الاشتمال المالي في الأردن
Financial Inclusion In Jordan

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List of acronyms and abbreviations

ABJ	Association of Banks in Jordan
ACH	Automated clearing house
AML	Anti-money laundering
API	Application programming interface
ATM	Automatic Teller Machine
BFC	Business & Finance Consulting
CBJ	Central Bank of Jordan
CGAP	Consultative Group to Assist the Poor
CFT	Combatting the financing of terrorism
DEF	Development and Employment Fund
DFS	Digital financial services
DOS	Department of Statistics
EBRD	European Bank for Reconstruction and Development
EMVCo	Europay, Mastercard, Visa Company
EU	European Union
FI	Financial institution
GDP	Gross Domestic Product
GCC	Gulf Cooperation Council
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
IFC	International Finance Corporation
IMF	International Monetary Fund
JLGC	Jordan Loan Guarantee Corporation
JOD	Jordanian dinar (currency)
JoPACC	Jordan Payments and Clearing Company
JPSF	Jordan Postal Savings Fund
KYC	Know your customer
LLC	Limited liability company
MFI	Micro-Finance Institution
MIT	Ministry of Industry, Trade and Supply
MSME	Micro, Small and Medium Enterprise
NBFI	Non-bank financial institution
NFC	Near field communication
NGO	Non-governmental organization
NPL	Non-performing loan
POS	Point of sale
PSP	Payment Service Provider
RTGS	Real-time gross settlement
SME	Small and Medium Enterprise
TA	Technical Assistance
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNRWA	United Nations Relief and Works Agency (for Palestine Refugees in the Near East)
USD	United States Dollar
WB	World Bank

Executive summary

Overview

The Central Bank of Jordan (CBJ) and the government of Jordan formalized their commitment to increasing financial inclusion with the publication of the *National Financial Inclusion Strategy* (NFIS) for 2018-2020. The strategy defines financial inclusion as "the state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services that meet their needs, help to improve their lives, and are delivered in a responsible and sustainable way." The NFIS sets targets, defines priority segments, and identifies methods to improve financial inclusion in the future.

In early 2022, a nationally representative face-to-face survey of over 1,000 households was conducted under the CBJ's direction to measure financial inclusion levels. A similar survey had been conducted in 2017. That household survey was followed by a survey of 334 MSMEs later in the same year. The figures in this report, unless otherwise noted, are taken from these surveys.

Figure 1: Core financial inclusion indicators for households (% of adults[1])

Accounts	Savings	Borrowing	Payments	Insurance
43.1%	**4.3%**	**14.4%**	**39.8%**	**60.9%**
Have a bank account or mobile wallet	Saved money in an account in the past year	Borrowed from a financial institution in the past year	Made or received a digital payment in the past year	Have insurance

As revealed by the household survey, 43.1% of adults have an account, 14.4% of adults borrowed from a formal financial institution in the past year, 39.8% made or received a digital payment in the past year, and 60.9% have some form of insurance (Figure 1). The indicators for accounts, borrowing and digital payments are up significantly from their 2017 levels. Although the insurance ownership rate was not measured according to the same approach in 2017, it appears that insurance ownership rates have been stable since 2017.

Financial inclusion for households

Accounts

The share of adults with an account was 43.1% in early 2022, up from 33.1% at the time of the previous survey in 2017. The growth in the account ownership rate was driven mainly by mobile wallet accounts, which grew from 0.9% of adults in 2017 to 14.9% in 2022. By contrast, bank account ownership grew modestly from 32.0% in 2017 to 34.9% in 2022 despite the introduction of the Basic Bank Account product, which was designed to appeal to the unbanked population. The strong growth of mobile wallets was driven partly by the efforts of employers and the government to disburse salaries, national aid, and other payments via mobile wallets. The COVID-19 pandemic played a major role in convincing employers and the government to reduce the number of transactions by cash or check.

Savings

The share of adults that saved money in any way in the past year was 14.7% in 2022. This rather low figure can be attributed mainly to the effects of the COVID pandemic, as many households would have had less money to save, or would have felt pressure to lend money to their friends and relatives. By contrast, the World Bank's Findex study in 2017 found that 45.2% of adults had saved money. Keeping cash at

[1] For the purposes of this study, adults are defined as those aged 15 and above.

home is the preferred method for saving, practiced by 10.6% of adults. Only 4.3% of adults saved money formally in an account in 2022, down from 9.3% in 2017.

Borrowing

Borrowing rates in 2022 were high in general but were driven mainly by borrowing from informal sources. The share of adults that borrowed informally in the past year was 39.3%, much higher than the 14.4% that borrowed from formal sources. Both the informal and formal borrowing rates were up from 2017 levels, when 13.3% borrowed informally and 9.9% borrowed formally. The increase in borrowing in 2022 can be attributed mainly to the COVID pandemic, when households turned to borrowing, especially from friends and relatives, to compensate for reduced income. The 2022 result highlights the importance of MFIs to financial inclusion, with 8.3% of adults reporting that they borrowed from an MFI, higher than the 6.6% rate than borrowed from a bank. Other non-bank financial institutions (NBFIs) aside from MFIs, such as finance companies and government-sponsored lenders, are increasingly contributing to financial inclusion. 1.9% of adults borrowed from such NBFIs in the past year, up from 1.0% in 2017. The Finance Companies Regulation No. 107, which came into force in May 2022, will bring these NBFIs under the supervisory and regulatory umbrella of the CBJ for the first time. This could have a profound impact on financial inclusion, potentially reducing the overall number of intermediaries but, in the best case scenario, increasing the quality of services provided by those that remain.

Payments and transfers

Households are rapidly increasing their usage of digital channels to make and receive payments and money transfers. The share of adults that made or received a digital payment in 2022 was 39.8%, more than double the 18.3% observed in 2017. The COVID pandemic contributed significantly to this change. Employers become more willing to disburse salaries by account rather than in cash; the government disbursed a much higher share of financial aid to accounts; and households became more cautious about handling cash in order to avoid infection. Aside from the pandemic, many other factors influenced the increasing digital payment usage rate, including the impact of government-sponsored awareness-building initiatives, greater availability of POS terminals, and improvements in the technical infrastructure for payments. The relatively new CliQ payment system offers free, instantaneous money transfers between banks and PSPs, and is likely to lead to greater volumes of electronic transfers. Payment cards (which may be debit, credit or prepaid) are the main instrument for making electronic payments and are held by 24.7% of adults in Jordan. However, cardless payments by QR code are starting to become accepted and are likely to increase in popularity.

Insurance

Insurance is the product with the highest ownership rate among all the categories of financial products in Jordan. In 2022, 60.9% of adults had some form of insurance. Part of the reason for the relatively high ownership rate is that most adults are receiving insurance automatically, without needing to apply, through their employer, through government programs for low-income families, or as an add-on to another financial product like a loan. It is relatively uncommon for individuals to apply for and purchase insurance (other than compulsory auto insurance) on their own initiative. Medical insurance is by far the most popular type of policy, held by 55.5% of adults. This is followed by auto insurance (16.9% of adults), life insurance (4.7%) and property insurance (0.9%). Most insurance policies are issued in group form by employers, with a relatively small share issued to individuals.[2] Microinsurance is present in Jordan and usually takes the form of life insurance and hospitalization insurance that is connected to the issuance of a microloan. Although nearly half of Jordanian banks have a license to engage in bancassurance, the volume of insurance issued through banks is reportedly low. Unlike banks and MFIs, insurance companies have not yet taken advantage of online and mobile systems as a means to educate, promote

[2] The exact share of group policies versus individual policies is not tracked. The conclusion is based on comments from managers of insurance companies.

and sell their products, which may explain why relatively few policies are issued to individuals (versus group policies).

Priority segments

The NFIs identifies women, refugees, young people, low-income households and MSMEs as priority segments that tend to exhibit below-average rates of financial inclusion. The financial inclusion indicators for these segments are presented below. MSMEs are also identified as a priority segment but are discussed in a separate section of the report specifically on MSME financial inclusion.

Women

Women face significant financial inclusion gaps for account ownership and digital payment usage. The rate of account ownership in 2022 was 31.0% for women and 53.1% for men, a gap of 22.1%. Although women's account ownership rate increased since 2017, when it was 27.2%, the account ownership rate for men increased by a much higher amount (it was 37.6% for men in 2017), so the gap increased significantly. The lower account ownership rate for woman appears to be closely linked to their income levels, which are lower than those of men. Women in the top 60% of all earners have nearly the same account ownership rate as men. Because digital payments are usually made with an account, the lower rate of digital payments for women is consistent with the findings for account ownership. In the past year, 27.4% of women made or received a digital payment, far below the rate of 50.2% for men. Similarly, the lower rate of women with an account contributes to the finding that women are less likely to save in an account than men. 3.3% of women saved in an account in the past year, compared to 5.1% of men. In terms of formal borrowing, women were slightly more likely to borrow from a financial institution in the past year (14.4% of women did so compared to 14.3% of men). Women have relatively low rates of bank borrowing but high rates of borrowing from MFIs. The share of women with insurance (60.7%) is nearly the same as that of men (61.1%). Women are more likely to have medical insurance but less likely than men to have life or auto insurance.

Refugees

Refugees have much lower formal financial inclusion indicators for all four product categories: accounts, borrowing, digital payments and insurance. Only 12.1% have an account, 0.0% saved money in an account in the past year, 5.5% borrowed from a formal source in the past year, 10.4% made or received a digital payment in the past year, and 17.6% have insurance. These indicators are all far below average. To some extent the lower financial inclusion indicators can be explained by lower income and employment levels. Refugees earn a median income of JOD 60 per month, compared to JOD 200 for others. Some financial institutions, especially banks, choose not to work with Syrian refugees at all, considering them to be a high-risk segment. Consequently, refugees are heavy users of informal credit. Two thirds (66.5%) of survey respondents who were refugees stated that they had borrowed from an informal source in the past 12 months. And none of the respondents reported having received a bank loan, although some (5.5%) did receive a loan from an MFI. Although many refugees do not have a national ID card, alternative forms of identification such UNHCR cards or residence permits are increasingly being accepted by some financial institutions.

Youth

Like refugees, young people aged 15 to 24 face gaps in the ownership and usage of accounts, savings, credit, digital payments and insurance relative to older people. The share of young people with an account is 23.9%, less than half the ratio of 50.9% for those 25 and older. Similarly, only 23.3% of youth made or received a digital payment in the past 12 months, exactly half the 46.6% rate for older adults. The rate of young people that saved in an account in the past year was 2.6%, slightly more than half of the rate of 5.0% for older adults. Just 5.2% of young people received a loan in the past 12 months, compared to 18.1% for older adults. Like refugees, bank borrowing is much less common among young people than borrowing from MFIs. The share of young people with insurance is relatively high at 53.8%, mainly as a result of young people being covered under the health insurance policies of their parents, although it is nevertheless below the 63.9% rate for older adults.

Low-income households

Low-income households have low ownership and usage indicators for accounts, savings, formal borrowing, digital payments, and insurance. Specifically, 19.5% of adults with low income have an account, 1.7% saved money in an account in the past year, 8.7% borrowed formally in the past year, 17.6% made or received a digital payment in the past year, and 53.6% have insurance. For the purposes of this study, low-income households are defined as those in the bottom 40% of the total adult population in terms of their income level. Despite the low rate of formal borrowing, it appears that low-income households are often able to meet their borrowing needs through informal sources. The rate of informal borrowing is almost the same for the lower- and upper-income groups. An unexpected finding from the financial inclusion survey is that the low-income group was more likely to save money then the higher-income group, although that saving activity by low-income households was done primarily by holding cash at home rather than using an account. The relatively high rate of insurance ownership among low-income households (53.6%) is attributable to employer-provided health insurance and special government programs providing free health insurance to low-income households.

Financial inclusion for MSMEs

In connection with this study, in 2022 the CBJ and GIZ conducted what is believed to be the first major, nationally representative survey in Jordan designed to measure financial inclusion of MSMEs. The definition of MSMEs was the same as that applied by the Jordanian Department of Statistics for its Establishments Census. Specifically, micro enterprises have 1-4 employees, small enterprises have 5-19 employees and medium enterprises have 20-99 employees.[3] The study differentiates between formal MSMEs, meaning those that are legally registered as a business with the appropriate government body, and informal MSMEs, which are not legally registered.

For the most part, this survey confirmed expectations that as enterprise size increases, the level of financial inclusion likewise increases significantly. In terms of account ownership, usage of savings and investment products, borrowing, insurance, and digital payments, medium enterprises tend to have considerably higher usage rates than micro enterprises, with small enterprises in between. The study also suggests that there may be a missing middle in terms of credit for loan amounts from roughly JOD 10,000 to 100,000, as these amounts in some cases are too high for MFIs and too low for banks.

Accounts

48.2% of formal MSMEs in Jordan have a current account, and 12.9% have a mobile wallet account. Current accounts and mobile wallets are transactional accounts that make possible electronic payments and thus are particularly important to financial inclusion. Current account ownership is strongly correlated with business formality and size. Only 13.5% of informal micro enterprises have an account, rising to 43.7% of formal micro enterprises, 87.9% of small enterprises, and 100.0% of medium enterprises. By contrast, mobile wallets are one of the few financial products not strongly linked to business size, with similar ownership rates observed for micro, small and medium enterprises.

Savings and investment

15.0% of formal MSMEs have some form of savings or investment product, such as a savings account, term deposit account, certificate of deposit, stocks or bonds. The ownership rate of such products is almost the same for small and medium enterprises, at around 26.0%, but is significantly lower for formal

[3] The CBJ definition of MSMEs also includes assets and annual turnover, in addition to number of employees, as criteria. For the sake of simplicity and in order to compare the survey sample characteristics with the total population, the survey only used number of employees as a criterion.

micro enterprises, at 13.8%. Formal micro enterprises may have less awareness of such products, less excess cash to invest, or may struggle to meet the minimum product requirements, such as initial deposit sizes or average balances. None of the informal MSMEs surveyed reported having used savings or investment products. In terms of specific product types, micro enterprises and small enterprises were most likely to have a savings account, whereas medium enterprises were more likely to have a term deposit.

Credit

28.3% of formal MSMEs reported having an outstanding loan or line of credit from a financial institution. However, this result differs significantly by size, with 38% of medium enterprises and 34.5% of small enterprises having a loan from a financial institution, and27.6% of formal micro enterprises. It is likely that micro enterprises are borrowing informally in order to meet their need for credit. Another alternative source of financing that is relatively popular for all size categories is Islamic finance. 23.5% of formal MSMEs had some type of Islamic product, with ijara (Islamic leasing) being the most common.

Digital payments

The share of formal MSMEs that made or received a digital payment in the past year was 31.5%, with 29.5% making a digital payment and 13.3% receiving a digital payment from their customers. Paying utility bills was the most common form of making digital payments (by 24.5% of formal MSMEs), followed by paying suppliers (12.6%) and employees (5.4%) digitally. In terms of receiving digital payments from customers, this was mainly done by bank transfer (11.3% of formal MSMEs), POS terminal (6.0%), e-commerce sites (5.4%), and QR code (3.8%). There is a very strong trend of increasing digital payment usage as the size and formality of the enterprise increases. Only 7.7% of informal micro enterprises made or received a digital payment, compared to 72.0% of medium enterprises.

Insurance

Most MSMEs do not have any insurance connected with their business, although this indicator is highly dependent on business size. The insurance usage rate rises from 7.7% among informal micro enterprises to 29.3% for formal microenterprises, 56.9% for small enterprises and 84.0% of medium enterprises. Auto insurance is the most common type (24.0% of formal MSMEs have it), followed by health insurance (15.9%) and worker's compensation insurance (10.5%). Property insurance and liability insurance are not frequently reported on the whole, although they are used in moderate rates by medium enterprises.

Enablers and constraints

COVID-19

The COVID-19 pandemic appears to have led to increased usage of digital payments, increased demand for loans, and reduced savings activity. The demand survey revealed that 62.0% of adults in Jordan experienced a decrease in their income during the pandemic, which helps explain why savings rates declined relative to 2017 but informal borrowing rates dramatically increased. The pandemic appears to have contributed to higher account ownership, as many employers started paying salaries and by account transfer rather than by cash. Similarly, the distribution of government aid was increasingly done via mobile wallets. Among surveyed account holders, 12.8% stated that they opened their account specifically in connection with the pandemic. The Jordanian government and various international institutions have committed substantial funding to counteract the negative effects of the pandemic, which partly explains why there was not a sharp drop in lending volume from banks and MFIs during 2020 and 2021.

Financial education and literacy

Survey respondents answered 3.1 financial literacy questions correctly out of 7 total questions in 2022, suggesting that there is considerable room for improvement regarding the financial literacy level of the Jordanian population. These questions covered topics such as inflation, diversification, interest, and insurance. On the positive side, based on the six questions that were asked in both 2017 and 2022, adults showed improvement in their financial knowledge, with the average number of correctly answered questions rising from 2.6 to 2.9 over that time period. The Jordanian government and the CBJ have been very active in promoting financial literacy and education in recent years. One of the key initiatives has been the Financial Education Program, which has incorporated financial literacy classes into the core curriculum for students in grades 7 to 12.

Financial consumer protection

Financial consumer protection regulation plays an important role in financial inclusion, because such regulation provides users of financial services with greater confidence that they will be treated fairly. The initial regulations on consumer protection focused mainly on banks, but in recent years regulatory efforts have broadened to cover MFIs, exchange houses, PSPs, and other non-bank institutions. According to users of financial services, financial institutions do a good job of explaining the terms and conditions of loan products but are less diligent when it comes to accounts. Similarly, those same users admit that they are less likely to read the contract for an account than they are to read a loan contract before signing.

FinTech and digitalization

Financial institutions are investing significantly in digital transformation, which is gradually changing the way that they interact with their customers. Mobile phone apps and online banking systems are offered by nearly all formal financial institutions, with new investment being channeled towards adding functionality to those tools and making them easier to use. A 2021 survey found that 25% of Jordanians had ever used mobile banking and 13% had ever used online banking.

FinTech companies that apply technology as a core operating principle of their business have been operating for many years in the field of electronic payments. In more recent years, several FinTechs have appeared in the lending market as well. Such lending FinTechs usually apply algorithmic models to quickly and efficiently issue relatively small loans. A few FinTechs have set up technology platforms to connect investors with borrowers rather than funding the loans themselves; crowdfunding platforms are an example of this approach. FinTechs have not yet attempted to address the insurance market.

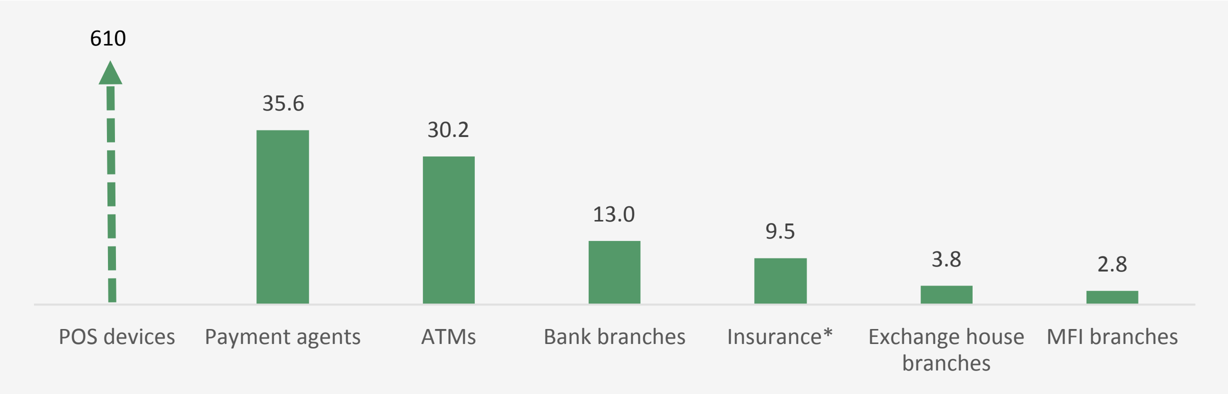
Green finance

Financial institutions in Jordan have shown an increasing interest in green finance in recent years, and there are now several banks and MFIs that offer specialized green loan products. These are typically intended for the purchase of solar rooftop systems, solar water heaters, and energy efficient appliances and equipment, and have interest rates that are below those for standard loans. The share of adults that borrowed from a financial institution for the purpose of green investment in the past 12 months was 1.0%, or 7.3% of adults who borrowed from a financial institution. The majority of those adults borrowed to finance the purchase of energy-efficient appliances. The Jordan Renewable Energy and Energy Efficiency Fund (JREEEF) is the primary government program supporting green finance through grants and subsidies on bank loans. Key constraints to the growth of green finance are the lack of reputable suppliers in smaller cities and rural areas and the length of time needed for the utility to approve each installation.

Physical infrastructure and access

Although financial institutions are increasingly turning to digital access as a means to serve their customers, physical access points such as branches and ATMs remain important drivers of financial inclusion. MFI branches tend to be relatively well distributed throughout the country, including in smaller cities and less populated governorates, but other types of access points generally exhibit a heavy concentration in Amman.

Figure 2: Number of access points per 100,000 adults (2021)



*Source: CBJ, Tanmeyah. * Insurance category includes branches, agents and brokers*

After rapid growth in recent years, agents of payment service providers (PSPs) are the most numerous category of access point, with 35.6 agents per 100,000 adults in 2021. Just three years earlier in 2018, there had been only 10.0 payment agents per 100,000 adults. The number of ATMs follows closely at 30.2 ATMs per 100,000 adults, with the number increasing only slightly in recent years. Bank branches are the next most numerous (13.0 per 100,000 adults), followed by branches, agents and brokers of insurance companies (9.5), branches of exchange houses (3.8) and branches of MFIs (2.8).

Conclusions and recommendations

The study finds that significant progress has been made in increasing financial inclusion levels in Jordan over the past five years. That progress has been driven by improvements in regulation and supervision of the financial sector, investments in technology and the digitalization of financial services, and efforts to improve the financial literacy levels of the population. Nevertheless, key indicators such as the share of adults with an account, that made a digital payment, or that have insurance remain at moderate levels, with substantial room for further growth. In addition, some priority segments such as women, young people, refugees and low-income households continue to lag far behind other segments in terms of their financial inclusion levels. With these challenges in mind, a set of recommendations are proposed that build on the gains of recent years and seek to advance financial inclusion further in Jordan. The recommendations cover the following topics:

- To undertake additional research on topics such as financial literacy, consumer protection, Islamic finance, green finance, and insurance
- To support priority segments based on a "prioritization matrix" that identifies the most important product lines for each segment
- Cancelling the tax on interest that is charged by non-bank financial institutions
- Creating incentive programs for electronic payment acceptance
- Issuing guidelines on e-signature dispute resolution
- Supporting the creation of an insurance comparison site
- Develop a regulatory framework for deposit-taking MFIs
- Continue to invest in financial literacy and education
- Create a financial benchmarking tool using tax statements of businesses

1 Overview of financial inclusion in Jordan

Defining financial inclusion. Jordan's commitment to financial inclusion is enshrined in the *National Financial Inclusion Strategy* (NFIS) for 2018-2020. The NFIS defines financial inclusion as:

> the state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services – payments, savings, credit, transactions and insurance – that meet their needs, help to improve their lives, and are delivered in a responsible and sustainable way.

Financial inclusion can be seen as having three key aspects: access, usage and quality. Access can be thought of as whether or not someone can obtain a financial product or service. Usage refers to whether or not someone actively uses a financial product or service to which they have access. Quality refers to how well a financial product or service actually fulfills its intended function and meets the needs of customers. All three aspects are equally important for understanding financial inclusion and will be explored in this report.

Measuring financial inclusion. Financial inclusion is usually measured with a combination of demand-side indicators obtained from users of financial services and supply-side indicators obtained from financial service providers. The Central Bank of Jordan (CBJ) commissioned a large-scale survey of 1,000 adults in 2017, which was the main source of demand-side data used as a basis for the NFIS. A follow-up survey of 1,052 adults was conducted in March-April 2022 (following a postponement due to the COVID-19 pandemic). Later in the same year, in October 2022, a survey of 334 MSMEs was conducted. These surveys form the basis of the financial inclusion indicators in this current report. At the same time, the CBJ has been working to collect more supply-side data related to financial inclusion in a more consistent and structured way. Throughout this report, supply-side indicators are used to validate and explain the demand-side indicators and create the most complete and accurate picture of financial inclusion possible.

Setting targets. In the NFIS, Jordan committed to increase the share of adults with an account from 33.1% in 2017 to 41.5% by 2020 and to decrease the gender gap in account ownership from 53% to 35%. Beyond these two overarching, quantitative targets, the NFIS also defines a lengthy series of secondary targets that are both qualitative and quantitative. In addition to accounts, these targets recognize borrowing, saving, digital payments and insurance as key product categories. And in addition to focusing on women as a key segment through the gender gap calculation, the NFIS recognizes young people, refugees, and low-income households as priority segments that are relatively disadvantaged in terms of financial inclusion. Because the NFIS covers the period up to 2020, the CBJ created a Financial Inclusion Action Plan (FIAP) for 2021 which updates and expands the NFIS goals. The NFIS contains 156 goals or targets in total, plus 33 more from the FIAP. The goals are far too numerous to list here but their number gives an indication of how comprehensive the approach has been and how seriously the topic of financial inclusion has been treated.

Figure 3: Core financial inclusion indicators for individuals in 2022 (% of adults aged 15 and above)

Has an account	**Borrowed** from a financial institution	**Saved money** In an account
43%	**14%**	**4%**

Made or received a **Digital payment**	**Has insurance**
40%	**61%**

Core financial inclusion indicators. **The situation for individuals in Jordan can be briefly summarized at a very high level with five key indicators of usage. As shown in**
Figure 3 above:

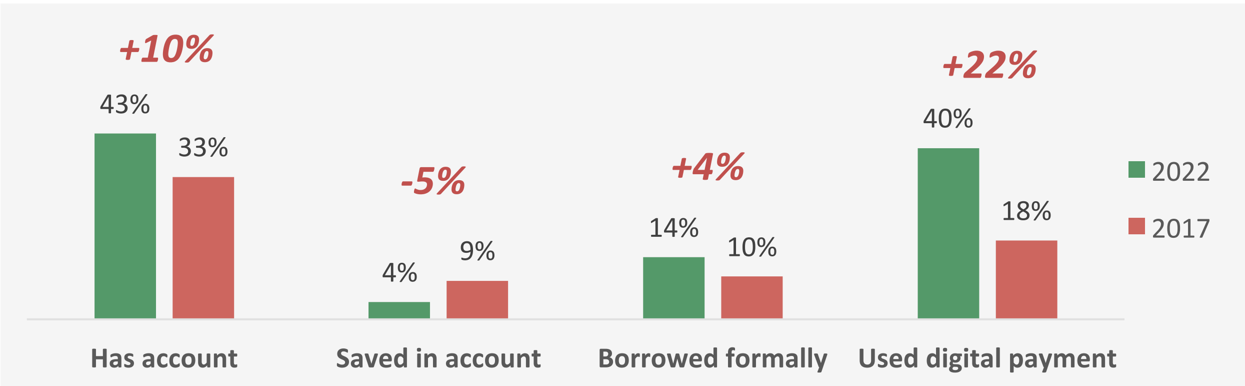
- 43% of adults aged 15 and above in Jordan had an account in 2022, including bank accounts and mobile wallets
- 4% of adults saved money in an account in the past 12 months
- 14% of adults borrowed from a financial institution in the past 12 months
- 40% of adults made or received a digital payment in the past 12 months
- 61% of adults had some form of insurance

Access and quality are two aspects of financial inclusion that can contribute to usage levels. Core indicators of access and quality include:

- *Access*: 64.8 physical financial access points are present in Jordan per 100,000 adults, including branches of banks, MFIs, exchange houses, and agents of PSPs. In addition, there are digital access points consisting of 30.2 ATMs and 610 POS devices per 100,000 adults.
- *Quality*: 3.25 out 7 questions on financial literacy were answered correctly by Jordanian adults

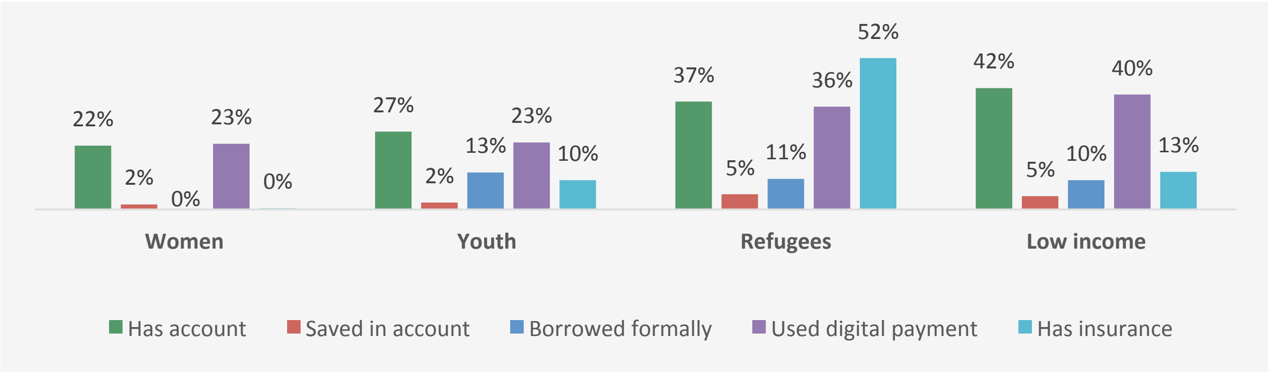
The definition of adult. Financial inclusion indicators are sensitive to the way that adults are defined. For the purposes of this study, adults are defined as aged 15 and above in order to be consistent with the methodology applied by numerous international institutions (such as the World Bank's Findex study) and the 2017 study in Jordan. Due to legal restrictions, very young people, especially those under the age of 18, will have limited or no access to financial services, so most indicators would be higher if the definition of adult was changed to 18 and above. For example, using the definition of an adult as someone aged 18 or above, the rate of account ownership would rise from 43% to 46%, the rate of formal borrowing would rise from 14% to 16%, and digital payment usage would rise from 40% to 43%. However, the insurance ownership rate would remain the same at 61%, because medical insurance, which is the most common type of insurance, usually covers an entire family, including children. These figures are provided here for context, but for the remainder of the report, the definition of 15 and above is applied.

Figure 4: Changes in core indicators 2017 to 2022 (% of adults)



The growth of financial inclusion. The core financial inclusion indicators for accounts, borrowing, and digital payments all increased between the time of the surveys in 2017 and 2022 (Figure 4). The account ownership rate was up 10 percentage points, borrowing from financial institutions was up 4 points, and digital payment usage was up 22 points. The share of adults that saved in an account was down by 5 percentage points, however, which can be explained by a decrease in household income connected to the COVID pandemic. The 2017 survey did not specifically ask about the rate of insurance ownership, so an exact comparison is not possible.

Figure 5: Financial inclusion gap for priority segments



Priority segments. The four priority segments identified by the CBJ – women, youth, refugees, and low-income households – generally have below-average financial inclusion indicators for all four product categories. The financial inclusion gap (Figure 5) for each segment is defined as the difference in percentage points between the indicator for adults not in the priority segment minus the indicator for adults in the priority segment. For example, the account ownership rate is 53% for men and 31% for women, so the gap is 22%. Refugees and individuals with low income (defined as those earning up to JOD 100 monthly[4]) generally face the largest gaps, followed by youth (defined as adults aged 15-24[5]). The gaps for women are, relatively speaking, not as severe, and women are even at parity with men for formally borrowing and insurance. The priority segments have experienced increasing levels of financial inclusion over the past five years, but in many cases the amount of the increase was less than for other segments. Consequently, the financial inclusion gap has worsened over that time period for some priority segments and certain product categories.

The structure of this report. This report provides a more detailed analysis of these and many other indicators that are relevant to financial inclusion, both for households and for micro-, small- and medium-sized enterprises (MSMEs). It identifies the achievements that have been made between 2017 and 2022 and the challenges that have restrained the development of financial inclusion. The first section examines financial inclusion for households and is organized along product categories – accounts, savings, borrowing, payments and insurance. This is followed by a detailed review of the priority segments. The next section explores financial inclusion for MSMEs. Next, a series of special topics that are of particular interest to many stakeholders are analyzed, including the impact of COVID-19, financial education and literacy, financial consumer protection, FinTech, and green finance. Finally, recommendations are provided for next steps that could be taken to ensure that the momentum of increasing financial inclusion that has been observed in the past five years will be preserved and enhanced going forward.

[4] This definition separates the top 60% of adults in the survey from the bottom 40%, which is the same approach used by international studies such as World Bank's Findex and by the previous CBJ financial inclusion study from 2017.
[5] As with the definition of low-income, the definition of youth is based on international studies and the 2017 study in Jordan.

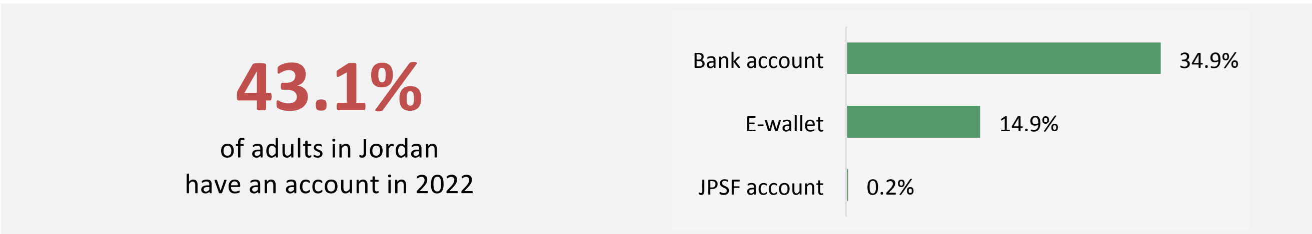
2 Financial inclusion for households

This section discusses financial inclusion for households from the perspective of five categories of financial services: accounts, saving, borrowing, payments and transfers, and insurance. Unless otherwise noted, the source of data for all indicators in this section is the 2022 demand survey of individuals commissioned by CBJ. Because the survey was conducted in March-April 2022, indicators that refer to something happening over the past 12 months refer to the period from March-April 2021 to March-April 2022. More details about the survey can be found in Appendix 1.

2.1 Accounts

Accounts and financial inclusion. Accounts are arguably the most important single product category for financial inclusion because, when designed properly, they make it easier for individuals and businesses to save money, to make and receive payments and transfers, to track their own financial position, and to verify their financial position to others (such as to lenders in order to receive a loan). In Jordan, accounts are offered by three types of formal financial institutions: banks, payment service providers (PSPs), and the Jordan Postal Savings Fund (JPSF). Accounts offered by PSPs are e-money accounts, including prepaid cards and mobile wallets (also called e-wallets). A mobile wallet is a special type of account linked to a mobile phone that has some limitations on the number and size of transactions but that is usually less expensive to operate and simpler to obtain than a bank account.

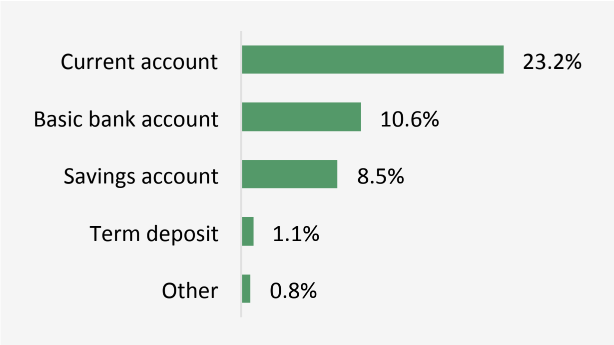
Figure 6: Account ownership rates by account type



Account ownership rate. The share of adults in Jordan with an account was 43.1% in early 2022 (Figure 6). The share of adults with a bank account was 34.9% in 2022, the share with a mobile wallet account was 14.9%, and 0.2% had an account from JPSF.[6] A meaningful share of adults (6.7%) had both a bank account and a mobile wallet account. The share of adults that only had a mobile wallet account was 8.2%, and the share that only had a bank account was 28.0%. One of the key goals of the NFIS was increasing the account ownership rate from 33.1% in 2017 to 41.5% in 2020. Although the 2020 survey had to be postponed due to COVID, the 43.1% rate in early 2022 suggests that the account ownership rate was probably at or very close to the target of 41.5% at the end of 2020.

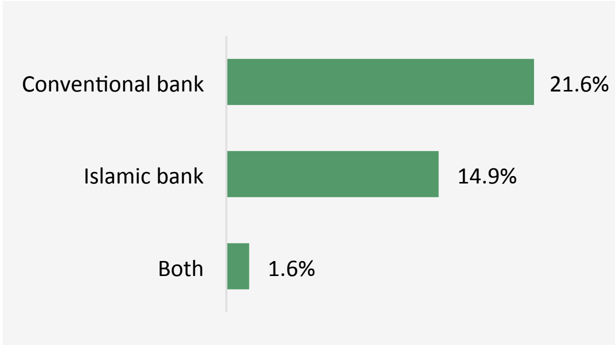
[6] The total account ownership rate is not equal to the sum of the rates for each type of product because some account holders have more than one type of account. The same logic applies to other figures in this report where the sum of the individual components does not equal the aggregate figure.

Figure 7: Ownership rate by bank account type



% of adults in Jordan

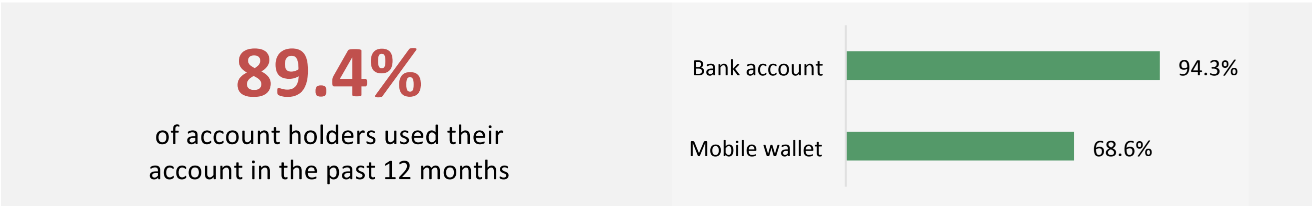
Figure 8: Ownership rate by bank type



% of adults in Jordan

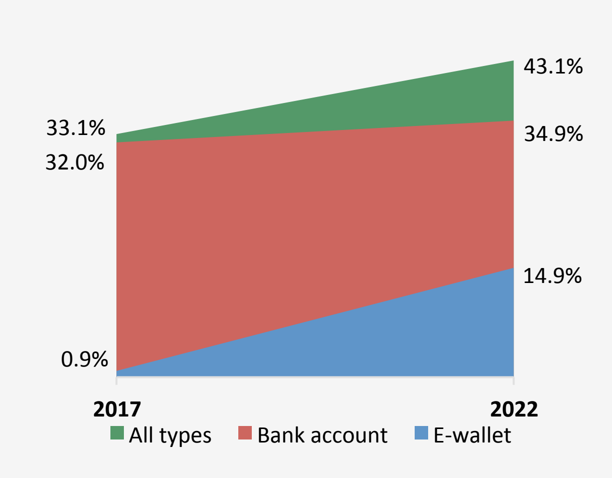
Types of accounts. Current accounts are the most popular form of bank account: 23.2% of adults have one (Figure 7). Savings accounts are held by 8.5% of adults, term deposits by 1.1%, and other types of accounts by 0.8%. 21.6% of adults have an account with a conventional (non-Islamic) bank, and 14.9% with an Islamic bank (Figure 8). 1.6% of adults reported having an account in both an Islamic and a conventional bank. Basic bank accounts are a relatively new type of account designed specifically to increase financial inclusion. Basic bank accounts have simplified due diligence procedures relative to other accounts, no minimum balance, and can only be opened by Jordanian citizens that do not have a bank account. Introducing the basic bank account product by 2019 was one of the goals of the NFIS and was met on time. Although 10.6% of survey respondents stated that they have a basic bank account, this appears to be the result of a misunderstanding. Supply-side data shows that there were about 67,000 basic bank accounts at the end of 2021, equivalent to just 0.9% of the adult population. Furthermore, 37.5% of respondents who reported having a basic bank account also reported having a current account, which is not permitted by regulation. The most likely explanation for this discrepancy in demand-side and supply-side figures is that many adults are not yet familiar with the basic bank account, as it is a relatively new product in the market, and they incorrectly assumed that their existing bank account was a basic bank account. This misunderstanding points to the need for further financial literacy education about the basic bank account, which could lead to greater uptake of this product.

Figure 9: Account usage rates by account type (as % of account holders)



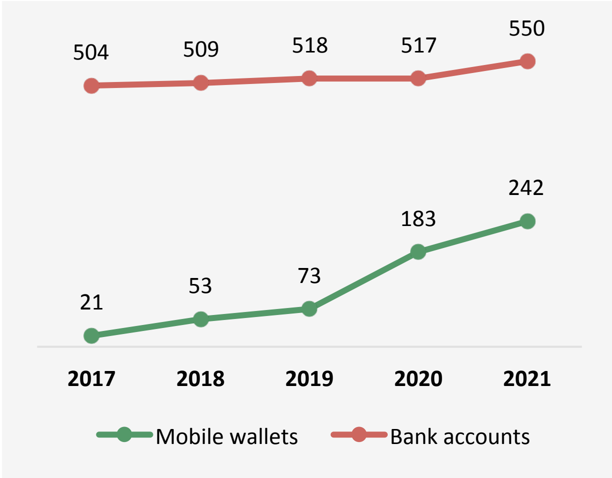
Account usage. Usage rates of accounts are high. Of those with an account, 89.4% reported making some type of transaction with their account in the past 12 months (Figure 9). This may have included cash deposits, cash withdrawals, or electronic transfers and payments into and out of the account. Usage was higher among bank account holders (94.3% used their bank account) than among mobile wallet holders (68.6% used their mobile wallet). It is likely that a significant number of individuals received government aid in 2020 at the peak of the COVID-19 pandemic through a new mobile wallet account, but later decided not to use it. Details of how accounts were used and for what purposes (such as receiving aid, saving money or making payments) can be found in later sections of this report.

Figure 10: Account ownership 2017 vs. 2022



% of adults

Figure 11: # of individual accounts per 1,000 adults



Source: CBJ

Growth of account ownership. The account ownership rate increased significantly since the previous survey in 2017, when the share of adults with an account was 33.1% (Figure 10). The increase was relatively modest for bank accounts (from 32.0% to 34.9%), but mobile wallets demonstrated exceptional growth, from 0.9% in 2017 to 14.9% in 2022. The results from the demand survey are consistent with supply-side results reported by banks and PSPs (Figure 11). Between 2017 and 2021, the number of bank accounts held by individuals (excluding legal entities) per 1,000 adults increased slowly from 504 to 550, while over the same period the number of mobile wallets per 1,000 adults increased from about 21 to 242. In total there were 3.8 million individual bank accounts in 2021 and 1.8 million mobile wallets[7]. The COVID-19 pandemic had a dramatic impact on account growth. From 2019 to 2020, the number of bank accounts barely increased (from 3.57 million to 3.59 million), but the number of mobile wallets more than doubled from about 0.5 million to 1.2 million.

Reasons for mobile wallet growth. The rapid increase in mobile wallet ownership from 2017 to 2022 was driven by many factors, the most important of which include:

- Increased promotion of mobile wallet accounts by the government, development finance institutions, non-governmental organizations (NGOs) and PSPs, which led to greater awareness among potential customers
- Improved reliability of the mobile payment platform JoMoPay, with less transaction errors occurring year by year, which probably led to greater confidence and more positive word of mouth among customers
- Customer confidence may have been boosted by the introduction by the CBJ of financial consumer protection regulations that apply to PSPs (in 2017 and 2021)[8]
- The simplification of account opening procedures during the COVID-19 pandemic, when mobile wallets were opened remotely, without a visit by the customer to a branch or office
- Even without the above-mentioned simplification, it is generally quicker and easier to open a mobile wallet than a bank account due to fewer customer due diligence procedures
- The disbursal of aid from the Jordanian government and international organizations through mobile wallets starting from 2020, especially by the National Aid Fund and World Food Program

[7] The figure for 2021 includes approximately 48,000 mobile wallets issued by banks rather than by PSPs. However, starting from 2022 banks will no longer be authorized to issue their own mobile wallets, because the full and instantaneous interoperability of bank accounts and mobile wallets under the upgraded JoMoPay switch makes it unnecessary for banks to have their own mobile wallets. Because the share of mobile wallets issued by banks was so small, this prohibition will not have a meaningful impact on future growth of mobile wallets.

