

# Market Research Brief On Financial Inclusion Sector In Jordan

## **What is the unbanked population in Jordan?**

Only 33 percent of adults in Jordan, 27 percent of women, has an account with a financial institution, while 38 percent is completely excluded from the formal financial system according to a new study mandated by the Central Bank of Jordan (CBJ) in cooperation with GIZ. Access to finance in Jordan has shown improvements overall in recent years, but variations in financial inclusion across segments point to remaining disparities for the majority of the population, particularly for vulnerable groups such as the youth, women, refugees, and low-income segments.

According to the share of adults with a bank account or mobile money wallet, the indicator that is widely used to describe the access to the formal financial system, the level of financial inclusion in Jordan has increased from 24.6% in 2014 (Global Findex) to 33.1% in 2017. Account ownership is an important indicator, as it makes possible the usage of other services such as debit cards, money transfers, overdrafts, and online payments.

## **What is the underbanked population?**

Different segments of the population have varied access to financial services and particularly vulnerable groups continue to be considerably disadvantaged. The gender gap is still persistent as women (27.2%) are much less likely than men (37.6%) to have an account at a financial institution. Similarly, young people (aged 18-24; 23.6%) are less likely to have an account than older people (aged 25+; 38.6%). Members of the low-income group have far fewer accounts than those with high-paying jobs (bottom 40% vs. top 60% in terms of income; 19.3% and 43.7%, respectively). Non-Jordanians (9.5%) own accounts to a substantially lesser degree than their Jordanian fellow citizens (43.6%).

[Jordan Mobile Payments](#) (known as JoMoPay) is Jordan's national e-payment and mobile payment platform, created and overseen by the Central Bank. The platform has been increasing its partnerships with private sector companies that provide financial services. One such partnership is with [MadfoatCom](#), which operates through JoMoPay to facilitate bill payment via an online system known as [eFawateercom](#). It allows the unbanked to access this network through digital wallets, instead of bank accounts. The system has allowed for over 1 billion Jordanian Dinars (US\$ 1.5 million) in online financial transactions and has permitted Jordanians to reduce the amount of time, money, and effort that it usually takes to pay bills.

## **Who delivers financial inclusion?**

The Central Bank's financial inclusion strategy extends to the humanitarian sector, where the bank seeks to expand platforms for saving and sending money to refugees. In May 2017, JoMoPay [changed](#) its policies to make clear that UNHCR identification cards could be accepted to open a digital wallet account, making way for Jordan's over 700,000 registered Syrian refugees to have access to the platform.

The CBJ [released](#) a mobile money regulatory framework in 2013 and mobile money services became interoperable in 2016 using JoMoPay, a switch operated by CBJ. Second, Jordan's [Zain Group](#) (in collaboration with IRC Enterprise Development) uses [mobile money service](#) through ATM cards to dispense cash benefits to refugees living in camps, and by [GIZ](#) and the Central Bank of Jordan who are researching and developing a future digital remittances project.

## **What are the types of organizations? MFIs? Banks? Co-operatives? How many are there? What sizes are they?**

The proportion of adults that saved money in an account increased to 9.3% in 2017. Nevertheless, more people save money informally, such as at home in cash, than in a bank account. Access to and quality of savings products still bears potential. Only about 28% of adults with an account use it to save money.

### **Bank**

#### **Central Bank of Jordan**

#### **Commercial Banks**

[Arab Bank](#)

[ABC Bank \(Jordan\)](#)

[Bank of Jordan](#)

[Cairo Amman Bank](#)

[Capital Bank](#)

[Jordan Commercial Bank](#)

[Jordan Kuwait Bank](#)

[Jordan Ahli Bank](#)

[The Housing Bank for Trade & Finance](#)

[Arab Jordan Investment Bank](#)

[Invest Bank](#)

[Société Générale](#)

[Bank al Etihad](#)

### **Foreign Banks**

[European Bank for Reconstruction and Development](#)

[Standard Chartered](#)

[Egyptian Arab Lank Bank](#)

[HSBC](#)

[Citibank](#)

[Rafidain Bank](#)

[National Bank of Kuwait](#)

[BLOM Bank](#)

[Bank Audi](#)

[National Bank of Abu Dhabi](#)

#### **Jordanian Islamic Banks**

[Islamic International Arab Bank](#)

[Jordan Islamic Bank](#)

[Safwa Islamic Bank](#)

#### **Foreign Islamic Banks**

[Al-Rajhi Bank](#)

#### **Mobile Payment Banks**

[Dinarak](#)

#### **MFIs**

[UNRWA](#)

The proportion of adults that borrowed from a formal financial institution, such as a bank or microfinance institution, decreased from 13.6% in 2014 to 9.9% in 2017. Notably, more people (13.3%) borrow from informal sources, such as family, friends and employers, than from formal financial institutions. Meanwhile, MFIs have continued to serve an ever growing number of people, counting 397,000 active borrowers, two thirds being women, in 2017.

