

Comparative Analysis of Strengths and Challenges of SACCOS, VICOBA, NGO MFIs and Mobile Money Transactions in Tanzania

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Abstract

The History of financial services in Tanzania shows that there were poor financial services before and soon after the independence. The financial services improved slowly after the liberalization of financial services in the 1990s. This paper uses the empirical literature to compare the current financial services providers serving the middle and lower income groups in Tanzania. The analysis of findings indicates that cooperative financial institutions (VICOBA and SACCOS) and mobile money services serve the majority of Tanzanians both in rural and urban areas. The paper recommends that policymakers should favor the semi-formal MFIs to enable them to serve the majority of Tanzanians and the security of mobile monetary transactions should be strengthened since is the most reliable monetary services used by all categories of Tanzanians throughout the country.

Keywords: SACCOS; VICOBA; NGO MFIs; Mobile Money transaction; Tanzania

Background of Financial Services in Tanzania

The use of financial services in Tanzania has its history back to the colonial period. According to Bee (2007), during the colonialism period, the formal financial services were provided by the German who established the first bank in 1905. Promotion of commercial banks in Tanganyika continued by the British in order to support the commercialization of the economy after winning the world war I. After the independence, the Tanzania's government operated the financial sector under the government intervention where the National Bank of Commerce (NBC) and Cooperative and Rural Development Bank (CRDB) dominated the banking sector. The CRDB focused on rural development where it mostly used the donors' fund. In 1991, the government of Tanzania initiated the liberalization of the financial sector where the government intervention was removed, and the government role was to supervise and regulate the financial sector. The free market policy made the formal financial sector to concentrate more in urban than rural areas due to high administrative costs and risks associated with lending people of rural areas. Liberalization of financial sector attracted the Non-Government Organisations (NGOs) and private microfinance to offer the financial services to the majority of Tanzanians. Despite the efforts of NGO MFIs to reach the rural clients due to the liberalization of financial services, still, most of the population, especially in remote areas, remains not served by formal and semi-formal financial institutions (Bee, 2007).

Therefore, the government thought that there was a need to establish a policy which will promote the accessibility of financial services to the majority of Tanzanians both in rural and urban areas. Hence a National Microfinance Policy was established and approved by the Government in 2002 in order to promote the availability of financial services both in rural and urban areas so as to alleviate poverty among Tanzanians (Randhawa and Gallardo, 2003). This policy recognized the microfinance sector as an integral part of the financial sector. The national microfinance policy also promoted the establishment of semi-formal and non-formal financial institutions such as Savings and Credit Cooperative Societies (SACCOS), Village Community Banks (VICOBA), Savings and Credits Association (SACAS). The formation of SACCOS and VICOBA streamlined the availability of financial services in the rural areas (Bank of Tanzania- BOT, 2015).

Girabi and Mwakaje (2013) argued that in 2010s, informal and formal microfinance institutions operated both in rural and urban areas. The former includes money lenders and money traders who charge interests in the form of cash or in kind and Rotating Savings and Credit Associations. The latter category comprises the semi-formal microfinance institutions like NGO-microfinance institutions and Credit and Saving Cooperative Societies. NGO MFIs are found in peri-urban areas where the use of formal financial institutions such as banks is very limited. The famous and experienced NGO MFIs that offers micro-credit services to the people found in urban and peri-urban Tanzania include the promotion of Rural Development Enterprises (PRIDE), Small Enterprises Development Assistance (SEDA) and Foundation

for International Community Assistance (FINCA). Savings and Credits Cooperative Societies (SACCOS) operate both in rural and urban areas. Despite SACCOS, VICOBA and NGO MFIs were established during the 2000s; the mobile financial transactions are very famous monetary transaction used by all groups of Tanzanians since 2010s. Currently (in 2017), despite there are a spread of banking services, NGO MFIs, SACCOS, VICOBA and rotational fund services, the financial transactions through the mobile phones are the most reliable financial services for all categories of people who are living in both rural and urban Tanzania.

