



ANDREW MOORE / FLICKR

# DIGITAL FINANCE COUNTRY REPORT

## JORDAN

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>ACC</b>	Agricultural Credit Corporation
<b>AML</b>	Anti-Money Laundering
<b>API</b>	Application Programme Interfaces
<b>ATM</b>	Automated Teller Machine
<b>BMGF</b>	Bill and Melinda Gates Foundation
<b>CBJ</b>	Central Bank of Jordan
<b>CBO</b>	Community Based Organization
<b>CBS</b>	Core Banking Software
<b>CBT</b>	Cash Based Transfer
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>DEF</b>	Development and Employment Fund
<b>EFT</b>	Electronic Funds Transfer
<b>EMPS</b>	Emerging Markets Payments
<b>EU</b>	European Union
<b>FSP</b>	Financial Service Provider
<b>G2P</b>	Government to Person
<b>GDP</b>	Gross Domestic Product
<b>IWS</b>	Internet World Statistics
<b>Jo-PACC</b>	Jordan Payments and Clearing Company
<b>JPC</b>	Jordan Post Company
<b>KYC</b>	Know-Your-Customer
<b>MCF</b>	Military Credit Fund
<b>Merchant</b>	A business that accepts digital forms of payments
<b>MEPS</b>	Middle East Payment Services
<b>MfW</b>	Microfund for Women

<b>MFI</b>	Microfinance Institution
<b>MFS</b>	Mobile Financial Services
<b>NFIS</b>	National Financial Inclusion Strategy
<b>NGO</b>	Non-Governmental Organisation
<b>OTC</b>	Over –the-counter
<b>P2G</b>	Person to Government
<b>P2P</b>	Person-to-Person (transfer)
<b>PoS</b>	Point of Sale
<b>PSP</b>	Payment Service Provider
<b>RTGS</b>	Real Time Gross Settlement
<b>UNHCR</b>	United Nations Human Rights Commission for Refugees
<b>USAID</b>	U.S. Agency for International Development
<b>WFP</b>	World Food Program
<b>WIT</b>	Water Innovations Technology

## GLOSSARY<sup>1</sup>

TERMINOLOGY	DEFINITION
Agent (third party)	Any third party acting on behalf of a bank, a financial institution or a non-bank institution (including an E-Money issuer or other payment service providers) to deal directly with customers, under contractual agreement. Third party outlets could include: exchange houses, grocery stores, post offices and fuel stations.
Agent (own/Sub agent)	Employee of the PSP. Someone who work under the PSP main account.
Agent Outlet	A physical location that perform enrolment as well as cash-in and cash-out transactions for customers on behalf of one or more providers.
Agent Banking	An owner of an outlet who conducts banking transactions on behalf of a bank.
Biometric Identification System	A system that facilitates the identification of a person through biometric verification or by evaluating one or more distinguishing biological traits, such as fingerprints, hand geometry, earlobe geometry, retina and iris patterns and voice waves.
Commission	An incentive payment made, typically to an agent or other intermediary who acts on behalf of a DFS provider. A commission provides an incentive for agent.
Digital Finance Services	Broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. The digital financial services (DFS) definition includes, but is not limited to, mobile financial services (MFS).
Digital Payment	A broad term including any payment which is executed electronically. Includes payments which are initiated by mobile phone or computer. Card payments in some circumstances are considered to be digital payments.
Digital Payment Platform	A term used to describe the software or service used by a provider, a scheme, or a switch to manage end user accounts and to send and receive payment transactions.
e-Know Your Customer	A process by which identification is established electronically.
e-Money	A record of funds or value available to a consumer stored on a payment device such as chip, prepaid cards, mobile phones, or on computer systems as a non-traditional account with a banking or non-banking entity.
Financial Literacy	Consumers and businesses having essential financial skills, such as preparing a family budget or an understanding of concepts such as the time value of money, effective interest rates, the use of a DFS product or service, or the ability to apply for such a service.
Fintech	A term that refers to the companies providing software, services, and products for digital financial services: often used in reference to newer technologies.
Interoperability	Interoperability allows two or more proprietary platforms or even different products to interact seamlessly resulting in the ability to exchange payments transactions between and among providers.

<sup>1</sup> ITU-T Focus Group Digital Financial Services: *DFS Glossary*

TERMINOLOGY	DEFINITION
Know Your Customer-Lite	Basic identification that enable the on-boarding people who do not meet up with standard KYC requirements.
m-Commerce	Refers to buying or selling in a remote fashion: by phone or tablet (m-Commerce) or by computer (e-Commerce).
Mobile Financial Services	The use of mobile phones to deliver financial services, including payments, credit, savings, remittances and insurance.
Mobile Money	Money that is transferred electronically using mobile networks and SIM-enabled devices, primarily mobile phones.
Mobile Banking	Perform actions on a traditional bank account with a mobile phone. These actions involve obtaining account information, and transacting on accounts.
Mobile Network Operators	Companies with government-issued license to provide telecommunications services through mobile devices. An MNO is also known as a telco.
Mobile Payment	The term "mobile payment" is equally broad, and includes a wide variety of transaction types which use a mobile phone in some way.
Non-bank led Models (regulation)	A reference to a system in which non-banks e.g. Mobile Network Operators (MNOs) and/or PSPs are the providers of digital financial services to end users.
Payment Service Provider	A company that provides services enabling funds to be deposited and withdrawn from an account; payment transactions involving transfers of funds; the issuance and/or acquisition of payment instruments such as checks, E-Money, credit cards and debit cards; and remittances and other services central to the transfer of fund
Prepaid Cards	An e-Money product for general purpose use where the record of funds is stored on the payment card (on magnetic stripe or the embedded integrated circuit chip) or a central computer system, and which can be drawn down through specific payment instructions to be issued from the bearer's payment card

# I. EXECUTIVE SUMMARY

## I.1. INTRODUCTION

Jordanian organizations and businesses are increasingly leveraging Information and Communication Technologies (ICT) as a cost-efficient delivery channel for financial services. Digital Finance Services (DFS) have the potential to expand the delivery of basic financial services (savings, credit, insurance and transfers) through innovative technologies and digital payment platforms. This report presents the state of Jordan's Digital Financial Service ecosystem as of February 2019. It gives a full appreciation of the market opportunity and challenges, and examines the critical success factors needed to catalyze DFS operations in the Kingdom.

DFS offers an opportunity to connect an estimated 62.5%<sup>2</sup> of unbanked Jordanians to financial products and services. The Kingdom's supportive regulatory environment and its reliable telecommunication infrastructure alongside recent initiatives undertaken by the CBJ such as the introduction of the Digital Finance Council, the Fintech Regulatory Sandbox, and the 2017 launch of the National Financial Inclusion Strategy (NFIS) with DFS one of the industry pillars, all enhance the DFS sector.

## I.2. DFS STAKEHOLDERS

Jordan's DFS stakeholders include:

- The Central Bank of Jordan (CBJ), the regulator.
- Jordan Payments and Clearing Company (Jo-PACC), which owns and manages the National Switch (JoMoPay).
- Payment Service Providers: Zain Cash, AL-Hulool (managing Mafazati), Dinarak, Aya Payments (Aya) and the Middle East Payment Services (MEPS).
- Banks providing the following digital finance products; Cardless ATM withdrawers, debit/prepaid cards, mobile banking applications and Online bill payment
- Merchant Acquirers such as MEPS and EMPS
- MFIs using mobile applications and tablets for loan processing, disbursement and repayment.



Figure 1: The state of Digital Finance in Jordan

SOURCE: AUTHOR'S ANALYSIS USING UNCDF - MM4P HONEYCOMB MODEL. LIGHT BLUE = ADVANCED, NAVY = PROGRESS MADE, RED = EARLY STAGE

<sup>2</sup> Calculations (Age group between 15 and 64, CIA world fact book, 2017 estimates)

- Non-banks such as eFAWATEER.com supplying financial products and services using digital devices.
- Consumers, donor agencies (Bill and Melinda Gates Foundation) international non-governmental organizations (GIZ, USAID LENS, Mercy Corps, UNHCR), local community-based organizations and government agencies.

### **I.3. POLICY AND REGULATION**

Jordan has an enabling regulatory environment for the growth of digital financial services. In its bid to build a digital-friendly regulatory environment, the Central Bank of Jordan released a circular on mobile payments in 2010, and published a regulatory framework in December 2013 for mobile money (as part of their 2013-2016 payment systems strategy) which went into effect in March 2014. In 2016 the CBJ issued a Mobile Payment Service Operational Framework that clarifies the structure of processes, techniques, limits, and operational environment of the mobile phone payment service. Mobile wallet subscriptions and transactions finally went operational in 2016. PSPs are in the process of exploring opportunities and strategies for optimization and scale up.

There are some regulatory constraints impacting growth of digital financial services, such as:

- The maximum amounts for mobile wallet transactions (limits: P2P-500JD, withdrawal-1,000JD) which is significantly lower than that most European Economic Area, and also many African countries which have mobile money services.
- Confusion on the part of providers on the mechanism used to determine the level of income tax they should pay, given the 5% income tax levied on FinTech companies versus the 35% for financial services.
- The high initial capital requirements for PSPs (JD 1.5 million (approximately US\$2.1 million as compared to about US\$370,000 in the European Economic Area)<sup>3</sup>,
- The absence to date of a KYC-lite and e-signature.
- The non-authorisation of deposit taking that prevents the development of mobile banking (push and pull to and from bank accounts) in the MFI sector.
- The prohibition of PSPs from deploying NFC technology solutions, currently limited to merchant acquiring only.

While the CBJ's commitment to creating an enabling and interoperable regulatory environment is very encouraging, the regulation should be constantly enhanced to catch up with the evolution of technology, foster certainty in the system with regards to interoperability and, collaborate PSPs

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<sup>3</sup> Extracted from Electronic Money Directive (EMD) (2009/110/EC)

while building consumer trust through improving consumer protection, awareness campaigns and simplifying electronic Know Your Customer (eKYC) processes.

#### I.4. INFRASTRUCTURE

**Payment Infrastructure:** The Kingdom has a highly developed and well-placed infrastructure to support the digitization of domestic and international payments. The Kingdom’s infrastructure is characterized by a high level of interconnectivity between mobile services and the broader payments ecosystem. There is interoperability between e-money issuers as well as with the broader ecosystem (ATM switch, bill payment platform, cards acquirers etc.) through JoMoPay, the national mobile payment switch infrastructure that enables low-cost purchases and bill payment transactions.

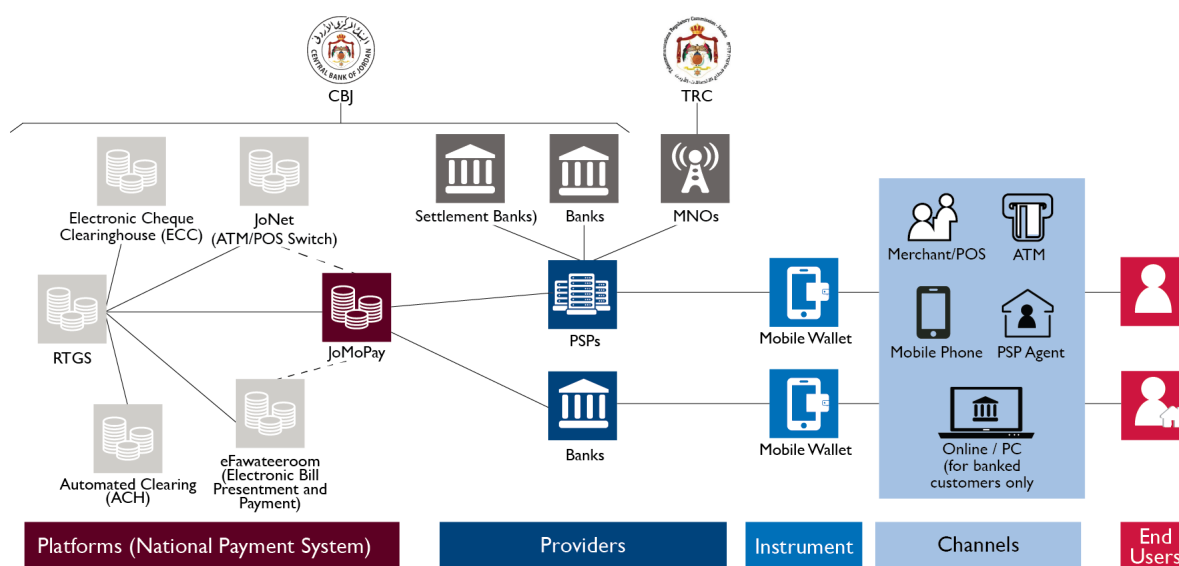


Figure 2: Jordan’s Payment settlement system

**Jordan’s ICT ecosystem** is well-developed given the availability of universities, a high quality, well-educated ICT trained workforce as well as a large number of graduates with strong industry focused skills, tech firms, global players, investors, venture capitalists, and accelerator incubators. The sector’s GDP contribution was worth around 12 percent in 2015<sup>4</sup>.

