DIGITAL CREDIT IN TANZANIA: CUSTOMER EXPERIENCES & EMERGING RISKS

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Photo: Hendri Lombard | World Bank

CGAP
Context for Digital Credit in Tanzania
Digital credit was first introduced in Tanzania in 2014, when M-Pawa was launched through a partnership between Vodacom and Commercial Bank of Africa (CBA). Since 2014 the number of offerings has expanded to at least nine.

The three leading digital credit products are all offered in connection to a mobile wallet: Vodacom’s M-Pawa, Airtel’s Timiza, and Tigo’s Nivushe. Further, each product is offered in partnership with a lender: M-Pawa with CBA, and Timiza and Nivushe with Jumo, a non-bank mobile lending platform.

The lenders use customer data, such as data on airtime top ups and mobile money use, to determine an initial credit limit and extend loans. After the initial loan, they also include data on repayment to determine future loan sizes. Loan sizes from M-Pawa, for example, range from TSH1,000 ($0.44) to TSH500,000 ($220).

Additional digital credit offerings include app-based lenders, such as Branch and Tala, which use data sources such as mobile-based social media use and GPS data, all gathered from the borrower’s mobile phone, to determine loan sizes.
The regulatory landscape for digital credit in Tanzania is uneven: M-Pawa falls under the jurisdiction of the financial sector regulator, as it is offered through a partnership with a regulated bank. Timiza, Nivushe, and most app-based lenders do not, as they are offered through non-regulated financial entities. This presents regulatory challenges, especially for consumer protection.

Unregulated digital lenders are not required to report borrower loan activity to credit reference bureaus, while regulated lenders do not always comply with requirements to report positive and negative credit history. Lack of coverage and lack of compliance mean there is limited information available on digital borrowers’ formal credit history and current outstanding loans.

Regulators are considering setting interest rate caps on loans, though details are still under development, and these would likely only apply to the regulated lenders.
Survey Methodology

In June-August, 2017, CGAP, with inputs from FSD Tanzania, conducted surveys in Tanzania to identify customer experiences with digital credit, including uses of digital credit, emerging risks, and the size of the digital credit market. The surveys consisted of:

- Nationally representative phone survey (representative of phone owners), of N=4,574 Tanzanians.
  - The sample was drawn from random digit dial technique, which relies on a randomly-generated list of mobile phone numbers in the country.
  - The sample is weighted to be representative of adult phone owners in Tanzania.
- Booster surveys with select lenders, with sample sizes ranging from N=300 to N=500.
  - The samples were drawn from randomly selected customer lists from each lender.
- The fieldwork was conducted by Innovations in Poverty Action.

CGAP partnered with FSD Kenya to conduct comparable surveys in Kenya, and subsequent analysis will compare market developments in the two countries.

This presentation reports on the findings from the nationally representative sample of phone owners in Tanzania, and includes comparisons to the FinScope 2017 dataset.
Key Takeaways from Survey
Borrowers

• A fifth of Tanzanian phone owners have taken out a digital loan.

• 60% of digital borrowers had a current digital loan at the time of the survey, and 6.5% had loans with more than one digital lender.

• Digital credit is disproportionately reaching urban men, the better educated, and those who are more financially included: Digital borrowers are 3x more likely to have a bank account (44% vs. 13%) and 11x more likely to have had a bank loan (11% vs. 1%).
Use Cases

• Digital loans are most commonly used for ordinary household needs (37% of borrowers), and for airtime (36%). They are not often used for medical emergencies or expenses (9%), other emergencies (<1%), or school fee payments (8%).

• While the majority of digital borrowers are self-employed (72%), only a third have used digital loans for business purposes. Even among the self-employed less than 40% have used a digital loan for business.

• Women are more likely than men to use digital credit for business, while men are more likely to use it for ordinary household needs and for airtime.

• The only use case where digital credit is more commonly used than other loan sources is for purchasing airtime.

• Digital credit is primarily complementing existing credit sources rather than replacing other sources, such as informal credit. Two-thirds of borrowers reported that they have not reduced their use of other loan sources since gaining access to digital credit.
Emerging Risks

• Nearly a **third of digital borrowers have defaulted**, and **more than half have repaid late**. These widespread issues are surprisingly **consistent across segments** – even among the employed and the best-educated a quarter report defaulting.

• **Poor transparency poses risks** as borrowers may not understand fees or repayment requirements: A quarter have been charged fees they didn’t understand or expect, or had money unexpectedly withdrawn from their account.

• **Nearly 10% of borrowers report having reduced food purchases to repay a loan**, suggesting digital credit may be having detrimental effects for some borrowers.* This group is more likely to have repaid late (82%), defaulted (37%), or to be balancing multiple loan sources (36%).