## **What role do banks play?**

In 2016, the Central Bank's Financial Inclusion Division established the [Digital Financial Services Council](#), made up of government, private sector, NGOs, international entities, and startups. Representatives from these groups met to discuss a host of topics related to financial technology issues. Through the dialogue in the Council meetings, the private sector's suggestions and concerns are considered during the development of new financial regulations and guidelines. The most recent meeting, which took place last August, focused on the [Better Than Cash Alliance](#), a UN alliance promoting responsible digital payments. The results of these discussions work to inform the forthcoming Jordanian National Financial Inclusion strategy, which will be launched in December 2017.

Sandbox, the first-ever fintech incubator housed within the Central Bank, is also expected to be launched by the end of this year and is yet another initiative in the works to expand services and access to fintech entrepreneurs. The launch of the incubator will provide entrepreneurs a testing environment within the Central Bank for their digital financial products.

Now is the time to test solutions to address refugees' needs since the CBJ is currently developing a [National Financial Inclusion Strategy](#). With Syrian refugees growing role in Jordan's society and economy, it is critical that analysis of effective financial inclusion for refugees is built into this national strategy.

## **Financial Products & Services What operational methodologies are practiced?**

The [Central Bank of Jordan](#) has made financial inclusion a priority and is working with the Jordanian private sector to expand financial access to the country's most vulnerable citizens. "Supporting startups and entrepreneurship is a high priority for the Jordanian government and so is financial inclusion," Maha Bahou, executive manager of the payment systems and domestic banking within the Jordanian Central Bank told Wamda.

"We have been partnering with the private sector, especially startups involved in payments systems, to develop [an] infrastructure that will enable opportunities for everyone to access digital and financial services," she said.

Addressing some of the logistical questions associated with refugee financial inclusion in a pilot program for a specific demographic with similar financial needs grants more time to develop best practices and continue to work through the challenges that come with including a broader group of refugees with a diversity of needs. In order to expand the program in the future, some of the questions that need to be answered from the pilot program include the variety financial interactions between Jordanians and Syrians, how and if Syrians working outside of the camp interact with those confined to formal camps, does the money flow stay within Jordan or is there a large need for cross-border transfers, with what success is the program introduced in the informal market. All of these questions must be answered with the pilot program before it is opened up and the challenges multiply.

The 2017 study of financial inclusion in Jordan was commissioned by the German Agency for International Cooperation (GIZ) in support of the Government of Jordan for the Promotion of Financial Inclusion in Jordan, a programme that is carried out with funding from the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ).

## **What are the main products and services offered?**

The organization [Dinarak](#) was established in 2014 in order to become a licensed payment services provider under JoMoPay. The company was provided a full [license](#) from the Central Bank in 2016, and is uniquely focused on building an offering, brand and network that directly targets the financially excluded. Dinarak mainly targets governorates like Irbid and Mafrqa, providing services to low-income refugees.

## **How closely do they align with the current functionalities of our platform?**

not too close because there is still difficulties in building financial technology for yordania itself it takes the role of government and banks help each other

## **Market Influencers Who are the Influencers? Associations APEX organizations Government/regulators**

The Central Bank of Jordan embarked on a national, multi-stakeholder policy process for enhancing the formal financial inclusion of the entire population, mainly among the youth, women, refugees, low-income segments and micro, small and medium-sized enterprises, in order to unleash economic and social development potentials.

## **Major NGOs What are major events to attend?**

Fadi Ghandour, chairman and CEO of [Wamda Capital](#), acknowledged the Jordanian Government's potential role in fintech growth. "In many policy directives and many speeches you will see a specific reference to the central and pivotal role of the private sector as the engine of economic growth and job creation," he said in an email interview. "The more the Government eases regulation and recognizes the value of fintech for economic growth, the more startups will emerge in this space," he added.

"In recent years the Bank has opened up a line of communication with startups," said investment manager, Faisal Bitar, at [Oasis500](#). "Innovation is often quicker than regulatory systems, so there's a bit of a learning curve for the Central Bank, but at least the curve is there and it's moving in the right direction," Bitar concluded.

---The drafter of the research report---

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