[8] "Instructions of the Internal Procedures for Handling Consumers' Complaints of Financial and Banking Services Providers No. (1/2017)" and "Financial consumer protection instructions for electronic payment and money transfer companies No. (3/2021)"

- The disbursal of government salaries, such as to military personnel, through mobile wallets starting from 2020[9]
- Rapid growth in the number of mobile wallet agents who can facilitate cash out and in some cases account opening (see Section 5.6.5 for details)
- Increased interoperability between bank accounts and mobile wallets and between the wallets of different PSPs[10]
- Increased availability of bank ATMs for withdrawing cash from one's mobile wallet[11]

Constraints to further mobile wallet growth. Despite the rapid growth of mobile wallet ownership, there are still some factors that discourage new customers from opening an account or from using their existing accounts. One is fraud, as there have been cases in which fraudsters are able to get access to the mobile wallets of customers using phishing techniques. However, such types of fraud are arguably just as common for many other types of financial services, so this is not purely a concern for mobile wallets. Similarly, many Jordanians have a strong preference for cash that restrains the demand for accounts, but this issue is not specific to mobile wallets and impacts a variety of financial services. One constraint that is specific to mobile wallets is the size and liquidity of the agent network. While the agent network has grown rapidly in size in recent years, coverage could still arguably be better, especially in smaller towns and rural areas (see section 5.6.5 for details). The mobile wallet is a relatively new innovation in the financial landscape and the growth rate of agents has been strong, so there is every reason to think that this constraint will diminish significantly in the coming years. The problem of agents not having sufficient liquidity to fulfill the demand for cashing out of mobile wallets, however, is more likely to persist, especially as more small businesses in smaller markets are added to the agent network. Another constraint is smartphone ownership. Although 89.5% of adults in Jordan have a smartphone[12], this still leaves a meaningful share of the population for whom mobile wallets are not an option. However, smartphone ownership is gradually increasing (the smartphone ownership rate was 76.5% in 2017), so this constraint is likely to become less significant in the coming years. However, even for those who do own a smartphone, low technological literacy may act as a barrier to opening a mobile wallet account, as some customers are still not fully comfortable with downloading and using mobile applications for relatively complex uses such as making financial transactions.

The future of mobile wallet ownership. Despite the relatively minor constraints that were noted, there is strong reason to expect the ownership and usage rates of mobile wallets to continue to grow in the coming years. JoPACC plans to introduce more innovations going forward that will make mobile wallets more appealing to customers and intermediaries. For example, JoPACC is creating an open application programming interface (API) that will give developers access to its systems, enabling developers to create apps that will expand the functionality of mobile wallets. It is also working on a dispute resolution system for PSPs that is expected to contribute to a quicker resolution (and thus better customer service) in the relatively rare cases when a transaction is disputed. CBJ and the government of Jordan are likewise contributing to improving the mobile wallet experience together with JoPACC, for example by making possible online verification of corporate identity and personal IDs, integration with the United Nations High Commissioner for Refugees (UNHCR) refugee identification system, and perhaps by enabling cross-country know-your customer (KYC) verification.

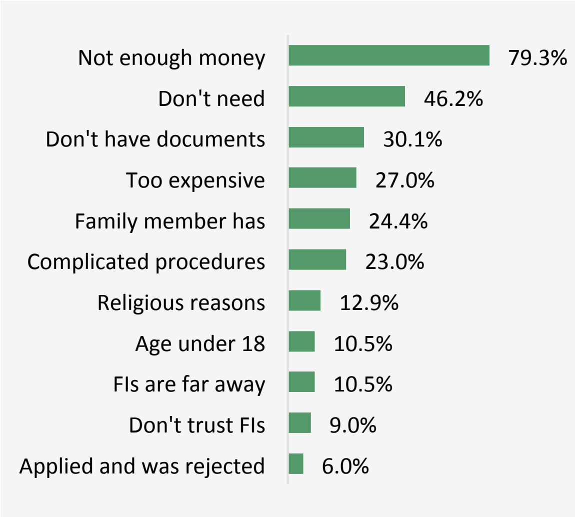
[9] In early 2022 there were approximately 200,000 mobile wallet accounts registered to military personnel that allow users to receive special discounts at certain merchants

[10] The share of "off-us transactions" (i.e. across different financial institutions) with mobile wallets increased from roughly 1% before COVID to 17% afterwards (Source: interview with JoPACC)

[11] Several banks are now participating and it is estimated that there are over 300 ATMs with such functionality as of early 2022

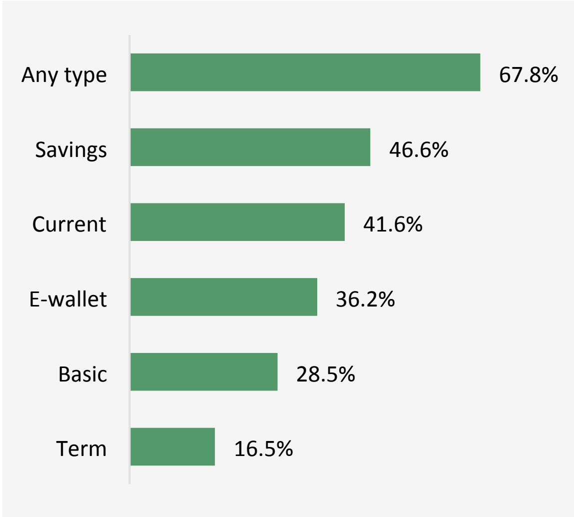
[12] Source: Ipsos Jordan

Figure 12: Reasons for not having an account



% of adults without an account

Figure 13: Wants account by type



% of adults without an account

Reasons for not having an account. The main reason given for not having an account (Figure 12) was not having enough money, reported by 79.3% of those without an account. Also frequently mentioned were not needing an account (46.2%) and not needing an account specifically because another family member already has one (24.4%). Not having the documents required to open an account (30.1%), the perceived high costs of opening or maintaining an account (27.0%), and complicated procedures for opening or maintaining an account (23.0%) are all related to the policies and product design of the financial institution and were mentioned by a significant share of those without an account. Religious reasons (12.9%), financial institutions being far away (10.5%), and not trusting financial institutions (9.0%) were less frequently mentioned. 6.0% of those without an account stated that they applied for an account but were rejected by the financial institution.

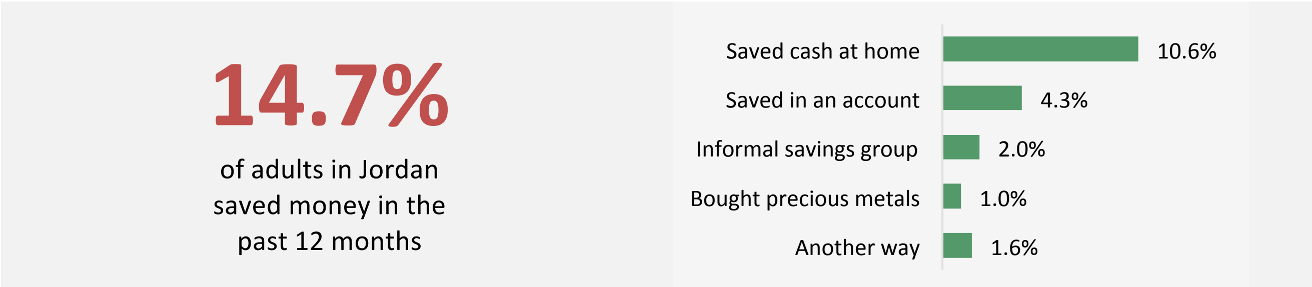
Interest in accounts. Despite the significant share of adults that say they do not need an account, the demand for accounts is nevertheless moderately high. Among those without an account, 67.8% indicated that they would like to get an account of some type (Figure 13). The most preferred types of accounts were savings accounts (46.6% of adults without an account would like one), current accounts (41.6%), mobile wallets (36.2%), basic bank accounts (28.5%), and term deposits (16.5%). The majority of adults who would like to get an account believe that they would qualify to receive one. For bank accounts, the share that expect to qualify is: 63.3% for current accounts, 65.6% for savings accounts, 59.6% for term deposits, and 65.0% for basic bank accounts. It is noteworthy that 77.3% of those who want a mobile wallet account expect to qualify for it, somewhat higher than the expectation rates of those who want bank accounts. This suggests that there is a perception in the market that mobile wallets are easier to obtain than bank accounts.

Eligibility criteria for accounts. The presence of eligibility criteria to open or maintain an account no longer acts as a major barrier to account ownership. In the past, the minimum eligibility criteria set by some banks included minimum monthly balances, minimum initial deposits on account opening, a minimum age above 18, or minimum income levels. While those criteria are still in place for many account products, there is now a more accessible alternative. The 2019 regulatory requirement for banks to offer a basic bank account, which has no restrictive eligibility requirements other than the standard KYC, has the potential to expand access to bank accounts, although the uptake of this product remains modest so far. Mobile wallets also allow customers to avoid the historical barriers to bank account ownership before basic bank accounts were introduced. PSPs interviewed for this study confirmed that they do not apply any eligibility criteria beyond the required KYC criteria in order to open a mobile wallet account.

2.2 Saving

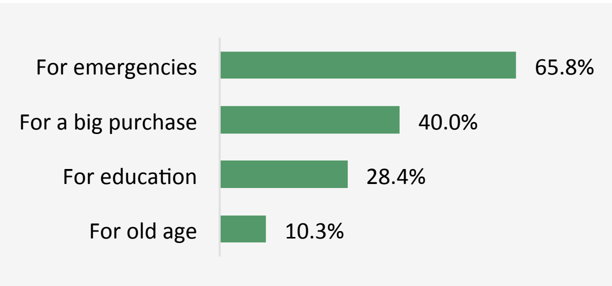
Saving and financial inclusion. Saving money is a sign of strong financial discipline, makes possible relatively large investments, and offers protection from unexpected financial shocks. Consequently, it is a critical aspect of financial inclusion. However, when money is saved in cash at home, it can be subject to reckless spending, theft and damage, has no possibility to earn interest, and cannot contribute to financial intermediation in the overall economy. Therefore, promoting saving specifically through financial institutions is likely to be in the best interest of households and the economy as a whole.

Figure 14: Savings rate and method of savings (% of adults)



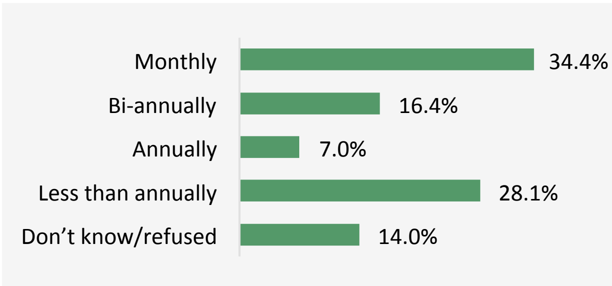
Savings rate. Only 14.7% of adults reported that they saved money in the past 12 months, and just 4.3% did so in an account at a formal financial institution. Instead, keeping cash at home was the most popular means of saving, practiced by 10.6% of adults in the past 12 months. Other, less common ways to save included through informal savings groups or having a relative or friend hold the money (2.0%), buying gold or other precious metals (1.0%), or some other way (1.6%).

Figure 15: Reasons for saving



% of adults who saved

Figure 16: Frequency of saving in account

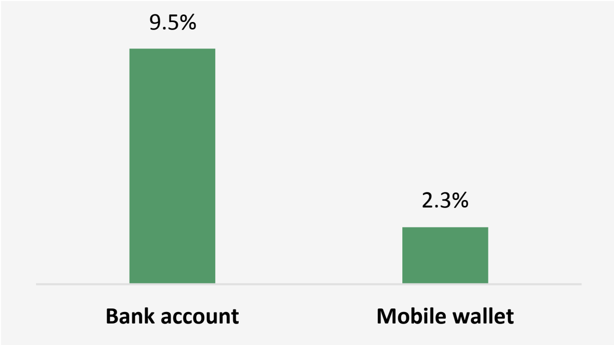


% of adults who saved money in an account

Reasons for and frequency of saving. The main reasons given for saving (Figure 15) were to prepare for emergencies (65.8% of savers gave this reason), to set aside money for a planned big purchase (40.0%), for educational expenses (28.4%), and for old age (10.3%).[13] Generally speaking, it is beneficial for the economy when households save for emergencies, education and old age, so such behavior should be encouraged. Those who saved money consist of a mix of frequent savers (34.4% put aside money at least once a month) together with infrequent savers (28.1% save less than once per year). A significant share (14.0%) could not answer the question on the frequency of savings, most likely because the responsibility for saving is assigned to a different person within the household (Figure 16).

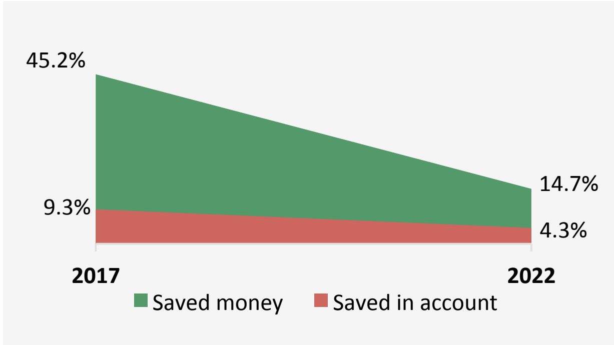
[13] The figures sum to more than 100% because respondents could name multiple reasons.

Figure 17: Saving by account type



% of adults with the indicated type of account

Figure 18: Savings rate 2017 vs. 2022



% of adults. Sources: World Bank Findex, CBJ survey

Saving by account type. Adults with a bank account are more likely to use it for saving than holders of mobile wallets. The rate of formal savings among adults with only a bank account was 9.5%, while the rate for those with only a mobile wallet account was 2.3% (Figure 17). The higher average income levels of adults with only bank accounts (JOD 338 monthly) compared to those with only mobile wallet accounts (JOD 192) may help to explain the higher savings rate in bank accounts[14]. The fact that mobile wallets do not pay interest, whereas some types of bank accounts do, is another possible explanatory factor.

Change in savings rate since 2017. The formal savings rate of 4.3% is significantly lower than the rate of 9.3% that was recorded by the CBJ survey in 2017 (Figure 18). Similarly, the overall rate of 14.7% is much lower than the 45.2% rate recorded by the World Bank's Findex study in 2017. The most likely explanation for the reduction in savings behavior is the COVID-19 pandemic. 62.0% of survey respondents reported having experienced reduced income due to the pandemic, which would have negatively affected their ability to save. Even those who did not experience reduced income may have felt pressure to lend money to their less fortunate relatives and friends rather than save, as demonstrated by the high rates of informal borrowing (discussed in the next section).

Informal savings. The rate of informal saving, at 2.0% of adults in the past year, is not high but also not so low that it should be ignored. Informal savings may consist of simply giving money to another person for safekeeping or participating in a savings group. The advantages of informal savings, particularly the simple account opening process with no documentation and the social benefits of participating in a savings group, are clearly sufficient to attract a meaningful following. Participants in informal saving schemes were not more likely than average to be women or refugees or have low incomes, but they were about twice as likely to be located in rural areas. The distance to formal financial institutions, therefore, appears to be a driving factor in the participation of Jordanians in informal savings schemes. Bringing these potential customers into the formal financial system may be achieved either by increasing their digital capabilities for remote account opening (perhaps as part of a broader financial literacy-building framework) and by incentivizing financial institutions to further expand their physical presence in rural areas.

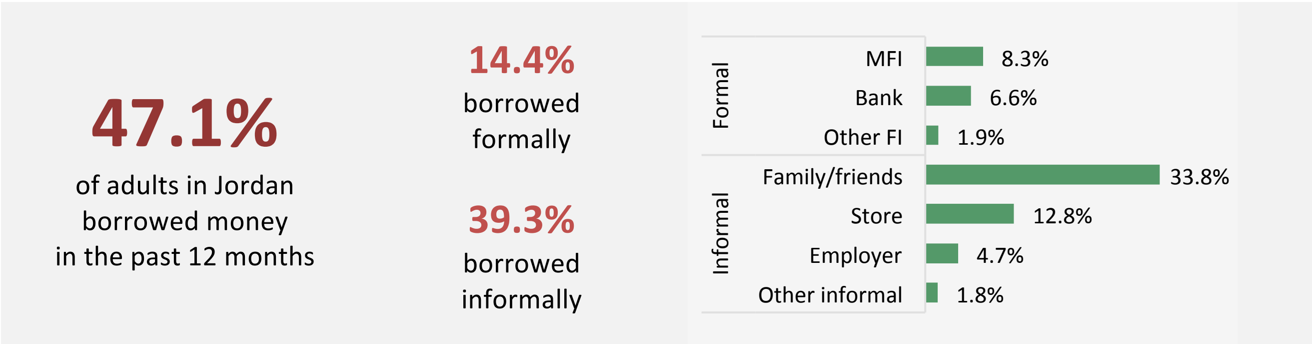
Product conditions. While savings accounts and fixed deposits pay interest to savers, these types of accounts may not necessarily be appealing for relatively low-income households. Savings accounts usually have a minimum balance requirement (JOD 100 or 200 is common) but pay quite low interest rates, and savers with small balances may receive no interest at all. Term deposits pay higher interest rates but the minimum account opening balance is also much higher (JOD 3,000 to 5,000 is common), so fixed deposits are not attainable for most low-income households. Therefore, basic bank accounts and mobile wallets represent a reasonably good alternative as a way for low-income households to save money despite not paying interest.

[14] Source: average income data is based on the self-reported income of survey respondents.

2.3 Borrowing

Borrowing and financial inclusion. The ability to access credit quickly and on good terms can enable households to overcome temporary economic difficulties, invest in education, become homeowners, start a business, or improve the quality of their lives. Consequently, borrowing is an important aspect of financial inclusion. At the same time, over-aggressive borrowing, especially for non-essential consumer purchases, can create financial stresses for individual households and exacerbate financial sector weaknesses at the macro level. Ideally, the financial system will support increased borrowing among those who really need and can afford it while discouraging over-indebtedness.[15] Although borrowing activity is usually thought of in terms of loans, other products such as overdrafts, credit lines, leases, certain Islamic financing products and credit cards are usually considered forms of borrowing and are considered in this analysis. This study differentiates between formal borrowing and informal borrowing. Formal borrowing refers to taking credit products from registered financial institutions, and informal borrowing refers to obtaining credit from other sources, such as from individuals or from businesses that are not primarily engaged in financial services, such as when an employee borrows from their employer or a customer receives store credit when purchasing goods.

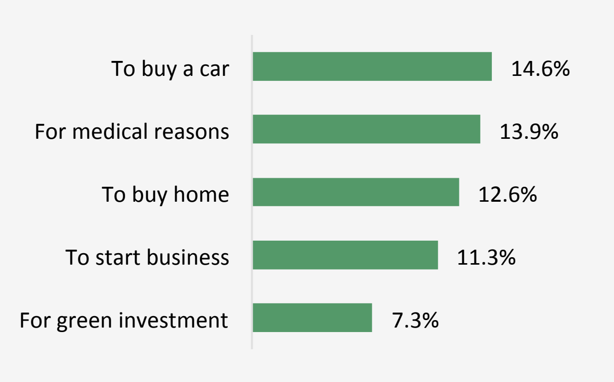
Figure 19: Share of adults that borrowed money by source



Borrowing rate and source. The overall rate of borrowing of 47.1% in the past 12 months can be considered rather high, although it is primarily the result of borrowing from informal rather than formal sources. Specifically, 14.4% of adults borrowed from formal sources and 39.3% borrowed informally in the past 12 months (Figure 19). Microfinance institutions (MFIs) were the primary source of formal borrowing (8.3% of adults), followed by banks (6.6%), with 1.9% of adults borrowing from other sources that may include finance companies, government institutions such as the Development and Employment Fund (DEF), or leasing companies. Among informal sources, family and friends were the main source by far (33.8% of adults), followed by store credit (12.8%) and borrowing from an employer (4.7%). It is worth noting that 6.5% of adults borrowed from both formal and informal sources, suggesting that for some borrowers the choice depends on the particular circumstances.

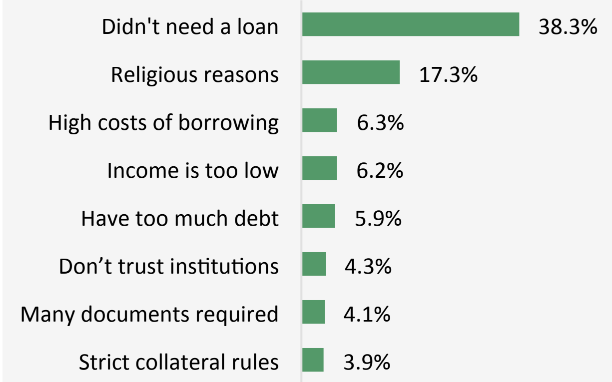
[15] The issue of over-indebtedness is addressed in more detail in Section 5.3 on financial consumer protection.

Figure 20: Reasons for borrowing



% of those borrowing formally

Figure 21: Reasons for not borrowing formally

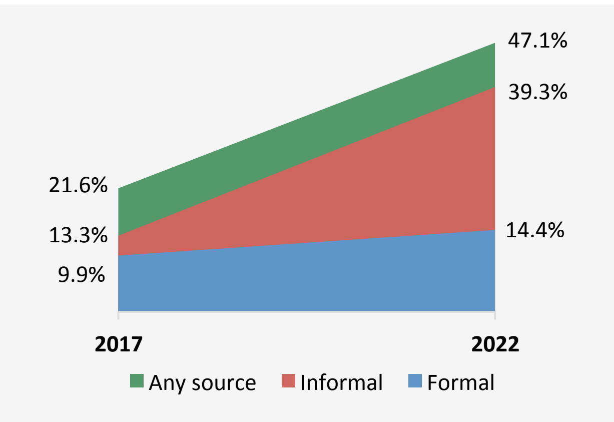


% of those not borrowing formally

Borrowing purpose. Among those who borrowed from a formal financial institution (Figure 20), 14.6% borrowed to purchase a car, 13.9% borrowed for medical reasons, 12.6% to purchase a home, 11.3% in order to start a business, and 7.3% for green investment, which refers mainly to the purchase of equipment or appliances that are either energy efficient or run on renewable energy sources. The topic of green finance is discussed in more detail in section 5.5 of this report.

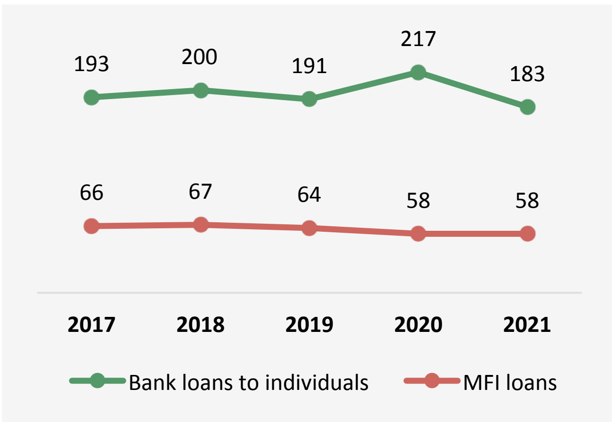
Reasons for not borrowing. Among those who did not borrow from a formal financial institution, the most common reason given for not borrowing was not needing a loan, reported by 38.3% (Figure 21). This was followed by religious reasons, mentioned by 17.3% of non-borrowers. Other reasons mentioned with lower frequency were the high cost of borrowing (6.3%), not having enough income to qualify for a loan (6.2%), having too much debt already (5.9%), not trusting formal lending institutions (4.3%), and the strict requirements for documentation (4.1%) and collateral (3.9%). Some other options were mentioned with even less frequency and are not shown in the chart; these are: having poor credit history (1.8%), the long time needed to receive the funds (0.7%), and financial institutions being too far away (0.2%). A relatively small share of non-borrowers (1.0%) reported that they applied for a loan but were rejected.

Figure 22: Borrowing rates 2017 vs 2022



% of adults

Figure 23: # of outstanding loans per 1,000 adults



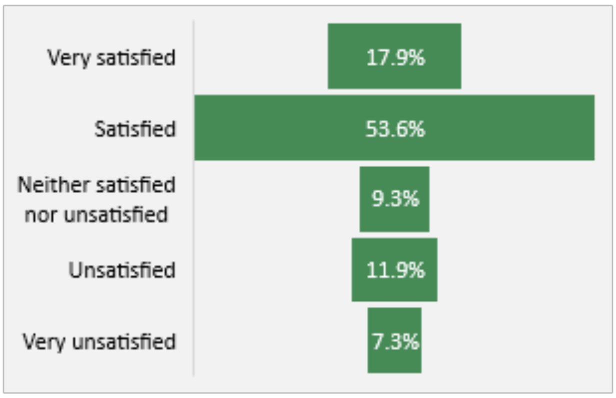
Sources: CBJ (banks), Tanmeyah (MFIs)

Growth in borrowing. Borrowing rates were much higher in 2022 than in 2017 based on survey results. The overall borrowing rate more than doubled from 21.6% in 2017 to 47.1% in 2022 (Figure 22). Borrowing from formal sources was up from 9.9% to 14.4%, while informal borrowing experienced a dramatic increase from 13.3% to 39.3%. Within the category of formal borrowing, the rate of borrowing from banks was up from 4.3% in 2017 to 6.6%, while the rate of borrowing from MFIs nearly doubled from 4.2% in 2017 to 8.3% in 2022. Other non-bank financial institutions also demonstrated growth, from a 1.0% borrowing rate in 2017 to 1.9% in 2022. The relatively high rate of MFI borrowing is noteworthy considering that households were targeted by the survey rather than MSMEs, suggesting that MFIs are quite active in lending to salary earners. The borrowing rate from MFIs was actually higher among respondents who identified themselves as being employed (8.7% of employed adults borrowed from an MFI) than among self-employed individuals (7.3%).

The supply-side perspective. Supply-side data from banks and MFIs shows a somewhat different picture, with the number of outstanding bank loans to individuals and the number of MFI loans per 1,000 adults decreasing from 2017 to 2022 (Figure 23). The number of outstanding bank loans to individuals over that five-year period actually increased (from 1.13 million in 2017 to 1.22 million in 2022), but this increase was at a slower rate than the population growth, so the indicator per 1,000 adults fell. The number of outstanding MFI loans decreased slightly (from about 434,000 to 421,000). This finding appears to be inconsistent with the relatively strong growth in the percentage of adults that borrowed formally. Of course, it should be kept in mind that the outstanding loans may have been issued years ago, while the demand-side figures only consider borrowing activity in the past 12 months. Furthermore, the supply-side MFI statistics include loans to micro and small enterprises (MSEs) while the demand-side results do not.[16] This could cause the demand and supply figures to diverge. Finally, the supply-side figures are based on number of loans, and one borrower can have multiple loans. A change in the share of individuals with multiple loans could also cause a divergence in the supply and demand figures. Therefore, it is possible that the demand and supply figures, while appearing inconsistent at first glance, may both be accurate. For future demand surveys the CBJ may wish to consider measuring the share of adults with an outstanding loan (in addition to the share that borrowed in the past year) for better comparability with the supply-side data. Alternatively, financial institutions could be asked to report on the number of borrowers receiving loans during the year, rather than just the outstanding number.

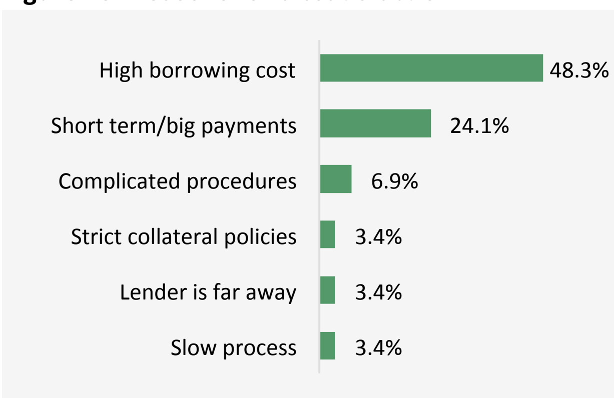
Impact of COVID. It is likely that the COVID-19 pandemic contributed to the jump in overall borrowing, as households are more likely to need short-term loans in periods of economic instability. Among respondents whose income decreased due to the pandemic, the borrowing rate from informal sources was 45.7%, much higher than the rate of 28.7% among those whose income did not decrease. The rate of formal borrowing was slightly higher for those with decreased income: a 14.9% borrowing rate for those whose income decreased versus 13.5% for those whose income did not decrease. Although it is certainly more difficult to convince a formal lending institution than a family member to help in the event of reduced income, many adults did manage to borrow formally under such challenging circumstances. The impact of COVID-19 on financial inclusion is discussed in more detail in section 5.1 of this report.

Figure 24: Satisfaction with loan



% of adults who borrowed

Figure 25: Reasons for dissatisfaction



% of borrowers who were unsatisfied

Customer satisfaction. The vast majority of borrowers reported being satisfied with their loans, but 19.2% were either unsatisfied or very unsatisfied (Figure 24). The most common reason for dissatisfaction (Figure 25) was the high perceived cost of borrowing (48.3% of dissatisfied borrowers mentioned this), followed by a short loan maturity or large monthly payments (24.1%). Complicated procedures to get a loan, strict col-

[16] It is not possible to separate the business loans from the consumer loans using the data from Tanmeyah.

lateral requirements, the long time needed to receive the funds, and the distance to reach the lending institution were mentioned rarely.

Lending policies of financial institutions. The ability of adults to access loans depends heavily on the policies put in place by financial institutions. A number of banks have minimum income requirements in order to receive a personal loan. This minimum value may be as high as JOD 500 per month, which would exclude 95% of adults surveyed for this report. However, this does not necessarily represent the typical case, as the majority of banks are more flexible regarding income requirements, particularly if suitable collateral can be offered. One bank, for example, has a special product specifically targeting low-income borrowers with less than JOD 300 per month in income. As mentioned above, 6.2% of survey respondents listed low income as the main reason for not borrowing. Some financial institutions set a minimum age to borrow of 21 years, automatically excluding those aged 18-20. Requirements for the customer to contribute as much as 30% of the total financing amount with the customers' own funds, especially for housing and auto loans, are not feasible for many potential borrowers. Collateral requirements, including the requirement for co-signers or personal guarantors, may also not be feasible or may increase the costs of borrowing and the time needed to obtain the funds. Strict collateral requirements were a key factor for 3.9% of survey respondents who did not borrow in the past 12 months. Although many of the documentation requirements to borrow are fixed by regulation, it is not uncommon for lenders to demand additional documents as well. Documentation requirements drove 4.1% of survey respondents to not seek formal financing in the past 12 months. It is worth noting that, even when the official minimum requirements of financial institutions are relatively flexible, credit committees and underwriters may take a much stricter approach in practice.

Leasing. According to the Finance Companies Bylaw No. (107) of 2021, leasing is "an activity practiced by the lessor by owning the leased property from its own or borrowed money, and leasing it to a lessee in return for a rental fee to enable the lessee to possess the leased property, using it and benefiting from it in accordance with the provisions of the leasing contract." A healthy leasing industry can contribute to financial inclusion by better meeting the financial needs of such customers. The demand survey revealed that 3.6% of adults in Jordan leased something in the past 12 months, up sharply from 1.1% in the 2017 survey. Real estate was by far the main item leased, by 86.8% of those who leased something, followed by home appliances and electronics (7.9%) and automobiles (5.3%). The exact number of leasing companies in Jordan is not known, but as of early 2022, there were ten leasing companies subscribing to the CRIF credit bureau in Jordan. The eight leasing companies that are owned by banks are the largest leasing companies in the country. In 2020 the CBJ reported the total assets of leasing companies as JOD 649 million, exceeding the total assets of MFIs and exchange houses by a large margin. Leasing companies primarily concentrate on real estate financing, which makes up roughly 70% to 80% of the total portfolios of leasing companies. Leasing faces a tax disadvantage in comparison with bank lending, since leasing is subject to a 3% sales tax on interest charged (collected by the insurance companies on behalf of the government) whereas bank lending is not, making leasing comparatively more expensive[17]. Another disadvantage is that the Jordan Loan Guarantee Corporation (JLGC) doesn't offer guarantees on leases; however, guarantees are typically used by banks to replace collateral. As the leasing sector is less dependent on collateral, this lack of access to guarantees is arguably not a critical disadvantage.

Islamic finance. A strong Islamic financing industry contributes to financial inclusion by meeting the needs of customers who prefer not to use conventional products for religious reasons. The share of adults in Jordan that used an Islamic finance product in the past 12 months was 1.6%, which is about one quarter of the share of adults that took a bank loan. Islamic financing is offered by four Islamic banks, one Islamic MFI, and a few finance companies. The Islamic financing rate appears to be relatively stable over time, as the 2022 figure of 1.6% is just slightly above the 1.5% rate that was recorded in the 2017 survey. As mentioned earlier, 17.3% of adults who did not borrow in the past 12 months chose not to borrow mainly for religious reasons. However, of the survey respondents who did not borrow due to religious reasons, less than 1% of

[17] The tax also applies to MFIs, but the microenterprises and low-income households that borrow from MFIs tend to be less sensitive to pricing than the relatively larger SMEs that make up the majority of leasing customers.

them used Islamic finance in the past year. It is possible that some potential customers are not aware of the availability of Islamic financing, cannot conveniently reach an Islamic financing institution, or consider the main products offered by Islamic financial institutions not fully compliant with Shariah principles.

Finance companies. In this report the term "finance company" refers to any financial institution that primarily engages in lending and is not a bank or MFI. As noted earlier, a significant 1.9% of adults borrowed in the past 12 months from financial institutions aside from banks and MFIs, up from 1.0% in 2017, highlighting the increasing importance of such institutions for financial inclusion. Finance companies may include FinTech lenders and government-created institutions such as the Development and Employment Fund (DEF), along with more traditional private finance companies such as mortgage companies, consumer credit companies and payday lenders. Another sign of their importance is the increasing number of finance companies that are participating in the CRIF credit bureau. As of mid-2022, there were 16 finance companies listed as CRIF partners, although many of these focus primarily or entirely on providing credit to businesses rather than households. Several of the largest of these finance companies have total assets exceeding JOD 50 million, making them larger than some MFIs.

Regulatory and legal framework. The regulatory and legal framework for lending is very strong overall in Jordan. Lending institutions interviewed for this study did not identify any major impediments to their activities as a result of absent or poorly conceived regulations or laws.[18] By far the most important regulatory change in recent years is the upcoming requirement for finance companies to be licensed and supervised by the CBJ under the Finance Companies Regulation No. 107, which came into force in May 2022. This regulation will compel a variety of semi-formal institutions that were previously regulated and supervised either very lightly or not at all, such as leasing, factoring, mortgage, and crowdfunding companies, to operate much more formally. Lending is now prohibited for any person or company that is not licensed. The licensing requirements come with paid-up capital requirements ranging from JOD 500,000 for crowdfunding companies up to JOD 12 million for mortgage refinancing companies. Companies that engage in real estate financing and financial leasing face a rather challenging minimum capital requirement of JOD 8 million, for MFIs the amount is JOD 2 million, and other finance companies not matching the above categories must come up with JOD 5 million. As with the banking sector, companies that wish to engage in Islamic finance must do so exclusively, without offering conventional products as well. This substantial change in the financial landscape is likely to cause some smaller players to exit the market but should strengthen those that remain by setting higher standards for their operating processes and their IT systems, imposing prudential ratios, and subjecting them to on-site supervision, among other changes. Whether or not this regulation will have a positive impact on financial inclusion will only be possible to assess in several years.

Guarantees. Guarantees contribute to financial inclusion by enhancing access to credit among borrowers who would normally be refused credit (or offered credit on poor terms) due to perceived high risk. JLGC, which is owned by the CBJ and the commercial banks and had nearly JOD 800 million in total assets in 2021, is the main provider of guarantees. Although JLGC's guarantees are primarily directed to businesses rather than individuals, there is a housing program which had JOD 13.9 million in outstanding guaranteed loans in 2021 and a program that supports individuals to start a small business with JOD 18.5 million outstanding in 2021. The guarantees cover up to 80% of the losses of participating financing institutions.

Credit bureau. Jordan's first private credit bureau, CRIF, has almost certainly made a positive contribution to increasing consumer lending in Jordan by giving lenders greater confidence in determining the level of indebtedness and payment discipline of their applicants. Since starting operations in 2016, CRIF has been improving its services by adding more participating institutions, improving the accuracy and content of its reports, and adding new features such as a credit score. The participants in CRIF as of mid-2022 include all

[18] The lack of a personal bankruptcy law in Jordan (as opposed to a business insolvency law, which does exist) may have a negative impact on financial inclusion of individuals, because it reduces the confidence of financial institutions that they will be able to recover funds from insolvent borrowers, making them more cautious when lending. However, the overall impact of this bankruptcy issue is believed to be minor.

24 banks, 10 leasing companies, 8 MFIs, 6 credit card companies, and 17 other finance companies. Most financial institutions interviewed for this study were very satisfied with CRIF's services, although a few institutions mentioned that data accuracy is less than ideal. Some banks continue to use the public credit bureau managed by CBJ in addition to receiving credit reports from CRIF.

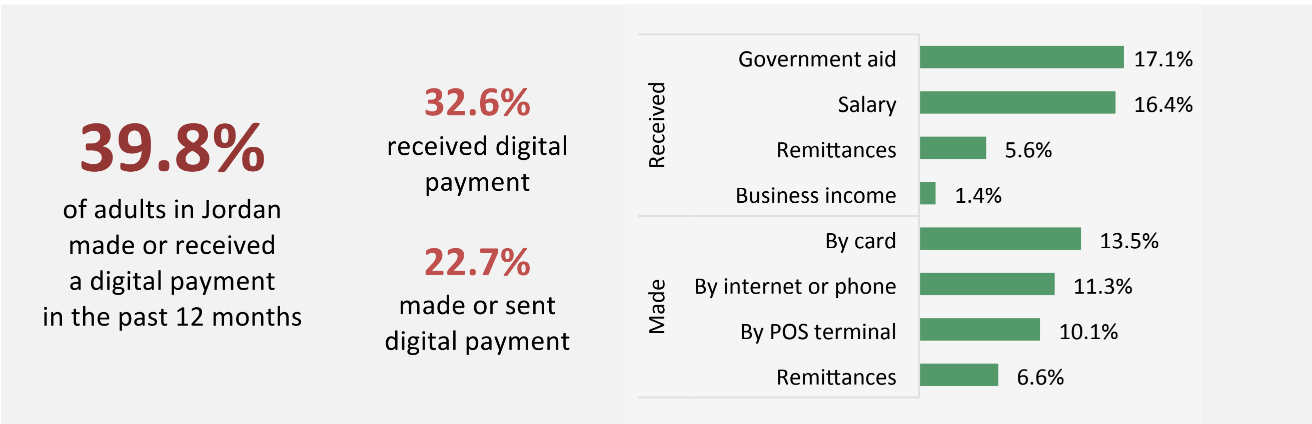
Movable collateral registry. The Jordan Collateral Registry, managed by the Ministry of Industry, Trade and Supply, is the kingdom's movable collateral registry. The collateral registry is relatively new, having started operating in 2021, but some financial institutions are already using it to register their security interests in movable assets (aside from vehicles, which are registered separately). The collateral registry should contribute to increasing financial inclusion in terms of lending by encouraging financial institutions to accept movable assets as collateral more frequently than they have in the past. Currently real estate is by far the preferred form of collateral, but not all potential borrowers own real estate or may not wish to pledge it for relatively small loan sizes. Although the movable collateral registry is probably more relevant for MSME lending, it may have a modest positive impact on lending to households.

2.4 Payments and transfers

2.4.1 Digital payments

Definition. The term "digital payments" refers to the sending or receiving of money by electronic means. This includes sending or receiving money through an account, through debit, credit and prepaid cards, and transactions through the internet or by mobile phone, without the involvement of cash or checks. It also includes not just payments for goods and services to merchants but also money transfers, such as the exchanging of money between friends or family. Digital payments play an important role in financial inclusion because, when designed and executed well, they offer numerous advantages over cash and checks. These advantages include making it easier to track one's income and expenses, rapid transaction speed, lower transaction costs, and reduced risk of loss or theft.

Figure 26: Digital payment indicators by type (% of adults)



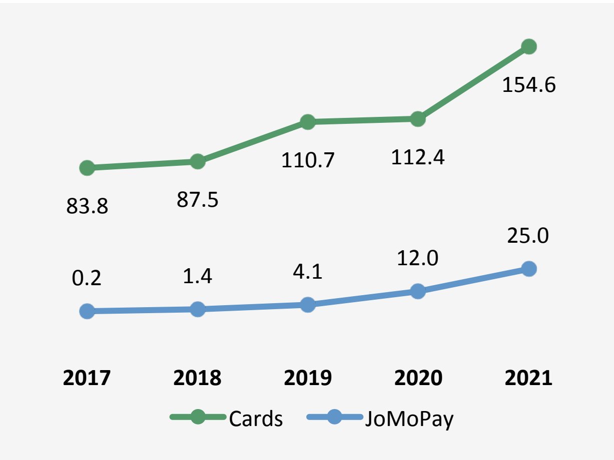
Usage rates. The share of Jordanian adults that made or received a digital payment in the past 12 months was 39.8% in 2022. The share of adults receiving a digital payment of 32.6% was somewhat higher than the share that made a digital payment of 22.7%. The most common type of digital transaction received was the payment of government aid into an account (17.1% of adults received aid in this way), followed closely by the receipt of a salary into an account (16.4% of adults), then receipt of remittances via account (5.6%) and receipt of self-employment business income via account (1.4%). The most common means of making digital payments was with some type of card (13.5% of adults), through the internet or a mobile phone (11.3% of adults), using a point-of-sale (POS) terminal (10.1%), or sending remittances digitally (6.6%). It should be noted that these categories of digital payments often overlap; for example, payments by POS terminal or by internet are usually done with a card, so a single transaction may be counted in multiple categories.

Growth rate of digital payments. The share of adults making or receiving a digital payment increased dramatically since 2017, when the ratio was just 18.3%. Factors that help to explain the increase include:

- Higher account ownership overall and especially for mobile wallets, which usually have low costs for transactions, thus encouraging money transfers and payments
- Greater availability of POS terminals among merchants (see section 5.6.4 for details)
- More billers using the eFAWATEERcom payment service – from 111 billers in 2017 to 393 in mid-2022
- Efforts by the government, JoPACC, and financial institutions to promote and educate customers about the benefits of digital payments and how to use them
- Stronger technical performance of the JoMoPay system over time, with fewer transaction errors occurring, thus increasing customer confidence in using these systems[19]
- The COVID-19 pandemic reduced the demand for cash and encouraged both households and businesses to make the transition to digital payments

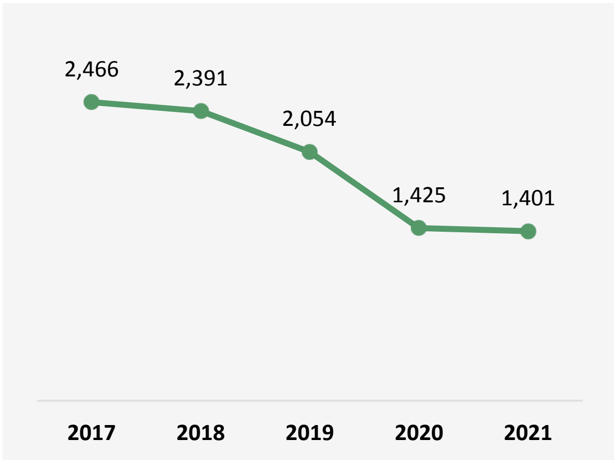
The supply-side perspective. Supply-side data confirm the finding from the demand survey that the use of digital payments is increasing rapidly. In particular, the number of transactions through payment cards and through the mobile wallet switch JoMoPay have all demonstrated very strong growth from 2017 to 2021, as illustrated in Figure 27.

Figure 27: # of digital payment transactions



Per 1,000 adults; Sources: CBJ, JOPACC

Figure 28: # of checks presented



Per 1,000 adults; Source: CBJ

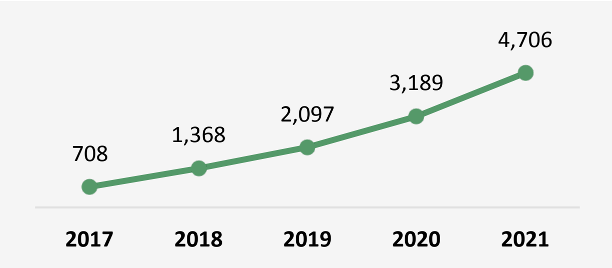
The number of card transactions per 1,000 adults nearly doubled from 83.8 million transactions in 2017 to 154.6 million card transactions in 2021[20]. The number of mobile wallet transactions processed through the JoMoPay system also grew, from less than 200,000 in 2017 to 25.0 million in 2021[21]. Given the rise in digital payment transactions, it is not surprising to see that the number of checks presented for clearing per 1,000 adults declined over the same period (Figure 28). The decline was particularly sharp in 2020, when the COVID pandemic discouraged people from using anything tangible, whether a paper check or paper money.