*This is based on self-reported responses, and therefore are not intended to rigorously assess the impact of digital credit on borrower financial portfolios. Rather, it represents borrowers’ self-reported perceptions of actions taken to repay loans. A separate study could further explore impacts of digital credit on consumers.*
Digital Credit Market Overview
Market for digital credit in Tanzania is concentrated among top three lenders

% of Tanzanian mobile phone owners who have ever used each digital lender

- 21% of Tanzanian phone owners have ever used digital credit
- 3% of phone owners have borrowed from more than one digital lender

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
More than half of digital borrowers had at least one outstanding digital loan at time of the survey.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Most digital loan products only allow one loan to be taken out at a time, so multiple concurrent loans implies using multiple lenders.
Multiple digital borrowing

A minority use multiple digital lenders, including at the same time

15% Of digital borrowers have ever borrowed from more than one digital lender

6.5% Of digital borrowers were currently balancing loans from more than one digital lender
Most current loans are with M-Pawa, Airtel, or Tigo Nivushe

Among digital borrowers, percent who currently have a loan from each digital lender

- M-Pawa: 27.5%
- Timiza: 22.3%
- Nivushe: 16.5%
- M-Kopa: 0.5%
- Branch: 0.3%
- L-Pesa: 0.2%
- Tala: 0.1%

6.5% are currently borrowing from two or more digital lenders

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Digital borrowers tend to be active borrowers

- 60% of digital borrowers had at least one active digital loan at the time of the survey
- 67% of digital borrowers had taken out a digital loan in the past 90 days (3 months)
- 76% of digital borrowers had taken out a digital loan in the past 180 days (6 months)

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Who are Tanzania’s digital borrowers?
Compared to a typical Tanzanian, digital borrowers are more likely to:

- **be male**: 64% of all Tanzanian adults are male, compared to 49% of digital borrowers.
- **live in an urban area**: 45% of all Tanzanian adults live in an urban area, compared to 34% of digital borrowers.
- **Be ‘middle-aged’**: 58% of all Tanzanian adults are between 26 and 45 years old, compared to 44% of digital borrowers.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. "All Tanzanian adults" was calculated based on the nationally representative FinScope survey dataset with sample N=9,459.
Digital borrowers are more likely to have at least some schooling

But still, most have no more than primary schooling

**Education distribution between digital borrowers and Tanzanian adults overall**

- **None**
  - Digital borrowers: 4%
  - All Tanzanian adults: 15%
- **Primary**
  - Digital borrowers: 71%
  - All Tanzanian adults: 65%
- **Secondary**
  - Digital borrowers: 21%
  - All Tanzanian adults: 18%
- **Tertiary**
  - Digital borrowers: 4%
  - All Tanzanian adults: 3%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. "All Tanzanian adults" was calculated based on the nationally representative FinScope survey dataset with sample N=9,459.
Digital borrowers are more likely than average to be self-employed, “dependents” (rely on family or government transfers), or employed

They are less likely than average to be farmers or casual workers

In income source distribution between digital borrowers and Tanzanian adults overall

- **Self-employment**: 72% (digital borrowers) vs. 15% (all Tanzanian adults)
- **Dependent**: 37% vs. 25%
- **Farming**: 48% vs. 30%
- **Wage Employment**: 22% vs. 7%
- **Casual Work**: 34% vs. 17%
- **Sublet of Land/Rooms/House**: 6% vs. 1%
- **Pension**: 3% vs. 1%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. "All Tanzanian adults" was calculated based on the nationally representative FinScope survey dataset with sample N=9,459.
Most who don’t use digital credit report not needing a loan

Among non-digital borrowers surveyed, reasons for not taking a digital loan

- I do not need a loan: 45%
- I do not/did not qualify: 7%
- I tried but could not figure out the menu: 7%
- The loans they offer are too expensive: 4%
- The loans they offer are too small: 2%
- I know people who have had bad experiences: 2%
- I do not have a mobile money account or other account needed: 1%
- The repayment periods are too short: 1%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
What are loans used for?
Household needs and airtime are most commonly reported uses of digital credit

37% Of digital borrowers report using digital loans for ordinary household needs

36% Of digital borrowers report using digital loans for airtime purchases

Note: Because loan uses are self-reported, some could be under-reported (e.g. betting), while others could be over-reported. Further, borrowers may report using loans for certain purposes, but because money is fungible the total effect on household expenditures could be different than what is reported. Further studies using methodologies such as financial diaries could shed additional light on the interactions of digital credit with borrowers’ overall financial portfolios.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Most borrowers report using digital credit to meet household needs and buy airtime
Digital loans are used much less frequently for medical or school expenses

