



D4T-TIDE Case Study Series

FINTECH FOR WOMEN'S FINANCIAL INCLUSION IN TANZANIA

Lessons from Laina Finance and Mipango Finance

August 2024

August 2024. Copyright © UN Capital Development Fund.

The views expressed in this publication are those of the author(s) and do not necessarily represent the views of UNCDF, the United Nations or any of its affiliated organizations or its Member States.



CONTENTS

04 INTRODUCTION

**05 FINTECH FOR WOMEN'S
FINANCIAL INCLUSION**

10 WOMEN AS AGENTS OF CHANGE

**13 RECOMMENDATIONS FOR A
MORE FEMALE FINTECH SECTOR**

AUTHOR: Caroline Morrow

ACKNOWLEDGEMENTS: UNCDF gratefully acknowledges feedback on the report provided by UNCDF staff particularly Ivana Damjanov, Aneth Kasebele, Edgar Masatu and Tian Zhang.

We would also like to acknowledge the contribution of Lilian Makoi, Tonny Missokia, and Mohammed Awadh.

INTRODUCTION

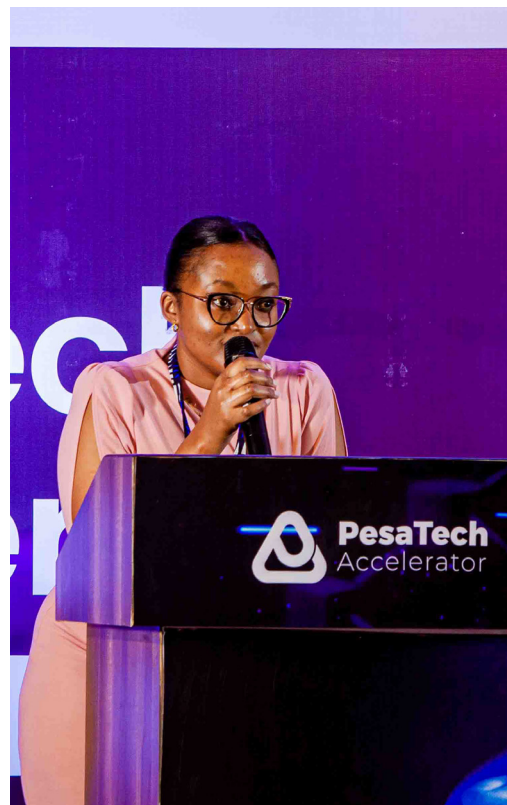
With Tanzania’s fintech ecosystem growing rapidly, many are pointing to the potential for fintech to bring financial services to those that remain excluded or underserved by traditional financial service providers—especially women.

While mobile money has proven to be a driver of digital financial inclusion for thousands of women, gender gaps persist. Continued progress depends on the application of new technologies and partnership models between fintechs, mobile network operators, and traditional financial institutions that prioritize affordable, relevant, and safe products and services.

Moreover, financial service providers must recognize that women are not just potentially profitable customers, but agents of change. Including women in the development of products and services from end-to-end, ensuring they are represented on management teams, and building their capacity for entrepreneurship is essential to achieving gender-intentional and fintech-driven financial inclusion.

This case study explores challenges and opportunities for women’s financial and digital inclusion in Tanzania, considering women both as users and builders of fintech. We first examine in Part I Laina

Finance’s experience creating products and services designed to increase women’s financial inclusion. In Part II, founder Lilian Makoi’s story provides first-hand insights into the experience of a female founder. This case study will be useful for fintech companies and financial service providers committed to better-serving female customers and for women in the financial sector looking to grow as agents of change.



FINTECH FOR WOMEN'S FINANCIAL INCLUSION

Laina Finance (Laina) is a fintech start-up that offers instant credit in the form of flexible payment plans at the point of purchase of mobile devices, insurance premiums, and more. Through its digital financing platform, Laina offers both conventional and Sharia-compliant credit, primarily to consumers at the base of the pyramid, especially women and youth, who do not have traditional forms of collateral or credit history. Today, around 35 percent of Laina's customers are female, but as they grow, they are committed to growing this number contributing to fintech-enabled financial inclusion.

