Tanzania's National Financial Inclusion Framework and How It Facilitated Financial Inclusion: A Forgotten Political-Economic Story

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Received: December 30, 2022 Accepted: January 18, 2023 Online Published: January 23, 2023

doi:10.5430/ijfr.v14n1p53 URL: https://doi.org/10.5430/ijfr.v14n1p53

Abstract

This article brings the National Financial Inclusion Framework (NFIF) into the political-economic literature and discussions lacking in political-economic debates. Financial inclusion has become a global political-economic agenda that tries to reverse the higher levels of financial exclusion globally. However, political-economic and development literature has done little to discuss the issues of financial inclusion and exclusion as we currently perceive them through a neoliberal lens and innovative financial activities. These activities may include inclusive digital financial services such as mobile money. This article tries to answer the following research question: 'how does the NFIF support financial inclusion in Tanzania?' This article explores the NFIF, its successes and issues in Tanzania. The content analysis of relevant official documents and the literature, on the one hand, and the in-depth unstructured interviews, on the other, have been used as the primary data collection methods. The findings indicate that the NFIF has been instrumental in facilitating the success of financial inclusion in Tanzania, despite its issues. From Tanzania's study, the conclusion is that given a conducive and supporting environment, the NFIF has facilitated the success of financial inclusion in Tanzania.

Keywords: financial inclusion, national financial inclusion framework, political economy, Tanzania, Mhella

1. Introduction

The original contribution of this article is to explore Tanzania's NFIF using the political-economic neoliberal perspectives. Little has been done regarding the NFIF's analysis through the political-economic lens. Political-economic researchers have tried to explain the political economy of financial inclusion through other tools and theories but not through the NFIFs. This research hopes to bridge this gap by using the Tanzanian example to initiate the forgotten NFIFs in the political-economic discussion analyses. Thus, the study seeks to answer the following question: 'how does the NFIF support financial inclusion in Tanzania?' Content analysis of relevant official and credible documents and literature have been used to answer this question. Moreover, in-depth unstructured interviews were also conducted in Tanzania with relevant experts who knew about the NFIF, the implementation of financial inclusion strategies, and the neoliberal policies.

The neoliberal political economy created a need for financial inclusion. Dumenil and Levy (2011) attest to the crisis of neoliberalism and the different classes it has developed and all affected by financial and capital globalism. Neoliberalism enhanced global finance-led capitalism. It, therefore, created the financially-included and the financially-excluded individuals. The 2008 World Bank Annual Report titled 'Finance for All' called for financial inclusion (World Bank, 2008). This call sought to shift from a development paradigm founded on the 'Washington Consensus' policies to a 'Post-Washington' Consensus paradigm of development (Gabor and Brooks, 2017). The concept of inclusive global markets emerged, and governments tried to transform financial services for the poor from microcredit and microfinance services to a broad range of services such as digital financial services (also see: Soederberg, 2013; Gabor and Brooks, 2017). As the world economies also transformed, the concept of inclusive financial services also emerged. Global and inclusive financial institutions also emerged to advocate and provide inclusive financial services for the financially-marginalised people. They made formal financial services available to a broader segment of society at affordable costs and were tempted to reverse financial exclusion (Corrado and Corrado, 2017). Institutions such as the Alliance for Financial Inclusion (AFI) and Better than Cash Alliance were established, while the G-20 supported various initiatives that sought to build national and global inclusive financial systems (AFI, 2014; Goodwin-Groen, 2016). Several private sector initiatives to foster financial inclusion also emerged, including the Bill and Melinda Gates Foundation, Omidyar, and other philanthropic endeavours. All these initiatives sought to enhance global finance-led capitalism and financed inclusive financial projects as new digital financial technologies also emerged to support inclusive financial services. Governments also joined these efforts that were consolidated by the Maya Declaration, which created a financial inclusion agenda at a global level.

Since then, countries have tried to build more inclusive financial systems and financial inclusion strategies, policies and NFIFs have been created and implemented. Their results have also differed, but financial exclusion has been reduced globally as per the World Bank reports. This article, therefore, seeks to study these inclusive financial strategies, policies and frameworks, and the Tanzanian example will be used. Tanzania has been chosen because it is one of the countries that have well-executed inclusive financial strategies and frameworks that have reduced financial exclusion significantly. This research found that NFIFs, strategies and policies help define national financial inclusion goals. They also increase the effectiveness and efficiency in (i) inclusive financial vision building; (ii) implementation of inclusive financial strategies and policies; (iii) managing results in reaching financial inclusion goals; (iv) engaging the key stakeholders and in communicating with them what ought to be done; (v) managing resources in terms of funding mobilization for financial inclusion activities, etc. This research also found that the '*politics of the flexible*' brings all these elements that political economists have not exploited exhaustively regarding the NFIFs, strategies, and policies. The research also learned that some countries had increased levels of financial inclusion without a specific national financial inclusion policy. This paper discusses all these issues, which were previously not thoroughly investigated through a political-economic lens. This research uses the example of Tanzania to detail some of the findings.

I intend to illuminate the various processes used to implement financial inclusion in Tanzania by revealing the NFIF, its processes, and other economic-related issues. So far, there has been little discussion about this. This issue can be demonstrated by the various key documents and reports on financial inclusion written by the Financial Sector Deepening Trust (FSDT) – (FinScope, 2009; FinScope 2013; FinScope, 2017), World Bank (World Bank, 2013; World Bank, 2015: World Bank, 2018), AFI (AFI, 2011; AFI, 2015), and the various scholars (Aro-Gordon, 2017; Mihak and Singh, 2013; Newnham, 2014) claim that countries need financial inclusion strategies or different policies to reach their financial goals. All these studies and others have not at all or have partially addressed Tanzania's NFIF in detail. Hence, this is a research gap as little has been written on the NFIF and the financial inclusion policy in general. It is not only a gap in terms of lack of literature but also in terms of what the Tanzanian case can tell us more about financial inclusion generally, especially on how it can be achieved.

The article is organised into seven sections, with the second section discussing the history and the background of the NFIF. The third section briefly mentions the methods of research used for data collection and analysis, while the fourth section explores the theoretical foundations supporting the NFIFs and NFISs. The fifth section discusses nine G-20 principles for financial inclusion and their role in supporting the NFIFs. Further findings and considerations are presented in section six, while the concluding remarks are presented in the seventh section.

