

INSTANT AND INCLUSIVE PAYMENTS

Consumer research insights

Focus on Tanzania ●

SIIPS 2022



INTRODUCTION

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.

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Glossary



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.

Consumer research term	Instrument [channel]
Mobile money wallet	MM [USSD/app]
Mobile money agent	MM [agent]
Payment application	PSP [USSD/app/browser]
Banking application	Bank [USSD/app/browser]
Banking agent	Bank [agent]
Credit/debit card	Card [POS/browser]
Cash	Cash



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

Immersion

Approach

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

- 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.

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

Focus group discussions n=5

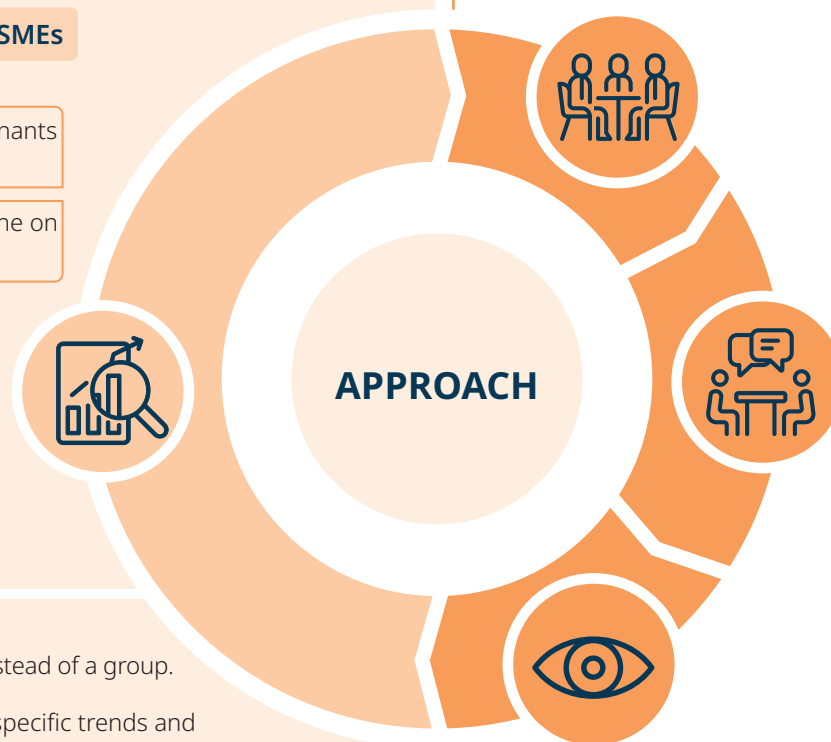
- Identify key decision-making patterns
- Identify key trends of customer behavior
- Spontaneously explore generalized perceptions

In-depth interviews n=15

- 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



Sampling Approach

DEFINITION

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).

QUANTITATIVE RESEARCH [100 respondents]

Respondent type	Total	Male	Female	18-29 years	30-45 years	45-55 years	Infrequent income/ micro businesses	Frequent income/ small businesses
Individuals	60	30	30	24	21	15	30	30
MSMEs	40	20	20	16	14	10	20	20

QUALITATIVE RESEARCH [45 respondents]

Focus group discussion	In-depth interview	Immersion/ Observation
5	15	5

* Monthly turnover number cut-off applied was USD 1,000 and formality of premises.