[19] The recent transition of many financial institutions to CliQ was accompanied by some technical problems, but PSPs report that CliQ's performance improved rapidly within a few months of launch and is now quite reliable.

[20] Source: CBJ

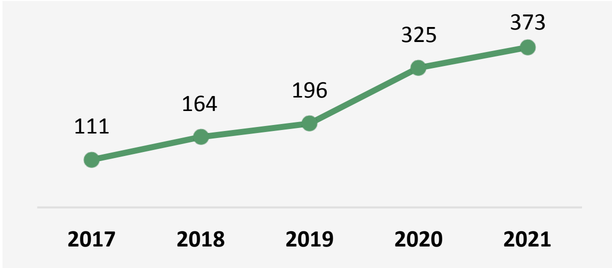
[21] Source: JOPACC

Figure 29: # of eFAWATEERcom transactions



Per 1,000 adults; Source: CBJ

Figure 30: # of eFAWATEERcom billers



Source: CBJ, JoPACC

eFAWATEERcom. The eFAWATEERcom electronic billing platform, which is owned by JoPACC, is also a major contributor to digital payments. In 2021 there were 34.2 million payment transactions through the service, or 4,706 transactions per 1,000 adults (Figure 29), more than 7 times higher than the 4.7 million transactions that were recorded in 2017. The majority of these payments (76% in 2021) are fully digital, meaning that they are executed by account transfer or card, with a relatively smaller share of 24% starting with the customer bringing cash to the agent, who then completes the transaction electronically. Furthermore, the 76% fully digital transaction rate in 2021 was up from 71% in 2020 and had been increasing steadily in previous years as well. The number of billers using the service is also increasing rapidly, from 111 billers in 2017 to 373 in 2021 (Figure 30). Most banks have enabled eFAWATEERcom payments through their online banking systems or mobile phone apps for free (versus a fee for in-branch service), so it is easy and inexpensive for bank customers to make such payments. The agent network of eFAWATEERcom is well developed, with multiple agents in small towns even in the sparsely populated governorates.

QR codes. Future increases in digital payments are likely to be driven by greater usage of QR codes. Although QR codes are only just starting to be accepted by the general public in Jordan, they can allow payments without the need for a POS terminal or card, and thus are more likely to appeal to both customers and merchants. A 2021 survey by JoPACC found that 20% of Jordanians were aware of QR codes and 4% had ever used them to make a payment.[22] As of mid-2022, all the PSPs and three merchant acquirers operating in Jordan had implemented interoperable QR codes, enabling all mobile wallet holders to pay on the POS device of any merchant acquirer. One payment company in Jordan stated that they are planning to start offering merchant acquisition services using a POS device that only accepts QR codes, not cards. In order to promote the adoption of QR codes, JoPACC has issued the "Handbook on the Common QR Code Standards for Payments in Jordan." The Jordanian standards are adapted from the EMVCo standard, the world's leading QR code standard that was developed jointly by Visa, MasterCard, and other major payment platforms. One barrier to customer adoption of QR payments is that customers usually cannot get a paper receipt from their QR transaction. As customers become more comfortable with digital receipts, this concern should gradually fade. The typical charge to a merchant for a QR payment is 1% of the transaction value, which is not particularly high but nevertheless acts as a barrier to adoption for some merchants.

CliQ. Another potential future driver of digital payment adoption is the introduction of the CliQ payment system by JoPACC. CliQ mirrors the basic functionality of the older JoMoPay transaction system, which is still running in parallel, but CliQ offers more features and ensures full interoperability between mobile wallets and bank accounts. For example, CliQ allows customers to transfer their mobile wallet account from one phone to another, enables cardless cash out from ATMs through a QR code, and allows multiple wallets to be linked to one phone. CliQ is also inexpensive, with no fees charged for money transfers and reduced rates for cardless cash out of mobile wallets through bank ATMs.[23] As of May 2022, CliQ had about 300,000 users or 4.1% of the adult population.[24] In the first five months of 2022, there were 1.4 million transaction on CliQ for JOD 281 million, compared to about 635,000 transactions for JOD 142 million during all of 2021.

[22] JoPACC. *A Market Study on the Adoption of Digital Financial Services.* December 2021.
[23] The fee structure of CliQ will be reviewed at the end of 2022, at which time it is possible that some financial institutions will start charging fees for usage.
[24] Source: JoPACC.

Some PSPs interviewed for this study commented that they were seeing the reactivation of some dormant mobile wallet accounts in 2022, which they attribute mainly to the CliQ system. Nearly all banks in Jordan and three merchant acquirers were participating in CliQ as of mid-2022.

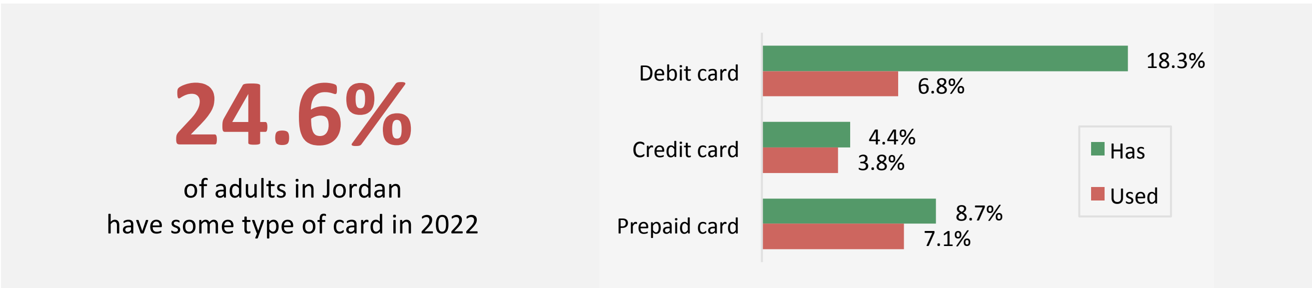
Initiatives of the government, JoPACC and development institutions. The Jordanian government, JoPACC, and international development institutions have been actively promoting and supporting increased usage of digital payments through a variety of programs and initiatives. These include:

- The Mobile Money for Resilience Initiative (MM4R), launched by the CBJ and the Bill and Melinda Gates Foundation in 2018 with USD 3 million in funding, has provided grants to support increased usage of mobile wallets and QR payments, especially for priority segments such as low-income households, women and refugees
- The COVID-19 Response Challenge Fund, managed by the CBJ, encourages merchants to accept digital payments through mobile wallets and QR code payments, primarily by providing incentives to PSPs and merchants
- The Digi#ances project, managed by Germany's development institution GIZ since 2015, has provided funding for a number of activities designed to support the usage of mobile wallets and digital payments, especially by refugees and low-income households
- The MEDAL Facility, supported by JoPACC and Germany's BMZ and GIZ, is working with two PSPs in 2022 to increase the number of merchants accepting QR code payments
- UNHCR has contributed to projects designed to provide better access to finance to refugees, particularly through mobile wallets

2.4.2 Card payments

The role of cards in the payment system. Debit, credit and prepaid cards are the most common methods used by households to make digital payments. Cards are popular because they can be used for a variety of different transactions, such as paying a merchant through a POS terminal, making an online payment at an e-commerce site, or withdrawing money from an ATM. Because most cards are issued through Visa and MasterCard, they can be used just as easily for international transactions as for transactions within Jordan.

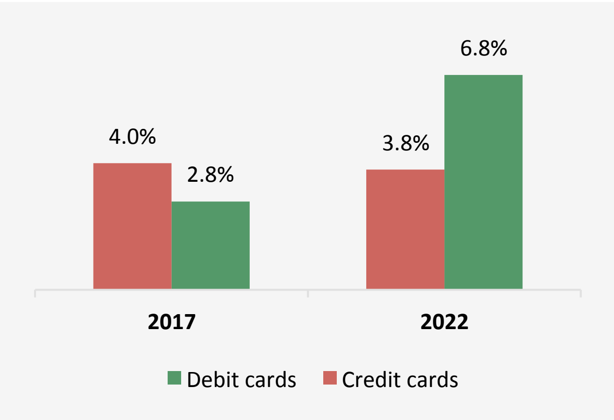
Figure 31: Ownership and usage of cards



Card ownership and usage rates. Nearly a quarter (24.6%) of all adults have some type of card that can be used for electronic payments. Debit cards are the most commonly owned (18.3% of adults), followed by prepaid cards (8.7%) and credit cards (4.4%). In terms of their usage for payments, prepaid cards were the most commonly used in the past 12 months (7.1% of adults used them to make a payment), followed by debit cards (6.8%) and credit cards (3.8%). It is worth noting that the usage rate of debit cards for payments is rather low – only about 38% of those with a debit card used it to make a purchase, whereas the usage rate of credit cards (87%) and prepaid cards (82%) is quite high relative to the number of owners. Debit card ownership is highly dependent on the type of account: 50.1% of adults with a bank account have a debit card, but only 9.3% of mobile wallet holders have a debit card. The low uptake of cards by mobile wallet holders was also confirmed in interviews with managers of PSPs, who stated that customers consider the additional card fee of JOD 5 to be significant relative to the benefits they expect to get from card ownership.

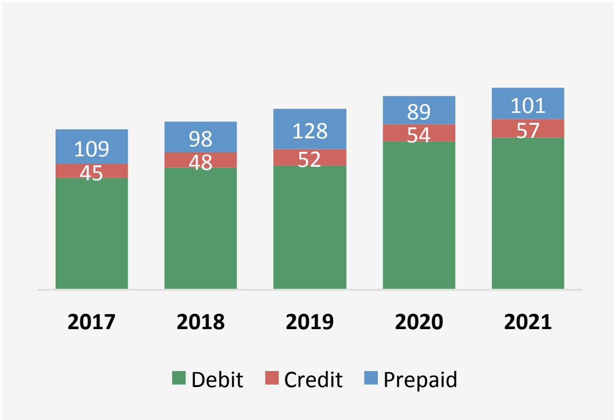
Growth of card ownership and usage. Although the rate of card ownership does not appear to be increasing over time based on survey data, the usage of debit cards to make payments is increasing in frequency (Figure 32). The share of adults with a debit card decreased from 27.2% in 2017 to 18.3% in 2022. However, the usage of debit cards to make payments has increased substantially over the five-year period. In 2022, 6.8% of adults used a debit card to make a payment in the past year, whereas in 2017 the figure was just 2.8%. The usage rate of debit cards for payments is arguably more important for financial inclusion than the ownership rate. The share of adults with a credit card in 2022 (4.4%) was below the share from the 2017 survey (4.8%), and the usage rate of credit cards was also down (from 4.0% to 3.8%).[25]

Figure 32: Card usage for payments 2017 vs. 2022



# of adults that made payment with card

Figure 33: Cards in circulation per 1,000 adults



Source: CBJ

The supply-side perspective. According to supply-side data, the number of cards in circulation has been growing steadily from 2017 to 2021 (Figure 33). The growth in debit cards in particular has been very rapid, from 353 cards per 1,000 adults in 2017 to 482 cards in 2021. The number of credit cards has been growing at a moderate pace, but the number of prepaid cards decreased slightly. Although the growth in credit and debit cards from the supply-side data seems to contradict the lower rate of card ownership from the demand survey, it is possible that many newly issued cards are not being used, in which case the card holder may have forgotten that they have it. The fact that the supply-side numbers include cards held by legal entities could also cause a divergence from the demand-side numbers, which only represent individuals.

Virtual cards. The use of virtual payment cards, which provide a card account without the customer actually receiving a physical card, is just starting to make an impact on the payment landscape. Several card processing companies in Jordan now offer this service. Virtual cards cannot be used at POS terminals, but they can be used to buy things online where only the card number, expiration date and security code are required. With the further development of e-commerce platforms and company web sites that allow online purchases, virtual cards are likely to become more useful to households in the future.

POS terminals. Most card payments in Jordan are effected through a POS terminal. The number of such devices (about 44,300 in 2021) is growing rapidly, as discussed in section 5.6.4 if this report. Merchant acquirers in Jordan are also beginning to launch what can be called "soft POS" terminals, meaning that the merchant uses a smart phone in place of a standard POS device to accept card payments. Smartphones that are near-field communications (NFC)-enabled can accept tap-to-pay card payments after the merchant has registered for the service with the merchant acquirer and installed the appropriate app. Such systems are likely to become a popular alternative to standard POS devices because the merchant can use an existing smart phone without making an investment in the POS device itself.

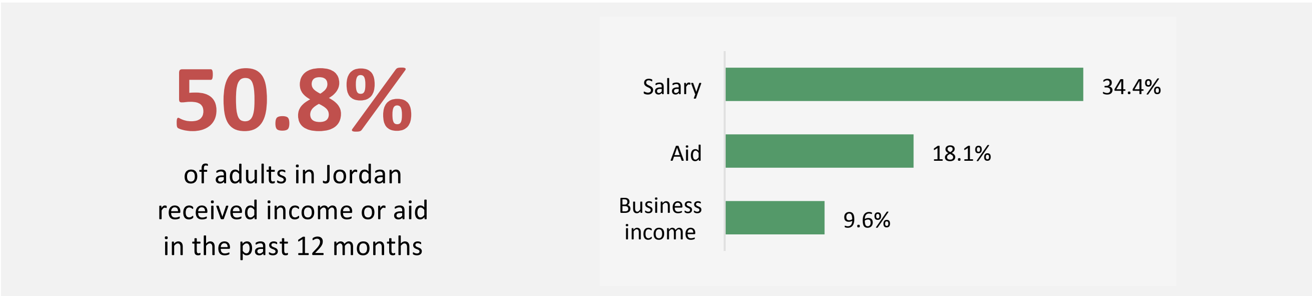
[25] The ownership and usage rate of prepaid cards was not measured in 2017

E-commerce. Cards are the primary means of making e-commerce payments. E-commerce transactions typically occur on the website of the merchant when the customer inputs their card details in order to complete the payment. Some merchants are also using SMS "pay-by-link" transactions or URL billing, a relatively new approach whereby the customer receives an SMS with a link that enables them to input their card details through their mobile phone. The appeal of the pay-by-link service is that the merchant does not need to invest in a POS device or maintain their own website or order to use it. One merchant acquirer interviewed for this study estimated that there was a 400% increase in e-commerce transactions during the pandemic and that at least 550 merchants in Jordan engage in e-commerce.

2.4.3 Receiving income and aid

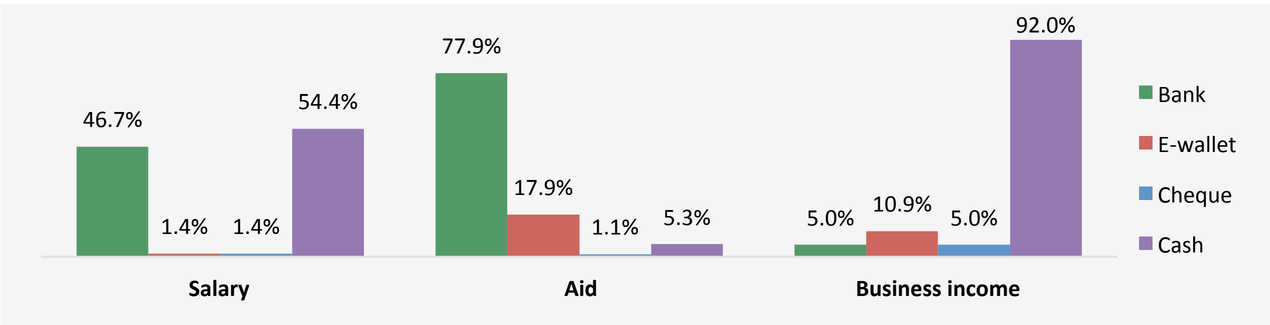
The receipt of salaries, business income and government aid are among the most common types of payment transactions for households and so have a particularly important role in financial inclusion.

Figure 34: Share of adults receiving income or government aid



Rates of receiving income and aid. Just over half (50.8%) of adults in Jordan received some form of income or government aid in the previous 12 months. The most common form of income was a salary or wages from employment, received by 34.4% of adults. This was followed by government aid, received by 18.1% of adults, and business income, received by 9.6% of adults. Business income here refers to the income of individuals from self-employment activities, such as entrepreneurship, farming, or freelance work. A substantial 6.5% of adults reported receiving both a salary and government aid. Among the adults who earn a salary, a substantial 37.3% reported being employed by the government.

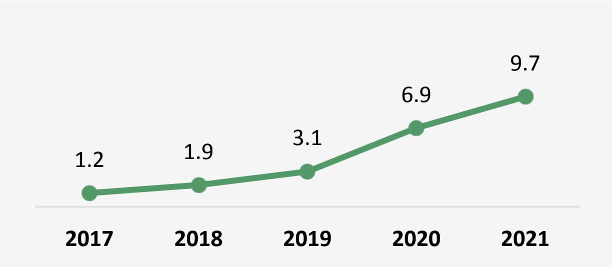
Figure 35: Methods of receiving income (% of adults that received the given type of income)



Methods of receiving income and aid. Salaries were received primarily in cash; 54.4% of adults who received a salary received it in cash. However, receiving a salary by bank account transfer is not far behind at 46.7%. Mobile wallets and checks are not important means of salary payment, at 1.4% each. Government aid is mainly disbursed through bank accounts (77.9% of aid recipients received it by bank account), with mobile wallets also representing a meaningful channel at 17.9%. The receipt of business income by entrepreneurs and freelancers is dominated by cash payments (92.0%), but it is interesting to note that mobile wallets are also significant, with 10.9% of entrepreneurs having received business income into a mobile wallet. The significant cost of purchasing and using POS terminals is a key factor in the high share of cash payments to entrepreneurs.

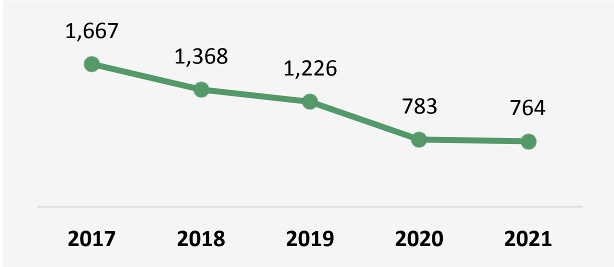
Growth in digital income and aid usage. The use of electronic channels to receive income from employment, self-employment and the government is increasing at a healthy rate. In 2017, only 6.7% of adults in Jordan reported getting a salary via an account, versus 16.4% in 2022. Similarly, only 5.8% received government aid into an account in 2017, versus 18.1% in 2022.

Figure 36: # of ACH transactions (millions)



Source: JoPACC

Figure 37: Avg. ACH transaction size (JOD)



Source: JoPACC

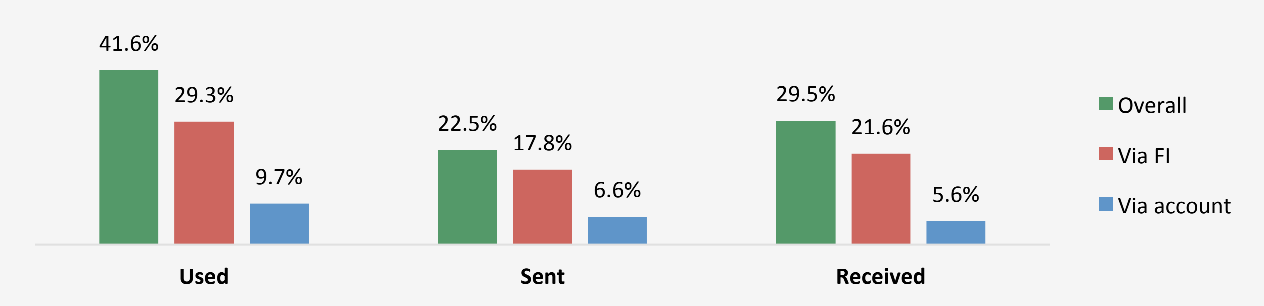
ACH and mobile wallet salary transactions. Supply-side data highlights how digital payment growth has been achieved. The most relevant supply-side data for salary transactions comes from the Automated Clearing House (ACH), as 71% of the volume of ACH transactions are salary payments. The number of ACH transactions grew at a tremendous rate from 2017, when there were 1.2 million transactions, to 2021, when there were 9.7 million (Figure 36). The growth was especially high in 2020, when COVID-19 created a new incentive for employers to pay salaries electronically. Over the same period, the average transaction size roughly halved, indicating that employers who paid relatively high salaries were early adopters, but the practice of digital salary payments has now spread to a wider spectrum of companies. Mobile wallets are increasingly being used for salary payments as well, although still in much smaller numbers than through the ACH. There were about 262,000 salary payments through the mobile wallet payment switch JoMoPay in 2021[26]. As the ownership rate of mobile wallets has been increasing rapidly, their use for salary and wage payments is likely to continue its upward trajectory in the coming years. According to executives at JoPACC, the share of JoMoPay transactions for salary transfers jumped from 3% of total JoMoPay transactions to 17% post-COVID.

2.4.4 Remittances

Remittances and financial inclusion. Remittances are money transfers usually sent from one individual to another. They are an important source of income for many households, particularly in cases when a family member lives and works in another city or country and sends money home on a regular basis. According to World Bank estimates[27], remittance inflows to Jordan in 2020 were about USD 3.9 billion, or 9.0% of GDP, more than six times the volume of outflows of USD 575 million. Due to the difficulties in making these estimates, the actual remittance volumes may be much higher[28]. Therefore, any efforts that improve the ease and affordability of sending and receiving remittances is likely to benefit the economy.

[26] Source: JoPACC
[27] https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data
[28] CGAP. *Paving the Way for Digital Financial Services in Jordan.* June 2017.

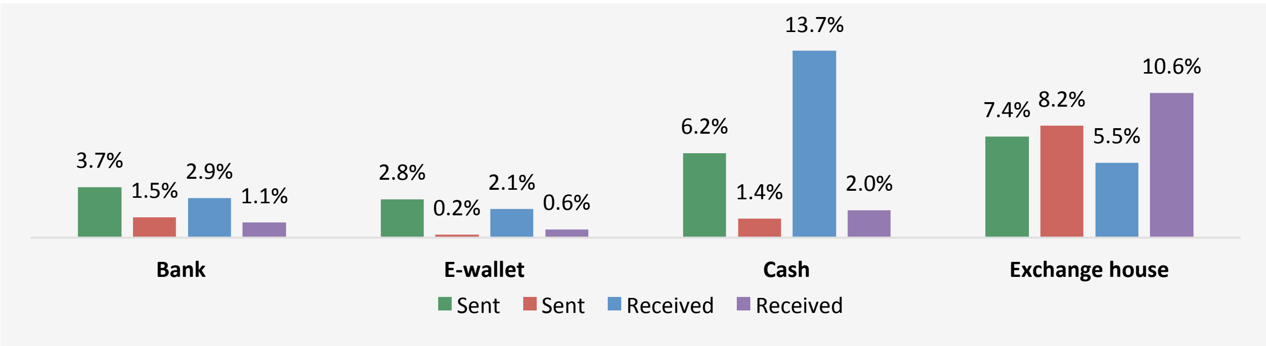
Figure 38: Remittance usage by method (% of adults)



Usage rates. The share of adults that used (i.e. sent or received) a remittance in the past 12 months was 41.6% (Figure 38). The share that sent a remittance was 22.5%, somewhat below the 29.5% that received a remittance. Remittances are sent mainly through financial institutions (FIs) such as banks, PSPs and exchange houses. 29.3% of adults used a financial institution to send or receive a remittance. For 9.7% of adults, the remittance transaction was either sent directly from an account or received into an account. Transactions via an account can be considered purely digital transactions, as they originate and end with an electronic debit or credit. Some transactions through a financial institution (which include the transactions via account) may be only partly digital, however. For example, the customer may go to an exchange house with cash, and then the money is sent electronically between branches of the exchange house before being picked up in cash by the recipient.

Domestic versus international remittances. Remittance activity tends to be higher within Jordan than between Jordan and other countries. 18.8% of adults sent a remittance within Jordan, versus 10.0% that sent money outside Jordan. Similarly, 18.8% received money from within Jordan, while 12.8% received money from another country. Jordanian families are more likely to have a relative living in a different city within Jordan than living in a different country, so this finding is in line with expectations.

Figure 39: Remittance usage by channel (% of adults)



Channels for remittances. Exchange houses and physically sending cash are the most commonly used remittance channels (Figure 39). Exchange houses are somewhat more frequently used for international remittances than domestic remittances and are relatively equal in terms of sending and receiving. By contrast, cash is used mainly for receiving money, especially from within Jordan. Banks are used primarily for internal transfers within Jordan, both sending and receiving. There is relatively less usage of mobile wallets for remittances, and almost all of that usage is for transactions within Jordan.

CliQ and remittances. As mentioned earlier, the relatively new CliQ payment system enables free, instantaneous money transfers to and from any mobile wallet or bank account connected to the system. The financial institutions that had already implemented CliQ as of early 2022 reported that uptake by customers is growing quickly and that satisfaction with the service is high due to the low cost and transaction speed.

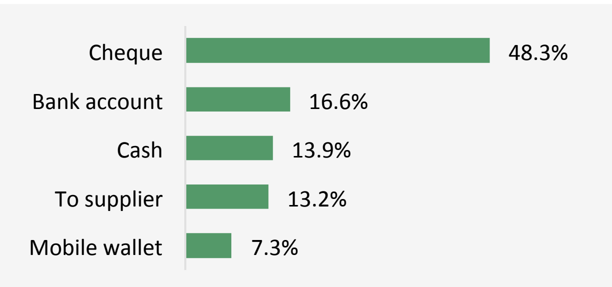
Money transfers are by far the main activity on CliQ, accounting for 94.5% of all CliQ transactions in 2022, with purchases accounting for the other 5.5%.[29]

Exchange houses. Exchange houses play a key role in the international remittances market because they are one of the few channels (along with banks) available for sending or receiving money outside of Jordan. They also support significant volumes of internal transfers within Jordan. There were 117 exchange houses with 279 service points[30] in 2021. Although the total number of exchange houses is high, the industry is highly concentrated, with a few big players and a large number of small players. The largest exchange houses have their own SWIFT address and act as super-agents for the money transfer companies like Western Union, giving them multiple channels for international remittances. In addition, the largest exchange houses have set up partnerships with banks or other exchange houses in countries that have a high remittance volume with Jordan, such as Egypt and Saudi Arabia. These partnerships enable the exchange houses to reduce the costs of sending and receiving money, as the money transfer operators are relatively expensive. One exchange house cited as a constraint that foreign banks often limit the number of SWIFT transactions that they will approve with exchange houses, as the banks consider them to be risky partners. Another constraint is connectivity of branches in rural areas, which sometimes leads to canceled transactions if the exchange house cannot connect to the systems of the money transfer operators.

2.4.5 Receiving and repaying loans

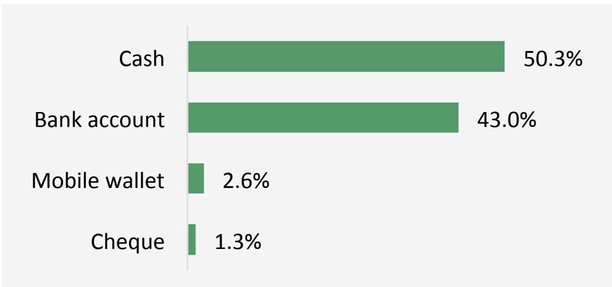
The receipt and repayment of loans are another form of payment transaction that is taking place increasingly in digital form. Loan repayments are usually monthly, so the availability of electronic repayment methods is particularly convenient for customers who would previously spend time traveling each month to the branch and standing in line to be served. Electronic loan disbursal, in combination with electronic document submission and e-signature, makes it possible for the whole lending to process to be done with no branch visit. Electronic loan disbursal also makes it easier to disburse loan proceeds directly to a supplier, reducing the opportunities for borrowers to use the funds for a different purpose than what was agreed.

Figure 40: Methods of disbursing loans



% of adults that borrowed in past 12 months

Figure 41: Methods of repaying loans



% of adults that borrowed in past 12 months

Methods of disbursing and repaying loans. According to the demand survey, checks continue to be the most popular means among lenders for disbursing loan proceeds; this is how 48.3% of borrowers received their most recent loan (Figure 40). By contrast, only 1.3% of borrowers repay their loans by check (Figure 41). Cash remains the most popular method of repaying loans (used by 50.3% of borrowers), followed closely by automatic withdrawal from one's bank account (43.0%). Cash is still used by financial institutions as a way to disburse loan proceeds, but it is no longer common, accounting for just 13.9% of disbursals. Mobile wallets are being used for both disbursal (7.3% of borrowers) and repayment (2.6%), although the usage rates are still rather low. Direct disbursal to the supplier of the goods or services being financed accounts for 13.2% of total disbursals.

[29] JoPACC. *CliQ Report, May 2022.*

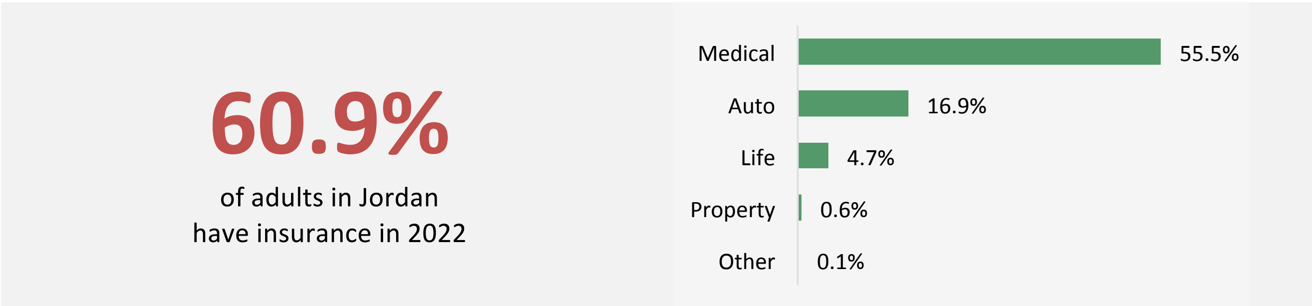
[30] The figure of 279 service points includes 117 head offices and 162 branches in 2021. Most exchange houses provide services to clients in the head office.

Changes in digital loan payments since 2017. Although this question about methods of receiving and repaying loan funds was not posed in the 2017 demand survey, financial institutions confirmed during interviews that they increasingly use digital channels to disburse loan funds and to accept payments. An increasing number of financial institutions now work with the eFAWATEERcom service, which facilitates loan repayment by account transfer. There were 47 financial institutions listed as billers on eFAWATEERcom as of mid-2022, including banks, MFIs and leasing companies. In addition, some MFIs have established partnerships with PSPs in order to enable low-cost disbursals and repayments using mobile wallets through the mobile phone application of the PSP or through the MFI's own mobile app. One MFI interviewed for the study reported that it no longer makes loan disbursals by cash or check at all, only by mobile wallet or ATM (in partnership with a bank). Another MFI has opened a cashless branch where only digital transactions can be processed. It is likely that other MFIs will adopt similar digital-only approaches in the future.

2.5 Insurance

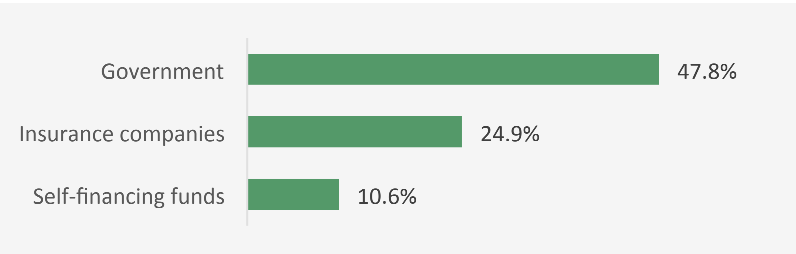
Insurance and financial inclusion. Insurance plays an important role in risk mitigation for households and businesses, and consequently is a key component of financial inclusion. By paying a relatively small fee, customers can protect themselves against certain unpredictable risks without needing to save money in advance.

Figure 42: Insurance ownership by type (% of adults)



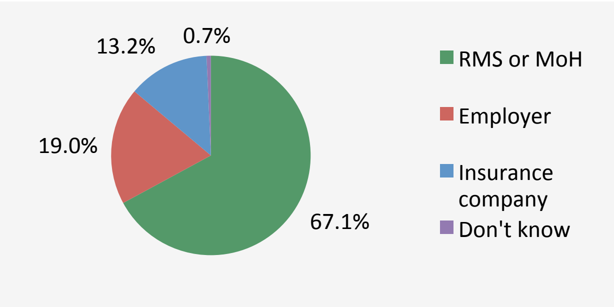
Insurance ownership rates. The share of adults with insurance of 60.9% makes this the most commonly owned financial product, far exceeding the share with an account, the share that borrowed from a financial institution, or the share that made or received a digital payment. Insurance ownership is driven primarily by medical insurance, which 55.5% of adults in Jordan have. This is followed by auto insurance (16.9% of adults), life insurance (4.7%), and property insurance (0.6%). Only one survey respondent (0.1% of the sample) reported having some other type of insurance, which was dental insurance.

Figure: Insurance owner by provider (% of adults)



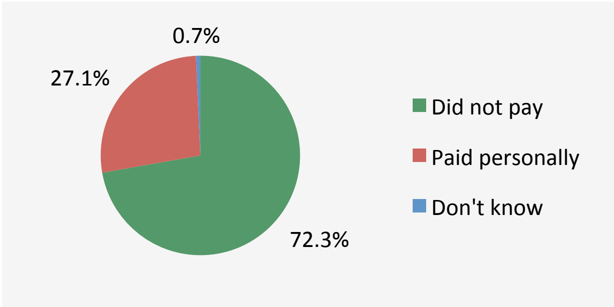
Insurance providers. The government is the main supplier of insurance in Jordan due to its provision of insurance through the Royal Medical Services and the Ministry of Health. 47.8% of adults have insurance through the government, all of it in the form of medical insurance. So-called "self-financing funds" established by employers to serve their own employees are also a major source of insurance in Jordan, reaching 10.6% of adults. Like the government, these self-financing funds only provide medical insurance. Insurance companies provide insurance to 24.9% of adults. It is possible that some respondents are not able to differentiate between medical insurance provided through a self-financing fund or through an insurance company working with the employer, so these numbers should be interpreted with caution. If indeed some employees incorrectly assume that their medical insurance is provided by their employer rather than an insurance company, the true share of adults with insurance from an insurance company may be higher than the 24.9% rate reported here.

Figure 43: Source of medical insurance



% of those with medical insurance

Figure 44: Payment of medical insurance



% of those with medical insurance

Medical insurance. The high ownership rate of medical insurance is due mainly to the provision of insurance by the government and to a lesser extent by employers. The main provider of medical insurance is the government, either through the Royal Medical Services (RMS) or Ministry of Health (MoH). Government medical insurance is provided automatically to very young people (under the age of 6) and people over 60, and others may qualify based on income level. The government was the provider for 67.1% of medical insurance holders in the 2022 survey. The next most common source is an employer, through a self-financing fund, indicating that the employer underwrites the policy internally without the support of an insurance company. Such employer-provided medical insurance accounted for 19.0% of all medical insurance. Finally, medical insurance provided directly by an insurance company accounted for 13.2% of all policies. Most of the medical insurance provided by insurance companies is group insurance. Individuals rarely apply for medical insurance on their own, and those who do are usually among the higher-income segment. In line with the high rate of government-provided insurance, 72.3% of those with medical insurance reported that they received the insurance without having to pay for it.[31]

Life insurance. The rate of ownership of life insurance reported above – 4.7% of adults – includes both those who are insured (3.7% of adults) and those who are beneficiaries (1.8% of adults). Some people may not be aware that they were named as a beneficiary, so the actual figure could be higher. Only 41.0% of life insurance policy holders stated that they paid for the life insurance themselves, although some may be paying though automatic salary deductions without being aware of it. According to the Jordan Insurance Federation, most life insurance consists of group term life provided by employers to their employees.

Auto insurance. Among adults with auto insurance (16.9% of adults), 83.7% had compulsory insurance that provides the minimum coverage required by law, while 16.3% had a comprehensive policy that gives additional protection. The compulsory auto insurance system is highly regulated, as the premium is set by legislation and has been at the same level since 2010. In addition, customers are assigned to insurance companies through a rotating system that ensures that the policies are evenly distributed among the insurance companies.

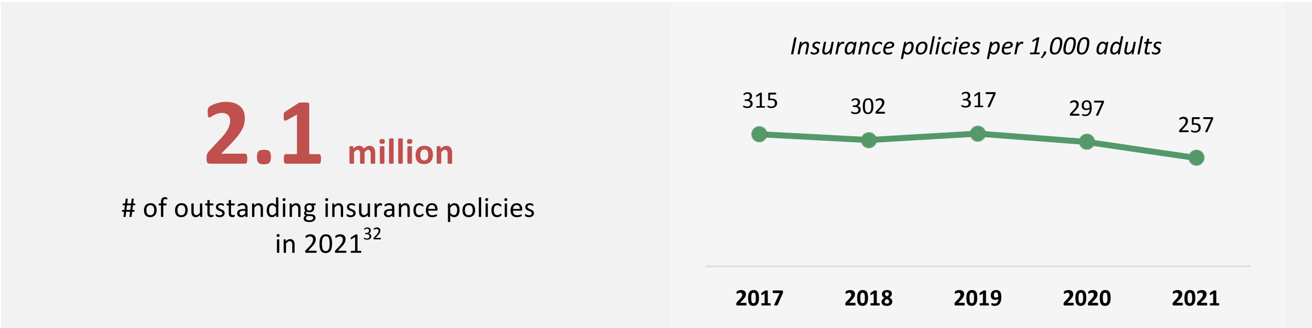
Property insurance. As an explanation for the very low rate of property insurance ownership (0.6% of adults), one insurance company suggested that because most Jordanian houses are made of stone, most homeowners do not consider damage to the structure itself to be a significant risk. Using property insurance to cover the contents of one's home or one's personal items is, according to several insurance companies, likewise very difficult to sell to customers. Lenders occasionally demand that borrowers insure

[31] It is possible that some respondents were paying for insurance without realizing it, as the cost may have been deducted directly from their salary. For example, a deduction of 3% of the salary of government employees is taken to cover their insurance costs.

property that will be taken as collateral for loan, which makes some contribution to the usage of property insurance.

Agricultural insurance. Insurance companies in Jordan are not currently offering agricultural insurance on a commercial basis. A lack of data on agricultural risks and a lack of qualified agricultural experts are key barriers to the commercial provision of this type of insurance. A new program funded by the United Nations Development Program (UNDP) called the Insurance and Risk Finance Facility is expected to feature a component related to agricultural insurance, but the program was still in the development phase as of mid-2022. It is hoped that the UNDP program can build up a database of agricultural information and train experts, which would later incentivize insurance companies to develop agricultural insurance.

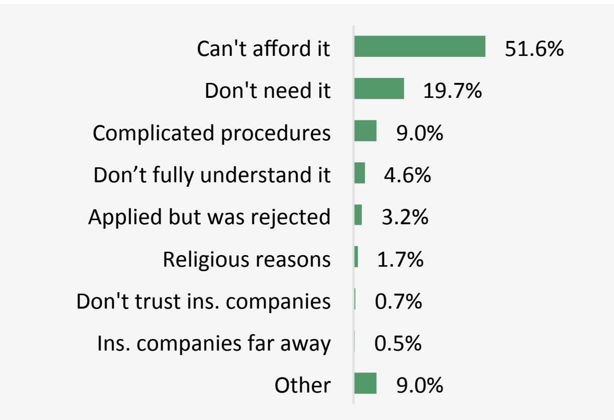
Figure 45: Supply-side data on number of insurance policies



Source: CBJ; excludes government-provided insurance

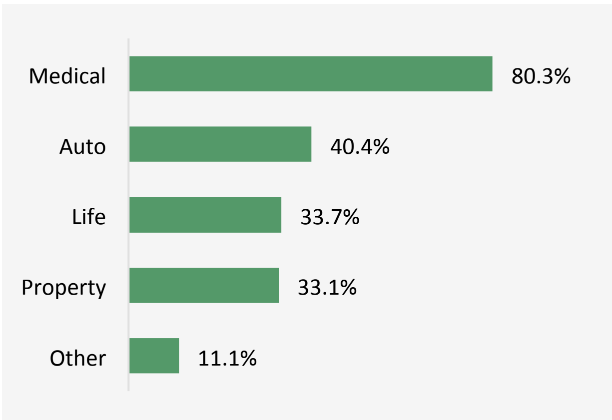
Growth of insurance usage. The number of outstanding insurance policies per 1,000 adults as reported by insurance companies decreased from 315 to 257 from 2017 to 2021 (Figure 45), following an increase to 317 in 2019. According to managers of insurance companies interviewed for this study, the main factor that explains the decrease is COVID-19, which had a negative impact on demand for insurance. The ratio of insurance premiums to GDP also declined from 2.1% in 2017 to 1.9% in 2020. On the other hand, the 2015 census found that 55.3% of population had some form of medical insurance coverage, slightly less than the 55.5% rate from the 2022 survey.[33]

Figure 46: Reasons for not having insurance



% of adults without any insurance

Figure 47: Wants to get insurance



% of adults without the given type of insurance

Reasons for not having insurance. Among those with no insurance, over half (51.6%) stated that they did not have insurance primarily because they could not afford it or did not have enough money. Not needing

[32] The number of people covered by medical insurance through insurance companies and self-financing funds managed by a third-party administrator was 837,000.
[33] The 2017 CBJ survey asked adults if they received or bought insurance in the past 12 months, whereas the 2022 survey asks if they have insurance currently, so the results are not directly comparable.

insurance was the second most common reason (19.7%). Complicated procedures to apply for insurance were mentioned as a constraint by some respondents (9.0%), followed by not fully understanding how insurance works (4.6%). Lack of trust in insurance companies was very rarely given as the main reason for not having insurance (0.7%), as was insurance companies being located far away (0.5%). Religion was also rarely given as a reason for not having insurance (1.7%); by contrast, religion is much more frequently given as a reason for not borrowing or not having an account. There a two insurance companies in Jordan that are licensed to provide Shariah-compliant takaful products.

Demand for insurance. The demand for medical insurance is particularly high, as 80.3% of adults who don't have medical insurance stated that they want to receive it. Unmet demand is lower but still significant for other types of insurance. For instance, 40.4% of those without auto insurance want it, followed by life insurance (33.7%) and property insurance (33.1%). The majority of those who want insurance believe that they would qualify for it[34], further emphasizing that affordability is the main factor preventing higher ownership rates.

Bancassurance. Bancassurance, the sale of insurance by banks, is present in Jordan but practiced on a relatively small scale. There were nine banks in Jordan in 2022 that were licensed to offer insurance and have agreements with insurance companies. However, the volume of premiums is reportedly low[35]. In a typical bancassurance arrangement in Jordan, the insurance products are made available only to existing bank customers, but the insurance is not necessarily linked to a specific bank product. There have been some attempts at bundling, however, such as automatically providing insurance to credit card holders. Aside from bancassurance, banks may also contribute indirectly to insurance ownership by requiring their borrowers to get insurance. Most commonly, banks will ask borrowers to get property insurance for assets to be taken as collateral, but some banks also require borrowers to get life insurance in certain circumstances.

Microinsurance. Microinsurance refers to the practice of providing insurance to low-income segments, which is done in cooperation with MFIs. There are two MFIs that currently provide microinsurance. When the product was initially developed in the mid-2000s, it consisted only of credit life insurance that paid off the balance of the microloan. Later, the payout was increased so that the family of the deceased received an extra benefit in excess of the remaining loan amount, leading to a surge in demand for this product. Finally, a hospitalization benefit was added that pays a fixed amount to beneficiaries based on the number of days they have been hospitalized. The life and hospitalization insurance are bundled together and provided automatically to all borrowers, with the cost covered by the interest rate. The offering of microinsurance to non-borrowers is not currently practiced on a meaningful scale. One MFI tried to sell medical insurance as an agent, but the results were modest and the practice was discontinued. Considering that low-income customers are very price sensitive, demand for microinsurance as a stand-alone product is low. Currently, it is only practical to offer microinsurance as a mandatory add-on to some other product. There is only one insurance company in Jordan that is currently cooperating with MFIs to offer microinsurance. The number of outstanding microinsurance policies was about 250,000 as of mid-2022, which represented about 59% of the total number of outstanding microfinance loans and 13% of the total number of outstanding policies issued by insurance companies. Although some losses were generated following the initial launch of the life and hospitalization insurance, the products are now solidly profitable.