Wangwe (2004) argued that the rural financial services in Tanzania enable poor people not only to increase their incomes, build assets, and reduce vulnerability but also lead to improved nutrition and health status. Wangwe (2004) further argued that the factors that prevent proper operation of the rural financial markets include unfavorable macroeconomic policies, weak financial sector regulations, institutional and unfavorable legal framework. Similarly, Ahlén (2012) argued that MFIs have positive socio-economic impacts to the beneficiaries. His study indicated that MFIs helped beneficiaries to fulfill consumption needs, to pay for school fees and to get the capital for small businesses for clients. Furthermore, Kato and Kratzer (2013) revealed the high level of women empowerment caused by participation in Microfinance. Mukama et al. (2005) asserted that low educational level of clients, lack of capital to lend clients, staff-related incentives and lack of skills development strategies inhibiting the growth of the microfinance sector in Tanzania.

MAFC (2017) asserted that in March 2017, the number of SACCOS and members in Tanzania were 5,640 while PMO (2016) stated that up to April 2016 there were 100,000 groups of VICOBA with about 2.2 million members and the capital of Tshs 1.2 Trillion countrywide (with 70% female members) while the customers for mobile phone money transactions have reached 17 million people in 2015 (PMO, 2015). The data indicates that the access to financial services through cell phones both in rural and urban areas has grown dramatically. This has implication with business and economic growth in rural and urban areas. According to Tanzania Association of Microfinance Institutions (TAMFI -2016), Tanzania has more than 40 NGO MFIs. The data indicate that the financial service delivery has been improved in the recent years. However, it is better to compare the strengths and weakness of each MFI so that Tanzania may decide which one is best to join them.

The objective of the Paper

The objective of this paper is to review the strengths and weaknesses of SACCOS, VICOBA, NGO MFIs and Mobile money transactions in Tanzania. This is done because the mentioned MFIs serve the majority of Tanzanians both in rural and urban areas. Hence reviewing their strengths and weaknesses will not only expose how the existing semi-formal Microfinance Institutions (MFIs) benefit their clients but also how the policymakers may use the identified weakness to amend the policies to promote MFIs to serve many clients.

The justification for the paper

This paper is written to analyze the strengths and challenges of semi-formal financial institutions in Tanzania particularly SACCOS, VICOBA, NGO MFIs and mobile money transactions. Analyzing their strengths and weaknesses is sought essentially because not only it determines the decisions of the clients to use their financial services effectively but also it will alert the policymaker to take actions for identified weaknesses, and this will promote the financial services to the majority of Tanzanians. Moreover, this paper might be used as a base for a recommendation for determining the effective interest rates for these MFIs and enhancing the security for these MFIs which serve the majority of Tanzanians. Furthermore, this article is considered to be essential because despite many scholars have attempted to study the semi-formal MFIs individually, to the best of my knowledge none of the contemporary articles compares the semi-formal MFIs which serves the majority of Tanzanians in rural and urban areas. Therefore, this paper compares the current semi-formal MFIs which serve the majority of Tanzania both in rural and urban areas. This paper also includes the mobile money transactions in the analysis which has not covered in the previous articles.

Methodology

This conceptual paper is based on literature review, and it uses the findings of relevant published articles found online. The search for articles was done in all databases with the following words alone or in different combinations: Financial services, Impacts of Financial services in Tanzania, SACCOS, NGO

MFIs, Impacts of mobile money transaction, VICOBA, determinants and access of financial services, Rural and Urban MFIs clients, MFIs serving majority of people in Tanzania. Moreover, “and journal” word was added with key search words so as to access merely online published articles from the journal, conferences and other valid sources with the required information. This paper compares only the strengths and weaknesses of MFIs which serve the majority of Tanzanians both in rural and urban areas and these MFIs can be termed as “semi” formal microfinance institutions. They are regarded as “semi’-formal because they miss some formal MFI qualifications like banks which include formal registration and formal credit risks guidelines and procedures.

Literature Review

Strengths and Challenges semi-formal MFIs

The following section discusses the strengths and challenges of semi-formal institutions in Tanzania.

