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The Role of Financial Literacy in Promoting Economic Empowerment in Tanzania: Opportunities and Challenges.

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Abstract*: This study examined the dynamics of financial literacy, financial inclusion, and economic empowerment among individuals in Tanzania specifically at Kilolo and Iringa Urban districts. Using a mixed-methods approach, the research employed surveys, focus group discussions, and interviews to gather data from a diverse sample of 315 respondents. The study aimed to assess the level of financial literacy, access to financial services, economic engagement, and the challenges faced by the community in achieving financial inclusion. The findings revealed a high reliance on mobile money services, with most respondents indicating accessibility to these platforms, yet fewer individuals owned formal bank accounts, showing gaps in formal financial inclusion. Financial literacy levels were moderate, with most respondents demonstrating knowledge of basic budgeting, though fewer showed the ability to calculate interest rates or understand financial products in depth. Economic empowerment was evident through substantial participation in small businesses and engagement in agricultural activities, describing the entrepreneurial spirit within these districts. However, challenges such as low financial literacy, limited access to formal financial services, dependency on informal credit systems, and notable gender disparities in financial access continued to impede progress. These challenges were more pronounced in specific demographics, show the need for tailored interventions. The study describes the interconnectedness of financial literacy, inclusion, and empowerment in fostering socio-economic development. To address the identified gaps, the study recommends expanding financial literacy programs, introducing more inclusive and context-specific financial products, and strengthening community-based financial structures to enhance accessibility and participation. The findings contribute valuable insights into the socio-economic dynamics of rural and semi-urban communities and provide a foundation for policymakers, financial institutions, and development practitioners to design effective interventions.*

Keywords: **Financial Literacy: Financial Inclusion: Economic Empowerment: Financial Challenges: Socio-economic Development**

1. INTRODUCTION

Financial literacy played a crucial role in fostering economic empowerment in Tanzania, particularly in a context where many relied on informal employment and subsistence farming. It encompassed essential skills such as budgeting, saving, investing, and understanding financial services, enabling individuals to make informed financial decisions. However, studies indicated low financial literacy levels in the country, which limited people's ability to navigate the growing financial landscape. Emerging financial technologies, including mobile banking, microfinance, and digital payment platforms, created opportunities to enhance financial inclusion and improve livelihoods. Despite these advancements, challenges such as inadequate education, limited rural access to financial services, and cultural barriers persisted, hindering progress. This research examined the role of financial literacy in promoting economic empowerment, exploring opportunities provided by financial innovations and addressing the barriers faced. It aimed to provide insights for policymakers and practitioners to design impactful financial literacy initiatives in Tanzania.

The rapidly changing financial services technologies and innovations in the financial sector come with sophisticated products and services that outpace the literacy level of financial consumers. Given the unparalleled sophistication in the design of products, services and distribution channels, most customers found themselves excluded, resulting in a loss of confidence in the financial system. This calls for financial education initiatives to impart to financial consumers rudimentary financial education to increase the update and the level of usage of novel products and services (Bank of Tanzania, National Financial Inclusion Framework 2023-2028)

Financial literacy has emerged as a critical component of economic empowerment globally, with a particular focus on addressing gender disparities. Research indicates a significant gender gap in financial literacy, which contributes to income disparities and affects financial decision-making [1]. Factors influencing financial literacy include education, income, age, culture, and financial experience [2]. The importance of financial literacy extends beyond vulnerable populations to include all segments of society, as it is essential for navigating complex financial landscapes and making informed decisions [3]. Financial literacy is crucial for promoting financial inclusion and stability, benefiting both the financially excluded and included by enabling informed choices about financial products and services [1, 4]. Addressing these disparities through tailored financial education programs and broader initiatives is vital for advancing gender equality and enhancing economic well-being [1].

Financial literacy, defined by the OECD as the combination of awareness, knowledge, skills, attitudes, and behaviours necessary for sound financial decisions, has gained importance due to increasing economic complexities and technological advancements [5]. It is crucial for individuals, households, and entrepreneurs to make informed financial choices and navigate complex financial products [6]. Research has shown that higher financial literacy positively impacts awareness of fintech products, particularly in developing countries [7]. However, there is a lack of consensus on the precise definition of financial literacy, with various interpretations emerging since the 1990s [5]. Despite this, common components across definitions include knowledge, attitudes, and behaviors. As financial markets evolve and individuals gain more control over their finances, the need for effective financial education programs and research on financial literacy's implications for entrepreneurship and financial decision-making continues to grow [6].

Financial literacy levels vary globally, with significant disparities across demographic groups and countries[8]. Women, minorities, and less-educated individuals consistently demonstrate lower financial literacy[9, 10]. Even in developed nations with well-established financial markets, financial illiteracy remains prevalent [8]. Recognizing the importance of financial literacy for individual and economic well-being, many countries have implemented national strategies and educational initiatives [11]. These efforts often include integrating financial education into school curricula, workplaces, and community programs [11]. Despite these interventions, challenges persist, particularly among vulnerable populations[9]. Research indicates that higher financial literacy correlates with better financial outcomes, including improved retirement planning and emergency savings [10]. To address ongoing issues, policymakers are advised to target specific groups, simplify financial decision-making, and provide practical guidance to the least financially knowledgeable individuals [9].

Financial literacy and digital financial literacy (DFL) are crucial for promoting financial inclusion and economic growth in emerging economies [12]. The World Bank's Global Findex Database reveals that 1.4 billion adults remain unbanked, with a significant concentration in developing regions [13]. Fintech and mobile banking are seen as promising tools to reach underserved populations, but their effective use requires improved financial and digital literacy skills[12, 13]. Studies across South Asian and Sub-Saharan African countries demonstrate that both financial and digital literacy are key factors in building financial resilience and inclusiveness [14]. To address these challenges, experts recommend extending national financial education strategies to cover DFL, particularly for disadvantaged groups such as women, the poor, and rural dwellers [12]. Additionally, innovative approaches to financial inclusion necessitate corresponding innovations in regulatory frameworks and consumer protection measures [15].