2. History and Background of the NFIF

The neoliberal political economy increasingly raised awareness of financial exclusion and inclusion issues, which also gave way to the advent of mobile money and other innovations that helped enhance financial inclusion in some emerging economies such as Tanzania (Mhella, 2021). The enhancement of financial inclusion was possible through the processes set by the NFIF in Tanzania. This section begins by defining what an NFIF is. It also provides some literature review on the NFIF issues. The NFIF is a Public-Private Partnership Initiative (PPPI) that facilitates the effectiveness of country-led policies, strategies, and actions to achieve national financial inclusion goals. It is a political-economic tool as it distributes responsibilities and assigns strategies that facilitate the implementation of financial inclusion strategies. Therefore, it is a platform that coordinates inclusive financial activities and sets the stage for building an inclusive financial system in a country (TNCFI, 2014). It, therefore, supports initiatives to facilitate public and private sectors' financing, knowledge sharing amongst institutions, and innovation resulting from a wide range of financial services. Countries such as Tanzania use the NFIF, while other countries use National Financial Inclusion Strategies (NFISs). The World Bank also considers the NFIF a strategy, although the Tanzanian authorities define it as a framework consisting of different strategies. According to the World Bank (2012), NFISs can be defined as:

> "*roadmaps of actions agreed and defined at the national or sub-national level, which stakeholders follow to achieve financial inclusion objectives ... Successful strategies*

> *coordinate efforts with the main stakeholders, define responsibilities among them, and state clearly the planning of resources by, for example, prioritising targets. A strategy can promote a more effective and efficient process to achieve significant improvements in financial inclusion. Engagement with the private sector, including through structured consultation, can help ensure the success of the strategy and the relevance of the goals set."*

NFIFs and NFISs can be differentiated from a National Financial Inclusion Policy (NFIP). A policy is a course or principle of action (by the government, institution, group or individual) and, in this case, adopted or created by the government to help institutions achieve rational or desired outcomes. Thus, a policy states what must be done and who must do it as it is an authoritative statement from the government (also see: ILRI, 1995). The difference between an NFIP and NFIFs/NFISs is that while an NFIP is an authoritative government perspective/directive, NFIFs/NFISs may not necessarily be owned by the government, but they could be PPPIs. According to Lowi (1972:300) and Smith (2002:380), there are four types of policies, namely: 'distributive', 'constituent', 'regulative', and 'redistributive' policies. As it is for NFIF or NFIS, the NP is a tool that intends to achieve rational financial inclusion outcomes. As the IMF increasingly governs the global economy, World Bank and other related regional and global organisations also try to do the same; these global standard-setting bodies support the attainment of rational inclusive financial outcomes. This trend is illustrated by how these institutions shaped the globalisation agenda and the neoliberal reforms and how they also created financial inequalities, classes and the need for financial inclusion (Stiglitz, 2002; Duménil and Lévy, 2004; Duménil and Lévy, 2011). The G-20 Group also emerged as a global player. It is also a small group, but locally representative to make consensual decision-making even though their decisions are not legally binding to the international community (Garett, 2010:29). There is also a global financial inclusion policy agenda which involves a variety of global institutions such as the G-20 GPFI, World Bank and AFI. These institutions assist with the creation of the NFIFs and NFISs across countries. According to AFI (2015:2), GPFI (2011:2-4), and de Sousa (2015:1), following the Maya Declaration in 2011, the G-20 GPFI forum agreed that countries that needed support in developing financial inclusion strategies should be assisted, and the GPFI was asked to help. As a result, the G-20 'Financial Inclusion Peer Learning Program'(FIPLP) was established in 2012. Tanzania and eleven other countries that signed the Maya Declaration agreed to participate in the program. In 2012 the AFI created the Financial Inclusion Peer Learning Group (FISPLG) to assist with implementing the G-20 FIPLP. The FISPLG set a stage for the AFI members to share knowledge on NFISs. The World Bank also created the 'Financial Inclusion Support Framework' (FISF) in 2013. By 2016 the FISPLG had about 48 members from all over the world, representing 40 countries. The FISPLG, since then, has been working on insisting on its members to design and implement the NFISs. Moreover, the World Bank National Financial Inclusion Strategies Resource Centre (WBNFISRC) provides 37 examples of NFISs, 12 cases of National Financial Sector Strategies affecting financial inclusion, and two examples of financial inclusion laws (World Bank, 2018). Above is a brief history to demonstrate how NFIFs/NFISs emerged, who supported them, and how those ideas reached the implementing countries like Tanzania. Table 1 below shows the countries that sought to implement the NFIFs/NFISs.

Table 1: AFI Members with an NFIF or an NFIS

COUNTRIES WITH AN NFIS/NFIF, YEAR APPROVED AND LEAD INSTITUTION(S) (TOTAL: 31 COUNTRIES)	COUNTRIES AT VARIOUS STAGES OF FORMULATING AN NFIS/NFIF AND LEAD INSTITUTION (TOTAL: 27 COUNTRIES)
Asia & Pacific (8 countries) India (2014, MoF); Indonesia (2012, MoF and CB); Malaysia (2011, CB); Papua New Guinea (2013, CB); Pakistan (2015, CB and MoF); Philippines (2015, CB); Solomon Islands (2010, CB); Vanuatu (2013, CB)	Asia and Pacific (9 countries) Bangladesh (CB); Bhutan (CB); Cambodia (CB); China; Fiji (CB); Mongolia; Nepal (CB); Samoa (CB); Thailand (MoF).
Africa (8 countries) Burundi (2014, Ministry of Finance and Economic Development Planning); Liberia (2008, CB0; Malawi (2010, MoF); Madagascar (2012); Namibia (2010, MoF and CB); Nigeria (2012, CB); Rwanda (2012, Ministry of Finance and Economic Planning and CB); Tanzania (2013, CB).	Africa (7 countries) Congo; Ethiopia (CB); Mozambique (CB); Swaziland (MoF); Sierra Leone (CB); Senegal (MoF); Uganda (CB)
Middle East and North Africa (1 country) Morocco (2008, CB)	Middle East and North Africa (4 countries) Egypt (CB); Jordan (CB); Palestine (CB); Uganda (CB)
Latin America and the Caribbean (10 countries) Brazil (2011, CB); Colombia (2014, MoF); Ecuador (2013); Haiti (2014, CB); Honduras; Mexico (2007, Secretariat of Finance and Public Credit); Nicaragua; Panama; Paraguay (2014, CB); Peru (2015, Ministry of Economy and Finance)	Latin America and the Caribbean (6 countries) Bolivia; Chile (Ministry of Planning); Costa Rica; Dominican Republic; El Salvador (CB); Nicaragua; Trinidad and Tobago (CB).
Europe and Central Asia (4 countries) Belarus (2013, CB); Russia (2008); Tajikistan (2012); Turkey (2014, Undersecretariat of Treasury)	Europe and Central Asia (1 country) Armenia
Source: AFI FISPLG, Pacific Islands Regional Initiative (PIRI) and The World Bank Financial Inclusion Strategies Resource Center	

According to the World Bank (2018b:1), as of 2018, more than 35 countries had NFISs, and at least 25 were developing them. With the help of the WBNFISRC's online resources, AFI (2015) and World Bank (2014), it is easy to compare the NFISs across countries. From these NFISs, this research learned that their overall aim was to increase access to financial services for financially-excluded people. The NFIFs would reduce financial exclusion and increase financial inclusion in countries like Tanzania. The NFISs common strategies include: (i) expansion of mobile money services; (ii) fighting financial illiteracy; (iii) increasing consumer protection; (iv) setting a conducive environment for a competitive regulatory framework to enhance access to formal financial services; (v) improving financial service data collection and measurement. Mihak and Singh (2013) also had similar findings. World Bank (2017a) even went further to investigate the policies in the NFISs as illustrated in Table 2 below:

Table 2: Policy Areas Across Countries

Policy Area	Number of Countries Implementing the NFIFs/NFISs
Financial Capability/Education	18
Financial Consumer Protection	16
Distribution Channels or Access Points	15
Digital Payments/Innovative Products	12
Financial Infrastructure	9
MSME/Agricultural Finance	8
Savings/Pensions	4
Insurance	4
Measurement and Data	3
Microfinance/Access to Credit	3

Source: World Bank (2017a:17)

Also, from the World Bank (**2017a:17**):

"*104 out of the 124 responding jurisdictions (84%) have at least one of these national strategies in place, or in the process of developing one. Financial capability (or literature or education) strategies are the most commonly reported to be in place in 44 jurisdictions (35%) and in "development" in 27 jurisdictions*".