Strengths and Challenges of SACCOS in Tanzania

Bwana and Mwakujonga (2013) asserted that 40% of the Gross Domestic Product (GDP) in Tanzania is generated from and Cooperatives and Savings and Credits Cooperative Societies (SACCOS) because they finance most rural SMEs and employ about 94.7% of graduates from secondary schools and colleges. According to National Bureau of Statistics (NBS, 2017), Tanzania has about 52 million people where more than 80% of Tanzanians still live in rural areas. Therefore, SACCOS are said to be semi-formal financial institutions which serve most of the rural people. Similarly, Girabi and Mwakaje (2013) revealed that the smallholder farmers’ productivity in Iramba district, Tanzania agricultural improved the agriculture productivity through the use of loans from rural SACCOS where SACCOS’ clients produced on an average of 31.8 bags of sunflower and maize per acre compared to 17.7 bags produced by non-clients. Magali (2014) also revealed that percentage of women clients and borrowers were 42% and 40% respectively and 73.5% of the rural SACCOS’ clients realized the livelihood improvement.

Tache (2006) asserted that the important factors for the success of the SACCOS are strong members’ participation, viability, self-reliance, enough working capital and proper loan management. According to Magali (2014), in order to improve the performance of the rural SACCOS, it is recommended to establish the crop insurance service for rural farmers, training on credits risks management, adhering to by-laws by SACCOS’ clients, establishment of loan limits, effective regulations for the rural SACCOS, improvement of the supervision from the government and stressing the payment of overdue loans.

Bibby (2006), Mwakajumilo (2011) and Magali (2013) declared that the major hindrances of SACCOS are unsuitable structures, dishonesty, fraud, inadequate capital, poor management, poor corporate governance, high amount of Non Performing Loans (NPL), lack, low level of entrepreneurship skills, poor regulatory framework and poor supervision from the government. Moreover, Karumuna and Akyoo (2011) revealed that Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCO) in Dodoma region had outstanding loans of TZS 762.5 million (equivalent to \$610,000) in 2009 due to management compassion in loans follow-up. Because of high default of loans, later the Cooperatives and Rural Development Bank (CRDB) confiscated the SACCOS’ premises and some of its assets.

Magali (2014) also revealed that the mean credits default rate for rural SACCOS’ clients from Dodoma, Kilimanjaro, and Morogoro was 22%. However, the average default rate was 30-40% for some SACCOS, and even some SACCOS defaulted 99% of loans in Dodoma and Morogoro regions, and because of poor credit risk management (CRM) only 30% of SACCOS were profitable, and it was revealed that poor CRM affects the profitability of SACCOS negatively. Moreover, because of poor CRM, the rural SACCOS attained the mean technical efficiency of 0.56 implying that there were relatively inefficient and this study noted that CRM affected both outreach and sustainability of the rural SACCOS where 46% of SACCOS were not issuing loans (means were not performing) from 2006 to 2013. Magali (2014) revealed that many rural SACCOS in Dodoma and Morogoro region had the problem of NPL. The figure from Table 1 shows that the percentages of NPL ranged from 18.5% to 99.5%. The data from Table 1 indicate that the percentage of NPL was very high wherein SACCOS A which is located in Morogoro region (Mvomero district) almost all loans (99.5%) defaulted. However, the data from Table 1 show that the SACCOS in Kilimanjaro region (E-F) had low NPL due to stringent conditions and regulations in processing and disbursement of loans. Data from Prime Minister Office (PMO, 2016) shows that from 2015 to 2016 SACCOS declined by 40% due to the high default rate of loans and embezzlement of some of the SACCOS’ members.

Table 1: Information of NPL for Rural SACOS (Amount are in Tshs*)

ACCOS	loan issued	Loan paid	NPL	% NPL
	108,873,503	500,000	08,373,503	99.5
	13,680,000	2,592,000	11,088,000	81.1
	39,327,201	19,377,894	19,949,307	50.7
	58,271,802	39,962,444	18,309,358	31.4
	56,760,450	46,424,050	10,336,400	18.2
	189,644,293	146,284,293	43,360,000	22.9
	430,367,959	349,000,000	81,777,723	19.0

Source: Magali, (2014)

*1USD=2189.43 Tshs as February 2017

Strengths and challenges of VICOBA

Brannen (2010) found that Village Savings and Loan Associations (also known as Village Community bank or VICOBA) have led to the improvement of housing, food adequacy and financial strength in meeting social needs such as payment of school fees, medical costs and other social needs in Zanzibar-Tanzania. Likewise, Kihongo (2005) asserted that 57.5% of beneficiaries from VICOBA in Ukonga Mazizini in Dar es salaam-Tanzania had realized the growth in their businesses while 5% incurred a loss of their due business loans borrowed from VICOBA.