Financial literacy and inclusion remain significant challenges in Africa despite recent advancements in financial systems [16]. Mobile money innovations like M-Pesa have driven financial development and increased access to financial services [17, 18]. These fintech innovations have the potential to bridge financial gaps and foster inclusivity, particularly in underbanked populations [19]. However, obstacles such as regulatory hurdles, digital literacy, and infrastructure limitations persist[19]. Population density plays a crucial role in financial development and inclusion in Africa[18]. While demand for financial services has increased, a significant portion of the population, especially the poorest, remains financially excluded due to high costs, limited rural availability, and lack of financial literacy [17]. To address these challenges, policymakers and academics in African countries need to understand financial literacy levels and implement suitable education programs and policy interventions [16].

Financial literacy in Africa is generally low, with studies showing only 15-52% of adults demonstrating basic financial knowledge [20]. This low literacy is attributed to factors such as limited education, informal labor markets, and high poverty rates [21]. Improving financial literacy is crucial for enhancing individual socioeconomic welfare, building inclusive financial systems, and fostering sustainable economic growth [16]. Financial education initiatives in Africa typically target vulnerable groups, aiming to improve financial knowledge, skills, and inclusion [21]. However, there's a need for contextualized measures of financial literacy tailored to African markets [20]. The relationship between financial literacy and entrepreneurship development in Africa is significant, with lack of access to finance and entrepreneurship culture being major constraints[22]. Addressing these issues through targeted interventions and policy support could significantly boost entrepreneurship activities and enhance financial literacy skills across the continent [22].

Financial literacy in Africa faces significant challenges, with gender disparities being a key issue. Women consistently demonstrate lower financial literacy levels than men across countries, impacting their financial decision-making and long-term security [23]. This gender gap in financial knowledge persists even among women in favorable economic conditions. The African financial landscape is characterized by low financial inclusion, limited access to credit, and gender discrimination in account ownership[24]. However, initiatives like financial education programs targeting vulnerable groups, including women and youth, aim to improve financial knowledge and skills[21]. These programs often combine financial literacy training with access to financial products. Enhancing financial literacy is crucial for entrepreneurship development in Africa, as it affects access to finance and financial decision-making [22]. Addressing these challenges requires government intervention and policy support to strengthen financial literacy skills and promote an entrepreneurship culture.

Research indicates that financial literacy and capability are crucial for youth financial inclusion in Africa. A study in Kenya found that adolescents with higher self-reported financial literacy and proximity to banks demonstrated greater financial capabilities, which partially mediated savings behaviors [25]. However, challenges remain in integrating youth into financial systems, particularly in the context of the African Continental Free Trade Area (AfCFTA), where youth involvement does not reflect their demographic significance[26]. Digital financial literacy is emerging as a key factor alongside traditional financial literacy in building financial resilience, especially in South Asia and Sub-Saharan Africa. Both forms of literacy were found to be significant in promoting resilience-building financial behaviors such as saving, borrowing, and risk management, with variations observed across regions and demographic groups[14].

Financial literacy plays a crucial role in driving financial inclusion and improving investment choices in Tanzania. Studies have shown that financially literate individuals are more likely to appreciate and utilize financial services [27]. In Tanzania, financial literacy is positively associated with household investment choices, with more literate households opting for formal investment platforms over informal groups [28]. However, significant disparities exist in financial literacy levels across different demographic groups. Men, younger individuals, those with higher income levels, and the more educated tend to have higher financial literacy [28]. These sociodemographic factors also influence financial inclusion, with being male, middle-aged, urban-dwelling, formally employed, and having higher income and education fostering greater inclusion [29]. To address these disparities and improve financial literacy, targeted programs should focus on marginalized groups, including women, the elderly, and those with low incomes and educational attainment[28].

Mobile money services have significantly expanded financial inclusion in Tanzania, offering unbanked individuals access to savings, borrowing, and remittance services[30, 31]. These services have positively impacted users' financial behaviors, increasing the likelihood of saving and receiving remittances while reducing the need for borrowing during economic shocks[30]. Factors influencing adoption include individual awareness, perceived usefulness, and perceived benefits, while cost remains a barrier[32]. Despite their benefits, challenges persist in the mobile money ecosystem. Users and agents often develop workarounds to address limitations, such as agents providing loans or bypassing identification requirements, which can introduce new risks [33]. Additionally, obstacles like poor network coverage, lack of user knowledge, and high transaction fees continue to hinder widespread adoption, particularly in rural areas [31].

Rural Tanzanians face significant challenges in accessing formal financial services, leading to reliance on informal financial practices [34, 35]. These informal methods include savings groups, hoarding crop harvests, keeping livestock, and borrowing from friends and relatives [36]. While formal financial institutions have increased following liberalization, rural access remains limited [34]. Factors influencing access to formal financial services include education, income, and distance to institutions [35]. Informal financial groups (IFGs) play a crucial role in filling the financial inclusiveness gap among the poor, with membership showing positive impacts on socio-economic variables[37]. Traditional practices like agistment agreements and private commercial lenders provide alternatives for rural dwellers [36]. To improve financial inclusion, recommendations include intensifying education and training in IFGs, increasing access to loans, and implementing the 2017 National Microfinance Policy [37].

Research on financial literacy and inclusion in Tanzania reveals significant gender disparities. Women are less likely to be financially included, with lower rates of formal savings, account ownership, and mobile money usage compared to men [38]. These disparities are attributed to factors such as lower education levels, income, and dependence on men [38]. Age also plays a role, with younger households generally exhibiting higher financial literacy [28]. Education and income levels positively correlate with financial literacy and inclusion [28]. Higher financial literacy is associated with more formal investment choices, such as investment accounts and agricultural ventures [28]. To address these gaps, targeted financial literacy programs for marginalized groups, including women, the elderly, and low-income individuals, are recommended[28]. Additionally, integrating financial education into school curricula from an early stage is suggested to improve overall financial literacy [28]. Furthermore, enhancing financial literacy can contribute to poverty reduction, financial sector development, and sustainable economic growth in developing African countries [16].

Financial literacy initiatives face significant challenges in developing countries, particularly in rural areas with limited infrastructure [39]. Cultural norms, low literacy levels, and insufficient policy frameworks complicate efforts to introduce new financial concepts [40]. The gap between financial inclusion and literacy in Indonesia highlights the need for more effective educational programs [41]. Strategies to address these issues include integrating financial education into national curricula, leveraging digital technologies, and fostering collaboration among stakeholders [40]. Technology-mediated financial education offers potential solutions, providing scalability and cost-effectiveness, but also faces obstacles such as access disparities and cultural barriers[39]. Overcoming these challenges requires addressing overconfidence about financial knowledge, lack of government initiatives, and the need for engaging teaching methods [42]. Long-term evaluation of programs and tailored interventions are crucial for improving financial literacy outcomes in developing nations[39, 41].

