



## **FINTECH REGULATIONS AND ITS GROWTH IN TANZANIA**

The global Fintech market size was valued at USD 127.66 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 14.6% from

2021 to 2028. The market is driven by the growing adoption of digital and mobile technologies, increasing internet and smartphone penetration, and a shift towards cashless societies.

In terms of market segmentation, the banking segment is expected to hold the largest share of the market during the forecast period, due to increasing digitization of banking services and growing demand for mobile banking and online transactions.

Overall, the Fintech market is expected to continue its strong growth in the next five years, driven by the increasing adoption of digital technologies and changing consumer preferences.

The rising number of internet and smartphone users as well as the aftermath of the financial crises of the early 21st century have led to the digitization of many financial products. Fintech, a combination of financial services and technology, has been rapidly evolving in the last decade. We have identified four major segments where innovative digital products and services challenge established players in the financial services field: Customer focus, digital touch points, higher levels of security and convenience make up the core elements of the growing Fintech movement. In this report, we consider the rapidly evolving Fintech market. We have identified four major segments where innovative digital products and services challenge established players in the financial services field.

The four major segments of the Fintech market are:



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1. Payment and Transactions: This segment includes digital payment solutions, mobile wallets, and other payment-related products and services.
2. Lending and Crowd funding: This segment includes peer-to-peer lending, crowd funding, and other alternative lending platforms.
3. Wealth Management and Personal Finance: This segment includes digital investment platforms, robo-advisors, and other digital wealth management solutions.
4. Insurance: This segment includes digital insurance platforms, telematics-based insurance, and other digital insurance products and services.

In each of these segments, Fintech companies are focusing on providing customer-centric solutions, leveraging digital touch points, ensuring higher levels of security and convenience to disrupt the traditional financial services industry. The Fintech market is expected to continue its strong growth in the next five years, driven by the increasing adoption of digital technologies and changing consumer preferences.

The digital payment segment of the Fintech industry is indeed one of the fastest-growing and most dynamic areas. The increasing popularity of mobile and online payments, combined with a growing number of consumers seeking more convenient and efficient payment solutions, has driven the growth of this segment.

The growth of digital payments has also been fueled by advancements in technology and infrastructure, such as the widespread adoption of smartphones, the increasing availability of high-speed internet, and the development of secure and efficient payment systems.

The growth in this segment is driven by the increasing adoption of digital and mobile payment solutions, as well as the shift towards cashless societies. The segment includes a wide range of payment methods such as mobile payments, e-wallets, digital currencies, and contactless payments. The increasing use of smartphones and the internet has made it easier for consumers to make digital payments, which has led to a rise in the number of digital transactions.

Additionally, the growth of e-commerce and online marketplaces has also contributed to the



## FINTECH REGULATIONS AND ITS GROWTH IN TANZANIA

expansion of the digital payment market. Many e-commerce platforms and retailers now offer digital payment options, making it more convenient for customers to make purchases online. This has led to an increase in the number of digital transactions and has driven the growth of the digital payment market.

Furthermore, the digital payments market is expected to continue growing in the next five years, as government and private sector organizations are investing in digital infrastructure, regulations and policies to promote cashless transactions.

### Fintech Growth Tanzania.

The growth and positive changes in Tanzania's Fintech landscape can be attributed to the regulatory reforms in the payment sector and the launch of government policies and initiatives focusing on information and communication technology (ICT). In 2015, the government established the Information and Communications Technologies Commission (ICT Commission) to coordinate and facilitate national ICT initiatives. Additionally, the government has a Memorandum of Understanding with the Financial Sector Deepening Trust (FSDT), which provides financial and technical support to the financial sector, while the government supports the sector with legal and regulatory frameworks. These efforts have been supported by the United Nations Capital Development Fund (UNCDF).

Tanzania has made significant progress in its Fintech landscape, which was previously limited to basic services such as airtime purchases, cash deposits, and money transfers and withdrawals. The Fintech industry in Tanzania is now thriving, with 33 estimated companies. Among these, lending and financing, and payments and remittances are the two most popular subsectors, with 14 and 10

Fintech respectively. Savings, insurance, enabling processes and technologies, and personal finance are also present with five, four, three, and two Fintech, respectively.

Tanzania, like many of its East African counterparts, has seen mobile money play a crucial role in increasing financial inclusion among its population. The proportion of citizens using formal financial services in Tanzania increased from just 16% in 2009 to 65% in 2017.



## FINTECH REGULATIONS AND ITS GROWTH IN TANZANIA

This growth can be attributed to the widespread adoption of mobile money, as reported by the Global System for Mobile Communications (GSMA), with over 33 million mobile money accounts opened in Tanzania as of June 2022.

The Tanzania MOMO market reached a value of \$54.5 billion in 2021 and is expected to grow to \$120.4 billion by 2027. Over the years, Tanzania has had several mobile network operators (MNOs) that offer mobile wallets and digital banking services in partnership with financial service providers. These MNOs include Vodacom, Tigo, Airtel, Zantel and Halotel. They are working in partnership with financial service providers such as banks, microfinance institutions, and other financial institutions to offer a range of financial services to the population. These services include money transfers, bill payments, and other financial transactions that can be conducted using mobile devices. Mobile money services have become increasingly popular in Tanzania, and the government and the central bank are working to promote the use of digital financial services to improve access to financial services in rural areas.

The government of Tanzania under the new Value-added tax act (VAT) and Exercise of duties Act introduced a new tax on mobile money transfer and withdrawal transactions, in addition to the existing 18% value-added tax (VAT) and 10% excise duty on these fees. This new tax is aimed at generating additional revenue for the government, but it also increases the cost of using mobile money services for individuals and businesses. The introduction of this new tax could

potentially have an impact on the adoption and usage of mobile money services in Tanzania, as it may make them less affordable for some people. The government and mobile network operators are closely monitoring the situation to see how it affects the mobile money market in the country. Exceptions to this tax include merchant, business, and government payment transactions.