Through this selected and provided literature to explain the NFIFs and their political-economic relevance, the gaps exist in literature to explain and analyse the relevance of the NFIFs through political economic perspectives. The available literature helps to build the context under which the NFIFs/NFIFs came to exist, but it does not necessarily explain or analyse how the NFIFs succeeded or failed. This article tries to bridge this gap by using a political-economic analysis.

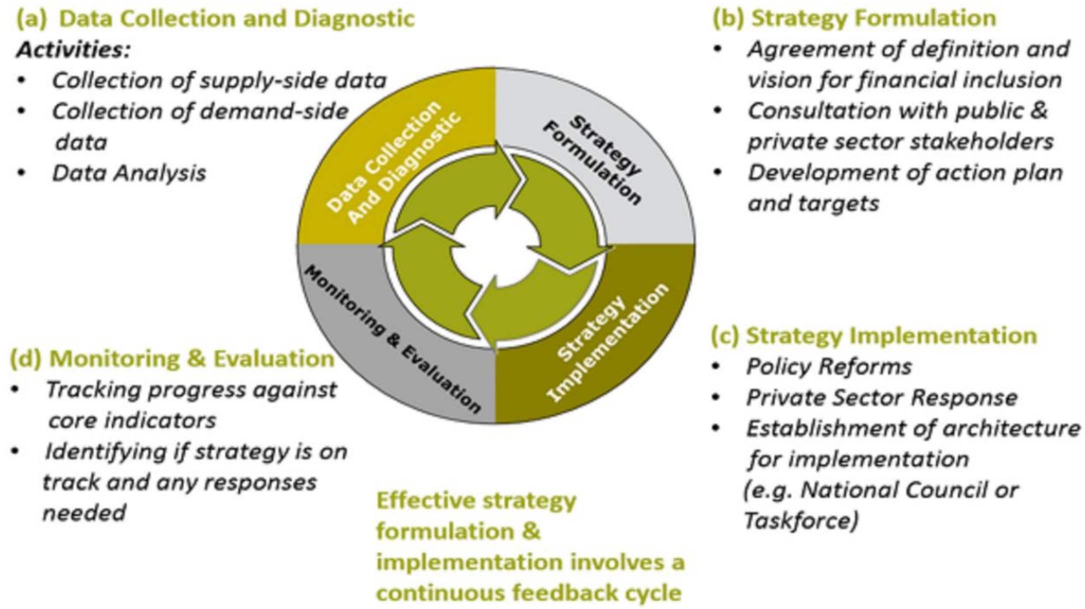
3. Methodology

The data was collected through qualitative methods using in-depth unstructured interviews and content analysis of credible scholarly and institutional documents. Twenty elite interviews were used to gather data and details not available through literature in this area of study. Those interviewed were experts in the areas of financial inclusion, politics, business and economics. This wide range of interviewees from different disciplines indicates that this is a multidisciplinary topic and study area. The use of NVivo supported data analysis. The thematic analysis helped delineate the emerging themes in writing this article. The researcher cross-checked the assertions made by the interviewees through triangulation of data, where data analysis engaged various academic and non-academic sources to verify the reliability and accuracy of data. The qualitative methods were chosen because quantitative literature to explain the success or failures of the NFIFs/NFISs do exist. What was needed and identified as a gap was to get know how the NFIFs/NFISs worked and reasons behind their successes and failures that went beyond the numbers. The quantitative gap was overcome by the use of credible and official data from relevant sources. These methods responded well in getting answers to the research question: 'how does the NFIF support financial inclusion in Tanzania?'

4. Theoretical Foundations Supporting the NFISs and the NFIFs

There are some basic principles and theories that allow the creation of the NFIFs/NFISs and its implementation. The article starts by explaining the theories and after that it will revert to the basic principles. The theories discussed here are arguably interrelated. The theories explained in this section are relevant to the NFIFs and NFISs because they: (i) explain the dynamics involving the public and the private sectors when they work together; (ii) demonstrate the role of finance in economic growth and development; (iii) examine the role of demand-side and supply-side of inclusive financial services; (iv) put in perspective the role of financial intermediaries in delivering financial services; (v) facilitate the process of planning, participation, and of evaluating the NFIF; (vi) explain the different power dynamics of the stakeholder involved in the NFIF. Reverting to Tanzania's NFIFs and how they have been used to support financial inclusion, the following theories are worth mentioning. Firstly, the 'public-private interest theory' is crucial because Tanzania's NFIFs are PPPIs. According to TNCFI (2014), the government was involved , and the other key stakeholders from the public and private sectors were also involved. This was done through a 'consultative process', which took longer to complete. It is also referred to as the 'public-private consultative framework'. It also spelled out how it was a strategy, but it was also a framework in itself. It protects the public and private interests as it is used by the two as a forum to discuss public and private issues on financial inclusion. Before the NFIF was established, the FSDT conducted the FinScope's supply-side and demand-side surveys in 2006, 2009, 2013 and 2017. The collected data was analysed and used to formulate the NFIF strategies. The different stakeholders implemented the strategies and targets at micro, meso and macro levels. The NFIF implementation was monitored by the different stakeholders and committees under the leadership of the Bank of Tanzania. The NFIF process as described above is depicted in Diagram 1.

Diagram 1: Financial Inclusion Strategy Stages



Source: Newnham (2014).