The unique research gap for this study is provided by the intersection of financial literacy and its function in fostering economic empowerment through Tanzania's traditional and digital financial systems. Although previous research has examined financial literacy and financial inclusion separately, little of it has explicitly examined how financial literacy facilitates the efficient use of digital financial services (like mobile money platforms) to reduce economic disparities, especially for marginalized groups like women, youth, and rural populations. Furthermore, little is known about how Tanzanian cultural, infrastructure, and policy-specific constraints affect the efficacy of financial literacy initiatives. For instance, even though the use of mobile money has grown dramatically, issues with poor financial literacy and improper use of digital financial tools still exist leading to financial distress.

This study investigates the role of financial literacy in promoting economic empowerment in Tanzania, focusing on opportunities and challenges. It aims to assess current financial literacy levels among diverse socio-economic groups, including rural populations, women, and youth, to understand disparities and inform targeted interventions. The research explores how financial literacy impacts access to and effective use of traditional and digital financial services, particularly in leveraging mobile money platforms for economic growth. The study also identifies opportunities for financial literacy to enhance economic independence, such as through digital technologies and innovative learning platforms, which can increase inclusivity and resilience. Additionally, it examines challenges such as cultural norms, infrastructural gaps, and inadequate policy frameworks that hinder the success of financial education initiatives. Finally, the research seeks to provide actionable recommendations to improve financial literacy programs, contributing to sustainable economic empowerment and inclusive growth in Tanzania's dynamic socio-economic landscape.

This study is significant as it highlights the pivotal role of financial literacy in fostering economic empowerment and addressing socio-economic disparities in Tanzania. By exploring the relationship between financial literacy, access to financial services, and economic stability, the research provides critical insights into empowering marginalized groups such as women, youth, and rural communities. It emphasizes s the importance of financial literacy in leveraging digital technologies, fostering financial inclusion, and promoting sustainable development. Furthermore, the study offers evidence-based recommendations for policymakers, educators, and financial institutions, enabling them to design effective programs and interventions that enhance financial capabilities and contribute to inclusive economic growth in Tanzania.

The remaining part of this paper is arranged as follows: Methodology of the study is in section 2, section 3 contains results and discussions of the findings, while conclusion, recommendations and areas for future study are presented in section 4, followed by acknowledgement to stakeholders of this study in section 5,

2. RESEARCH METHODOLOGY

This study aims to examine the role of financial literacy in promoting economic empowerment among 315 respondents drawn from Kilolo and Iringa Urban Districts in Tanzania. The methodology outlines the research design, sampling procedures, data collection methods, and data analysis techniques employed to achieve the study objectives.

2.1 Research Design

The study adopted a descriptive and explanatory research design to explore the relationship between financial literacy and economic empowerment. The descriptive aspect provided an overview of the current levels of financial literacy, while the explanatory component investigated the impact of financial literacy on access to financial services and economic empowerment. This mixed-methods approach enabled a comprehensive understanding of the phenomenon under study.

2.2 Study Area and Sampling Procedures

The research was conducted in Kilolo and Iringa Urban Districts, chosen for their diverse socio-economic and demographic characteristics. These areas represent rural and urban settings with varying levels of access to financial services, making them ideal for assessing the challenges and opportunities in promoting financial literacy.

A multi stage sampling technique was employed to select 315 respondents. Stage one was selection of wards and villages from each district, six wards were purposively selected based on their population size, economic activities, and accessibility. In each ward, two villages were randomly selected, resulting in 24 villages across the two districts. **Stage two r**respondents were drawn from households in each selected village. A systematic random sampling method was applied, selecting household from a village. From each household, one respondent aged 18 years or older, and actively involved in financial decision-making, was chosen. The sample was proportionately distributed between the two districts, with 157 respondents from Kilolo and 158 from Iringa Urban to ensure adequate representation.

2.3 Data Collection Methods

Structured questionnaires were administered to collect quantitative data on respondents' financial literacy levels, access to financial services, and economic empowerment status. Semi-structured interviews were conducted with key informants, including local leaders, financial service providers, and community-based organization representatives, to gain qualitative insights. Focus **Group Discussions (**FGDs) were organized in each district to explore community perspectives on financial literacy and its role in economic empowerment.

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2.4 Data Analysis

Quantitative data from surveys were analysed using descriptive and inferential statistics. The Statistical Package for Social Sciences (SPSS) was used for data entry and analysis. Key statistical techniques included, ddescriptive statistics (means, percentages, and frequencies) to summarize respondents' characteristics and financial literacy levels. Qualitative data from interviews and FGDs were analysed thematically. Key themes were identified, coded, and interpreted to complement quantitative findings.

3. RESULTS AND DISCUSSIONS

In this section the results and discussion of the findings are presented, they begin with simple demographic information of 315 respondents followed by main indicating factors in the form financial literacy, financial inclusion, economic empowerment and challenges in financial inclusion.

3.1 Demographic Information of Respondents

This section presents general information of respondents such as gender, age, education level of respondents, and employment status of the respondents approached with interview, focus group discussion and questionnaires.

3.1.1 Respondent's Gender.

The gender distribution of respondents in this study was notable for its relatively balanced representation, though slight variations were observed between Kilolo District and Iringa Urban District. The results in table 1 shows that, in Kilolo, 86 respondents, accounting for 54.8% of the sample, were male, while 71 respondents, representing 45.2%, were female. This distribution suggested a slight male predominance in participation, potentially reflecting the socio-cultural dynamics of rural settings where men are more likely to engage in studies related to financial literacy and economic empowerment due to their roles in decision-making and access to resources.

In Iringa Urban, the proportion of male respondents was marginally higher at 56.3% (89 respondents), while females constituted 43.7% (69 respondents) as shown in table 1. The slight decrease in female participation in urban areas could have been influenced by competing responsibilities or a lack of targeted outreach to women. These findings emphasized the need for gender-sensitive approaches to ensure equitable representation in similar studies and interventions.

