

# Analysis of the Competition and Regulatory Environment of Tanzania's Digital Financial Services Ecosystem



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## Executive Summary

The 'Tanzania Affordable Digital Finance Research Initiative' (TADFRI) is a research initiative led by Innovations for Poverty Action (IPA), to investigate the cost of digital financial services (DFS) in Tanzania. As part of this initiative, Fair Finance Consulting has conducted a study on the Competition and Regulatory Environment of Tanzania's Digital Financial Services (DFS) Ecosystem. This study seeks to identify the competition and regulatory dynamics which influence the costs of DFS products and services. The study utilized competition diagnostic tools, key information interviews, and review of official data and published studies to identify competition challenges and recommend opportunities to increase competition and reduce costs in DFS. This brief summarizes findings on market trends supporting DFS competition, competition challenges in the market today, and possible recommendations to address these challenges. A full report, "Analysis of the Competition and Regulatory Environment of Tanzania's Digital Financial Services Ecosystem", is also available for further inquiry into the findings and recommendations summarized in this brief.



# 1. A market trending towards increased DFS competition

This study comes at an important point in Tanzania's DFS journey, where new products and business models are challenging the traditional dominance of mobile money. While mobile money continues to be the dominant means by which most Tanzanians access DFS, and likely will remain so for years to come, new product types and business models are emerging that could play important roles in increasing choice and competition. These models feature new cross-industry partnerships (e.g. finance and e-commerce), vertical integration of products through acquisition of new licenses by DFS firms, and aggressive strategies to reduce pricing and offer greater flexibility of product terms. Three trends in particular are worth monitoring for their potential positive impacts on competition, and what that may mean for future policies to support competition.

## 1.1 Diversification of licensing types by DFS providers

DFS providers are acquiring new types of licenses that are supporting integrated business models which could expand competition in key DFS sectors. This includes the acquisition of an EMI license by commerce giant Azam ("Azam Pay"), and aggregator Selcom Paytech Limited's conversion of Access Microfinance Bank (Tanzania) Limited to Selcom Microfinance Bank Tanzania. Both these actors have introduced aggressive pricing and consumer-friendly models in the payments space. Going forward the acquisition of new licenses may allow DFS providers the range of tools to offer lower cost, integrated services. These trends could be further supported through increased flexibility in licensing which enables diversification of services provided by larger actors such as banks and EMIs, and making licensing regimes—in particular payments licenses—proportional to the activities and risk types of smaller fintechs to reduce cost and complexity of market entry.

## 1.2 Collaboration between MMOs and fintechs

There is an increasing trend toward partnerships across MMOs, banks, and fintechs. DFS partnerships should be encouraged to increase opportunities for new services to scale, while implementing methods to monitor anti-competitive issues such as selective channel access, or predatory pricing of commercial terms between partners. Greater policymaker engagement to standardize the processes of integration between MMOs and fintechs could facilitate these partnerships, and address any competition concerns raised in these collaborations.

## 1.3 Mobile Virtual Network Operator (MVNO) licenses

Equity Bank is in the final stages of formalizing an MVNO partnership with an MNO. In this partnership, Cash in Cash out (CICO) agents of the MNO will be able to serve Equity bank customers, thereby deepening access to banking services through such agents and reducing Equity Bank's dependency on MNOs for key infrastructure. MVNO licenses and other channels to allow DFS providers greater control over their channels of consumer access and transactions could reduce the centrality of MNOs in DFS.

Another important factor supporting increased competition in DFS is the government's improvements in DFS infrastructure in recent years. Public sector investments have improved Tanzania's DFS infrastructure, including increased uptake of the National Identification Number (NIN) from 10% in 2017 to 57% in 2023<sup>1</sup>, expansion of network coverage through the Universal Communications Service Access Fund, the launch of the Tanzania Instant Payment System (TIPS), and the digitization of government services and payments. Phone ownership has also increased to 75% of adults, although a rural-urban divide of 69% versus 85% ownership persists.<sup>2</sup> Feature phones continue to be the most common device type, with 86% of adults having a feature phone, and only 40% having a smartphone.<sup>3</sup> Going forward, policymakers should prioritize the further expansion of TIPS, and consider viability of other open, interconnected infrastructure, such as consumer-led data sharing (e.g. open finance), which can further drive competition by increasing connectivity across DFS sectors, increasing the ease of transacting across providers, and reducing costs by decreasing information asymmetries between firms in the DFS ecosystem.