SECTION 2 ●

ASSESSMENT OF PAYMENT INSTRUMENTS: ADDRESSING PAYMENT NEEDS AND USAGE

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2

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

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

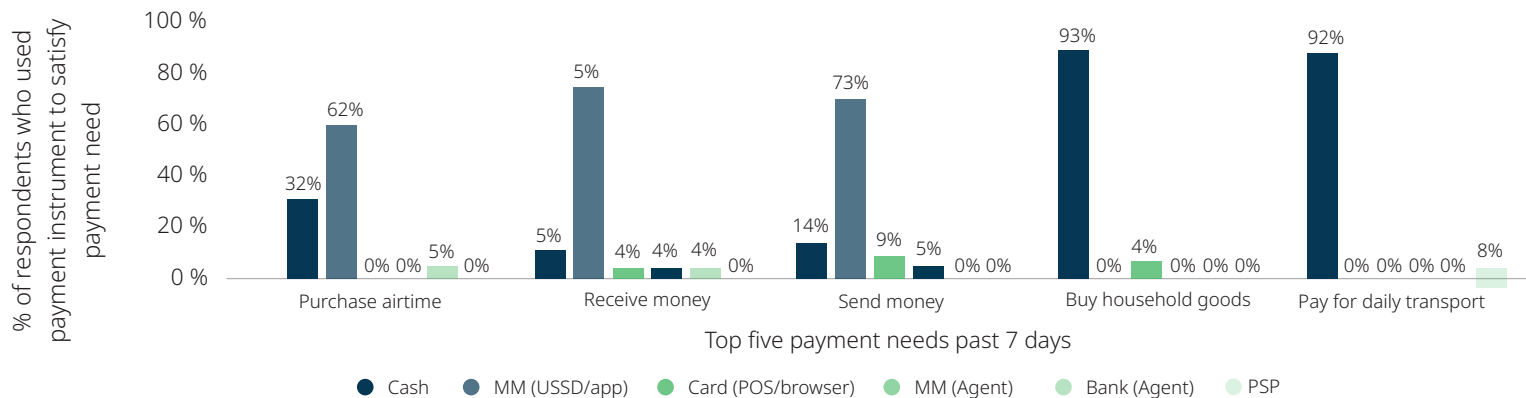
Proportion of respondents using primarily digital payments to satisfy the respective payment need	No usage	Very low	Low	Medium	High	Very high
	0%	1-20%	21-40%	41-60%	61-80%	81-100%

*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

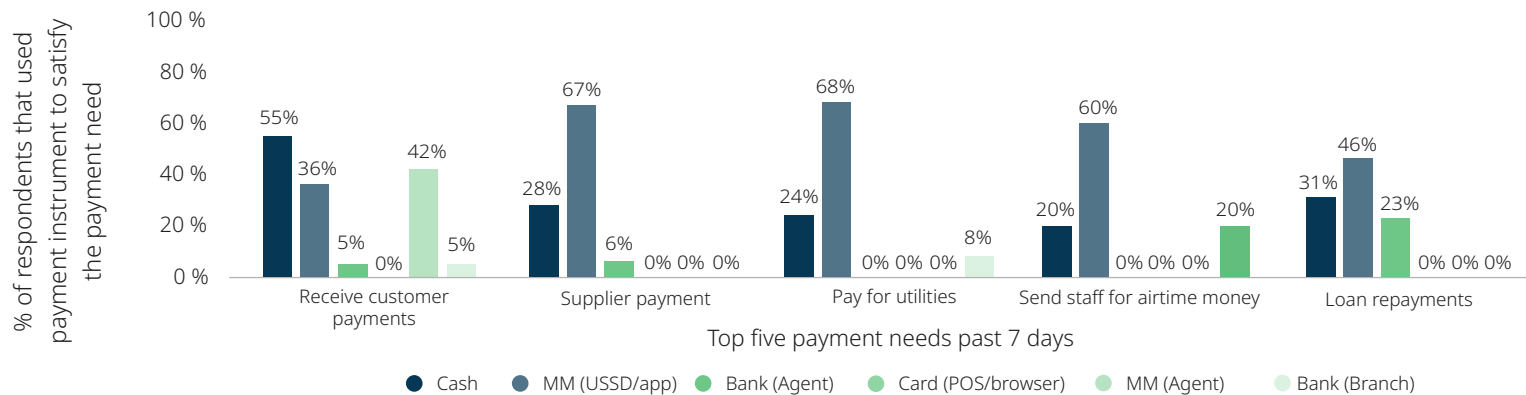
Mobile money is adopted by individuals, but cash usage is still prevalent. Opportunities to drive digital payments include merchant payments.