3.1.2 Age Group of Respondents

The age distribution of respondents in this study revealed important patterns that highlighted the engagement of various age groups in both Kilolo District and Iringa Urban District. In table 1, among participants aged 18 to 25 years, there were 45 respondents in Kilolo (29%) and 50 respondents in Iringa Urban (32%). This age group represented a significant proportion of younger adults, often characterized by their openness to new ideas and technologies, particularly in financial literacy and economic activities. Their participation emphasizes the importance of integrating youth-focused strategies in financial education programs, given their potential to drive long-term socio-economic change.

The largest proportion of respondents belonged to the 26 to 35 age group, with 65 respondents (41%) from Kilolo and 60 respondents (38%) from Iringa Urban. This cohort likely represented a group actively involved in employment, entrepreneurship, or farming activities, making them key stakeholders in efforts to enhance economic empowerment. Their substantial participation demonstrated their readiness to engage with financial systems and leverage available opportunities for growth.

The 36 to 50 age group comprised 35 respondents in both districts, accounting for 22% of the samples in each. This group typically reflected mid-career individuals or those managing families and established economic activities. Their steady involvement suggested their recognition of the value of financial literacy in improving their economic stability and resilience.

The smallest representation was from respondents aged 51 years and above, with 12 participants (8%) in Kilolo and 13 participants (8%) in Iringa Urban. This group, though limited in number, demonstrated an interest in financial empowerment, possibly motivated by the need to secure their livelihoods or pass on financial knowledge to younger generations. These findings presented the varying priorities and capacities of different age groups, emphasizing the need for tailored approaches that address the specific needs of each cohort in financial literacy initiatives.

Table 1: Demographic information.

Demographic Factor	Category	Kilolo (N=157)	Iringa (N=158)
Gender	Male	87 (55%)	92 (58%)
	Female	70 (45%)	66 (42%)
Age Group	18-25 years	45 (29%)	50 (32%)
	26-35 years	65 (41%)	60 (38%)
	36-50 years	35 (22%)	35 (22%)
	51 years and above	12 (8%)	13 (8%)
Education Level	Primary School	50 (32%)	40 (25%)
	Secondary School	75 (48%)	85 (54%)

	Higher Education	32 (20%)	33 (21%)
Employment Status	Self-employed	90 (57%)	85 (54%)
	Formal Employment	40 (25%)	50 (32%)
	Unemployed	27 (18%)	23 (14%)

3.1.3 Respondents Education Background

The educational background of respondents in this study exposed significant variations across Kilolo District and Iringa Urban District, describing on the influence of education on financial literacy and economic empowerment. Results in table 1 shows that, in Kilolo, 50 respondents, accounting for 32% of the sample, reported having completed primary school as their highest level of education. This percentage highlighted the foundational role of primary education in rural settings, where formal schooling often ends early due to socio-economic challenges such as limited access to schools, cultural factors, or financial constraints. In Iringa Urban, the proportion of respondents with primary education was lower, with 40 individuals (25%), reflecting better access to higher levels of education in urban areas.

Secondary school education was the most common level of attainment among respondents in both districts. In Kilolo, 75 individuals (48%) had completed secondary school, while in Iringa Urban, this figure was slightly higher at 85 respondents (54%) as depicted in table 1 . This trend suggested that secondary education had become more accessible and valued in both settings, providing individuals with basic skills and knowledge necessary for engaging with financial systems and economic activities. Respondents with secondary education were more likely to have a better understanding of financial concepts and participate in formal economic opportunities, reflecting the critical role of this level of education in bridging the gap between primary and higher education.

The proportion of respondents with higher education was relatively small in both districts, though slightly higher in Iringa Urban. In table 1, Kilolo, 32 respondents (20%) reported attaining higher education, while in Iringa Urban, the figure was 33 respondents (21%). These individuals likely represented professionals or entrepreneurs who had access to advanced financial knowledge and were better equipped to cross complex economic systems. Their participation emphasizes the importance of higher education in fostering financial insight and innovative economic practices. The differences in educational attainment between rural and urban settings emphasized the need for policies and interventions that expand access to education at all levels, ensuring that individuals across different settings can benefit from financial literacy initiatives tailored to their capabilities.

3.1.4 Employment Status of Respondents

The employment status of respondents in Kilolo District and Iringa Urban District revealed significant differences in economic engagement and access to financial resources. The results in table 1 illustrate that, in Kilolo, the majority of respondents, 90 individuals (57%), reported being self-employed. This high percentage reflected the rural nature of Kilolo, where self-employment in agriculture, small-scale trade, and informal enterprises served as the primary sources of income. Many respondents engaged in farming activities, small businesses, or community-based ventures, often relying on informal financial systems such as savings groups to manage their economic needs. The self-employment trend in Kilolo highlighted the importance of financial literacy programs tailored to the unique needs of rural entrepreneurs, particularly in managing resources, accessing credit, and scaling small businesses.

In Iringa Urban, self-employment also constituted a significant proportion of the sample, with 85 respondents (54%) identifying as self-employed. However, the urban environment offered a more diverse range of opportunities, including small businesses, freelance work, and entrepreneurial ventures in sectors such as technology, retail, and services. Respondents in this category were more likely to have access to formal financial institutions and advanced digital tools, reflecting the urban advantage in economic resources and infrastructure. Despite these opportunities, many urban self-employed individuals faced challenges such as stiff competition, high operational costs, and limited access to affordable credit, emphasizing the need for targeted support and training.

Formal employment showed a notable difference between the two districts. In Kilolo, only 40 respondents (25%) reported being in formal employment, table 1, reflecting limited opportunities for salaried jobs in rural areas. Formal employment in Kilolo was often concentrated in education, healthcare, and public service sectors, where financial stability was relatively higher compared to self-employment. In contrast, Iringa Urban exhibited a higher proportion of respondents in formal employment, with 50 individuals (32%). The urban environment offered better access to structured job opportunities in industries such as finance, education, and government services. Respondents in formal employment were more likely to have regular incomes and access to employer-based financial programs, such as pensions and health insurance, enhancing their financial security

The proportion of unemployed respondents was relatively low in both districts, although slightly higher in Kilolo as shown in table 1. In Kilolo, 27 respondents (18%) were unemployed, reflecting the economic limitations in rural areas, where opportunities for income generation are often seasonal and dependent on agricultural cycles. The unemployment rate in Iringa Urban was lower, with 23 respondents (14%), indicating better access to diverse job opportunities in the urban context. Unemployed respondents in both districts faced significant barriers to financial empowerment, such as limited access to credit, lack of consistent income, and reliance on informal support systems. These findings emphasized the importance of financial literacy programs that cater to different employment statuses, enabling individuals to maximize their economic potential and improve their financial well-being.