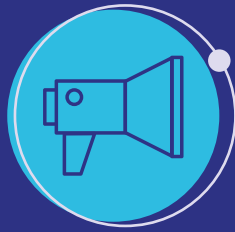
CUSTOMER CENTRICITY IS KEY

For Laina, customer-centric research is central to developing gender-intentional products and services. Their product development process begins with setting a clear objective: increasing the number of female customers served, for example. Then, they dive deeper to understand more about the types of women they want to serve. The team recognizes that the female customer segment is not a monolith, but rather made up of many different types of women with different livelihood activities, ages, religions, and so on, that need to be accounted for in good product design. Laina's target customers, for example, primarily work in agriculture, service provision, and/or

domestic care work; some abide by Sharia finance laws, others do not.

Laina Finance strategically manages its data with a primary data center located at NIDC, complemented by cloud servers for extensive data storage. The company takes great care in organizing and managing all collected data to identify priority market needs effectively. By analyzing the requirements of both solution users and consumers and integrating these insights, Laina Finance tailor solutions that are thoroughly tested for market uptake. A crucial element of their strategy is a feedback collection system that enables the gathering of insights for product improvement. Additionally, the company uses data analysis of portfolio performance to continually refine their offerings. Despite relying mainly on basic tools such as Google Forms and Excel sheets for data management, their approach ensures efficient information utilization.

For tracking and organization, Laina Finance employs systematic storage of data in databases and Excel sheets, which aids in monitoring trends and making informed decisions. When addressing complaints, the company adopts an efficient method to evaluate their severity and frequency, prioritizing issues that present significant challenges or have



AWARENESS

Research has found that by attracting as many women as men, fintechs could see up to a 12 percent increase in revenue. (*Financial Alliance for Women, Gender-Intelligence Fintech Design: How Fintechs Can Capture the Female Economy, 2021*)



CONSIDERATION

While fintechs face high drop-off rates before sign up, in all verticals and across all customer segments, women are much less likely to complete registration than men. Many women customers drop off because the registration process is cumbersome; moving them forward requires a user-friendly process and demonstrating the value and relevance of the product or service offered. By converting women at the same rate as men, revenue could increase by 70 percent. (*Financial Alliance for Women, Gender-Intelligence Fintech Design: How Fintechs Can Capture the Female Economy, 2021*)

a broad impact. Recurrent complaints or feedback pointing to potential product or service enhancements are given special attention. This meticulous process enables Laina Finance to allocate resources wisely, addressing customer concerns and improving the overall user experience effectively.

After identifying the specific customer that they aim to serve, they explore the ways in which they can add value to their lives. This entails interviews and focus group discussions with potential customers to designing that elicit what an improved financial (or non-financial) situation looks like. For example, is it finding cheaper accommodation? Obtaining an overdraft or insurance for the purchase of raw materials? Understanding how potential customers currently cope with problems can provide ideas for more effective solutions that are innovative while meeting them where they are.

Gender-intentional design continues in the development of marketing campaigns, distribution plans, and modes of gathering customer feedback. Laina has noticed, for example, that their campaigns promoting financing for smartphones are more popular among men, while financing for home appliances is more popular among women. Also popular among women are incentives for quick repayments to support small businesses. Recognizing the potential impact of increased smartphone ownership among women both on their business and for financial inclusion broadly, Laina's team is exploring how they can promote

device financing for smartphones in a way that better-resonates with women. Laina is also leveraging partnerships with other PesaTech members such as [Settlo](#), to develop product offerings for women. Specifically, Laina and Settlo are working together to digitize record-keeping and inventory management for small businesses, beginning with female food-sellers (Mama Ntilie) in Kinondoni district. Through the digitization of business operations and transaction histories, they are creating digital data points that can serve as a basis for credit scoring and extending tailored financial products and services.

As soon as customers are on-board, they receive a welcome call from Laina to ensure they understand the nature and terms of the product and to establish a relationship with the customer. Even if the product has been designed to meet a customer's needs and marketed well, building trust encourages activity—as does creating a sense of community, gamification, and user-generated content. After the welcome call, Laina conducts follow-up calls with random selections of customers to understand how their product is helping them and identifying areas for improvement. This step highlights the continuous and iterative nature of customer-centric product development. In turn, customers that see their feedback incorporated into product and service changes are likely to be satisfied and more loyal. If the solution fits, women are more likely to refer others to the product/service than men.¹

Laina Finance employs a problem-centric strategy for product development, focusing on pinpointing and solving distinct market challenges. This method involves a deep dive into understanding the issues at hand and assessing why current solutions fall short, with a keen eye on challenges uniquely faced by segments like women that mainstream products might neglect. By tailoring solutions to fill these specific market voids, especially under initial resource limitations, they proceed to create a Minimum Viable Product (MVP) that undergoes rigorous testing and refinement to ensure it meets market demands, incorporating gender-focused enhancements along the way.