As depicted in Diagram 1, the process of designing and implementing an effective NFIF involves of wide range of stakeholders who all have as an end goal to allocate financial resources in way that provides access to financial resources not only to the rich and wealthy, but also to the financially-marginalised and -excluded persons. This is a political-economic process. Secondly, the NFIF targets the delivery of formal financial services to the poor with the view that their participation in the financial systems will not only allow them to access formal financial services, but also contribute to Tanzania's economic Development (TNCI, 2017, 2014; MTI and FSDT, 2012; FSDT, 2016). Information about the effects of finance on economic growth and development provide policymakers with the priority areas they need to focus on (Levine, 2004:1). In the case of Tanzania, information on the available financial services on the one hand, and the access and utilization of those services by the poor on the other, allow policymakers to set targets for the NFIF (TNCFI, 2014; TNCFI, 2017; TNCFI, 2018; FSDT, 2017). Hence, the finance-growth theory provides imperatives and arguments for and against financial-led inclusive growth, and whether social equality and justice can be achieved through this kind of growth (Aro-Gordon, 2017). The theory, therefore, helps to inform the NFIFs and how it facilitates financial development and inclusion, social equality and justice. On the one hand, the '*demand-following*' school of thought claims that the development of the real sector of the economy facilitates financial development. Financial development involves the cost of acquiring information, of enforcing contracts, markets and intermediaries (Levine, 2004: 4) which are key for the development of new products and services such as mobile money. Tanzania's NFIFs considered "*the role of the financial sector in mobilizing servings and investing in the growth of the productive sectors*" (TNCFI, 2014: 1). Also, Tanzania's NFIFs have paid much attention to lowering the cost of financial services and for reducing information asymmetry amongst the various intermediaries and the MNOs (TNCFI, 2018: 34; TNCFI, 2014). Economic development and economic empowerment of people are the two main factors that bring about financial development. When people engage in economic activities, they create jobs and businesses whereby they earn incomes. When people earn incomes, it is likely that they will demand financial products to cater to their needs. Financial institutions are established to help people meet their financial demands (see: Kumar, 2014; Fischer, n.d.; Joy et al., 2011; Nielsen, 2014; and Aro-Gordon, 2016:33). It is also argued that reducing inequality and increasing financial inclusiveness by improving financial services delivery and access may lead to a sustainable process of economic growth (Sharma, 2016; Williams et al., 2017; and Demirguc-Kunt et al., 2017). Financial exclusion is considered as a component of social exclusion (Goodwin et al., 1999; Fernandez-Olit et al., 2018; Kempson and Whyley, 1999). The country must ensure that the economy is run in a way that alleviates social exclusion which could provide opportunities, social justice, and inclusiveness. In this regard, Tanzania's NFIF involves stakeholders from all relevant economic sectors to allow them to set strategies for achieving financial inclusion. On the other hand, the 'supply-leading' theory which asserts that empowering people by providing them with financial instruments and services they need is key to dealing with the issue of financial inclusion. On the other hand, once the financial system has legitimately met people's financial needs, they would be empowered financially. This could result in financial development. Recent financial inclusion policies have tended to be based on the spirit of the theory (see: Kumar, 2014; Fischer, n.d.; Joy et al., 2011; and Nielsen, 2014). Also, some economies and policymakers still believe in Say's law which asserts "*supply creates its own demand*". According to Helms (2006:xi) "*poor people need a variety of financial services, not just loans. In addition to credit, they want savings, insurance, and money transfer services*". The supply of these services to the rich and wealth, also has created a demand for these services to cover the financially-marginalised as well. Tanzania's NFIF includes both demand-side and supply-side issues to remove the supply-side and demand-side barriers that limit the barriers including high-interest rates, inappropriate services that do not meet the demand-side needs, and high costs due to inefficiencies in service delivery. Demand-side barriers include information asymmetry, irregular income patterns, and financial illiteracy. Hence, there was a need for the NFIF to remove the demand-side and the supply-side barriers in Tanzania (TNCFI, 2014:v).

Thirdly, the financial intermediation theory provides explanations for financial market frictions and how financial institutions work around these frictions (Aduda and Kalunda, 2012; Diamond, 1984; Demirguc-Kunt et al., 2008). Financial frictions do not alter the efficiency of financial resource allocation, throughout the economy, but also provide opportunities for both the rich and the poor to either have or lack access to formal financial services (also see: Demirguc-Kunt and Levine, 2007). Tanzania's NFIF considers the possibilities of these frictions as both financial intermediaries and 'bank-like' intermediaries such like the MNOs are part of the NFIF and are there to ensure that these frictions do not occur. According to Gorton and Winton (2002:2), the design of public policy depends on the policymaker's understanding of the problems with intermediaries. The reason is that the significant proportion of every cent financed externally comes from banks. In Tanzania, for examples, MPawa loans or MPesa loans comes from the Commercial Bank of Africa. Banks are also important in producing liquidity and in facilitating the businesses of the MNO agents.

Fourthly, while financial stability occurs when financial intermediation works well, financial instability occurs when the financial intermediation process is interrupted by financial market crises. Shocks or volatility as experienced in Tanzania in the 1980s and 1990s brought about financial instability in the country. Financial stability, therefore, occurs when the financial system is resistant to market failures or shock, and is well equipped to fulfil is essential functions such as the intermediation of financial services, risk management, and payment arrangements. Financial inclusion, therefore, can be boosted through the tiered banking system, easy entry and exit of financial institutions, agents and operators, efficient national payment system, effective deposit insurance, and the existence of foreign-owned banks (Demirguc-Kunt et al., 2015; Aduda and Kalunda, 2012; Aro-Gordon, 2017:33). Tanzania's NFIF, for instance, takes into account the issue of financial stability. According to the NFIF (2014:18), one of the guiding principles in the development of the NFIF was to ensure the NFIF would be able to establish an "*appropriate regulatory framework to support financial inclusion initiatives and safeguard the stability of the financial system*".

Fifthly, the Theory of Change (ToC) has used a methodology for planning, participation, and evaluation. It outlines the process of change by defining the short-term, intermediate and long-term desired outcomes. Stakeholders also use the theory to set long-term strategic goals (Anderson, 2005; Aro-Gordon, 2017:33; Clark and Taplin, 2012; Taplin et al., 2013). The theory can be used to administer the transformation from the highest levels of financial exclusion to higher levels of financial inclusion. The theory of change has also been used to plan, to allow the participation of the various stakeholders in the NFIF, as well as to evaluate the desired outcomes for financial inclusion in Tanzania. Financial inclusion itself involves a transformation process seeking to change the high levels of financial exclusion by creating access to finance to the financially-excluded individuals.

Sixthly, the market for the poor (M4P) approach tries to make markets work for the poor. It aims to reduce poverty, and it is an approach that donors such as the Department for International Development (DFID) and the Swiss Agency for Development and Corporation (SDC) have supported over the past few years. The M4P main idea is that the poor depend on market systems for survival. Hence, changing those markets to work more effectively for the poor will help them improve their livelihoods (DFID, 2005; DFID, 2009a; DFID, 2009b). The aim of the NFIF in Tanzania is to facilitate the process of ensuring that formal financial services get to the poor.

Moreover, what we learned from this research was that most developing countries develop NFISs due to the higher levels of financial exclusion they had as they wanted to resolve this issue. The NFIS is more likely to help these countries achieve higher levels of financial inclusion. As mentioned earlier, one of the major constraints to financial inclusion is access to financial services. Mihak and Singh (2013) suggest that population density matters for a country to adopt an NFIS or otherwise. National censuses and surveys provide information on the population density. They also argue that providing financial services in sparsely populated areas tends to be costly, so countries with low population density benefit from particular strategies to reach the unbanked efficiently. NFISs are less likely in countries with the relatively concentrated banking sector, and with relatively lower stock market capitalisation. These results may reflect the greater monopoly power and greater risk of regulatory capture in financial systems and are dominated by a handful of large banks. According to Mihak and Singh (2013), financial inclusion strategies which tend to call for greater competition or among financial service providers are likely to face strong push-back in such concentrated systems. Things like improving the stability of the microeconomic environment, experience with the banking crisis, financial institution depth, and inflation do not necessarily require an NFIS. *This explains why Tanzania chose an NFIF over NFIS*.

5. The Nine G-20 Principles for Financial Inclusion and Their Role in Supporting the NFIF

Four factors determine who plays which role in the NFIS or NFIF. These factors are as follows: firstly, the theoretical perspectives as mentioned in the previous section. Secondly, the nine G-20 principles for enhancing financial inclusion; thirdly, the four components of national financial strategies (as depicted in Diagram 1); and fourthly, the coordination mechanism used for implementing an NFIS or NFIF. Except for the theoretical perspectives that helped the creation of the NFIF as detailed in the previous section, the other factors mentioned above are explained below and beyond this section. These factors facilitate the understanding of what was done and what has to be done to foster financial inclusion.

