

Tanzania Postal Bank

DIGITAL FINANCIAL INCLUSION THROUGH POPOTE

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TPB POPOTE
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Benki Halisi ya Kitanzania

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TPB POPOTE
BENKI YAKO | MIKONONI MWAKO

Prepared by WSBI and PHB Development in collaboration with the e-MFP Digital Innovations for Financial Empowerment Action Group

October 2016


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LIST OF ACRONYMS

AB :	Agent/Agency Banking
ATM :	Automated Teller Machine
BoT :	Bank of Tanzania
BTL :	Below-The-Line
DF :	Digital Finance
DFS :	Digital Financial Services
DSE :	Dar es Salaam Stock Exchange
FI :	Financial Institution
HH :	Households
MB :	Mobile Banking
MFI :	Microfinance Institution :
MIS :	Management and Information System
MM :	Mobile Money
MNO :	Mobile Network Operator
MSA :	Member Savings Account
NGO :	Non-Governmental Organization
POS :	Point Of Sale
SACCO :	Savings and Credit Cooperative Society
SLG :	Savings Led Groups
SSA :	Sub-Saharan Africa
TPBL :	Tanzania Postal Bank Limited
TZS :	Tanzanian Shilling
USD :	United States Dollar
USSD :	Unstructured Supplementary Service Data
VDA :	VSLA Deposit Account
VICOBA :	Village Community Bank
VSLA :	Village Savings and Loan Association
WSBI :	World Savings and Retail Banking Institute

SUMMARY

	Population	50 million
	Dar es Salaam (capital)	5 million
	Median age:	17
	Literacy rates:	70%
	GDP/Capita (USD):	1,600
	Agriculture employs:	80%
	Telecom penetration:	70%
	Banks:	52
	MFIs:	170
	MMOs:	4
	DFS:	14

**Tanzania Postal Bank POPOTE**

2 channels: Mobile Banking and Agent Banking

283,889 mobile banking customers

USD 300,000 mobile banking income

Over 400 agents

Agent banking convenience in rural areas

Full integration to all mobile money operators

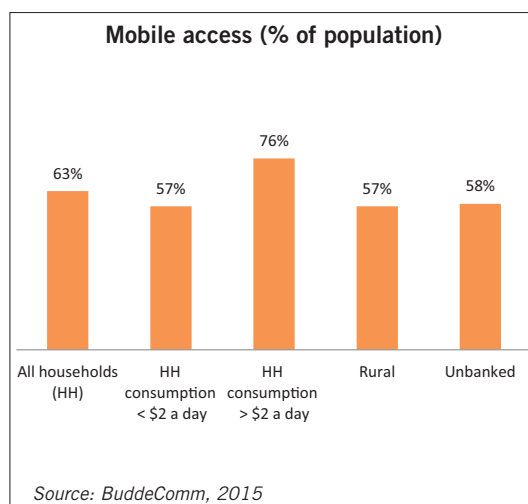
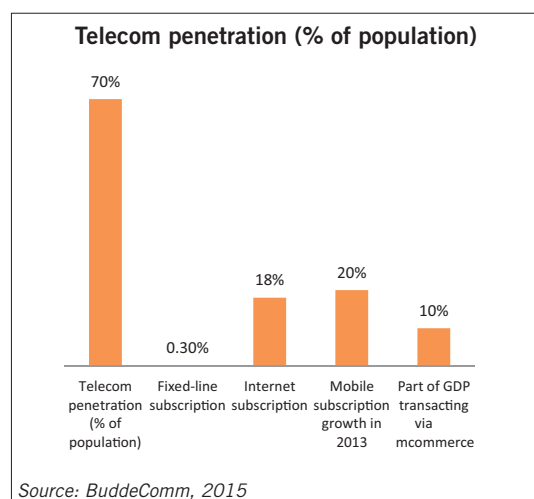
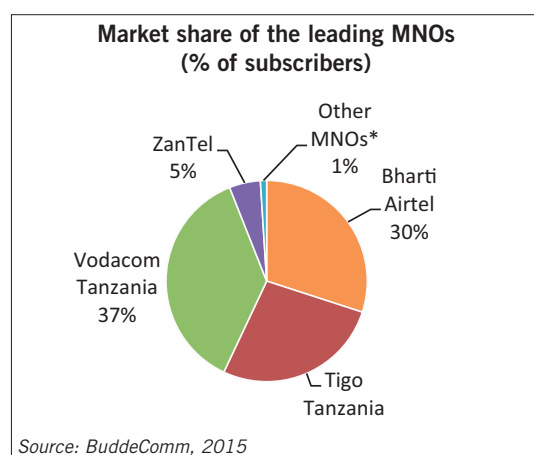
1. CONTEXT OF THE COUNTRY