**Percent who have used digital loans for each purpose**

- For meeting day-to-day ordinary household needs: 37%
- To purchase airtime: 36%
- For business purposes such as investment or payroll: 31%
- For personal household goods: 22%
- To pay a bill: 14%
- Just to try it out: 13%
- For medical needs, including medical emergencies: 9%
- To pay school or university expenses: 8%
- Other: 7%
- For betting: 1%

1% of digital borrowers report using their loans for betting, including mobile betting

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Use patterns are quite consistent across income segments

Percent who have used digital loans for each purpose across income sources

- For meeting day-to-day ordinary household needs
- To purchase airtime
- For business purposes such as investment or payroll
- For personal household goods
- To pay a bill
- Just to try it out
- For medical needs, including medical emergencies
- To pay school or university expenses
- For betting

Self-Employed  Dependents  Employed  Farming  Casual workers

Casual workers are more likely to use digital credit for ordinary household needs

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Women are more likely to use digital credit for business and medical needs
Men are more likely to use it for airtime, household needs, and bills

Percent of men and women who have used digital loans for each purpose

- For business purposes such as investment or payroll
  - Women: 29%
  - Men: 31%
  - Women: 36%

- For meeting day-to-day ordinary household needs
  - Women: 28%
  - Men: 22%
  - Women: 40%

- To purchase airtime
  - Women: 28%
  - Men: 22%
  - Women: 40%

- For personal household goods
  - Women: 22%
  - Men: 21%
  - Women: 40%

- For medical needs, including medical emergencies
  - Women: 13%
  - Men: 8%
  - Women: 31%

- Just to try it out
  - Women: 12%
  - Men: 13%
  - Women: 26

- To pay school or university expenses
  - Women: 12%
  - Men: 6%
  - Women: 36

- To pay a bill
  - Women: 11%
  - Men: 16%

- For betting
  - Women: 0%
  - Men: 1%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Sample of Men = 784, Sample of Women = 348. Multiple responses were allowed.
What risks are emerging from digital credit use?
Late repayment and default are widespread: More than half of digital borrowers have repaid a loan late, and nearly a third have defaulted

12% have had money unexpectedly withdrawn from their mobile wallet, which may indicate lender automatic withdrawal policies that are not well-disclosed

### Have you experienced any of the following with a digital loan?

<table>
<thead>
<tr>
<th>Experience</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have been late repaying a loan</td>
<td>56%</td>
</tr>
<tr>
<td>I defaulted on my loan</td>
<td>31%</td>
</tr>
<tr>
<td>I felt the repayment period was too short</td>
<td>21%</td>
</tr>
<tr>
<td>I was charged fees I didn't expect</td>
<td>16%</td>
</tr>
<tr>
<td>I felt the cost of the loan was too high</td>
<td>15%</td>
</tr>
<tr>
<td>The lender unexpectedly withdrew my money</td>
<td>12%</td>
</tr>
<tr>
<td>I needed to contact customer care but could not figure out how</td>
<td>11%</td>
</tr>
<tr>
<td>I did not fully understand the costs or fees</td>
<td>9%</td>
</tr>
<tr>
<td>I felt my information was not safe</td>
<td>1%</td>
</tr>
</tbody>
</table>

About a tenth of digital credit borrowers have needed to contact customer care and could not figure out how.
A quarter of digital borrowers have experienced poor transparency

- Borrower was charged fees they didn’t expect
- Borrower did not fully understand the costs or fees associated with the loan
- Lender unexpectedly withdrew money from account

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Poor transparency is correlated with late repayment and default

Percent who have repaid late or defaulted

Among those reporting poor transparency
- 70% I have been late in repaying a loan
- 51% I have defaulted on my loan

Among those not reporting poor transparency
- 39% I have been late in repaying a loan
- 28% I have defaulted on my loan

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Default is most common among casual workers, “dependents”, and those with less education

But overall, default rates are quite consistent across segments

**Percent who have defaulted on their loans**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent who have defaulted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>32%</td>
</tr>
<tr>
<td>Women</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Income Source</strong></td>
<td></td>
</tr>
<tr>
<td>Dependents</td>
<td>38%</td>
</tr>
<tr>
<td>Casual work</td>
<td>42%</td>
</tr>
<tr>
<td>Self-employment</td>
<td>34%</td>
</tr>
<tr>
<td>Farming</td>
<td>33%</td>
</tr>
<tr>
<td>Wage employment</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Education Level</strong></td>
<td></td>
</tr>
<tr>
<td>Some or complete primary</td>
<td>33%</td>
</tr>
<tr>
<td>Some or complete secondary</td>
<td>31%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>25%</td>
</tr>
</tbody>
</table>

Even among the employed and among those with tertiary education, a quarter report defaulting on a loan

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Late repayment is mostly consistent, with more than half repaying late across all segments.