Regulation. Responsibility for the supervision and regulation of the insurance sector was transferred from the Ministry of Industry and Trade to the CBJ in 2021 with the issuance of the Insurance Regulatory Law No. 12 of 2021. This law provides a broad framework for the sector, with more specific guidelines expected as the CBJ issues further instructions in the future. Some instructions and circulars have already been issued following the publication of the Insurance Regulatory Law. For example, CBJ recently issued a circular re-

[34] Of those who do not have but want medical insurance, 76.1% believe they would qualify for it. The rate for life insurance is 66.3%, for auto insurance 69.4%, and for property insurance 70.5%.
[35] Statistics on bancassurance are not available. One major insurance company that engages in bancassurance indicated that 7% of its premiums are through banks.

quiring the disclosure of brokers' commissions to the customer in order to promote greater transparency, and new corporate governance regulations were issued in 2022. Other than the system for compulsory auto insurance mentioned above, the legal and regulatory framework for insurance does not have any unusual features and does not impose any noteworthy constraints on insurance companies.

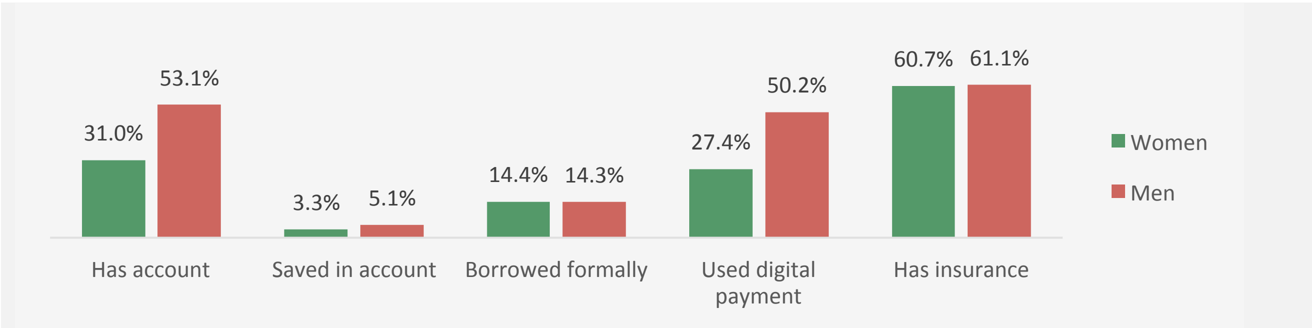
3 Priority segments

This section discusses financial inclusion from the perspective of vulnerable segments of the population that were identified by the CBJ as being in particular need of support. These segments are: women, refugees, young people, and low-income households. MSMEs are also considered a priority segment but are discussed later in a separate section of the report on financial inclusion for MSMEs.

3.1 Women

Background. Although the role of women in the Jordanian economy has been gradually improving in recent decades, women are still under-represented in economic activity relative to men. Only 14.2% of adult women were in the labor force in 2020 compared to 53.6% of men[36], and women faced a higher unemployment rate of 30.7% versus 21.2% for men. Although the number of women in secondary school and university exceeds that of men by a considerable margin[37], the illiteracy rate for women (7.5%) is significantly higher than for men (2.7%). These factors can act as disadvantages to women who wish to participate in the formal financial sector. In recognition of these disadvantages, the NFIS 2018-2020 prioritizes the improvement of financial inclusion for women, particularly by promoting financial literacy and financial capabilities for women.

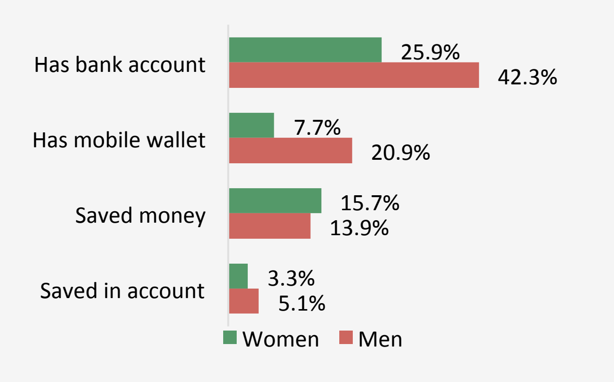
Figure 48: Financial inclusion indicators for women (% of adults)



Ownership and usage rates. While there is a significant gap between men and women for accounts and digital payments, they are approximately equal in terms of formal borrowing rates and insurance ownership. The gap for account ownership is rather large, with 31.0% of women having an account compared to 53.1% for men (Figure 48). Digital payment usage is also much lower for women (27.4% for women compared to 50.2% for men). Most digital payments are made using an account, so it is logical that indicators for accounts and digital payments would show similar gaps. However, the rate of borrowing for women of 14.4% was slightly higher than the 14.3% rate that was observed for men. And the gap in terms of insurance is negligible, with 60.7% of women having some form insurance, almost equal to the 61.1% rate for men. Future efforts to support women's financial inclusion should give greater emphasis to account ownership and digital payments than to borrowing and insurance.

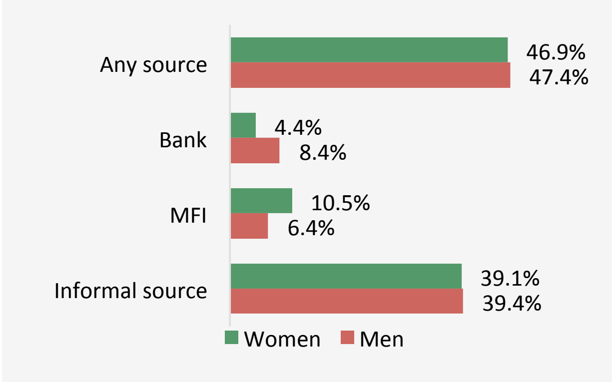
[36] Source: Department of Statistics, *Jordan in Figures 2020*.
[37] The ratio of women to men in secondary school was 109.2% in 2020, and the ratio getting a bachelor's degree was 125.1%.

Figure 49: Accounts and savings



% of adults

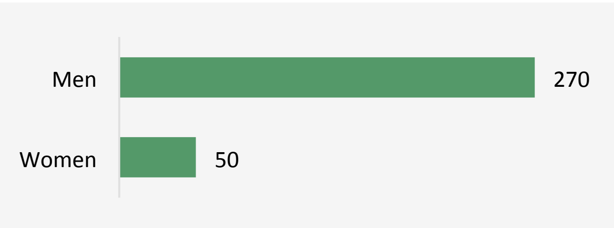
Figure 50: Borrowing by source



% of adults

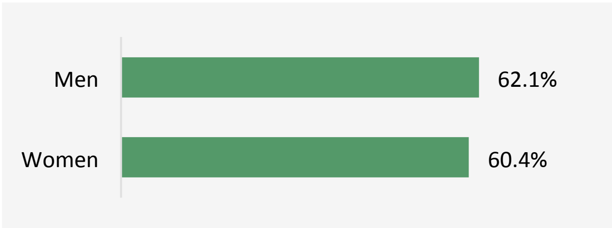
Account ownership. The gap between men and women for accounts is significant both for bank accounts (25.9% of women versus 42.3% of men) and mobile wallets (7.7% of women versus 20.9% of men), as shown in Figure 49. Supply-side data confirm that women are less likely to have an account. JoPACC reports that 29.8% of mobile wallet accounts were registered to women in 2021,[38] and the commercial banks (via CBJ) report that 34.1% of individual bank accounts are registered to women. Women were more likely to save money than men overall, although women saved primarily in cash at home, while men were more likely to save in an account (5.1% of men did so, compared to 3.3% of women).

Figure 51: Median income by gender



Monthly income in JOD

Figure 52: Account ownership for higher earners



% of adults who earn over JOD 100/month

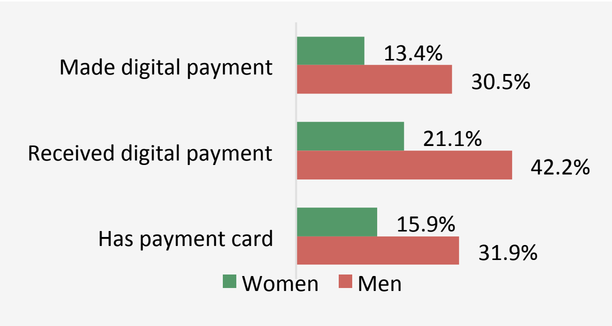
Income and account ownership. The lower account ownership rates for women may reflect lower income levels rather than some specific financial preferences of women or discrimination by financial institutions against women. Only 10.3% of women in the demand survey reported being employed, versus 45.6% of men. Correspondingly, the median monthly income of women in the survey was JOD 50, compared to JOD 270 for men. Regardless of gender, people with lower income are less likely to need an account, and some financial institutions are less motivated to serve them (see the section on low-income households below for more details). When controlling for income, the differences in account ownership between men and women almost disappear. Among people with monthly income above JOD 100, the account ownership rate for women was 60.4%, almost as high as the 62.1% account ownership rate reported by men in that income bracket. This suggests that differences in account ownership rates are primarily the result of social and economic factors that impact the employment rates and income levels of women, not the result of factors that are specific to the financial sector. Future efforts to support financial inclusion for women, therefore, should give significant attention to overcoming the social and economic barriers that lead to low employment levels among women.

Borrowing. As noted above, women's formal borrowing rates were very similar to those of men in the past 12 months. Informal borrowing rates were also very similar, with 39.1% of women compared to 39.4% of men taking a loan from an informal source (Figure 50). The main difference observed in borrowing behavior is that women are much more likely to borrow from an MFI than a bank (10.5% of women borrowed from an MFI, while only 4.4% borrowed from a bank). By contrast, men were more likely to borrow from a bank

[38] JoPACC. *JoMoPay Report – December 2021.*

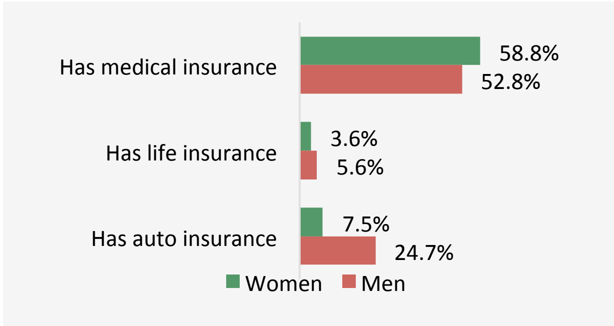
(8.4% did so) than from an MFI (6.4%). These findings are consistent with supply-side data, which revealed that the share of women borrowers among MFIs was 69.7% in 2021,[39] whereas the share of individual loans issued to women by commercial banks was just 18.4%[40].

Figure 53: Digital payments indicators



% of adults

Figure 54: Insurance by product type

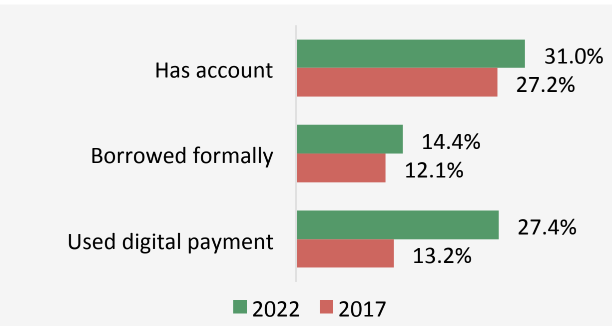


% of adults

Digital payments. The digital payments indicators for women are roughly half the level of those for men. Only 13.4% of women made a digital payment in the past 12 months, compared to 30.5% of men, and only 21.1% received a digital payment, half the rate of 42.2% of men. Card ownership among women (15.9%) is also about half the rate among men (31.9%). In addition, women were significantly less likely to have used a POS device to make a payment: only 5.2% of women did so, compared to 14.1% of men. Given that digital payments are usually made or received through an account, and women are less likely to have an account, these findings on digital payments are consistent with the findings on account ownership.

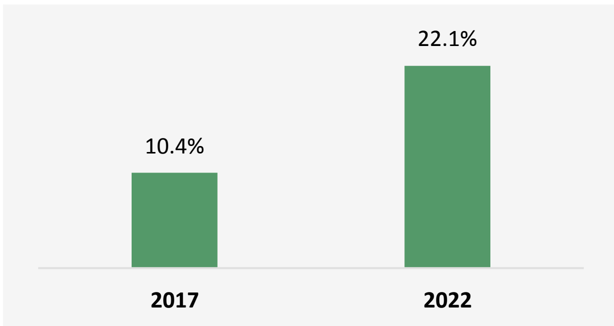
Insurance. While women and men have nearly equal rates of insurance ownership, the type of insurance policies held by men and women differ somewhat. Women are more likely than men to have medical insurance (58.8% for women versus 52.8% for men), but women are less likely to have life insurance (3.6% versus 5.6%) and much less likely to have auto insurance (7.5% versus 24.7%). The lower average employment rates and income levels observed for women do not hinder their medical insurance ownership rates, because many women receive medical insurance without having to pay for it (77.9%, higher than the 67.0% rate for men), which could be the result of being named as a beneficiary on someone else's policy or receiving free insurance through the government.

Figure 55: Indicators for women 2017 vs. 2022



% of adult women

Figure 56: Account ownership gap



% of adult women

Changes since 2017. Since 2017, account ownership and borrowing rates have increased modestly for women, and digital payments have increased substantially. Specifically, account ownership increased from 27.2% to 31.0%, formal borrowing from 12.1% to 14.4%, and digital payments from 13.2% to 27.4% (Figure 55). However, the growth in the account ownership rate for women was much less than the growth for

[39] Source: Tanmeyah. *Industry Performance Report: Q4 2021.*

[40] Source: CBJ

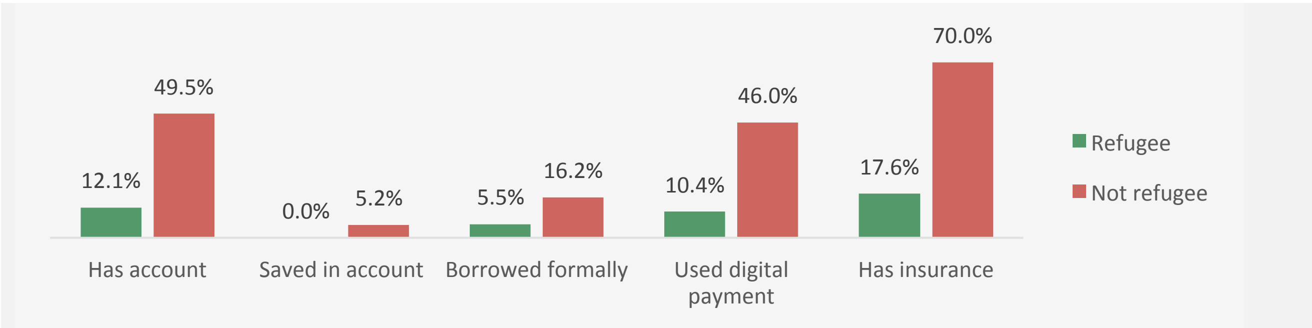
men, from 37.6% to 53.1% over the same five-year period. Consequently, the account ownership gap[41] has more than doubled over the period, from 10.4% to 22.1% (Figure 56).

Activities of local financial institutions. Financial institutions have been making progress in recent years in designing specialized loan and account products and services for women. In some cases, these specialized products come with privileged conditions, such as a below-average interest rate or less strict collateral requirements. A few financial institutions have created sub-brands for women, so there is a recognizable common name and theme across various product lines for women. Non-financial services customized for women are also increasingly being observed in the market, consisting mainly of financial literacy campaigns[42] and business development services designed for and available only to women. Such non-financial, women-focused services are commonly observed among MFIs but are also practiced by several banks. Aside from banks and MFIs, other types of institutions have made efforts to increase women's access to finance. For example, the JLGC offers a coverage rate of 80% for guarantees on behalf of women, higher than the 70% coverage rate for men. Guarantees can be particularly helpful to women, because only about 5% of women in Jordan own real estate[43], which the preferred form of collateral for loans. As another example, there is a venture capital fund and accelerator in Jordan that focuses on supporting female entrepreneurs.

3.2 Refugees

Background. With about 1.4 million Syrian refugees within its borders, Jordan has the world's second largest refugee population per capita. As of early 2022, there were approximately 760,000 refugees, about 6.9% of the population, registered with the UNHCR in Jordan, most of whom are from Syria.[44] Registration with UNHCR provides a variety of benefits including the issuance of an ID card and the possibility of receiving aid payment. However, even after accounting for aid, 64% of refugees are estimated to be poor (defined as income of JOD 3 per day or less), and nearly 90% of Syrian refugees struggle with food security[45] and other fundamental concerns. Access to formal financial services can enable refugees to better manage their household budgets, cope with uncertain cash flows, and invest in their own future. Consequently, the NFIS 2018-2020 recognized refugees as a priority segment, focusing in particular on targets for simplified account opening, financial awareness and financial literacy.

Figure 57: Financial inclusion indicators for refugees (% of adults)

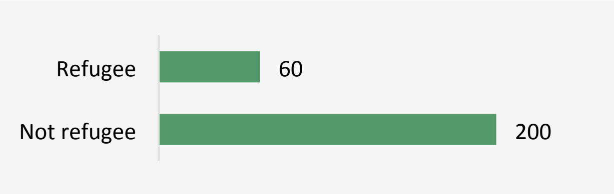


Ownership and usage rates. Refugees have rates of ownership and usage of formal financial services that are far below average, but that are increasing significantly over time. Refugees have particularly low rates of account ownership (12.1% for refugees compared to 49.5% for others[46]), formal borrowing (5.5% com-

[41] The gap is calculated as the ownership rate for men minus the ownership rate for women
[42] It should be noted that among 2022 survey respondents, women and men both answered 3.1 out of seven financial literacy questions correctly, suggesting that there may not be a gap in financial knowledge.
[43] Source: Interview with the National Commission for Women
[44] United Nations Jordan. "64 percent of refugees in Jordan survive on less than 3 dinars a day." March 30, 2022.
[45] World Food Program. "10 Facts About the Syrian Refugee Crisis in Jordan". Updated July 2022.
[46] Others, identified as "not refugee" in the charts, may include Jordanian citizens or non-Jordanians who are not refugees.

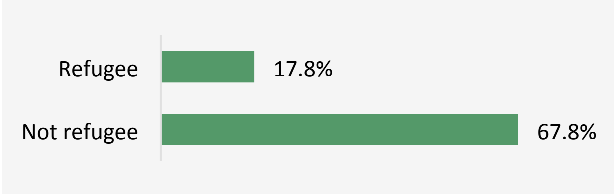
pared to 16.2%), use of digital payments (10.4% compared to 46.0%), and insurance ownership (17.6% versus 70.0%).[47]

Figure 58: Median income by refugee status



Monthly income in JOD

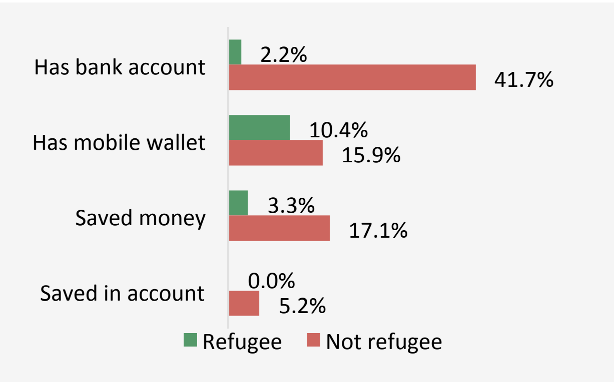
Figure 59: Account ownership for higher earners



% of adults who earn over JOD 100/month

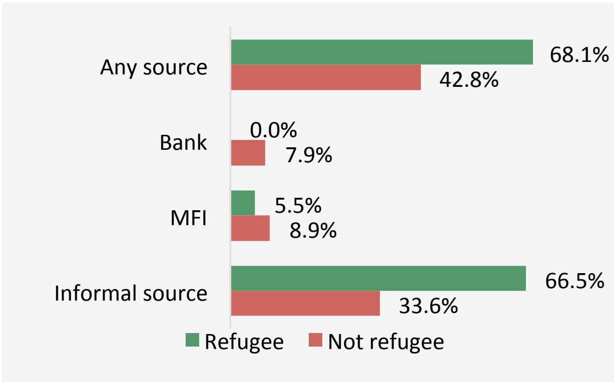
Income and financial inclusion. Refugees have substantially lower employment rates and income levels than non-refugees, as would be expected. Among survey respondents, only 23.1% of refugees indicated that they are employed or self-employed, compared to 41.9% among non-refugees. Consistent with this finding, the median income level of refugees is JOD 60 per month versus JOD 200 for non-refugees (Figure 58). Even among those who are employed, refugees have a lower median income of JOD 250 per month compared to JOD 330 per month for non-refugees. However, the extremely low financial inclusion rates for refugees cannot be fully explained by the lower employment rates and income levels. Even among relatively high-earning respondents (with income more than JOD 100 per month), the account ownership rate for refugees is just 17.8%, compared to 67.8% for non-refugees. This is quite different from the results for women in the previous section, where higher-earning women were found to have nearly the same account ownership rate as men.

Figure 60: Accounts and savings



% of adults

Figure 61: Borrowing



% of adults

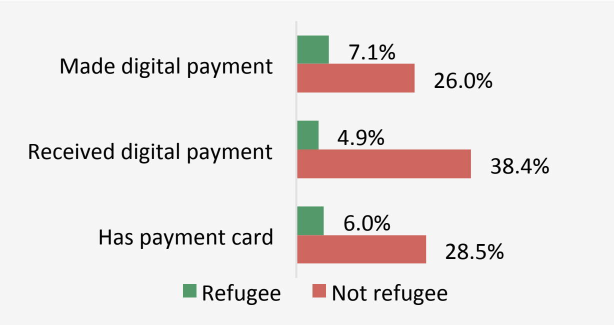
Account ownership. Although the overall account ownership rate among refugees is low at 12.1%, it is significant that the rate is especially low for bank accounts (just 2.2% of refugees have one, compared to 41.7% for non-refugees), whereas the gap is not particularly large for mobile wallets (10.4% versus 15.9%). Recent programs to distribute aid payments through mobile wallets, combined with the promotional efforts of the international institutions such as GIZ and the World Bank and local institutions such as the CBJ and JoPACC, appear to be having some impact. Nevertheless, challenges still remain with regard to the uptake of mobile wallets by refugees. For example, there are reports of mobile wallet agents refusing to cash out the small amounts often needed by refugees, which reduces trust in the system.[48] Savings rates among refugees are extremely low, which is consistent with low average income they earn. Only 3.3% of refugees saved money in the past 12 months, and none did so through an account.

Borrowing. Refugees were very active borrowers in the past year, although nearly all the borrowing activity was through informal channels. A remarkably high 66.5% of refugees reported borrowing informally (al-

[47] Non-refugees include both Jordanian citizens and residents of Jordan who are neither Jordanian citizens nor refugees.
[48] JoPACC. *Challenging Exclusion: Refugees' Uptake of Mobile Money.* March 2021.

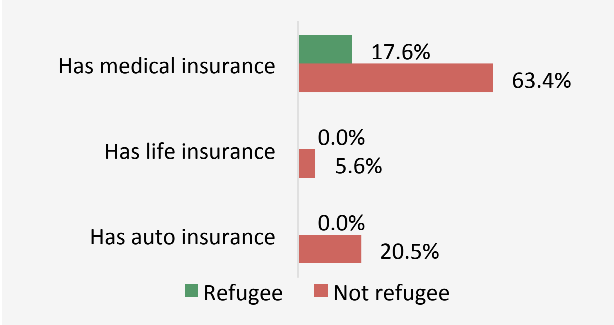
most double the rate for non-refugees), compared to just 5.5% that borrowed formally (Figure 61). It is also noteworthy that only 0.04% of survey respondents borrowed from a bank (this rounds down to 0.0% in the chart above), while the borrowing rate from MFIs of 5.5% for refugees is not so far below the 8.9% rate among non-refugees.

Figure 62: Digital payments



% of adults

Figure 63: Insurance

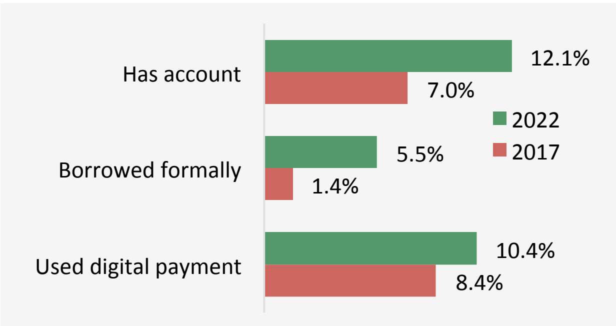


% of adults

Digital payments. The digital payments gap for refugees is very wide in terms of making payments, receiving payments, and card ownership (Figure 62). Given the low account ownership rate for refugees, most refugees simply do not have the possibility to use digital payments. Although government aid is increasingly being paid out digitally, only 2.7% of refugees reported receiving any government aid (regardless of the form of payment) in the past 12 months.

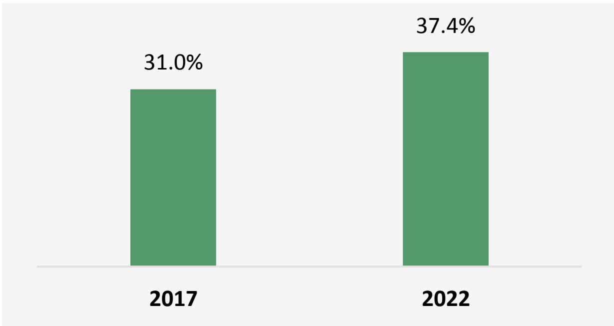
Insurance. Insurance ownership among refugees was entirely driven by medical insurance, as the ownership rates for life, auto and property insurance were all zero (Figure 63). 84.4% of refugees with medical insurance stated that they did not have to pay for it personally, higher than the 71.6% rate for non-refugees.

Figure 64: Core indicators 2017 vs. 2022



% of adult refugees

Figure 65: Account ownership gap 2017 vs. 2022



Changes since 2017. Although financial inclusion remains very low for refugees, core indicators for account ownership, formal borrowing, and digital payments increased from the time of the 2017 survey. Account ownership was up from 7.0% in 2017 to 12.1% in 2022, formal borrowing increased from 1.4% to 5.5%, digital payment usage was up modestly from 8.4% to 10.4%, and insurance ownership was up from 10.2% to 17.6%. The growth in account ownership, however, was not sufficient to reduce the account ownership gap[49] between refugees and non-refugees. In fact, the gap increased from 31.0% in 2017 to 37.4% in 2022 as account ownership among non-refugees increased at an even faster pace than among refugees.

Financial literacy. Refugees answered on average 3.0 questions correctly out of seven total questions related to financial literacy in the 2022 survey, only slightly below the average of 3.1 for non-refugees. This

[49] The gap is calculated as the ownership rate for non-refugees minus the ownership rate for refugees

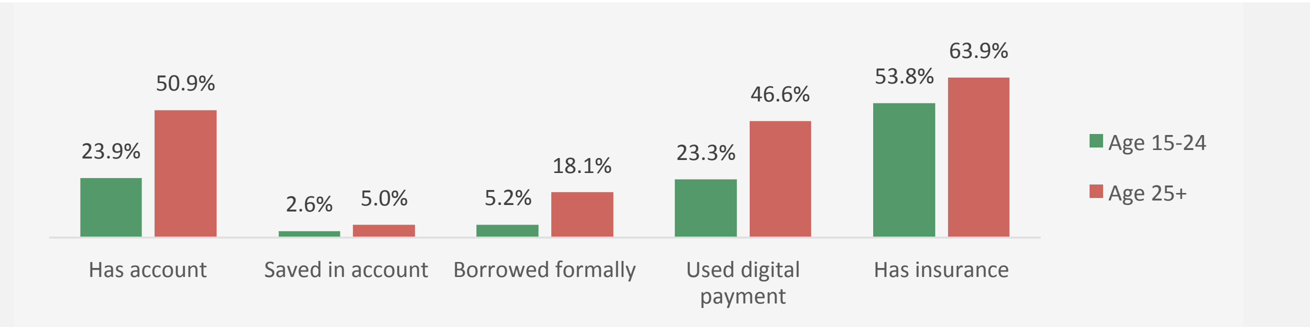
suggests that financial literacy is not a major barrier to financial inclusion for refugees, although it is possible that some important aspects of financial literacy are not captured in these seven questions.

Practices of financial institutions. In the past, one of the barriers to serving refugees has been the lack of an equivalent to the official Jordanian national ID. Now financial institutions can serve refugees on the basis of a residence permit, a UNHCR card, or a card from the Ministry of the Interior, but each institution decides if and under what conditions it will accept these alternative forms of identification. Working with Palestinian refugees is fairly common but working with Syrian refugees is less so, as financial institutions generally consider the Syrian refugees to be riskier. Nevertheless, some MFIs have deliberately set up branches near refugee camps in order to better reach these potential customers. And a few financial institutions have developed specialized loan products for refugees, usually bearing a low interest rate or reduced fee structure.

3.3 Youth

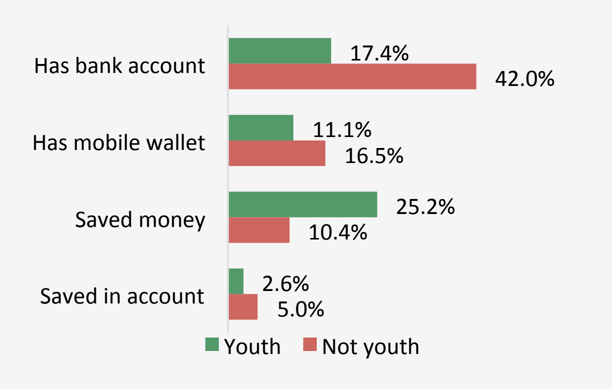
Background. Jordan is a very young country where 54% of the population was under the age of 25 at the time of the 2015 census. Low financial inclusion among young people, therefore, has a major impact on the financial inclusion indicators for the country as a whole. Young people face high unemployment rates that were estimated at 37% by the International Labor Organization in 2019, making it more difficult for them to access formal financial services and reducing their demand for them. For the purposes of grouping the demand survey results, young people are defined as those aged 15 to 24. This grouping is consistent with the approach used for the previous financial inclusion survey in Jordan in 2017 and is also consistent with the approach of international financial inclusion studies such as World Bank's Findex.

Figure 66: Financial inclusion indicators for young people aged 15-24 (% of adults)



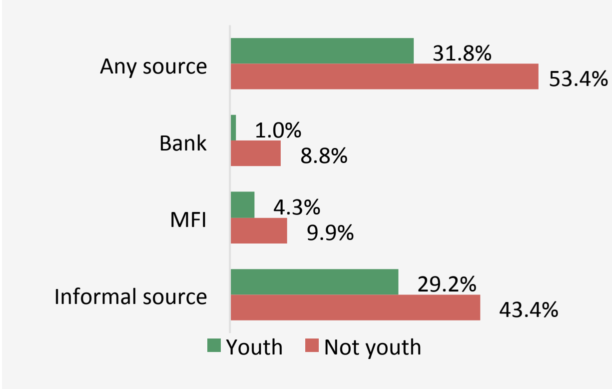
Core indicators. The core financial inclusion indicators for young people aged 15-24 are well below the levels for adults aged 25 and over. Only 23.9% of young people have an account (compared to 50.9% of older adults), 5.2% borrowed formally in the past year (compared to 18.1%), 23.3% used a digital payment (compared to 46.6%), and 53.8% have insurance (compared to 63.9%).

Figure 67: Accounts and savings



% of adults

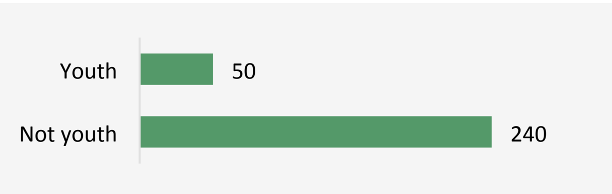
Figure 68: Borrowing by source



% of adults

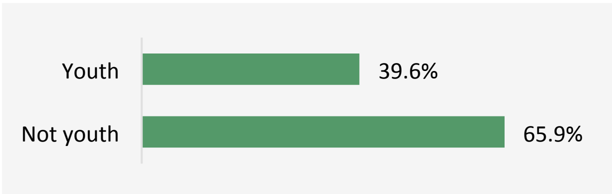
Accounts and savings. Although young people trail older people both for bank account and mobile wallet ownership (Figure 67), it is worth noting that the gap is relatively small for mobile wallets (11.1% of young people have one compared to 16.5% of older people) and quite large for bank accounts (17.4% compared to 42.0%). This relative preference for mobile wallets probably reflects both demand side and supply side factors. Young people are probably more comfortable using mobile apps for financial services and are probably more likely to meet the relatively simple requirements for opening a mobile wallet account than a bank account. Somewhat unexpectedly, young people were much more likely to save money, at a rate of 25.2% in the past 12 months, compared to just 10.4% among their older counterparts. It may be that older adults had to take responsibility for other family members during the COVID crisis, reducing their opportunity to save money; by contrast, young people may have been able to focus on their own financial well-being. It is worth noting that young people primarily saved money in cash, and their rate of saving in an account of 2.6% was below the 5.0% rate for older adults.

Figure 69: Median income by age group



Monthly income in JOD

Figure 70: Account ownership for higher earners



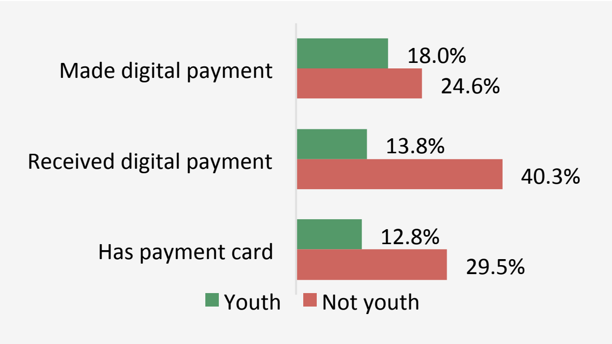
% of adults who earn over JOD 100/month

The role of income. Although young people have lower average income (Figure 69) and are less likely to be employed[50], this does not fully explain the financial inclusion gap. Among adults who earn more than JOD 100 per month, the account ownership rate is 39.6% for young people and 65.9% for older people. This gap may reflect a combination of lower demand for accounts among young people as well as supply-side factors, such as financial institutions setting a minimum age of 21 to use certain products.

Borrowing. Although young people consistently have lower rates of borrowing from banks, MFIs and informal sources, it is noteworthy that the youth lending gap from banks is much larger than the gap from MFIs. Only 1.0% of young people borrowed from a bank in the past 12 months (versus 8.8% among over-25s), but 4.3% took an MFI loan (versus 9.9% among older adults). MFIs are more focused than banks on working with low-income segments, and young people are more likely to belong to low-income segments. Although young people are less likely to borrow informally than older adults, the rate of informal borrowing is nevertheless significant, with 29.2% of young people having taken an informal loan in the past 12 months.

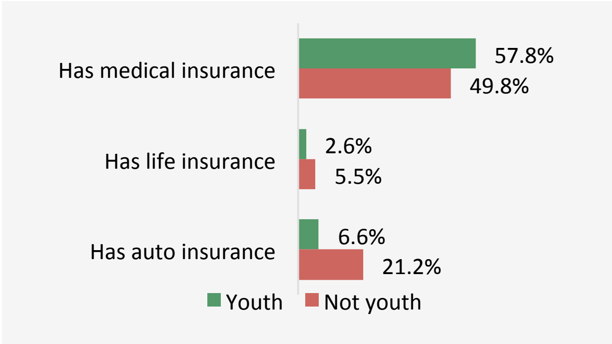
[50] Even among the employed population, young people earn less, with an average monthly salary of JOD 280 for young people compared to JOD 370 for those over 25 years old.

Figure 71: Digital payments indicators



% of adults

Figure 72: Insurance ownership by product type



% of adults

Digital payments. Young adults are much less likely than older adults to receive a digital payment; 13.8% of young adults received a digital payment in the past 12 months, compared to 40.3% of older adults. Most digital payment receipts by households are salary transfers, and only 18.7% of young people are employed, compared to 34.0% of older adults, so there are fewer opportunities for young people to receive digital payments. However, the gap in terms of making digital payments is much smaller: 18.0% of young people made a digital payment, compared to 24.6% of older adults. This gap is also much smaller than the gap for account ownership, although accounts are the primary means of making digital payments. These figures indicate that young people who do have accounts are much more willing than their elders to use digital payment technologies.

Insurance. Young adults have an above-average rate of medical insurance ownership of 57.8%, compared to 49.8% for those 25 and older. While some young people have their own insurance through their employers, many are probably benefiting from being covered under policies held by their parents. As expected, life insurance usage among young people is well below average (2.6% for young people versus 5.5% for older adults) and auto insurance is likewise not commonly used by young people (6.6% versus 21.2%).

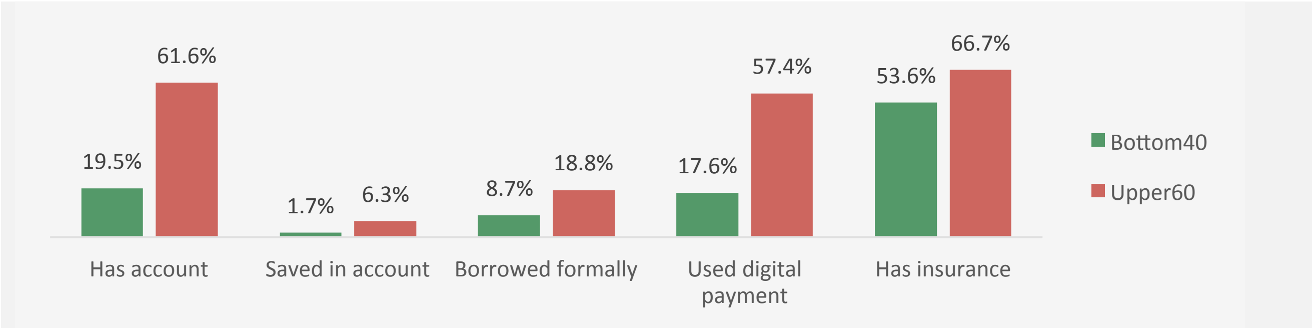
Financial literacy. Young people demonstrated a slightly higher level of financial literacy compared to older survey respondents, answering on average 3.2 financial literacy questions correctly (out of seven) versus 3.0 for those 25 and above. Given that the Financial Education Program (see section 5.2 for details) for secondary students has been running for a number of years already, it would be reasonable to attribute some of this positive result to the Program.

Government and private sector involvement. As with women and refugees, an abundance of government and private sector programs designed to support young people are present. Jordan has a Ministry of Youth and launched a National Youth Strategy for the period 2019-2025. Several aspects of the Strategy are related to the financial sector, including the promotion of MSME finance, conducting financial awareness and training workshops, and the introduction of youth-friendly legislation. A number of NGOs in Jordan focus youth empowerment, including Ruwwad for Development, INJAZ, and the Jordan River Foundation. DEF supports young people wishing to start a business, and many other financial institutions offer products which either directly or indirectly target young people such as education loans and business startup loans, often with subsidized conditions. The program INHAD for Youth Economic Entrepreneurship is supported by CBJ and UNICEF, among others, and enables qualified applicants to receive a subsidized loan from a bank to start a social enterprise.

3.4 Low-income households

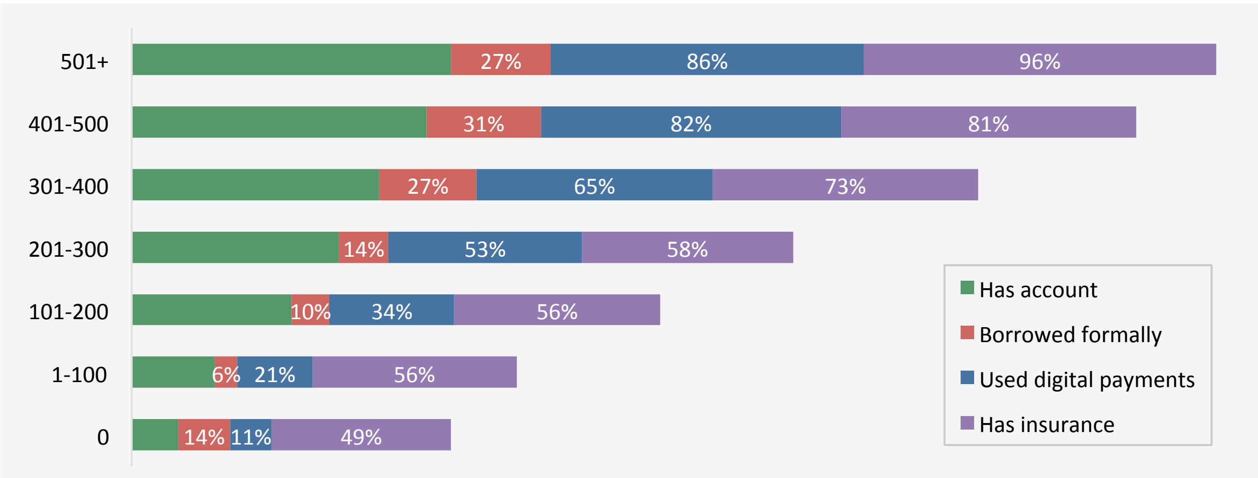
Defining low-income. For the purposes of this study, adults in the lower-income group are defined as those whose self-reported monthly income is JOD 100 or less. Conversely, the higher-income group earns more than JOD 100 per month. The amount JOD 100 is used as a cutoff because this represents the income level which divides the survey respondents into a bottom 40% group and a top 60% group[51]. The bottom 40% approach has been used by several international studies, such as the World Bank's Findex, and was also used for the CBJ financial inclusion study in 2017. Using this approach for the current study therefore facilitates international comparisons and time-based comparisons with previous Jordanian studies.

Figure 73: Financial inclusion indicators by income level (% of adults)



Ownership and usage rates. The demand survey reveals a strong and consistent relationship between income and financial inclusion: adults with higher income are more likely to own and use formal financial services. The account ownership rate for the bottom 40% by income is 19.5% in 2022, less than one third of the 61.6% rate for the top 60%. The formal borrowing rate of 8.7% is less than half of the 18.8% rate for the higher earners. Digital payment usage for the lower group is again less than one third: 17.6% versus 57.4%. The bottom 40% have a 53.8% ownership rate of insurance compared to 63.9% for the top 60%. The relatively smaller gap for insurance can be explained primarily due to the presence of government programs providing medical insurance to low-income households through the Ministry of Health.

Figure 74: Financial inclusion rates by monthly income group (JOD)[52]



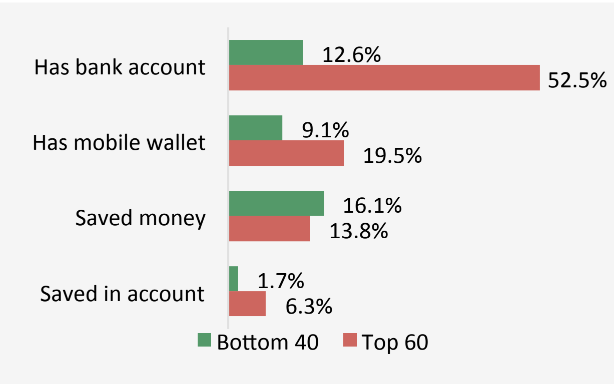
By income bracket. The demand survey confirms that there is a strong linear relationship between income and financial inclusion, as illustrated in Figure 74. For account ownership, digital payment usage, and insurance ownership, there is a clear and consistent positive relationship between income and financial inclusion. Individuals with higher income are more likely to own or use these services. For borrowing from formal institutions, a general trend can be observed between the income levels of JOD 1-500, with higher borrowing rates as income rises. However, at the extreme ends of the distribution (the highest and lowest

[51] Because many respondents reported having income of exactly JOD 100 per month, the population cannot be split exactly into a bottom 40% and top 60%. The actual share of respondents with up to JOD 100 in income was 43.9%. For the sake of simplicity, however, this segment continues to be referred to in the report as the "bottom 40%".

[52] The adding together of the financial inclusion rates for each product to create a single bar for each income group is done for presentation purposes only. The sum of the product rates for an income group does not have any particular meaning and thus is not shown.