TELECOM SECTOR

After Kenya, Tanzania is one of the most active markets for Digital Financial Services (DFS). Policy reforms have led the telecom sector to become one of the most liberal in Africa. About **12 Mobile Network Operators (MNOs)** are currently operating or about to start business. There are **4 leading MNOs** in the country, **Vodacom Tanzania** being the top one.

Telecom operators	Ownership	Number of subscribers
Vodacom Tanzania	A unit of South Africa's Vodacom	11.6 million
Bharti Airtel	Airtel Group (formerly Zain)	9.7 million
Tigo Tanzania	Part of Sweden's Millicom	9.3 million
ZanTel	A unit of Etisalat	1.7 million

Source: TanzaniaInvest.Com, 2015

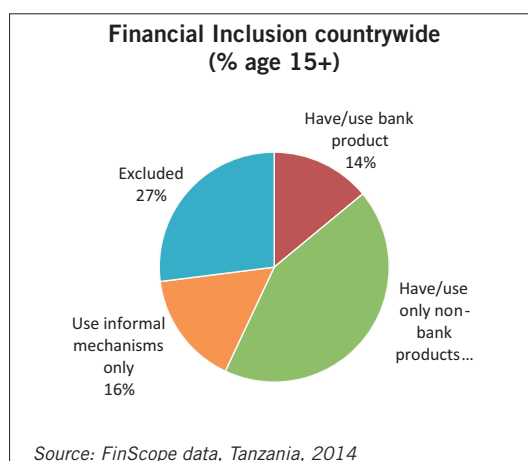


FINANCIAL INSTITUTIONS' MARKET SITUATION

81% of adults (age 15+) don't have an account at a financial institution (FI). Developing a farm or business activities are the main motivations for Tanzanians to save or borrow money. The number of community based FIs such as Savings and Credit Cooperative Societies (SACCOs) is growing.

Number of banks	52
Number of bank branches	609
Number of Microfinance Institutions	170
Number of MFI branches	486
Number of SACCO initiatives	4845
Gross national saving (% of GDP)	17.8%
Commercial bank prime lending rate	17.4%

Source: Tanzania National Council for Financial Inclusion



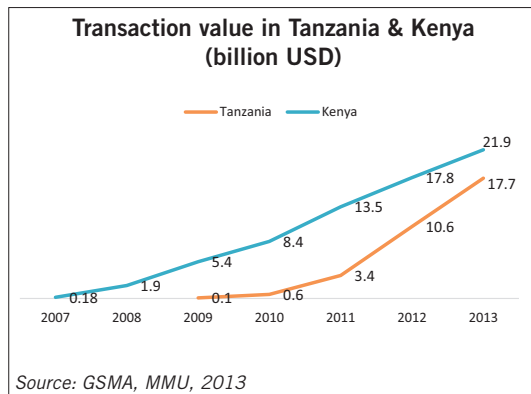
DIGITAL FINANCIAL SERVICES (DFS) INITIATIVES

The DFS landscape has developed very rapidly in Tanzania. In 2008, there were just two non-bank e-money issuers. The sector has now grown to include the four leading MNOs as Mobile Money providers and 14 banks offering digital financial services. Among the latter, some such as CRDB, NMB and Eco Bank have developed their own agent network.