Social and Economic Development Initiatives of Tanzania (SEIDIT, 2008) also asserts that VICOBA lending scheme has already proven to be one of the better tools for poverty alleviation in Tanzania. According to Ministry of Finance (MOF, 2009), the benefits gained in VICOBA include members to be trained in business and group management, social, economic, environmental, health and even political issues, encouraging mutual support among group members, improvement in food adequacy, housing, education and health, access to financial services and being a source of character transformation and creativity for members. Other strengths of VICOBA include clients' full ownership, easy accessibility by rural people; favorable loan conditions and encouraging participation in economic development even by poor people who can't participate in formal economic activities due to some barriers which lead to exclusion.

According to Bakari et al. (2014), VICOBA and other informal financial institutions managed to serve 27.9% of rural communities who were originally not served by formal financial institutions such as banks in Arumeru district, Tanzania. This makes VICOBA benefit the poor people in both rural and urban areas. In Arumeru district, VICOBA has empowered their members not only through training in various socio-economic fields such as record keeping, good governance, entrepreneurship but also enabled member to access financial services such as loans and savings. VICOBA issue the loan three times of the deposits where those who saved 100,000 Tshs received 300,000 Tshs, and the interest rates were 5% which is very low compared to 16% of NGO MFIs and 18% and above for commercial banks.

However, the challenges of VICOBA noted by Bakari (2014) in Arumeru district were illiteracy of members (where it was revealed that 20% of the VICOBA clients had informal education), inadequate capital, lack of office, inadequate knowledge on record keeping and loan default for few clients (The default rate was 10%). According to SEIDIT (2008), the challenges of VICOBA were jealous among men who restricted their women to join VICOBA, clients' inadequate education, wrong perception, inadequate capital, inadequate knowledge in business and project management, lack of regulations and inadequate supervision from the government. Kihongo (2005) found that the challenges facing VICOBA clients' in Mbezi Dar es Salaam were inadequate capital, high interest rate, and bureaucratic procedures.

In some places, VICOBA also faces the security challenges. Kasumuni (2014) reported that armed robbers with a sub-machine gun (SMG) and a pistol had stolen Sh100.6 million from three VICOBA groups with 90 members in Segerea ward, Ilala Dar es Salaam. The money was stolen because one member kept three metal boxes containing the money in her house. The woman who kept the money declared that she did so

following the members' agreement that money should be kept in her house so that they can easily disburse loans in the next meeting. One member declared that, if the money were to be kept safe until the end of the cycle (after one year and a half), he could receive 2 million as his capital and dividends. Members asserted that they avoided operating a bank account because they wanted to access loans easily which is usually offered on a weekly basis. However, because their money was not insured, it was difficult to recover the loss. Hence, keeping the document in the box was another weakness of VICOBA. This also can signify that possibly some group members were not faithful and probably were the ones who informed the robbers that there was a huge amount of money kept in the room of one member of VICOBA.

Strengths and challenges of NGO MFIs

Kessy and Urrio (2006) assessed the impacts of PRIDE Tanzania on clients' livelihood both in rural and urban areas of Dar es Salaam, Zanzibar Urban West, Arusha and Mwanza regions. The study found the improved livelihood of Pride Tanzania clients where poor clients doubled their business capital and maize farming productivity from 1 million to 3 million TZS and 10 to 20 bags from respectively. Mkwawa (2005) also asserted that PRIDE Tanzania managed to solve the capital accessibility for small entrepreneurs at the Dar es Salaam city. However, clients complained the problem of high interest charges for loans. Similarly, Kato and Kratzer (2013) revealed the high level of women empowerment caused by participation in Microfinance in terms of savings control and income generation from the business, increase greater role in decision-making, greater self-efficacy, self-esteem, and freedom of mobility which increased women's activities outside the home. The survey of the women members of MFIs covered PRIDE Tanzania, SEDA and Small Industries Development Organization (SIDO) in Arusha, Manyara and Morogoro regions in Tanzania. However, the increased workload for women due to participating in MFIs activities was the main challenge mentioned by Kato and Kratzer (2013).