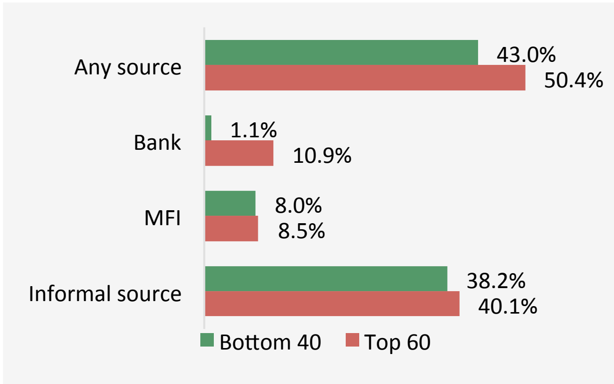
earners), the behavior is different. Individuals who reported having no income had a formal borrowing rate of 14%, considerably higher than the 6% rate observed for those with income from JOD 1-100. In addition, a slight decrease in borrowing rates was observed for the highest earners with more than JOD 500 in monthly income, whose borrowing rate of 27% was lower than the 31% rate for adults earning JOD 401-500 per month. The wealthiest individuals may simply have less need to borrow due to their high income, so this is almost certainly explained by demand factors rather than supply factors. The moderate borrowing rates for those with no income is more difficult to explain, but may be the result of joint applications in which a person with no income applies together with their income-earning spouse as co-applicant or with an income-earning relative as guarantor.

Figure 75: Accounts and savings



% of adults

Figure 76: Borrowing by source



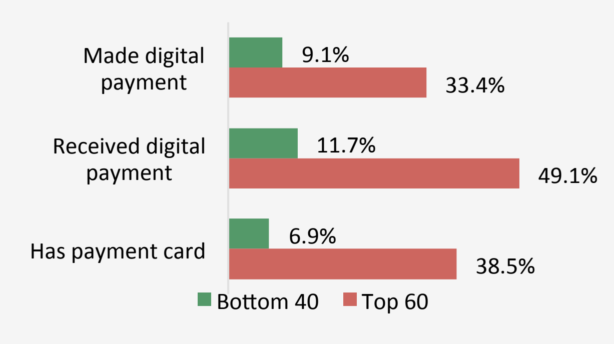
% of adults

Account ownership. The account ownership gap is especially pronounced in terms of bank accounts, with only 12.6% of the lower-income group having a bank account compared to 52.5% for the higher-income group (Figure 75). The gap is relatively smaller for mobile wallets, with an ownership rate of 9.1% for the bottom 40% versus 19.5% for the top 60%. The introduction of the Basic Bank Account product in 2019 means that adults with no income can receive an account at any bank, so the smaller gap for mobile wallets reflects a preference on the part of low-income customers for mobile wallets rather than any restrictions imposed by the banks.

Savings. Adults in the bottom 40% reported being slightly more active savers than those in top 60%. Specifically, 16.1% of the bottom 40% saved money in the past 12 months, compared to 13.8% of the top 60%. Those earning less may feel greater pressure to save money, even in very small amounts, despite their limited capacity to save. However, those on lower incomes are much less likely to save in an account: only 1.7% did so, compared to 6.3% of higher earners who saved in an account.

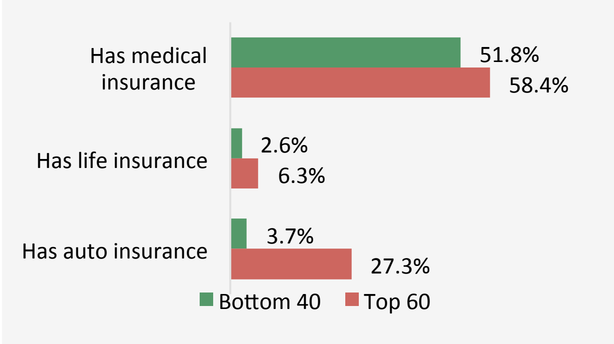
Borrowing. As expected, low-income earners are much more likely to borrow from an MFI than a bank. 8.0% of the bottom 40% borrowed from an MFI in the past 12 months but only 1.1% borrowed from a bank. By contrast, the top 60% were more likely to borrow from a bank than an MFI (10.9% versus 8.5%, respectively). The rate of informal borrowing is very similar for both groups: 38.2% among the bottom 40% and 40.1% among the top 60%.

Figure 77: Digital payments indicators



% of adults

Figure 78: Insurance by product type



% of adults

Digital payments. The bottom 40% have low rates for both making and receiving digital payments (9.1% and 11.7%, respectively) and for card ownership (6.9%). Given that most digital payments involve an account, the digital payment gap for adults with low incomes can only be reduced in parallel with reducing the account ownership gap.

Insurance. The ownership rate for medical insurance does not differ greatly for lower- and high-income groups (51.8% versus 58.4%, respectively) thanks to the availability of free medical insurance through the Ministry of Health. However, for life and auto insurance, for which there are no large-scale subsidy programs, the gap is substantial. Only 2.6% of the bottom 40% have life insurance and only 3.7% have auto insurance. These figures are well below the rates of 6.3% for life insurance and 27.3% for auto insurance among the higher earners.

Financial literacy. Low-income survey respondents answered on average 3.1 questions correctly out of seven total questions related to financial literacy, slightly above the average of 3.0 for the top 60%. This suggests that financial literacy is not a major barrier to financial inclusion for the low-income segment, although the score is still not particularly good for either segment.

3.5 Other segments

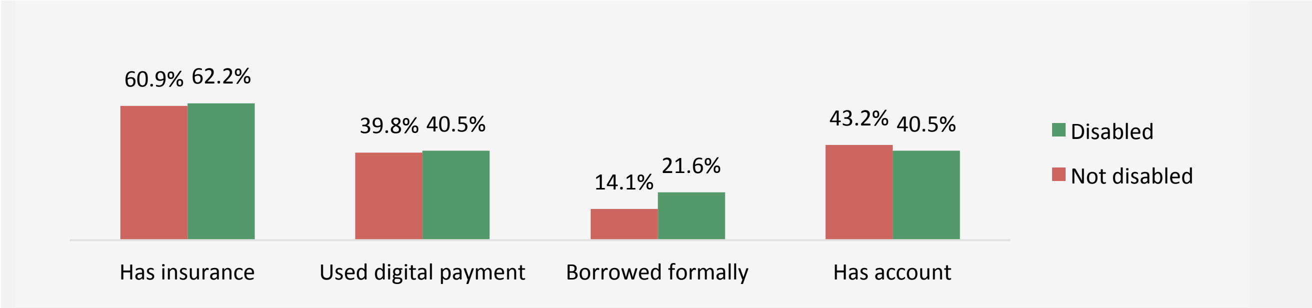
In addition to the priority segments of women, youth, refugees, and low-income households, several other segments of interest were analyzed based on the survey data. These are: adults with disabilities, residents of rural areas, and adults with less formal education.

3.5.1 Adults with disabilities

Adults who identified themselves as being disabled made up 3.5% of the demand survey sample.[53] Due to the small size of this segment (37 respondents in total), the findings below should be interpreted with caution.

[53] Respondents were asked to self-identify as disabled or not disabled; some respondents that identify as disabled may not be officially recognized as disabled by the government.

Figure 79: Financial inclusion indicators for disabled persons (% of adults)

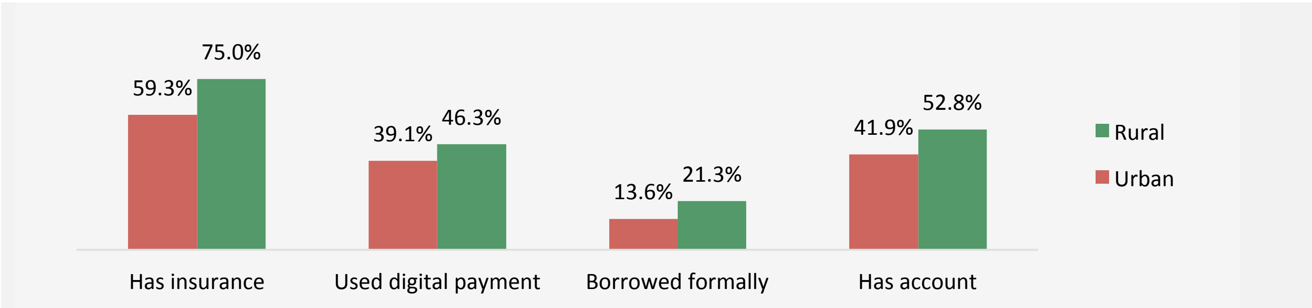


Adults who identify themselves as disabled do not appear to be at a significant disadvantage in terms of financial inclusion. Although the account ownership rate for disabled persons (40.5%) is below the rate for those who are not disabled (43.2%), disabled persons have a slightly higher rate of digital payment usage (40.5% versus 39.8%) and insurance ownership (62.2% versus 60.9%), and a significantly higher borrowing rate (21.6% versus 14.1%). Overall, the formal financial inclusion rate for all four product categories is 81.1% for disabled adults, compared to 72.3% for others.

3.5.2 Rural residents

Rural residents are defined by the Jordanian Department of Statistics as those living in small towns or villages with up to 5,000 inhabitants.

Figure 80: Financial inclusion indicators for rural residents (% of adults)

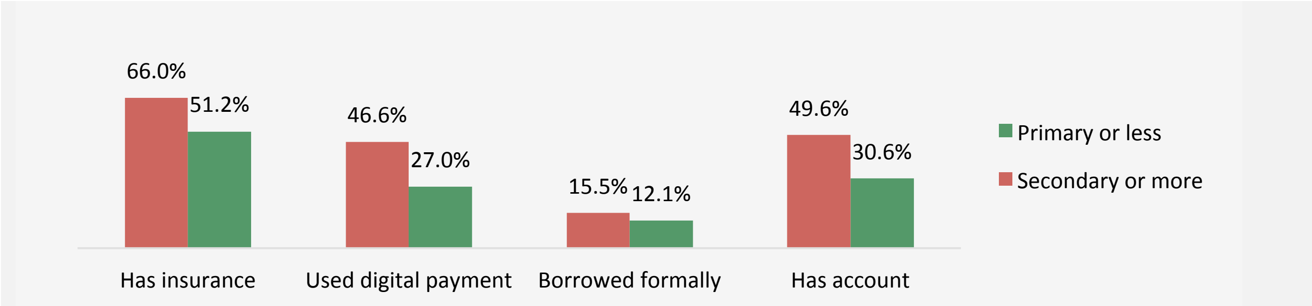


Jordan does not appear to have a rural financial inclusion gap based on the survey results (Figure 80). In fact, rural residents have above-average levels of financial inclusion for all four product categories: account ownership (52.8% for rural residents versus 41.9% for urban residents), formal borrowing (21.3% versus 13.6%), digital payments (46.3% versus 39.1%) and insurance ownership (75.0% versus 59.3%). Overall, the formal financial inclusion rate for all four product categories is 79.6% for rural residents, compared to 71.8% for others. It is widely assumed, based on findings from other countries, that rural residents have lower levels of financial inclusion. In Jordan's case, the seemingly unusual result is probably due to the high levels of government employment in rural areas, particularly in schools and in the military. 21.3% of rural survey respondents were employed by the government, much higher than the 11.9% rate in urban areas. The vast majority of government employees (83.7%) have an account because they receive their salaries through it, and most receive medical insurance in connection with their work. In addition, financial institutions are eager to lend to government employees on account of the perceived stability of their employment and income.

3.5.3 Education

For the purposes of this study, adults are placed into two groups based on the highest level of education that they completed: those with a primary education or less and those with a secondary education or more. These groupings are consistent with the World Bank's Findex methodology and with the CBJ financial inclusion survey that was done in 2017. Overall, 34.5% of survey respondents in 2022 had a primary education or less.

Figure 81: Financial inclusion indicators by education level (% of adults)



Adults with a primary education or less have lower levels of financial inclusion for all four product categories: accounts (30.6% versus 49.6%), formal borrowing (12.1% versus 15.5%), digital payment usage (27.0% versus 46.6%), and insurance ownership (51.2% versus 66.0%). Overall, the financial inclusion rate for adults with less formal education is 61.4%, compared to 78.5% with higher levels of formal education. The subject is closely linked to income. Adults with a primary education or less have a median income of JOD 100 per month, while those with more formal education earn JOD 200 on average. Refugees status is also relevant: 69.2% of refugees have a primary education or less, while only 27.2% of non-refugees are in that category.

3.5.4 The elderly

Unlike young people, the elderly in Jordan do not appear to be disadvantaged in terms of financial inclusion, at least judging by several key indicators. For the purposes of this study, the elderly are defined as those aged 60 and above. They have high rates of account ownership (56.5% have an account) and very high rates of insurance ownership (82.6% have insurance). Even for digital payments, which we might expect to be more commonly used by younger people, the usage rate by the elderly of 48.9% is above the rate of 39.0% among younger adults. Only for formal borrowing is the rate among the elderly below average. Specifically, only 8.7% of the elderly borrowed from a financial institution in the past year, compared to 14.9% of younger adults. However, it is possible that the elderly have less need to borrow, since their pension income is more stable, and they may not feel the need to finance frivolous consumer expenditures to the extent that younger people do. These assumptions are supported by the finding that only 16.3% of the elderly borrowed informally in the past year, compared to 41.5% of younger adults that did so.

4 Financial inclusion for MSMEs

The most recent census of businesses in Jordan in 2018 determined that there were 167,519 active enterprises, of which 166,638 (99.5% of the total) were MSMEs. Micro enterprises, defined as having 1 to 4 employees, made up 89.7% of the total, followed by small enterprises (5-19 employees) at 8.0% of the total, medium enterprises (20-99 employees) at 1.7%, and large enterprises at 0.5%.

	# of employees	# of enterprises	% of total
Micro	1-4	150,338	89.7%
Small	5-19	13,485	8.0%
Medium	20-99	2,815	1.7%
Large	100+	881	0.5%
	Total	**167,519**	**100.0%**

The statistics in this section of the report, unless otherwise noted, are based on a demand survey of MSMEs that was conducted in October 2022. The survey, which was commissioned by the CBJ and GIZ, defines MSMEs based on the number of employees according to the table above. More details about the survey methodology can be found in Appendix 2.

In addition to analyzing the results by size category, the study also considers the degree of formality of the enterprise. Formal enterprises are defined as those that are legally registered with the Ministry of Industry and Trade or other relevant government bodies. Examples of legal registration forms include limited liability company, joint stock company, partnership and sole proprietorship. Informal enterprises are defined as those that are not legally registered. The financial inclusion indicators are divided into four main groups:

- Informal micro enterprises
- Formal micro enterprises
- Small enterprises
- Medium enterprises

For the purposes of this report, the small and medium categories specifically refer to formal enterprises that are legally registered. Although there are no reliable data on informal enterprises in Jordan, anecdotal evidence suggests that nearly all informal enterprises fit into the micro size category, whereas there are probably very few informal small and medium enterprises.

It is important to note that the indicators in this section refer only to products that are used for business purposes. For example, if a sole proprietor has a mobile wallet account but uses it only for household transactions not connected with the business, this respondent would be recorded as not having a mobile wallet account. The ownership and use of financial services for household needs is covered in Section 2 of this report.

4.1 Accounts

This section considers the ownership and use of transactional accounts, meaning the types of accounts that facilitate payment transactions and that typically do not pay interest to the account holder. The two types of accounts commonly offered in Jordan that fit this description are current accounts and mobile wallet accounts. Statistics for overdrafts are also given, although these are not a separate type of account but rather a feature of current accounts that allows the current account holder to go into a negative balance, effectively borrowing from the bank.

Table 1: Account ownership rates

	Informal micro	Formal micro	Small	Medium	Formal MSMEs[54]
Has current account	13.5%	43.7%	87.9%	100.0%	48.2%
Has mobile wallet	1.9%	12.6%	15.5%	14.0%	12.9%
Has current or mobile wallet account	15.4%	48.3%	87.9%	100.0%	52.4%
Overdraft	0.0%	21.3%	58.6%	78.0%	25.3%

Account ownership. Overall, 48.2% of formal MSMEs have a current account at a bank. Current account ownership is strongly correlated with size and formality, rising from just 13.5% of informal micro enterprises with an account to 43.7% of formal micro enterprises, 87.9% of small enterprises, and 100.0% of medium enterprises. By contrast, mobile wallet ownership does not correlate strongly with enterprise size. Although only 1.9% of informal micro enterprises have a mobile wallet, the rate among formal enterprises is very similar for micro (12.6%), small (15.5%) and medium (14.0%) segments, with an overall result of 12.9% for all formal MSMEs. Micro enterprises may appreciate the relatively simple procedures to get a mobile wallet, whereas medium enterprises may find the transaction limits of mobile wallets to be rather restrictive. A few micro enterprises reported having a mobile wallet but not a current account, so the overall share of formal MSMEs with either a current account or a mobile wallet stands at 52.4%, slightly higher than the 48.2% share with a current account. Most small and medium enterprises that have a current account also have an overdraft feature with their account. The share of formal micro enterprises that have an overdraft is lower, at 48.7%, and none of the informal micro enterprises have an overdraft. The lower rate of overdrafts among micro enterprises may reflect the perception of banks that micro enterprises are riskier or may reflect less demand for an overdraft among microenterprises.

Other demand surveys. The World Bank Enterprise Survey for Jordan, which was most recently carried out in 2019, found that 69.3% of small enterprises (using the same size definition) and 93.8% of medium enterprises had a checking or savings account.[55] The World Bank's figures are lower than those from the 2022 CBJ-GIZ survey, which may be a sign of growth in account ownership from 2019 to 2022.

Table 2: Account usage rates (as % of MSMEs that have the given product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Used current account	28.6%	86.8%	96.1%	98.0%	88.6%
Used mobile wallet	100.0%	79.6%	96.4%	92.3%	82.0%

Use of accounts. Usage[56] rates for current accounts and mobile wallets are fairly high among formal MSMEs that have these products, and are slightly higher for current accounts than for mobile wallets. The share of formal MSMEs that used their current account in the past year was 88.6%, compared to 82.0% that used their mobile wallet in the past year. Usage rates were slightly higher on average among small and medium enterprises than micro enterprises. For example, formal micro enterprises had a usage rate of 86.8% for current accounts, compared to 96.1% for small enterprises and 98.0% for medium enterprises. A similar trend was observed for mobile wallets as well. 79.6% of formal micro enterprises used their mobile wallet, lower than 96.4% of small enterprises and 92.3% of medium enterprises. Informal micro enterprises, by contrast, had a quite low usage rate of 28.6% for current accounts. As discussed below in the section on payments, informal micro enterprises are less likely to make or receive electronic payments, which may partly explain why they have low usage rates of current accounts. The finding of 100.0% mobile wallet us-

[54] The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, medium) multiplied by the share of that size group in the total population of MSMEs in Jordan, according to the 2018 Establishments Census of the Department of Statistics. The weights are: 0.902 for formal micro, 0.081 for small, and 0.017 for medium enterprises.
[55] The World Bank survey did not include micro enterprises.
[56] The term usage may refer to deposits, withdrawals, electronic payments made or received from the account, money transfers, or similar types of actions performed with the account.

age among informal micro enterprises should be interpreted with caution due to the fact that only a few of the surveyed informal micro enterprises have a mobile wallet, meaning that the indicator is calculated from a very small number of observations.

Table 3: Produce relevance (i.e. potential demand, as % of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium
Current account	26.7%	26.3%	57.1%	N/A[57]
Mobile wallet	11.8%	23.7%	34.7%	51.2%

Potential demand. MSMEs that do not have an account were asked if this product is relevant for their business and of interest to them, in which case they may wish to obtain this product in the future. In other words, this indicator can be seen as a proxy for potential demand among those MSMEs that do not already have the product. In general, the potential demand varies by size, with small and medium enterprises showing greater interest in getting an account in the future. The share of small enterprises without a current account that are potentially interested in getting one was 57.1%, more than double the rate of 26.3% for formal micro enterprises and 26.7% for informal micro enterprises. As with usage rates, these findings are likely to be closely linked to the expectations of businesses that they will need to take advantage of digital payments in the future. In other words, the relatively larger enterprises (among MSMEs) may expect to have a greater need to make and receive digital payments, for which they would need to have an account. Most of the MSMEs that consider these products relevant believe they are qualified to receive them, if they were to apply. For current accounts, 75.0% of informal micro enterprises, 80.8% of formal micro enterprises, and 75.0% of small enterprises believe that they could qualify for and access one. For mobile wallets, the expectation is even higher. 83.3% of informal micro, 88.9% of formal micro, 94.1% of small and 90.9% of medium enterprises expect to qualify for a mobile wallet account. The higher expectation of qualifying for a mobile wallet relative to a current account suggests that MSMEs perceive mobile wallets as being easier to obtain.

Reasons for not having an account. Most survey respondents without a current account state that they don’t have one because they do not need one or it is not relevant for their business. This was the response given by 91.1% of unregistered micro enterprises and 87.8% of registered micro enterprises. For small enterprises, however, the share was lower at 57.1%. Some small enterprises (14.3% of them) cited religious reasons for not having a current account.[58] Among the 28.6% of small enterprises that selected “other reason,” further questioning demonstrated that most of those other reasons are roughly equivalent to not having a need for a current account. Similarly, lack of need or lack of relevance was by far the main reason given for not having a mobile wallet account. 100.0% of unregistered micro enterprises, 91.4% of registered micro enterprises, 87.8% of small enterprises, and 86.0% of medium enterprises cited this as their main reason. For both current accounts and mobile wallets, other reasons such as unappealing product conditions, fear of rejection, or lack of awareness of the product are very rarely chosen.

Some factors not captured by the survey may help explain why so many MSMEs claim not to need current accounts or mobile wallets. One factor is the preference for cash. If both customers and suppliers of MSMEs prefer to transact in cash, that would decrease the incentive for entrepreneurs to open a business account. Another factor is related to tax avoidance. The many MSMEs that do not report all of their income to the tax authorities may be concerned that having an account would make it easier for the authorities to track their actual income, in which case they would have to pay more tax. The cash preference of Jordanians is a cultural factor that is gradually changing as a result of financial education, consumer protection efforts, and simpler account opening procedures. As more and more Jordanians demand that MSMEs accept electronic payments or pay their salaries electronically, the MSMEs will find that the benefits of having an

[57] All medium enterprises surveyed had a current account, so this indicator is not relevant for them.
[58] Given that current accounts usually do not pay interest and that they are offered by Islamic banks as well as conventional banks, it is not clear why religion would act as a barrier to having a current account.

account outweigh the tax disadvantages. The government could potentially facilitate account opening of MSMEs by offering tax benefits, such as lower tax rates, on income that was earned through electronic channels, as discussed in more detail in the Recommendations section below.

4.2 Savings and investment

Savings and investment products, unlike the transactional account products described previously, usually pay interest (or generate dividends and capital gains in the case of stocks) and cannot directly be used to make payments. Term deposits, savings accounts, certificates of deposit, stocks and bonds[59] are the main categories of savings and investment products available to MSMEs in Jordan.

Table 4: Ownership rates of savings and investment products (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Term deposit account	0.0%	4.0%	17.2%	16.0%	5.3%
Savings account	0.0%	10.9%	19.0%	12.0%	11.6%
Certificate of deposit	0.0%	4.6%	12.1%	6.0%	5.2%
Bonds	0.0%	3.4%	10.3%	4.0%	4.0%
Stocks and shares	0.0%	1.7%	1.7%	10.0%	1.9%
Any of the above products	0.0%	13.8%	25.9%	26.0%	15.0%

Ownership rates. The share of formal MSMEs that have some form of saving or investment product is 15.0%. The rate is similar for small (25.9%) and medium (26.0%) enterprises, but is much lower for formal micro enterprises (13.8%) and especially for informal micro enterprises, none of which reported having any of these products. Several factors may explain why micro enterprises are less likely to have savings and investment products:

- Micro enterprises may be less familiar with the conditions and benefits of such products, which is related to lower financial literacy levels
- Micro enterprises may consider that they do not have enough excess cash to justify using such products
- For certain products like term deposits, small deposit sizes may earn very low interest rates relative to larger deposits; furthermore, some products have a minimum purchase amount or minimum balance which are difficult for micro enterprises to meet

Of the five identified product categories, savings accounts are the most popular among micro and small enterprises, while medium enterprises are more likely to have a term deposit than a savings account. Medium enterprises are more likely to own stocks and shares (10.0% have them) as an investment tool than micro and small enterprises, both of which report a 1.7% ownership rate.

Table 5: Relevance of product to business (i.e. potential demand, as % of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium
Term deposit account	7.7%	16.2%	22.9%	26.2%
Savings account	15.4%	27.7%	17.0%	27.3%
Certificate of deposit	7.7%	8.4%	13.7%	12.8%
Bonds	5.8%	9.5%	11.5%	14.6%
Stocks and shares	3.8%	7.0%	14.0%	17.8%

Potential demand. Among MSMEs that do not have the given products, the level of interest in getting these products in the future is not particularly high. For any particular product and segment, less than 30% of

[59] Here we refer to stocks in bonds in the sense of assets purchased by the MSME, not stocks and bonds issued by the MSME in order to raise money.

MSMEs consider the product to be relevant to their business. Savings accounts and term deposit accounts generally are associated with higher relevance, while certificates of deposit, stocks and bonds appear to be of less relevance. There is also a general trend of increasing potential demand as the size and formality level increases, with informal micro enterprises having the lowest interest levels and medium enterprises having the highest interest for most product categories. It is not particularly surprising that the potential demand is not very high for savings and investment products, as most business owners would prefer to invest available cash in their business operations rather than in investment products. A preference for investing free cash in core business activities is generally a sign of a healthy economic and business environment.

4.3 Credit

Table 6: Usage of credit products (% of MSMEs that have the given product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Loan/credit line from formal institution	21.2%	27.6%	34.5%	38%	28.3%
- From bank	0.0%	2.3%	17.2%	18.0%	3.8%
- From MFI	0.0%	4.0%	0.0%	2.0%	3.7%
- From other financial institution	0.0%	0.6%	0.0%	0.0%	0.5%
From Islamic FI	21.2%	23.6%	22.4%	28.0%	23.5%
Peer lending/crowdfunding	0.0%	0.6%	0.0%	2.0%	0.6%
Loan from owner/related company	0.0%	0.0%	0.0%	4.0%	0.1%
Debt securities issued	0.0%	0.6%	3.4%	6.0%	0.9%
Leasing	0.0%	3.4%	0.0%	2.0%	3.1%
Factoring	0.0%	1.1%	0.0%	2.0%	1.1%
Letter of credit	0.0%	1.7%	3.4%	6.0%	1.9%
Guarantee	0.0%	1.1%	0.0%	10.0%	1.2%

Usage of credit-related products. The share of formal MSMEs that had an outstanding loan or line of credit from a financial institution was 28.3%. Small enterprises and medium enterprises, which had borrowing rates of 34.5% and 38% respectively, were much more active borrowers than formal micro enterprises, of which only 27.6% had a loan. None of the surveyed informal micro enterprises stated that they have a loan or line of credit from a formal institution. Small and medium enterprises borrowed almost exclusively from banks, while formal micro enterprises were more likely to have a loan from an MFI than from a bank. Peer lending and crowdfunding are relatively new products in the Jordanian market, and consequently just 0.6% of formal MSMEs reported that they have an outstanding loan through these channels. Receipt of a loan from a shareholder or related company was only observed among medium enterprises and overall made very little contribution as a funding source. The issuance of debt securities (i.e. bonds) to raise funds is being practiced by MSMEs in Jordan, although the rate of usage is low at 0.6% for formal micro, 3.4% for small, and 6.0% for medium enterprises. Conventional (non-Islamic) leasing is also reported infrequently, with just 3.1% of formal MSMEs stating that they have an outstanding lease. Unlike for many credit-related products, the use of leasing does not appear to increase as the size category of the enterprise increases. However, the Islamic form of leasing, known as ijara, is much more popular and contributes to a relatively high overall usage rate of Islamic financing (23.5% of MSMEs are using some type of Islamic financing product). Islamic finance is discussed in more detail below. Other credit-related products with low overall usage rates are factoring (1.1% of formal MSMEs), letters of credit (1.9%), and guarantees (1.2%).

Reasons for not borrowing. Nearly all survey respondents that did not have a loan from a financial institution stated that they didn't need one or that loans are not relevant to their business. This is true both for bank loans and MFI loans. For bank loans, roughly 90% of MSMEs without a loan claim that they didn't need one, rising to roughly 95% with regard to MFI loans.[60] Religion is rarely given as a reason for not taking a bank loan (roughly 2% of MSMEs gave this reason). Other suggested reasons, such as lack of awareness of the product, not being able to find good product terms, or complicated application procedures, were very rarely mentioned. Nevertheless, it is worth noting that 1.8% of micro enterprises, 4.2% of small enterprises and 2.4% of medium enterprises claim to have been rejected for a bank loan. The higher rejection rate for small enterprises may be meaningful, and may specifically connect to the issue of the "missing middle" discussed in more detail below. The reported rejection rates for MFI loans were 1.9% for informal micro, 0.0% for formal micro, and 1.7% for small enterprises, lower than the rejection rates for bank loans.

Informal sources. MSMEs were not specifically asked about informal borrowing behavior in the 2022 survey. However, the fact that the borrowing rate from formal sources of 28.3% is somewhat low suggests that MSMEs may be engaging in informal borrowing in significant volumes. For the sake of comparison, the household survey revealed that 14.4% of adults borrowed formally but a much higher 39.3% borrowed informally (see Section 2.3 for details). In this context, it seems likely that the informal borrowing rate among MSMEs (especially micro enterprises) exceeds the formal borrowing rate. However, unlike households, many MSMEs are meeting their borrowing needs with Islamic financing, as discussed below. Therefore, while some informal borrowing is surely being practiced by MSMEs, it is probably well below the rate of 39.3% that was observed for households. This issue could be explored further in future surveys.

Table 7: Usage of Islamic financing (% of MSME that currently have the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Murabaha	1.9%	7.5%	5.2%	10.0%	7.3%
Mudharaba	0.0%	0.0%	1.7%	2.0%	0.2%
Musharaka	0.0%	1.1%	15.5%	12.0%	2.5%
Ijara	19.2%	13.8%	6.9%	4.0%	13.1%
Istisnaa	1.9%	4.6%	3.4%	10.0%	4.6%
Qard hasan	0.0%	0.6%	0.0%	4.0%	0.6%
Other	0.0%	0.0%	0.0%	2.0%	0.0%
Any of the above products	21.2%	23.6%	22.4%	28.0%	23.5%

Islamic finance. As mentioned above, the use of Islamic financing products is more common among MSMEs than the use of conventional credit products. Overall, 23.5% of formal MSMEs have some type of Islamic financial product[61], much higher than the share that have a loan, line of credit, or lease from a non-Islamic provider. One interesting aspect of Islamic finance is that it does not differ much by size or registration category. All three formal size groups and even informal micro enterprise have similar usage rates ranging from a low of 21.2% (informal micro) to 28.0% (medium). The most commonly used product is ijara, or Islamic leasing. Ijara is typically used by enterprises to lease commercial property or equipment. In a reversal of the typical trend, the use of ijara decreases as enterprise size increases. Only 4.0% of medium enterprises stated that they had an ijara lease, compared to 13.8% of formal micro enterprises and 19.2% of informal enterprises. Instead, medium enterprises tend to use a combination of murabaha (10.0% of medium enterprises did so), musharaka (12.0%) and istisnaa (10.0%). For small enterprises, musharaka was the most frequently used product, by 15.5% of small enterprises.

Table 8: Comparison with World Bank Enterprise Survey (% of SMEs with bank loan or credit line)

	Small	Medium	Large
2019 World Bank Enterprise Survey	13.3%	16.0%	28.2%

[60] The exact percentages that stated that they didn't need a loan for bank loans were 92.3% of informal micro, 88.2% of formal micro, 87.5% of small and 90.2% of medium enterprises. The exact percentages for MFI loans were 84.6% of informal micro, 95.8% of formal micro, 94.8% of small and 100.0% of medium enterprises. These percentages are out of those without the given type of loan.

[61] This discussion does not include Takaful, or Islamic insurance, which is covered in the section of this report on insurance.

2022 CBJ survey	17.2%	18.0%	N/A

Other demand surveys. The 2019 World Bank Enterprise Survey for Jordan found that 13.3% of small enterprises and 16.0% of medium enterprises had a loan or line of credit from a bank, slightly lower than the results of the 2022 survey. The share of large enterprises with a bank loan was significantly higher, at 28.2%. The much higher rate of bank borrowing among large enterprises is a strong indicator that they have better access to finance, although it is also possible that large enterprises simply had a greater demand for financing.

Table 9: Potential demand for credit (% of MSMEs without the given product that consider it relevant)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Bank loan (or credit line)	15.4%	21.3%	20.8%	17.5%	21.1%
MFI loan	23.1%	7.8%	6.9%	2.0%	7.6%
Other FI loan	9.6%	7.5%	3.4%	4.0%	7.1%
Loan from any FI	28.8%	22.7%	20.8%	17.5%	22.4%
Loan from shareholders	9.6%	8.1%	5.2%	6.4%	7.8%
Debt securities issued	0.0%	4.6%	1.8%	2.1%	4.4%
Peer lending/crowdfunding	1.9%	5.2%	6.9%	2.0%	5.3%
Leasing or hire-purchase	3.9%	7.1%	1.7%	6.1%	6.7%
Factoring	1.9%	4.7%	1.7%	2.0%	4.4%
Letter of credit	1.9%	3.5%	0.0%	8.5%	3.3%
Guarantee	1.9%	4.7%	3.4%	6.7%	4.6%

Potential demand for credit. MSMEs report relatively low interest in the vast majority of credit-related products, as they do not consider them to be relevant to their business. The main exception is bank lending, for which 21.1% of formal MSMEs without a bank loan expressed potential future interest. However, even this indicator is not particularly high. For all other credit products, less than 10% of MSMEs that did not already have the product considered it relevant to them. For example, only 7.6% of formal MSMEs considered MFI loans relevant, 6.7% considered leasing relevant, and 4.4% considered issuing debt securities relevant. With regard to loans from financial institutions, there appears to be a downward trend as size and formality increases. Specifically, while 28.8% of informal micro enterprises expressed interest in a financial institution loan, the share decreases to 22.7% for formal micro enterprises, 20.8% for small enterprises, and 17.5% for medium enterprises.

Table 10: Potential demand for Islamic finance (% of MSMEs without product that consider it relevant)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Murabaha	12.0%	21.3%	12.8%	10.5%	19.5%
Mudharaba	7.7%	6.4%	5.6%	13.3%	6.3%
Musharaka	1.9%	5.8%	10.2%	4.5%	6.1%
Ijara	5.3%	5.8%	14.9%	4.3%	5.4%
Istisnaa	5.9%	9.1%	7.1%	4.4%	8.8%
Qard hasan	19.2%	23.1%	22.4%	14.6%	22.9%

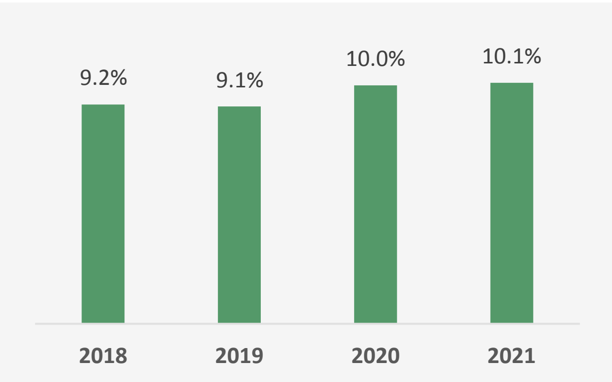
Potential demand for Islamic finance. As with conventional credit products, the level of relevance and interest that MSMEs expressed for Islamic finance products is not particularly high. MSMEs show future interest mainly in qard hasan and murabaha products – 22.9% of formal MSMEs are interested in qard hasan and 19.5% in murabaha. Qard hasan is essentially an interest-free loan that is a type of concessional financing from the lender, therefore it is not surprising that this cost-free product is of relatively high interest. Unfortunately, it is also not widely available from Islamic institutions in significant volumes. Murabaha is much more readily available in the market. Other products seem to be of minimal interest and are mentioned by less than 10% of formal MSMEs as being relevant to their business.

Table 11: Expects to qualify for credit product (% of MSMEs that consider the product relevant)[62]

	Informal micro	Formal micro	Small	Medium
Bank loan	50.0%	55.6%	60.0%	85.7%
MFI loan	66.7%	76.9%	N/A[63]	N/A
Murabaha	83.3%	81.8%	83.3%	100.0%
Qard hasan	40.0%	52.5%	69.2%	71.4%

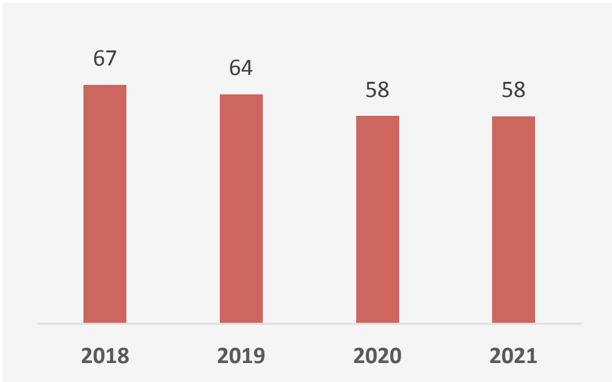
Expectation to qualify for credit. The share of enterprises[64] that expect to be able to qualify for and access a bank loan in the future starts at a moderate 50.0% for informal micro enterprises and rises to 55.6% for formal micro enterprises, 60.0% for small enterprises, and 85.7% for medium enterprises. The rates are even higher for murabaha, which exceed 80% in the case of informal micro, formal micro and small enterprises, rising to 100.0% of medium enterprises. For qard hasan the figures are somewhat lower. Less than half (40.0%) of informal micro enterprises expect to be able to receive qard hasan, compared to 52.5% of formal micro, 69.2% of small and 71.4% of medium enterprises. The reason that enterprises express more confidence in their ability to access murabaha is logical, given that murabaha is used to finance a specific asset and usually has a shorter maturity on average than bank loans, making the murabaha product somewhat less risky for the financial institutions. The expectations are lower for qard hasan perhaps because MSMEs understand that qard hasan is usually a less profitable product for the Islamic financial institutions and therefore more challenging to obtain.

Figure 82: Value of bank MSME loans to total (%)



Source: CBJ Financial Stability Report

Figure 83: # of MFI loans per 1,000 adults



Source: Tanmeyah

Supply side statistics. The primary supply-side indicator of borrowing activity is the ratio of outstanding bank loans to MSMEs as a percentage of total outstanding bank loans. This ratio is tracked and regularly reported by the CBJ. The ratio stood at 10.1% in 2021 and has risen significantly since 2019, when it was 9.1% (Figure 82). While the ratio is useful as an indicator, it is important to keep in mind that changes in the ratio may reflect changes in average loan sizes rather than changes in the number of borrowers, reducing its usefulness as a measure of financial inclusion. Another valuable supply-side indicator is the number of outstanding MFI loans per 1,000 adults. The ratio has been declining since 2018 but stabilized at 58 in 2020 and 2021 (Figure 83). The decline in 2020 can be attributed mainly to the effect of the pandemic. Although most of the loans of MFIs are disbursed to MSMEs, the data includes an unknown number of consumer loans to salary earners. Ideally, future reporting from MFIs would separate these two groups.

[62] For other credit product categories, such as crowdfunding and ijara, this indicator was not calculated due to the small share of enterprises that consider it relevant to their business (i.e. the sample size is too small).
[63] The indicator is not provided because very few small and medium enterprises consider an MFI loan relevant for their business, so the sample size was too small to be meaningful.
[64] Out of those enterprises that do not have the product but consider it relevant to their business.

Loan sizes and the missing middle. MFI loan sizes start in small amounts, usually around JOD 100 or JOD 300. Maximum loan sizes vary greatly among MFIs, at least on paper. One MFI reported a maximum loan size of JOD 10,000, while another had a maximum loan size ten times higher of JOD 100,000. Several others have maximum loan sizes around JOD 50,000. However, in practice, most MFIs are not lending in such large amounts. For example, one MFI that can by policy lend up to JOD 50,000 admitted that in practice they only lend up to about JOD 10,000. MFI staff may feel uncomfortable analyzing larger enterprises, which tend to be more complex, and managers may worry about the potentially damaging impact of relatively large loans on portfolio quality. By policy, bank lending to MSMEs typically starts at a minimum loan size of around JOD 10,000, although there are examples of banks that can offer smaller amounts. However, even when relatively small loan sizes are possible, in practice bank staff often avoid the smaller loans, typically preferring to lend in amounts greater than JOD 50,000 or JOD 100,000. When just looking at the official product terms of financial institutions, there appears to be a substantial overlap between MFIs and banks in the range of JOD 10,000 to JOD 100,000. However, in reality there is evidence of a "missing middle" of small businesses that are too big for MFIs but too small for banks. Even though these small businesses are sometimes able to borrow from a bank or MFI, they may have fewer choices among lenders or may be forced to accept relatively unattractive loan conditions in terms of loan size, interest rate, maturity, or collateral requirements. There are NBFIs that are attempting to bridge this gap by focusing specifically on this missing middle segment. However, there are only a few of these NBFIs so far, and they tend to have a limited physical presence (focused in Amman), limited liquidity, and offer interest rates that are considerably higher than those offered by banks[65]. Overcoming the challenge of the missing middle will be a key factor in Jordan's success in increasing financial inclusion for MSMEs.

Table 12: Requested vs. approved loan (% of MSMEs that have a loan)

	Formal micro	Small	Medium
Loan amount was less than requested	60.0%	22.2%	33.3%
Loan maturity was less than requested	6.7%	9.1%	8.3%

Requested versus approved loan conditions. Most enterprises that borrowed money, regardless of size, are receiving a loan maturity that is at least as long as they requested. For micro, small and medium enterprises, the share whose maturity was less than requested was less than 10% for each size group. However, a majority (60.0%) of formal micro enterprises received a loan amount which was less than they requested. By contrast, only 22.2% of small and 33.3% of medium enterprises received a smaller amount than requested. There are several possible factors that may be contributing to this finding:

- If the micro enterprise does not keep financial records (64.9% of formal micro enterprises do not), financial institutions will have to estimate their cash flows. In most cases financial institutions will be conservative in the estimates, leading to an approved loan amount that is less than the true repayment capacity of the enterprise.
- Micro enterprises may be overly aggressive in their borrowing plans, more willing to take on high debt levels, or overly optimistic about their future growth potential, which could indicate a gap in financial literacy.
- Financial institutions may overstate the riskiness of working with micro enterprises, believing them to be much riskier than they are in fact. To limit risk, they may deliberately approve loan amounts that are relatively small for the enterprise.

To overcome this gap in the requested loan amount for micro enterprises will probably require some efforts from both customers and lenders. The micro enterprises can perhaps do a better job of record-keeping and be more realistic about their growth prospects. At the same time, financial institutions could work with their staff members to identify and eliminate any bias against micro enterprises. For example, if

[65] One such NBFI interviewed for this study lends to small businesses at around 17-22% annually, whereas bank rates usually do not exceed 10%.

statistics on loan defaults were tracked by size group, this would probably show that micro enterprises do not on average have significantly higher default rates than small or medium enterprises.

Table 13: Loan purpose[66] (% of MSMEs that have a loan)

	Formal micro[67]	Small	Medium
Working capital	64.7%	45.5%	30.8%
Equipment	35.3%	45.5%	30.8%
Vehicles	17.6%	54.5%	38.5%
Real estate	17.6%	18.2%	30.8%
Export finance	11.8%	0.0%	15.4%
Green/eco-friendly finance	10.5%	16.7%	23.1%
Other purpose	6.3%	10.0%	23.1%

Loan purpose. Enterprise size has a strong correlation with loan purpose, as larger enterprises (within the MSME segment) are more likely to use loan funds to finance the purchase of fixed assets (equipment, vehicles and real estate) and less likely to use the funds for working capital. 64.7% of micro enterprises used their loan for working capital investment, but the rate decreased to 45.5% for small and 30.8% for medium enterprises. Given their small size, some micro enterprises may not qualify for a large enough loan to enable them to purchase fixed assets, leaving them with working capital as the only investment option. Green finance usage rates are also linked to size, rising from 10.5% of formal micro enterprises that used their loan for green or eco-friendly purposes to 16.7% for small and 23.1% for medium enterprises.

Lending policies. In the vast majority of cases, financial institutions in Jordan perform a detailed and comprehensive analysis of MSME loan applicants, including a review of their business model, credit history, and financial performance. Financial analysis includes performing ratio analysis, and for relatively larger loan sizes the analyst often makes future financial projections. Most financial institutions apply certain ratio-based limits, such as a minimum debt coverage ratio. The debt-to-equity ratio is also considered highly important, although most banks do not apply a concrete limit. At least one bank has an online application and fast decision model using credit scoring, where the scoring contributes 90% of the overall decision, but this approach is atypical and only applies to a small sub-segment of MSMEs that meet specific criteria. To verify credit history, many banks check both the private credit bureau CRIF and the public bureau maintained by CBJ. While financial institutions mostly gave positive feedback on CRIF, a few commented that inaccuracies are sometimes present, leading them to also use the public credit bureau as a backup.

