

## **Fintechs are reshaping the way people transact in Tanzania, and the future is looking bright.**

Having personally witnessed the emergence and rise of fintech services in Tanzania and interacting with most of the solutions firsthand on a daily basis gives me so much hope for the potential fintech holds for harmonising and democratising access to financial services across the length and breadth of the country and beyond. When you walk into local markets and kiosks (called kibanda here in Tanzania) in remote communities and see most small business owners collecting payments from their customers through mobile money, it shows you how fast fintech is already deeply rooted in driving inclusive financial services and building financial bridges between urban and rural communities through seamless payment and cashless solutions.

In Tanzania, very often you will find most retail financial products and services are already being offered by fintechs, either by big corporations like banks and telcos or by other emerging fintech startups from within and outside Tanzania.

According to TCRA, mobile money transactions hit a record high of \$60.2 billion (TSH 140.9 trillion) in 2022, experiencing tremendous growth from 2021, seeing mobile money accounts grow from 39.9 million to 40.9 million accounts, with transaction value growing by 3%. This shows how Tanzanians are fully embracing digital payments and other financial products on mobile technologies as the way forward for building a well-connected financial ecosystem across the country.

With the number of mobile phone users reaching 54 million and internet users approaching 30 million, the Tanzanian market shows significant strength to become one of the largest fintech hubs in Africa. Coupled with the youthful population, market readiness, growing demand for financial services digitization, and government efforts to streamline regulatory processes to accelerate uptake of fintech solutions, the future of fintech in Tanzania is surely looking BRIGHT!.

In this piece, I will touch base on a few fintech drivers in Tanzania's financial ecosystem, looking at payments, digital savings and lending, ecosystem initiatives, government support, finance operating systems for businesses, and open banking solutions.

### **Payment Services**

With the rise of MPesa and other mobile money operators like Tigopesa, Halopesa, Airtel Money, and T-Pesa, Tanzania continues to record year on year growth in digital payment transactions. This is clearly visible through payment integrations, connecting banks, mobile money and debit cards to facilitate digital payments. In recent times, we have seen major banks such as NMB launching NMB Mkononi, CRDB SimBanking, and other banks following the same pathway to digitising payment services. The country's digital payments are expected to exceed \$3 billion, owing to the rapid adoption of cashless payments by merchants, institutions, and businesses. Also, some exciting fintechs like NALA, Remitly, WISE, AzamPay, Flutterwave,

and Palmpay are coming into the country with a range of other fintechs and are leading remittance and payment services in the country, which are also major contributors to the crucial strides we see in the fintech space in Tanzania.

## **Digital Lending and Savings**

Most retail borrowers are now turning to digital lending to get a “quick fix” and move on with their lives. Digital lending is now famous and undoubtedly one of the most convenient ways to access microinstant loans. Major telcos like Tigopesa, MPesa, and Airtel Money have launched digital lending products - Songesha for MPesa, TIMIZA for Airtel Money, and Nivushe for Tigopesa. These lending services, alongside fintechs like Branch and Haba, are shaping the future of microlending in Tanzania. Ramani is reimagining supply chain financing through their in-demand inventory financing for SMEs in Tanzania, thereby helping SMEs access products on credit through a well-managed credit facility. Between 2018 and 2022, over Tsh 600 billion was disbursed by mobile money operators in Tanzania, contributing about 1.2% of the total loan disbursed by financial institutions within those periods.

Also, fintechs are now gradually creeping into offering attractive savings products with better returns than what is seen in traditional banks. Saving solutions like M-koba and M-Pawa provide seamless savings options for individuals and groups. In the near future, we will see more fintechs incorporating savings accounts into their product offerings to increase the savings appetite of their customers.

## **Ecosystem Initiatives and Government Support**

The Tanzanian startup ecosystem is not relenting in providing relevant capacity building for scaling fintech solutions in the country. One of the initiatives launched by UNCDF, PesaTech Accelerator, was implemented by Sahara Ventures, a fintech accelerator that is supporting selected fintech startups to commercialise and become investor-ready. This initiative is critical to nurturing the fintech pipeline and grooming innovative solutions that are solving the most critical financial services challenges in the country. Other initiatives focusing on providing a sandbox for fintechs to test and validate their businesses are being pioneered by banks like NMB Sandbox, CRDB Sandbox, and other infrastructure support made available for fintechs to build upon and go to market faster.

The government is at the forefront of providing an enabling environment for fintechs to launch and scale their ventures through government initiatives such as the free USSD Code from TCRA, BOT Regulatory Sandbox, and hosts of other government initiatives that are fueling the success of fintechs in the country. The formation of the Tanzania Fintech Association is another milestone that is quickly gaining important traction in the ecosystem and helping its members navigate through compliance and market challenges.

## Operating Systems for Businesses and Open Banking Solutions

Another booming financial service space is building financial operating systems for businesses to seamlessly manage their transactions. These include payment gateways, bookkeeping and inventory systems, PoS, BNPL, and open banking APIs. Fintechs building along this line are gradually changing consumer behaviors, creating alternative credit scoring systems for customers and businesses, connecting the informal sector to financial services, and bridging the data gaps in the financial ecosystem. I have come across exciting startup buildings in this space, and I would like to mention a few: TemboPlus is offering an open banking API to fintechs and businesses to quickly launch their businesses without going through a tedious licensing process. TemboPlus is helping startups launch faster and gain market traction. Swahilies is providing an operating system for SMEs to collect payments, set up bank accounts, and manage all their transactions on one platform. In a short while, they are already serving thousands of SMEs in Tanzania, EvMAK, BDO, Selcom, Linkd Card, and other payment gateways are connecting Tanzania to other payment ecosystems across the world, helping Tanzanian businesses receive payments from clients globally. Tunzaa is helping consumers pay in installments for products securely and get them after completing the installments. This is shaping how people purchase products and manage their finances.

## Fintech Funding

We see strong appetite from investors in Tanzania's fintech space. The likes of NALA have raised over \$10M to scale their services across the regions; Ramani has raised \$32M to continue financing the supply chain for Tanzanian SMEs, TemboPlus also raised money from Hustle Fund, Hoaq, and other investors to build open banking infrastructure for Africa's businesses. Swahilies raised from the Baobab Network to continue scaling their operating system for SMEs. Credable raised \$2.5 million for its digital banking infrastructure, which allows businesses to offer banking products to their customers. Tunzaa received investment from Startup Wise Guys to scale their solution across the country. These and many other fintech companies in Tanzania have proven that the ecosystem is ripe to attract global investors to one of the largest tech hubs in Africa. Also, having venture funds locally that are specifically investing in Fintech provides a boost to local capital access for fintechs. The likes of Warioba Ventures, SBAN, and UNCDF are playing an important role in financing fintechs in Tanzania

In my last remarks, I would say that I am super pumped for the potential of Tanzania's fintech market. With Tanzania being situated strategically within the region, I see strategic expansion of the country's fintech services into neighboring markets and spreading throughout the continent.

As the government continues to improve the regulatory framework and help fintechs have a soft landing in launching and scaling their startups, the fintechs are also focusing on strengthening their data protection systems, improving their KYC processes, and building strategic alliances to close financial gaps in the country through technology.

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