Most NFIFs or NFISs are developed using the nine principles of the G-20 which focus on innovative financial inclusion (GPFI, 2011: 1-2), which were also one of the determinants of the roles involved in the NFIFs and NFISs. The first principle calls for 'leadership' in fostering financial inclusion and the government commitment to financial inclusion and poverty alleviation. In the case of Tanzania, the former Bank of Tanzania (BOT) Governor Benno Ndulu provided that leadership:

> "*So, where you had the markets that were so much based on, you know, the legislation, the legislation defined everything. It was quite a challenge to build a shared vision … we all converged to our parties as we delivered, may be, within our mandate or in a changed form. That was quite clear to me. Therefore, there it required a lot of leadership, and we were glad that we had the governor, the previous governor who was passionate, and who became passionate about financial inclusion, and provided the leadership or gave the comfort that we could walk this journey together to defend that vision*" (Director FSS).

The second principle encourages a diversified financial sector, which includes various Financial Sector Providers (FSPs) to improve financial access and usage in terms of savings, credit, payments, and transfers as well as insurance. Tanzania diversified its financial sector:

> "*So, what are we doing? So, FSDT as a Financial Sector Deepening Trust, we are what we call a market facilitator. So, we work with financial service providers just like banks, mobile money providers, microfinance institutions, insurance, providers, and others together. We also work with the regulators, like the Bank of Tanzania, the Ministry of Finance, Tanzania Revenue Authority (TRA), TCDC. Those kinds of regulators. TCRA is the regulator for mobile communication. TCDC is the regulatory body for SACCOS. And so, we work with those bodies. Now, our goal is through working with these different bodies to increase the number of different people we consider to be financially included. If we say financial inclusion for FSDT, as well as the country, the country has the national financial inclusion framework and according to the national financial inclusion framework, somebody is considered to be included if that person is either using a bank, using mobile money services, has taken up SACCOS services, microfinance institution services, those are the key types of services. If someone uses any of those services, we consider that he/she has become a financially-included person*" (Senior Officer FSS).

The third principle boosts the 'technological and institutional innovations' which are key to improving financial access and usage as well as to addressing the infrastructural issues. Tanzania encouraged innovations in the financial sector:

> "*It is also true that we had a National Financial Inclusion Council where banks are represented, so are the other stakeholders where we talked about the various innovations and the various actions for promoting financial inclusion. Eh, the Council was a platform as well that we used to resolve any potential conflicts across the various stakeholders. Eh, the Bank of Tanzania (BOT) chaired the Council. So, that was another opportunity to talk about these things. This time not between the BOT and the banks only, like we do bilaterally in our bimonthly or quarterly meetings ... In the Council we reached and went across to all stakeholders, so that everybody got a chance to deal with issues. And we were able to, ultimately, I think everybody now knows and I am pleased that this has been extremely useful to banks*" (FCBG/FNCFIC).

The fourth principle regards 'consumer protection' while recognizing the government, FSPs, and consumers' roles and responsibilities. The fifth principle calls for the 'empowerment of the consumers' by providing them with financial education and the 'empowerment of the FSPs' to help create financial stability.

> "*Ah, the way I see it, is that mobile money has three watchers. The first watcher is the regulator who offers the licenses, the TCRA. As it is also the issue of money, through the Banking and Financial Institutions Act (BFIA), the BOT comes in as a regulator. As the money does not end at the BOT, the consumers receive it. FCC (Fair Competition Commission) gets involved as it has the mandate to protect the consumers. We all watch the operators, especially the MNOs. The question is whether they are operating fairly or not, that is the question. Do they operate fairly? Prior to the establishment of the various regulations, the mobile money sector had serious issues. Only, one side was affected by the conditions. The responsibility was on the shoulders of the consumer. The situation before the enactment of the regulations was worse. It was worse because there was nobody to monitor the relationship between the MNOs and the consumers. The MNOs seemed to be the referees of their own game*" (Senior Officer, FCC).

The sixth principle seeks the 'cooperation' between the government and other stakeholders by creating partnerships and direct consultation process amongst themselves.

> "*The processes of coming up with the national financial inclusion framework, eh, the process was smooth. As usual, this initiative is a private-public sector initiative. Eh, the government was involved. All the other stakeholders were involved. It was a consultative process and it took a long time. In short, that is the national financial inclusion framework. It is also called the public-private consultative framework. It spelled out how it is a strategy but also why it is a framework. It is because if it is a policy, then it is a government document. All the policies pass through the government, they go straight to the ministry, then to the cabinet of ministers, and after that they become policies, which become government documents. But this one is the public-private initiative. It had wider participation of both public and private sectors, and it was led by a policymaking body known as the National Council for Financial Inclusion*" (Director CB).

The seventh principle asks for 'knowledge sharing' which is the key to removing information asymmetry issues. Strategies were introduced in Tanzania to help resolve information asymmetry issues:

> "*Information asymmetries in the financial service market that affect the provision and access to financial service are particularly acute in Tanzania. They also affect solutions targeting, risk profiling and effective controls on fraud, money laundering and the potential financing of terrorism. These slow down the process of client onboarding and keep the majority of Tanzanians out of the formal financial system. The implementation of integrated data management systems, with the national identification database as a foundation, will enable other data initiatives to work better, such as expanding the remit of reference bureau, collateral registries, etc. The essence here is to be able to drive innovations and manage risks with rich customer profiles. Once fully implemented, the linking of the national database with other service providers is expected to enable more use cases in education, health and agriculture*" (TNCFI, 2018:38).

The eighth principle is the 'proportionality principle' which seeks to build an appropriate policy and regulatory framework. The last and the ninth principle builds a comprehensive 'framework' which puts together the international standards and the national realities. The NFIF was a response to these principles.

Moreover, the AFI (2011) is also key to understanding where the roles of the different stakeholders fit in the NFIS or NFIF. It mentions the four critical components of the national financial strategies. The first being the '*meso*' component which regards the cross-cutting infrastructural issues, such as physical infrastructure (electricity, ATMs, telecommunications) as well as financial service enablers such as identification systems, credit bureaus or other issues. '*Macro*' policy issues are the second component of the national financial strategies. These issues associate with the financial system, the regulations or an enabling environment for financial services. The third component of the national financial strategy is the '*retail*' issue which relates to the FSPs both as banks and non-banks, as well as both from formal and informal sectors. Also, the fourth component regards the '*client's ability to access and utilize services*'.

Likewise, the coordination model or mechanisms in place also help to define the roles of the different involved stakeholders. World Bank (2013b:3) mentions three models that are used to coordinate financial inclusion strategies and reforms. These are: firstly the '*consultative*' model through which a task force or a steering committee is formed, and it is comprised of both public and private stakeholders, as well as the donor community. Pakistan, for example, uses this model with the DIFD as an adviser. Secondly, '*the mandate-based model*' involves the implementing agents where the coordination structure ensures who has the mandate to coordinate and implement some tasks and to reach the targets. Russia uses this model through its Ministry of Economic Development, Ministry of Finance and the Central Bank. Thirdly, the '*partnership*' model which creates formal and informal relationships between the coordination structure and the implementing agencies. Tanzania uses this model, where the BOT has established an NFIF, which involves a variety of institutional partnerships working through a '*consultative*' process. Furthermore, the NFIF defines the roles of the institutions in the 'consultative' process.