Accuracy of financial reports. One key challenge for lenders performing financial analysis is that the official accounting records of many MSMEs are deliberately misstated in order to reduce the MSME's tax burden. Most commonly, MSMEs report sales and profits that are much lower than the actual level. Based on the official records, the MSME appears to qualify for an amount which is much less than they can actually afford to repay. Financial institutions must then decide if they will make the loan decision based strictly on the official financial information or if they will try to account for the true financial results. Some MSMEs maintain a separate set of unofficial accounts which the financial institution can use, making this process relatively simple. However, in many other cases, the financial institution must reconstruct the true financial statements on its own using its best judgement and whatever data is available, which can be very time-consuming. According to banks interviewed for this study, the accuracy of official financial statements usually increases with business size. In other words, medium enterprises have more accurate financials than small enterprises, and small enterprises have more accurate financials than the micro enterprises that prepare official financial records. As mentioned above, 64.9% of micro enterprises do not keep financial records at all, which of course presents an even greater challenge for financial institutions.

[66] The sum of the figures for each size group exceeds 100% because some businesses use the loan for multiple purposes
[67] Informal micro enterprises are excluded because none of those surveyed had a loan from a financial institution

Collateral. Micro loans in relatively small amounts (e.g. less than JOD 10,000) are typically granted without taking physical assets as collateral, although a co-signor or guarantor is often requested. For relatively larger loans, physical collateral is usually taken. Financial institutions tend to have a strong preference for real estate as collateral, but may also take vehicles, equipment and other assets. MSMEs that do not own real estate often struggle to obtain credit in amounts over JOD 10,000, unless they can get a guarantee issued by JLGC. Despite the importance of real estate as collateral, businesses that have strong financial performance and a good credit history have a better chance than others to get a loan without real estate. The recent introduction in 2021 of a movable asset registry should gradually encourage financial institutions to use movable assets as collateral with greater confidence, potentially reducing their dependence on real estate collateral. However, some banks remain hesitant to use the collateral registry. One bank manager commented that they use the collateral registry to check for claims of other financial institutions on the assets of business applicants, but the bank does not yet register its own claims on movable collateral.

Table 14: Collateral indicators (% of MSMEs that had a loan)

	Formal micro	Small	Medium
Provided collateral for loan	68.8%	54.5%	100.0%
- Real estate	37.5%	36.4%	61.5%
- Equipment and vehicles	6.3%	18.2%	15.4%
- Inventories	6.3%	9.1%	0.0%
- Personal assets of owner	13.3%	9.1%	23.1%
- Blanket lien on entire business	6.3%	9.1%	7.7%
- Other	25.0%	9.1%	30.8%

Survey data indicates that 68.8% of formal micro, 54.5% of small and 100.0% of medium enterprises provided collateral for their most recent loan. Medium enterprises are typically borrowing in relatively large amounts and probably own assets like real estate and vehicles that they can provide as collateral. Nevertheless, it is somewhat surprising that financial institutions are choosing not to offer any collateral-free loans to their best medium-sized customers. The fact that 68.8% of micro and 54.5% of small enterprises provided collateral reflects that fact that some may not have collateral which the lenders would consider acceptable, and some are probably requesting loan amounts small enough that the lenders consider collateral unnecessary. Real estate was the most common type of collateral provided, with an especially high rate of 61.5% of medium enterprises providing real estate collateral.

There is further survey evidence to suggest that financial institutions are relatively strict with regard to the value of collateral they are taking for loans. The World Bank Enterprise Survey of 2019 found that the value of collateral provided for loans was 295% of the loan amount in the case of small enterprises and 259% in the case of medium enterprises. Financial institutions often apply heavy discounts to the estimated market value of collateral when determining how much they can lend, which partly explains why the value of collateral may be so much larger than the loan amount.

Guarantees. As mentioned earlier, JLGC is the main provider of guarantees in Jordan, and most of its programs are directed towards MSMEs. The total outstanding balance of business loans guaranteed by JLGC in 2021 was JOD 424.8 million. As a result of the massive scale of the government-sponsored COVID support program, which included a substantial guarantee component, the guaranteed business portfolio of JLGC increased dramatically in size in 2020, reaching JOD 408.7 million in that year from just JOD 87.0 million in 2019. Four MFIs are working with JLGC in addition to numerous banks, ensuring some coverage of microenterprises with guarantees. The reported rate of usage of guarantees from the MSME demand survey is somewhat low, with 10.3% of formal MSMEs that borrowed from a financial institution reporting that they used a guarantee from JLGC. The same percentage stated that they used a guarantee from a source other than JLGC. However, it should be kept in mind that enterprises may not be aware that a guarantee was used on their behalf, especially in the case of portfolio guarantees that cover a large group of loans rather than being issued on behalf of specific borrowers.

Innovative lending techniques. While most MSMEs are served according to the traditional lending methodologies described above, there are some signs of innovative products or approaches being used to reach customers in Jordan. A few examples are:

- *POS-based lending:* This is a form of credit for stores in which the loan amount is set based on the volume of transactions being processed through the store's POS terminal. Loan sizes up to 20% or 30% of POS turnover are typical. Because the POS transaction history is easily verifiable, the lender typically will make the loan without collateral or without performing a financial analysis of the business, resulting in a simplified due diligence approach. The lower costs for the lender in theory can be passed on to the customer in the form of relatively attractive interest rates.
- *Cluster-based lending*: Cluster-based lending involves lending to specific business activities that have been thoroughly analyzed by the bank. Because the bank understands the business model in great depth, a detailed financial analysis is not performed for each client. Instead, a simplified approach to financial analysis is applied based on a limited set of indicators and performance standards that are relevant to most businesses of the given type. Collateral may or may not be taken depending on the loan size and type of business. One bank interviewed for this study is applying cluster-based lending for gas stations and is planning to expand to beauty salons and pharmacies.
- *Supply chain finance:* Supply chain finance has not been practiced very widely in Jordan in the past, or has been practiced in a somewhat informal or haphazard way. The further development of well-structured supply chain finance methodologies, and the implementation of those methodologies by a wider number of institutions, has very good potential for increasing credit outreach to MSMEs.
- *The IFC Upstream project:* A new approach being supported by the IFC, which it refers to as the "upstream" approach, involves connecting three types of partners: 1) companies that collect structured transactional data on MSMEs, such as e-commerce sites, 2) FinTech companies that can mine that data and develop algorithms, and 3) financial institutions that can use the algorithms to make lending decisions. The upstream approach can be considered a very specific form of supply chain finance.

The presence of these approaches and initiatives, while still in an early stage, is indicative of the strong potential for increasing MSME financial inclusion by applying innovation and creativity to overcome long-standing barriers.

Government and international support programs. There is a wide spectrum of programs by the Jordanian government and various international organizations designed to promote MSME finance. One common approach is the provision of credit lines by international institutions to local financial institutions strictly for MSME lending to sub-borrowers, often combined with capacity-building assistance. International institutions that use this approach are EBRD, IFC and EIB. The credit lines may be provided directly to the local financial institutions by the international institution or channeled through a local program managed by the CBJ or some government body. Capacity-building assistance to local financial institutions usually takes the form of trainings for local staff and the development of policies, procedures and tools for MSME lending. In some cases these programs focus on particular sub-segments that are designated as priority segments. For example, IFC is supporting women-led SMEs to improve their access to finance in cooperation with several banks.

Another priority segment is startup enterprises. The Innovative Startups & SMEs Fund (issfjo.com), supported by investments from the CBJ and World Bank, provides early-stage equity finance to startups and early-stage SMEs. At present the centerpiece of government MSME financing efforts is the COVID-19 Support Programme, which provides subsidized loans to MSMEs via banks. More details can be found in section 5.1 of this report.

Regulation. As with lending to households, the key regulatory change in recent years was the recent introduction of the Finance Companies Regulation No. 107 (see section 2.3 for details). The potential impact of the regulation on MSME finance is difficult to predict at this early stage. On the one hand, some informal or semi-formal financial providers may exit the market, leaving MSMEs with fewer sources of funding, but those who remain are likely to become stronger as a result of better oversight and adherence to prudential regulations. These finance companies that previously operated in a regulatory gray zone are particularly likely to take an interest in finding market niches with limited competition going forward, and so they may be drawn to serving the missing middle described above for loans in the range of JOD 10,000 to 100,000. One of the finance companies interviewed for this study is specifically focusing on trying to reach that missing middle, and there are believed to be at least two or three other finance companies with a similar approach.

4.4 Payments and transfers

MSMEs play a particularly important role in the payment system because they are not just users of digital payment services but can also facilitate the use of digital payments by households, for example by enabling customers to pay via POS terminals or e-commerce purchases on the MSME's website. MSMEs can be especially important for facilitating electronic payments in rural areas and small towns, because financial institutions have a limited presence in such areas.

Table 15: Digital payment usage in past 12 months (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Made or received digital payment	7.7%	28.7%	53.4%	72.0%	31.5%
Made digital payment	7.7%	27.0%	48.3%	70.0%	29.5%
- To employees	0.0%	3.4%	20.7%	36.0%	5.4%
- To suppliers	3.8%	10.9%	22.4%	54.0%	12.6%
- For utility bills	3.8%	22.4%	39.7%	62.0%	24.5%
Received digital payment	0.0%	10.3%	37.9%	54.0%	13.3%
- By POS terminal	0.0%	4.6%	17.2%	26.0%	6.0%
- By QR code	0.0%	2.9%	12.1%	12.0%	3.8%
- By bank transfer	0.0%	9.2%	27.6%	48.0%	11.3%
- On e-commerce site	0.0%	4.6%	10.3%	22.0%	5.4%

Digital payment usage. The share of formal MSMEs that made or received a digital payment in the past year was 31.5%, but the figure varies greatly by enterprise size and formality. Among formal micro enterprises, the digital payment usage rate was 28.7%, rising rapidly to 53.4% for small enterprises and 72.0% for medium enterprises. Informal micro enterprises rarely use digital payments, with a usage rate of just 7.7%. MSMEs are more likely to make digital payments than to receive them from customers. 29.5% of formal MSMEs made a digital payment in the past year, more than double the rate of 13.3% that received a digital payment from a customer. Electronic payment of utility bills was relatively common, reported by 24.5% of formal MSMEs. Paying suppliers digitally was less common, as 12.6% of formal MSMEs did so. The share of formal MSMEs that paid their employees digitally (i.e. by bank transfer) was low at 5.4%, but the differences among size groups were noteworthy. 36.0% of medium enterprises and 20.7% of small enterprises paid employees digitally, but among formal microenterprises the rate was just 3.4%. In terms of receiving digital payments from customers, the means to do so were bank transfer (11.3% of formal MSMEs), POS terminal (6.0%), e-commerce website or app (5.4%), and by QR code (3.8%).

Comparison with households. It is worth noting that the rate of digital payment usage by MSMEs of 31.5% was somewhat lower than the 39.8% rate observed among households (see section 2.4). The main source of digital payments for households was the distribution of government aid through an account; these transactions involve households but not MSMEs. In addition, many households receive their salary into an account, but large enterprises, rather than MSMEs, are more likely to process their staff payments electronically. These two factors probably account for most of the difference between the digital payment rates of MSMEs and households.

Table 16: Payment cards and services (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Has debit card	1.9%	31.0%	48.3%	52.0%	32.8%
Has credit card	0.0%	11.5%	32.8%	30.0%	13.5%
Has online banking	0.0%	12.1%	41.4%	68.0%	15.4%
Has mobile banking	0.0%	20.7%	41.4%	44.0%	22.8%
Has cash collection services	0.0%	11.5%	44.8%	36.0%	14.6%
Has card processing services	0.0%	12.6%	43.1%	40.0%	15.6%
Has payroll services	0.0%	5.7%	34.5%	58.0%	9.0%

Payment cards and services. The ownership rates for debit and credit cards among formal MSMEs were 32.8% and 13.5%, respectively. Card ownership rates were quite similar for small and medium enterprises, but micro enterprises were much less likely to have a debit or credit card. Only 1.9% of informal micro enterprises reported having a debit card, and none had a credit card. While card products are usually thought of in the context of households, they can also be important for MSMEs, because cards can be used to order products online from suppliers or to pay in a supplier's store at a POS terminal. However, the benefit of cards is probably somewhat less for medium enterprises, because they may be placing rather large orders that are more suitable for a bank transfer than a card or e-commerce payment. This may explain why 100.0% of medium enterprises have a current account but only 52.0% report having a debit card. Among formal micro enterprises, mobile banking (used by 20.7% of formal micro enterprises) is more popular than online banking (12.1%), but this dynamic changes as the size of the enterprise increases. For small enterprises, the use of online and mobile banking are equal at 41.4%, whereas medium enterprises are more likely to have online banking (68.0% have it) than mobile banking (44.0%). There is some use among MSMEs of payment-related services offered by a third party such as cash collection (14.6% of formal MSMEs have it), card processing (15.6%), and payroll processing (9.0%). For these payment services, usage rates are again much higher among small and medium enterprises than among micro enterprises.

Table 17: Relevance/interest in payment products (% of those without the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Debit card	19.6%	21.5%	38.7%	33.3%	23.0%
Credit card	19.2%	23.4%	25.6%	34.3%	23.7%
Online banking	17.3%	26.1%	29.4%	75.0%	26.6%
Mobile banking	11.5%	21.7%	32.4%	46.4%	22.7%
Cash collection services	13.5%	22.1%	28.1%	34.4%	22.6%
Card processing services	15.4%	18.2%	37.5%	54.5%	19.3%
Payroll services	5.8%	22.4%	33.3%	40.0%	23.2%

Potential demand. The potential future demand for various payment services and products, as measured in terms of the relevance of and interest of MSMEs in these products, varies considerably by enterprise size and formality. Medium enterprises express the greatest interest in all the products and services except for debit cards, perhaps for the same reason discussed above: medium enterprises are more likely to buy supplies and raw materials in large order sizes via bank transfer. Medium enterprises especially have high interest in online banking (75.0% of those without online banking consider it relevant), and 54.5% of medium enterprises view card processing services as being important. By contrast, informal micro enterprises generally consider payments cards and related services to be of limited interest, with less than 20% expressing interest in any of the product categories. Formal micro and small enterprises consistently fall within the two extremes of the informal micro and medium enterprises.

Table 18: Reasons for not using digital payments (% of those that didn't use)[68]

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Lack of knowledge	39.6%	53.2%	55.6%	42.9%	53.3%
High fees	25.0%	29.8%	25.9%	35.7%	29.7%
Large payment size	16.7%	20.2%	33.3%	42.9%	21.0%
Not easy to use	29.2%	37.9%	29.6%	35.7%	37.4%
Lack of trust	16.7%	29.0%	22.2%	7.1%	28.5%

Reasons for not using digital payments. The most common reason given by MSMEs for not making or receiving a digital payment is lack of knowledge about digital payment services. 53.2% of formal micro enterprises and 55.6% of small enterprises indicated this reason. The ratio was somewhat lower for medium enterprises (42.9%) and informal micro enterprises (39.6%) but still at a significant level. Although substantial investments in awareness-building and education about the topic of digital payments have been made in recent years by the CBJ and other stakeholders, this finding suggests that those efforts should be continued and perhaps even intensified in the future. 37.4% of formal MSMEs stated that they consider digital payment systems and services to be difficult to use, which may refer both to the initial setup and ongoing maintenance of such systems. The fees associated with digital payments were also cited as a barrier by 29.7% of formal MSMEs, and lack of trust in the providers of such services was mentioned by 28.5%. Notably, medium enterprises appear to have greater confidence in the service providers, as only 7.1% of medium enterprises mentioned this as a concern. A number of respondents (21.0% of formal MSMEs) questioned the suitability of digital payments for large transaction amounts. Not surprisingly, this issue of payment size was more of concern among medium enterprises (42.9% mentioned it), than small (33.3%) or formal micro enterprises (20.2%).

Overcoming the constraints. Increasing the usage of digital payment services among MSMEs in some ways parallels the tactics that can be applied to increase digital payments among households. Enabling and encouraging MSMEs to open current accounts or mobile wallets, encouraging them to take and use card products, and promoting competition among the providers of those services, are all likely to contribute to higher digital payment usage. Aside from direct usage of payment services, MSMEs can also facilitate the use of payment services by their customers, for example by accepting sales through POS terminals. Supporting the introduction of a greater variety of POS devices available in the market, with different features and payment models, could encourage greater participation by MSMEs. For example, the use of "soft POS" terminals, where the mobile phone of the employee becomes the POS device, has strong potential to appeal to business owners. MSMEs can also facilitate account creation and digital payment usage among their employees by paying salaries to an account. Considering that only 5.4% of MSMEs pay their employees by account at present, there is considerable room for improvement in this area. Dealing with the tax concerns of MSMEs, their perception that digital payment usage will be accompanied by more tax could potentially be addressed with special tax rebates that apply specifically to transactions that are executed electronically.

4.5 Insurance

Table 19: Insurance ownership rates (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	3.8%	21.8%	39.7%	64.0%	24.0%
Property insurance	0.0%	4.6%	31.0%	50.0%	7.5%
Equipment insurance	0.0%	4.6%	17.2%	40.0%	6.2%

[68] The totals for each segment exceed 100% because respondents could choose more than one answer.

Theft insurance	1.9%	5.2%	24.1%	36.0%	7.2%
Fire insurance	0.0%	5.2%	29.3%	42.0%	7.8%
Health insurance	1.9%	14.4%	25.9%	48.0%	15.9%
Workers compensation insurance	0.0%	8.6%	27.6%	30.0%	10.5%
Professional liability insurance	0.0%	3.4%	12.1%	28.0%	4.6%
Other conventional insurance	0.0%	1.7%	1.7%	8.0%	1.8%
Takaful Islamic insurance	0.0%	1.1%	5.2%	0.0%	1.5%
Any type of insurance	7.7%	29.3%	56.9%	84.0%	32.5%

Insurance ownership. Insurance ownership rates in Jordan are highly dependent on the size and formality of the MSME. Among formal MSMEs, the overall rate of insurance ownership is 32.5%, but this varies from 29.3% for micro enterprises to 56.9% for small enterprises and 84.0% for medium enterprises. Only 7.7% of informal micro enterprises have some form of insurance. Because auto insurance is mandatory and many MSMEs need vehicles, it is not surprising that this is the most common type of insurance, held by 24.0% of formal MSMEs. This is followed by health insurance for workers (15.9% of formal MSMEs have it) and workers' compensation insurance (10.6%). Various forms of property insurance (equipment, theft, fire, and general property insurance) are not popular among micro enterprises but exhibit moderate ownership rates among medium enterprises. The same is true for professional liability insurance, which is held by just 3.4% of formal micro enterprises but by 28.0% of medium enterprises. Takaful Islamic insurance is not widely used, as only 1.5% of formal MSMEs reported having a Takaful policy.

Table 20: Submitted an insurance claim in past year (as % of those with insurance)[69]

	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	26.3%	39.1%	25.0%	28.0%
Property insurance	62.5%	38.9%	24.0%	50.2%
Equipment insurance	37.5%	50.0%	30.0%	39.5%
Theft insurance	22.2%	42.9%	27.8%	28.3%
Fire insurance	22.2%	47.1%	28.6%	30.4%
Health insurance	24.0%	33.3%	33.3%	25.7%
Workers compensation insurance	26.7%	31.3%	26.7%	27.6%
Professional liability insurance	50.0%	28.6%	21.4%	42.4%
Other conventional insurance	33.3%	0.0%	25.0%	30.2%
Any type of insurance	25.5%	36.4%	26.2%	27.1%

Insurance claims. The share of MSMEs that submitted an insurance claim in the past year, out of those that had insurance, is relatively high. Among formal MSMEs with any type of insurance, 27.1% submitted a claim in the past year. The tendency to submit claims does not appear to depend significantly on enterprise size, as formal micro enterprises and medium enterprises had similar rates of 25.5% and 26.2% respectively, although small enterprises had a somewhat higher result of 36.4%. These figures suggest that MSMEs are quite assertive in attempting to enforce their rights as policy holders. By contrast, the household survey showed that only 1.7% of individuals with insurance submitted a claim in the past year. The dramatic difference between the household survey and MSME survey may be partly explained by the fact that most individuals received their insurance without paying for it, and thus they may be less motivated to enforce their rights by submitting a claim. The share of claims that are approved is not known, but MSMEs would presumably not go to the trouble of submitting a claim unless they had a high expectation for the claim being approved.

[69] The findings for informal micro enterprises are not shown here, because there are too few of them with insurance for the results to be statistically meaningful.

Table 21: Potential demand for insurance (% of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	16.0%	18.4%	28.6%	11.1%	19.0%
Property insurance	25.0%	36.7%	52.5%	52.0%	37.8%
Equipment insurance	19.2%	25.3%	50.0%	40.0%	27.2%
Theft insurance	23.5%	41.8%	47.7%	40.6%	42.2%
Fire insurance	26.9%	41.2%	61.0%	51.7%	42.6%
Health insurance	19.6%	34.2%	58.1%	65.4%	36.3%
Workers compensation insurance	13.5%	22.0%	45.2%	40.0%	23.8%
Professional liability insurance	17.3%	21.4%	39.2%	27.8%	22.8%
Other insurance	3.8%	5.8%	17.5%	10.9%	6.9%

Potential demand. There is a moderate level of interest in getting insurance among MSMEs that do not currently have it. For theft and fire insurance, the share of formal MSMEs that consider it relevant for their business exceeds 40%. Interest in auto insurance is somewhat low at 19.0%, reflecting the fact that MSMEs without an automobile do not need auto insurance. For most types of insurance, micro enterprises (both formal and informal) see the product as being less relevant compared to small and medium enterprises. Somewhat surprisingly, small enterprises are more likely to consider most types of insurance to be more important to them than medium enterprises do. This may be because medium enterprises have enough cash flow and savings that they can cover the cost of lawsuits or property damage or theft on their own, without the need for insurance. By contrast, small enterprises may be profitable enough to afford insurance but not so profitable that they are willing to replace damaged assets or pay for other insurable events out of their internal funds. Micro enterprises demonstrate lower interest in insurance most likely because their cash flows are relatively smaller and they consider insurance to be too expensive.

Table 22: Share of MSMEs that expect to qualify (as % of those without it but consider it relevant)

	Informal micro	Formal micro	Small	Medium
Auto insurance	75.0%	72.0%	90.0%	100.0%
Property insurance	69.2%	70.5%	71.4%	92.3%
Equipment insurance	70.0%	69.0%	83.3%	100.0%
Theft insurance	66.7%	72.5%	90.5%	100.0%
Fire insurance	64.3%	75.0%	80.0%	100.0%
Health insurance	60.0%	80.4%	80.0%	100.0%
Workers compensation insurance	71.4%	77.1%	68.4%	92.9%
Professional liability insurance	55.6%	77.8%	75.0%	100.0%

Expectations of qualifying for insurance. The rates of MSMEs that expect to be able to qualify for and access insurance, as a percentage of those who do not currently have insurance but consider it relevant to their business, is fairly high and increases with business size. For most types of insurance, 100% of medium enterprises expect to be able to obtain a policy. For small enterprises, the rates are somewhat lower, ranging roughly from 70% to 90% depending on the product type. For formal micro enterprises the figures are mostly in the 70s, and mostly in the 60s for informal micro enterprises. The survey did not explore why some enterprises believe they will not qualify, but given the trend by enterprise size, it seems likely that having less income could be a reason that some enterprises, particularly micro and small enterprises, do not think they will qualify.

Lender-driven insurance. A number of financial institutions report that they require MSME borrowers to obtain insurance in certain circumstances as a condition for approving a loan. A few institutions, for example, require the owners to have life insurance. When physical assets are taken as collateral, banks often require those assets to be insured with a property insurance policy. Some banks also ask borrowers to insure their inventories. The demand survey revealed that 25.0% of micro enterprises, 41.7% of small enterprises, and 30.8% of medium enterprises were required to get some form of insurance as a condition for the most recent loan that they received. The reason that medium enterprises are less frequently asked to get insurance than small enterprises may be related to the fact that medium enterprises are more likely to already have insurance. By contrast, micro enterprises are less frequently asked for insurance than small enterprises perhaps because the average loan size is small enough that insurance is considered unnecessary.

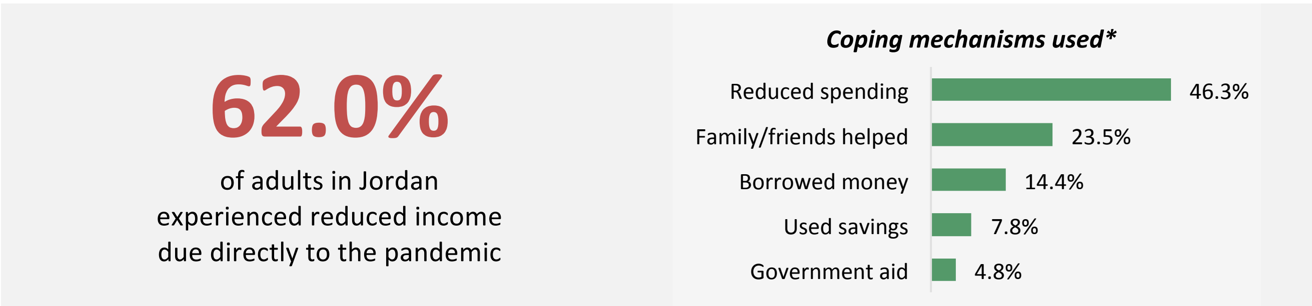
5 Enablers and constraints

This section covers a number of cross-cutting topics that are relevant to various product categories and segments. These topics can generally be defined as enablers that facilitate greater financial inclusion or constraints that hinder it. In most cases, each topic has the potential to be both an enabler and a constraint. For example, the COVID-19 pandemic can act as a constraint to getting a loan for some households whose income decreased but can also act as an enabler of digital payment usage by stimulating demand for non-cash transactions.

5.1 COVID-19

COVID-19 and financial inclusion. The COVID-19 pandemic has led to dramatic changes in the financial landscape, particularly with regard to the use of technology and digital services. Digital communications are increasingly replacing face-to-face interactions, digital payments are rapidly growing in usage at the expense of cash and checks, and digital documents are increasingly taking the place of paper documents.[70] The pandemic is also disrupting business operations, harming the profitability and growth of most enterprises and leading some companies to lay off employees, reduce their working hours or reduce their wage rates. Changes in income levels affect the creditworthiness of borrowers and the demand for financial services.

Figure 84: Impact of COVID-19 and coping mechanisms used



** % of adults whose income decreased due to COVID*

Impact on household income. The demand survey revealed that 62.0% of adults in Jordan experienced a decrease in their income, even if only temporarily, directly as a result of the pandemic (Figure 84). In order to compensate for the loss of income, the largest share of individuals (46.3% of those with reduced income) simply reduced their spending. Some (23.5%) received financial support from family or friends, while others (14.4%) borrowed money. A relatively small share (7.8%) was able to rely on savings to cope with the strain, and 4.8% benefited from the receipt of direct government aid.[71]

Table 23: COVID's impact on MSME income

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Income decreased significantly	71.2%	85.1%	81.0%	68.0%	84.4%
Income still at reduced level today	61.5%	74.1%	55.2%	40.0%	72.0%

Impact on MSME income. The majority of MSMEs (84.4%) experienced a significant decline in income due to the pandemic, and that negative impact was still ongoing for 72.0% of MSMEs at the time of the survey in October 2022. However, medium enterprises appear to be more resilient to the effects of COVID than micro enterprises. Only 68.0% of medium enterprises experienced a loss of income, versus 85.1% of formal

[70] The impact of those changes on borrowing, account ownership, payment services and insurance is discussed in more detail in Section 5.4.
[71] In addition, 3.1% used some other coping mechanism, and 0.2% answered "don't know"

micro enterprises. Similarly, less than half (40.0%) of medium enterprises continued to experience reduced income in late 2022, versus 74.1% of formal micro enterprises. The figures for small enterprises were in between those of medium and micro enterprises. Informal micro enterprises surprisingly reported somewhat better results than formal micro enterprises, which may be related to the fact that informal enterprises tend to engage in different types of business activities than formal enterprises.

Impact on account ownership and digital payments. Among adults who have an account, 12.8% stated that they opened their account specifically in connection with the pandemic. This may be because their employer decided to start paying salaries via account, because they could more easily access government aid with an account, or simply because they no longer wanted to handle cash, and having an account made it possible to pay for things digitally. Among adults who reported having made digital payments, more than half (50.4%) stated that their frequency of digital payment usage increased directly as a result of COVID-19.

Impact on activities of financial institutions. Although the pandemic clearly disrupted the operations of financial institutions, the impact was not extremely severe. A JoPACC survey of financial institutions conducted during the pandemic in 2020 found that 77.8% of financial institutions were able run at 80-100% of their normal capacity.[72] From 2019 to 2020, the volume of outstanding bank loans to the private sector increased by 6.3%, and the loan portfolio of MFIs decreased by just 2.0%. One factor that helps to explain the absence of a sharp decline in loan portfolios is the strong liquidity position of the financial sector. Deposit volume did not contract in 2020 but actually grew by 4.2%. Given that banks already had good liquidity at the end of 2019, there was no severe liquidity pressure in 2020 that would have forced banks to scale back their lending activity. The other key factor in avoiding a collapse of lending activity was the support provided by the Jordanian government and CBJ.

Government actions to counteract the effects of COVID. The Jordanian government and the CBJ have been very proactive in setting up programs and allocating funding to support both households and businesses during the pandemic. Some of the key actions taken that are relevant to the financial sector are:

- The creation of a JOD 700 million subsidized credit facility to promote bank lending to MSMEs, with guarantees provided by JLGC
- Authorizing financial institutions to defer loan payments for affected borrowers without charging late fees or harming their credit history
- Lowering the compulsory reserve ratio of banks from 7% to 5% to free up liquidity and spur lending
- Further developing the scope and quality of e-government portals following the outbreak, and either encouraging or in some cases requiring both government employees and citizens to make payments through these electronic channels
- INTAJ's TechAid project, which was launched during the pandemic, provides mentorship support to companies to solve COVID-related problems

These are just a few of many examples. Because the actions of the government and CBJ are extensively documented in various publications, such as the CBJ's *Financial Stability Report 2020*, they are not repeated in detail in this section of the report. However, the subsidized credit facility is arguably the centerpiece of government efforts to maintain financial intermediation and thus warrants further discussion.

Subsidized credit facility. The subsidized credit facility is a COVID-19 support program designed to avoid a shutdown of lending to MSMEs by making credit lines available through commercial banks. The initial amount of the facility was JOD 500 million when launched in 2020, then in March 2021 it was increased to JOD 700 million. The maximum interest rate to end borrowers is 2% annually, and maturities are up to 54 months with a one-year grace period. JLGC provides guarantees that cover 85% of the loan amount, higher than JLGC's standard coverage rate of 70%. Maximum loan amounts vary by business activity, but the average disbursed loan size is about JOD 100,000. By March 2021, the number of companies receiving loans was 5,051 for a total amount of JOD 454 million. The impact of the program on JLGC's guarantee portfolio has

[72] JoPACC. *Lockdown but not Shutdown: The Impact of the Pandemic on Financial Services in Jordan*. October 2020.

been dramatic. From 2019 to 2020, JLGC's portfolio increased more than four times, from JOD 104.0 million to JOD 424.2 million, and program loans made up 73.7% of JLGC's total portfolio at the end of 2021.

5.2 Financial education and literacy

The demand survey attempted to measure some fundamental aspects of financial literacy of households through the seven questions shown in the table below (Figure 85). These questions cover the topics of interest, diversification of one's savings, inflation, deposit insurance, and other insurance.

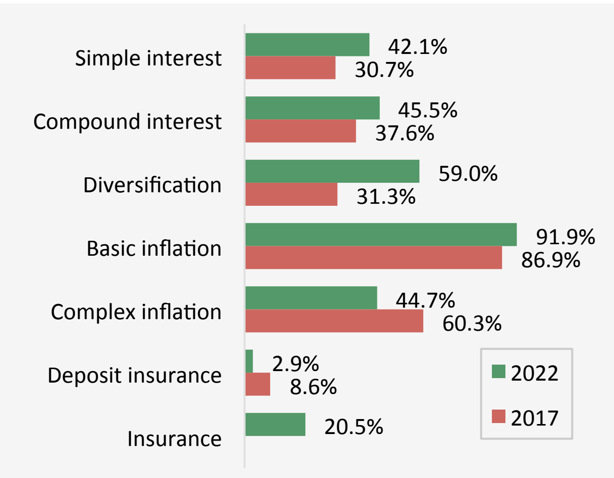
Figure 85: Financial literacy questions from household demand survey

Topic	Question	Options*
Simple interest	Suppose you put JD 100 into a no-fee, tax free savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?	None (open answer) **[correct: 102]**
Compound interest	And how much would be in the account at the end of five years, remembering there are no fees or tax deductions?	a) less than 110, b) 110, **c) more than 110**
Diversification	Is the following statement true or false? It is less likely that you will lose all of your money if you save it in more than one place.	**True**/false
Basic inflation	Is the following statement true or false? High inflation means that the cost of living is increasing rapidly.	**True**/false
Complex inflation	Let's assume that in 2023 your income is twice as now, and the consumer prices are also twice as now. Do you think that in 2023 you will be able to buy more, less, or the same amount of goods and services as today?	a) less than today, **b) the same,** c) more than today
Deposit insurance	If a citizen has a deposit in a Jordanian bank and this bank becomes bankrupt, do you know what maximum amount of a deposit is entirely insured by the government?	a) there is no deposit insurance, b) 10,000, c) 25,000, **d) 50,000**
Insurance	If you want to pay a smaller, regular fee in order to protect yourself against a possible larger expense if something bad happens, what type of financial product would be most appropriate?	a) loan, b) savings account, **c) insurance**, d) money transfer

** The correct answer is highlighted in **bold***

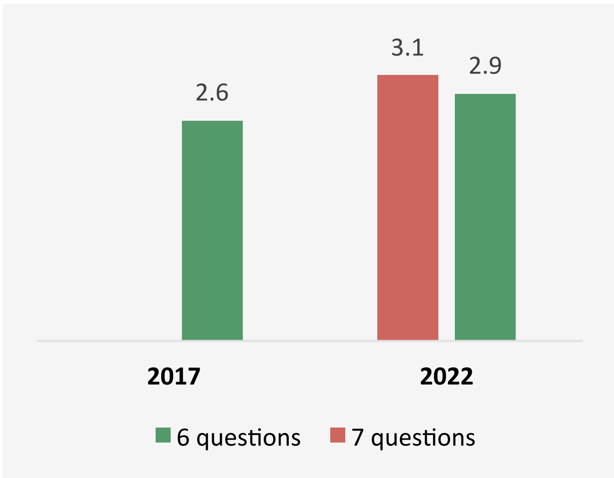
The indicators for simple interest, compound interest, diversification, and basic inflation increased from 2017 to 2022 (Figure 86), by a rather large margin in the case of simple interest and diversification.

Figure 86: Financial literacy indicators 2017-2022



% of adults answering correctly

Figure 87: Total number of questions correct



Average score for all respondents

Inflation and diversification. By far the easiest question was on basic inflation, which 91.9% of adults answered correctly in 2022, up from 86.9% in 2017. Inflation affects the prices that people pay for goods and services every day, so it is not surprising that this topic is well understood. The only other question answered correctly by a majority of adults (59.0% in 2022) was on diversification, up sharply from just 31.3%

in 2017. It is possible that for many households, the COVID-19 pandemic has dramatically illustrated the benefits of diversification.

Deposit insurance. Only 2.9% of adults know how much protection is provided by deposit insurance (the correct answer is JOD 50,000), down from 8.6% in 2017. In fact, 38.5% of adults believe that Jordan does not even have deposit insurance, and another 17.9% believe that the amount of coverage is far below JOD 50,000. Similarly, an earlier survey conducted by the CBJ found that only about 34% of university students were able to answer a question about deposit insurance correctly. This lack of awareness of deposit insurance may impact the demand for accounts and should therefore be a focal point of future financial literacy training efforts. To be fair, even in countries with highly developed financial systems, it is likely that most adults do not know the exact amount of deposit insurance coverage. What is concerning about the results from Jordan is not so much the low rate that answered correctly but the fact that so many adults are not aware that such coverage exists or believe it to be much lower than the actual amount. If respondents were given credit just for knowing that Jordan has deposit insurance, the average number of questions answered correctly would rise from 3.1 to 3.3.

Insurance. Another indicator for which adults scored low was regarding conventional insurance (as opposed to deposit insurance), which was answered correctly by just 20.5% of adults[73]. Even though this study found that more than half of adults in Jordan have insurance (see section 2.5 for details), most individuals are receiving this insurance for free from the government or automatically through their employers and are rarely submitting claims, making them less likely to educate themselves about the topic.

Financial literacy score. Overall, the average adult answered 3.1 out of the 7 questions correctly, including the question on insurance that was newly introduced in the 2022 questionnaire (Figure 87). This indicator – the number of questions answered correctly – is referred to as the "financial literacy score." When considering only the 6 questions that were asked in both 2017 and 2022, there is an improvement from 2.6 questions answered correctly in 2017 to 2.9 questions answered correctly in 2022. This provides evidence that the efforts of the CBJ and financial institutions to improve the financial literacy of Jordanian residents has had some success but also indicates that there is considerable room for further improvement. Several financial institutions interviewed for this study also expressed a belief that financial literacy has been improving gradually in recent years from a low initial level.

The Financial Education Program. The Jordanian government and the CBJ have been very active in promoting financial literacy and education in recent years. The centerpiece of the government's strategy is the Financial Education Program (FEP), which has introduced financial education classes in schools for grades 7 through 12. The program was rolled out gradually from 2015 to 2018, with updates to the curriculum in 2019 and 2020. Students in grades 7-10 attend one lesson per week, while those in grades 11 and 12 attend three. Roughly 4,000 schools in the kingdom are participating in the FEP. The program is reportedly well received by students, who appreciate the practical usefulness of the information. Currently one of the FEP's main objectives is to digitize its curriculum using a Microsoft-accredited IT platform, with teachers expected to create their own digital content.

Awareness-building and training. Aside from the FEP, the CBJ publishes relevant materials on its website and Facebook page and periodically carries out financial awareness sessions for various target segments. In addition, many of the financial institutions themselves have found that promoting financial literacy is often in their best interest. Most financial institutions interviewed for this study stated that they actively promote financial literacy as a part of their non-financial services. This is typically done though materials posted on the institution's website or social media accounts, sent by email or SMS to clients, or (less frequently) by structured training sessions. For example, most MFIs offer some type of financial literacy training services, and these are increasing moving online and can be classified as e-learning services. The Ministry of Education collaborated with the Ministry of Digital Economy and Entrepreneurship and private companies to de-

[73] This question on insurance was not asked in the 2017 survey.

velop e-learning platforms during the pandemic. Among these was Darsak, an e-learning portal which offers short courses embedded in video clips for Grades 1 through 12, and Teachers, a 90-hour teacher training program. For students without high-speed internet, Jordan repurposed its national television sports channel into a student learning channel, which includes financial literacy content.

Table 24: MSME financial literacy indicators

	Informal micro	Formal micro	Small	Medium	Formal MSMEs[74]
Keeps financial records	7.7%	35.1%	65.5%	90.0%	38.5%
- By hand	7.7%	24.7%	19.0%	20.0%	24.2%
- By computer	0.0%	4.0%	41.4%	64.0%	8.1%
- Using cloud services	0.0%	0.6%	0.0%	2.0%	0.6%
- By external accountant	0.0%	5.7%	5.2%	4.0%	5.7%
Has standard financial statements[75]	9.6%	25.3%	63.8%	82.0%	29.4%
Gets financial statements audited	0.0%	14.9%	43.1%	74.0%	18.2%
Has written business plan	0.0%	16.1%	25.9%	42.0%	17.3%
Not prepared for cash flow emergency	67.3%	58.0%	36.2%	22.0%	55.7%

Financial literacy among MSMEs. The level of financial literacy of MSMEs can be assessed to some extent by the degree of sophistication in terms of financial reporting and planning. Only 7.7% of informal micro enterprises keep financial records in a systematic way, rising to 35.1% for formal micro enterprises, 65.5% for small enterprises, and 90.0% for medium enterprises. The share that produces standardized financial reports such as an income statement, balance sheet and cash flow statement also rises dramatically as the size and formality of the business increase. The overall rate for producing these statements is 29.4% among formal MSMEs, somewhat lower than the overall rate of 38.5% that keep financial records. Informal and formal micro enterprises primarily keep records by hand (on paper), while small and medium enterprises are more likely to use a computer for record-keeping. Only 18.2% of formal MSMEs have their financial results audited, although 74.0% of medium enterprises do so. Business planning can be considered a sign of financial literacy, and is often required for MSMEs to obtain a loan, but most MSMEs do not have a written business plan. Even among medium enterprises, less than half (42.0%) have a business plan, declining to 25.9% for small enterprises and 16.1% for formal micro enterprises. Over half (55.7%) of formal MSMEs reported that they are not well prepared to face a cash flow emergency, although the indicator decreases rapidly as the business size and formality increases. 67.3% of informal micro enterprises are not well prepared for a cash flow emergency, but only 22.0% of medium enterprises are not well prepared. To some extent this trend reflects financial literacy, as managers of relatively larger enterprises within the MSME segment are probably more knowledgeable about the tools and resources that can be used to prepare for emergencies. Of course, the larger enterprises may simply be more profitable and thus can more easily set aside savings. The following table summarizes the relevant indicators.

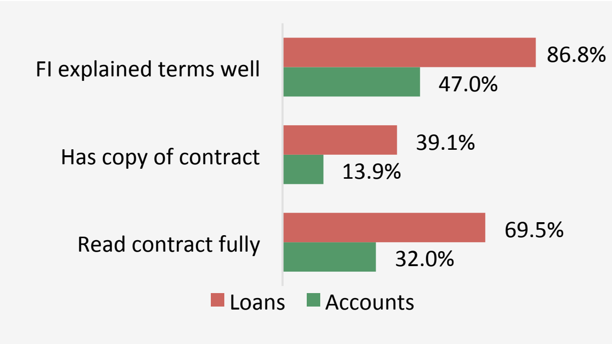
5.3 Financial consumer protection

Financial consumer protection and financial inclusion. Financial consumer protection (FCP) plays an important role in financial inclusion by providing assurance to users of financial services that they will be treated fairly, and if not, that they can receive compensation for any resulting losses or mistreatment. Consumer protection systems and regulations, therefore, can increase trust in the financial system and lead to greater demand for and usage of financial services.

[74] The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, medium) multiplied by the share of that size group in the total population of MSMEs in Jordan, according to the 2018 Establishments Census of the Department of Statistics.

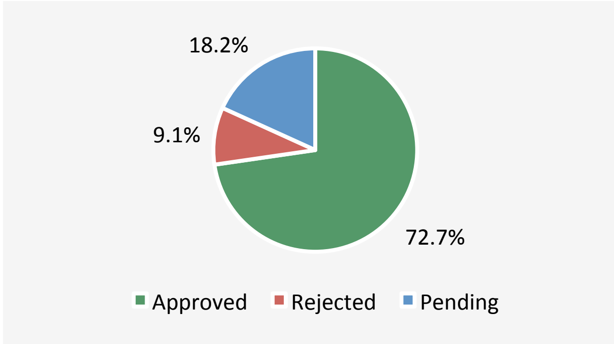
[75] For example, the business produces an income statement, balance sheet, and/or cash flow statement.

Figure 88: FCP indicators for accounts and loans



% of adults that have account or loan

Figure 89: Outcome of insurance claims



% of submitted claims

Disclosure. As one important element of consumer protection, financial institutions are obliged to provide clear and complete explanations of their products to customers, who should fully understand the terms and conditions of the products before signing a contract or entering into an agreement. According to customers, financial institutions usually (in 86.8% of cases) do a good job of explaining loan products, but only 47.0% of financial institutions explain accounts properly before the agreement is signed (Figure 88). It is not difficult to understand why a lending institution would make a considerable effort to explain the loan contract to borrowers. If borrowers do not understand their obligations, they will be less likely to repay on time, and this can be very harmful to the lender's profitability. By contrast, if account holders do not understand their account terms well, they might not use it very often, but the negative impact of low account usage is much less obvious and more difficult to measure than for loans. Therefore, there is much more incentive for financial institutions to explain a loan contract properly and completely than a deposit account contract.

Banks vs. MFIs vs. PSPs. MFIs were slightly better at explaining the terms and conditions of loans than banks, according to borrowers. 90.5% of MFI borrowers reported that the loan terms were explained well, compared to 83.9% of bank borrowers. With regard to accounts, banks did slightly better than PSPs: 47.6% of banks explained the account conditions well versus 40.7% of PSPs. Mobile wallets usually have more complex restrictions than bank accounts (such as limits on the number and size of individual or aggregate transactions that differ by transaction type and time period), which may partly explain why fewer PSP customers were satisfied with the information they received about their mobile wallet.