Casual workers are most likely to have repaid late.

### Percent who have repaid late

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>56%</td>
</tr>
<tr>
<td>Women</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Income Source</strong></td>
<td></td>
</tr>
<tr>
<td>Dependents</td>
<td>60%</td>
</tr>
<tr>
<td>Casual work</td>
<td>71%</td>
</tr>
<tr>
<td>Self-employment</td>
<td>56%</td>
</tr>
<tr>
<td>Farming</td>
<td>54%</td>
</tr>
<tr>
<td>Wage employment</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Education Level</strong></td>
<td></td>
</tr>
<tr>
<td>Some or complete primary</td>
<td>56%</td>
</tr>
<tr>
<td>Some or complete secondary</td>
<td>60%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>54%</td>
</tr>
</tbody>
</table>

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Most digital borrowers report having used savings to repay their loans

Nearly a tenth report having reduced food purchases

Have you ever done any of the following in order to repay a digital loan?

- **Used savings**: 54%
- **Reduced food purchases**: 9%
- **Borrowed money to repay the loan**: 4%
- **Skipped paying school fees**: 1%
- **Sold assets or belongings**: 1%
- **Forwent medical treatment**: 0%

Note: Similar to uses of digital loans, these figures are based on self-reported responses, and therefore some repayment actions could be over- or under-reported. Further, money used for repayment is also fungible, and future research could explore in more depth the impact of digital credit on borrowers’ overall financial portfolios.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit. Multiple responses were allowed.
Those who have reduced food purchases to repay are more likely to have both repaid late and defaulted

- I have been late in repaying a loan
  - Reduced Food Purchases: 82%
  - Have Not Reduced Food Purchases: 54%

- I have defaulted on my loan
  - Reduced Food Purchases: 37%
  - Have Not Reduced Food Purchases: 31%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Those who have reduced food purchases to repay are more likely to be balancing multiple loan sources.

**Total number of loan sources (digital and non-digital) in use at time of survey**

<table>
<thead>
<tr>
<th>Total number of loan sources</th>
<th>Have not reduced food purchases</th>
<th>Reduced food purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>32% 18%</td>
<td>0%</td>
</tr>
<tr>
<td>1</td>
<td>46% 43%</td>
<td>4%</td>
</tr>
<tr>
<td>2</td>
<td>23% 17%</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>5% 0%</td>
<td>0%</td>
</tr>
<tr>
<td>4</td>
<td>0% 0%</td>
<td>4%</td>
</tr>
<tr>
<td>5</td>
<td>0% 0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Few digital borrowers have contacted customer care

Those who have mostly contacted the lender to complain about information in the credit bureau or unexpected charges, or ask about loan amounts

5% Of digital borrowers have contacted anyone with a question, concern, or complaint about their digital loan

% who contacted each source
Among digital borrowers who have contacted someone with a question, concern, or complaint about a digital loan

<table>
<thead>
<tr>
<th>Source</th>
<th>% Contacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer care location of the loan provider</td>
<td>29%</td>
</tr>
<tr>
<td>Call center of loan provider</td>
<td>24%</td>
</tr>
<tr>
<td>Call center of MNO</td>
<td>20%</td>
</tr>
<tr>
<td>Customer care location of MNO</td>
<td>19%</td>
</tr>
<tr>
<td>Mobile money agent</td>
<td>12%</td>
</tr>
</tbody>
</table>

% who contacted customer care for each purpose
Among digital borrowers who contacted customer care

- To complain about my information in the credit bureau: 23%
- To report or complain about an unexpected charge or fee: 20%
- A question about the amount I qualify for: 20%
- A question about the fee or interest rate: 12%
- To request a higher loan limit: 11%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
What other financial services do digital borrowers use and how do digital loans fit in portfolios?
Digital borrowers are more financially included; 3x more likely to have a bank account*

Percent who have used each type of financial service

- **Bank Account**: 44% (Digital Borrowers), 13% (All Tanzanian adults)
- **NHIF Insurance**: 18% (Digital Borrowers), 6% (All Tanzanian adults)
- **Savings group/VICOBA**: 26% (Digital Borrowers), 16% (All Tanzanian adults)
- **Pension**: 11% (Digital Borrowers), 4% (All Tanzanian adults)
- **Microfinance Account**: 8% (Digital Borrowers), 1% (All Tanzanian adults)
- **Any insurance other than NHIF**: 5% (Digital Borrowers), 10% (All Tanzanian adults)
- **SACCO**: 3% (Digital Borrowers), 2% (All Tanzanian adults)

**Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.**

"All Tanzanian adults" was calculated based on the nationally representative FinScope survey dataset with sample N=9,459.

