>
<tr>
<td>Banking application</td>
<td>Bank [USSD/app/browser]</td>
</tr>
<tr>
<td>Banking agent</td>
<td>Bank [agent]</td>
</tr>
<tr>
<td>Credit/debit card</td>
<td>Card [POS/browser]</td>
</tr>
<tr>
<td>Cash</td>
<td>Cash</td>
</tr>
</tbody>
</table>

MM: Commercial E-Money scheme, Bank: Interbank EFT debit/credit, Card: Debit Card, PSP: Payment service provider
SECTION 1

RESEARCH METHODOLOGY OVERVIEW
Research objectives & process

**RESEARCH OBJECTIVES**

The objective of this research was to provide a consumer perspective that will add to the IIPs knowledge base by:

- Understanding which payment methods are used and for which purposes
- Identifying motivators and barriers consumers face when using digital payments
- Defining challenges experienced in accessing digital payments and opportunities for adoption
- Exploring use cases, desired features, and unmet needs and expectations of digital payments

**FIELDWORK ITINERARY**

**Fieldwork location:** Dar es Salaam and Arusha

**Quantitative data collection:** April 22–May 9, 2022

**Qualitative data collection (in-depth interviews, focus group discussions, & immersions):** May 13–22, 2022

**RESEARCH EXECUTION PROCESS**

**Quantitative tool design**
- Respondent Recruitment Screening Tool
- Survey Questionnaire Tool

**Quantitative fieldwork**
- Survey scripting and programming for mobile data collection
- Enumerator training
- Data collection
- Quality checks

**Qualitative tool design**
- Data review from quant. process

**Qualitative data collection**
- Focus group discussions
- In-depth interviews
- Immersions
QUANTITATIVE RESEARCH: Identify customer behavior trends

- Quantitative survey n=60 individuals, 49 MSMEs
  - Take stock of digital payment patterns and determinants in general, and of instant payments in particular
  - Allow comparison across countries and set a baseline on which time series data can be built up

QUALITATIVE RESEARCH: Understand key drivers of shifting consumer behavior toward IIPS

- In-depth interviews n=15
  - Identify key decision-making patterns
  - Identify key trends of customer behavior
  - Spontaneously explore generalized perceptions

- Focus group discussions n=5
  - Gain an in-depth understanding of the person’s/business’s socioeconomic and household reality
  - Understand individual reasons for customer behavior

- Immersions n=5
  - In-depth understanding of customer journey and user experience

In-depth interviews are interviews with individuals instead of a group.

Immersions are interviews with individuals around specific trends and scenarios discovered through the focus group discussions and in-depth interviews.
Lower-income and infrequent income earners
Include urban poor who live “hand to mouth” and lack regular employment or stable earning opportunities; intermittent piecework/gig workers; and people who are dependent on others in the family/community and/or on social grants.

Lower-income but frequent income earners
Are the slightly more affluent part of the lower-income mass market, earning a steady income (wages) or a salary in the formal or informal sector.

Micro entrepreneurs*
Individual trader/merchants like hawkers, fruit and vegetable sellers, cobblers, and other crafts traders.

Small businesses*
Traders/service providers who have small, fixed premises or (mostly informal) shops, as well as smallholder farmers and small agribusinesses.*

75% of the total sample for the quantitative survey are digital payment users (individuals and businesses) and 90% of the total sample for the qualitative research components are digital payment users (individuals and businesses).

<table>
<thead>
<tr>
<th>QUANTITATIVE RESEARCH [100 respondents]</th>
<th>QUALITATIVE RESEARCH [45 respondents]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent type</td>
<td>Focus group discussion In-depth interview Immersions/Observation</td>
</tr>
<tr>
<td>Total</td>
<td>Male</td>
</tr>
<tr>
<td>Individuals</td>
<td>60</td>
</tr>
<tr>
<td>MSMEs</td>
<td>40</td>
</tr>
</tbody>
</table>

* Monthly turnover number cut-off applied was USD 1,000 and formality of premises.
ASSESSMENT OF PAYMENT INSTRUMENTS: ADDRESSING PAYMENT NEEDS AND USAGE
Leading payment needs are purchasing airtime (individuals) and receiving customer payments (MSMEs)