Reading contracts. Customers should take responsibility for their own consumer protection by reading the relevant documents for their loan or account, getting a copy of those documents, and storing them in a place where they can be easily accessed. However, not all customers are diligent about taking such steps. Only 69.5% of borrowers and 32.0% of account holders fully read the relevant contract or agreement by their own admission. And only 39.1% of borrowers and 13.9% of account holders still have the contract (or know where it is), despite having received the product within the past 12 months. Borrowers are probably more likely to read and keep the loan documents because not following the loan conditions could negatively impact their credit history, whereas not knowing the deposit account terms is unlikely to have any serious negative consequences. Borrowers are perhaps also worried that lending institutions may try to charge a higher interest rate, set higher monthly payments, or take more collateral than was agreed verbally, making the borrowers more likely to read the contract.

Insurance claims. With regard to insurance, the main concern of customers related to consumer protection is almost certainly whether or not insurance companies will approve and pay out valid claims. In recent years, a few smaller insurance providers in Jordan have struggled to maintain solvency and pay out claims, so this concern is particularly relevant. Customers of insurance companies who submitted claims in the past 12 months reported that their claims were rejected in 9.1% of cases, approved in 72.7% of cases, and the remaining 18.2% are still awaiting a decision (Figure 89).[76] The significant share of pending cases may suggest that insurance companies are not particularly quick to make decisions, although it is also possible that customers are not providing all the required supporting documentation in a timely fashion. And although the rejection rate of 9.1% seems high at first glance, it is unclear to what extent the customers have submitted legitimate claims that meet the conditions of their policies. Further research on this topic, for example as part of a dedicated study focusing only on insurance, might help to clarify such questions.

Overindebtedness. A key aspect of financial consumer protection is that lenders should avoid putting borrowers in a position where they are likely to default. This means that lenders should evaluate the repayment capacity of applicants carefully and set appropriate conditions regarding the loan amount and payments. For retail loans, maximum debt burden ratios[77] are reasonable, hovering around 50% on average, helping to reduce excessive borrowing. When evaluating business loans, banks apply conservative approaches to measuring cash flows, either ignoring or discounting unofficial income that was not reported for tax purposes. By contrast, MFIs usually include this unofficial income, which may partly explain why over-indebtedness is believed to be more severe in the microfinance sector than in the SME sector. The high rate of borrowing by individuals from any source in the past year of 47.1%, driven largely by informal borrowing, is a concern, although this may be a temporary phenomenon influenced by the pandemic. The ratio of private sector bank credit to GDP of 84.7% in 2021 is up from 74.3% in 2017 but is below the world average of 98.6% (in 2020) as reported by the World Bank[78]. The 2022 household survey by CBJ found that 5.9% of adults that didn't borrow formally in the past 12 months stated that they did not borrow because they had too much debt already, down from 7.8% in the 2017 survey.

Cryptocurrency. The extreme volatility in the price of cryptocurrencies has made this a topic of interest related to financial consumer protection. The purchase of cryptocurrency by Jordanians would expose them to a considerable risk of loss, and should be avoided by investors, in the CBJ's opinion. Consequently, cryptocurrency is not accepted as legal tender in Jordan, and the CBJ has prohibited financial institutions in Jordan from facilitating any cryptocurrency transactions. Nevertheless, it is still possible for investors to use services based outside of Jordan to buy and sell cryptocurrency. While a significant 21.3% of adults in Jordan have heard of cryptocurrency, only 0.9% of adults reported buying or using cryptocurrency in the past 12 months. Among those who had heard of cryptocurrency, less than half (47.8%) stated that they fully understood the risks of investing in it.

Regulatory situation. The increased attentiveness of financial institutions to consumer protection has been driven to a large extent by new regulations issued by the CBJ. This process began in 2012 with the Instructions on Dealing with Customers Fairly and Transparently (56/2012), which applied to banks. The regulation was later revised and further developed, with a new version expected to be issued in the near future. Similar regulations were issued specifically for MFIs (in 2018) and for exchange houses and PSPs (in 2021). In addition, regulations for complaint handling that apply to all financial service providers were introduced in 2017, and instructions for dealing with customers with disabilities were introduced in 2018. To better manage its activities related to consumer protection, the CBJ created the Financial Consumer Protection Department in 2017. One risk of introducing more consumer protection regulation is that the cost and complexity of implementing that regulation will be passed on to customers in the form of higher prices. However, financial institutions interviewed for this study generally agreed that the financial consumer protection regulations that have been implemented in recent years by the CBJ are not particularly difficult or costly to implement. Therefore, there is no reason to think that the regulations have significantly increased the cost of financial services. Furthermore, several financial institutions stated that implementing the regulations, especially those related to complaints, helped them better understand their customers' needs and improve their products and services.

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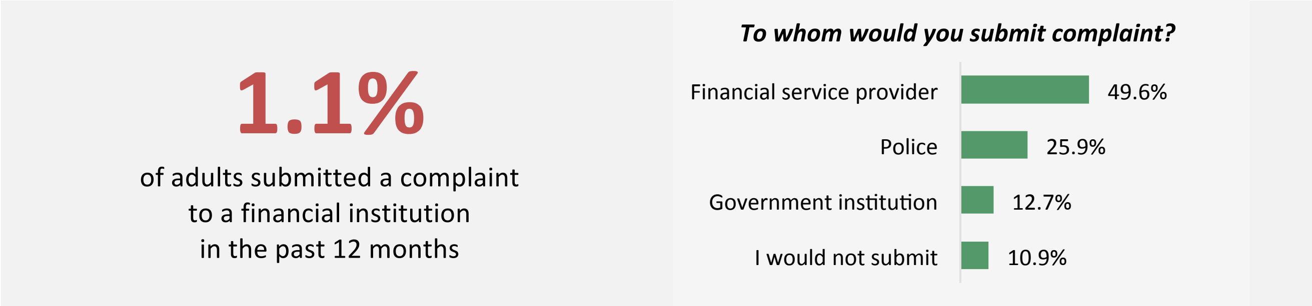
[76] Only 1.7% of those with insurance submitted a claim in the past 12 months, so the sample size is small, and the results should be interpreted with caution.

[77] The ratio of the loan payment to the borrower's income

[78] Source: World Bank Data Bank. https://data.worldbank.org

Figure 90: Indicators regarding submitting complaints



Submitting and resolving complaints. Only 1.1% of adults in Jordan, or 1.6% of adults that are formally financially included, submitted a complaint to a financial institution in the past 12 months (Figure 90). Because the number of survey respondents who submitted a complaint was small – just 12 individuals out of a total of 1,052 respondents – the following findings should be interpreted with caution. Of those 12 respondents who submitted a complaint, only 7 reported that the complaint had been resolved at the time of the survey interview. This suggests that financial institutions may be somewhat slow to take action on complaints. Of those 7 whose complaint was resolved, 4 reported that it was resolved to their complete satisfaction, 2 stated that they were only partially satisfied, and 1 was completely unsatisfied with the outcome.

Channels for submitting complaints. Although the CBJ encourages individuals to submit complaints to the financial institutions that provided the service as a starting point, many choose different, less appropriate channels for submitting complaints. When asked to whom they would submit a complaint if they had one, 25.9% of adults selected the police and 12.7% selected a branch or department of the government. A significant 10.9% stated that they would not submit a complaint at all, presumably in the belief that their complaint would not be given proper consideration. Just under half (49.6%) selected the financial institution that provided the service, as suggested by the CBJ.

Complaints from the supply-side perspective. Due to the low proportion of adults submitting a complaint, using supply-side data aggregated from numerous financial institutions provides a larger base for analysis. The CBJ now collects and publishes this data in its *Consumer Complaints Report*. There were 42,612 complaints to banks and 181,385 complaints to non-bank financial institutions in 2021. The majority of these complaints (75.6%) were classified as being related to electronic services, reflecting the increasing demand for and availability of electronic methods for interacting with financial institutions. Although the total number of complaints has been increasing rapidly in recent years (for example by 33% from 2020 to 2021), this growth in complaints can be attributed primarily to the increasing awareness of customers of their rights to complain and better record-keeping by financial institutions, rather than to a deterioration of service quality.

Awareness of staff of financial institutions. Managers of financial institutions responsible for credit and deposit products that were interviewed for this study demonstrated a good awareness of the volume and nature of complaints submitted. All were able to describe the most common types of complaints submitted and seemed to take the topic seriously. In terms of credit, the most common complaints are related to high interest rates, slow decision-making or rejected loan applications. On the deposit side, the most common complaints are related to account fees.

Indicators for MSMEs. Consumer protection is important for MSMEs as well as for individuals. Although small and medium enterprises may be more financially sophisticated on average than individuals and better able to protect themselves, the managers of micro enterprises may be exposed to the same risks to which individuals are exposed. The share of formal MSMEs that read their loan contract (among those that borrowed) was 57.4%, lower than the 69.5% of individuals who read their loan contract. However, the rate rises by enterprise size, from 56.3% for micro enterprises to 66.7% for small and 76.9% for medium enterprises. Most formal MSMEs (70.1%) considered that the financial institution fully and properly explained the loan contract to them, somewhat lower than the 86.8% for individual borrowers. Business loan contracts are often more complex than consumer loan contracts, with more conditions and obligations, so it is particularly important that financial institutions are diligent in explaining the contract to MSME borrowers. Only 0.8% of MSMEs submitted a complaint to a financial institution about a financial product or service in the past year[79], slightly lower than the 1.1% among households.

Table 25: Consumer protection indicators for MSMEs

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Read loan contract*	N/A[80]	56.3%	66.7%	76.9%	57.4%
Lender explained loan contract well*	N/A	68.8%	83.3%	76.9%	70.1%
Submitted complaint	1.9%	0.6%	3.4%	2.0%	0.8%

** As % of MSMEs that have a loan from a financial institution*

5.4 FinTech and digitalization

Definition. At the broadest level, the term "FinTech" refers to the use of technology in the provision of financial services. All formal financial institutions in Jordan apply technology to some extent, including traditional institutions such as banks, MFIs and insurance companies. For the purposes of this report, a "FinTech company" is defined as an institution that applies technology as a core operating principle of their business, not simply in addition to traditional approaches. Therefore, while Jordanian banks, for example, all apply financial technology as a key part of their business models, they would not typically be thought of as FinTech companies. Instead, the term "digitalization" is used to describe the efforts of traditional financial service providers to apply technology in their operations.

Rationale. The appeal of FinTech and digitalization is the potential for faster, cheaper, and in many cases higher-quality service. FinTech also tends to facilitate increased interoperability of financial services, leading to more connectivity of Jordanian financial institutions with each other and with institutions outside of Jordan. All of these features of FinTech offer the potential to increase financial inclusion. Not surprisingly, therefore, a 2020 survey[81] found that 68% of Jordanian financial institutions (including banks and non-banks) had allocated personnel and a budget for digital transformation. However, only 50% of financial institutions believe that their customers are satisfied with the existing digital services they offer, so there is pressure to devote resources both to improving their existing services and developing new ones. Their efforts and achievements in the field of FinTech and digitalization are described below in relation to the main service categories of accounts, borrowing, payments, and insurance.

5.4.1 Accounts

Online and mobile banking. The increasing availability of digital tools for account servicing is transforming the way that customers access and use their accounts. Online banking systems and banking apps on mobile phones offer convenience and accessibility, which encourages the unbanked to open accounts and encourages the banked to use them more often for a wider variety of actions. As of 2022, almost all banks and the majority of MFIs offer both online banking and mobile apps. The functionality of these systems is increasing over time, as financial institutions make it possible for customers to do more with their accounts digitally. In addition, many institutions are developing specialized apps or online banking portals that are customized for certain segments. Separate apps for businesses and individuals are the most common type of specialization, but there are also examples of apps or online portals customized for young people, women and

[79] Survey respondents that submitted a complaint were asked about the outcome of that complaint, but too few respondents submitted a complaint for the results to be meaningfully interpreted.
[80] No informal micro enterprises borrowed from a formal institution in the past year
[81] JoPACC. *A Storm to Transform: An Outlook of Digital Transformation of Financial Institutions in Jordan.* May 2020.

MSMEs. For some banks, the mobile phone app is intended only for individuals (not businesses), while the online banking system is only for businesses (not individuals). Financial institutions reported during interviews that the COVID pandemic drove more customers to use their online and mobile systems, which was strongly encouraged by the financial institutions themselves. For example, during the early stages of the pandemic, some banks designated special branch staff members to assist customers to make the transition to the mobile banking app. One bank has introduced a Digital Hub, which is a unit that coordinates all the digital service activities of the bank across various product lines and customer segments.

For households, mobile phone banking using a specialized app appears to be more popular than online banking (through a computer). A 2021 survey commissioned by JoPACC[82] found that 25% of Jordanians had ever used mobile banking and 13% had ever used online banking. Of those who ever tried mobile and online banking, most (92% for mobile and 85% for online banking) planned to continue using it in the future. The survey also found that the most popular uses for mobile and online banking were bill payments and money transfers. Furthermore, satisfaction rates were reasonably good: only 3% of mobile banking users and 2% of online banking users were dissatisfied with the service they received. The usage rates of mobile banking services differ greatly from one financial institution to another. For example, one bank interviewed for this study reported that only 10% of its retail clients use the mobile banking app, while another bank reported a 70% usage rate. It can be assumed that the functionality and user-friendliness of the app itself has a major impact on the usage rate. Therefore, it is not enough just for financial institutions to offer a mobile app, but they need to make the appropriate investment to ensure that the app fully meets the needs and expectations of their customers. According to the JoPACC survey, 83% of financial institutions plan to prioritize the enhancement of digital capabilities over branch expansion.

Digital customer service. Customer service is increasingly migrating to electronic channels in the form of online chats through the institution's website, on social media, or through communication services such as WhatsApp. Such channels tend to be less expensive for the financial institutions to manage over the long term in comparison with in-branch service and phone centers. Banks are in the best position to make the necessary initial investments to develop such digital services, but non-bank institutions also report that they are working on them as well. The introduction of interactive ATMs has added yet another channel, allowing customers to speak with bank staff virtually even when no employees are physically present or available near the ATM.

Digital account opening. Digital or remote account opening refers to the process of opening an account without visiting a branch or office personally. For this to work, documents must be uploaded digitally and contracts signed with an e-signature. The regulatory framework for digital account opening is in place and many accounts were opened digitally during the height of the COVID crisis in 2020, when branch visits were not possible. However, the systems for authenticating documents and e-signatures (i.e. eKYC) are not fully functional yet, so some banks and PSPs consider it risky to open accounts fully online. Consequently, as of early 2022, most financial institutions require an office visit to open an account. As the tools for authenticating documents and signatures become fully functional in the near future (JoPACC anticipates by the end of 2022), the share of accounts opened through fully digital processes will increase. It is also worth noting that in past years, some banks would require multiple office visits in order to open an account, but now require just one visit.

5.4.2 Borrowing

Digitalization of the lending process. The migration of the loan application process from its traditional format to the use of mobile apps and online applications has the potential to encourage more clients to apply by making the process more convenient. Few lenders have implemented a full online application processing system with direct customer input yet, but many are taking initial steps in that direction, for example by enabling customers to upload documents digitally or to enter at least some part of their application

[82] JoPACC. *A Market Study on the Adoption of Digital Financial Services.* December 2021.

data online. One MFI developed a full online application that allows all data to be submitted by the applicant online, but this service is still in the pilot phase and only works for a limited set of loan products. One NBFI reported that it developed a tool for reading customers' bank statements that are in PDF format. A number of MFIs have issued tablet computers to their loan officers, who now enter the full application into the tablet while on site at the applicant's home or place of business.

Only 27.4% of survey respondents who did not borrow in the past year indicated that they would be more likely to apply for a loan if the process were digitized on a mobile app. However, it may be difficult for potential customers to envision the benefits of an online application system if they have never used one before. This rate would surely increase if potential customers could see a demonstration of a well-designed online application system and learn about its benefits. In any case, transitioning even just 27.4% of customers to online applications would be very likely to generate meaningful benefits for the lenders and their customers.

Digital KYC. As with accounts, financial institutions have the option from a regulatory perspective to disburse loans without the applicant visiting the branch, but rarely do so due to concerns about authentication of electronic documents and e-signature. Nevertheless, there are several financial institutions, including banks, MFIs and other NBFIs, that only require applicants to come to the branch at the end of the process to sign the contract, whereas previously the applicants may have made several branch visits to submit documents and fill out application forms. This simplified process is usually offered only for loans to individuals in small amounts.

Data-driven lending techniques. The use of credit scoring and algorithmic approaches to lending are also related to digitalization, because they usually rely on the collection and analysis of structured electronic data. The use of credit scoring to measure credit risk is on the increase and is being applied by a number of financial institutions, including several banks and at least one MFI. As a minimum, these institutions use the credit score developed by the private credit bureau CRIF, while more ambitious institutions are developing their own proprietary scoring and risk measurement systems. One bank also reported using an off-the-shelf MSME scoring solution developed by Moody's. Some lenders are starting to use credit scoring to speed up the lending process (as well as improve risk measurement) by allowing algorithms to take decisions for relatively small loans without a full review by underwriters or credit committees. In addition to the speed and accuracy of well-designed algorithmic systems, they can help improve fairness by eliminating any hidden biases on the part of decision-makers. As the IT systems of financial institutions accumulate more data and as the accuracy of the algorithms improves over time, it is expected that a higher proportion of credit decisions will be made with little or no human intervention.

FinTech companies. The rise of FinTech companies that offer alternative approaches to lending is at an early stage in Jordan, but their impact is starting to be felt. In terms of lending, FinTech companies are usually engaged in algorithm-based lending, crowdfunding, and peer-to-peer lending. There are now several FinTech companies in Jordan that engage in algorithmic lending to individuals. Usually such loans are small in size (up to JOD 500), have short maturities (up to 30 days), are approved very quickly (within 15 minutes of submitting the application), and carry high effective interest rates (in some cases over 50% annually). In the case of crowdfunding and peer-to-peer lending, the FinTech company typically provides a platform to connect borrowers with funding rather than providing the funding itself. There is at least one peer-to-peer lender and one crowdfunding company active in Jordan that apply this platform-based approach for at least some of their loans. In addition to being defined as FinTechs, such companies can be considered providers of "alternative finance", meaning relatively new approaches to finance aside from the traditional products such as loans and credit cards. One interesting example of a FinTech engaging in alternative finance in Jordan is a company that facilitates the creation and operation of rotating savings and credit associations (ROSCAs) through a mobile app. Although the ROSCAs generally cannot be considered formal institutions, their connection to the platform offered by the FinTech company adds some degree of structure and formality to their operating methods, which is positive from the perspective of financial inclusion.

5.4.3 Payments

The rapid growth in the use of digital payments in recent years (see section 2.4.1) has been greatly facilitated by the digitalization efforts of banks and exchange houses and by the rise of specialized FinTech companies focusing on the payments sector.

Digitalization. As mentioned earlier, banks are working on integrating digital payment services into their online and mobile banking systems. The connection of such systems with the eFAWATEERcom payment service was one of the earliest examples of this possibility. The more sophisticated online and mobile banking systems also enable wire transfers through SWIFT to be performed online, facilitating international remittance flows. Improving the quality and availability of digital methods for sending and receiving remittances is likely to lead to higher usage rates and lower prices. Transfers and payments through the relatively new CliQ payment system are also starting to be made available through online and mobile banking. Exchange houses have also benefited from digitalization efforts in recent years. The largest exchange houses now have their own platforms that enable smaller exchange houses to connect. This enables the large exchange houses to expand their geographic reach while enabling smaller exchange houses to access payment services (such as Western Union) to which they would not otherwise have access. Exchange houses do not yet have mobile apps or offer their services online, but one exchange house reported that they are working on developing a mobile app as of early 2022.

FinTech. Jordan has a very active FinTech sector related to digital payments. The eight PSPs in Jordan can all be considered FinTech companies, because their services are built entirely around mobile and online platforms. In addition, most of the 26 FinTech companies identified by INTAJ in its "Jordan Startup Map"[83] are providing services related to digital payments, including merchant acquisition and payment gateways for e-commerce. As mentioned earlier, JoPACC is creating an open API that will give developers access to its systems, enabling developers to create apps that will expand the functionality of mobile wallets. This API is likely to encourage more FinTech activity in the sector. The CBJ's regulatory sandbox initiative, which took effect in 2019, allows financial institutions (including unlicensed ones) to experiment with new financial services and solutions during a 9-month window, after which exit or formal entry into the market is required. This service is particularly appealing to startup FinTechs due to the option to operate without a full license. As of early 2022, the window had been opened twice and 18 applications received, with most related to payment services.

CBJ guidance and regulation. Active guidance and regulation by the CBJ has facilitated the growth of digital payments and the entrance of FinTech companies. The electronic payment infrastructure has grown rapidly as a result of CBJ (and later JoPACC) supervision, starting with the Real-Time Gross Settlement System (RTGS), ACH, eFAWATEERcom, the JoMoPay mobile payments system, and most recently CliQ. By setting communication standards for these systems, CBJ and JoPACC have promoted interoperability and participation of a wide variety of players. The application of internationally-recognized open banking standards, in particular the use of the ISO 20022 standard for CliQ, is expected to eventually facilitate international transactions. Similarly, the issuance of the common QR code standards in Jordan that are based on leading international standards is likely to promote widespread adoption in the coming years (see section 2.4.1 for details). In 2022 JoPACC launched an API gateway that allows financial institutions to access governmental and non-governmental data providers such as the Civil Status and Passport Department, Land and Property Department, and Company Control Department, as part of its eKYC project which is expected to be fully launched in the fourth quarter of 2022. The presence of these technological payment systems, APIs and standards is an important factor in explaining why the participation of FinTech companies is relatively active for payments but significantly less active for lending and insurance.

[83] https://intaj.net/startups/

5.4.4 Insurance

Digitalization. The level of digitalization of insurance services lags behind that of the banking and payments industries. There is an online portal for compulsory auto insurance that all insurance companies are required to use, but nothing similar exists for other types of insurance. Some insurance companies do not have a website at all, and the websites that are maintained by insurance companies are usually much less informative than the websites of banks and MFIs. Only about six or seven insurance companies have a mobile app or offer online services, and usually the functionality is limited to servicing an existing policy. Potential customers in Jordan cannot get a quote, apply for a policy, or submit a claim fully online from most insurance companies. One insurance company stated that they offer the possibility to purchase some types of policies through their mobile app, but that the volume of sales is very low. Unlike in more developed markets, there are no price comparison or aggregator websites in Jordan that cover insurance services (aside from the above-mentioned site for compulsory auto insurance). The weak state of digitalization in Jordan is partly related to the high share of group insurance, since getting a quote or applying for a policy online are not especially relevant for group insurance. However, the market for individual insurance is unlikely to grow rapidly until such digital services become available.

FinTech companies. There is a notable absence of FinTech companies in the insurance sector in Jordan. Unlike the payments sector, where there is a highly developed technological infrastructure and set of standards in place, the insurance sector has no comparable infrastructure. There is potential for FinTech companies to develop online or mobile platforms enabling customers to obtain and use insurance products digitally, but this would require the insurance companies to develop APIs (preferably a standardized, single API that covers all insurance companies) and upgrade their systems.

5.5 Green finance

Importance of green finance. The term green finance refers to the use of finance for the benefit of the environment or to minimize climate change. It commonly involves financing the production, purchase, installation or maintenance of renewable energy solutions or energy efficient equipment and appliances. Financing the upgrading of both residential and commercial properties to stay warm in winter and cool in summer, by changing the physical features of the buildings (vents, awnings, windows, etc.), is another common form of green finance. With its abundance of sunny days, Jordan is naturally a prime candidate for the use of solar power, and the financing of solar water heaters and solar rooftop panels is relatively popular.

Green finance borrowing indicators. The share of adults that borrowed from a financial institution for the purpose of green investment in the past 12 months was 1.0%, or 7.3% of adults who borrowed from a financial institution[84]. The majority of those small number of adults borrowed to finance the purchase of energy-efficient appliances, and the purchase of an electric vehicle and solar lighting were also reported. Most of the loans were issued with concessional terms such as a longer-than-usual maturity, low pricing, or minimal collateral requirements. Among MSMEs, the use of green finance increases with enterprise size. 10.5% of micro enterprises with a loan used it for green investment, rising to 16.7% of small enterprises and 23.1% of medium enterprises.

Activities of financial institutions. Financial institutions in Jordan have shown an increasing interest in green finance in recent years, and there are now several banks and MFIs that offer specialized green loan products. These are typically intended for the purchase of solar rooftop systems, solar water heaters, and energy efficient appliances and equipment, and have interest rates that are below those for standard loans. Even in the absence of specialized products, some financial institutions offer subsidized conditions on their normal products when the loan purpose is green. For example, one bank offers special terms for the purchase of hybrid cars and offers a 0% interest rate to customers who use their bank credit card to purchase renewable energy and energy efficient equipment. Some banks cooperate with merchants so that custom-

[84] Source: CBJ 2022 financial inclusion survey of individuals

ers can finance the purchase of energy efficient appliances or solar water heaters while in the merchant's store.

Jordan Renewable Energy and Energy Efficiency Fund. The Jordan Renewable Energy and Energy Efficiency Fund (JREEEF) is the primary government program supporting green finance in the kingdom. It was established by law in 2012 and started operating in 2014 under the direction of the Ministry of Energy. The main function of JREEEF is to stimulate green lending, particularly renewable energy financing, by offering grants and subsidies on bank loans. Subsidies offered by JREEEF to households consist of paying all of the loan interest to the bank that made the loan and covering 70% of the guarantee fee (which is 1% of the amount financed) on behalf of the customer. In addition, most households receive a grant that covers 30% of the product cost, and very low-income households can receive a 100% grant (in other words, they receive the product for free). Each bank loan application is reviewed and approved by JREEEF, creating opportunities to streamline the approval process in the future. As of early 2022, five banks were participating in the household green finance programs and ten were participating in SME programs. Solar water heaters and rooftop solar kits are the main products being financed. There were just over 1,000 solar water heater borrowers and about 4,000 rooftop solar borrowers as of early 2022. Aside from the subsidies and grants, credit lines are also offered to the banks with the support of the CBJ. About JOD 3.5 million of financing has been disbursed so far. JREEEF is very well funded and is unlikely to face any funding constraints in the near future. Initially JREEEF procured the solar water heaters and rooftop solar kits itself, but now customers can approach other vendors. In order to ensure that quality products are being purchased and installed properly, all participating vendors must be certified by the Energy Commission. JREEEF states that the portfolio quality of green loans is good and that the demand tends to be concentrated in the north of the country.

JLGC guarantees. JLGC supports green finance by offering a guarantee for the financing of solar panels and solar water heaters in cooperation with JREEEF. Maximum loan sizes under this program are JOD 350,000 with a maximum maturity of five years. The cooperation started in 2016 and three banks were participating as of early 2022. At that time only nine loans were outstanding that had been supported by JLGC, however, so the project has not been particularly successful yet.

Development finance institutions. In addition to government investments through JREEEF, international development finance institutions have been working to promote green finance. For example, the International Finance Corporation (IFC) financed a project in cooperation with an MFI for renewable energy financing of solar panels and solar water heaters. The Green Climate Fund reports that it had five project in Jordan as of late 2021 and had provided JOD 71.8 million in financing plus JOD 1.9 million in technical assistance. This project was successful in urban areas but less so in rural areas due to a lack of equipment suppliers. EBRD is planning to support green finance in the future through SME finance credit lines and direct support to FinTech companies.

Constraints to further growth. One of the main constraints to the growth of rooftop solar financing is the requirement for the utility to approve each installation. This process is lengthy and can take several months in some cases. Another constraint is the relatively low number of reputable suppliers in smaller cities and rural areas that can provide high-quality equipment along with installation and maintenance services. According to several financial institutions interviewed for this study, demand for green finance slowed during the pandemic as households and businesses prioritized other types of investments, but this negative impact is expected to be temporary.

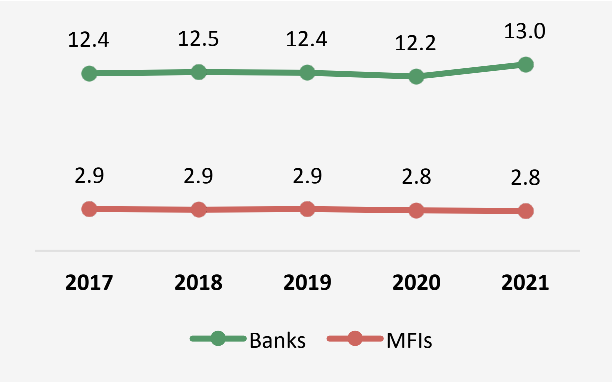
5.6 Physical infrastructure and access

Despite the increasing role of digital channels, the physical infrastructure of the financial sector – branches, offices, ATM machines and other equipment – continues to play a critical role in facilitating access to finance. Even when digital service is possible, many clients still prefer face-to-face contact or at least want to have the option of face-to-face contact if they feel it is necessary.

5.6.1 Branches of banks and MFIs

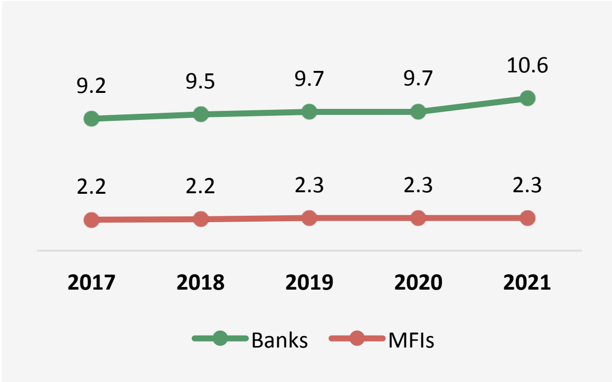
The number of branches of the 24 Jordanian banks has increased from 2017 to 2021, while the number of MFI branches has been relatively stable over the same period. The number of bank branches per 100,000 adults was 13.0 in 2021, up from 12.4 in 2017, while the number of branches per 1,000 square kilometers increased from 9.2 in 2017 to 10.6 in 2021. The number of MFI branches increased slightly in terms of square kilometers (from 2.2 to 2.3) over that time period but decreased from 2.9 to 2.8 per 100,000 adults.

Figure 91: # of branches per 100,000 adults



Source: CBJ

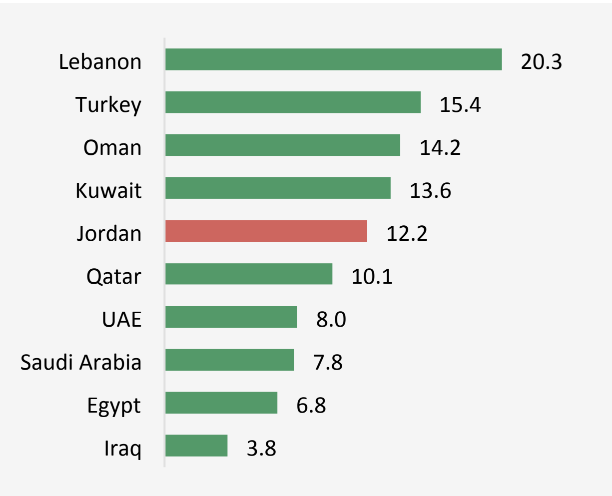
Figure 92: # of branches per 1,000 sq. km.



Source: CBJ

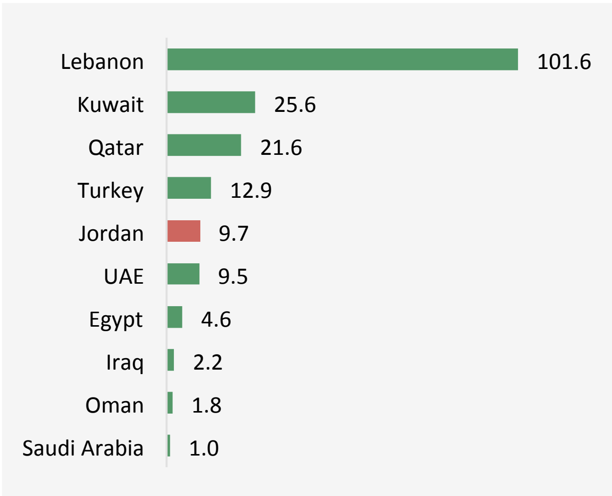
Among countries in the region for which data was available for 2020, Jordan ranks roughly in the middle both in terms of bank branches per 100,000 adults and per 1,000 square kilometers.

Figure 93: Bank branches per 100k adults 2020



Source: CBJ, IMF Financial Access Surveys

Figure 94: Bank branches per 1,000 km^2 2020



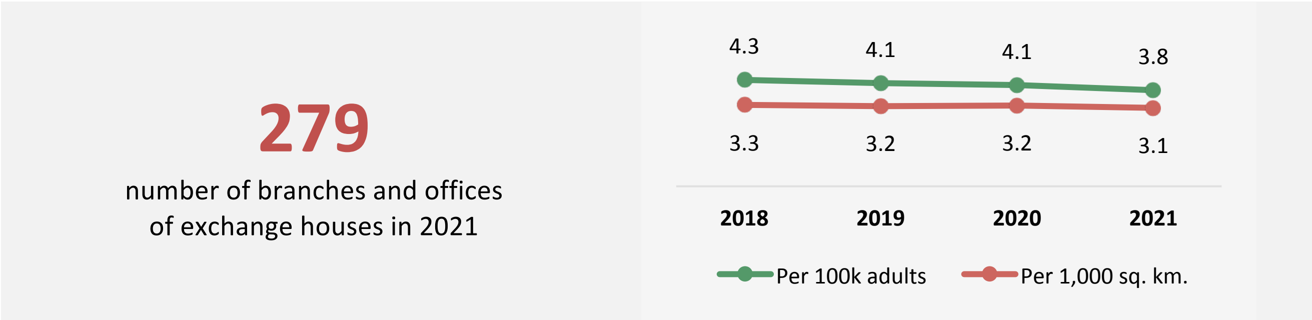
Source: CBJ, IMF Financial Access Surveys

Among adults who do not have an account in the 2022 survey, 10.5% indicated that the main reason for not having an account was that financial institutions are far away. For borrowers, the relevant indicator was considerably lower; just 0.2% of those who didn't borrow in the past 12 months blamed the location of the financial institutions for not borrowing.

5.6.2 Access points of exchange houses

The number of access points of exchange houses has been declining gradually in recent years. Access points include both branches and head offices, as most exchange houses that do not have branches service customers in their head office. The 279 access points recorded in 2021, which consisted of 162 branches and 117 head offices, was down from 289 access points in 2018. These figures correspond to a decline from 4.3 branches and offices per 100,000 adults in 2017 to 3.8 in 2021, and from 3.3 branches and offices per 1,000 square kilometers in 2018 to 3.1 in 2021. The main reason for the decline in the number of locations is an even sharper decline in the number of exchange houses operating, which fell from 138 exchanges houses in 2018 to 117 in 2021. Branches and offices of exchange houses tend to be concentrated in the larger cities, and in 2020 61% of them were located in Amman.

Figure 95: Branches and offices of exchange houses

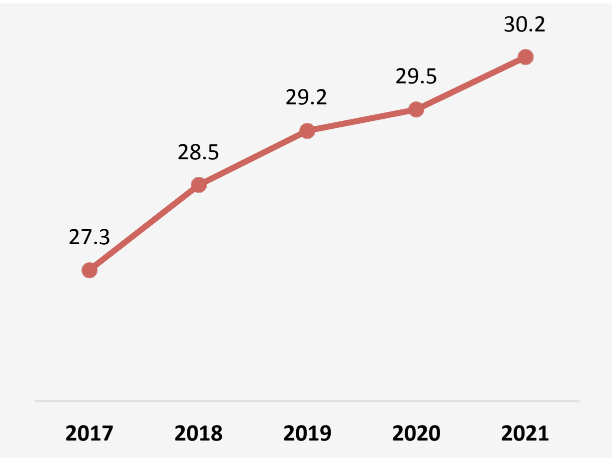


Source: CBJ

5.6.3 ATMs

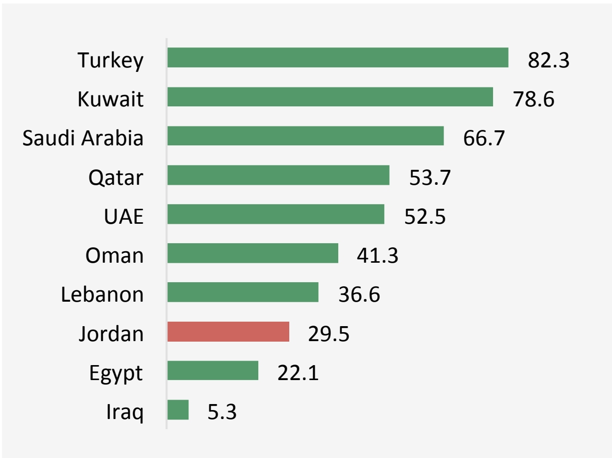
Although the industry is gradually shifting towards online and mobile banking and fully digital transactions, ATMs continue to be important for the many customers who use cash regularly. The number of automated teller machines (ATMs) per 100,000 adults has shown steady growth between 2017, when it was 27.3, and 2021, when it was 30.2. However, the result for 2020 of 29.5 branches per 100,000 adults places Jordan third from the bottom among ten countries in the region for which data were available.

Figure 96: # of ATMs per 100,000 adults



Source: CBJ

Figure 97: # of ATMs per 100,000 adults (2020)



Source: CBJ, IMF Financial Access Surveys

The functionality and features of ATMs are arguably almost as important as their number. Jordanian banks have added new functionality to ATMs in recent years with the intention of providing more convenience to customers and improving their own operational efficiency. One example is Interactive Teller Machines (ITMs), the name given to ATMs with relatively more advanced interactive features. The exact functionality may differ from one bank to another but often includes the ability to have a video call with a bank employee, make money transfers and bill payments, or deposit checks. A study by JoPACC in 2021 found that 6% of adults had used an Interactive Teller Machine in the past year.

The ability of mobile wallet holders to withdraw cash from an ATM increases the likelihood of mobile wallet uptake and usage. There are several banks that now allow cashing out of mobile wallets through ATMs, and more than 300 ATMs can process such transactions in the country[85]. Banks charge JOD 1 for a mobile wallet

[85] Source: Estimate provided during an interview with a merchant acquirer

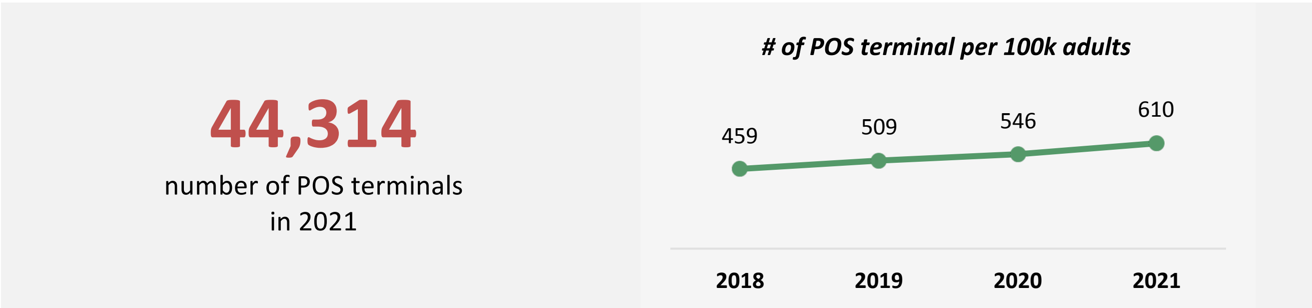
cash-out transaction through an ATM. Some banks interviewed for this study mentioned that implementation of mobile wallet cashing out has been slow due to the technical complexity, but the number of such ATMs continues to increase. Some ATMs even allow cardless cash out for mobile wallets, usually with reduced fees; this is important because, as observed earlier, many mobile wallet holders do not have a card connected with their wallet.

Interoperability is also a key aspect of ATMs. The two main ATM switches in Jordan support all card types and payment brands, thus ensuring full interoperability of the ATM network among banks.

5.6.4 POS devices

POS terminals are the primary means by which merchants accept digital payments and thus play a major role in the payment system. There were 44,314 POS terminals in Jordan in 2021, equivalent to 610 devices for every 100,000 adults and 265 devices for every 1,000 registered businesses[86]. The number of devices relative to the population has been growing at a healthy rate in recent years and is up from 459 devices per 100,000 adults in 2018. Growth was particularly strong in 2021, reflecting to some extent the impact of COVID on the willingness of customers to make non-cash payments.

Figure 98: Number of POS terminals



Source: CBJ

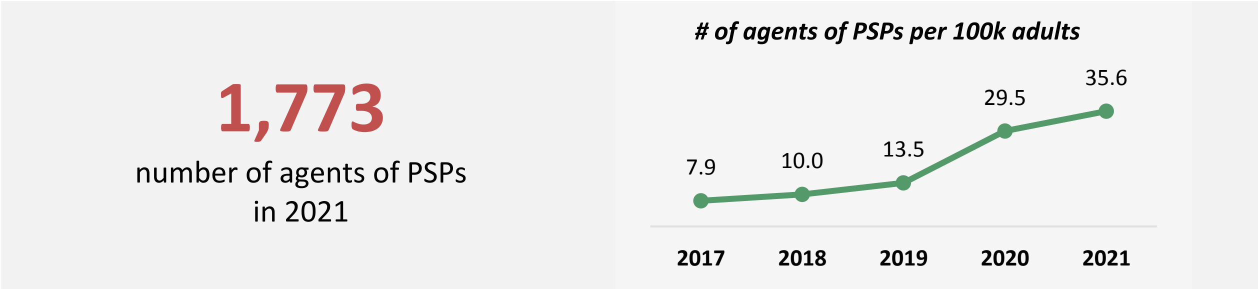
As with ATMs, the features offered by POS devices are nearly as important as the number in use. NFC, which enables tap-to-pay card payments and payments with mobile phone apps, is already present in many POS devices in Jordan. POS devices that accept QR codes are relatively newer but likely to increase in number as more financial institutions roll out support for QR codes. The term “smart POS terminal” refers to those that allow third-party apps to be developed and installed, an example of open banking. One industry organization estimated that there were about 5,000 smart POS terminals in the Jordanian market in early 2022.

5.6.5 Agents of PSPs

Agents are the main conduit for the PSPs to provide access to their customers for mobile wallet registration, cash-in and cash-out transactions. The two main types of PSP agents are exchange houses and merchants. According to anecdotal evidence from PSPs, although the merchants are more numerous as agents than exchange houses, the exchange houses account for a larger volume of total transactions.[87] There were 125 exchange houses in Jordan in 2020, but the PSPs only work with the three or four largest exchange houses. The main advantage of working with these large exchange houses as agents is that they tend to have good liquidity, whereas merchants are more likely on average to refuse cash-out requests due to lack of funds. The disadvantage of exchange houses as agents is that their offices tend to be concentrated in city centers, whereas merchants are more broadly geographically distributed. A combination of partnerships with both exchange houses and merchants is therefore the preferred approach for PSPs.

[86] The number of registered businesses is based on the Department of Statistics' 2018 Census of Economic Establishments.
[87] It is noteworthy that the fees charged by exchange houses on domestic mobile wallet transfers are significantly lower than the standard money transfer fees of the exchange houses, which could act as a stimulus for the uptake of mobile wallets by customers.

Figure 99: Number of agents of PSPs



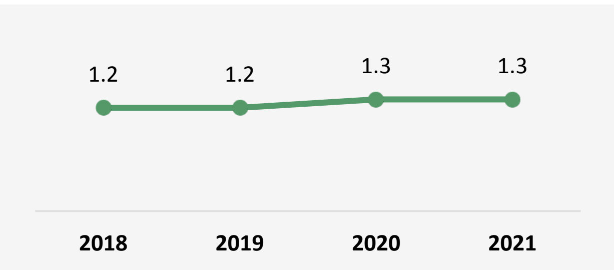
Sources: JoPACC, IMF Financial Access Surveys, CBJ Payments Systems Report

The number of agents of PSPs in Jordan in 2021 was equivalent to 35.6 per 100,000 adults. This indicator has increased dramatically since 2017, when it was just 7.9. An especially sharp increase from 13.5 to 29.5 was observed in 2020, when the COVID crisis spurred the opening of many new mobile wallets. The recent launch of a new PSP that has a large built-in network of existing agents is expected to give a strong boost to the 2022 figures.