**Mobile infrastructure** the Kingdom is proud of a reliable and robust broadband network with affordable services and wireless nationwide access coupled with its skilled, tech-savvy, connected and cost-effective labor force. Data from several sources including Jordan Telecommunication Regulatory Commission<sup>5</sup> indicates that Mobile phone and internet coverage were above 100% by the end of

<sup>4</sup> <https://innovative.jo/ict/>

<sup>5</sup> Jordan telecommunication regulatory body



2017<sup>6</sup>, Mobile-cellular subscriptions per 100 inhabitants stood at 100% as well as fixed (wired)-broadband and Mobile-broadband. While the percentage of households with a computer stood at 55.8%, internet access at home and individuals using the internet were at 82.9% and 66.8%<sup>7</sup> respectively.

**Road Infrastructure:** Jordan’s road network spans across the Kingdom, connecting it with all its neighboring countries. According to a *World Economic Forum report*<sup>8</sup>, the Kingdom’s overall transportation, communications, power, and information technology are very healthy. Jordan’s infrastructure ranked 61st out of 139 countries, roads ranked 44, port infrastructure 64, air transport infrastructure 35, electricity supplies 38, fixed telephone lines 100, mobile telephone subscriptions 68, and availability of the latest technology.<sup>9</sup>

**Energy infrastructure:** Jordan imports about 96% of the energy it consumes. Multiple attacks on the Arab Gas Pipeline from 2011 to 2014, which supplied 88% of the country's electricity generation needs, forced the Kingdom’s power plants onto diesel and heavy fuel oil, costing the treasury millions and pushing the national energy bill to record highs<sup>10</sup>. Jordan’s geographic position with some parts of the country enjoying up to 330 days of sunshine a year is a huge potential for solar energy. The kingdom has taken advantage of its solar potential to diversify its energy mix by reducing its energy dependence while meeting the growing domestic demand for electricity.

### 1.5. CUSTOMER AND MARKET POTENTIAL

Despite a sound technological infrastructure, Jordan is still way below its DFS market potential (6.5%<sup>11</sup> of adult population with e-wallet accounts in 2014) due to general issues like financial literacy, habits (use of cash), lack of awareness, and limited trust for financial institutions. However, DFS is one of Jordan’s three core industry pillars in its National Financial Inclusion Strategy (NFIS) 2018-2020, and supports four cross-cutting enablers:

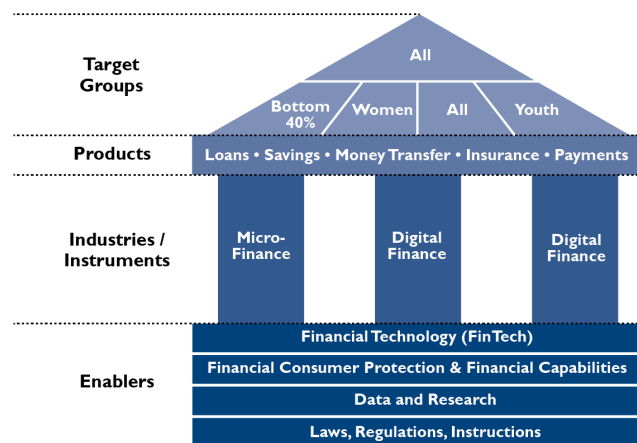


Figure 3: Framework for Financial Inclusion in Jordan

<sup>6</sup> Statista, number-of-mobile-cellular-subscriptions-in-jordan, [www.statista.com/statistics/498383/](http://www.statista.com/statistics/498383/)

<sup>7</sup> Hootsuite, *Jordan presentation*//[hootsuite.com/resources/digital-in-2018-emea](http://hootsuite.com/resources/digital-in-2018-emea)

<sup>8</sup> <https://english.alarabiya.net/special-reports/world-economic-forum.html>

<sup>9</sup> World Economic Forum Report

<sup>10</sup> <http://invest-export.brussels/documents/Jordan's+energy+sector.pdf>

<sup>11</sup> Calculation is based on the percentage of the 450 000 e-wallet accounts of the 6.8m adults (+15 and above)

*financial technology, financial consumer protection and financial capabilities, data and research laws, regulations and instructions.*

Consolidated figures from PSPs interviewed in October 2018 disclose that subscriber uptake is extremely low with only 299,346 e-wallet accounts of which less than 20%<sup>12</sup> is thought to be active. However, there has been remarkable progress with bill payments as monthly value average rose from 9,451 in 2014 to 196,477,633 at the end of the first quarter of 2018.<sup>13</sup> Despite conflicting figures from FINDEX and NFIS ( data coming from the Financial Inclusion Diagnostic Study in Jordan 2017), one of the Kingdom's NFIS strategic objectives shared during its signing of the 2016 Maya Declaration, is to increase the level of financial inclusion from 33.1% in 2017 to 41.5% by 2020. According to FINDEX this has already been met in terms of account ownership (including mobile wallet accounts) and which currently stands at 42%.<sup>14</sup>

At the client level, there is high mobile, smartphone and internet penetration in Jordan at 150%, 85% and 89% respectively. There are 54% active social media users<sup>15</sup>. The 100 % GSM coverage and a competitive market enables, means the use of mobile applications is prevalent and there is less reliance by PSPs for USSD and Mobile Network Operators more generally. However, there has been a lack of understanding by clients on the use of mobile wallets and, how digital technologies and digital attributes can add value in their daily lives. These challenges are being combatted by the introduction of the GIZ funded Digi#ances project and, efforts from Tanmeyah (the microfinance sector) as part of the NFIS to promote financial literacy.

## **1.6. PAYMENT SERVICE PROVIDERS AND VOLUME DRIVERS**

Five PSPs make up the Jordan e-wallet sector. AL Holool with its product branded Mahfazti, Dinarak and Zain Cash top the charts for the number of registered subscribers. Aya Pay and MEPS are yet to have their presence significantly felt in the market. The table below demonstrates payment volume drivers in the sector as of July 31<sup>st</sup>, 2018.

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<sup>12</sup> Consolidated feedback from PSPs

<sup>13</sup> CBJ, monthly payment statistic, Q1 April 2018

<sup>14</sup> Global Findex Database, 2017

<sup>15</sup> Hootsuite, *Jordan presentation*//hootsuite.com/resources/digital-in-2018-emea

Jordan presentation, 2018

TABLE I: TRANSACTIONS VOLUMES		
TYPES	VOLUME	VALUE (JD)
Cash In	407,495	28,285,932
Cash Out	56,705	14,494,844
Money Transfer	186,753	2,956,286
Purchases	183,924	1,409,863
Transportation	14,605	4,484.860

Source: CBJ

According to data received from the Central Bank of Jordan, the value of bill payments the value of bill payment in July 2018 since launching the system in 2014 amounted to 7.5 billion JD paid through 11.876 million invoices. A total of 30 banks and financial institutions offer e-payment services, while 143 facilities in the public and private sectors issue bills that are accepted by the system<sup>16</sup>

## 1.7. AGENT NETWORK

The Agent network in Jordan is still limited and static in size as per the July 31<sup>st</sup>, 2018 data published by CBJ. Unlike in most countries where MNOs leverage on their distribution network for the provision of mobile financial services, Jordanian PSPs rely heavily on Exchange Houses, ATMs and Post Offices, and have concentrated their agents in Amman and Irbid for registration, cash-in and cash-out operations. When combined, PSPs collectively have less than 1,000 active agents<sup>17</sup> in the market, as compared to 270 at the end of 2016<sup>18</sup> (4.3 per 100,000 adults). The relatively small increase (versus other markets) can be attributed to a corresponding growth in the number of mobile wallets, the growth in bill payment services via eFAWATEER.com, and the on-going awareness campaign being executed by GIZ in collaboration with Dinarak to refugees and low-income Jordanians.

The financial value proposition offered to agents as compared to other markets where DFS is excelling is not attractive enough to sustain dedicated agents and small businesses into the ecosystem. Most third party agents / small businesses (e.g. stand-alone local shops) don't see any financial value in becoming agents for PSPs. Although agents are compensated by PSPs for cash-in -

<sup>16</sup> <http://www.jordantimes.com/news/local/200-cent-increase-eFAWATEERcom-e-payments>

<sup>17</sup> Consolidated reports from PSPs, Oct 2018

<sup>18</sup> CBJ Data

the commission paid to agents ranging from 0.75 and 1.00 JD for the cash-out of 50JD is a minor incentive compared to an alternative investment such as increasing stock in their shop.

## **I.8. DFS ECOSYSTEM SUMMARY**

DFS in Jordan has a solid foundation thanks to its well-developed ICT infrastructure, supportive policy and regulatory framework. The Kingdom equally benefits from various forms of assistance from donors ranging from technical to financial support in developing the DFS ecosystem, as a result of the massive presence of Syrian refugees. The success of DFS in the Kingdom depends on the understanding and trust of the population who are still very skeptical. Jordan requires a well-developed and robust e-wallet distribution network of agents covering the entire Kingdom alongside a joint awareness campaign from the CBJ and PSPs to stimulate the market. Additionally, the JoMoPay business model should be revised such that PSPs are protected from losses from some key volume drivers, such as bill payment.

## **I.9. KEY FINDINGS**

- Bill payment is the main volume driver for PSPs in Jordan though each transaction is currently a loss maker. PSPs' revenue from transactions with eFAWATEER.com is very insignificant.
- Interoperability at the agent level is not fully implemented.
- Cash-out is not a revenue driver for PSPs since about 80% of cash-in is subsequently used for bill payments.
- Merchant payments are entirely owned by Visa and MasterCard due to the lack of a strong value proposition from PSPs
- The agent network is largely concentrated in Amman and Irbid with no clear strategy to expand the network outside traditional ATM, bank branches, Exchange houses and a few MNO agents. MNO Airtime distributors are not really considered by PSPs in the development of agent network.
- The set transaction limits for cash-in which is 1000JD, cash-out via ATM 500JD and cash-out via agent 1000 JD, limits the volume of peer-to-peer transactions
- There are just under 1,000 agents though this includes inactive agents, and those which are potentially double or tripled counted i.e. exchange houses offering all PSP services
- Domestic DFS P2P transactions are still low due to Exchange Houses being well established and competitively priced for local transfers
- Non-transparency on fees - Exchange houses are charging fees on top of cash-in transaction rates (which are not displayed at their outlets) raising issues on client protection. Airtime sale is not a main driver in DFS payments as is the case in most developing countries due to the fact most Jordanians prefer buying monthly bundles

## **I.10. IDENTIFIED OPPORTUNITIES AND CHALLENGES FOR DFS GROWTH**

### **I.1.1. OPPORTUNITIES**

- Jordan's sound regulatory environment and the numerous on-going initiatives (JoMoPay, eFAWATEERcom, Fintech Regulatory Sandbox, and DFS Council). The Kingdom's ICT sector is dynamic, liberalized and well developed. High Mobile 150%, Smart phone 85% and internet 89% penetrations, when all combined creates an opportunity for the development of a broad range of digital financial products and services.
- The influx of refugees from troubled nations around the region presents an opportunity for the development of tailored local and international products and services.
- Low mobile wallet adoption and lack of awareness can be overcome by institutionalizing financial education/ literacy programs, awareness campaigns and e-wallets for G2P, P2G, P2B and B2B payments
- The Kingdom's has a weak e-wallet agent network mostly concentrated (about 75%) in urban areas dominated by traditional financial institution branches such as Exchange Houses, Post office and bank ATMs. Rural and some semi-rural areas are left out.

### **I.1.2. CHALLENGES**

- Regulatory gaps – no e-KYc, and e-signature, no deposit taking in the MFI sector to encourage mobile savings.
- Limited innovation, internal capacity and Go-to-Market capability of FSPs
- Some PSPs may not survive thus reducing competitive market
- Impact of mandated interoperable regulation being enforced
- Cross network costs are expensive, unknown and not transparent (to the consumer)
- Small and safe country, and not such an issue of travelling from one point to another or risk of theft (a key value proposition for P2P and keeping a balance in other countries)
- Low level of mobile wallet adoption and lack of awareness (Less than 400,000 mobile wallet accounts with only 20% active) which can be overcome by a joint communication campaign from the CBJ and PSPs
- Financial and Digital Literacy
- The CBJ has much influence over the PSPs' business model (pricing and exclusivity in bill payments) and which can lead to frustration.