6. Lessons Learned

Tanzania, as of 2021, has had two NFIFs. The NFIF manifests the private-public partnership, the guideline or the financial inclusion bible for Tanzania. Hence, it is a guideline to guide both the public and private players in enhancing financial inclusion in Tanzania. The MoF and BOT both play a vital role in ensuring the smooth coordination and functioning of the NFIF. To move forward with the common financial inclusion agenda, the process was like financial institutions and financial inclusion stakeholders starting a journey together, where they all agreed to play their roles in reaching financial inclusion targets set for Tanzania. For the first NFIF, the emphasis was on access to formal financial services, which was then regarded as the uptake problem. That was regarded as an issue because it seemed very difficult to people to take up formal financial services as it was tough for them to open up bank accounts or have other similar formal financial experiences and privileges. The introduction of mobile money provided new opportunities for much broader inclusion in the uptake of formal financial services. Hence, the first NFIF was created to increase access to formal financial services. Its parameters were met, and somehow Tanzania expanded the reach of the MNOs in the country to cover not only the urban but also the rural centers. More people now have access to mobile phones and mobile money services. However, following the evaluation of the first NFIF, some targets were not met, and the members of the various National Inclusion Committees thought there was a need to define financial inclusion. What does financial inclusion really mean? That was where the second NFIF had picked up from.

Two interviewees mentioned that financial inclusion "is not an end; it is a means to an end". Thus, by the end of the day, people should not only use an account or an insurance policy but also improve their lives or attain economic progress. With this view, the second NFIF emphasizes using formal financial services. Are people using financial services? The emphasis shifted from access to usage because it was all about somebody having taken up mobile financial services and using those services regularly to derive value from them as a tool that somebody could use in life to ensure they grow economically/financially. Hence, the second NFIF seeks to check the usage, and the main questions are: what can Tanzania do so that people start utilizing these services more frequently and on diversified bases? Or, with somebody having only mobile money services, can the country say financial inclusion has been achieved? Probably not. Thus, it was really ensuring that people have access to and usage of all financial tools that they used to manage their cashflows. Are the people able to acquire assets? Are the people able to invest and increase their productivity, and are they covered for anything that may cause them to lose their financial capabilities? If the financial services that low-income people use could not fulfil this, they would not be entirely financially included. One would say something was missing as they could not derive the optimal financial inclusion value from the financial services. All this was important for the second NFIF to achieve the abovementioned targets. Thus, the different financial service providers and the other key stakeholders had to collaborate. Doing so would activate and allow the use of various financial inclusion channels.

Channels meant that the bank would not isolate itself as a bank but should try to collaborate with insurance companies, MNOs and other financial providers. The MNOs also diversified their service range and offered more products to customers. This progress was one of the things that the first NFIF tried to achieve. The second NFIF also emphasizes 'innovation' in the market and that innovation should be driven by everyone, the financial service providers and the regulators. The NFIF reiterates the importance of the regulators in encouraging new movers and in assisting with accommodating innovation not just for the guarantee of financial stability but also for other purposes. This requires flexibility from the financial providers' side to accommodate innovation. It also requires the regulators' flexibility to allow products to enter the markets, maybe in a controlled environment, before launching these products in the broader environment. I refer to this flexibility as the 'politics of the flexible' because it involves different stakeholders with different interests, and all have to be flexible. This section has discussed the essential differences between Tanzania's first and second NFIFs.

7. Further Findings and Considerations

Tanzania created and established an NFIF. It did not have a single NFIP or NFIS. This was good for its financial inclusion targets because policies were made after the consultations with key stakeholders and this made the implementation easier. Top-down model of making financial inclusion policies could be ineffective in Tanzania. Instead, the government and various financial inclusion stakeholders used different policies and strategies to attain their financial inclusion targets. In Tanzania, the NFIF was established to replace a single NFIP or NFIS, which could have been prepared using the government perspective at the expense of the private sector stakeholders. The Tanzania’s NFIF is also a governance structure coordinating financial inclusion by involving: (i) the stakeholder engagement; (ii) and shareholders mapping both internal and external responsibilities and roles to help achieve financial inclusion. Tanzania combined both the NFISs and NFIF, which is a good starting point to understand the political economy of financial inclusion in Tanzania. Any changing political economy requires policies that are ‘redistributive’, ‘regulative’, ‘constituent’, or ‘distributive’ in nature, (Lowi, 1972:300; Smith, 2002:380; Greenberg, 1977:1534; Hult, 2015). Applying these policies to support a single NFIP could harm other sectors according to Tanzania’s financial sector experts as financial inclusion is not a means to an end. Therefore, there was a need for a plethora of policies to help Tanzania transition to a financially inclusive economy, and the NFIF helped to achieve this. The statistics demonstrate in 2006, only 9% of the Tanzania’s population was financially included. By 2018, more than 60% of the Tanzania’s population was financially included. These results demonstrate the effectiveness of the NFIF in facilitating financial inclusion in Tanzania.

It should also be noted that Tanzania’s NFIF is not a government strategy, but it consists of a series of strategies, policies and action plans which are incorporated in the NFIF through the PPPIs, and through consultative processes, which help stakeholders commit to enhance financial inclusion. The NFIP would be a government policy or a plan of action with legal enforceability. Examples of NFISs are from Zimbabwe, Zambia, Lesotho, and Namibia (RBZ, 2016; ROZ, 2017; RON, 2011, Lesotho, 2013). While the PPPI works better for Tanzania to support NFIF, it also requires what this research has identified as the ‘*politics of the flexible*’. For the different stakeholders to agree or commit to a course of action towards financial inclusion, they need to compromise and be flexible in what it takes to achieve financial inclusion in the country. For instance, the banks and the MNOs have to work together. They need to see each other as partners and not as competitors. What has been noted as ‘*flexible politics*’ or ‘*politics of the flexible*’ is what occurs when a group of stakeholders participates in consultative processes such as in discussions and dialogues, in order to agree with and commit to a plan of action for the implementation of the agreed targets during a consultative process. In ‘*flexible politics*’ there is a ‘give and take’ or a ‘win-win’ situation, where one must be flexible and has to agree upon a strategy or plan of action. I see the ‘flexible politics’ as necessary in the making of the political economy of financial inclusion and the NFIFs and NFISs. We have learned that the ‘politics of the flexible’ enhances the debate of the political economy of financial inclusion. It does so by explaining the role of the government, the public sector, and the private sector in implementing financial inclusion. Usually, the government dictates what it thinks the policy should be and perhaps how to implement the designated policy. However, the Tanzanian example provides a different view where the government decided to let the recommendations for policies to come from the key stakeholders both in public and private sectors. The government is a partner in this consultative processes. These arrangements contained the political influence that the government could have brought to the financial inclusion agenda. This was important because it helped to increase the effectiveness and efficiency in the NFIF: (i) vision building; (ii) implementation; (iii) how to manage results in reaching financial inclusion goals; (iv) engaging the key stakeholders and in communicating with them what ought to be done; (v) managing resources in terms of funding mobilization for financial inclusion activities, etc. The ‘*politics of the flexible*’ brings all these elements that the political economists have not yet explored exhaustively as far as the NFIFs and financial inclusion are concerned.