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

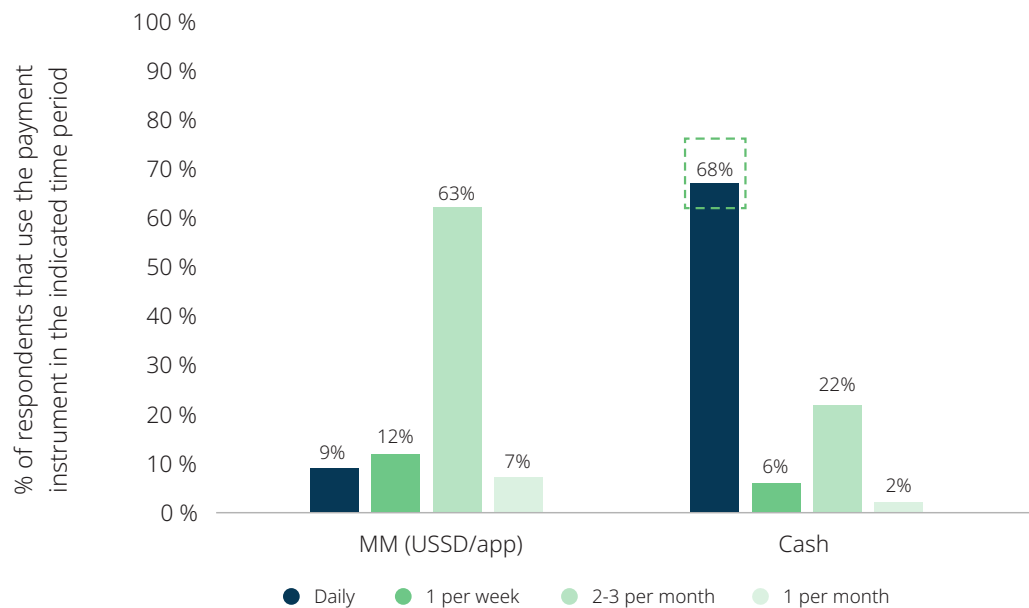


- There is opportunity to further increase adoption of mobile money in payment use cases where current penetration ranges from 60%–67%.
- Receipt of customer payments is still largely cash-based.

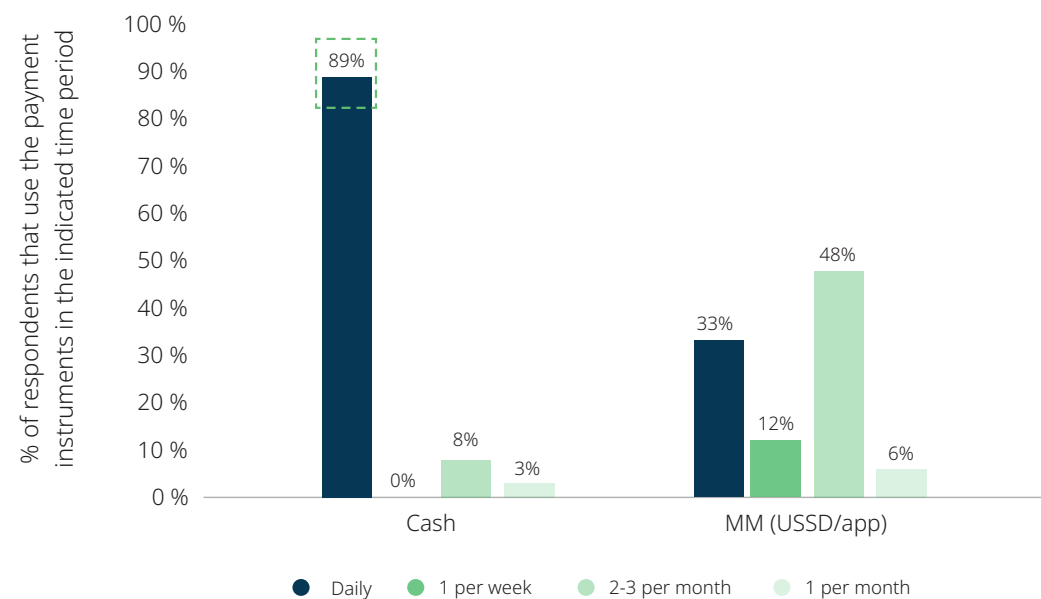
Total No. respondents sampled: Quant (n) = 100. Qual (n) = 45