3.2 Financial Literacy

The study examined the financial literacy levels of respondents, focusing on key aspects such as budgeting, savings, interest rates, and calculations of interest. The findings in figure 1 discovered that knowledge of basic budgeting was the most prevalent, with 250 respondents (79.4%) demonstrating an understanding of how to plan and manage household or business finances effectively. This high percentage emphasize the widespread recognition of budgeting as a fundamental tool for financial stability. One respondent from Kilolo stated,

> *"Learning to budget my income has helped me save for my children's school fees and plan for emergencies,"* highlighting the practical benefits of financial education.

Financial service providers in Iringa Urban emphasized the importance of budgeting, with one representative noting,

> *"We offer workshops to teach budgeting because it's the foundation of personal and business financial management."*

Awareness of savings products ranked second, with 210 respondents (66.7%) in figure 1, indicating familiarity with various savings options such as bank accounts, savings groups, and mobile money wallets. In Kilolo, Community-Based Organization (CBO) representatives played a significant role in promoting savings through Community Microfinance Groups (CMGs):

> *"Our CMGs meetings educate members on the importance of savings and provide a platform to access small loans,"* said a CBO leader.

Respondents in Iringa Urban benefited from more formalized savings options, with financial institutions actively promoting their products. However, challenges such as mistrust of financial institutions and low incomes were frequently cited as barriers to increased savings.

Understanding of interest rates was moderate, with 180 respondents (57.1%) reporting knowledge of how interest rates affect borrowing and saving. Rural respondents were less familiar with this concept, often due to limited exposure to formal financial systems. A local leader in Kilolo remarked,

> *"Most people here borrow from informal sources where interest rates are unclear, so they don't see the need to understand formal banking terms."*

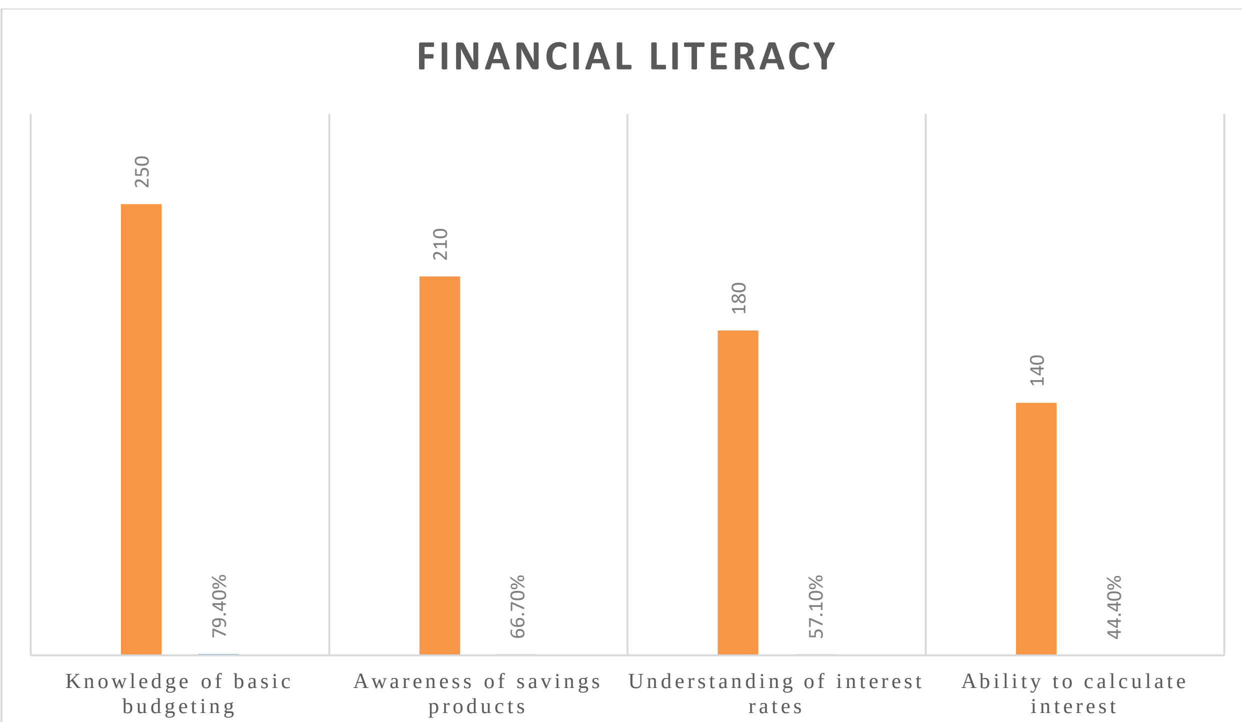

Figure 1: Financial literacy

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In contrast, respondents in Iringa Urban demonstrated a higher awareness of interest rates, as urban environments offered more opportunities to engage with formal financial institutions.

The ability to calculate interest was the least understood aspect, with only 140 respondents (44.4%) able to perform basic interest-related calculations. This gap highlighted a critical area for improvement in financial literacy programs. A financial service provider in Iringa Urban explained,

> *"We encounter many clients who don't understand how interest on loans or savings is calculated, which affects their ability to make informed financial decisions."*

Similarly, a rural CBO leader noted that while members of savings groups grasped the concept of interest, they often relied on group leaders to handle calculations, which limited individual empowerment.