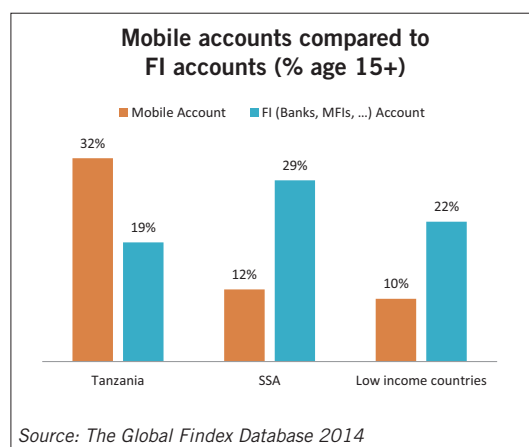
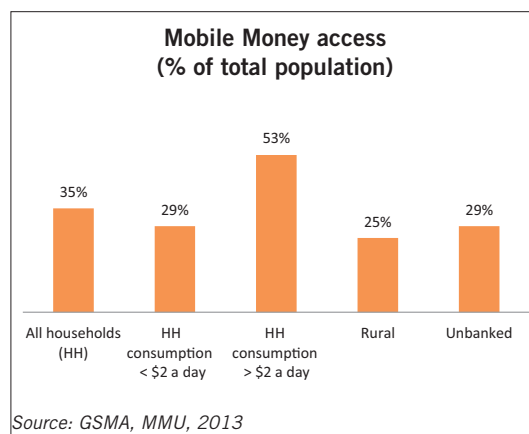
The 4 MNOs' Mobile Money services are: M-Pesa for Vodacom, Airtel Money for Airtel, Tigo Pesa for Tigo and Ezy Pesa for Zantel. There are over 20,000 agent outlets, acting as agents for multiple service providers.

Digital finance access points	Number
Mobile money	16,551
Microfinance institutions	1,084
Commercial banks	478
Bus stands	403
Offsite ATMs	367
Post offices	202

FinScope data, Tanzania, 2014



In Tanzania, there are more Mobile accounts than accounts at financial institutions (FIs). In 2013, there were 31.5 million Mobile accounts (**64% of the population**) and **11 million (22%) of these accounts were active**. **35% of the households (HH)** have used at least one Mobile Money service and **33% of HH** have registered for Mobile Money. In terms of value, in 2013, Mobile Money transactions increased to **USD 17.7 billion**. Digital Financial Services provided are the classic ones with **the predominance of P2P transactions**.



REGULATION OF MOBILE FINANCIAL SERVICES

Tanzanian regulatory authorities have introduced comprehensive agent banking guidelines that, for the first time, permit DFS providers to appoint retail agents as a delivery channel and allow the development of the DF market. Current Agent Banking guidelines were issued in 2013. FIs are defined as responsible for Agent banking. The guidelines also mention the non-exclusivity of agency agreements. But it is up to the FI provider to determine in detail what activities are prohibited for agents.

Obviously, regulators have played a key role in the market by ensuring a level playing field and encouraging competition. For example, all non-bank e-money providers were asked to open up e-money trust accounts with banks and are required to ensure that 100% of the float is maintained in these accounts.

In 2014, Tanzania became the first country to successfully develop and implement standard business rules for interoperable DFS transactions.

2. THE DFS IMPLEMENTATION APPROACH

CUSTOMER EXPERIENCE: TARGETING THE UNBANKED POPULATION

VICOBAs (Village Community Banks): The Bank has partnered with 12 VICOBAs apexes, offering capacity building in terms of financial literacy and vocational business skills, with the aim of making individual members able to pay their shares, social fees, penalties... Tanzania Postal bank has at the moment **3,266 VICOBA** groups and **21,284 members with a deposit value of TZS 3.6 billion.**

The features peculiar to VICOBA are:

- Sustainable contributions¹
- Members can access a loan 3 times the size of their contribution
- Repayment is within 3 months
- Members get a loan at a 10% interest rate
- Four types of contributions can be done: shares, social, penalty and monthly membership fee

VSLAs (Village Savings and Loan Associations): The Bank has initiated this scheme in order to provide financial linkage groups that were trained and given capacity building skills by non-governmental organizations (NGOs). The approach is to use NGOs as a gateway to build a relationship with these groups, most of which keep their money in a wooden box. **Tanzania Postal Bank (TPB) has recruited more than 1,174 groups and 3593 members with a deposit value of TZS 884 million.**

Informal Groups: TPB created a group product for groups composed of up to 5 members who do savings and keep their money at home or under the pillow. This scheme enables the groups to save their money with no cost, no ledger fee and no withdrawal fee. Members of these groups may be affiliated because they meet at a place of worship, live in the same geographical area or share similar business or leisure interests. **The bank has a total of 2,065 accounts with TZS 1.9 billion of deposit.**

TANZANIA POSTAL BANK DIGITAL FINANCIAL SERVICES

Tanzania Postal Bank is a financial institution and one of the oldest banks of Tanzania. It was established in 1926 as a Post Office Savings Banks offering banking services through a network of post offices.

TPB has recently leveraged 2 digital channels – Mobile Banking and Agency Banking – and 2 devices options – Mobile phone and Point of Sale (POS). It operates through **30 full-fledged branches, 30 mini branches in addition to 120 Post Offices and 41 ATM's linked to 224 under Umoja Switch.**



Over **400 agents** are located all over Tanzania, which is well suited for rural areas where the outreach of the all financial institutions is very low. In those rural areas, setting up agents is a better alternative for TPB to serve poor people than setting up expensive new branches with the capital and operational expenses (**Capex and Opex**) related.

The bank provides banking products like savings accounts, loan products such as micro loans, pension and business loans as well as money transfer services. Tanzania Postal Bank is a pro-poor bank that has embraced the Customer Centric Model aligned with one of its core values of financial inclusion.

Tanzania Postal Bank Limited (TPBL) is planning to get listed. The company is expected to go public on the Dar es Salaam Stock Exchange (DSE) in 2016. The bank's move to go public aims to make it operate more efficiently and increase profitability level by introducing various vehicles to improve client services.



¹ Sustainable contribution means it's a contribution that VICOBA member can make and continually meet it (and afford it).

3. DIGITAL FINANCIAL SERVICES' BUSINESS MODEL AND STRATEGY

PARTNERSHIP

TPB created partnerships with MNOs such as **Airtel, Vodacom, Zantel, TIGO**, enabling the institution to provide Mobile Banking services to its clients. 'TPB POPOTE' is the name of the TPB mobile banking service which enables the clients to access information about their account anywhere, anytime, through the mobile phone. With the 'TPB POPOTE', TPB has linked its Mobile Banking product to all mobile money providers in Tanzania. The clients also have an option to transact through the mobile wallet to pull and push money to and from their respective accounts held in TPB.

This service offers a diversity of payments such as:

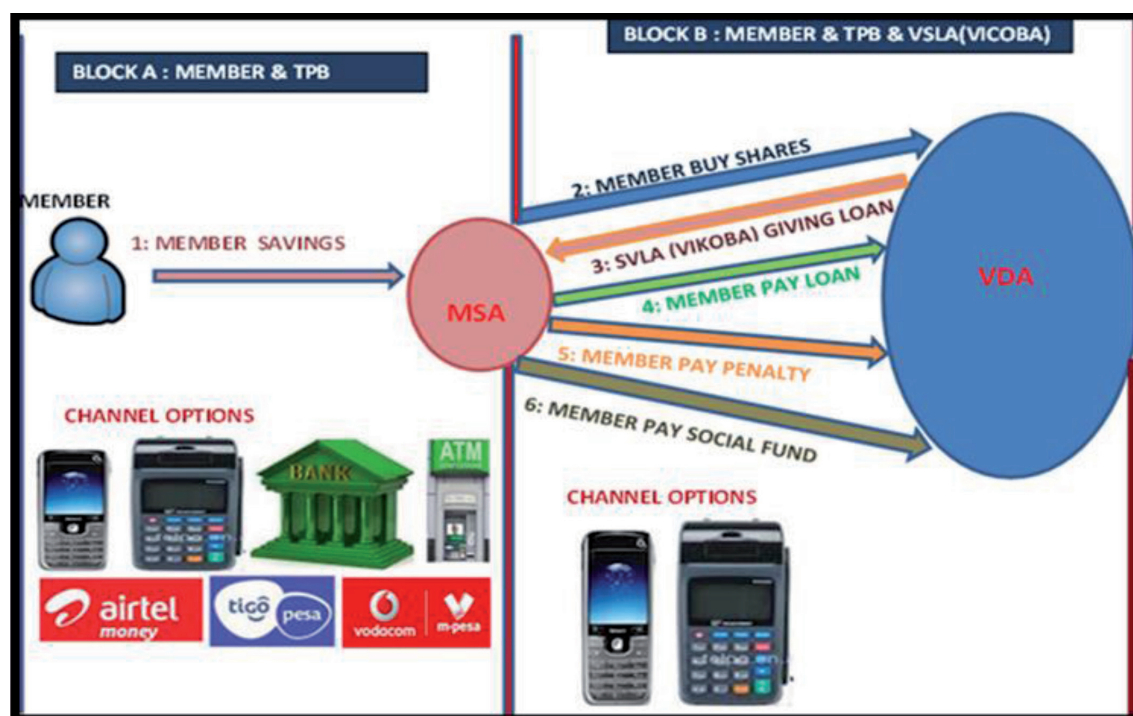
- Airtime Top up at MNOs: Airtel, Vodacom, Zantel, TIGO
- Deposits through TPB Agents
- Withdrawals with TPB Agents
- Transfers of funds from one TPB account to another
- Transfer of funds to/from Mobile Money

With the partnership of all MNOs in Tanzania, the bank had a positive impact on mobile money in the country, ensuring that agents have both cash and electronic floats, so that the ordinary Tanzanian can always transact.

DIGITAL FINANCE BUSINESS MODEL

Following the approval of agency Banking and the agent banking guidelines issued by Bank of Tanzania (BoT) in 2013, Tanzania Postal Bank (TPB) has tremendously pushed its financial inclusion services through TPB POPOTE (TPB-P) and through agents across the nation. The bank believes that mobile phone banking is expected to be a major driver that will create access for a greater number of people that currently have less access to financial services – **given that already over 63% of Tanzanians have access to a mobile phone.**

To better fit client needs, TPB has developed its digital business model through two channel options: **simple mobile phone and points of sale (POS) devices**. Clients can have access to TPB POPOTE by using one of both channel options.



Note: MSA: Member Savings Account and VDA: VSLA Deposit Account

TECHNICAL FUNCTIONALITIES

Linkage Model:

- Enables member account to be linked to respective group account
- Enables registration of 3 e-signatories of group members to perform transactions using mobile on behalf of the group
- Enables registration of 3 group's members who receive notifications for any group transaction performed

Transaction Model:

- Enables members to transfer contributions from their account to their respective group account, using mobile phone to loans payments, savings, social contributions, interest etc.
- Enables members to transfer funds from bank account to MNO account for withdrawal
- Enables group e-signatories to initiate, verify and approve transfer of funds from group account to MNO account, member account and other bank accounts using mobile phone
- Enables sending of SMS notifications to 3 different group members for any group transaction performed

Reporting Model:

- Provides reports that shows both details and summary of members contribution to groups
- Provides reports of group transactions by 3 e-signatories to MNO numbers, members accounts and other bank accounts

Devices Specification:

- Mobile phone: the product works using the low end mobile phones using USSD protocol. The customer dials *150*21# and then follows instructions or sends a text message to 15021.
- Post of sale: the product works with a card at an agent.