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1 FSDT (2023). Finscope Tanzania, 2023 – Insights that drive innovation. Available at: <https://www.fsd.or.tz/wp-content/uploads/2023/07/FinScope-Tanzania-2023-Full-Report-Insights-that-Drive-Innovation.pdf>

2 FSDT 2023.

3 Tanzania Communications Regulatory Authority, (2024). Communications Statistics, Quarter ending September 2025. Available at: [https://www.tcra.go.tz/uploads/text-editor/files/Communication%20statistics%20report%20for%20quarter%20one%20ending%20September%202025\\_1760792820.pdf](https://www.tcra.go.tz/uploads/text-editor/files/Communication%20statistics%20report%20for%20quarter%20one%20ending%20September%202025_1760792820.pdf)



## 2. Persisting competition and contestability challenges in Tanzania's DFS market

The mobile money market in Tanzania is concentrated. Three providers hold close to 90% of the market share in terms of subscriptions and volume of transactions and have done so for over a decade. Competition analysis conducted as part of this study finds that while banks have substantially grown their digital offerings, they remain insufficient substitutes for DFS provided by EMIs. According to the 2023 Bank of Tanzania National Payment Systems Report, there were 2.7m 90 day active mobile banking users, compared with 63.2m active mobile money users in Tanzania,<sup>4</sup> while 72% of Tanzanian adults are formally included through mobile money services, while only 22% have taken up banking services.<sup>5</sup> Furthermore, virtually every bank customer also makes use of non-bank formal financial services such as mobile money accounts, with only 90,000 customers using only bank services. These figures indicate that mobile banking is not a substitute for mobile money, but rather a complementary service that serves a different market segment. The preference for non-bank financial services over banks is largely due to the costs associated with maintaining bank accounts, lack of ID documents, low levels of financial literacy, and lack of a steady income. These challenges are unlikely to be tackled in the near term, creating a bias towards the use of mobile money accounts, especially for low-income and rural Tanzanians. A similar dynamic is replicated in the merchant payments segment, where EMIs have leveraged their power in the P2P market to dominate the merchant payments segment, overtaking banks that had provided merchant payment services long before EMIs. Given the dominance of EMIs in the DFS ecosystem, interventions to enhance competition in DFS markets and achieve more competitive outcomes should for now focus in large part on addressing competition issues related to EMIs, and how they interact with other actors in the DFS ecosystem such as banks, payment service providers, and digital lenders. Mobile money's key role as the essential gateway to accessing DFS customers means that policy efforts to improve interoperability and connectivity to mobile money networks could increase competition and financial service innovation.

<sup>4</sup> Bank of Tanzania (2024). National Payments Systems (NPS) Annual report. Available at: <https://www.bot.go.tz/Publications/Regular/Annual%20Report/en/2025032515311662.pdf>

<sup>5</sup> FSDT 2023.

## 3. Key competition issues and recommended policy actions

Five key competition issues should be prioritized to drive higher levels of competition in DFS: 1. USSD channel access; 2. Agent networks; 3. Partnerships and fintech market participation; 4. Interoperability; and 5. Data sharing. The current competition challenges related to each of these issues are summarized below, as well as the recommendations to address these issues.

### 3.1. USSD channel access and pricing

**COMPETITION CHALLENGE:** USSD remains a critical access channel for digital financial services due to Tanzania’s relatively low smartphone penetration of 40%.<sup>6</sup> The current process for obtaining USSD (and API) access with MNOs/EMIs is generally left to the market for implementation. This mostly works, but some challenges to USSD access persist, including non-transparent pricing, inconsistent quality of USSD sessions, and reports of unfair terms for access to USSD for some DFS providers. There has also been at least one case of outright refusal to provide access to USSD between MMO and EMIs. These barriers increase costs for new entrants and limit the ability of new providers to effectively compete.