Furthermore, the NFIF helps define financial inclusion for Tanzania. It also sets the vision for financial inclusion, and the targets and goals to achieve (see: TNCFI, 2014; TNCFI, 2018). The vision and targets are important in aligning stakeholders' interests and institutional arrangements. This was helpful to the banks, MNOs, insurance providers, regulators, and other stakeholders to have one agreed definition of financial inclusion, and a clear vision for financial inclusion. This process helped in setting up the financial inclusion agenda, as well as in building strong governance and a coordination structure for financial inclusion, which in turn has helped in engaging the banks, the MNOs and other stakeholders in negotiations, and in decision-making processes of implementing inclusive financial plans of action. With the NFIF the setting up of financial inclusion targets and the goals have been easier (TNCFI, 2014; TNCFI, 2017; TNCFI, 2018). The implementation has been more coordinated that it was before the NFIFs, and the evaluation of the set of targets and goals has also been easier to conduct and achieve.

Our findings also indicated that development donors do not support the NFIF directly. It also noted that most donors do not support innovations such as 'mobile money', and that most support comes from the private sector instead. For instance, most donors in Tanzania support financial inclusion through the FSDT. They have a club there, and they prioritise what their funding should support. The FSDT coordinates financial inclusion projects and involves the government and the private sector in designing and implementing certain financial inclusion initiatives. The FSDT conducts the FinScope Surveys (FinScope 2006; FinScope, 2009; FinScope 2013; FinScope 2018), which informs the NFIF and the other stakeholders on the direction of financial inclusion in Tanzania. The USAID funds financial inclusion projects through other programs other than the NFIF. The United Nations Capital Development Fund (UNCDF) provided funds for some of the financial inclusion activities through the FSDT. I argue that despite the direct lack of funds from donors for the NFIF, the NFIF has been key to the development of financial inclusion in Tanzania, and by doing so, it has facilitated Tanzania's economic development to some extent. From these findings even if the NFIF has worked well, at a least as of 2018, some stakeholders do propose a national financial inclusion policy. They think it is still useful to have one. However, given the level of development that Tanzania has, and given its patrimonial structure of governance and politics, the NFIP would only complicate the current arrangements, which are favourable to financial inclusion.

In dealing with inclusive financial issues, some changes have also been implemented in the banking sector. The political economy of the changing banking sector in relation to financial inclusion deals with the role of government, public and private sectors consisting of the banks, MNOs, insurance companies, and other financial inclusion stakeholders. Although the NFIF has consultative processes, which use both rational choice assumptions and power balance between public and private players, it also goes beyond the economics of financial inclusion to address issues of government failure in providing financial inclusion, which require complex decision-making processes. The main issues of political-economic concerns that the NFIF deals with are: (i) the financial service regulations for banks and non-bank institutions; and (ii) the distributional politics of the changing banking sector in relation to financial inclusion, in terms of who does what and how he/she can do so. There is also the issue of market expansion with the demand-side and supply-side of financial services being at the centre of the financial market.

It is also noted that the NFIF has facilitated the political economy of financial inclusion by facilitating the regulation of banks and non-banks institutions, which is key to enhancing financial inclusion. It is now clear how the banks and non-bank institutions are regulated, and which institutions regulate them. Additionally, agreements and Memorandum of Understanding (MOU) that stakeholders have signed within the NFIF enable the smooth running of financial inclusion activities and services (Parkes, 2014; Di Castri and Gidvani, 2014). It is also noted that various stakeholders have agreed on boosting financial inclusion as they have signed the 'certificate of commitment'. All this illustrates the willingness between the regulators and amongst the different stakeholders involved to work together. Moreover, the NFIF has also facilitated the 'redistribution politics' of financial services including the responsibilities and roles of the different stakeholders toward financial inclusion. This include how financial services are distributed between banks and non-bank actors. For instance, the banks are 'deposit-taking institutions', while the non-banks are 'non-deposit-taking' institutions. Also, it includes the demand-side and supply-side politics and economics as well as the government politics or intervention in the banking and other related sectors that are key to financial inclusion.

The NFIF not only has helped with the balance of public-private sectors' powers, but it has also reduced government interventions aimed at resolving financial inclusion issues. According to World Bank (2013), government interventions could be good or bad. Moreover, the government normally uses Keynesian, neoliberal and other principles (Keynes, 2007; Jackman, 1980; Stiglitz, 2002; Duménil and Lévy, 2011). The Keynesian principles allow the government to intervene when the policies fail. The issue with these principles is that they have recently been challenged by technology and innovation. This allows the private sector to also step forward in the discussions by using the '*business cycle*' principles. By the business cycle, it means that the private sector, especially the MNOs understand the ‘boom-and-bust cycle’ of their products and services; and in this regard, the banks and MNOs are the best examples. According to Ajello (2016), Garrison (1997), Gallahan and Garrison (2003), Kobayashi and Sukaragawa (2008), the ‘*boom-and-bust cycle*’ means that there are times of the product or service boom followed by the times of product or service bust. Hence, due to the capability of the private sector to understand the business cycle of their products, it makes sense for them to engage in conversations with the government and the regulators to stop any unnecessary interventions in the sector, which would affect their financial products and services, which might also affect financial inclusion. By engaging in discussions with the private sector the government gets relief for not engaging with what could be referred to as a ‘political based cycle’ or an ‘electoral business cycle’. The ‘political based business cycle’ or the ‘electoral business cycle’ is when the government influence elections on the choice of the economic policy. Good examples are in Schamis and Way (2003), Isabel-Maria (2011), Canes-Wrone and Park (2012). Regarding the findings of this research, it would mean that the government could influence elections by promising to raise financial inclusion, which would be a target. When the private sector forms a partnership with the government to address financial inclusion, it lowers the government’s burden to engage in promises to achieve financial inclusion during the general election.

While this research was conducted, it was not clear how elections had enhanced financial inclusion, but it was clear that there were politicians who boasted about financial inclusion during elections. Hence, the PPPI creates balance between the ‘political business cycle’ (which is used by the government) and normal ‘business cycle’ or ‘economic cycle’ (used by the financial service providers) on the one hand, and the ‘instrumental power’ (from lobbyists) on the other.

Some of the negotiations that the public and private actors have engaged in were about the provision of credit services to boost financial inclusion including micro-loans. Whatever strategies or policies they used, they also needed to consider what was referred to as the ‘credit/debit cycle’. According to Black et al. (2017), the ‘credit cycle’ view is the view that credit cycles cause economic cycles. This is to say that the net expansion of credit (in terms of private credit, or as a percentage of GDP) produces economic expansions. Likewise, the net contractions cause recessions, and if it persists, it causes economic downturns or crises. The Austrian school favours these views supporting the fact that the business cycles are caused by the excessive issuance of credit banks in fractional reserve banking systems (András, 2013; Kaza, 2010). This school argues that government intervention almost always causes the ‘boom-and-bust’ business cycle into the economy. All these mentioned facts illustrate the need for private and public engagement in supporting financial inclusion through the NFIF. It is through the NFIF where negotiations and consultations occur to allow the financial inclusion strategy formulation and implementation, which are key to the political economy of the changing banking sector and its relations to financial inclusion. Everybody I interviewed agreed that the MNOs, for instance, were able to invest large amounts of money in technological innovations and produced new products. They, thus, obtained a dynamic comparative advantage over the banks. Hence, the NFIF was also created to oversee these issues and to find appropriate solutions that allowed every stakeholder to be part of the financial inclusion journey. From the political economic point of view, who gains what and who loses what is determined by the NFIF. The continuation of the NFIF suggests that the different stakeholders support it as it creates a win-win situations through the PPPI and the consultative processes.