## 2. COUNTRY OVERVIEW

Jordan is a middle-income economy and among the smallest in the Middle East. There are insufficient supplies of water, oil, and other natural resources, and this underlies the government's heavy reliance on foreign assistance. Jordan has a population of about 10.4 million<sup>19</sup>. Jordanians make up 69.3% of the population, followed by: Syrians 13.3%, Palestinians 6.7%, Egyptians 6.7%, Iraqis 1.4%, other 2.6% (Armenians and Circassians)<sup>20</sup>. The Kingdom's challenges include: chronic high rates of poverty 14.2%,<sup>21</sup> unemployment (increased from 18.7 % in the second quarter of 2018 up from 18.4 % in the previous three-month period) budget and current account deficits, and government debt.<sup>22</sup> Although the Kingdom's foreign reserves continuously declined from \$10 billion by the end of July 2018, 12% lower than end of 2017 levels<sup>23</sup> it grew to \$11.3 billion in October 2018.<sup>24</sup> On the positive side, Jordan's economy benefits from its well-educated population 95.4%,<sup>25</sup> strategic location, world-heritage tourism sites, and a reputation for stability in the turbulent MENA region.



Figure 4: Country Map

<sup>19</sup> CIA world factbook data, (2018 estimates)

<sup>20</sup> [https://www.cia.gov/library/publications/the-world-factbook/geos/print\\_jo.html](https://www.cia.gov/library/publications/the-world-factbook/geos/print_jo.html)

<sup>21</sup> The Global Findex database 2017: Measuring financial Inclusion and Fintech Revolution: World Bank

<sup>22</sup> <https://www.worldbank.org/en/country/jordan/overview>

<sup>23</sup> [Pubdocs.worldbank.org/en/995001538654889315/Jordan](https://pubdocs.worldbank.org/en/995001538654889315/Jordan)

<sup>24</sup> CBJ financial stability report

<sup>25</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2103.html>

**TABLE I: KEY COUNTRY STATISTICS**

POPULATION (MILLION)	10.4
AGE DISTRIBUTION	
0-14 years (%)	34.14%
15-64 years (%)	62.25%
>65 years (%)	3.51%
Urban/rural split (% urban)	91%
Economically active labour force (%)	36.80
Population below poverty lines (%)	14.2%
Adult literacy (%)	98%
GDP (PPP) in USD billion	40.13
GDP per capita (PPP) in USD	9,200

SOURCES: CIA WORLD FACT BOOK

36.80%<sup>26</sup> of the work force in the Kingdom work for the government. And the service sector employs about 78%<sup>27</sup> of the Kingdom's workforce, and contributes 66.8% of the GDP. Informal jobs constitute an estimated 44% of total employment. Refugee employment is mainly informal. Adult literacy has been growing at an average annual rate of 1.46 % from 89.9 % in 2003 to 98 % in 2015<sup>28</sup>. In a bid to build the financial capacity of its citizens, money management and savings, basic financial skills are being taught mandatorily as part of the Financial Education Program to students in the 7<sup>th</sup> to 12<sup>th</sup> grade.

The Kingdom's economy is driven by the financial service sector, and which accounts for 12% of GDP. Tourism, trade and real estate are other key drivers. With very limited natural resources from which to derive revenues, Jordan is one of the most committed countries to financial reforms within MENA (privatization, tax reforms, opening of the banking sector) etc. In terms of the ease of doing business, Jordan has not made any significant progress over the last 5 years as it ranks 104 in 2018 from 103 in 2017, 118 in 2016, 119 in 2015 and 107 in 2014.<sup>29</sup>

<sup>26</sup> <https://tradingeconomics.com/jordan/labor-force-participation-rate>

<sup>27</sup> CIA world factbook data- 2013 estimates

<sup>28</sup> <https://knoema.com/atlas/Jordan/topics/Education/Literacy/Adult-literacy-rate>

<sup>29</sup> World bank Ease of doing business 2018

### 3. DEMAND FOR FINANCIAL SERVICES

Jordan has been witnessing a remarkable growth in the supply of financial services due to the following factors;

- The increasing demand from start-ups and entrepreneurial activity over the past decade led by the ICT sector,
- Government’s desire to diversify the economy and bring out entrepreneurial and innovative potentials to the market, which has attracted many international supporting partners
- And Syrian refugees continuous efforts to gain their own economic independence since their current economic/financial capital is limited not only by regulatory constraints (and struggling economy) curbing their possibilities to engage in employment and self-employment, but also by the lack of a complementary set of financial services 30.

In a survey conducted by USAID LENS in November 2018 on MSME payments in Jordan, 72% of micro-businesses<sup>31</sup> don’t access any financial services. 13% use in-branch services, 8% ATMs, mobile banking 4% and credit/debit cards 1%. Usage of digital financial services by micro businesses was very low, 2% for Aya Pay, 6% for Dinarak, 7% for eFAWATEERcom, 4% for Mahfazti and 6% for Zain Cash. Service used include bill payment, check balances, and receive/send transfers and, pre-pay airtime/subscriptions. The overwhelming majority of micro-businesses preferred dealing with cash which is faster and easier. However, the research suggested 36% of micro-businesses would use DFS in their business against 44% who said they wouldn’t; 20% had no opinion. 36% of respondents believe customers not having an account and trust remain the major challenges.

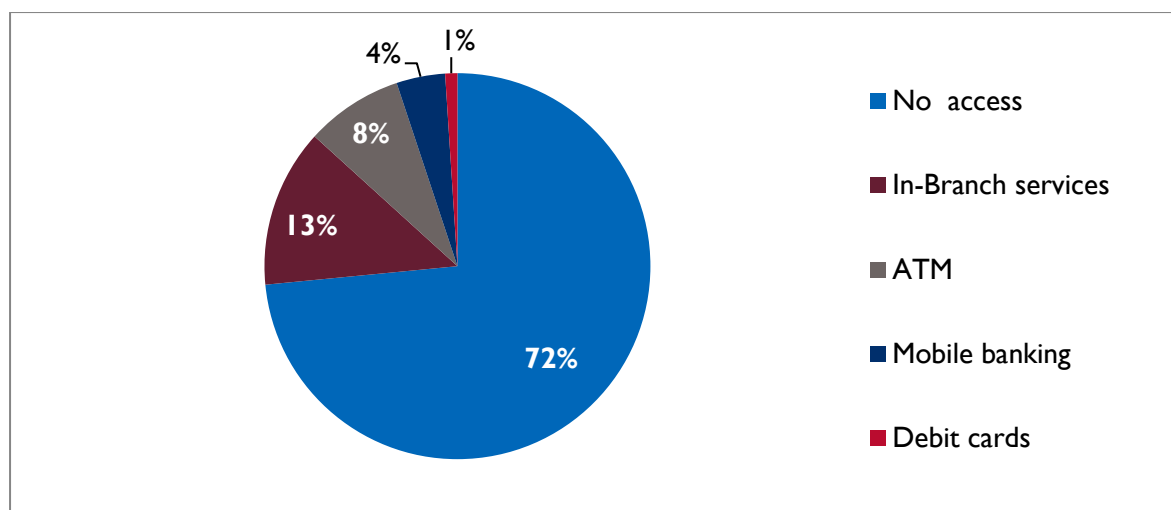


Figure 4: Channels used by MSME (Source: LENS MSME market assessment)

<sup>30</sup> MicroFinanza, Assessing the needs of refugees for financial and non-financial services – Jordan, July 2018

<sup>31</sup> Defined as having 1-9 employees



In terms of access to finance, there is a high financing gap in Jordan's SMEs sector stemming from the limitation of loan amounts offered by MFIs which leaves out a majority of SMEs too big to be served by MFIs and too small to be considered by banks coupled with the fact that most of them do not have sufficient collateral to mitigate lending risk. According to the European Bank for Reconstruction and Development (EBRD) 70% of Jordanian SMEs in the country are credit constrained, leaving the government with no choice but to shift its focus to boosting SME lending with initiatives such as the establishment of a USD 98 million Jordan Entrepreneurship Fund, a venture capital fund for the Government (loan from the World Bank) to make capital investments available for economically-feasible and innovative startups.

According to the CBJ / GIZ Financial Inclusion Diagnostic Study 2017, one-third of adults had an account with a financial institution. These accounts were mostly bank accounts, but also included a small share of mobile wallet accounts (0.9%) and Postal Savings Fund accounts (1.1%). While the rate of savings with a financial institution increased from 3.8% in 2014 to 9.03% in 2017, formal borrowing decreased. Formal financial access generally improved also for the lower income population as well as women (even if lower than in 2014, the female borrowing rate was higher than for men in 2017). According to the World Bank's Global Findex Database (survey of 1,000 Jordanians) statistical analysis, education, gender, and income are critical individual characteristics that affect financial inclusion in Jordan. Below are some key statistics:

- Gender gap (26%) in account ownership persists in Jordan, with 27% of women versus 53% of men having access to bank account.
- 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).
- 52.6% of unbanked adults are not interested in having a bank account. On the other hand, but the remaining 47.4% are often discouraged by the product conditions and practices of banks. High account fees (cited by 16.7% of adults with an account) and high minimum balance requirements, 15.3% are the product conditions of greatest concern
- In terms of insurance, a 2015 census found that 55.3%<sup>32</sup> of population had some form of health insurance coverage. In the census results, most of the health insurance coverage (62.5% of all covered individuals) is through the government, either the Ministry of Health (29.6% of covered individuals) or the Royal Medical Services (32.9%).<sup>33</sup>

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<sup>32</sup> Jordan Department of Statistics (DoS)

<sup>33</sup> CBJ / GIZ , Financial Inclusion Diagnostic Study in Jordan (2017)

## 4. REGULATIONS

### 4.1. DIGITAL FINANCE SERVICES OVERVIEW

Prior to 2013, mobile money services complied with a Central Bank of Jordan's 2010 circular on mobile payments, but it was not well-adapted to the opportunities and challenges represented by the nascent mobile money sector. The 2010 circular allowed limited licensing and distribution models, and which prevented the private sector from building sustainable services and extending the reach of the formal financial sector. The 2013 mobile money regulatory framework culminated in the 2013--2016 payment systems strategy (to achieve its key objectives of financial inclusion, financial stability, financial integrity and consumer protection) and which was amended in 2017. Key documents, related to DFS regulation issued by the CBJ include:

**The 2013 Mobile Payment Services Instructions (MPSI)** which provided a new regulatory framework for mobile money in Jordan. Mobile Payment Service Operational Framework that aimed at clarifying the structure of processes, techniques limits and operational environment of mobile financial services.

- Maya Declaration signed 201634: This document was made up of nine commitments on financial inclusion in the framework of the Maya Declaration. Among others, this included a target on consumer protection guidelines for DFS that was later put in place in April 2017.
- Regulations of financial Consumer Protection and Complaint Handling Mechanism Jordan Mobile Payment amended in July 2017 to include mobile money
- Requirements for the Provision of Services of Issuance and Management of Electronic Money No. (11/ 2018)

As per the Mobile Payment Service Instructions, mobile financial services in Jordan is neither bank-led nor MNO-led, but rather allows for an open playing field among various types of market players and which ultimately gives way for a greater variety of DFS products and services even though there are still obstacles (with regards to non-banks) to ensuring the licensing framework is non-discriminatory in practice.

A PSP license can be granted to banks, a mobile network operator, a wallet issuer or a consortium of such firms (Mahfazti.) Such flexibility allows for a high degree of experimentation with MFS business models and which can lead to successful innovations. \the downside of this approach is that Fintech PSPs may lack the financial capacity and the outreach to successfully rollout mobile money. Under the framework, mobile operators willing to provide mobile money services are required to set up subsidiaries with paid-up capital of JD 1.5 million (US\$ 2.1 million).<sup>35</sup>

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<sup>34</sup><https://www.afi-global.org/maya-declaration>

<sup>35</sup> CBJ, Mobile Payment Instructions (MPSI),2013.



According to the Financial Inclusion Diagnostic Study in Jordan 2017, cross-border transactions represent a regulatory challenge for new MFS providers considering that various countries may apply different licensing, AML and KYC policies, or clearance and settlement standards. In order to enable digital cross-border remittances such as B2B, the current national regulatory framework should be enhanced with the development of a regulatory and supervisory mechanism that complies with international standards on consumer protection,

anti-money laundering and anti-terror financing. The CBJ seems to be actively working on signing new agreements with other central banks in order to improve on or close any gaps in this area.

## 4.2. MOBILE FINANCIAL SERVICE MODELS

There are various MFS models in the market but all of which are compelled to interface with JoMoPay (National centralized switch that routes financial messages with ISO 8583<sup>36</sup> among all PSPs) and which is operated and by Jo-PACC. All PSPs and banks offering mobile banking and / or mobile money services have to connect to JoMoPay. To ensure full interoperability of the mobile money ecosystem, JoMoPay has integrated with eFAWATEERcom, Jordan's bill presentment and payment solution, the RTGS (Real Time Gross Settlement System) and JoNet, the national ATM switch. (See the Payment architecture diagram above on *1.4 - infrastructure*)

The Central Bank of Jordan plays a critical role in the JoMoPay commercial model. The operational framework allows JoMoPay to charge commissions on transactions routed through the national switch. These are to be paid by service providers and to be debited from the provider's account at the settlement bank. A grace period of two years without a fee to use JoMoPay was granted by CBJ to allow PSPs to keep their costs low and encourage customer adoption. However, irrespective of this CBJ gesture, PSPs are faced with challenges to scale up their business to a profitable level.