These findings show the importance of tailored financial literacy programs that address the unique needs of both rural and urban populations. Such programs should focus on practical skills and leverage local leaders and organizations to ensure widespread reach and effectiveness. As one respondent summarized during FGD:

> *"Understanding these financial concepts gives us power over our money and helps us plan for a better future."*

3.3 Financial Inclusion

The study explored into the state of financial inclusion among respondents, highlighting access to mobile money, bank account ownership, membership in savings groups, and access to microloans. The results in figure 2 shows that, mobile money access emerged as the most widespread, with 290 respondents (92.1%) reporting active use of mobile money platforms for transactions such as sending and receiving money, paying bills, and saving small amounts. This finding describes the transformative impact of mobile money services, particularly in rural and semi-urban areas where traditional banking infrastructure was limited. One respondent from Kilolo remarked:

> *"Mobile money has changed how we handle money; I can pay school fees or buy farm inputs without traveling to town."*

A financial service provider in Iringa Urban noted:

> *"Mobile money has been a game-changer, offering convenience and inclusivity to underserved populations."*

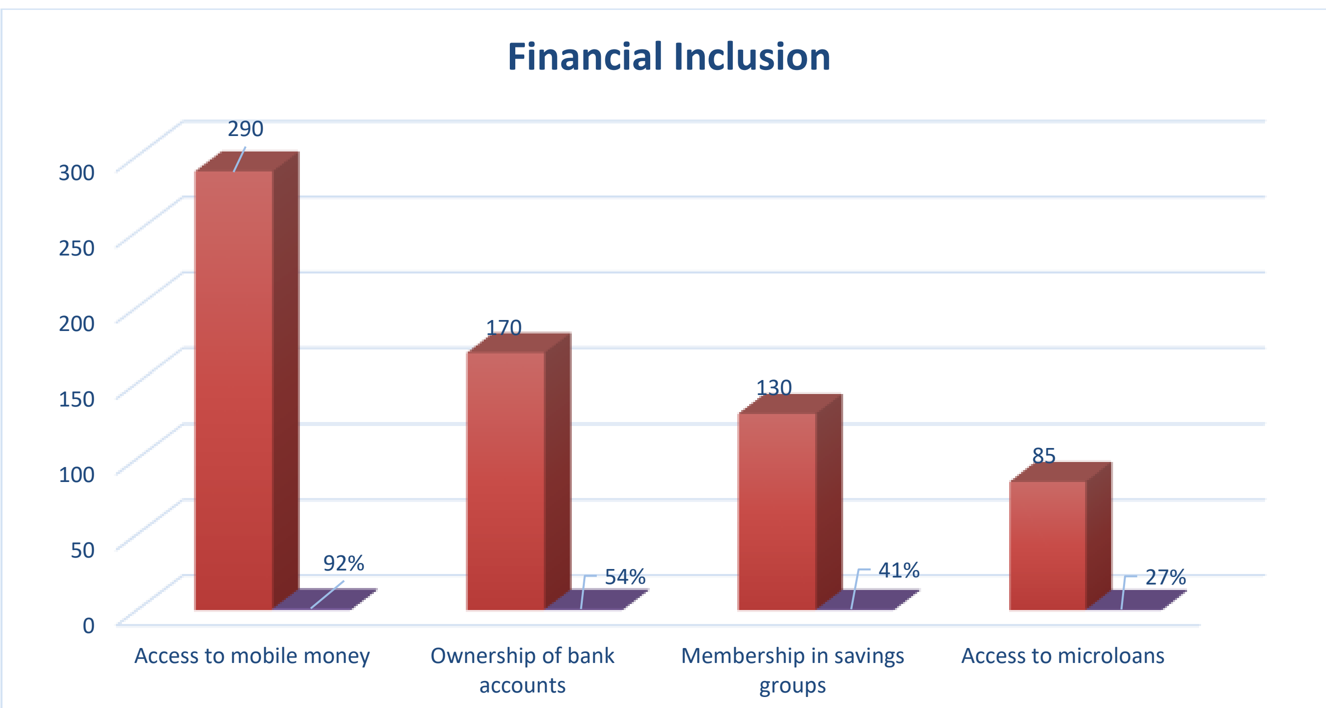

Figure 2: Financial inclusion.

Bank account ownership was moderate, in figure 2, with 170 respondents (54.0%) indicating they held accounts with formal financial institutions. Respondents in Iringa Urban were more likely to have bank accounts compared to those in Kilolo, attributed to better access to banking facilities in urban areas. A local leader in Kilolo observed:

> *"Many people here find it challenging to open bank accounts due to distance and high account maintenance fees."*

On the other hand, urban respondents benefited from promotional campaigns and simplified account-opening

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procedures. A financial institution representative explained during FGDs:

> *"We have introduced low-cost accounts to attract more people into the formal banking system."*

Membership in savings groups, such as Community Microfinance Groups (CMGs) was recorded at 130 respondents (41.3%) figure 2, showcasing their importance, particularly in rural areas. CBOs played a critical role in promoting these groups as a viable alternative to formal financial systems. A CBO representative from Kilolo emphasized:

> *"Savings groups empower communities by providing financial access and fostering a culture of saving."*

These groups also created opportunities for members to access small loans, which were especially crucial for women and micro-entrepreneurs.

Access to microloans was the least common indicator, with only 85 respondents (27.0%) reporting they had received such loans. Challenges such as strict loan requirements, high interest rates, and limited awareness hindered broader access. A respondent in Kilolo shared:

> *"I tried to apply for a microloan, but the paperwork and guarantor requirements were too demanding."*

Conversely, urban respondents had slightly better access due to the presence of microfinance institutions and loan schemes tailored for small businesses. A financial service provider highlighted the importance of such initiatives, stating:

> *"Microloans are essential for nurturing small enterprises, but we must simplify processes to ensure more people benefit."*

These findings show the need for tailored interventions to enhance financial inclusion. Programs should focus on expanding mobile money education, simplifying access to bank accounts, strengthening savings groups, and addressing barriers to microloans. A local leader concluded:

> *"When financial services reach everyone, especially those in rural areas, we unlock opportunities for growth and improve livelihoods."*

3.4 Economic Empowerment

The study examined economic empowerment among respondents, focusing on their participation in small businesses, engagement in agriculture, ownership of productive assets, and involvement in trade activities. A significant proportion of respondents in figure 3, 200 (63.5%), reported active participation in small businesses such as retail shops, tailoring, and food vending. These businesses were primarily driven by the need to supplement household income and address unemployment challenges. One respondent in Iringa Urban remarked:

> *"Starting a small business was my way of ensuring my children go to school without interruptions. It has not been easy, but it's worth it."*

Financial service providers also highlighted the role of microloans and training in enhancing business viability. As one provider noted:

> *"Access to credit and basic financial training has enabled many entrepreneurs to expand their businesses and improve their earnings."*