<table>
<thead>
<tr>
<th>Ranking of payment needs [proportion of individual respondents that had the payment need at least once a week]</th>
<th>Individuals</th>
<th>MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase airtime (54%)</td>
<td>Receive customer payments [25%]</td>
</tr>
<tr>
<td>2</td>
<td>Receive money (31%)</td>
<td>Supplier payments [17%]</td>
</tr>
<tr>
<td>3</td>
<td>Send money (25%)</td>
<td>Pay for utilities [8%]</td>
</tr>
<tr>
<td>4</td>
<td>Buy household goods [22%]</td>
<td>Send staff airtime money [6%]</td>
</tr>
<tr>
<td>5</td>
<td>Pay for daily transport [20%]</td>
<td>Loan repayments[4%]</td>
</tr>
<tr>
<td>6</td>
<td>Pay for utilities [20%]</td>
<td>To settle recurrent bills [4%]</td>
</tr>
<tr>
<td>7</td>
<td>Make benevolent contributions [12%]</td>
<td>Send staff money for transport [2%]</td>
</tr>
<tr>
<td>8</td>
<td>Loan repayments [8%]</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Settle recurrent bills [2%]</td>
<td></td>
</tr>
</tbody>
</table>

Most digitalized use case
- Individuals: Receive money
- MSMEs: Pay for business government services

- The top payment needs for individuals are purchasing airtime and receiving money.
- There is an opportunity to increase digital payments by incentivizing MSMEs (e.g., retail traders) to receive payments digitally.
- The sending and receiving of digital payments and buying airtime are key use cases driving digitalization for consumers.

Proportion of respondents using primarily digital payments to satisfy the respective payment need

<table>
<thead>
<tr>
<th>No usage</th>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1–20%</td>
<td>21–40%</td>
<td>41–60%</td>
<td>61–80%</td>
<td>81–100%</td>
</tr>
</tbody>
</table>

*Payment needs that were not experienced by respondents over the past 7 days are not included in the ranking above – individuals: paying for government services, receiving government money, MSMEs paying for government services.

Total No. respondents sampled: Quant (n) = 100. Qual (n) = 45
Mobile money is adopted by individuals, but cash usage is still prevalent. Opportunities to drive digital payments include merchant payments.

Top individual payment needs: overview of most commonly used payment instruments and channels

- Household shopping and transport services offer an opportunity for further digital payments usage, as they are dominated by cash transactions.
- Purchasing airtime and sending and receiving money are largely done via mobile money instruments.

Top MSME payment needs: overview of primarily used payment instruments and channels

- There is opportunity to further increase adoption of mobile money in payment use cases where current penetration ranges from 60%–67%.
- Receipt of customer payments is still largely cash-based.
Making payments through bank accounts is prevalent among individuals and MSMEs on a monthly basis.

**Frequency of usage of main payment instruments by individuals**

- **Cash MM (USSD/app)**
  - Daily: 9%
  - 1 per week: 12%
  - 2-3 per month: 7%
  - 1 per month: 63%

- **Cash**
  - Daily: 6%
  - 1 per week: 22%
  - 2-3 per month: 2%

**Frequency of usage of main payment instruments by MSMEs**

- **Cash**
  - Daily: 0%
  - 1 per week: 8%
  - 2-3 per month: 3%
  - 1 per month: 33%

- **MM (USSD/app)**
  - Daily: 89%
  - 1 per week: 12%
  - 2-3 per month: 3%
  - 1 per month: 12%

Individuals seem to use cash less on a daily basis than MSMEs do. Mobile money is primarily used on a monthly basis by individuals, and it is also used on a daily basis by MSMEs.