*Not including M-Pawa accounts
Family, friends, neighbors, and shopkeepers most common sources of credit beyond digital

11% of digital borrowers have had a loan from a bank

Percent of digital borrowers who have had a loan with each type of provider

- A family member, friend, neighbor: 50%
- A Shopkeeper: 30%
- Savings group/ VICOB: 18%
- Bank: 11%
- An informal moneylender: 8%
- Microfinance: 7%
- Employer: 7%
- SACCO: 3%

8% of digital borrowers have borrowed from a money lender

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Digital borrowers are more likely to have used all other loan sources than Tanzanian adults overall.

**Percent who have had a loan with each type of provider**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Digital Borrowers</th>
<th>All Tanzanian adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>A family member, friend, neighbor</td>
<td>50%</td>
<td>31%</td>
</tr>
<tr>
<td>Savings group/ VICOBRA</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Bank</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>An informal moneylender</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Employer</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>SACCO</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.

"All Tanzanian adults" was calculated based on the nationally representative FinScope survey dataset with sample N=9,459.
Digital credit primarily complements existing loan sources

66% of digital borrowers have not reduced their use of other loan sources since accessing digital credit.

% of digital borrowers who reduced use of each loan sources after gaining access to digital loans

<table>
<thead>
<tr>
<th>Loan Source</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family member, friend, or neighbor</td>
<td>17%</td>
</tr>
<tr>
<td>A Shopkeeper</td>
<td>11%</td>
</tr>
<tr>
<td>Savings Group/ VICOBA</td>
<td>8%</td>
</tr>
<tr>
<td>Bank</td>
<td>6%</td>
</tr>
<tr>
<td>Informal moneylender</td>
<td>5%</td>
</tr>
<tr>
<td>Employer</td>
<td>5%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>3%</td>
</tr>
<tr>
<td>SACCO</td>
<td>2%</td>
</tr>
</tbody>
</table>

34% of digital borrowers have reduced their use of at least one loan source after gaining access to digital loans.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
A quarter of digital borrowers were balancing 2 or more loan sources at time of survey

Nearly a tenth had loans from 3 or more sources

Total number of loan sources (digital and non-digital) with an outstanding loan at the time of survey

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Due date and pressure from lender are important factors when deciding which loan to repay.

*When multiple loans are due at the same time, % who use each criteria to determine which to pay off*

- Pay according to due date: 40%
- Pressure from lender: 21%
- Pay towards biggest loan: 15%
- Loyalty to lender: 14%
- Highest interest rate: 10%
- Pay towards biggest payment due: 8%
- Loyalty to family/friend: 7%
- In order to keep loan a secret: 5%

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
The only use case where digital credit is more commonly used than other loan sources is for purchasing airtime.

Uses of different loan types, among those who have used each loan type

- For meeting day-to-day ordinary household needs
- To purchase airtime
- For business purposes such as investment or payroll
- For personal household goods
- To pay a bill
- For medical needs, including medical emergencies
- To pay school or university expenses
- Other
- To lend to others (friends, family, etc.)
- For betting
- To pay off a loan you took from your phone

Informal loans are more common for household needs, bills, and medical and school expenses.

Formal loans are preferred for business needs.

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Nearly half of digital borrowers have saved with M-Pawa

86% of digital borrowers have saved digitally
31% of digital borrowers have saved with two or more services

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Note: Among digital credit offerings, only M-Pawa offers an associated savings account. Those who save with Tigo Pesa and Airtel Money are likely saving in their mobile wallet.
Business purposes is the most common use of digital savings

Purpose of digital saving among digital borrowers who have saved digitally

- For business purposes, such as investment or payroll: 38%
- For personal things: 23%
- In order to increase the loan amount I qualify for: 18%
- For meeting day-to-day ordinary household needs: 16%
- In order to access a loan: 14%
- For medical needs, including medical emergencies: 13%
- To pay a utility bill: 10%
- To purchase airtime: 9%
- To pay school or university fees or other school costs: 6%
- In order to earn interest on savings: 3%

Savings are used to increase access to loans

Nationally representative sample of N=4,574 phone owners in Tanzania, of whom 1,132 have ever used digital credit.
Thank you

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