

# Market Research Brief On Financial Inclusion Sector In Jordan

## Financial Inclusion Sector

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

**Migrant trends to and from Jordan have created well-established corridors for both inbound and outbound remittance flows.** In the latest census, 30.6 percent of the 9.5 million population were non-Jordanians. The vast majority is made up of refugees fleeing the protracted conflict in neighboring Syria, and there also is a large Iraqi and Palestinian refugee population. Jordan is increasingly becoming a destination for economic migrants originating from South East Asia, South Asia, and Africa. However, emigration from Jordan has also established a large Jordanian diaspora, particularly in the Gulf Cooperation Council (GCC), Europe, and the United States. This has made Jordan a unique international remittances market.

Despite a stable and profitable financial sector, Jordan has low levels of financial inclusion and cash remains prevalent. According to Findex, 25 percent of the adult population in Jordan has access to some form of account, and 6.4 percent use debit cards for payments. There remains a lack of trust in financial institutions, and this fuels the ongoing growth in use of cash as a payment instrument, with electronic payments (e-payments) mechanisms remaining relatively stagnant.

### **Key Recommendations to Support the Digitization of the Domestic Payments Market (additional)**

- a. **Conduct national above and below the line marketing campaigns**
- b. **Support the development of the agent network**
- c. **Support the development of an acceptance network**
- d. **Support the digitization of large-volume transactions**
- e. **Ensure that exchange houses become part of the domestic digital payments ecosystem**
- f. **Address areas of concern with consumer protection.**

## Key Recommendations to Support the Digitization of the International Remittances Market (additional)

- Connect international remittances to the JoMoPay system
- Encourage cooperation between the Payments System Department and Exchange Houses Department
- Re-evaluate exchange house law revisions, and introduce consumer protection laws, with a focus on safeguarding customer funds.
- Further research partnerships in pilot receive markets

## Who delivers financial inclusion?

Attempts to introduce mobile payments previously failed, but an innovative and ambitious regulatory environment alongside some equally innovative private sector actors has resulted in a renewed focus on the area, presenting new opportunities for growth in digital financial services use throughout Jordan. The Central Bank of Jordan (CBJ) has recently embarked on a national strategy to try to increase financial inclusion across the country.

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

As of December 2016, there were 25 banks operating in Jordan, of which 16 are Jordanian and nine are foreign.<sup>6</sup> Total domestic bank assets amounted to US\$59.8 billion (JOD 42.5 billion) in 2015, with assets of foreign banks totaling US\$6.6 billion (JOD 4.7 billion) in 2015

<b>Banks</b>	<b>Total Assets (JOD billion)</b>	<b>Total Assets (US\$ billion)</b>	<b>Market share in assets (%)</b>	<b>Number of branches (incl. offices)</b>	<b>Market share in number of branches (%)</b>
Arab Bank	17.8	25.0	37.8	119	13.7
The Housing Bank for Trade and Finance	7.9	11.1	16.8	126	14.4
Jordan Islamic Bank	3.8	5.3	8.0	73	8.4
Jordan Kuwait Bank	2.8	4.0	6.0	56	6.4
Cairo Amman Bank	2.5	3.6	5.4	85	9.8
Jordan Ahli Bank	2.5	3.5	5.3	51	5.9
Other banks	9.8	13.8	20.7	361	41.4
<b>Total</b>	<b>47.1</b>	<b>66.4</b>	<b>100.0</b>	<b>871</b>	<b>100.0</b>

Source : Individual bank reports and CBJ report

cash-to-cash service for domestic transfers is a highly competitive market. The biggest exchange houses can facilitate up to 13,000 transactions per month. Smaller and mid-sized exchange houses report 400–3,000 transactions a month.

The average transaction size for domestic transactions is thought to be around US\$2,800 (JOD 2,000)—although it is common for larger transactions (around US\$5,600 [JOD 4,000]) to be processed.<sup>8</sup> Services providers assume.

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

In 2014, as part of its commitment to improving access to financial services for all, the Central Bank embarked on an ambitious program to introduce MFS to Jordan. The approach built on lessons learned from earlier experiments, and from the experiences of other countries around the world. It has several core principles:

1. The regulatory framework for MFS would provide room for banks and nonbanks such as mobile network operators (MNOs) to issue e-money—allowing multiple types of institutions to become licensed as MPSPs.
2. The customer experience would be as seamless as possible to encourage uptake and use. Central to this was to create a system that was completely interoperable, allowing cross-provider transactions at the outset.
3. To create an infrastructure for mobile payments that was fully integrated into the broader digital payments ecosystem of the country, allowing customers to not only make mobile payments, but to also make and receive payments to bank accounts and prepaid cards and to pay bills via eFAWATEERcom (see Box 2).