Total No. respondents sampled: Quant (n) = 100. Qual (n) = 45
MSMEs are twice as likely as individuals to make digital payments through mobile money

<table>
<thead>
<tr>
<th>Group</th>
<th>Individual</th>
<th>MSME</th>
<th>Female</th>
<th>Male</th>
<th>Young</th>
<th>Older</th>
<th>Infrequent</th>
<th>Frequent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>21%</td>
<td>27%</td>
<td>21%</td>
<td>13%</td>
<td>22%</td>
<td>19%</td>
<td>45%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Group differences for MSMEs noted in age, with young MSMEs displaying higher adoption, 12% more likely to use mobile money.
Small enterprises are more than 3 times more likely to use mobile money than large enterprises are.

Total No. respondents Sampled: Quant (n) = 100. Qual (n) = 45
SECTION 3

UNDERSTANDING CONSUMER BEHAVIOR: PERCEPTIONS, DRIVERS, AND BARRIERS TO MAKING DIGITAL PAYMENTS
Mobile money awareness and usage are high among individuals and MSMEs

**Awareness of Mobile Money**
- **Individuals**
  - 90% are aware
  - Total No. of respondents sampled: n=100
- **MSMEs**
  - 96% are aware
  - Total No. of respondents sampled: n=100

**Usage of Mobile Money**
- **Individuals**
  - 83% use mobile money
  - Total No. of users sampled: n=60
- **MSMEs**
  - 75% use mobile money
  - Total No. of users sampled: n=40

**Attitude**
- "Online payments are the best method as they connect us to different opportunities." – Young respondent
- "Women customers are usually too busy to bother with digital payments...others tell you it is a hassle." – Male small business owner
- "I like using cash because mobile money transactions have significant charges." – Focus group discussion respondent
- "Some people like to show off, so they prefer using mobile money." – Young respondent
A range of use case and user characteristics influence payment behavior

USER CHARACTERISTICS

Personal & Vendor Preference
Micro entrepreneurs mostly prefer customers to pay in cash as this helps them to settle their daily needs. Elderly persons or those with low literacy and tech exposure may prefer cash to digital payments as this is more familiar for them.

“"My milk supplier is an old man; he will not allow digital payments ... for him cash Only.”
– Male respondent

Personal Safety & Privacy
Mobile money helps reduce risks associated with theft, mugging, or fake currency payments.

“We can transfer the money secretly without involving third parties.”
– Focus group discussion respondent, MSME

Income Earning Type
Individuals who earn income frequently, e.g., salaried persons, tend to prefer receiving income through a bank account. Infrequent income earners, e.g., freelancers, may prefer SIM banking to receive their income.

“I use cash because the income I get is small, and if I say that I should move to mobile networks, the charges are high”
– Female respondent

Ease of Managing Finances
For some individuals, receiving income via mobile money is a more convenient way to save and plan for business income.

“I transfer my money from my bank account to my mobile money wallet; it is easy to pay bills or send money or pay school fees.”
– Male respondent, youth

USE CASE CHARACTERISTICS

Distant Location
When sending money to beneficiaries in a distant location, digital payments will be used as this offsets transport and time costs. Beneficiaries near to each other may choose to use cash to make payments and receive income.

“If the person that I want to pay the money is far from me, I just pay using mobile money. If the person is with me, I can pay using cash.”

Cost vs. Convenience
Users consider the savings benefits of time and cost when doing remote payments.

“You are here in Dar and the shops are in Arusha; initially, you would send money as a parcel, which takes time...mobile money saves time and fares because of not going all the way.”
– Focus group discussion respondent, male

Nature & Type of Business
Online business or businesses that employ courier services to send goods to customers use digital/mobile money payments.

“I mostly use the digital payments for business,... you find someone likes an item online, so they send the money and I send them the item.”
– Focus group discussion respondent, male
Key considerations for cash or mobile money usage include perceived convenience and security, government policies, perceived transparency and accountability.

SAFETY
Digital payments enhance personal safety when transacting.

“Going out with cash in hand to pay for a product, there is lower safety compared to when I have it in my phone.” – Female respondent

CONVENIENCE
Ease of transacting at any time from any location is a key benefit of mobile money instruments.

“It’s easy for me to make transactions wherever I am, even when I am resting at home.” – Female small business owner

USER INCENTIVES
Some digital payment service providers reward users, to incentivize use of digital payments.