Mpogole et al (2012) studied the effect of multiple borrowing on loan repayments at Iringa municipality, Tanzania where six NGO MFIs which are Bangladesh Rural Advancement Committee (BRAC) Tanzania, FINCA, PRIDE Tanzania, Iringa Development of Youth Disabled and Children (IDYDC), Mama Bahati Foundation (MBF) and Presidential Trust Fund (PTF) were involved in the study. The study revealed that over 70% clients borrowed from at least two loans from different MFIs. These data implies that they are likely to face the repayment problems which would cause low impacts to borrowers. However, no impacts variables were presented and analyzed by the author of this study.

NGO MFIs, SACCOS and VICOBA Loans and interests Comparison

According to Mwakabumbe (2015), the MFIs which offered the financial services to rural people in Kyela district Tanzania were Faidika which charged interest of 40% per year. Also, FINCA issued the first loan of 30,000 to 80,000 Tshs with interest rate of 4% per month (means 48% per year). Depending on good repayment where the number of subsequent loans ranged from 0.5 to 10 million Tshs to borrowers having a business and FINCA demanded the collateral and guarantors before issuing loans to clients. Likewise, PRIDE issued initial loans of Tsh 200,000 where the maximum loan was Tsh 50 million, and the interest rate was 30% per annum. Also, Sarafina and Tujijenge offered initial loans of 200,000 Tshs and charged the interest rate of 40% per year while VICOBA and SACCOS charged an interest rate of 10% per year and the minimum loan was Tshs 60,000.

Kihongo (2005) asserted that in Dar es Salaam, FINCA charged high interest rates of 4% per month (48% per annum), SEDA charged 30% of flat interest rate per annum and 3% one-time commission while VICOBA clients paid an interest rate of 10% per annum. Njiku (2005) observed 83% repayment rate for VICOBA clients in Mbezi Dar es Salaam, Tanzania. Moreover, the amount of loan per client ranged from Tshs 50,000 to 1 million. The interest rate was 2% per month (24% per year) compared to 30% charged by commercial banks and other MFIs in Tanzania.

Chachalika (2011) found that in Babati Municipality-Tanzania, the repayment rate for Small Industry Development Organization (SIDO) Manyara, PRIDE Tanzania, Babati SACCOS Ltd and Revival Church SACCOS Ltd at Babati branch were 68%, 73%, 56% and 76% respectively. The results indicated that NGO MFI clients (PRIDE Tanzania and Revival church) led to the repayment rate. The study further revealed that the number of loans for PRIDE Tanzania and Babati SACCOS ranged from Tshs 50,000 to 500,000 while it was Tsh 500,000 to 2 million for SIDO. Chachalika (2011) found that in Babati urban-Tanzania, the average loan defaulters from SACCOS was 24.3% which was twice than NGOs

Microfinance institutions who reported to have a 12.3% loan defaulting rate. Chachalika stated that poor credit management was one of the causes for loan default.

Strengths and Challenges of Mobile Phone Money Transactions Services

Kaffenberger and Butt (2013) asserted that in Tanzania Vodacom M-Pesa, Tigo Pesa, Airtel Money, and Ezy Pesa have many benefits to users where clients can pay airtime top-ups, merchant payments, utility bill payments (such as paying for school fees, water, fuel, saloon, electricity, flight, and others, to mention few). Hassan and Semkwiji (2011) revealed the users' livelihood improvement due to use of mobile phones for clients in Arusha and Zanzibar. The mobile transaction also enhanced the increase of household income and employment for mobile money agents. On another hand, Wetengere (2013) revealed that mobile phone users in Bigwa Ward in Morogoro, Tanzania used mobile phones for marketing communication and this enhanced the increase of the income of the farmers in the area.