To achieve this, CBJ created a central mobile payments switch, JoMoPay. All mobile payments providers licensed within Jordan are mandated to connect to this switch and CBJ's Payments Department have been working to ensure that JoMoPay can be fully integrated into the existing and future e-payments infrastructure of the Kingdom. JoMoPay is fully owned and operated by CBJ, but there are plans to privatize it.

## Licensed MPSPs in Jordan

At the time of finishing the assessment, four MPSPs were licensed to offer MFS. All of them were authorized to operate in 2016 (see Table 3). These MPSPs appear to be focused on building their agent

Mobile Wallet	Licensed Entity	Ownership Details
Mahfazati ("my wallet" in Arabic)	Al Hulool	A consortium of companies contributed to the paid-up capital to become licensed. The following companies own a share of the Al Hulool holding company: <ul style="list-style-type: none"><li>• Umniah (MNO, 96% owned by Bahrein-based Batelco)</li><li>• Emerging Market Payments (EMP) (card processor and acquirer)</li><li>• Cairo Amman Bank (bank)</li><li>• Arab Jordan Investment Bank (bank)</li><li>• Al Etihad Bank (bank)</li><li>• Bank of Jordan (bank)</li><li>• Microfund for Women (MFI)</li><li>• Jordan Ahli bank (bank)</li><li>• Housing Bank for Trade and Finance (bank)</li></ul>
Dinarak ("your dinar" in Arabic)	Motakameleh	Several individual investors and technology providers established a third-party provider of mobile payments.
Aya	Aya	Several individual investors and technology providers established a third-party provider of mobile payments.
Zain Cash	Motamayezah	A subsidiary of the larger Kuwait-based Zain MNO.

## Financial Products & Services

### What operational methodologies are practiced?

Cashless payments are processed through eight main interconnected systems. These systems form the foundation for the infrastructure that supports the domestic payments system in Jordan

All commercial banks in Jordan have access to ACH, ECC, and RTGS-Jo systems. All ATMs and banks are connected to the Jo-Net switch for full interoperability and this is operated by the leading payments acquirer in Jordan—EMP. In addition to Jo-Net, EMP manages its own member-based switching and card-acquiring system. Key market players, such as MEPS, MasterCard, and Visa, run other systems.

An important development is the launch of Jordan's automated clearing house (ACH). The long-planned ACH became operational in December 2016, after extensive testing. ACH is an electronic funds-transfer system that handles payroll, direct deposit, tax refunds, consumer bills, tax payments, and many other payments services. It connects all banks licensed in Jordan, thereby increasing the efficiency and timeliness of government and business transactions, which were previously conducted through SWIFT—a system usually reserved for international payments. In most countries, ACH oversees more than 90 percent of the total value of all e-payments transactions. It should have a significant impact on the growth of Jordan's e-payment market over time.

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

### *JoMoPay Software Upgrade*

The plan is to fully integrate Jo-NET and JoMoPay, so that mobile wallets can be cashed out (and to a lesser extent, cashed in) through the ATM network. While system operator EMP has agreed to this, individual banks would need to invest in upgrades to their software systems to allow them to accept mobile payments, as well as upgrades to their hardware systems, for cash-in transactions. For this reason, timing for when this might happen is unclear. With that said, two banks, Jordan Kuwait Bank and Cairo Amman Bank, have already upgraded their software systems to allow them to accept mobile payments through their ATM networks.

### *eFAWATEERcom*

Over the next 12 months, customers will be able to use any wallet within the ecosystem to pay bills via eFAWATEERcom, to make and receive payments to or from any bank account or prepaid card in Jordan, and to use either the app-based or USSD-based service on their phone.

### *Mobile Payments Acceptance*

Many licensed MPSPs are working with retailers to improve user experience and the acceptance of mobile payments across the country. MPSPs and retailers are partnering to facilitate mobile payments in hyper-supermarkets (e.g., Safeway), with car parks and petrol stations to shortly follow. Mobile payments through NFC are already possible on select bus routes to universities.

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

Jordanians can access the domestic payments system (see Figure 1) using several different methods. However, most approaches require access to a bank account and/or payment card. Point of sale (POS) terminals are the most widely available point of access. These are provided by the largest payments processors, namely Emerging Market Payments (EMP), Middle East Payments Services (MEPS), and

National Express. POS terminals are used only by Jordanians who have a credit, debit, or prepaid card. Similarly, while there are 1,513 ATMs in Jordan, most of them can be used only by banked customers and those with some form of payment card. Given the low levels of bank account and card use in Jordan, these access points are not readily used. Exchange houses are one of the most accessible nonbank financial institutions for those without a bank account or payment card. As of December 2016, the 140 exchange houses had 265 branches across the Kingdom. They are a vital part of the domestic and international payments ecosystem. However, there is a level of disconnect between their activities and the financial infrastructure more broadly, as discussed later in this report.