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

Frequency of usage of main payment instruments by individuals



Frequency of usage of main payment instruments by MSMEs



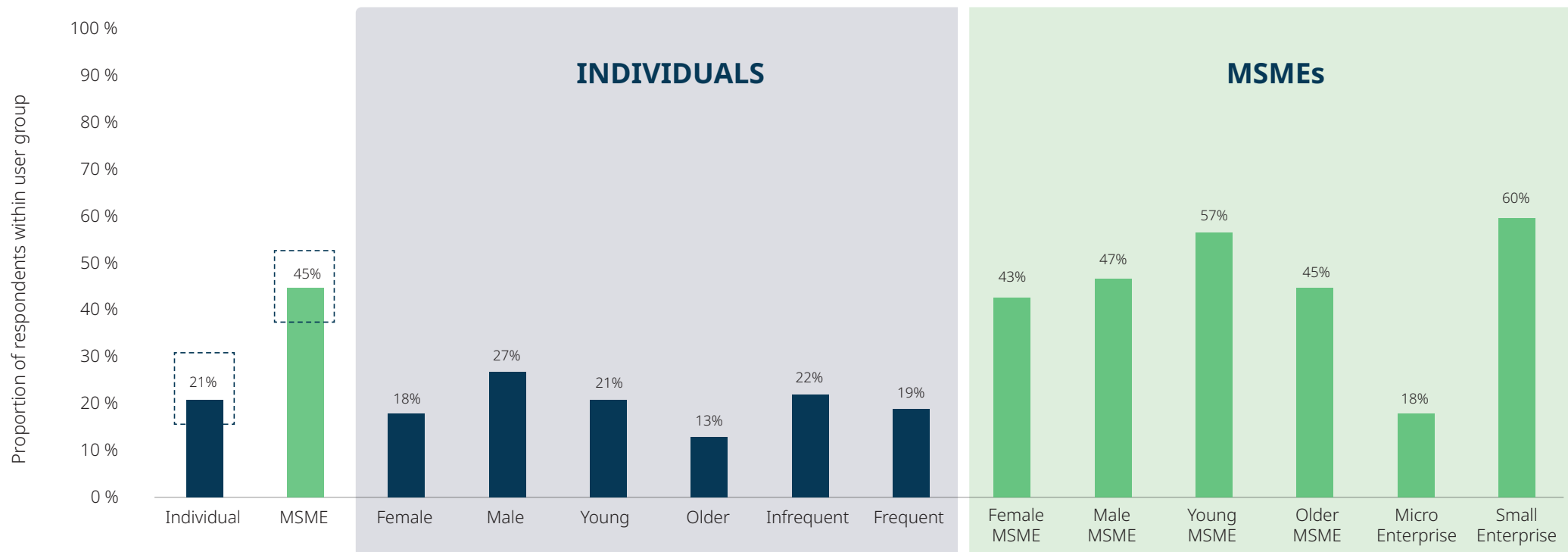
Individuals seem to use cash less on a daily basis than MSMEs do.

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

Group differences in mobile money use over the past 7 days



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**

3

Mobile money awareness and usage are high among individuals and MSMEs



AWARENESS OF MOBILE MONEY



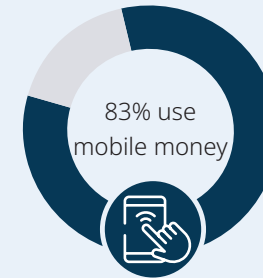
USAGE OF MOBILE MONEY

Individuals



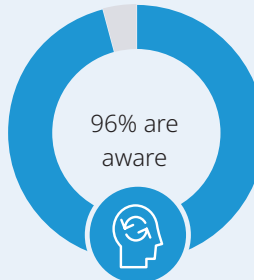
Total No. of respondents sampled: n=100

Out of these



Total No. of users sampled: n=60

MSMEs



Total No. of respondents sampled: n=100

Out of these



Total No. of users sampled: n=40



ATTITUDE

“Online payments are the best method as they connect us to different opportunities.” – Young respondent

“I like using cash because mobile money transactions have significant charges.” – Focus group discussion respondent

“Women customers are usually too busy to bother with digital payments...others tell you it is a hassle.” – Male small business owner

“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.