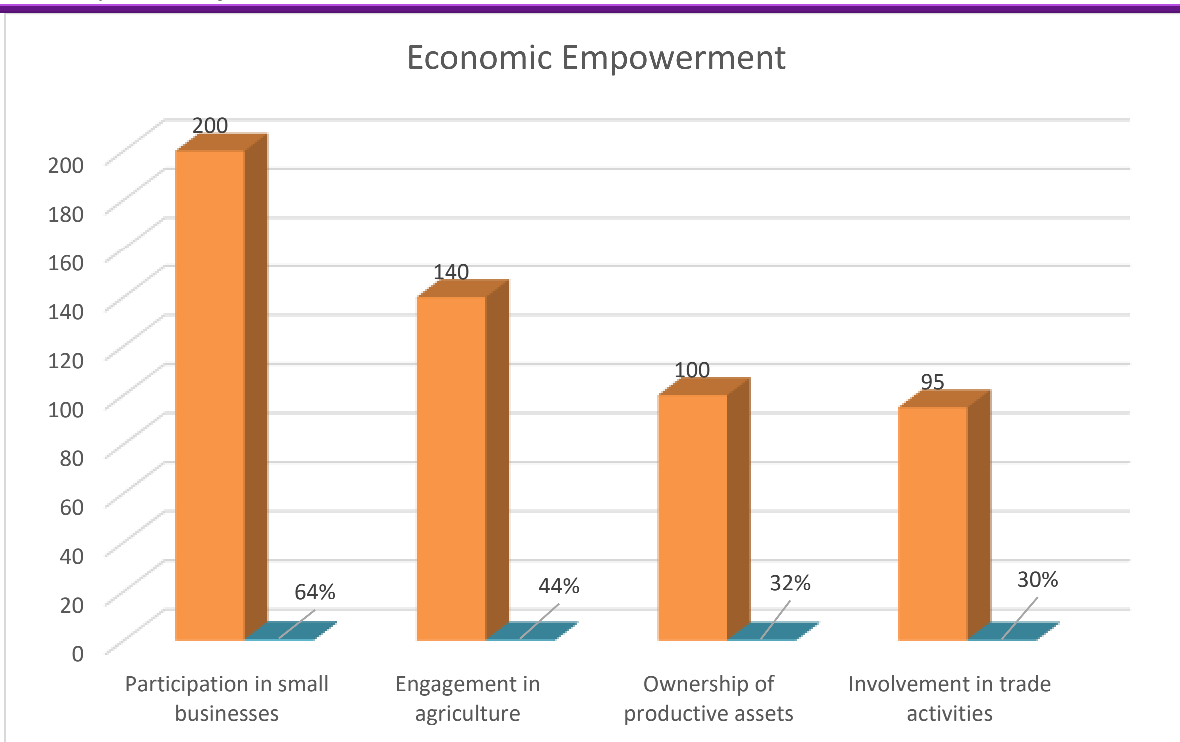

Figure 3: Economic empowerment.

Engagement in agriculture was the second most common activity, with 140 respondents (44.4%) in figure 3, identifying farming as their primary or supplementary source of livelihood. Most respondents in Kilolo engaged in subsistence farming and small-scale production of crops like maize, beans, and vegetables. A local leader from Kilolo emphasized the sector's significance, stating:

> *"Agriculture remains the backbone of our community, but farmers need better access to inputs and markets to thrive."*

Challenges such as unpredictable weather, limited access to modern farming techniques, and inadequate capital were frequently mentioned as barriers to increased agricultural productivity.

Ownership of productive assets was reported by 100 respondents (31.7%), including livestock, farming tools, and business equipment. These assets were seen as a critical foundation for economic resilience and long-term empowerment. However, asset ownership was more prevalent in rural areas, where agriculture played a dominant role. One respondent in Kilolo explained:

> *"Owning a plough and a few cows has been essential for my family's survival. We use the income from milk sales to cover household expenses."*

Involvement in trade activities, such as buying and selling goods at local markets, was noted by 95 respondents (30.2%) figure 3. This form of economic activity was more prominent in urban areas, where market opportunities were more accessible. A local leader in Iringa Urban commented during FGDs:

> *"Trade activities provide a reliable income for many families here, but competition and lack of working capital remain significant challenges."*

Financial service providers emphasized the importance of accessible credit facilities for traders to expand their operations. As one provider explained:

> *"When traders can secure affordable loans, they invest in stock and transportation, which ultimately benefits the local economy."*

These findings show the diverse ways respondents sought to empower themselves economically, despite challenges such as limited resources, market access, and financial literacy. Addressing these barriers could significantly enhance economic empowerment and improve livelihoods.

3.5 Challenges

The study exposed several challenges that hindered financial empowerment and inclusion among respondents as described in figure 4, with low financial literacy levels emerging as the most prominent issue, affecting 180 respondents (57%). Many individuals struggled with basic financial concepts such as budgeting, savings, and interest calculation. This lack of understanding often resulted in poor financial decision-making and vulnerability to exploitation. A respondent in Kilolo lamented:

> *"I once took a loan but did not understand how the interest worked. I ended up paying much more than I expected, which strained my family's income."*

Financial service providers acknowledged this gap, with one stating:

> *"We often see clients mismanaging funds due to insufficient financial knowledge. There is a critical need for widespread financial education."*

Limited access to formal financial services was another major challenge, reported by 145 respondents (46%) in figure 4. Many rural residents faced significant barriers, including the absence of banking infrastructure, high transaction costs, and complicated application processes. A local leader in Kilolo explained:

> *"Many people in our community do not have banks nearby, and even when they do, the requirements are often beyond their reach."*

This restricted access forced many individuals to rely on less reliable informal services, further perpetuating financial exclusion. Financial institutions recognized this issue, with one provider noting,

> *"Expanding our reach into underserved areas is a priority, but logistical and operational challenges remain significant."*

High dependency on informal loans was reported by 120 respondents (38%), highlighting a lack of access to affordable formal credit. Informal lenders often charged excessive interest rates, trapping borrowers in cycles of debt. A respondent in Iringa Urban shared:

> *"I had to borrow from a moneylender to pay for my child's school fees. The interest was so high that I had to sell some of my belongings to repay the loan."*

This reliance on informal credit mechanisms show the urgency of providing accessible and affordable microloans to underserved populations.