However, Laina Finance's approach can adapt, as seen in their venture into e-commerce to broaden market participation, especially among women. This initiative deviates from their standard problem-first methodology by focusing on enhancing consumer engagement from the outset. The development of this MVP, still under evaluation, signifies Laina Finance's flexibility in product development and their commitment to addressing the nuanced needs of their target demographics.

This adaptability in strategy underscores Laina Finance's acknowledgment that product development paths can vary, balancing between direct problem-solving and gender-informed approaches, thereby demonstrating the multifaceted

nature of their product development endeavors.

RECOGNIZING UNCONSCIOUS BIAS

In general, when it comes to fintechs that offer credit and insurance products, women customers are denied approval more often than men. It's not necessarily because they are less creditworthy—women often pay back loans at greater rates than men—but rather because underwriting algorithms are embedded with unconscious bias. Fintechs that have developed algorithms to explicitly exclude bias, on the other hand, have seen an increase in the number of women customer approvals. Research has found that by removing bias in the credit algorithm, lending fintechs could increase gross margins by 20 percent.²

In Laina's experience, male and female customers default on loan repayments at similar rates. Laina has worked to implement strong know-your-customer (KYC) processes to identify early signs of likely default, but there will always be 'bad' customers. For them, it's important to understand—with a gender lens—the root causes of defaults, in order to account for them in the future. At the end of the day, a good customer is a good customer, male or female, and Laina strives to build long-lasting relationships with them.

¹ *Financial Alliance for Women, Gender-Intelligence Fintech Design: How Fintechs Can Capture the Female Economy, 2021.*

² *Ibid.*

CONSIDERATION FOR UNCONSCIOUS BIAS



Employment Stability: Credit scoring algorithms may favor traditionally male-dominated professions or industries, leading to lower scores for women who work in sectors perceived as less stable or less lucrative, such as caregiving or service industries.



Income Disparities: Algorithms may not adequately account for the gender pay gap, resulting in lower credit scores for women who earn less on average compared to men, even when they have similar financial behaviors and creditworthiness.



Credit Utilization Patterns: Women may be penalized for higher credit utilization rates, even if they are effectively managing their finances, due to factors such as lower overall credit limits or the need to use credit for essential expenses.



Length of Credit History: Algorithms may inadvertently disadvantage women who have taken career breaks or periods of reduced income for caregiving responsibilities, leading to shorter credit histories and potentially lower credit scores.



Marital Status: Some credit scoring algorithms may consider marital status as a factor, with married women sometimes being assessed based on their spouse's credit history or financial behavior, rather than their own individual creditworthiness.



Access to Collateral: Algorithms that prioritize collateral-based lending may disadvantage women who have less access to assets such as land or property, which are often required as collateral for loans.



Biased Data Sets: If historical data used to train credit scoring algorithms reflects existing gender biases in lending practices, the algorithms themselves may perpetuate these biases, leading to systemic discrimination against women.

WOMEN AS AGENTS OF CHANGE

If it is so important to include female voices in the development of products and services for women, [why aren't there more female fintech founders?](#) Lilian Makoi is the founder of [Mipango Finance](#), a fintech start-up advancing financial literacy, personal financial management, and digital inclusion for women through its flagship product, the Mipango App. As a Tanzanian woman with years of experience working in both the corporate world and start-up sector (she previously worked in the telecom industry and also founded [Jamii Africa](#), a mobile micro-insurance company), Lilian's story provides insights into challenges and opportunities for female entrepreneurs.

OVERCOMING THE FINANCING GAP...