#### POLICY RECOMMENDATION:

**Review commercial terms to access and use key DFS infrastructure.** The variation of pricing for USSD access charged to DFS providers raises concerns of discriminatory pricing and perhaps excessive margin. Increasing policymaker engagement could help to standardize the process and requirements for USSD or API access, and make it easier to identify when there is possible denial of access for anti-competitive reasons. This could be achieved through market-level review of USSD and API access policies, case-by-case inquiries where competitive concerns are raised, or creating new windows for easier integration—such as BoT’s new regulatory sandbox window. This could include a comprehensive request for information on the range of prices and terms applied by MNOs and EMIs for USSD and other essential facilities, categorized by types of partners and services offered; documentation of any denials of access made by MNOs and EMIs, and their rationale for such denials; as well as stakeholder consultations with DFS providers using these channels to identify any challenges faced in connecting. Where issues with cost, quality, or access are identified, BoT and other authorities could consider taking action to set new rules on pricing and access to USSD and other key DFS channels.

## 3.2. Differentiated rules on agent networks and pricing for MMOs and banks

**COMPETITION CHALLENGE:** Although agent exclusivity has been formally prohibited in Tanzania, bank agents face higher scrutiny, which, although not a significant deterrent to competition, means that not all agents can provide banking services. Additionally, there are indications of high competition for agents resulting in high agent commissions, which likely contribute to the high cost of DFS services, with cash-out fees in Tanzania being up to three times higher than in Kenya and Uganda. Implementing agent interoperability, where agents share float across multiple providers, could help improve liquidity, reduce costs, and foster a more competitive agent network, although careful analysis of the impacts of different shared float models on liquidity, liability, and anti-money laundering/counter financing of terrorism would need to be conducted before this is considered.

On pricing, BoT policies set different pricing standards for mobile money and mobile banking services, which could provide an advantage to one or the other firm types. These differences in pricing can be observed in interbank transfers versus mobile money transfers, card versus wallet-based merchant payments, and interoperable payments via TIPS.



## POLICY RECOMMENDATIONS:

- **Continue implementation of pricing reporting and oversight in line with 2024 Guidance on Charges and Fees, with expanded coverage of provider types.** The respective Guidelines for Fees and Charges issued for Banks and Financial Institutions, Non-Bank Payment Service Providers, and Microfinance Service Providers enable BoT to monitor pricing policies and their impact on competition, innovation, and consumer affordability. The Guidance on Charges and Fees requires firms to develop governance arrangements for fees and charges, to implement oversight and internal controls related to pricing, and set “reasonable and affordable” fees. To satisfy these requirements each provider will have to develop internal policy documents and periodic internal reports on how they are managing the governance arrangements for fees and charges. The BoT has developed a pricing reporting template, and use this to track stated charges and fees, and set up a register of firms’ pricing policies. Data on actual fees charged on a monthly or quarterly basis can then be collected and compared with the stated charges and fees disclosed by providers in their reporting to BoT. Such data can help to identify where there are possibly inaccurate disclosure of fees and charges, excessive fees, or certain consumers who are paying more on average for their DFS, informing actions to reduce costs and increase pricing transparency. This would require the collection of charges at the account level, to enable comparison across demographic types, which would be a significant increase in reporting requirements for financial institutions and data analysis for BoT staff, so will need to be weighed against resource and capacity availability.
- **Consider harmonization of pricing policies between mobile money and mobile banking service providers to ensure consistent pricing and fees for different DFS consumer segments.** The differing fees applied for cross-provider transactions and for payments across different delivery channels create different consumer costs for similar products, such as TIPS or merchant payment transactions. Pricing rules for DFS, in particular TIPS and merchant payments, should transition to an activity-based not industry-based approach. This approach would consider if banking and mobile money services and transactions are similar, and then set pricing rules that are equally applied where they are similar. As banking and mobile money converge, and more fintechs enter the DFS space, harmonized pricing rules based on activity not provider type will help ensure pricing rules do not create uneven playing fields or encourage regulatory arbitrage, and make it easier for consumers to compare similar services on a like-for-like basis. Such pricing reforms will though need to consider any possible adverse impacts on incentives of DFS providers to serve low-income and rural customers, and make clear where pricing parity is not employed due to that rationale.