Gender disparity in access to financial services affected 100 respondents (32%) figure 4, with women disproportionately experiencing challenges in accessing credit, savings products, and financial training. Cultural norms and limited asset ownership were cited as key barriers. A representative of a community-based organization explained during FGDs:

> *"Many women are excluded from formal financial systems because they lack collateral or decision-making power within their households."*

One female respondent remarked:

> *"I wanted to join a savings group, but my husband didn't think it was necessary, so I couldn't."*

Local leaders emphasized the importance of addressing these disparities, with one stating:

> *"Empowering women financially is critical for community development. We need more programs that specifically target women."*

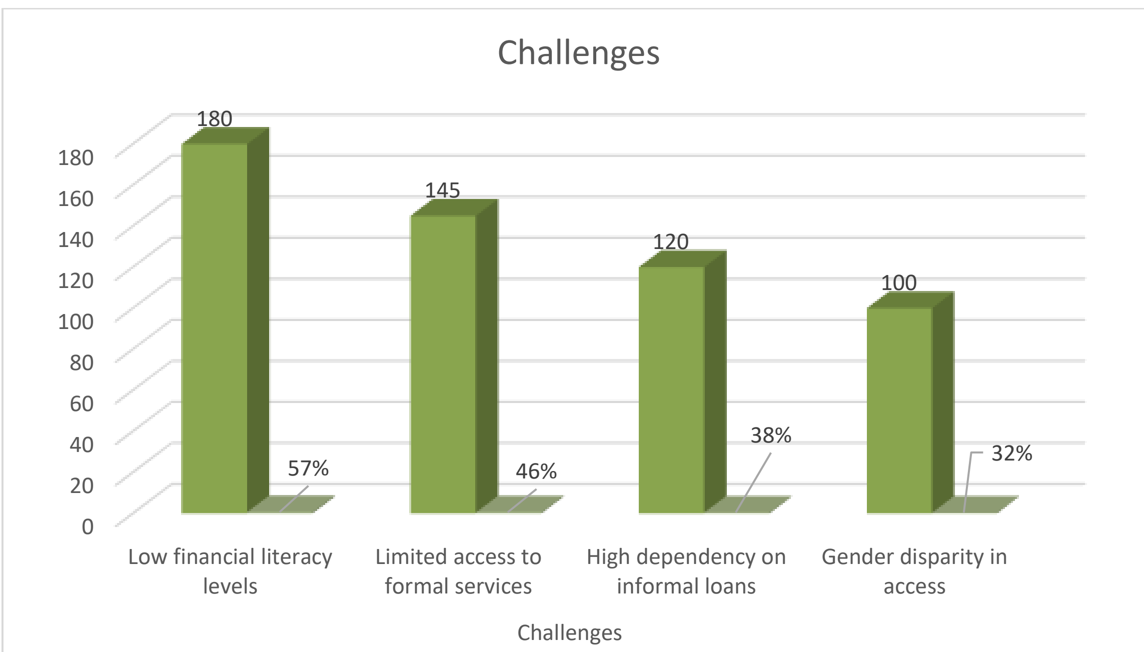

Figure 4: Challenges

These challenges show the need for tailored interventions to improve financial literacy, expand access to formal services, and promote equitable opportunities for all. As one financial provider concluded:

> *"Building inclusive financial ecosystems requires addressing systemic barriers and creating solutions that serve the unique needs of diverse populations."*

4. CONCLUSION AND RECOMMENDATIONS

The study provided valuable understandings into the financial literacy, inclusion, and economic empowerment of individuals in in Tanzania specifically at Kilolo and Iringa Urban districts. The findings highlighted significant progress in areas such as access to mobile money and small business participation but also revealed critical challenges, including low financial literacy levels, limited access to formal services, high dependency on informal loans, and gender disparities. These barriers hindered many respondents from fully benefiting from available financial opportunities and achieving sustainable economic growth. The voices of respondents, financial service providers, and local leaders exposed the urgency of addressing these issues through targeted interventions and collaborative efforts. Improving financial knowledge, expanding formal service access, and promoting gender equality are vital for fostering financial empowerment and economic development in these communities.

The study recommends the following:

- Need for the Government and Private Sectors to enhance conducting ffinancial education campaigns and awareness to improve knowledge of budgeting, savings, interest rates, and financial products. Collaboration and partnership between financial service providers, community-based organizations, religious and local leaders can ensure wide outreach. For example, workshops and radio programs can be tailored to address common misconceptions.
- Increasing formal financial access points in the underserved areas in which can reduce dependency on informal lenders. Mobile banking innovations should also be promoted to overcome physical barriers. Simplified application processes and reduced costs can make these services more inclusive.
- Microfinance service providers should offer low-interest loans to support micro and small businesses and agricultural ventures. Group-based lending models and savings groups can provide a reliable alternative to exploitative informal loans.
- Programs that empower women economically should be prioritized. Financial products tailored for women, combined with training on financial management and asset ownership, can help bridge the gender gap. Community sensitization campaigns can also address cultural norms limiting women's financial access.
- Supporting CBOs to facilitate savings groups, financial training, and economic initiatives can create sustainable local CBO representatives can act as intermediaries between financial institutions and rural communities.
- Provide training on the use of digital platforms to ensure marginalized groups, especially in rural areas, can effectively use these services including mobile money, mobile banking and online banking
- Ensuring the essential government officials are capacitated to be the Certified Financial Educators as are at the bottom of the pyramid of the community. Training of Trainers Program such as Community Officers, Business Officers and Cooperative Officers will support to empower the marginalized population segments such as women, smallholder farmers and microbusiness owners in the rural population.
- Need for policymakers, financial sector regulators and other regulatory authorities, to design policies that address systemic barriers. Establishing monitoring mechanisms will ensure the effective implementation of these recommendations and their alignment with community needs.

Areas for Future Research

- Future studies could explore deeper into the factors contributing to gender disparities in financial access and their impact on women's economic empowerment**.**
- Investigating the long-term impact of financial literacy programs on individuals' financial behaviour and economic outcomes would provide valuable insights.
- Analysing the impact of micro and small business support programs, training initiatives, and agricultural investment schemes on household income, asset ownership, and community development.
- Investigating systemic barriers, such as regulatory frameworks, high transaction costs, and limited financial infrastructure.

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