According to Kaffenberger and Butt (2013), the barriers which face the Mobile Money transaction in Tanzania were insufficient to balance in a mobile money account for agents. Similarly, Senso and Venkantakrishnan (2013) revealed that mobile money agents in Singida rural-Tanzania had insufficient balance to serve customers who wanted to withdraw more than 100,000 Tshs. Other problems of mobile money transaction include the risk of customers to lose their cash due to fake money problem and time wastage due to unreliable networks in some rural areas and robbery. For example, Malecela (2015) reported that five armed robbers at Sirari town in Mara region (Tanzania) had stolen 45 million Tshs. The robbers have also stolen the expensive mobile phones found in M-Pesa shops.

Maro (2015) asserted that the challenges facing the mobile money transactions in Tanzania include high transaction costs for mobile money transaction compared with banks' transaction. For instance, if you withdraw Tshs 100,000 through a mobile phone, you can be charged more than 2000 Tshs while in the bank you can be charged less than half of that amount. Also if somebody sends money through other mobile money network and if the receiver will not withdraw money within the seven days, the money will be returned to the sender. Similarly, when sending money to different mobile phone companies, there is a possibility of making the mistake of transferring funds to unintended person, and if this occurs, there is a possibility of losing the money. This scenario is different when the transaction is done within the bank where the teller confirms the name of the sender before sending the money.

Discussion

The paper reveals that SACCOS, VICOBA, NGO MFIs and mobile phones monetary transactions have led to improvement of livelihood for clients in terms of assets accumulation, increase of business capital, increase of income, improved productivity of clients' economic activities, increase of the number of meals per day, improvement of education and health to the households of the clients and they enable the construction and maintenance of houses by clients. The empirical literature review indicates that VICOBA lead in enhancing impacts among beneficiaries compared to other listed MFIs. This is because VICOBA is flexible in providing various types of loans and have repayment flexibilities compared to other MFIs. For example, some VICOBA in Hanang district accepts two months installments repayment for a loan of six months where a loan is paid for three times.

The literature indicates that SACCOS follow in the importance of helping the majority of Tanzanians located both in rural and urban areas because of their high numbers and distribution. PMO (2016) asserted that 55% of the SACCOS are located in the rural areas. This signifies that SACCOS helps both rural and urban areas residents. However, the major challenges of SACCOS are repayment of loans which accumulates high Non Performing Loans (NPL) as found by Magali (2014) where an average of 22% of the rural SACCOS' clients defaulted their loans. High NPL for SACCOS' clients suggests that strategies should be devised to overcome the problem of non-payment in future. For example, Magali (2014) recommended that establishing the effective credits risks management practices as one of the strong solutions for enhancing effective repayment of the rural SACCOS clients.

Generally, more published evidence on the impacts of NGO MFIs in Tanzania is missing although few published studies indicate that NGO MFIs have managed to improve the livelihood of clients. The empirical literature review indicates that majority of NGO MFIs serve the clients located in peri-urban and urban areas. However, the major problem of NGO MFI is the high interest rate for loans compared to SACCOS and VICOBA. The literature review indicates that some NGO MFIs charge the range of 16-48%, VICOBA from 10%-30% and SACCOS from 10-30% for the whole time of the loan and some charges per

year. Implying that, NGO MFIs, SACCOS and VICOBA are likely to benefit the low income earners than the commercial banks. Also, the analysis shows that VICOBA charges the lower interest rates compared to other MFIs analyzed in this study.

Moreover, not many published studies have done to assess the impacts of mobile money transactions in Tanzania. Implying that, more studies should be conducted to assess the impacts of mobile money transactions for various categories of beneficiaries such as agents, users, and employees of the mobile money companies. The study may also assess the livelihood improvement in terms of increase in assets, income, a number of meals, productivity, improvement of education and health and construction or maintenance of houses by categories of beneficiaries.