Zain Cash, Al-Hulool and Dinarak on the back end have linked mobile money accounts to both wallets and or paired to prepaid plastic MasterCard to enable their clients to leverage on Banks' ATMs for cash-in, cash-out and online payments infrastructures.

PSPs are yet to come up with attractive value propositions that can convince GSM distributor to carry out e-wallet transactions. They all target the Post Office and exchange houses which are mostly concentrated in urban and semi-urban areas. Apart from MFW which is about to come up with a project to convert some of its members to cash-out agents, no MFI in Jordan currently serves as a PSP agent though several have been considering the opportunity.

The interoperability model driven by the CBJ appears frustrating to some, for example, Orange, a MNO/PSP was first to go live prior to 2013 under the 2010 circular. They expressed concerns around the sustainability of the business model and the approach to interoperability under the

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<sup>36</sup> International Standard Protocol for financial transaction messaging

regulatory framework and decided not to be part of the ecosystem and so waited for a suitable model that is aligned with their interests.

### **4.3. AGENT NETWORK**

Jordan's mobile money regulatory framework allows PSPs to use agents for the acquisition of new customers as well as to provide cash-in and cash-out services. Agents do not need any licensing if they comply with the agent's guidelines established by the Central Bank of Jordan in the JoMoPay instructions, which include specific criteria<sup>37</sup> on who can be a mobile money agent, and the structure of the relationship between the PSP and the agent. As per the regulation, PSPs are required to regulate the relationship with their agents through written agreements that indicate the roles and responsibilities of each party under the CBJ guidelines.

The agent network in Jordan is limited to certain categories of businesses, and usually within similar high density locations. PSPs heavily rely on exchange houses, and bank ATMs, and with efforts to include Post Office branches, airtime distributors and fuel stations to expand their growth. According to the CBJ, there were 1,409 agents in the market in July 2018, but these numbers are contradicted by PSPs projecting figures are below 1,000<sup>38</sup>. The high cost of developing and managing an agent network coupled with the current business model leaves most PSPs with no option other than to work with already established cash liquid institutions. Current trends indicate that it may be very difficult for Jordan's mobile money sector to take off without an agent network outside of wholly-owned subsidiaries and exchange houses. Mobile money agents remain limited to Zain and Umniah shops, as well as some exchange houses, and a few grocery and barber shops, this significantly limiting the potential for mobile money to reach a good majority of the unbanked customers and especially those living outside of urban conurbations. Cash intensive outlets such as Post offices, MFI branches, MNO airtime agents, cooperatives, pharmacies, petrol stations and other micro businesses are yet to be exploited by PSPs. A common characteristic in the Jordanian market is that outlets are double counted as agents. For instance, an exchange house with three outlets is considered as three agents.

Unlike in some countries where the agent model is designed to include an agent-hierarchy (Float re-balancers, Super agents and agents), the agent model in Jordan is a flat structure (one account per agent) as per the CBJ's mobile money instruction. The lack of a well-structured agent network has some impacts on user uptake, since agents often pose as the first point of contact for unbanked users to learn about the service, understand how to perform basic transactions and, provide the brand visibility that is needed to create trust and service reliability.

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<sup>37</sup> Solvency, the ability to manage cash-flow, technology based activities, maintain security and protection of client information, meet security and safety requirements, compliant with the kingdom's legislation with regards to AML and EFT, and customer complaint management.

<sup>38</sup> Figure is based on data collected from interviews with the PSPs in Jordan

#### **4.4. KYC/AML**

The Jordanian AML/CFT regime is based on the 2007 Anti-Money Laundering and Counter Terrorist Financing Law (no.46/2007), which established an independent anti-money laundering unit, criminalized money laundering and terrorist financing. The law applies to banks, money transfer companies, foreign exchange companies, and other financial companies, including PSPs. Even though KYC requirements differ from one bank to the other, the MFS ecosystem put in place by CBJ allows users, even those without access to traditional bank accounts, to make financial and payment transactions. The Know Your Customer (KYC) requirements for JoMoPay “are designed such that new customers can register by providing their national ID number (for Jordanian citizens), their passport number (for foreigners), their UN [HCR ID] number (for refugees), or the number of their Ministry of Interior (MOI) service card. Mobile wallet transaction amounts are capped as a major to check money laundering activities. The CBJ is working on an e-KYC system that will be linked to the Kingdom’s national identification system for biometric signature, and an instruction on financial certificates for banks, MFIs, and PSPs to implement e-signatures in their operations. This would certainly reduce the length of time PSPs use to on-board a subscriber, eliminate paperwork and facilitate real-time loan processing with tablets in the MFI sector.

#### **4.5. CONSUMER PROTECTION**

Prior to 2017, there were no general laws relating to consumer protection in Jordan and no specific financial consumer protection regulations apart from the 2012 Instructions on Dealing with Customers Fairly and transparently that only covered customers bank accounts. In 2017, the CBJ improved the regulations by introducing “Instructions on the Protection of Personal Data of the Clients of Payment Services and Electronic Transfer of Funds<sup>39</sup>” for non-banks to safeguard customers’ money, to issue consumer protections rules, to develop customer complaints, to ensure systems governance and safety, and to develop data collection, analysis and visualization.

#### **4.6. OTHER ISSUES**

Payment Service Providers lack clarity on the level of taxes they are subject to. This is due to existing gaps on the classification of their activities. Fintech firms with similar functions as those of PSPs are subject to 5% income tax in Jordan, while the income tax for financial service providers is 35%. The question on whether Fintech firms are exempt from sales tax (like banking services) persists. A clarification on this is still pending and could have a direct effect on the cost of services. In the short-term, a comprehensive tax regime is recommended to be put in place in order to encourage market growth.

The limits for mobile wallet transactions are significantly lower than those of other markets in the European Economic region. Some MFIs complain that clients with loans superior to maximum cash-out limits disbursed via mobile wallet are not comfortable because they are compelled to do several cash-out transactions which is costly.. In the short-term, this does not seem to be a major issue

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<sup>39</sup> A transaction that takes place over a computerize network amongst accounts of the same bank or to accounts in different financial institutions

given the inceptive stage of the mobile wallet market, yet these limits would need to be revised for a more active transition to digital financial services and reducing.

The current commission structure practiced by eFAWATEER.com the exclusive bill payment aggregator, leaves PSPs with very little margin to cover cash-in and operational cost unlike in most markets where PSPs either work directly with billers or through aggregators. The three-way commission split between eFAWATEER.com, PSPs and the CBJ, PSPs tend to be the looser and this remains a critical issue to be reckoned with in the Jordanian market given the fact bill payment is the principle driver of DFS transactions. The fact that these PSPs don't derive significant commissions from bill payment transactions could be one of the main reasons why their agent network is not well-developed in the Kingdom.



Figure 5: DFS Council Session (source CBJ)<sup>40</sup>

## 4.7. OTHER INITIATIVES

### 1.1.3. THE DFS COUNCIL:

With funding from GIZ, the CBJ has established the *Digital Financial Services Council*, made up of the government, private sector, NGOs, International entities, and startups who meet on a quarterly basis to discuss a host of topics related to the DFS ecosystem. According to the CBJ, the main objective of the platform is to counsel the CBJ on all policy and regulatory issues around DFS in Jordan. The Council gathers suggestions and concerns of the private sector and which are then considered during the development of new regulations and guidelines. The council coordinates with other regulatory entities and ensured the voices of the DFS ecosystem are heard.

So far, a series of meetings have been held under the council covering the following topics: the future of digital financial services in Jordan, DFS dialogues, consumer protection, user awareness and financial literacy, the responsible digital payment guidelines of the Better than Cash Alliance, agent network challenges, anti-money laundering & countering the financing of terrorism, and lately challenges that PSPs face.

### 1.1.4. THE FINTECH REGULATORY SANDBOX<sup>41</sup>

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<sup>40</sup> CBJ – DFS Dialogue

<sup>41</sup> Fintech Regulatory Sandbox: A safe space where businesses can test innovative products without immediately incurring into normal regulatory consequences.

The CBJ is in the process of implementing the Fintech regulatory Sandbox incubator. It will be anchored as its own unit within the CBJ. The sandbox will allow the expansion of services for Fintech entrepreneurs. At the time of this report, the CBJ was establishing the governance procedures of the Unit and will soon be expecting applications from interested parties. The incubator will provide entrepreneurs a testing environment on JoMoPay but with limited regulatory constraints

## 5. FINANCIAL SECTOR

### 5.1. OVERVIEW

Jordan has a well-developed financial system made up of 26 banks (891 branches), 9 Microfinance institutions (186 branches), 1,516 ATMs, 31,902 payment terminals, 140 exchange houses, five payment service providers, 32 leasing companies, 24 insurance companies and more than 1600 cooperatives of which 900 are active<sup>42</sup>. The Central Bank of Jordan regulates these players, with additional regulations in the financial sector coming from the Jordan Securities Commission. According to the CBJ, the financial sector represents about 20% of GDP, with commercial banks holding the lion's share of the industry.

Banks are the main source of funding for both the public and private sectors, and have a capital adequacy ratio of 19%, well above the prudential requirement of 12%. They have comfortable liquidity, with an average ratio of 138.1%, well in excess of the regulatory minimum of 100%. The microfinance sector has a high potential to play a strategic role in the Jordanian financial sector. Its outreach could be widened to cover insatiable areas so as to fulfill the shortages in demand for financial services, and match the national challenges facing its socio-economic status (the poverty and unemployment) in Jordan.

### 5.2. FINANCIAL INCLUSION

In terms of financial inclusion, about 58%<sup>43</sup> of the Jordanian population is unbanked. They mostly rely on over-the-counter transactions through exchange houses for local remittances and, use informal channels, such as savings clubs or saving with a person outside the family for deposits rather than open a bank account, this often due to the relatively high minimum balance to open the account.<sup>44</sup> Formal financial access is gradually improving for the lower income population though the gender gap of 29% (according to Findex 2017) is the highest in the world, and where only one

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<sup>42</sup> Cooperatives Assessment Master Doc\_USAID LENS VI.docx

<sup>43</sup> Global Findex Database 2017

<sup>44</sup> CBJ / GIZ Financial Inclusion Diagnostic Study, 2017

out of three Jordanian women have access to bank account... Jordan's NFIS strategy was to reduce gender gap from 53% to 35% by 2020<sup>45</sup>.

### 5.3. BANKS

Despite ongoing regional volatility, low oil prices and slowing GDP growth within the Kingdom, the banking sector remains resilient, stable and attractive to investors. There are 26 banks in operation, 15 of which are listed on the Amman Stock Exchange (ASE), led by the largest, Arab Bank; regional institutions include Kuwait National Bank, Egyptian Arab Land Bank, BLOM Bank and National Bank of Abu Dhabi; and Western multinationals is made up of Citibank, Bank Audi and Standard Chartered. Amongst the banks, four are Islamic: JDIB, Jordan Islamic Bank, Al Rajhi Bank and Islamic International Arab Bank.<sup>46</sup> Services of these banks cover almost all parts of the Kingdom through their 806 branches and 70 offices (according to the data of 24 banks). The banking density indicator (population to the total number of branches of banks operating in Jordan) was about 12,473 people per branch by the end of 2017.<sup>47</sup>

By the end of 2017, the number of ATMs reached 1,707 machines, up from 1,606 machines by the end of 2016. These machines are spread all over the Kingdom, with varying percentages. The capital, Amman, has the lion's share, 66.1%, followed by Irbid Governorate (10.4%). Zarqa Governorate ranked third (6.7%). The remaining ATMs are in the other governorates.<sup>48</sup> ATMs play a significant role considering that newly installed machines often have greater capabilities, allowing not only for cash withdrawals but also cash deposits (11 out of 25 banks are reported to have such ATMs at the end of 2015; CGAP's 2017 report estimates that 30% of all ATMs have this functionality. Cameras with software upgrades and face-recognition technology are used in these ATM machines to allow for an accurate identification of clients, reducing the risk of ATM frauds. About 230 of these ATMS can be used for mobile wallet Cardless transactions, and are being rolled out by Cairo Amman Bank. Work is underway to finalize cardless withdrawal transaction testing in Jordan-Kuwait Bank.