As far as the interests of the stakeholders are concerned, within the NFIF there are many interests (TNCFI, 2014; TNCFI, 2018). Each stakeholder has a unique interest in financial inclusion. Some interests are common for different stakeholders and institutions. Some other interests are different and stakeholders must agree on how to further their political and economic interests. The private sector may be particularly concerned with economic outcomes. According to Mizutani and Nakamura (2015), those in the government and the public sector might have their private or government economic interests as well. According to World Bank (2014) and World Bank (2012:29-39), the public sector or the government also have their economic and political interests, and they may want to retain their positions of power through regulations or the governance of financial inclusion decision-making processes. In Tanzania, the PPPI was formed to align these political and economic interests to what it takes to achieve financial inclusion. There are economic and political interests as well. Economic interests, as far as the NFIF is concerned are in terms of enhancing financial inclusion which will provide access to financial services to the financially-excluded people. It will also boost the usage of financial services and products which in turn will benefit the banks, MNOs and other stakeholders. Profit maximization and innovation of financial services to cut down the transaction costs are also other economic benefits. Regarding political interests, there is a good NFIF coordination structure for financial inclusion in Tanzania that provides good governance for financial inclusion activities. Thus, it brings together every stakeholder to the table to debate and participate in the financial inclusion processes and its politics.

In addition, ideology and innovative ideas remain important drivers of policy, alongside direct economic and political interests as stated earlier. While some stakeholders focus on ‘profit-maximization’ of financial services, some other stakeholders focus on innovative financial services with the view of transforming financial products and services to achieve financial inclusion. The ideological stance for Tanzania is that financial exclusion is an issue in a country that aspires to become a high middle-income nation. Therefore, financial inclusion not only helps to improve individual and institutional economic progress, but it also helps to make Tanzania make the rights steps towards achieving poverty alleviation and sustainable economic growth. From the political-economic point of view, this ideology, as reflected in the vision of financial inclusion in Tanzania, is motivated by factors other than the pure self-interest of the different stakeholders as mentioned in the NFIF. Some stakeholders enter the NFIF because they really want to keep the financially-excluded people gain access to formal financial services through banking or mobile money services or some other types of services, although if that remains their guiding motivation throughout their participation in the NFIF is another question.

Various institutions are also part of the NFIF. Institutions are formal and informal ‘rules of the game’ that shape or structure outcomes, including human behavior (North, 1990). The NFIF consists of institutions, precisely ‘formal institutions’ that shape and structure economic and political outcomes of financial inclusion in Tanzania. The NFIF also provides some informal rules and commitments to all stakeholders engaging in financial inclusion activities. As Acemoglu and Robinson (2012) assert that institutions can be in the following forms: (i) ‘*extractive economic institutions*’ barring some people and institutions from gaining economic benefits of economic services; (ii) ‘*extractive political institutions*’ concentrating power in the hands of few citizens; (iii) ‘*inclusive economic institutions*’ providing opportunity for the great majority of the population; (iv) ‘*inclusive political institutions*’ allowing the broad participation of the majority citizens. The NFIF seeks to support some ‘*inclusive economic institutions*’ that are supportive of financial inclusion. It is through this support that the transformation of the banking sector has, and financial services has been simplified. The NFIFs have transformed the banking and financial services by: (i) coordinating financial services and financial inclusion activities; (ii) initiating the PPPI and the consultative processes for programs of policy reform, regulatory measures, and initiatives; (iii) supporting financial investments and innovations such as mobile money services which have successfully penetrated the Tanzanian banking and financial market; (iv) reducing information asymmetry which has provided more access to finance for individuals and businesses who get to understand financial service costs, terms and conditions; (v) enhancing consumer protection where consumers in Tanzania are protected from possible market abuses; (vi) creating a competitive environment which builds trust in the financial sector and which encourages financial inclusion; (vii) increasing financial capability where Tanzania has developed an NFIF which developed financial literacy/education strategies intending to improving the consumer’s level of financial knowledge and awareness.

8. Conclusion

This article sought to explore how the NFIF support financial inclusion in Tanzania. It also underlined the importance of NFIFs and discussed their impact with examples from Tanzania. The processes and roles played by the different stakeholders were key to allowing the implementation of the NFIF in the absence of the NFIP. Imagine if there was no NFIF in the absence of NFIP, how could Tanzania transition from higher levels of financial exclusion to the increasing levels of financial inclusion it had recently registered? The NFIF facilitated the progress made in reaching financial inclusion targets in Tanzania. Over time financial inclusion grew from 9% in 2006 to over 60% in 2017 in Tanzania. The contribution to knowledge that this article offers is in terms of discussing the political economy the NFIFs have established and their impact in Tanzania. In the case of Tanzania, there is no a single NFIP, and that NFIF is used to achieve financial inclusion by distributing resources, responsibilities and mandates that has been used to enhance financial inclusion. Moreover, a country does not need a single NFIP or NFIS to achieve financial inclusion, it may also use an NFIF as in the case of Tanzania. The article has also illustrated how the NFIF required a wide range of stakeholders, strategies and policies to achieve financial inclusion in Tanzania. From the NFIF, it is noted that the financial inclusion issue cut across the different sectors. The policies in these sectors needed to sync to facilitate country-wide efforts to achieve higher levels of financial inclusion. For instance, if the banking sector’s policies do not sync with mobile money policies or insurance policies, then it is hard for the different stakeholders to implement and offer inclusive financial services. This is why the NFIF is very important and the involvement of the different stakeholders in the NFIF is key to achieving financial inclusion. This article bridges the gap that exists in studying Tanzania’s NFIFs by joining the debate on NFIFs and their link to financial inclusion. The noted concept of the ‘*politics of the flexible*’ as discussed earlier can be used to explain the political economy of the NFIF. The daily activities of the NFIF have helped in enhancing financial inclusion in Tanzania as it has been demonstrated in this article.

The main policy issues that the NFIF deals with are discussed in the article and can be summarised as follows: firstly, providing a framework for facilitating financial services regulations for banks and non-bank institutions, and secondly, mapping the distributional politics of financial inclusion. For instance, the NFIF details who does what and who regulates the implementation of financial inclusion. There is also the financial market expansion issue with the demand-side and supply-side of financial services at the centre of market expansion and financial inclusion. The NFIF has facilitated the political economy of financial inclusion by: (i) helping the facilitation of regulation of the banks and non-bank institutions which are the main actors enhancing financial inclusion; (ii) facilitating agreements that the government and other financial inclusion stakeholders reach through the PPPIs; (iii) determining the distributional politics of financial inclusion and the variegated responsibilities that the different stakeholders have. For instance, Banks, Mobile Network Operators (MNOs) and insurance companies, to mention a few, have different but essential responsibilities that propel financial inclusion forward. The NFIFs also help the different regulators to work together to enhance financial inclusion. Moreover, every interviewee agreed that MNOs, for instance, were able to invest large amounts of money in technological innovations and produce new products. They, thus, obtained a dynamic comparative advantage over the banks. Hence, the NFIF was also created to resolve these issues by offering solutions that enabled every financial inclusion stakeholder to benefit from the arrangements that the NFIF created.

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