## 3.3. Partnerships and fintech market participation

**COMPETITION CHALLENGE:** The ability of fintechs to participate in Tanzania's DFS market is constrained by their dependence on incumbent providers for access to key infrastructure. Some fintechs interviewed for this research noted that revenue-sharing agreements sometimes deliver most the revenue to the mobile money provider, limiting the fintech's profitability and growth potential, and that revenue-sharing agreements are sometimes revised downwards once fintechs' products gain traction. While this is purely anecdotal information, it may be worthwhile for authorities to review the terms of fintech-mobile money operator partnerships so see if there is any evidence that the terms of these partnerships are foreclosing market access or restricting market entrance. An additional concern is the fit of current licensing windows for fintech business models. Most fintechs are regulated through PSP licenses, but some use third-parties such as aggregators for payments disbursements and collections, and so may not need a full PSP license if alternative licenses are available with fewer permitted activities, and reduced licensing requirements and costs.

### POLICY RECOMMENDATIONS:

- **Consider new licensing windows to facilitate proportional regulation and market entry.** Some fintechs are seeking PSP licenses, when other licenses might be more proportional to their (limited) operations. Examples of licensing windows which could be introduced or reformed that might be particularly beneficial include: 1. Payment initiation licenses, to initiate payments on the accounts of their customers that are held with other institutions; 2. Payment aggregation licenses, to enable customers to make and accept payments online; 3. Small payment licenses, a PSP license with fewer requirements but also stricter limits on the amount and volumes that can be stored and transacted. Another licensing consideration to support competition is the removal of the current prohibition of non-MNOs from obtaining EMI licenses, provided non-MNOs can satisfy relevant stability criteria. This prohibition may foreclose the possibility of new business models such as commerce or technology firms building out their own payments ecosystems which can compete with the currently concentrated EMI market.
- **Implement coordinated policy activities with other relevant regulators.** Collaborative activities between the BoT and other authorities, such as FCC and TCRA, would help to address the gaps in their respective competition and conduct mandates, as well as gaps in market coverage of fintech and digital economy sectors like e-commerce, social media, and app stores. A possible starting point for these collaborations would be to develop a steering committee of senior leadership, as well as a small technical team, and select a few areas for joint market inquiries or investigations. Some of the topical areas which may be best for initial inquiries and investigation are: 1. Pricing collusion by large DFS firms; 2. Pricing and use of data of sellers on e-commerce platforms; 3. Scams and fraud in payments; 4. Transparency of pricing and information in DFS.

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## 3.4. Interoperability

**COMPETITION CHALLENGE:** Interoperability has improved in Tanzania with the introduction of TIPS, which allows seamless cross-provider transactions. However, a November, 2024 review of pricing data on mobile money provider websites by the authors of this report found DFS providers still charged off-net transfer fees that were between 18% and 30% higher than their fees for on-net transfers, despite TIPS reducing reconciliation costs.<sup>7</sup> The rationale for maintaining these off-net fees has traditionally been to cover interchange and reconciliation costs, but with TIPS now operational, these justifications are increasingly tenuous. Instead, the persistence of off-net charges appears to function as a deterrent to switching and an exclusionary practice that protects dominant providers.

Within TIPS, banks are not charging interchange fees for bank-to-bank transfers and there are no charges for bank to mobile money provider (or mobile money to bank) transactions, yet for mobile money-to-mobile money transfers the receiving provider is charged 0.69% of the value of the transaction. While the TIPS interconnection charges are lower than interchange fees under bilateral integrations, there may be need for further reforms to level the playing field on pricing for interoperable payments across the DFS ecosystem. This will become all the more important as fintechs are included in TIPS in a future phase of implementation. (Integration of fintechs into TIPS could have the added benefit of increasing standardization and transparency of fintech-bank/EMI integration processes, and make it easier for regulators and industry bodies to monitor for key performance indicators such as: API uptime, transaction success rate, cancelled or flagged transactions, and market conduct.)

### POLICY RECOMMENDATION:

**Initiate discussions regarding financial sustainability and governance of TIPS.** While TIPS has funding coverage for the infrastructure costs for the next few years, it should already begin thinking about possible fee and revenue models that could sustain TIPS in the long run and create level pricing structures across TIPS participants for similar services. Establishing a working group now to address these issues and move towards level pricing models would put TIPS in a strong position for wider coverage and full sustainability in a few years.

<sup>7</sup> Review of pricing tables on provider websites, November, 2024.