DISTRIBUTION OF THE DFS: AGENTS NETWORK

In its effort to widen and deepen customer outreach, TPB operates through the network of agents who cover two categories: TPC office network (**120 offices countrywide**) and individual agents who run retail shops businesses. Both agents serve TPB customers using Point of Sale (POS) and Mobile Phones.

The management of the TPB agent network is done through a centralized Agent Banking section under the Operation department at the TPB head office, in collaboration with branches and mini branches that are in close proximity to an agent location.

DIGITAL FINANCIAL INCLUSION: TPB FOCUSING ON SEGMENTATION

The fast growing micro finance activities in the unbanked areas of Tanzania has compelled the Tanzania Postal Bank to create synergies with entities like the **Village Community Banks (VICOBA)**, the **Village Savings and Loan Association (VSLA)** and **other groups**, by bringing them into the mobile banking technology.

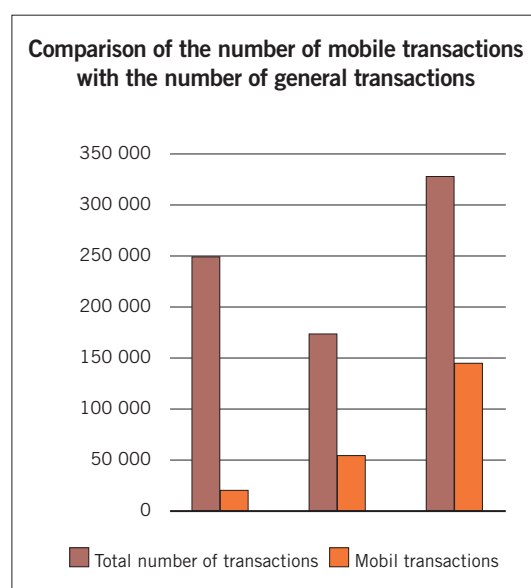
Through the Bill and Melinda Gates Foundation, the World Savings and Retail Banking Institute (WSBI), sponsored the **Tanzania Postal Bank (TPB)** to acquire a platform that allowed the use of **mobile banking**, in order to be able to serve a big customer base with a focus on the people who have been excluded from the formal financial services. The business model that has been deployed by TPB offers financial inclusion for VSLA and VICOBA groups through enhanced **TPB Mobile Banking Platform**. The Bank continues putting Financial Inclusion at the forefront of its operations by serving the unbanked and under-unbanked.

For clients who are organized in groups like Village and Loan Associations (VSLAs) or any other form of Savings Led Groups (SLGs), the bank staff go to their respective meeting places and have accounts opened from where they are: "taking the service to the client". Going forward, such clients get served by the nearby TPB agents. If there is no nearby agent, the bank immediately identifies and appoints an agent with an option of the group itself becoming a TPB agent.

4. FINANCIAL AND PERFORMANCE ANALYSIS

VOLUME OF MOBILE TRANSACTIONS

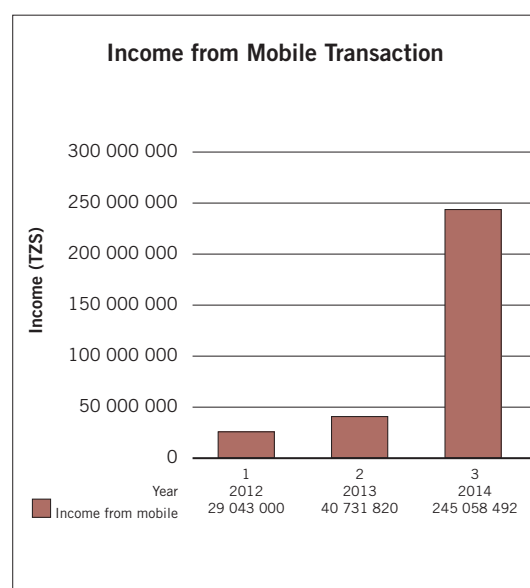
The total number of accounts has kept increasing over time due to the take-off of agency banking and to the adoption of mobile delivery channels by the clients. Moreover, out of the total general transactions, **mobile transactions have increased from 8.8% in 2012 to 44.36% in 2014**, which led to increased income for the banks. The comparison of the mobile transactions with total general transactions is presented in the graph below.