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<sup>45</sup> CBJ / GIZ , Financial Inclusion Diagnostic Study in Jordan (2017)

<sup>46</sup> <https://oxfordbusinessgroup.com/overview/banking-financial-services-sector-in-jordan>

<sup>47</sup> Association of Banks, Annual Report, 2017, <http://abj.org.jo/en-us/Annual-Reports>

<sup>48</sup> Association of Banks, Annual Report, 2017, <http://abj.org.jo/en-us/Annual-Reports>



**TABLE 3: BANKING SECTOR FINANCIAL INDICATORS (2015-2017)**

AMOUNT IN JD THOUSAND

Financial Year	2015	2016	2017
Total Assets	2,206,222	2,338,839	2,565,132
Total Credit Facilities	1,221,967	1,297,832	1,541,582
Deposit (Customer Banks)	1,688,476	1,752,603	1,910,697
Banks, Shareholders' equity	362,242	405,447	433,665
Non-Controllers' interest	4,703	6,989	5,491
Net Profit Before Tax	61,966	62,315	67,583

SOURCE: ASSOCIATION OF BANKS JORDAN

In 2017, there were 31,902 PoS<sup>49</sup> terminals mostly managed by Medium Small and Micro Enterprises (MSME) were in use in Jordan. This was estimated to be a relatively small number considering that the country registered 157,000 formal MSMEs in 2014, of which a considerable number could be using more than one PoS terminal.

Adult Jordanians are often discouraged by bank product conditions, with high account fees and high minimum balance requirements being of greatest concern, only 6.8% of the population received their wages into an account and only 5.8 % of people do so for government transfers, leaving considerable potential for the digitalization of Business-to-Person and Government-to-Person transfers through mobile wallets. The Central Bank of Jordan is leveraging on these factors to improve the existing DFS-friendly regulatory framework to create a more enabling environment for the promotion of digital financial services and more specifically mobile wallet in the country.

#### 5.4. MICROFINANCE

The microfinance sector in Jordan is relatively young (went operational in 1994) though quite well-developed, highly competitive and profitable. The microfinance sector has registered a remarkable growth with a total portfolio of JD 261 million at the end of Q3 2018<sup>50</sup>. The sector is comprised of 9 professionally run MFIs (Microfund Fund Women, VITAS, Tamweelcom, National Microfinance Bank, Ahli Microfinance Company, Ethmar, UNRWA, FINCA and AL Ameen Microfinance) with a total of 195 branches nation-wide under the umbrella of Tanmeyah, the Association of Microfinance Institutions in Jordan. Although MFIs have considerably fewer branches than banks, they are relatively more distributed across governorates - only 34.3% of MFI branches are in Amman,

<sup>49</sup> Association of Banks, Annual Report, 2017, <http://abj.org.jo/en-us/Annual-Reports>

<sup>50</sup> Tanmeyah, members report Q3, 2018

compared to 60.1% for banks. They have been making considerable efforts in fairness on the credit side, leading the outreach to women, low-income groups, and refugees representing about 42% of the population. The Sector's Gross Loan Portfolio grew on an average of 15% over the last five years (2012-2017)

**TABLE 4: TANMEYAH'S GROSS LOAN PORTFOLIO 2017**

YEAR	TOTAL GROSS LOAN PORTFOLIO (GLP)JD	GROWTH RATE %
2012	101,849,121	0
2013	122,944,799	21
2014	149,227,710	21
2015	180,191,279	21
2016	206,332,118	15
2017	227,038,235	10

**TABLE 5: FINANCIAL SERVICE PROVIDER**

Apex organizations	
Regulatory bodies	1
Commercial banks	26
Microfinance institutions	9
Exchange house	140
Savings & loan cooperatives	>200
Insurance companies	24
PSPs	5

SOURCE: ASSOCIATION OF BANKS JORDAN/CBJ/GIZ, FINANCIAL INCLUSION DIAGNOSTIC STUDY IN JORDAN (2017)

The sector was initially focused primarily on group and business purpose lending but, based on demand, has evolved significantly to include individual enabling and supporting loans and products such as educational loans, life insurance and business development services concentrating on productive households and low-income segment quality of living. In terms of DFS, seven (MicroFund for Women, Ethmar, Tamweelcom, Ahli Microfinance company, National Microfinance Bank, FINCA, and Vitas) of the nine MFIs are currently involved in DFS (Tablet Loan processing and disbursements through mobile wallets), and are equally integrated with eFAWATEER.com for loan repayment. MFW has taken a giant step by piloting a digital economic identities project intended to help Syrian refugees store credit histories, educational certificates, and business information in a blockchain-based digital identity for use to gain access to credit or employment.

Some important regulatory constraints placed on MFIs' activities are the prohibition on deposit-taking, the lack of access to inexpensive local funding (even though international donors largely

supply this shortage) and restrictions on the maximum size of loan, the last of these limiting access to credit for those enterprises too small for banks but too large for MFIs. Many MFIs collaborate with international initiatives such as the Mix Market Micro Banking Bulletin and SANABEL Annual Market Survey, and provide data in accordance to a principle of transparency and accountability. And these MFIs are members of Tanmeyah, the industry apex organization which is also helping through LENS to collect and peer group data on MFIs. Several donors, including the EU, USAID LENS, and IFC (support small businesses, entrepreneurs and women) are committed to providing capacity building and financial support to the microfinance sector as well as helping to evolve its regulatory framework.

## 5.5. OTHER FINANCIAL SERVICE INSTITUTIONS

- **Postal Savings fund:** The Jordan Post Company (JPC) has a network of 310 branches nationwide and are particularly strong in rural areas where banks and MFIs don't operate. There is a strong focus on using this network to improve access to financial services for the poor and excluded groups.
- **Exchange houses** make up largest group of non-bank financial institutions in Jordan. They play a central role in domestic (cash-to-cash, cash-in and cash-out services for PSPs,) and cross border remittances. There are 140 exchange houses (256 branches) in Jordan licensed by CBJ to practice money exchange under the money exchange business law
- **Micro credit institutions:** There are about 200 microcredit schemes like organized cooperatives on the local level that provide savings and credit opportunities. Some of them are supported by donor funds.
- **Government agencies:** There are other traditional finance houses such as the Agricultural Credit Corporation (ACC), the Development and Employment Fund (DEF), the Military Credit Fund (MCF), and the Postal Savings Fund (PSF), each of which was initiated or founded by the Jordanian government. These institutions tend to offer much lower interest rates than MFIs but have relatively slow processing times and sometimes must ration credit due to funding limitations. The ACC has been the principal microcredit provider to agriculture while DEF on the other hand provides direct and indirect loans as well as technical assistance to develop and provide financing for small businesses.

## 5.6. INSURANCE COMPANIES

There are 24 insurance companies in Jordan. The sector is concentrated at the top but fragmented at the bottom, with the top five companies claiming 47.3% of the market share of total premiums written in 2015. Medical insurance is the most profitable segment, with the highest contribution to technical profits. However, the segment faces declining margins due to rising costs of medications and hospitals coupled with insurance fraud. Around 68% of Jordanians and 55% of the total population in Jordan are covered by some form of health insurance, according to the results of the

2016 Population and Housing Census report. Making health insurance compulsory for all would lead to strong growth in this segment of the market and help boost profitability overall.<sup>51</sup>

## 5.7. PAYMENT SYSTEM

An open and inclusive digital payments infrastructure significantly boosts financial inclusion and economic opportunity. Such infrastructure generally increases levels of usage and economic activity in the formal economy. The payment infrastructure in Jordan is well-placed to support domestic payments digitization. There is a high level of interconnectivity between mobile services and the broader payments ecosystem, with interoperability between e-money issuers as well as interconnectivity with the broader ecosystem (ATM switch, bill payment platform, cards acquirers). The Kingdom has a sound infrastructure in place for payments, the most important components of which are the real-time gross settlement system (RTGS), Automated Clearing House for interbank transfers, Electronic Cheques Clearing system, JoNet for bank-to-ATM transactions, JoMoPay for mobile payments, and the MEPS and EMPS switches for retail payments facilitating digital and mobile methods of making payments, although the usage rate remains very low.

Jo-PACC currently operates the national mobile payments switch (JoMoPay) and which facilitates interoperability between all mobile payment service providers by connecting end users (through a mobile device) to the country's payment ecosystem. This encourages financial inclusion for many end users and offers benefits to the underserved population and refugees. JoMoPay enables a wide range of use cases, including: P2P and P2B transfers, and bill payments. Additionally, JoMoPay enables G2P, B2B, merchant payments, international remittances, cash-in and cash-out.

According to the Financial Inclusion Diagnostic Study in Jordan 2017, the rapid increase in internet access and smartphone ownership has made internet banking, mobile phone banking, and mobile wallet usage more feasible. The rate of mobile phone ownership is 92.1%, with 76.5% of adults owning a smartphone, and 0.7% having internet access either through a computer or mobile phone. This has so far only translated into 1.4% of adults having internet banking and 2.1% having mobile banking services, so financial institutions will need to improve the usability and features of their platforms in the future.

## 5.8. EFAWATEERCOM

eFAWATEERcom is the unique bill payment aggregator web service communication module that enables banks, Payment Service Providers (PSP) and billers to send and receive financial requests through the eFAWATEERcom network for the purpose of bills presentment and payment. The platform is owned by Jo-PACC and operated by the e-payments Fintech MadfoatCom<sup>52</sup>, which won a tender to build, operate and administer the e-billing system in early 2014. The latest statistics from *MadfoatCom* reveals that there were 146 billers (24 active) and 313 by the end of September 2018

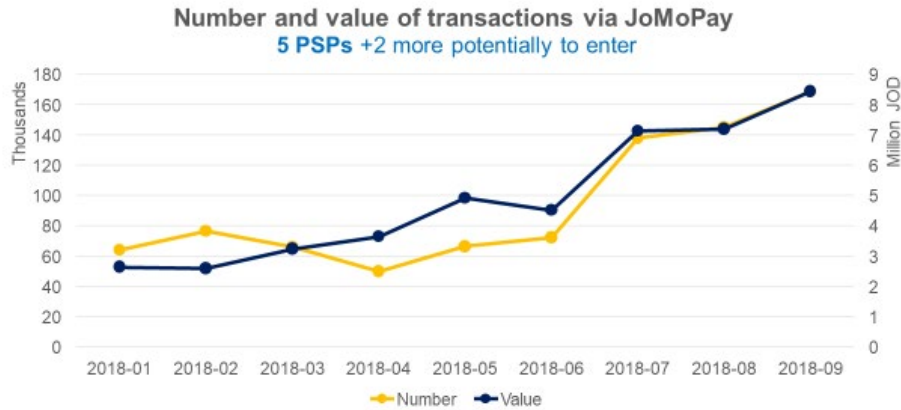
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<sup>51</sup> [Jordinvest.com.jo/uploads/the-jordanian-insurance-sector.pdf](http://Jordinvest.com.jo/uploads/the-jordanian-insurance-sector.pdf)

<sup>52</sup> Madfoot3atCom is a seed investment of Oasis500, the Amman-based ICT start-up accelerator.



## Market development



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Figure 7: eFAWTEERcom monthly transactions

SOURCE: CBJ

It handles bills from mostly government organizations and telecom companies in Jordan. The eFAWATEERcom service has experienced very strong growth in transactions, as the number of bills paid through the system rose from 478,281 in 2015 to 7.5 billion JD in just the first eight months of 2017. The volume of payments through cheques declined in 2016 after many years of growth, indicating that traditional method of payment may be plateauing as new digital methods increase in popularity.

### 5.9. SUPPORTING PAYMENT INFRASTRUCTURE

**MasterCard and Visa** are the most effective payment instruments in the Jordanian market used in merchant points of sales; online and via ATM. PSPs are pairing their wallets with MasterCard to enable their clients to use ATMs for cash-out to overcome the issue of agent scarcity in the market.

**The Emerging Markets Payments Group (EMP)** is a regional player active in the sphere of electronic payments services (to banks, retailers, governments and consumer finance institutions across the Middle East and Africa). EMP has several notable DFS initiatives in Jordan:

- Shareholder of Al Hulool (a PSP)
- Hosting the eFAWATEERcom bill payment system (see above)
- Shareholder of Visa Jordan Card Services since 2011.
- Commercializing and managing point-of-sales (POS) terminals.

**Middle East Payment Service (MEPS)** is a regional PSP established in 2009. It is simultaneously a payment processor, card issuer and merchant acquirer of payment cards in Jordan, Palestine and Iraq. Its specific services include the facilitation of credit, debit and prepaid card transactions through third-party processing, ATM management, merchant acquiring, e-payment gateway solutions, mobile

payments and a range of point-of-sale (POS) services. MEPS have been granted a PSP license and the company is in the process of piloting its mobile money product branded “National Pay”.