## 3.5. Data sharing

**COMPETITION CHALLENGE:** Most incumbent providers treat customer data as proprietary, making it difficult for new entrants to access essential credit and transaction history data. While credit reference bureaus exist, their coverage is limited to banks and certain MFIs, reporting is monthly, and there is no centralized system that allows DFS providers to share customer credit histories alongside other financial accounts such as deposits or payments. The lack of a unified data repository restricts financial inclusion and stifles competition by creating information asymmetries between DFS providers, and limiting the availability of data that could benefit consumers by increasing access and reducing costs of credit. Considering sustainable data-sharing options would enhance competition by enabling new providers to offer better-targeted financial products and services.

### POLICY RECOMMENDATION:

**Begin exploring sustainable consumer-led data sharing.** Explore sustainable mechanisms where consumers could direct DFS providers to share their data with other providers to reduce information asymmetry among DFS ecosystem actors and increase choice for consumers. This is especially true for the millions of mobile money customers whose data is currently only made available to the partners of MNOs. The options could include expanding consumer-led data sharing by building on the TIPS ecosystem. Interoperable payments is often one of the key “building blocks” for open finance, as data sharing is made even more useful when it can be directly linked to the ability to transact, creating seamless, more useful products. Exploring feasible options to cfor consumer-led data sharing infrastructure with TIPS with a view to expanding the use cases of TIPS, such as small business financial management tools, which rely on both data and payments initiation to operate. BoT is likely the most suitable entity to lead such a policy project, and BoT and other relevant authorities should engage industry to begin these discussions.. Some of the key aspects in data-sharing mechanism should include: 1. Policy objectives; 2. Assessment of market readiness; 3. Potential first-phase use cases for open finance; 4. Legal and regulatory review of existing and needed policy mandate; 5. DFS ecosystem financial viability; 6. Provider types, products, and data fields that could be included; and 7. Governance frameworks and rules, including accreditation system, data protection, liability allocation, pricing, and the supervisory framework. This roadmap is key as a first step to determine where consumer led data sharing should be pursued, which would itself be a multi-year policy process.

The first 15+ years of DFS has seen Tanzania emerge as not only one of the early leaders in mobile money in Africa, but also a champion of pro-competition policies such as interoperability and agent non-exclusivity. Building on this success, Tanzania’s DFS policies now need to respond to a diversifying DFS sector, the growing importance of digital public infrastructure, and a need for increased connectivity of different products and services. Key to this response are policies that promote access to payments, identify, and sustainable data-sharing infrastructure; proportional and even-handed rules for different DFS providers; and pro-active monitoring of competition and conduct issues through improved use of administrative data from industry. With the right policy frameworks put in place, and diligent oversight and enforcement, Tanzania should see continued growth of DFS competition, leading to increased product choice, quality of options, and competitive pricing.

### Gantt.

Indicative timeline for implementation of key recommendations from study on the Competition and Regulatory Environment of Tanzania’s Digital Financial Services (DFS) Ecosystem

	Jul 26	Aug 26	Sept 26	Oct 26	Nov 26	Dec 26	Jan 27	Feb 27	Mar 27	Apr 27	May 27	Jun 27	Jul 27	Aug 27	Sept 27	Oct 27	Nov 27	Dec 27
<b>1. Review commercial terms to access and use key DFS infrastructure</b>																		
1a. Engage TCRA and FCC to develop plan for coordination activities	█	█																
1b. Develop information request template and stakeholder interview guides		█																
1c. Issue information request and follow-up to ensure compliance			█	█														
1d. Conduct stakeholder interviews			█															
1e. Internal report and analysis of pricing data and stakeholder feedback					█													
1f. Consider policy reforms and rules on pricing and access to address issues identified policies						█	█	█										
<b>2 Develop pricing reporting and oversight in line with 2024 Guidance on Charges and Fees</b>																		
2a. Collect and review pricing policies of all banks and financial institutions	█	█																
2b. Develop registry of pricing policies (possibly made public)			█	█														
2c. Develop charges and fees reporting template, and seek industry input to finalize template institutions					█	█	█											
2e. Finalize templates for different products, key metrics, and supervisory process								█	█									
2f. Issue template publicly and related instructions for submission to industry												█						
2g. Develop public pricing database of terms and costs of financial services															█	█	█	█