Source: Tanzania Postal Bank

INCOME FROM MOBILE TRANSACTIONS

The income of mobile transactions has **grown by 743% from 2012 to 2014**, which can be explained by an increasing number of customers getting registered to use mobile banking services as well as by an increasing number of transactions from existing mobile customers due to improved accessibility, proximity and usability of the banking services. The growth in income is seen in the graph below.



Source: Tanzania Postal Bank

SOCIAL PERFORMANCE

Offering mobile banking services at the lowest cost is the most challenging game in banking, but, in this case, it is done by mobilizing savings, which enables the bank to keep the cash from which it is able to on-lend to those in need of credit. In addition, TPB offers an annual interest rate to savers **between 3-9%**, depending on the amount kept on the account.

Due to the increased accessibility and usability of the service, it is clear in the table below that the transactions of clients who were randomly picked has kept increasing over the years. An important point to note is that the number of mobile transactions out of the total general transaction has been on the rise. For example, client #2 increased transactions **by 1,813 units (+930 %) from 2012 to 2014**.

Client	2012		2013		2014	
	Total No. of transactions	No. of transactions	Total No. of transactions	No. of transactions	Total No. of transactions	No. of transactions
1	69	0	570	139	1924	699
2	195	154	796	516	2008	1248
3	0	0	324	105	1553	1056

Source: Tanzania Postal Bank

VALUE PROPOSITION

It is worth noting that the bank offers free mobile banking transactions to all group clients in VICOBAs, VSLAs and other sets of groups. This makes the service offered to the low income earners the most affordable in the banking industry in Tanzania. The strategy is to encourage rural clients to step up from keeping cash in traditional metallic boxes to using bank accounts through agency banking, especially for those who are far from TPB branches.

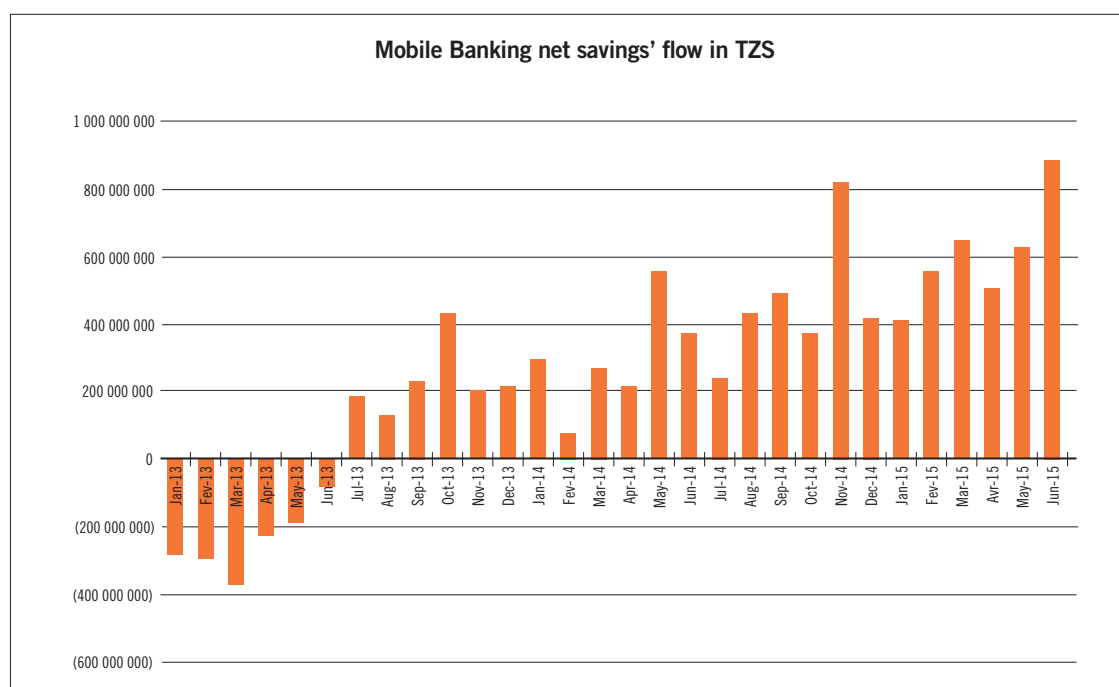
TPB Agents get remuneration through withdrawal transactions commission, deposit transactions commissions and new customer recruits signed up.