#### **5.10. GOVERNMENT’S IT AND COMMUNICATION STRATEGY**

Even though there appear to be limited successes with e-payments transactions at the time of this report, the government of Jordan has placed a high priority on improving the Kingdom’s information and communication sector with the implementation of the “Jordan National Information and Communications Technology Strategy”(2013-2017) aimed at providing Jordan with a defined strategy for addressing areas of specific weakness and opportunity for the purpose of improving the role of ICT in the Kingdom’s economic development. This strategy has culminated to the development of a sound and robust IT infrastructure in the Kingdom, alongside the required skillsets. The government’s continuous effort to further develop the IT sector and digitize government services via the interoperability amongst DFS ecosystem players is a big pull and pushes to catalyze the DFS market including encouraging the CBJ’s to constantly update its DFS regulatory framework so as to meet up with the fast ever-changing pace of digital solutions.

#### **5.11. JORDAN CREDIT BUREAU (CRIF)**

Jordan’s private-owned credit bureau has been operational since 2015 to boost lending to small and medium-sized enterprises (SMEs). While there is still room for improvement, with some stakeholders arguing that a lower threshold for reportable debts is needed if the bureau is to be truly effective, the credit bureau is expected to be a turning point for lending growth in the Kingdom. All the 26 banks and so far 4 MFIs are now affiliated to CRIF. Efforts are underway by the CBJ to ensure all financial sector players, including PSPs in the Kingdom become part of CRIF as soon as possible. PSPs could leverage the data from the CRIF to develop digital credit products for their customers.

#### **5.12. GIZ DIGI#ANCES PROJECT**

The project is focused on improving access to remittances also includes a component on improving financial literacy through information campaigns and training courses tailored to the target groups in order to promote the responsible use of digital financial services (focused on Syrian refugees, low-income Jordanians and women).

#### **5.13. CONSUMER FINANCIAL EDUCATION AND PROTECTION**

Jordan has achieved significant improvements in the level of general literacy over the last few years. The country’s literacy level increased from 93% in 2014 to 98% in 2015 with little differences in gender and a relatively high rate among young people. Cognizant of the fact that level of financial literacy is a significant driver of effective financial market participation, and an important sub-goal of the 2018-2020 NFIS, the government plans to increase financial literacy and awareness across all sectors to enable citizens to:

- Understand basic financial and banking principles and concepts,
- Manage savings and property and make optimal and secure investment decisions.
- Leverage resources, services, and facilities offered by banks and other financial institutions to improve personal finance and to develop business.

- Enhance consumer protection methods and means, and build trust in financial transactions and dealings, thus encouraging investment and use of services.
- Strengthen financial inclusion as well as financial, economic, and social stability in the Kingdom.

The Central Bank of Jordan along with the Ministry of Education has instituted mandatory financial literacy programs for students and how to become entrepreneurs in an effort to promote small businesses. Money management, saving and other basic financial skills are being taught as part of the Financial Education Program, more than 350,000 students from the 7th to the 12th grades in Jordan as part of the curricula, and the partnership between the **Digi#ances Project** and financial institutions to promote the uptake and usage of digital remittances is also helping to educate refugees and the low-income population.

#### 5.14. WOMEN AND FINANCIAL SERVICES

Women make up 47.1% of the Jordanian population but are under-represented in economic activity. Just 16.3% of all employed persons were women in 2016, one of lowest ratios in the MENA region. Less than one in three women (27%) has access to a bank account. The low participation in financial services by women could also stem the economic changes that increase their suffering due to the social roles imposed on them (as they are considered strangers when it comes to family business or money issues) and community networks, traditional beliefs and limitations from participating in family capital management decisions.

## 6. MOBILE SECTOR

### 6.1. OVERVIEW

According to the Jordan’s Telecommunication Regulatory commission (TRC), three providers have almost similar share of the information and communications technology market in the Kingdom. According to data received from several sources, Zain appears to be the leading mobile telecommunication network with 37% of market share, followed by Orange and Umniah with 34% and 29% respectively in terms of mobile subscribers. All three operators were granted the rights to introduce 4G/Long Term Evolution (LTE) services to the market by 2015. The three operators compete in a mobile market, with a majority of their subscribers being prepaid users. Mobile penetration is very high in Jordan at 150% with over 13 million active mobile subscribers. The potential for large-scale mobile internet penetration due to competition has captured the attention of Jordan’s technology start-up companies. Many are developing applications to target the higher spending demographic traditionally associated with Mobile internet early adopters. There are conflicting figures on the number of mobile phone connections (i.e. using SIM cards) which exceeds the number of the population but at the same time, not everyone has mobile phone access. While the World Bank estimated ‘mobile access at home’ at 98% in 2015, the GSMA intelligence reported that there were 8.4 M connections

**TABLE 2: GSM PENETRATION**

Mobile operators (GSM)	3
Geographic coverage (%)	100
Mobile subscribers (mm)	15.3m
Mobile penetration	150%

SOURCES: JORDAN TELECOMMUNICATION REGULATORY COMMISSION

of which 88% were prepaid by Q4 of 2017 and reports from other sources<sup>53</sup> indicates that there were 15.3 m subscription in 2016. At the same time, the 4G coverage (allowing for even greater data exchange speed) was introduced in early 2015 and was estimated to cover 14% of the territory in 2016, with forecasts of reaching 70% by 2020. The 2017 IVS report indicated that there were 8,700,000 internet users by Dec/2017 representing 87.8% of the population, with 53% on Facebook<sup>54</sup>

## **6.2. OPPORTUNITIES FOR THE MOBILE INDUSTRY IN JORDAN**

- High population growth due to influx of refugees from Syria and Iraq, and which is key for business growth given the current mobile penetration rate.
- High percentage of youth among the population, who are early adopters of emerging technologies and services
- Emerging networks, namely LTE, amidst the ongoing adoption of bandwidth demanding services (Digital disruption)
- Emerging services with promising growth, such as NFC, mobile payment applications and cloud based services.

## **6.3. CHALLENGES**

- Mobile services in Jordan are currently subject to a fixed 24% tax, as well as the standard 16% General Sales Tax (GST), there are plans by the government to increase this tax on from 24% to 26%, at the same time introducing a new 1% levy on net profits dubbed the 'solidarity tax' that will be used to fund scientific research and support for the poor and will be collected from all companies
- Highest tax rate on mobile users in the Kingdom (43.8%).
- Intense competition and price wars driving voice rates to low levels.

## **6.4. 4-G PENETRATION**

Jordan's ICT market is undergoing a rapid shift towards data service usage over traditional voice and SMS services, supported by equally swift mobile broadband network expansion, which has had a large impact on internet usage since 2014. According to the ITA, estimated internet penetration stood at 85% by the end of 2017. The introduction of 4G LTE services has led to a growth in data revenues for the mobile operators and expanding data offerings is now a key focus area. It is estimated that 4G penetration could reach as much as 70% by 2020. The 4G penetration is changing

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<sup>53</sup> [www.statista.com/statistics/498383/number-of-mobile-cellular-subscriptions-in-jordan/](http://www.statista.com/statistics/498383/number-of-mobile-cellular-subscriptions-in-jordan/)

<sup>54</sup> <https://www.internetworldstats.com/me/jo.htm>



the face of the market in terms of subscriber uptake amongst the three MNOs in the market. Orange and Zain investments in fibre-optic network infrastructure are altering the market-share as Umniah lags. The fixed broadband network is also growing, and the government has been working for some time to deploy its national broadband network.

## **6.5. SOCIAL MEDIA**

Facebook and YouTube are among the top ten visited websites in Jordan.<sup>55</sup> As of April 2016, 89% of all social media users in Jordan use Facebook, while 71 percent used WhatsApp<sup>56</sup>. In January 2018, there were 5.8 million Facebook and 1.8 million Instagram subscriptions in the Kingdom, representing a 59% and 18% penetration<sup>57</sup>. Monthly active Facebook users hovers around 5.8 million with 91% via mobile, while Instagram 1.8m.

## **6.6. MOBILE FINANCIAL SERVICES:**

- Zain offers mobile money as a standalone business while leveraging strong relationships with GSM agent network, stakeholders and its large customer base. Zain applied and was approved to become a PSP in March 2015.
- Orange expressed concerns about the sustainability of the JoMoPay business model, the approach to interoperability under the DFS regulatory framework and decided to temporarily halt its investments in mobile money to play an observatory role.
- Umniah is in the consortium with 6 banks, an MFI (MfW) and the Emerging Markets Payments Group (EMP) known as Al Hulool a strategy which allowing them to leverage assets limiting individual investments from each of the consortium member. AL Hulool applied to become a PSP in November 2014 and was approved in November 2015.

# **7. MOBILE FINANCIAL SERVICE PROVIDERS**

## **7.1. OVERVIEW**

The Mobile Financial Service revolves around JoMoPay, the unique payments system that facilitates cross-platform and platform level interoperability for multiple digital payment instruments in the Kingdom. This includes interoperability between the licensed PSPs, as well as interoperability between mobile wallets, bank accounts, and prepaid cards. Four of the five PSPs licensed to operate in the Kingdom have launched their services; MEPS is still at the pilot phase.

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55 Alexa, "Top Sites in Jordan," accessed on May 2, 2017, <http://www.alex.com/topsites/countries/JO>

56. Jordan Times, "Facebook, WhatsApp Overshadow Twitter in Jordan's Social Media Sphere," April 13, 2016, <http://bit.ly/2bBODMQ>

57 <https://www.internetworldstats.com/middle.htm#jo>

Mobile banking appears to be more popular than internet banking, although neither is used widely yet. Just 1.4% of adults had internet banking and 2.1% had mobile banking, and usage of these services (at least once per year) was even lower at 1.2% and 1.6% of adults, respectively, according to the CBJ / GIZ, Financial Inclusion Diagnostic Study in Jordan (2017). Culture, low financial and technological literacy among customers plays a key role in explaining the limited use of these services. Pull and Push integration with bank accounts is not commonly used in Jordan. Connecting mobile wallets to existing bank account is an important key step to drive usage but most of the PSPs are not aggressive towards this feature as they focus more on the unbanked.

As of July 31<sup>st</sup>, 2018, there were 299,364<sup>58</sup> mobile accounts in the Kingdom of which more than 80% were inactive. With regards plastic cards and NFC, some MFS providers also link extra products and/or gadgets to a mobile wallet account during subscription. An example of what is being practiced is the issuing of prepaid MasterCard with a one time-password to new mobile wallet subscribers. The rationale behind such products is for clients that do not have a mobile money agent nearby to conduct cash-out operations through local ATMs. While smaller PSPs prefer a more careful individual approach of attracting new clients via face-to-face registrations with authorized agents and specific target groups (e.g. working with refugee communities and university level projects which are facilitating public transport payments for students via mobile phones with NFC tags), larger PSPs with viable investors deploys a more corporate and bulk business development and marketing approach. Unlike some African and Middle East countries where mobile wallet clients must rely on USSD data exchange systems from mobile network operators, PSPs in Jordan appear to minimize the role of USSD in MFS transactions given the country's high smart phone (85%) penetration rate and the 100% internet coverage. Mobile applications are the most common form of channels used by the highly literate Jordanian society for transactions.

## **7.2. PAYMENT SERVICES PROVIDERS**

As of October 2018, four out of the five PSP companies were active on the market and offering new mobile wallet services. Dinarak and Aya are still considered as start-ups that focus on specific market niches. For example,

- Dinarak currently concentrates its activity in the region of Irbid (the third-largest city in the country situated along the north-western border with Syria and sheltering many refugees), thanks to its exclusive partnership with GIZ to improve awareness of digital financial services and access to mobile money services with particular focus on ensuring uptake among female users and to lay the groundwork for Syrians and other non-Jordanians to benefit in future from cross-border remittances.
- The two other mobile wallet initiatives are led by significantly larger entities, Zain Cash service supported by the Zain mobile network operator, while Umniah is part of the Mahfazti consortium.