Personal Safety & Privacy

Mobile money helps reduce risks associated with theft, mugging, or fake currency payments.

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.

Ease of Managing Finances

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

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

– Male respondent

“We can transfer the money secretly without involving third parties.”

– Focus group discussion respondent, MSME

“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

“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

“Its 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



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



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

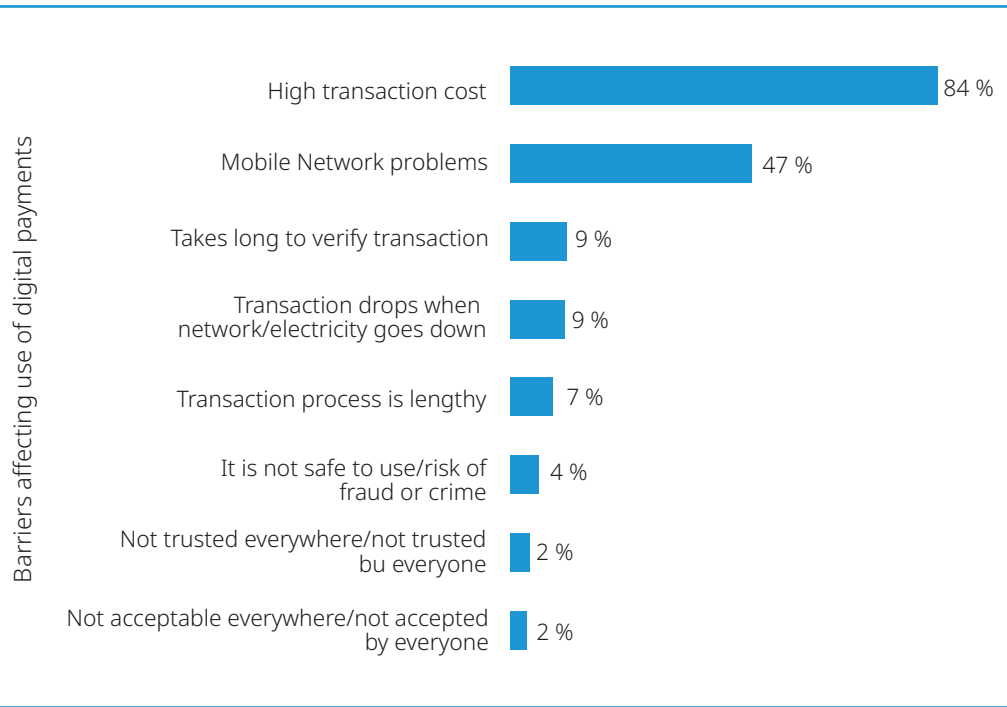
Proof of payment and ability to keep a record of transactions can support business outcomes for small businesses that do not have access to other financial services.