From the client's perspective, these are some of the benefits of having a **TPB POPOTE mobile banking service**:

- Ability of the client to save or deposit money in the account anywhere and anytime
- Easy access to account information (balance inquiries, mini statements...)
- Ability to do utility payments and to transfer funds from one account to any TPB POPOTE Agent location nationwide
- Possibility for clients to change PIN code anywhere and anytime

TPB POPOTE is a revolutionary product that allows a customer to have access to his/her bank account 24 hours a day. TPB POPOTE customers are able to pay for various utilities using their mobile phones as well as accessing banking services.

TPB POPOTE has evolved to allow a TPB customer to link their bank account to any mobile money wallet in Tanzania, including M-PESA, Tigo Pesa, Airtel Money or Ezy Pesa. Customers have responded by opting to save their money on their bank account, as opposed to saving it in their mobile money wallet. This is reflected in positive net deposits when comparing the flow of funds across all mobile money operators and mobile banking where more funds now stay on the TPB-POPOTE platform. As shown by the graph below, there were first negative savings on mobile banking, as more funds were flowing from mobile banking to mobile money, but, as customers gained trust in POPOTE, they started to deposit more on a mobile banking account than on a mobile money account, thus explaining the positive trend.



Source: Tanzania Postal Bank

TANZANIA POSTAL BANK CUSTOMER JOURNEY

A TPB prospective client who wants a financial service has a number of options to open an account with the bank: the client can go to the branch or go to a nearby TPB agent. Agents raise awareness to attract new customers to the bank and also facilitate opening accounts for such new clients. Sales drives are also held in different places by the bank in less populated areas, to raise awareness and attract potential clients.

For a group account, the mobile banking service is one of the options given and the clients are encouraged to go mobile. The group account has a mandate of up to three signatories (e-signatories) representing the 3 keys that open the 3 padlocks placed on the metallic boxes where cash is traditionally kept in the rural areas.

LESSONS LEARNED AND KEY SUCCESS FACTORS

1. Importance of external funding to launch the new DF channel
2. Need of a cultural change within the organization
3. Interest of the collaboration with the postal network
4. Importance of information dissemination and knowledge sharing
5. Importance of offering a product with low or no fee, no charge...
6. Importance of adapting products to the context: for example working with groups
7. Importance of an on-going adaptation of the rollout to include on-going new demands (i.e. setting up of an agent as soon as there is unmet demand in a specific location)
8. Need of multiple partnerships to enable service complementarity for a maximized adaptation to the demand
9. Advantage of leveraging several channels (Mobile Banking and Agency banking) and several device options (mobile phone and POS) to fit different client segmentations

EUROPEAN MICROFINANCE PLATFORM (e-MFP)

The European Microfinance Platform (e-MFP) is the leading network of European organisations and individuals active in the microfinance/financial inclusion sector in developing countries. Now in its tenth year, it has grown to over 120 members from all geographic regions and specialisations of the European microfinance community, including consultants & support service providers, investors, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

European Microfinance Platform
39 rue Glesener
L-1631 Luxembourg
Tel. + 352 26 27 13 82
Email : contact@e-mfp.eu
Website : www.e-mfp.eu

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