In order to assess the effectiveness of mobile money transactions in terms of charges, it is better to compare with commercial banks which offer the similar services as mobile companies. The commercial banks charge clients in various services such as money withdraw and depositing both inside the bank, by using e-banking or by using Automatic Teller Machine (ATM). Table 2 shows the charges of transfer and withdraw money in the mobile companies in Tanzania. The analysis indicates that clients who send a small amount of money are disadvantaged because they are charged high percentages of transfer charges. However, generally, the amount of charge by the mobile money companies for sending the money is still relatively high when you compare with the number of charges from the commercial banks. Another challenge of mobile phone transaction is a limitation of balance in the mobile money deposit for clients where the maximum is Tshs 3 million. Nonetheless, mobile money companies charge the small balance/mini-statement inquiry which ranges from 50 to 60 Tshs.

Table 2: Average Charges of transfer and withdraw money in mobile service as for February 2018 (Amounts are in Tshs)

Amount	Transfer charges	Withdraw charges	Total Charges	% of money
50,000	600	2,500	3,100	6.2
200,000	1000	5,000	6,000	3.0
400,000	1,500	6,500	8000	2.0
800,000	3,000	8,000	11,000	1.4
1,000,001-3,000,000	5,000	8,000	13,000	0.4-1.3

Source: Mobile phone networks, 2018

Commercial Banks' Transaction Charges

The data from Table 3 shows that the percentages of Automatic Teller Machine (ATM) withdraw charges for one of a commercial bank. Generally, despite the client who draw Tshs 5000 in commercial bank is disadvantaged because is charged high charge of 23.6, the data shows that amount of charges in withdrawing money in ATM is smaller compared to that of mobile phone money withdraw charges which range from 0.4% to 6.2% depending on the amount of money to be transferred. However, the amount of withdrawing charge within the bank for Tshs 1.6 million can be 3,000 Tshs which is 0.19% which is a relatively lower compared to the one which is charged for ATM money withdraw. The banks usually restrict the clients to withdraw within the bank, if the amount doesn't exceed the ATM withdraw limit. Moreover, the mobile banking balance inquiry is Tshs 236, which is relatively higher compared with ATM inquiry which is Tshs 200. The charge for money transfer from the bank account to mobile phone account is Tshs 1,770. However, the banks charge the account maintenance fees which ranges from 1,000 to 2,000 Tshs per month for different banks. The mobile money companies do not charge the account maintenance charges. The analysis indicates that banks transactions have their strengths in some areas. But, however, transactions of commercial banks are limited because only a few Tanzanians have opened accounts in the commercial banks.

Table 3: Average Banks' ATM and charges

Amount	Withdraw charges	Average % of money
5,000-400,000	1,180	0.25-23.6%
05,000-800,000	2,360	0.30-0.58
05,000-1,200,000	3,540	0.30-0.44

Source: Commercial Banks, 2017

Conclusion

The analysis of the semi-formal financial institutions shows that NGO MFIs serve the lower and medium income entrepreneurs in urban and peri-urban areas and VICOBA and SACCOS serve the clients with lower income in both rural and urban areas. Moreover, the mobile money transaction companies serve all people in rural and urban areas, and they are found to be the most convenient money transaction services to the majority of Tanzanians, although they face security challenges, for the mobile money transaction agents. Another challenge of using the mobile money transaction is the higher charges of monetary transactions compared with commercial banks. Furthermore, the analysis shows that the favorable interest rates and loans flexibilities are found in SACCOS and VICOBA than in commercial banks and NGO MFIs. Generally, in terms of semi-formal MFIs, VICOBA is the most reliable semi-formal MFI in Tanzania.

Recommendations

All semi-formal MFIs should reduce the interest rates. The analysis shows that despite NGO MFIs have higher interest rate compared to others; all semi-formal MFIs should reduce the interest rates because they are relatively high. The government also should strengthen the SACCOS and VICOBA to enable their sustainability since they serve the majority of Tanzanians not only those located in rural and peri-urban areas but also in urban areas. This may include formalizing them fully like commercial banks. Moreover, the mobile phone companies should reduce the transfer and withdraw charges while the charge for mobile money transactions should be constant and maintained at 1% for every amount of money to transfer and the transfer charge for mobile phone transactions should be excluded. The security in the mobile phone agents should be maintained because the paper reveals that the security of the most mobile phone agent transaction points is low. Indeed, some of the mobile phone agent transaction points have no security guards. This endangers the life of the agents and customers. Hence, the security of the agents' transaction points should be maintained.

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