Year after year, and around the world, the gender gap in venture capital (VC) investment is a challenge for female founders, and female fintech founders in particular. Globally, women-founded fintechs raised only one percent of total fintech investment in the last ten years.³ According to the Tanzania Start-up Association (TSA), 76.6 percent of start-ups in Tanzania are owned by men and a staggering 92.3 percent of total investments are secured by male founders. That female-founded

start-ups are less likely than their male-led counterparts to secure funding may not be that surprising, given that women in Tanzania are more credit-constrained at the individual level. This is due to a range of interconnected reasons including high collateral requirements, limited prior experience with financial institutions, and gender biases. When it comes to VC funding, a lack of women-managed VC funds—globally and especially in Sub-Saharan Africa—compounds these hurdles.

While Makoi aims to ultimately raise VC funding for Mipango, her team is currently working with grants and technical assistance from development partners including UNCDF in the meantime. Financial and technical support from programs like the PesaTech Accelerator and Google's Google for Start-ups Accelerator is allowing the team to grow the business and achieve key performance indicators that are appealing to the more competitive VCs. Makoi has also noted that many founders opt to secure partnerships with established brands, like telecoms, as a pathway to funding when VC investment is not an option.

³ [Techcrunch](#), *Start-up fundraising is the most tangible gender gap. How can we overcome it? 2020.*

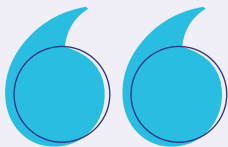
...AND OUTDATED SOCIAL NORMS...

Outdated social norms are both a cause and effect of the funding gap. When societal expectations suggest that female founders will be less likely to succeed in sectors like finance and tech than men, they can lose self-confidence, negatively impacting decision-making and interactions with potential investors or business partners.

Likewise, according to Makoi, VCs often have misguided assumptions about women's capabilities and few Tanzanian women have the know-how required to engage with large corporates. This creates a vicious cycle in which there are few female role models to emulate when trying to break barriers.

Traditional social norms instead place women as primary caretakers, which makes maintaining a work-life balance challenging when they do break through. Juggling family, household, and business responsibilities can prevent them from giving their full attention to business in the same way that men traditionally have, making an already competitive environment even more challenging.

Makoi hasn't found a perfect solution to balancing work and life (there is no one-size-fits-all solution), but she tries to devote mornings to business and accommodate other responsibilities later in the day; having a flexible schedule makes it manageable. Compounding these issues is the absence of a strong female support system; women that stay the course



Dealing with social norms has been challenging for me, particularly overcoming doubts that I can succeed.

However, I push myself daily, reminding myself of my strength and capabilities. It's a struggle, but I am determined.

I hope that once I reach a certain level of success, raising funds will become easier. I believe I can get the business to a level where it is too big for investors to ignore.

Then my gender will no longer be an issue

- Lilian Makoi

often lack a support network or peer group to turn to for advice and encouragement. Without care responsibilities, male founders on the other hand often have more time to network and develop long-standing professional support systems.

...TO MAKE PRODUCTS FOR WOMEN BY WOMEN

Despite these challenges, Mipango is gaining traction in the market and Makoi's story highlights how female founders **can** break barriers to create products for women, by women. Mipango was conceived with women in mind and the team is committed to developing a product that isn't just for women in name, but in its technical design and operations.

During early-stage research and interviews, the team found that women liked the product; they wanted a solution to help them with personal financial planning. While men, on the other hand, were often dismissive, 60 percent of the app's initial users are men—suggesting that

more effort is needed to understand how the app can better-meet women's needs. Because the Mipango team is still building features for the app, they will be doing further research to better-understand why women are often overwhelmed by their financial lives.

Beyond limited financial literacy, which is certainly an issue, why don't women stick to financial plans or invest when they know they should be? Understanding these deeper-rooted behavioral-economic issues will allow them to both refine the app's features and market it in a way that resonates with women, their target customers.

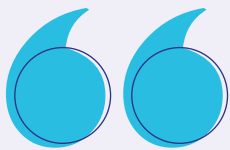


Agnes [Makoi's co-founder] and I created a solution for ourselves when we were struggling with poor financial literacy, spending habits, and saving and investing challenges.

If we can solve these problems for ourselves, we can solve them for millions of other women who are struggling with similar issues.

- Lilian Makoi

RECOMMENDATIONS FOR A MORE FEMALE FINTECH SECTOR



The best solution creators are those who are creating solutions for themselves. So, the more we have women founders, the more we have fintech solutions that speak to the needs of females.