Mobile money agents and the post office are two other points of access for those without a bank account. While there are relatively few mobile money agents, service providers suggest that the number of agents will increase rapidly over the next two years. Agents have the potential to be another important access point for previously underserved communities. Post office branches also provide access to financial services in rural areas.

**very likely if the Jordanian state can already use our platform. Because of its financial infrastructure that in the future has a lot of support for banks and other cooperatives.**

## **Market Influencers**

### **Who are the Influencers? Associations? APEX Organizations? Government/regulators? Major NGOs?**

Although CBJ has been committed to continually upgrading and supporting the underlying e-payments infrastructure, particularly where financial inclusion may be facilitated, Jordan remains a highly cash-based society, important developments have been made:

**ACH has filled a significant gap in the payments infrastructure**, making it quicker and cheaper for low-value transactions to move between Jordan's 25 licensed banks. In principle, banks should be able to offer very low-cost domestic payments services that compete directly with the cash-based services offered by exchange houses, which dominate the domestic payments market.

**The ecosystem that is being developed for mobile payments has the potential to improve access to and use of digital financial services.** However, consumers and service providers need to make a concerted effort to transition away from cash. This transition will lean on financial education more broadly and a targeted marketing campaign that emphasizes the innovative and exciting nature of digital financial services for small payments rather than on the concept that the new products are "for the poor."

**Partnerships will be essential to the growth of noncash-based payments services.** Creating a collaborative environment for the different segments of the payments market will be important. Partnerships between MPSPs and exchange houses—given their prominent role as domestic and international payments providers—could help to build consumer trust by demonstrating that new and unfamiliar services are safe and effective. Both MPSPs and exchange houses need to feel that partnerships will advance their business models (including exchange houses as agents for domestic remittances and PSPs as agents for international remittances) and revenue streams.

**Targeting specific use cases on transport, government, microfinance, and NGO payments will be essential to gaining a critical mass of users and to achieving scale.**

### [International NGOs working in Jordan \(LIST\)](#)

**Jordan is home to the highest number of NGOs in the region. Many of these NGOs operate in the Syrian Refugee camps in Jordan, and some are actually present in Amman and working directly with the Jordanian communities. I have put together this comprehensive list of international NGO agencies working within Jordan, with head offices in Amman, Jordan.**

**NEF** is known in Jordan for its support of local NGOS, approach to institutional capacity building, and work in micro-finance, fish farming, and increasingly water and environmental issues. Over 20 years ago, NEF developed and piloted a community-based credit (CBC) methodology in Jordan which has since been expanded to provide technical training and support services as well as capital inputs to small community groups, larger JNGOs, donors, and related regulatory agencies—not only in Jordan, but throughout the

Middle East. NEF has on-going relationships with more than 200 local NGOS, including social societies, cooperatives, civic clubs, and youth groups.

this is the other NGOs that support in Jordan :

1. [Oxfam](#)
2. [International Rescue Committee \(IRC\)](#)
3. [Palladium Group](#)
4. [Norwegian Refugee Counsel](#)
5. [CARE](#)
6. [World Vision](#)
7. [Mercy Corps](#)
8. [Relief International](#)
9. [Danish Refugee Counsel](#)
10. [Save The Children](#)
11. [Agency for Technical Cooperation and Development \(ACTED\)](#)
12. [Médecins Sans Frontières \(MSF\) International](#)
13. [International Medical Corps](#)
14. [Human Rights Watch | Defending Human Rights Worldwide](#)
15. [RTI International](#)
16. [Handicap International](#)
17. [Chemonics International | Chemonics](#)
18. [IREX](#)
19. [Medair](#)
20. [Islamic Relief Worldwide](#)
21. [INTERSOS](#)
22. [Terre des Homme](#)
23. [Global Communities](#)
24. [The Lutheran World Federation](#)
25. [European Centre for Electoral Support](#)
26. [ActionAid International](#)
27. [Right To Play International](#)
28. [Non-Governmental Organization JEN](#)
29. [National Democratic Institute](#)
30. [IREX](#)

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

Big events like the MENA Financial Expo, I think is a good thing for us to know more about financial inclusion in Jordan and certainly from the Jordan Digital Financial Services Forum.

*The Drafter of this Research*

*Muhammad Rafly Andrianza*

*Google Code-in 2017 at Mifos Initiative Organization*