5.6.6 Insurance infrastructure

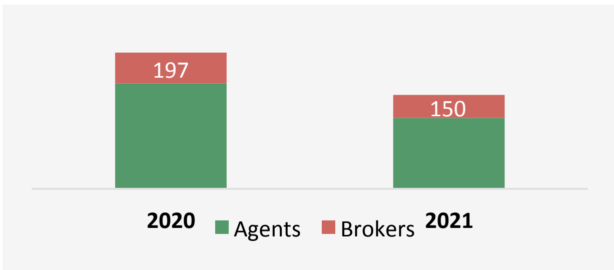
Customers gain access to insurance services through the offices of insurance companies, through agents and brokers, and through digital means such as the insurance company's website. There were 22 insurance companies in Jordan in 2021, including two Islamic insurers, more than sufficient for a country of Jordan's size. The total number of offices of insurance companies was 92 in 2021 (or 1.3 offices per 100,000 adults), up from 84 in 2018. This office count for insurance companies is considerably lower than that of MFIs and exchange houses, but is supplemented through the network of agents and brokers. There were 450 agents and 150 brokers in 2021, down from 673 agents and 197 brokers in 2020. A new regulation requiring brokers to disclose their fees to customers has provoked some brokers to exit the market, according to the insurance companies interviewed. Industry insiders explained that the brokers who exited are mostly the smaller and less reputable ones, so the overall impact on the sector will be positive over the longer term, despite some short-term turbulence. In any case, some insurance companies prefer to develop their internal sales force and office network rather than rely on agents and brokers.

Figure 100: Insurance co. branches per 100k adults



Source: CBJ

Figure 101: # of insurance agents and brokers



Source: CBJ

The supply of insurance and related infrastructure is highly concentrated in Amman. For example, one large insurance company stated that although they have offices in Irbid and Aqaba, less than 1% of total premiums come from those two cities. The concentration in Amman is partly a consequence of the high share of group insurance policies, since the large companies that need group insurance tend to be headquartered in Amman. Nevertheless, the demand survey demonstrated that only 0.5% of those without insurance claimed that the location of insurance companies was the main reason for not having insurance. In spite of the limited number of offices of insurance companies and their concentration in Amman, the problem of affordability of insurance greatly outweighs the limitations of the physical distribution network.

Furthermore, according to one source, while the insurance companies and their branches are indeed concentrated in Amman, brokers and agents are somewhat more widely distributed in other governorates.

6 Conclusions and recommendations

6.1 Conclusions

Jordan has made impressive progress in terms of increasing financial inclusion in Jordan since the previous study was done in 2017. Most of the key indicators for product ownership and usage have increased since that time. However, despite the increase, many of those indicators remain at a moderate level, and there are many gaps and opportunities for improvement. The main conclusions for each section of this report are presented below, followed by recommendations designed to mitigate the identified constraints and improve financial inclusion.

TOPIC	POSITIVES	CONCERNS AND CONSTRAINTS
Accounts	• The account ownership rate of 43.1% in 2022 is a significant improvement from 2017 (33.1%) • Mobile wallet account ownership in particular has expanded rapidly, reaching 14.9% of adults in 2022 (from less than 1% in 2017)	• Despite the solid growth, the 43.1% account ownership rate has much room for improvement • Growth in bank account ownership has been only modest since 2017 (from 32.0% to 34.9%) • The basic bank account has not yet experienced the desired growth, and the ownership rate remains below 1% of adults
Borrowing	• The formal borrowing rate has increased since 2017, from 9.9% to 14.4% • Jordan's private credit bureau and movable collateral registry appear are operating and contributing to financial intermediation	• Customers are much more likely to borrow from informal than formal sources • Over-indebted households were vulnerable to default especially during the pandemic, when incomes decreased
Payments	• Digital payment usage is increasing rapidly – 39.8% of adults sent or received a digital payment in 2022 compared to 18.3% in 2017 • Employers, the government and financial institutions are increasingly making disbursements of cash through electronic channels	• The usage rate of 39.8% in 2022 leaves much room for improvement • Merchants that accept digital payments tend to be larger companies concentrated in larger cities; small businesses and smaller cities are not well-represented
Insurance	• The rate of insurance coverage (60.9% of adults) is one of the highest financial inclusion indicators in Jordan • Microinsurance is available for low-income households in cooperation with MFIs	• There is limited information on insurance products available online to potential customers, and the services of insurance companies are not well digitalized • Usage rates for life insurance and property rates are quite low • Supply indicators for number of outstanding policies have decreased since 2017
Priority segments	• Women are at parity with men in terms of insurance and borrowing levels • Insurance coverage of priority segments is reasonably good, partly due to provision by employers and the government	• Women, refugees, youth and low-income households all face notable gaps in financial inclusion, especially for account ownership and digital payment usage • Many of the gaps have increased since 2017

MSMEs	• Medium enterprises have relatively high rates of usage of accounts, insurance and digital payments • Micro enterprises are active users of Islamic financial services	• Micro enterprises have relatively low rates of usage of accounts, insurance and digital payments • MSMEs seeking to borrow between JOD 10,000 and 100,000 appear to face particular challenges
COVID-19	• The pandemic encouraged greater usage of digital payments, online banking and other electronic financial services • Government support packages helped to avoid a collapse in lending activity	• The pandemic caused 62.0% of households to experience a reduction in income • Most MSMEs (72.0% of them) continue to earn less income than they did before the pandemic
Financial education and literacy	• Most financial literacy indicators increased since 2017 survey • Major investments by the government and financial institutions in recent years may pay off in the coming years	• Households only answer about 3.3 basic financial literacy questions correctly out of seven
Financial consumer protection	• Financial consumer protection has been strengthened in recent years with the introduction of several new regulations, especially for NBFIs	• Low rate of submitting complaints (1.1% of adults did so in past year) suggests that households are not yet aware of or not comfortable with the complaint process
FinTech and digitalization	• Active FinTech sector in relation to digital payments and accounts • Increasing number of FinTech companies engaging in lending • Banks and MFIs have made good progress in digitalizing their services	• No FinTechs engaged in insurance, and insurance companies lag behind in terms of digitalization of services
Green finance	• Several financial institutions are offering specialized green finance products, often with subsidized product conditions • Strong government and international support through the program JREEEF	• Limited availability of reliable equipment suppliers outside of largest cities • Requirement for utility to approve solar installations slows process
Physical infrastructure and access	• Physical infrastructure remains important despite the increasing usage of virtual access through electronic channels • Strong increase in number of payment agents observed in recent years	• The infrastructure for POS terminals, insurance and exchange houses tends to be heavily concentrated in the main cities • Flat growth of number of branches of banks, MFIs, and insurance companies in recent years relative to population size

6.2 Suggestions for further research

The present study covers much ground in relation to financial inclusion in Jordan, including various product categories, thematic topics, industries and target segments. However, some important questions could still be explored in greater detail. The following list describes topics for further research that could be undertaken by the CBJ, government or development institutions.

Consumer protection. The current survey included a limited number of questions related to consumer protection, not enough to gain a deep understanding of the issues and constraints. A dedicated survey on consumer protection would be beneficial in guiding future legislative efforts. On the demand side, examples of the topics that could be covered are:

- Awareness of legal rights related to collections practices
- Awareness of right to privacy
- Awareness of CBJ actions and regulations related to consumer protection
- Understanding of the consequences of overindebtedness, loan default, and filing bankruptcy
- Risks and disadvantages of using informal financial services

- How to file a complaint
- Expectations of being treated fairly, especially for priority segments such as women, youth, and refugees

A supply-side survey of client-facing staff could also be conducted to determine if they know the consumer protection regulations and if they are carrying them out in practice.

Financial literacy. As with consumer protection, only a limited number of questions on financial literacy could be included in the survey, and they focused on generic concepts like inflation, risk diversification, and compound interest. The Financial Consumer Protection Department of the CBJ is also conducting various forms of market research (most recently in 2020) and covering a wider scope of questions. For the planned 2023 survey by the Financial Consumer Protection Department, more topics could still be covered, such as clients' understanding of:

- Effective versus nominal interest rates
- Variable interest rates and the indexes on which they are based
- The difference between leases and loans
- The credit bureau and credit scores
- The types of insurance products and how they work
- Understanding of the benefits of digital payments and methods of using them (POS, QR codes, eFAWATEERcom, CliQ, etc.)
- Guarantee programs, such as those offered by JLGC
- The rights and responsibilities of being a guarantor
- Financial fraud and common types of financial scams
- The risks of informal borrowing

Islamic finance. Research studies including this one have consistently found that a substantial share of potential users of financial services exclude themselves for religious reasons. Given the presence of Islamic banks, MFIs and other financial institutions offering Sharia-compliant products in Jordan, it is not entirely clear why so many potential clients continue to be dissatisfied with or lack access to these offerings. Questions to be addressed include:

- Are potential clients not aware of the existence of such products and institutions?
- Do they lack physical access due to fewer branch locations?
- Are they dissatisfied with the conditions of Islamic products, such as pricing and maturity?
- Do they consider the product offerings by Jordanian financial institutions not to be truly Sharia-compliant?

A study focusing on the demand side could clarify these issues and potentially lead to improved Islamic financial services.

Green finance. The current survey included several questions on green finance, but a more focused study on green finance would make it possible to develop a deeper understanding of the constraints and opportunities. Such a study should include surveys and/or interviews with households and businesses that have and have not made green investments in order to get both perspectives. Coordinating the study with financial institutions that are providing green finance would give insights into the strengths and weaknesses of current approaches being adopted.

Insurance. Historically, insurance as a product category has been given less attention in discussions of financial inclusion in Jordan compared to accounts, lending and payments. This is the first financial inclusion study in Jordan to give equal weight to insurance as a product category. Nevertheless, there tends to be less publicly available information and greater gaps in the knowledge base for insurance than for the other products. A focused study on the insurance sector could mitigate these knowledge gaps and provide a strong base for increasing the availability and quality of insurance.

Impact of Finance Companies Regulation No. 107. By bringing all lending activities in Jordan under the CBJ's regulatory and supervisory umbrella, Finance Companies Regulation No. 107 represents a significant change in the financial landscape. The regulation is expected to result in improved financial consumer protection, thereby increasing the public's trust in the Jordanian financial system. At the same time, however, the closure of many small, semi-formal or informal institutions that cannot meet the new capital requirements could lead to a temporary decline in financial inclusion for certain products. The CBJ should conduct annual impact studies designed to assess the following:

- The level of compliance with the regulation and the reasons for non-compliance
- The impact of the regulation on financial inclusion, focusing on the performance of institutions that became regulated and the effect of institutions exiting the market
- A market scoping of the types of businesses that continue to operate in violation of the regulation

6.3 Priority segments and products

The CBJ has identified women, low-income households, refugees, youth and MSMEs as priority segments. This study confirms that all of these segments have gaps for certain key financial inclusion indicators. However, certain segments face relatively smaller or larger gaps, or in some cases no gap at all, for particular product lines (accounts, borrowing, payment and insurance). The table below sets out a prioritization matrix designed to assist the CBJ and other potential investors to direct their funding or capacity-building efforts to specific combinations of segments and products.

Priorities are rated as either a top priority, if the gap is considered critically wide and needs immediate attention, or as a secondary priority, if the gap is smaller and requires less urgent intervention. Cells that are blank indicate that the given segment-product combination should not be a priority. The "digital payments" category is meant to include remittances, transfers and similar services.

Matrix of priority segments and products

	Accounts	Borrowing	Digital payments	Insurance
Women	⊕		✓	
Low-income	⊕	⊕	⊕	✓
Refugees	⊕	⊕	✓	⊕
Youth	⊕	⊕		✓
Micro enterprises	⊕	✓	⊕	⊕
SMEs	✓	✓	⊕	✓

⊕ = top priority; ✓ = secondary priority; [blank] = not a priority

The justification for the prioritization can be derived from the indicators and analysis presented in Section 3 of this report, where each segment is profiled in detail. However, to avoid confusion, some additional explanation for each segment is provided here:

- *Women*: Borrowing and insurance are not priorities because the ownership or usage rate is almost the same as for men. Digital payments are less of a priority than accounts under the assumption that if women have a higher account ownership rate, higher usage of digital payments will naturally follow.

- *Low-income*: Insurance is rated as a secondary priority, because the rate of insurance usage is only slightly below average, thanks mainly to government and donor-supported projects offering inexpensive or free health or life insurance.
- *Refugees*: Digital payments are a secondary for refugees for the same reason that they are secondary for women (see above).
- *Youth:* Digital payments are not proposed as a priority, because anecdotal evidence suggests that young people are more comfortable with digital payments than older people. The reason for below-average usage of digital payments among young people is more a function of low account ownership and low income than a payment-specific issue. Insurance is only a secondary priority because the rate of insurance ownership for young people is not far below average.
- *Micro enterprises*: Credit is rated only as a secondary priority, because micro enterprises have good access to credit through MFIs, but the quality of the credit services is less than ideal due to relatively high interest rates and in some cases issues with short or inflexible repayment schedules. In terms of payments, the high priority is intended to spur an increase in official, documented payments as well as increased use of digital methods to pay suppliers and employees.
- *SMEs*: The high priority for payments refers both to the ability of small enterprises to accept digital payments from customers as well as to make digital payments. Usage of insurance by small enterprises is not well understood and would be a good topic for further research.

It is important to note that product categories that are not prioritized could still be viewed as a "gateway" product to promote other financial services. For example, since women have relatively strong credit usage rates, and therefore credit is not in itself seen as a priority, credit could still be used as a means to boost deposit or insurance usage through, for example, a cross-selling or bundling program that links credit to deposits or insurance.

6.4 Data collection methodology

At the time of the previous study in 2017, the CBJ was just starting to collect financial inclusion indicators in a structured, systematic format. As of 2022, the CBJ is proposing to upgrade the set of indicators by adding new ones, with the goal of capturing a more comprehensive and complete picture. In addition, the CBJ has developed a draft version of a Financial Inclusion Index that quantifies the level of financial inclusion in a single number (the index). This index is the product of a formula that takes into account numerous financial inclusion indicators. In previous years, the share of adults with a bank account was used as a quick and simple way to express the level of financial inclusion in Jordan in one indicator. Going forward, the index will provide a single indicator that measures financial inclusion more broadly and includes the four main product lines of accounts, borrowing, payments and insurance.

Aside from the adoption of the new indicators and the index, which will provide the basis for a rigorous and comprehensive framework for tracking financial inclusion performance, the CBJ may also consider the following recommendations:

- Financial inclusion indicators are currently tracked primarily through Excel, but the CBJ and its stakeholders would benefit from the systematic collection of these indicators in a relational database which is accessible to the public through CBJ's website.
- CBJ could develop a system for calculating key financial inclusion indicators such as the share of adults with an account or with a loan from supply-side data. Currently these indicators can only be calculated from demand-side data and are only updated every several years due to the costs of carrying out a demand survey. Switching to a supply-side approach would enable the indicators to be calculated much more frequently (e.g. quarterly) and more accurately. The supply-side approach would require more effort from the financial institutions in preparing the data, so there may be some resistance to such an initiative, but the CBJ and its development partners would benefit from having accurate, up-to-date information, making it possible to respond quickly to changes in the market.

6.5 Regulatory initiatives and technical assistance programs

The following recommendations involve changes to existing regulations, the introduction of new regulations, or the development of technical assistance programs designed to improve the capacity of financial institutions.

Cancelling the tax on interest charged by NBFIs. NBFIs, including MFIs and leasing companies, are required to collect a 3% sales tax on the interest they charge to their customers. By contrast, interest on bank loans is not subject to this tax. As a result, NBFIs have a comparative disadvantage in terms of pricing, which is compounded by their comparative disadvantage in funding (because they cannot accept deposits like banks). This situation is not conducive to financial inclusion, because NBFIs, including FinTech companies, are often willing and capable of working with customer segments that banks would perceive as high risk or not of strategic interest. Canceling the sales tax on interest charged by NBFIs would lead to a more diverse, competitive lending industry in Jordan.

Incentive programs for electronic payment acceptance. The CBJ and government of Jordan should consider the development of incentive programs designed to increase the acceptance of digital payments by MSMEs. Currently many MSMEs are reluctant due to a combination of low customer demand, significant transaction fees, the cost of equipment such as POS terminals, and tax compliance concerns. The structure of the incentives could take a number of possible forms, including:

- Tax credits on sales earned through digital channels
- Grants to MSMEs to partially cover the upfront costs of POS terminals and related equipment
- Grants designed to partially cover transaction fees
- Technical support related to installation and usage of electronic systems, such as training or grants to cover installation and maintenance

The program could be targeted towards relatively smaller businesses within the MSME segment by offering relatively larger incentives to businesses with lower sales. The program could also target MSMEs in rural areas and smaller towns with relatively larger incentives. Such a program could build from the CBJ's similar experience with the COVID-19 Response Challenge Fund but on a larger scale.

Guidelines on e-signature dispute resolution. Although the legal framework for e-signatures and eKYC is in place, most financial institutions are not yet implementing remote (i.e. digital) on-boarding of clients. This is partly due to the lack of a system for authenticating e-signatures and eKYC information with the relevant government bodies, but those systems are in development and expected to come online in the near future. Another reason for the slow adoption of remote on-boarding is uncertainty regarding how to resolve disputes, for example if one party to an electronic transaction claims that they did not provide the e-signature on record. This uncertainty increases the perceived risk of remote on-boarding and discourages financial institutions from adopting it. The issuance of practical guidelines on dispute resolution for e-signatures and other aspects of digital on-boarding would potentially mitigate the concerns of financial institutions and lead more of them to implement this approach. An increase in the availability of remote on-boarding would, in turn, appeal to customers and potentially lead to a higher rate of account opening and willingness to borrow from formal sources.

Support for insurance comparison site. The low use of private insurance by individuals (excluding group policies through an employer) and micro enterprises is almost certainly influenced by the limited availability of information online regarding the features and pricing of insurance policies. The web sites of the insurance companies present much less information that those of banks or MFIs, and there are no sites that aggregate information from multiple insurance companies, such as the insurance comparison sites that are commonly found in more developed markets. The CBJ in cooperation with development partners and the Jordan Association of Insurance Companies could consider supporting the development of an insurance comparison site, starting with relatively simple products such as life, medical, auto, and travel insurance.

Deposit-taking MFIs. The introduction of the Basic Bank Account has not yet led to a significant increase in bank account ownership in Jordan, despite being on the market for several years. While the mobile wallet product has been a much greater success, there remains a portion of the market that either doesn't have a smartphone or is uncomfortable using mobile apps. The CBJ may wish to consider authorizing deposit-taking MFIs in order to fill this gap in the market. Due to the high share of female borrowers and low-income borrowers among MFIs, deposit-taking MFIs are likely to be successful in reducing the persistent financial inclusion gaps for these two segments in particular. In introducing a regulatory framework for MFIs, the CBJ would be able to build on the numerous examples and best practices from other countries. With increased liquidity available from deposits, MFIs would be encouraged to expand their lending activity to somewhat larger enterprises, in amounts larger than JOD 10,000, which could help reduce the "missing middle" credit problem discussed in section 4.3 of this report.

Financial literacy training. The government of Jordan and the CBJ are already investing heavily in financial awareness, education and literacy through a variety of programs and channels, in cooperation with numerous partners from both the public and private sectors. This recommendation is simply to maintain the existing momentum by continuing such investments in the coming years, with a particular focus on using technology to understand the needs of customers and deliver the relevant services. For example, creating platforms for user-generated content, where individuals and organizations can post materials that they have developed, has the potential to greatly increase the availability of information and the level of interest from the public.

MSME financial benchmarking tool. Several financial institutions have started engaging in cluster lending, which refers to the practice of developing specialized, data-driven approaches to lend to certain business activities. By gaining a deep understanding of a certain business activity and developing analytical models that partly automate the financial and operational analysis, financial institutions can process applications more quickly and better manage credit risk. If these financial institutions could access financial statistics taken from tax reports of all businesses in Jordan, it would enhance their ability to create financial benchmarks and develop more accurate cluster lending systems. This would involve the tax authorities creating a database containing the financial statements of all active businesses, then making that database accessible to financial institutions and other registered users. The availability of such data could lead to greater financial inclusion for MSMEs. Although there is an official company register in Jordan, users report that the data is often incomplete, inaccurate, or difficult to access.

Appendix 1: Household survey

Methodology

As part of this study, CBJ commissioned a demand survey of 1,000 adults in Jordan to measure financial inclusion of households. Interviews were carried out by local market research company Ipsos Jordan under the supervision of Business & Finance Consulting GbmH (BFC). The survey consisted of face-to-face interviews with adults aged 15 and above who have been residing in Jordan for at least the past 12 months. Ipsos conducted two days (March 8–9, 2022) of interviewer training as well as a pilot test (on March 10, 2022) of the survey. The pilot test consisted of 90 interviews and was conducted in Amman, Irbid and Zarqa. Minor adjustments were made to the questionnaire as a result of the feedback from the pilot test.

Field work was carried out from March 6 to April 7, 2022. A total of 1,052 valid interviews meeting the sampling criteria were completed, slightly above the target of 1,000. Responses were recorded in tablet computers by the interviewers. Various control procedures were observed in order to ensure high data quality, including call-back checks[88] (52% of respondents were called back) and interviewers being accompanied by a supervisor (24% of interviews were accompanied).

Profile of survey respondents

The sample was designed to be representative of the Jordanian population across five criteria:

- Gender
- Governorate
- Age group, specifically with regard to young people aged 15-24 compared to those older than 24
- Citizenship, specifically Jordanians compared to non-Jordanians
- Residential location, specifically urban or rural, where rural is defined by the Department of Statistics as towns with less than 5,000 inhabitants

The following table shows the proportion of survey respondents compared to the actual proportion in the population, as determined by the 2015 census, along these five criteria.

Figure 102: Difference between sample and actual population

	Actual % in adult population	% in sample	Deviation
Gender: female	46.2%	45.4%	-0.8%
Location: rural	9.7%[89]	10.3%	0.6%
Age: youth aged 15-24	30.3%	29.0%	-1.3%
Nationality: non-Jordanian	30.8%	27.1%	-3.7%
By governorate:			
- Amman	44.0%	42.5%	-1.5%
- Irbid	18.0%	20.0%	2.0%
- Zarqa	13.8%	13.2%	-0.6%
- Balqa	5.2%	5.2%	0.0%
- Mafraq	5.1%	4.9%	-0.2%
- Karak	3.3%	3.2%	-0.1%
- Jarash	2.4%	2.4%	0.0%
- Madaba	2.0%	2.0%	0.0%

[88] A call-back check refers to the practice of calling back the respondent after the interview has been completed and re-asking several questions in order to confirm that the answers have been recorded correctly.
[89] The rural indicator is as a % of the entire population, due to a lack of data on the share of rural residents among the adult population. All other indicators are as a share of the adult population only, excluding children under 15.

- Aqaba	2.0%	2.0%	0.0%
- Ajloun	1.8%	1.9%	0.1%
- Ma'an	1.5%	1.5%	0.0%
- Tafiela	1.0%	1.1%	0.1%

As the "deviation" column shows, the difference between the 2015 census and the sample is less than 4 percentage points for all indicators, and less than 1 percentage point for most of them. The target of the study was to maintain a deviation of less than 5 percentage points for all criteria. The actual population figures may have changed since the time of the 2015 census, but overall the sample is sufficiently representative of the Jordanian population that no weighting is needed.

Other demographic information about the sample is shown in the following tables. There is no relevant census data for these variables, so it is not possible to compare the sample to the actual population.

	% in sample
Is refugee	16.6%
Has physical disability	3.5%
Employment status	
- Employed	29.6%
- Self-employed/entrepreneur	9.1%
- Not employed	61.3%
Monthly income (JOD)	
- 0	14.2%
- 1-100	29.7%
- 101-200	12.8%
- 201-300	19.8%
- 301-400	11.8%
- 401-500	6.4%
- 501+	5.2%
Highest education level completed	
- None	2.9%
- Incomplete primary	3.9%
- Primary	27.7%
- Secondary	41.8%
- Secondary vocational	3.6%
- Undergraduate	18.6%
- Master	1.2%
- Doctorate	0.2%

Appendix 2: MSME survey

Methodology

As with the household survey, the MSME survey was commissioned by CBJ and carried out by the research company Ipsos Jordan under the supervision of BFC. GIZ provided funding and technical support for the survey. A total of 334 surveys were conducted in October 2022 through face-to-face interviews with owners and managers of MSMEs. Interviewers used tablet computers to record responses. The definition of MSMEs follows the one applied by the Jordanian Department of Statistics and is based on the number of employees. Micro enterprises have 1-4 employees, small enterprises have 5-19, and medium enterprises have 20-99.

The sample was designed to be representative within four groups: informal micro enterprises, formal micro enterprises, small enterprises, and medium enterprises. However, because small and medium enterprises comprise such a small proportion of the total population, these two groups were oversampled, meaning that the share of small and medium enterprises in the sample was deliberately made to be larger than their share in the total population of MSMEs. Otherwise there would not have been enough small and medium enterprises in the sample to draw conclusions about their level of financial inclusion. The following table compares the share of MSMEs in the sample to the overall MSME population, as estimated by the Department of Statistics for the 2018 Establishments Census. The share of informal micro enterprises in the population is unknown.

	# in sample	% in sample	% in MSME population
Unregistered micro	52	15.6%	N/A
Registered micro	226	67.7%	90.2%
Small	58	17.4%	8.1%
Medium	50	15.0%	1.7%
Total	**334**	**100%**	**100%**

Knowing the share of formal micro, small and medium enterprises in the total population makes it possible to calculate the weighted average financial inclusion indicators for the formal MSME population as a whole in Jordan.

Profile of survey respondents

The following table presents demographic and structural characteristics of the surveyed MSMEs.

	Informal micro	Formal micro	Small	Medium	Formal MSMEs[90]
Main owner is female	11.5%	10.9%	6.9%	0.0%	10.4%
CEO is female	11.5%	8.6%	6.9%	0.0%	8.3%
Main owner is Jordanian citizen	96.2%	94.8%	98.3%	94.0%	95.1%
Main owner is refugee	3.8%	4.0%	1.7%	4.0%	3.8%
Is home-based business	21.2%	16.1%	8.6%	2.0%	15.2%
Has website	7.7%	22.4%	51.7%	84.0%	25.8%
Had e-commerce sales	1.9%	20.7%	27.6%	34.0%	21.5%
Age of primary owner:					
- 16-24 years old	5.8%	9.8%	6.9%	0.0%	9.4%
- 25-34 years old	26.9%	21.3%	31.0%	38.0%	22.3%
- 35-44 years old	28.8%	25.9%	19.0%	40.0%	25.5%
- 45-54 years old	13.5%	23.6%	25.9%	16.0%	23.6%
- 55-64 years old	17.3%	14.4%	15.5%	4.0%	14.3%
- 65+ years old	7.7%	5.2%	1.7%	2.0%	4.8%
Operating timeframe:					
- Full-time	84.6%	82.8%	96.6%	100.0%	84.2%
- Part-time	11.5%	16.7%	3.4%	0.0%	15.3%
- Seasonal	1.9%	0.6%	0.0%	0.0%	0.5%
- Other, please specify	1.9%	0.0%	0.0%	0.0%	0.0%
Legal form:					
- Joint stock company	0.0%	0.0%	0.0%	2.0%	0.0%
- Limited liability company	0.0%	1.1%	12.1%	24.0%	2.4%
- Not registered	100.0%	0.0%	0.0%	0.0%	0.0%
- Partnership	0.0%	17.8%	34.5%	42.0%	19.6%
- Sole proprietorship	0.0%	81.0%	53.4%	32.0%	78.0%
Industry:					
- Accommodation and food service	11.5%	4.0%	19.0%	20.0%	5.5%
- Administrative and support service	1.9%	0.0%	6.9%	4.0%	0.6%
- Agriculture, forestry and fishing	0.0%	0.6%	0.0%	2.0%	0.6%
- Construction	1.9%	0.0%	0.0%	2.0%	0.0%
- Human health and social work	0.0%	2.9%	1.7%	4.0%	2.8%
- Information and communication	0.0%	0.6%	0.0%	16.0%	0.8%
- Manufacturing	5.8%	6.9%	6.9%	10.0%	6.9%
- Other service activities	19.2%	13.2%	3.4%	4.0%	12.3%
- Private education institutions	0.0%	0.0%	3.4%	8.0%	0.4%
- Professional, scientific and technical	1.9%	4.6%	5.2%	0.0%	4.6%
- Real estate activities	0.0%	1.1%	1.7%	0.0%	1.2%
- Transportation and storage	0.0%	0.6%	0.0%	6.0%	0.6%
- Water supply; waste management	3.8%	0.6%	1.7%	0.0%	0.7%
- Wholesale and retail trade	53.8%	64.9%	50.0%	24.0%	63.0%
Annual turnover (JOD):					
a. 10,000 or less	88.5%	74.7%	0.0%	0.0%	67.4%
b. 10,001 - 25,000	7.7%	14.4%	0.0%	0.0%	13.0%
c. 25,001 - 50,000	1.9%	8.0%	0.0%	0.0%	7.3%

[90] The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, medium) multiplied by the share of that size group in the total population of MSMEs in Jordan.

d. 50,001 - 100,000	1.9%	2.3%	0.0%	0.0%	2.1%
e. 100,001 - 250,000	0.0%	0.0%	89.7%	0.0%	7.3%
f. 250,001 - 500,000	0.0%	0.0%	6.9%	4.0%	0.6%
g. 500,001 - 1,000,000	0.0%	0.0%	3.4%	28.0%	0.8%
h. 1,000,001 - 3,000,000	0.0%	0.6%	0.0%	68.0%	1.7%
Governorate:					
- Amman	26.9%	42.0%	60.3%	62.0%	43.8%
- Aqaba	0.0%	0.0%	10.3%	10.0%	1.0%
- Balqa	30.8%	4.0%	0.0%	2.0%	3.7%
- Irbid	11.5%	23.0%	8.6%	8.0%	21.6%
- Jerash	1.9%	1.7%	3.4%	0.0%	1.8%
- Karak	3.8%	5.2%	1.7%	2.0%	4.8%
- Ma'an	1.9%	1.1%	5.2%	6.0%	1.6%
- Mafraq	7.7%	2.3%	1.7%	10.0%	2.4%
- Zarqa	15.4%	20.7%	8.6%	0.0%	19.4%
Number of owners:					
- 1 person	86.5%	81.0%	53.4%	28.0%	77.9%
- 2-4 people	13.5%	18.4%	41.4%	52.0%	20.8%
- 5-10 people	0.0%	0.6%	3.4%	18.0%	1.1%
- 11 and more people	0.0%	0.0%	0.0%	2.0%	0.0%
- Owned by parent company	0.0%	0.0%	1.7%	0.0%	0.1%

Appendix 3: Financial inclusion indicators

Supply side indicators

All indicators should be considered "number of..." unless otherwise indicated

SUPPLY SIDE INDICATORS	2021	2020	2019	2018	2017
ACCESS					
Access points per 100,000 adults					
Branches of banks per 100,000 adults	13.0	12.2	12.4	12.5	12.4
Branches of banks per 1,000 km²	10.6	9.7	9.7	9.5	9.2
Branches of MFIs per 100,000 adults	2.8	2.8	2.9	2.9	2.9
Branches of MFIs per 1,000 km²	2.3	2.3	2.3	2.2	2.2
Branches of insurance companies per 100,000 adults	2.8	2.8	2.9	2.9	2.9
Branches of insurance companies per 1,000 km²	2.3	2.3	2.3	2.2	2.2
Branches of exchange companies per 100,000 adults	3.8	4.1	4.1	4.3	n/a
Branches of exchange companies per 1,000 km²	3.1	3.2	3.2	3.3	n/a
ATMs per 100,000 adults	30.2	29.5	29.2	28.5	27.3
ATMs per 1,000 km²	24.7	23.6	22.8	21.7	20.3
Point-of-Sale (POS) devices per 100,000 adults	610	546	509	459	682
POS devices per 1,000 km²	530	436	398	350	507
Credit cards per 1,000 adults	57	54	52	48	45
ACCOUNTS					
Bank accounts per 1,000 adults	550	517	518	509	504
Basic bank accounts per 1,000 adults	9.2	4.7	1.7	0.0	0.0
Mobile wallet accounts per 1,000 adults	242	183	73	53	21
CREDIT					
Outstanding bank and MFI loans per 1,000 adults	226	223	232	231	237
Value of outstanding bank and MFIs loans per adult (JOD)	3,717	3,633	3,500	3,438	3,331
Outstanding bank loans to individuals per 1,000 adults	168	165	168	164	171
Value of outstanding bank loans to residents per adult (JOD)[91]	3,679	3,598	3,464	3,400	3,295
Outstanding MFI loans per 1,000 adults	58	58	64	67	66
Value of outstanding MFI loans per adult (JOD)	38	36	37	38	36
PAYMENTS					
Debit cards per 1,000 adults	482	470	392	386	353
Prepaid cards per 1,000 adults	101	89	128	98	109
Card payment transactions per 1,000 adults	21,304	15,850	15,976	12,923	12,700
Mobile wallet transactions per 1,000 adults	3,443	1,694	586	212	24
Check transactions per 1,000 adults	1,401	1,425	2,054	2,391	2,466
eFAWATEERcom transactions per 1,000 adults	4,706	3,189	2,097	1,368	708
ACH transactions per 1,000 adults	1,329	973	447	281	182
INSURANCE					
Insurance policies per 1,000 adults	257.5	296.7	316.7	301.5	315.1
Life insurance policies per 1,000 adults	3.7	5.3	8.1	6.0	8.1
Non-life insurance policies per 1,000 adults	253.8	291.4	308.6	295.5	307.1

[91] The figure includes private sector legal entities registered in Jordan in addition to individuals

Demand side indicators

All indicators are as a % of adults aged 15 and up unless otherwise indicated

DEMAND SIDE INDICATORS	2022	2017
ACCOUNTS/DEPOSITS		
Has account at a financial institution	43.1%	33.1%
Has bank account	34.9%	32.0%
Has basic bank account	10.6%	0.0%
Has mobile wallet account	14.9%	0.9%
Has current account	23.2%	22.5%
Has savings account	8.5%	7.3%
Has term deposit account	1.1%	1.8%
Used account in past year (% of adults with an account)	89.4%	n/a
Makes 3 or more withdrawals from account in typical month (% of adults with an account)	21.5%	5.4%
SAVINGS		
Saved money in past year	14.7%	n/a
Saved money at financial institution in past year	4.3%	9.3%
Saved money in an informal savings group in past year	2.0%	n/a
Saved money for old age in past year	1.5%	n/a
Saved money for education in past year	4.2%	n/a
Saved money for emergencies in past year	9.7%	n/a
Saved money for a big purchase in past year	5.9%	n/a
CREDIT		
Borrowed from any source in past year	47.1%	21.6%
Borrowed from financial institution in past year	14.4%	9.9%
Borrowed from a bank in past year	6.6%	4.3%
Borrowed from an MFI in past year	8.3%	4.2%
Borrowed from another financial institution in past year	1.9%	1.0%
Borrowed from informal source in past year	39.3%	13.3%
Borrowed from a financial institution in past year to purchase real estate	1.8%	2.2%
Borrowed from a financial institution in past year for health or medical reasons	2.0%	3.7%
Borrowed from a financial institution in past year to invest in a farm or business	1.6%	0.3%
Borrowed from a financial institution in past year to purchase a car	2.1%	2.3%
Borrowed from a financial institution in past year for green/eco-friendly purpose	1.0%	n/a
Has credit card	4.4%	4.8%
Used credit card in past year	3.8%	4.0%
Used leasing product in past year	3.6%	1.1%
Used Islamic financial product in past year	1.6%	1.5%
PAYMENTS		
Made or received digital payment in past year	39.8%	18.3%
Made digital payment in past year	22.7%	n/a
Received digital payment in past year	32.6%	n/a
Received wages into account in past year	16.4%	6.7%
Received government aid into account in past year	17.1%	5.8%
Received entrepreneurial income into account in past year	1.4%	n/a
Has debit card	18.3%	27.2%
Used debit card in past year to make payment	6.8%	2.8%
Has prepaid card	8.7%	n/a
Used prepaid card in past year	7.1%	n/a
Made payment using point-of-sale (POS) device in past year	10.1%	n/a
Made payment or sent money using mobile phone or internet	11.3%	5.5%
Sent remittance in past year	22.5%	n/a
Sent remittance through formal institution in past year	17.8%	n/a
Sent domestic remittance in past year	18.8%	25.2%
Sent domestic remittance through formal institution in past year	9.9%	14.7%
Received remittance in past year	29.5%	n/a
Received remittance through formal institution in past year	21.6%	n/a
Received domestic remittance in past year	18.8%	33.9%

Received domestic remittance through formal institution in past year	9.9%	14.9%
Sent or received domestic remittances in past year	30.8%	42.3%
Sent or received domestic remittances through formal institution	17.8%	23.4%
INSURANCE		
Has any type of insurance	60.0%	29.9%
Has medical insurance	55.5%	27.0%
Has life insurance	4.7%	2.9%
Has life insurance as policy holder	3.7%	n/a
Has life insurance as beneficiary	1.8%	n/a
Has auto insurance	16.9%	8.4%
Has property insurance	0.6%	1.8%
Submitted insurance claim in past year	1.0%	n/a
Had insurance claim rejected in past year	0.1%	n/a
FINANCIAL LITERACY & CAPABILITY		
Financial knowledge score (number of questions answered correctly)	3.07	2.55
Simple interest question correct	42.1%	30.7%
Compound interest question correct	45.5%	37.6%
Risk diversification question correct	59.0%	31.3%
Simple inflation question correct	91.9%	86.9%
Complex inflation question correct	44.7%	60.3%
Deposit insurance question correct	2.9%	8.6%
Insurance question correct	20.5%	n/a
Ever bought or sold cryptocurrency	0.9%	n/a
CONSUMER PROTECTION		
Account provider properly explained terms of account agreement (% of adults with account)	47.0%	n/a
Lender properly explained terms and conditions of loan (% of adults that borrowed formally)	86.8%	n/a
Account holder read the account contract or agreement before signing (% with account)	32.0%	n/a
Borrower read the loan contract before signing (% of adults that borrowed formally)	69.5%	n/a
Submitted complaint to financial institution	1.1%	n/a
INTERNET AND PHONE ACCESS		
Has mobile phone	93.5%	92.1%
Has smartphone	89.5%	76.5%
Has access to internet at home via computer	60.5%	16.7%

MSME indicators

Share of MSMEs by category that have the indicated product. Source: CBJ-GIZ survey

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Transaction accounts					
Current account	13.5%	43.7%	87.9%	100.0%	48.2%
Mobile wallet	1.9%	12.6%	15.5%	14.0%	12.9%
Current or mobile wallet account	15.4%	48.3%	87.9%	100.0%	52.4%
Overdraft	0.0%	21.3%	58.6%	78.0%	25.3%
Savings and investment products					
Term deposit account	0.0%	4.0%	17.2%	16.0%	5.3%
Savings account	0.0%	10.9%	19.0%	12.0%	11.6%
Certificate of deposit	0.0%	4.6%	12.1%	6.0%	5.2%
Bonds	0.0%	3.4%	10.3%	4.0%	4.0%
Stocks and shares	0.0%	1.7%	1.7%	10.0%	1.9%
Any of the above products	0.0%	13.8%	25.9%	26.0%	15.0%
Credit products					
Loan/credit line from formal institution	21.2%	27.6%	34.5%	38%	28.3%
- From bank	0.0%	2.3%	17.2%	18.0%	3.8%
- From MFI	0.0%	4.0%	0.0%	2.0%	3.7%
- From other financial institution	0.0%	0.6%	0.0%	0.0%	0.5%
From Islamic FI	21.2%	23.6%	22.4%	28.0%	23.5%
Peer lending/crowdfunding	0.0%	0.6%	0.0%	2.0%	0.6%
Loan from owner/related company	0.0%	0.0%	0.0%	4.0%	0.1%
Debt securities issued	0.0%	0.6%	3.4%	6.0%	0.9%
Leasing	0.0%	3.4%	0.0%	2.0%	3.1%
Factoring	0.0%	1.1%	0.0%	2.0%	1.1%
Letter of credit	0.0%	1.7%	3.4%	6.0%	1.9%
Guarantee	0.0%	1.1%	0.0%	10.0%	1.2%
Islamic finance					
Murabaha	1.9%	7.5%	5.2%	10.0%	7.3%
Mudharaba	0.0%	0.0%	1.7%	2.0%	0.2%
Musharaka	0.0%	1.1%	15.5%	12.0%	2.5%
Ijara	19.2%	13.8%	6.9%	4.0%	13.1%
Istisnaa	1.9%	4.6%	3.4%	10.0%	4.6%
Qard hasan	0.0%	0.6%	0.0%	4.0%	0.6%
Other	0.0%	0.0%	0.0%	2.0%	0.0%
Any of the above products	21.2%	23.6%	22.4%	28.0%	23.5%
Payments					
Made or received digital payment	7.7%	28.7%	53.4%	72.0%	31.5%
Made digital payment	7.7%	27.0%	48.3%	70.0%	29.5%
- To employees	0.0%	3.4%	20.7%	36.0%	5.4%
- To suppliers	3.8%	10.9%	22.4%	54.0%	12.6%
- For utility bills	3.8%	22.4%	39.7%	62.0%	24.5%
Received digital payment	0.0%	10.3%	37.9%	54.0%	13.3%
- By POS terminal	0.0%	4.6%	17.2%	26.0%	6.0%
- By QR code	0.0%	2.9%	12.1%	12.0%	3.8%
- By bank transfer	0.0%	9.2%	27.6%	48.0%	11.3%
- On e-commerce site	0.0%	4.6%	10.3%	22.0%	5.4%
Has debit card	1.9%	31.0%	48.3%	52.0%	32.8%
Has credit card	0.0%	11.5%	32.8%	30.0%	13.5%
Has online banking	0.0%	12.1%	41.4%	68.0%	15.4%
Has mobile banking	0.0%	20.7%	41.4%	44.0%	22.8%
Has cash collection services	0.0%	11.5%	44.8%	36.0%	14.6%
Has card processing services	0.0%	12.6%	43.1%	40.0%	15.6%

Has payroll services	0.0%	5.7%	34.5%	58.0%	9.0%

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Insurance					
Auto insurance	3.8%	21.8%	39.7%	64.0%	24.0%
Property insurance	0.0%	4.6%	31.0%	50.0%	7.5%
Equipment insurance	0.0%	4.6%	17.2%	40.0%	6.2%
Theft insurance	1.9%	5.2%	24.1%	36.0%	7.2%
Fire insurance	0.0%	5.2%	29.3%	42.0%	7.8%
Health insurance	1.9%	14.4%	25.9%	48.0%	15.9%
Workers compensation insurance	0.0%	8.6%	27.6%	30.0%	10.5%
Professional liability insurance	0.0%	3.4%	12.1%	28.0%	4.6%
Other conventional insurance	0.0%	1.7%	1.7%	8.0%	1.8%
Takaful Islamic insurance	0.0%	1.1%	5.2%	0.0%	1.5%
Any type of insurance	7.7%	29.3%	56.9%	84.0%	32.5%

Appendix 4: Findex comparison

This appendix compares the results of selected financial inclusion indicators for households from the World Bank's 2021 Findex Study with the 2022 CBJ survey that forms the basis of this report.

Both surveys consisted of a similar number of interviews: 1,052 in the case of the CBJ survey and 1,008 in the case of Findex. The time period was also comparable. The CBJ surveys were done in March-April 2022, while the Findex surveys were done in November-December 2021. However, the Findex survey was conducted by telephone interview, while the CBJ survey was conducted by face-to-face interview. The face-to-face approach is believed to provide an advantage over telephone interviews both in terms of the representativeness of the sample and the accuracy of the answers provided by respondents. Therefore, the CBJ survey is used as the primary data source for this study. The differences between the indicators from the two surveys are probably mainly related to sampling differences. The different wording of questions and the 5-month difference in the timing of the surveys probably has a relatively minor effect.

Table 26: Comparison of selected indicators from CBJ 2022 and Findex 2021 surveys

	CBJ	Findex
Accounts and savings		
Adults with an account	43%	47%
- Women with an account	31%	34%
- Young people (15-24) with an account	24%	29%
- Low-income adults with an account	20%	37%
Has mobile money account	15%	11%
Has debit card	18%	32%
Has credit card	4%	3%
Saved money in any way	15%	24%
Saved money in financial institution	4%	4%
Borrowing		
Borrowed from any source	47%	54%
Borrowed from a financial institution	14%	10%
- Women	14%	6%
- Young people (15-24)	5%	4%
- Low-income adults	9%	8%
Borrowed from family or friends	34%	42%
Payments		
Made or received a digital payment	40%	36%
- Women	27%	24%
- Young people (15-24)	23%	24%
- Low-income adults	18%	27%
Made a digital payment	23%	21%
Received a digital payment	33%	27%
Received wages into an account	16%	11%
Received government payments into account	17%	17%
Sent domestic remittances with account	6%	4%
Received domestic remittances into account	5%	3%

Appendix 5: Bibliography

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