“Every month they send me a bonus of Tsh 50 or Tsh 70 which they say are profits from my use.” – Young respondent

EASE OF MANAGING PERSONAL & BUSINESS INCOME
Ease of managing personal finances while saving business income is attractive, especially for MSMEs.

“My money is paid straight through mobile, I save some of the money and withdraw some of the money.” – Young small business owner

TRACEABILITY
Proof of payment and ability to keep a record of transactions can support business outcomes for small businesses that do not have access to other financial services.

“You can send money and it keeps your record and you can receive all this detail.” – Male small business owner

PRIVACY
Mobile money gives users privacy when transacting, especially in cases where they can transact without going through a mobile money agent.

“An agent does not need to know how much money I am paying.” – Male respondent

Cashless Transactions
Network challenges and poor connectivity are the leading barriers to the usage of digital payments among individuals and MSMEs.

**INDIVIDUALS**

- High transaction cost: 84%
- Mobile Network problems: 47%
- Takes long to verify transaction: 9%
- Transaction drops when network/electricity goes down: 9%
- Transaction process is lengthy: 7%
- It is not safe to use/risk of fraud or crime: 4%
- Not trusted everywhere/not trusted by everyone: 2%

**MSMEs**

- High transaction cost: 70%
- Mobile Network problems: 55%
- Takes long to verify transaction: 25%
- Transaction drops when network/electricity goes down: 18%
- Transaction process is lengthy: 18%
- Not acceptable everywhere/not accepted by everyone: 10%
- It is not safe to use/risk of fraud or crime: 3%
- Not trusted everywhere/not trusted by everyone: 3%

"The increase in transaction fees makes me lose interest in digital payments." – Young respondent

"At some point we will be forced to stop using mobile payments because the charges are too high." – Focus group discussion respondent

Total No. respondents sampled: n=100  Individuals = 60; MSMEs = 40
Cash is still king because of several issues, including the unavailability of valid account registration documents, inadequate access points, and poor customer experience with digital payments.

**FRAUD, SCAMS BY MOBILE MONEY AGENTS**

Users who may not be very familiar with mobile money transactions will rely on mobile agents to help complete transactions on their behalf. This creates vulnerabilities.

“When you give a mobile money agent cash for a transfer transaction, that agent may tell you the money has been sent; ....when you leave and ask the person you were sending to whether they received the money, the recipient will tell you they have not received any funds.”

— Female respondent

**LANGUAGE & LITERACY BARRIERS**

Payment channels such as bank apps use instructions given in English. This deters users who may have low literacy and creates elitist perceptions.

“Some of these digital payment services are in English, while most people are not comfortable with interacting in English.”

— Male respondent

**ON-THE-GO TRANSACTIONS ARE CONVENIENTLY DONE IN CASH**

Transactions that require small amounts, e.g., paying for bus fare or buying food items on a daily basis, cannot be conveniently done using mobile money.

Transaction charges negatively affect transactions involving small amounts.

Persons who receive income in small amounts will prefer cash to avoid incurring deduction charges that cut into their margins/profits.

“The money I get is little, so when I use the networks (mobile money) there are high charges ...this forces me to ask for cash from customers.”

— Female small business owner
User experience: Understanding how drivers and barriers play out along a user journey

“Paying for electricity is the easiest transaction to do. Everything is straightforward and open.

“When you open the TIGOPESA application, it tells you exactly what to do. The language is Swahili, and I am a Swahili, so it is fresh (cool). I don’t even need to open the [TIGOPESA] menu. I just dial *150 *01, and after that, I go to option number 1, Number 1 tells you to first select the company, LUKU. Enter your meter number, then enter the amount (you wish to spend). After you enter the amount, you finish by entering your password. It is very easy, as soon as I just hold my phone, I am done.

It doesn’t even take 2 minutes if the network has no issues at all.

What annoys me is when you encounter a network challenge, you don’t get that electricity. You might make the payment but the network fails. They have already taken your money and if this happens at night, you stay in the dark.

I once bought electricity worth TZsh.500, and trust me, even now as I speak, I haven’t received it (the token). I have tried to look for the token, but I haven’t been refunded. I thought to myself that since it is for only TZsh.500 I decided to let it go. That is the challenge.”