- Lilian Makoi

Laiana and Mipango's stories are different, but the through-line is that women must be included in the design of products and services if they are to be truly gender-intentional. This may entail engaging with potential customers through focus group discussions throughout the design process or including women on management teams, so that all business decisions are informed by women's first-hand, lived experiences. It may also entail:

The expansion of gender-intentional fintech accelerators. There are several fintech start-up accelerators on the market in Tanzania and SSA, run by a combination of private sector companies, government, and development partners. While these accelerators support female-founded start-ups and start-ups with women in management positions, they are male-dominated. In their second phases, both the PesaTech Accelerator and FUNGUO Innovation Programme are

placing a special emphasis on women: 30% of FUNGUO's next round of funding, for example, are being exclusively reserved for women-founded or women-led start-ups, and PesaTech 2 is targeting 30% female-owned or led start-ups.

In addition to setting commitments for the percentage of female-led start-ups, it's important for these programs to be gender-intentional in their design and implementation, and for them to help build women's demand for fintech services. At the operational level, this could entail setting flexible schedules and establishing peer groups and networking events that provide both safe spaces and partnership opportunities. Female-founders in particular may benefit from a mix of virtual and in-person sessions, along with follow-on support that evolves as their businesses and personal responsibilities do. At the programmatic level, this could

entail incorporating technical sessions on data-driven and gender-smart product design to better understand and meet the needs of different types of female customers.

Bridging the financing gap. Accelerator programs are most desirable and impactful when they unlock financing. Development partners like UNCDF can continue to provide grants and TA that build investor readiness and de-risk third party investments.

To address the gap in local angel investment, UNCDF is launching the Angel Investor Academy to equip potential angel investors, including women, with the necessary knowledge and skills to increase their confidence in making

investment decisions. Banks and other large corporations should prioritize investing in women-led companies, too.

Government-led initiatives for XYZ. The government already has initiatives in certain sectors that require a certain percentage of tenders to be given to youth, and these could be replicated and adapted in the ICT sector to focus on women. Lilian Makoi has expressed that opportunities like these would encourage women that are already in the sector, attract those who are looking to enter, and help build a class of role models. She suggested that regulators responsible for approving new fintech-financial institution partnerships could also encourage projects that involve women.



ABOUT D4T-TIDE

The European Union Digital4Tanzania (D4T) Programme is contributing to the impact of digital transformation on Tanzania's inclusive economic growth and citizen wellbeing. With a budget of EUR 35M, its specific objectives include:

1. Digital government: improving the digital economy and the use of e-government and eservices
2. Inclusive connectivity: increasing accessible and equitable connectivity services in rural and peri-urban areas, in particular for social services.
3. Digital trade support: developing the fintech sector and innovation ecosystems in the country and the region.

The programme is jointly implemented by The Ministry of Information, Communication and Information Technology (MICIT), EU Member States and the UN Capital Development Fund (UNCDF).

Under the D4T programme, UNCDF is currently implementing the Tanzania Inclusive Digital Economy (D4T-TIDE) project. Launched in September 2022, D4T-TIDE is a four-year project that aims to increase access to and usage of digital payments and digital financial services in Tanzania, while enabling the innovation ecosystem to better support entrepreneurs and further drive digital innovation.

ABOUT PESATECH ACCELERATOR

Pesatech Accelerator is a fintech accelerator program designed to support post-MVP and growth-stage fintech startups in Tanzania. The accelerator aims to build fintech's capacity to raise investment through an Investor-Readiness Program (IRP) and act as a marketplace between startups, strategic partners, and investors.

PesaTech's first cohort was implemented by Sahara Ventures in partnership with ENEA Advisors, Hindsight Ventures, and iPF Softwares with support from the European Union and SIDA.



ABOUT UNCDF

The UN Capital Development Fund assists developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants, loans and guarantees, first and foremost for the least developed among the developing countries.

As a Flagship Catalytic Blended Financing platform of the UN, UNCDF utilizes its unique capability to crowd-in finance for the scaling of development impact where the needs are greatest—a capability rooted in UNCDF’s unique investment mandate—to support the achievement of the 2030 Agenda for Sustainable Development and the realization of the Doha Programme of Action for the least developed countries, 2022–2031.

For more information, please contact:

Tian Zhang
Programme Analyst
tian.zhang@uncdf.org



Follow @UNCDF