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

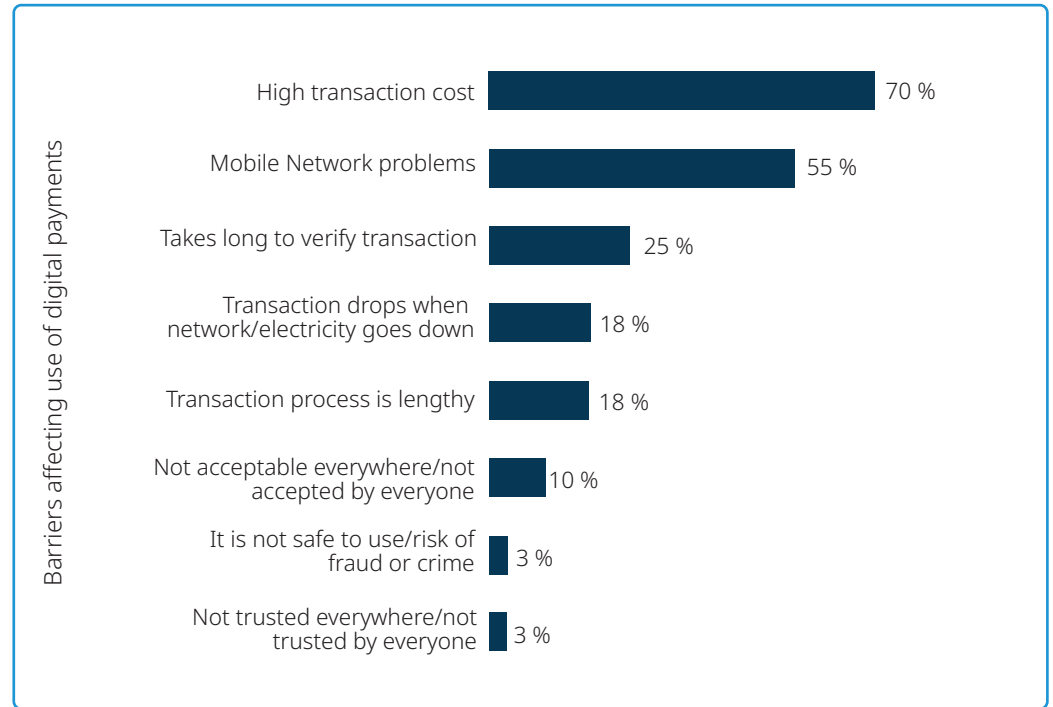
Cashless Transactions

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

INDIVIDUALS



MSMEs



“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



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.



"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."



Drivers in the user journey experience

Simplicity of use

"I think the biggest advantage is the simplicity of life."

Appeals to user context

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



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."

SECTION 4 ●

CONCLUSION AND RECOMMENDATIONS

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Summary

State of digital payment use in Tanzania



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.

Key drivers and barriers to digital payment use



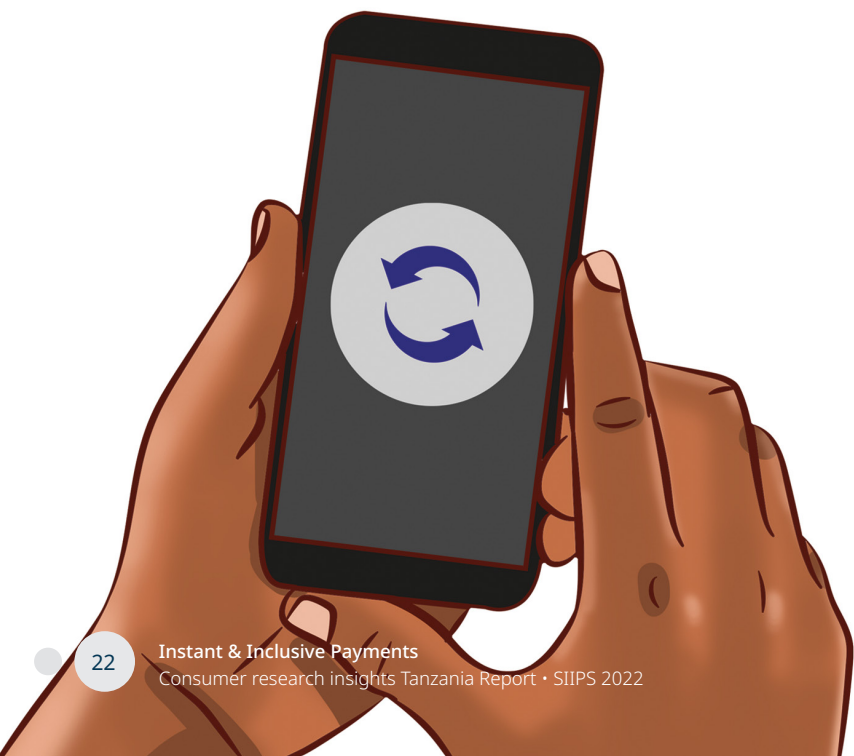
DRIVERS

- 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

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



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



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.



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