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<sup>58</sup> CBJ

The peculiarity about PSPs in Jordan is that unlike in other countries where MNOs leverage on their large subscriber-base and agent network to implement MFS, the shift in Jordan is focused on Fintech firms. A major MNO like Orange which is one of the key MFS players on the international scene expressed concerns around the sustainability of the JoMoPay business model and the approach to interoperability under the current framework and decided to temporarily halt its investments in mobile financial services while concentrating on its mobile activities. Umniah on its part, preferred to join the consortium that makes up AL Hulool in order to minimise investment risk. Dinarak and Aya, both privately owned, are faced with sustainability challenges due to the lack of financial capacity and traction. Surprisingly, Zain is yet to fully leverage on their distribution networks (third party airtime retailers) to have a broader coverage and to effectively reach the under-banked segment of the population

**TABLE 8: PSPS MARKET-SHARE IN TERMS OF SUBS AND AGENTS**

PSPs	NUMBER OF REGISTERED SUBSCRIBERS AS OF DECEMBER 31 <sup>ST</sup> , 2018				
	450 000				
	SUBS	ACTIVE SUBS	AGENTS	ACTIVE AGENTS	PRODUCTS OFFERED
Zain Cash Launched in 2017	22.4%	30%	293	30%	cash-in& bill payment <a href="http://www.jo.zain.com/zainservices/ZainCash/pages">www.jo.zain.com/zainservices/ZainCash/pages</a>
Dinarak – Launched in 2017	27.4%	30%	174	20%	Bill payment & Bulk pa payments. <a href="http://www.dinarak.com/services">www.dinarak.com/services</a>
AL Hulool (Magfazi) Launched in 2017	36.9	25%	324	25%	cash-in& bill payment <a href="http://www.mahfazi.com/">http://www.mahfazi.com/</a>
Aya - Launched in 2017		1.5%	32	1%	Cash-in & bill payment <a href="https://aya.jo/">https://aya.jo/</a>
MEPS (National wallet)	0.01%	-	Building its agent network	0.01	<a href="https://mepspay.com/">https://mepspay.com/</a>

SOURCE: CBJ JULY 31<sup>ST</sup>, 2018 DATA

### 7.3. ZAIN CASH

**Zain** intended to leverage on its strong relationships with mobile distribution network (which is still not the case), and clients to offer Zain Cash. Zain’s license was approved in December 2015 and its operations went live in November 2017. Zain offers a range of convenient payment services through the PS-mPay contemporary mobile payments platform that allows for domestic and cross-border remittances for banked and unbanked users including person-to-person, person-to-business and person-to-government money transfers, direct credits and point-of-sale payments, mobile bill payments, and mobile top-up. Zain Cash has a strategic partnership agreement with MasterCard to pair its mobile wallet with prepaid MasterCard to provide subscribers with the advantage of obtaining and utilizing the card locally and globally through its PoS, where MasterCard cards are accepted, as well as the possibility of shopping online and using it on the ATM network. The partnership is enabling Zain cash to be deployed through prepaid MasterCard to dispense cash benefits to refugees living in camps.

#### 7.4. AL-HULOOL

**Al-Hulool** is a robust consortium of diversified partners made up of seven banking institutions (Cairo Amman Bank, Bank of Jordan, Arab Jordan Investment Bank, Jordan Ahli Bank, Bank al Etihad, Invest Bank, and Housing Bank), one mobile network operator (Umniah) one acquiring network system operator - Networks International (formerly known as EMP) and one Microfinance Institution (Micro-Fund for Woman). The consortium’s approach has resulted in an integrated collaborative eco-system which is furnished to serve their clients with the largest reach of agents across the Kingdom and a diversified digital financial services portfolio. “Mahfazti” is the mobile wallet brand of the consortium, and which currently has 150,000 subscribers from diversified customer segments. On average there are about 30,000 monthly transactions with a target of 150,000 transactions per month as of October 2018. Al-Hulool works with about 150 agents (95 exchange houses and 55 Umniah sales agents for cash-in, Cash-out and subscriber registration), 230 ATMs for cashless cash-out, and with over 1,700 ATMs<sup>59</sup> for accounts linked to MasterCard. Cash-in is equally done through the 190 eFAWATEERcom touch points in Jordan.



Figure 8: Jordan PSP ecosystem players

<sup>59</sup> Data gathered from the Management of Al-hulool

## 7.5. DINARAK

**Dinarak** is a Fintech PSP that was founded in 2015 while its mobile wallet service was launched in 2017. Dinarak uses the Vericash payment platform which is integrated with JoMoPay to guarantee interoperability with other players, and eFAWATEERcom the bill payment system. The platform is equally integrated with the prepaid MasterCard system to enable linkage from mobile wallet to prepaid MasterCard. As of October 2018, the company has issued and distributed over 10,000 prepaid MasterCard holders. 65%<sup>60</sup> of these cards are used on a monthly basis, and there has been a demand for cards from youths in rural areas over the last few months. Key products include but not limited to bulk and Salary payments, bill payments and peer to peer transfers, humanitarian CBT and corporate disbursements, Cardless ATM withdrawals via OTP (One Time Password). Dinarak is in a partnership with GIZ to improve awareness of digital financial services, and access to mobile money services, with focus on ensuring uptake among female users. Dinarak has over 350 agents mostly made up of Exchange houses, and a few barber shops, grocery stores and supermarkets, of which 75% are in Amman. These agents perform remote account opening which is validated by Dinarak's back office.

## 7.6. AYA PAY

**Aya** is a Fintech PSP with 15 employees. It was created in 2015 and licensed as a PSP in 2016. The firm has over 40,000 registered subscribers, though 39,500 are dormant accounts. Its operations are plagued by its limited agent network despite its technical know-how in innovative product development and its platform which was developed in-house. Aya started with an authorization from the CBJ to pilot the NFC technology for transportation with buses plying a university a few kilometers away from Amman. However, due to resistance from bus drivers, the NFC devices installed were all damaged. Aya relies on 32 exchange houses as agents due to the lack of financial capacity to develop a productive and reliable network of agents. Attempts in the past to grow its agent network with over 400 agents led to the recruitment of dormant subscribers. In terms of products and services, Aya primarily focuses on registration, cash-in and cash-out transactions. Most of its customers use their mobile wallet for bill payment via eFAWATEERcom. The company has a strong appetite for NFC products but laments the fact that the CBJ has left the marketing of NFC services in the hands of acquirers.

## 7.7. MEPS

**MEPS** is the fifth PSP and recently licensed by the CBJ. The firm has just signed a partnership agreement with Tamweelcom to pilot the disbursement of loans via its wallet which is branded "National Pay". MEPS plans to convert its entire network of merchants to agent cash-in and cash-out points.

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<sup>60</sup> Dinarak

## **7.8. BANKS**

Cairo Amman Bank is active in the market with its University Smart Card, which doubles as a means of identification to grant students and staff access to university campus, and a payment card that can be used at points of sale both inside and outside the premises. It also enables holders to pay their fees; receive scholarship funds, per diems, salaries or disbursements from the Royal Aid Fund; borrow library books; and pay parking and cafeteria fees within the Kingdom. Cairo-Amman bank has integrated its ATM network with those of PSPs facilitating cardless withdrawals with over 230 of its ATM outlets, while Jordan –Kuwait bank is still the process of establishing connectivity between its network and that of PSPs. UNHCR in partnership with WFP works with a bank for a OneCard system to disburse its own E-Cards and Paper Vouchers to support Syrian refugees

## **7.9. MICROFINANCE INSTITUTIONS**

The MFI sector in Jorad has understood the need to fill the gap between the potential of digital technologies and scalable implementation by MFIs to better serve their clientele through a complete long-term institutional transformation. Consequently, Jordan’s licensed MFIs are all involved in different types of digital finance operations with AHLI Microfinance championing the course to become the first financial institution PSP.

**TABLE 9: DFS ACTIVITIES WITHIN THE MFI SECTOR**

MFI INSTITUTIONS	DIGITAL FINANCE ACTIVITIES
AHLI Microfinance	AMC just completed its first DFS project – The integration of its core banking system with eFAWATEERcom to facilitate loan repayments through digital channels. A Digital loan application and disbursement project is being piloted. Although, AMC is making progress in its digitization process, e-KYC has been identified as the major hurdle slowing down customers’ adaption to e-wallet.
Microfund for Women	MfW owns 10% shares in the consortium that make up Al Hulool, it is the leading MFI in terms of the disbursement of loans via e-wallets with over 1.2 million JD already disbursed. MfW established a DFS unit in charge of payments in 2017 while there is an IT and Fintech Manager in charge of development and implementation. Tablet based solutions are already used for loan origination, approval and disbursement. The institution is in the process of developing its own prepaid card and converting some of its clients as cash-out agents. Other on-going DFS Projects include Robot Advisory chat box, Intelligent credit score card brain and automated branches.
Ethmar	Ethmar is a fully digitized operation with paperless transactions. It interfaces with JoMoPay, Dinarak, and efwatercom. About 90% of its clients are currently using e-wallets and efawateercom for loan repayment while the loan process is digitized with loan officers using tablets on the field for data collection. However, it takes two-three days for loan application to be approved and disbursed. The development of the online loan application version is in progress.
National Microfinance Bank	Tablet based solutions are used from loan origination to approvals, whereas disbursement is done via checks and repayment via efawateercom. NMB has developed a mobile application for efawateercom bill payment for its customers. The use of e-wallets by customers is still at pilot stage, but there has been an on-going partnership with Zain Cash for a year which has culminated to a commercial proposal from Zain Cash to how both parties would operate on e-wallet transactions. NMB is studying the possibility of providing its clients with plastic cards from Zain Cash but fear it might be too costly for its clients.
FINCA	FINCA Jordan has developed a credit scoring model for existing and new clients and which enables the process for loan application, approval and disbursement to happen within 24h. Loan officers use tablets for operations. FINCA/Dinarak has successfully completed a pilot on the use of e-wallet for loan repayment in two of FINCAs branches. About 100 clients were involved in the pilot.
Tamweelcom	Digital loan applications are already operational. Loan officers use tablets for application and processing (same day loan request and approval). Mobile applications are in use. On-line banking is available and customers use ATMs and exchange house for cash-out. Tamweelcom is setting up GPS to assist its clients in the identification and location of bank branches where loans can be cashed out. The institution is equally piloting e-wallet transactions with MEPS - National Pay wallet, with one client already on-boarded.
VITAS	The institution is connected to efawateercom through a middleware server enabling loan repayment through the channel. There is a lot of skepticism on the part of Vitas management with respect to the disbursement of loan via e-wallets because of Jordan’s complex judicial system, they claim. <sup>61</sup> The digitization of loan process to enable the use of tablets for field operations is expected to go live in mid-November this 2018

<sup>61</sup> Vitas believe that SMS confirmation cannot easily be tracked by JoMoPay if a client refuses to have received money in his mobile wallet.

## 7.10. SUMMARY

The mobile money product offering in Jordan has developed from mere cash-in, cash-out, P2P transfers, disbursements, airtime top-up in 2016 to bill payments, bulk payments, Cardless withdrawals, NFC gadgets etc. In order to build greater value and promote customer adoption, PSPs need to develop attractive value propositions for subscribers and agents. A joint effort from the CBJ and the PSPs is required to create awareness and win consumer confidence. Ensuring that consumers are supported and protected every step of the way is a prerequisite to increase uptake and usage, and which is particularly true for new and more complex products. A review of the JoMoPay business model taking the plights of PSPs into consideration could go a long to stimulate the sector with regards to traction and sustainability.

Jordan's commitment to continuously develop its IT infrastructure coupled with on-going efforts to enhance legislation on DFS, the high mobile phone and smart phone penetration provide an encouraging environment for digital financial services and more specifically mobile financial services to excel

## 8. DONOR ACTIVITIES

Key donors promoting digital finance activities and access to finance in the Kingdom include: GIZ, Mercy Corps, USAID, WFP, EU and Bill & Melinda Gates Foundation. *UNHCR/UNICEF* distribute hundreds of millions of dollars in financial assistance in Jordan. According to the UNHCR Biometric Cash Assistance report,<sup>62</sup> UNHCR has distributed more than \$118.7 million to Syrian refugees alone, and since June 2012, UNHCR has been providing Syrian refugees in Jordan with an average of \$127 per household per month. To more efficiently distribute funds, UNHCR uses iris-scanning machines (hardware) and the Refugee Assistance Information System data collection and dissemination platforms (software) and has begun to leverage on the JoMoPay technology. Several Bulk Payments pilots via mobile wallets with two major PSPs (Dinarak and AL Hulool) are on-going in the Kingdom to pave way for a complete digitization of the process but must be accompanied by strong efforts to raise financial awareness and literacy.

### 8.1. GIZ

GIZ has been very supportive to the emerging digital financial sector in Jordan. The organization is in partnership with CBJ in the *Digital Inclusion* project aimed at improving access to remittances and other financial services through digital solutions. The project is part of the Special Initiative "Tackling the root causes of displacement, reintegrating refugees", launched in 2014 by the German Federal Ministry for Economic Cooperation and Development, which is also funding the project entitled '*Closing the Gap: Women Empowerment through Digital Financial Services in the Kingdom*' designed to support the development of female agent network aimed at encouraging women financial and economic inclusion in Jordan. GIZ's contribution for the development of DFS in the Kingdom has led to the following outcome: The development. More than 60,000 Jordanians and refugees are now

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<sup>62</sup> Secure and encrypted network connection (known as Eye Cloud®) that enables refugees'

verified at ATM's linked to UNHCR's iris database



using digital financial services through a development partnership with Dinarak, the elaboration of regulations on consumer protection, which was issued in March 2017, and the development of a roadmap that is jointly implemented by 13 organizations from the private sector, development and humanitarian organizations and government to advance the awareness and literacy about digital financial services. On another note, GIZ funds the DFS secretariat and assist in the DFS Council to promote DFS policy dialogue.