HAKIMU HAMAD
MSME trader
Dar-Es-Salaam-Tanzania

- Makes use of different mobile money provider solutions at a personal level
- Also receives business sales via mobile money payments
- He prefers using mobile money by the market’s leading provider.

Drivers in the user journey experience

- Simplicity of use
  “I think the biggest advantage is the simplicity of life.”

Barriers in the user journey experience

- Transaction failures caused by poor network
  “What annoys me is when the network is low.”

- Perceived high (and unjustified) transaction charges
  “If someone pays me through mobile money, then I go to withdraw the money, I get charged...I am not supposed to get charged because my customers paid me through mobile money...why am I being charged? I am only receiving my money.”

Appeals to user context

“When you open the application,...the language is in Swahili and I am a Swahili, ...then it is fresh (cool).”

Instant & Inclusive Payments
Consumer research insights Tanzania Report • SIIPS 2022
SECTION 4

CONCLUSION AND RECOMMENDATIONS
There is a high awareness of digital payments in Tanzania. Both individual and MSME users have embraced mobile money payments and payments via bank account transactions.

Key payment needs like transport services and household shopping among individuals have very low digital use, which indicates low adoption due to challenges such as transaction costs.

**DRIVERS**

- User trust is generally high for digital payment instruments, driven by reward programmes and traceability benefits.
- Ability to conduct business online and fraud avoidance associated with fake currency risks.
- A variety of digital payment instrument options available to consumers attracts and incentivizes adoption.

**BARRIERS**

- Language barriers are some of the main barriers to accessing digital payments.
- Digital payments are vulnerable to elitist perceptions.
- Difficulty of reversing transactions, mobile network failure, and high transaction costs impede usage.
CONSUMER VOICES: RECOMMENDATIONS ON EXPANDING DIGITAL PAYMENT OPTIONS

IMPROVE THE PAYMENTS ECOSYSTEM AS A WHOLE
Some cashless services such as N-card potentially provide convenience in paying for ferry service or entry fees to stadiums. However, customers are frustrated with delays in queuing to top up the card and when using the N-card to access venues such as stadiums.

“When I arrive, I don’t need to stay on the queue to get a ticket, as I have got the N-card... I just get there, show my card, and proceed.” – Young respondent

RESOLVE CUSTOMER COMPLAINTS IN A TIMELY MANNER
To deliver on the promise of instant and inclusive payments, digital and mobile payment platforms should ensure that transactions go through seamlessly and that consumers receive confirmation. Resolution of wrong payments and reverse transactions should be completed within 24 hrs.

“Reversals should not take longer than 24 hours to enact.” – Male small business owner

STRENGTHEN MOBILE NETWORK CAPACITY
Customers feel that the greatest challenge facing mobile money usage is poor network. Incomplete or dropped transactions are a consumer pain point in mobile money transfer services, often causing additional problems with doubled transactions.

“Networks should be improved. The network is the biggest challenge. When you send money, it delays to reach destination and sometimes you are debited multiple times.” – Female respondent

CONSUMER ACCESS TO KNOWLEDGE AND INFORMATION
Customer vulnerability to fraud and loss of cash often occurs because of overreliance on mobile money agents to complete digital transactions on their behalf. Empowering consumers to do their own mobile transactions can help reduce security risks.

“We need someone who knows {digital payments} in depth to explain to you how things go.” – Focus group discussion respondent

In your opinion, what should be done to make digital payments more instant and inclusive?

AfricaNenda is an African-led team of experts committed to unlocking the potential of digital financial services for the financially excluded across the continent by accelerating the scale-up of instant and inclusive payment systems. AfricaNenda’s approach is to provide public and private sector stakeholders with technical expertise and the capacity to reduce barriers to digital payments. AfricaNenda wants to enable everybody in Africa to make digital transactions seamlessly and at a low cost wherever they are on the continent by 2030.

AfricaNenda is fiscally sponsored by Rockefeller Philanthropy Advisors and supported by the Bill and Melinda Gates Foundation.