## 8.2. MERCY CORPS

Mercy Corps is providing loan capital to community-based organizations to support loans for solar water heaters and water efficient technologies in a technical partnership with Dinarak. The project involves the disbursement and repayment of revolving loans through digital financial services in the

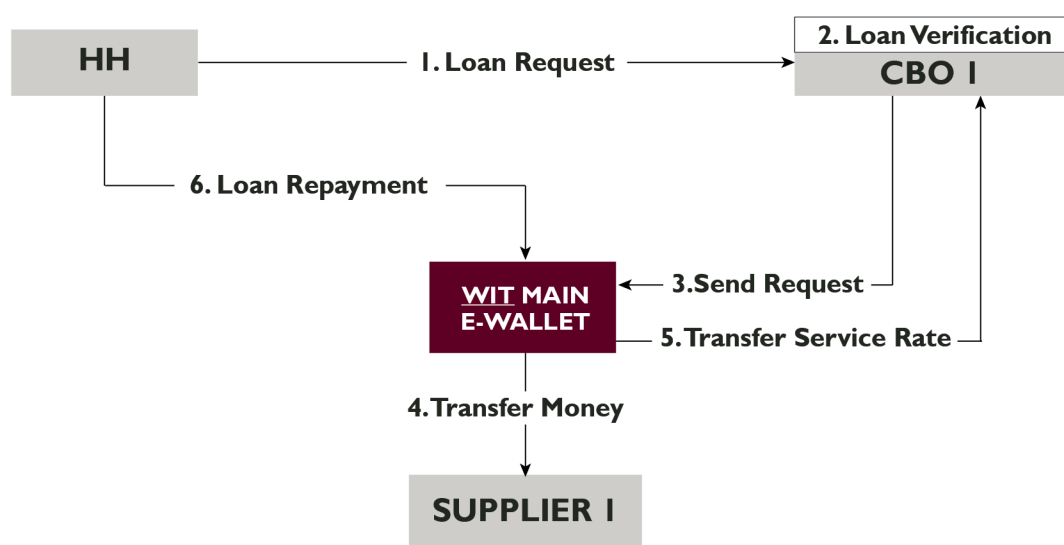


Figure 9: WIT loan disbursement and repayment model

USAID-funded Water Innovations Technologies (WIT) Program designed to increase public awareness with regards to water conservation for the empowerment farmers, households and local communities. While WIT is the provider of the revolving loans funds under the Dinarak digital payment infrastructure, Dinarak has the responsibility of building Community Based Organization (CBO)’s agent capacity through a train the trainers’ approach on usage, implementation of transactions through mobile wallets, as well as the capacity building of the local community to use mobile wallets for loan repayment.

## 8.3. USAID LENS

LENS is specifically designed to encourage and support the growth of MSEs by working with MSEs and promoting a policy environment to enable micro and small firms to produce, transport, market, and sell efficiently and at competitive cost. USAID LENS has been playing a pivotal role in the digitization of Microfinance operations in the Kingdom. Grants have been provided to MFIs for the promotion of digital financial services to owners of small, medium and micro projects who do not have bank accounts, to develop mobile applications and integrate them with digital payment solution platforms while enhancing their business operations in the areas of product marketing product development and communication by providing technical assistance. The main objectives

behind such projects is to enable the disbursement and repayment of loans through the mobile wallets, to transform the entire loan process from application to disbursement from the traditional paper-based/Cash to paperless/Cashless, to ensure client out-reach and access to finance. Examples include:

- Supporting Ahli Microfinance Company (AMC) in the creation of an alternative delivery channel for its clients by establishing a database connection with eFAWATEER.com, and collaborating with the institution in its mobile lender project which reduces time of loan disbursement from 3 days to 1.
- LENS provided technical assistance through by hiring a specialized firm to develop NMB's marketing strategy, and conduct marketing campaign activities to promote products implementation
- Assisting MicroFund for Women to provide its beneficiaries and staff with appropriate financial and non-financial skills to succeed in the market, and support to conduct an assessment to address three research goals: assess the current youth products in Jordan; evaluate MFW's current youth product offering; and assess MFW's current capacity to support the introduction of newly developed or adapted products
- LENS has been supporting Ethmar to address the market gap to fulfill the need for Islamic microfinance products and services in Jordan
- Providing Social marketing support to VITAS Finance on digital marketing channels to support the MFI growth and outreach to new unbanked beneficiaries.
- LENS has reached an agreement with Tamweel.com to provide innovative digital financial service (DFS) solutions to its current and potential clients
- The 2016 DFS Forum to discuss how to advance digital financial services to enable more financial inclusion for small business in Jordan.

#### **8.4. THE BILL AND MELINDA GATES FOUNDATION**

**BMGF** has made a \$3 million contribution with plans to expand to \$11 million over the next five years in order to scale up mobile services in both governmental and humanitarian cash transfer programs. BMGF investment is aimed at developing well-structured and sustainable Mobile Money for Resistance (MM4R) Unit within the CBJ to coordinate with the private sector, humanitarian agencies, NGOs, and relevant government agencies to design, implement, and monitor initiatives with objectives to:

- Accelerate the development of the DFS ecosystem in a way that increases financial inclusion and resilience of poor Jordanians and refugees
- Work to facilitate public-private partnerships aimed at improving the quality of life for refugees by expanding their access to finance, developing a digital financial service ecosystem, and improving the effectiveness of humanitarian cash transfer programs.

In terms of implementation, there are some on-going Cash Transfer pilots (UNHCR has been experimenting with biometric linked / card-based cash transfers for a while) with the Syrian refugees

and low-income Jordanian population by PSPs while the CBJ is busy developing internal procedures for governance.

## 9. OPPORTUNITIES AND CHALLENGES FOR DFS

### 9.1. OPPORTUNITIES

**Sound Regulation, strong technological Infrastructure penetration and the Sandbox initiative:** Jordan's enabling regulatory environment, its sound ICT infrastructure, alongside the existence of a regulatory sandbox as a safe space where businesses can test innovative products without immediately incurring normal regulatory consequences, create a huge opportunity for innovation and growth in the DFS sector. The sandbox which allows firms to test their ideas is also opened to firms from the region to experiment in Jordan for Fintech innovation.

**P2G Payments through eFAWATEERcom improves revenue collection:** Transactions through eFAWATEERcom have been improving year-on-year. According to MadfoatCom Director of Marketing and Business Development, P2G transactions have been improving revenue collection and reducing losses for government, banks and MFIs, and merchants. The cost efficiencies and commercial growth facilitated by bills through eFAWATEERcom via digital finance helps to strengthen public sector budgets facilitate more efficient investment and contributes to a more effective state. Government related institutions such as; Jordan Electricity, Social security, Jordan Customs, Ministry of Justice, Traffic Tickets, and Amman Municipality are amongst the 10 top billers. As of October 2018, P2G payments accounted for about 66% of eFAWATEERcom transactions.

**Jordanian Digital native population segment remains untapped:** Young Jordanians below the age 25 could be estimated at about 54% of the population. And there are over 208,000 students that can be targeted with DFS products. Turning student's ID cards into a prepaid smart card with a payment application/linked to a wallet can prompt students to pay their tuition fees using the cards/mobile wallets instead of having to use cash. Although Al Hulool and Cairo Amman Bank are coming up with such products, there are still business opportunities for other PSPs.

**The influx of Syrian refugees:** There is an opportunity to offer adapted products and services targeting to the refugee segment as well as leveraging on donor support and mobile money for Cash Transfer Programs, which also provides an incentive for the continued investment needed to boost the industry's growth. MfW's is taking advantage of the situation to develop a digital identity project using blockchain technology to provide financial services to these refugees

**High rate of smart phone penetration in Jordan:** In most developing countries, a good number of errors are made by clients when trying to complete a single financial transaction on feature and basic phones which often lead to distrust. In contrast, smartphones aren't constrained by USSD-based interactions, which require numerous steps and are prone to timeouts, providing the potential for more intuitive, advanced services. Smart phones provide the opportunity for developing innovative products on improved user interfaces, on-board storage, sophisticated imaging, and processing to deliver experiences that make complex financial transactions and concepts as simple and accessible as possible. Thus, the high proliferation of smartphones in Jordan stands to enable a transformational opportunity for digital finance in the Kingdom in a safe and reliable manner.

## 9.2. CHALLENGES

Current DFS challenges encountered in the Jordanian market has to do with low appetite for the service on the consumer side, weak agent network coverage in rural areas, non-completion of projects by PSPs, KYC for DFS clients, merchant payment acceptance from mobile wallet account holders, and the market structure among others. PSPs spend time competing against each other rather than finding a common ground on which they can operate.

**Low DFS Adoption:** The Jordanian market is a cash-based and tangible transacting society, and which is socially rather than commercially influenced. There is a mentality of resistance and people are reluctant to trust and adopt digital financial services. Even with all the efforts contributed by the CBJ, DFS providers and other stakeholders, the market is still not highly aware about the benefits of DFS, its available services and the process to use mobile wallets. When these factors are combined, it gives an explanation to the relatively low levels of adoption and usage. Since changing any societal habits often takes time, swaying consumers to switch from using cash and paper transactions to e-payments/cashless is always a challenge. Jordanians trust banks and some even turn to Islamic banking but culture beliefs seem to be well implanted in the Kingdom. According to the CEO of EMP, most retailers and big stores refuse to put point-of-sale machines simply because they seem to be more comfortable with cash, and if they don't see the risk of managing large amount of cash, the trend will continue.

**Transaction fees and limits:** The 1,000JD assigned as maximum account limit though enough for daily transactions, is far too small for financial activities of a middle-class Jordanian. Purchasing a car, buying an international air-ticket and loan disbursements amounts are way above the limit. The eFAWATEERcom three-way commission split is a major issue to reckon with.

TABLE 8: E-WALLET TRANSACTION LIMITS		
SERVICE	TRANSACTION LIMIT	FEES / CHARGES
Cash-in clients	1000	Free/Charged by some exchange houses
P2P	500	Free
P2B	500	Free
Pay through eFAWATEERcom	No limits	Charged
Maximum balance	1000	Free
Cash-out at agent	1000	Charged
Cash-out at ATM	500	Charged at a plat fee

SOURCE: PSP WEBSITES

**Agent Network coverage:** More than two thirds of the Kingdom's DFS agents are in the country's capital Amman. Rural areas are mostly served by nearby ATMs for mobile wallet accounts paired or linked to plastic MasterCard, and Fintech companies lack the financial capacity to rollout a massive agent network.

**E-KYC processes** are financially economical and save time relative to paper-heavy processes KYC. Jordanian PSPs have reported that the registration of a new subscriber with the existing paper-based KYC could take as long as 45 minutes. Continuous reliance on this model remain one the challenges for a DFS rapid subscribers' uptake. The long awaited integration of smart identification cards and biometrics could go a long way to simplify the KYC process.

## **10. INVESTMENT OPPORTUNITIES IN JORDAN**

### **10.1. THE NEED FOR AN AGENT NETWORK MANAGEMENT MODEL THAT CAN ENHANCE OPERATIONS**

Achieving a strong and successful ecosystem of digital financial services largely depends on providers' willingness to improve the key operational drivers of customer experience, transaction platform and agents that service its customers. Investing in an effective agent network is critical because the lack of agent network has impacts on user uptake, as agents are often the first point of contact for unbanked users to learn about the service, understand how to perform basic transactions, and provide the visibility needed to create trust in the permanence/reliability of the service. In many worldwide implementations of digital payments, the investment on creating and maintaining an effective agent network is situated somewhere around 30%-40% of total investment. Donor support might be needed in the area a building a robust and sustainable agent network that covers the entire Kingdom.

### **10.2. THE NEED FOR FLEXIBLE CORE BANKING SYSTEMS THAT OFFERS BOTH SECURITY, FLEXIBILITY AND FACILITATES FULL INTEROPERABILITY BETWEEN THE CONNECTED DIGITAL FINANCIAL SERVICE PROVIDER**

With regards to the Microfinance sector, most MFIs are using traditional and obsolete core banking systems that are not flexible (no APIs) to enable real-time integration with third parties in the quest to rollout digital financial services in their institutions. Some of the MFIs interviewed are in the course of migrating from their actual CBS to either an upgraded version that comes with sophisticated functionalities or a completely new CBS adapted to their needs. Although Jordanian banks have developed online portals and mobile applications where customers execute transactions electronically, some of the functionality and usability of these digital services are substandard. A technical assistance program designed to help these banks introduce or upgrade their mobile and online systems could greatly boost the level of digital financial inclusion through these channels. This could be achieved through the creation of model wireframes showing suggested designs and functions for various services to assist the banks to upgrade their platforms to match best practice standards.

### **10.3. PRODUCT DEVELOPMENT**

DFS provides the opportunity for individuals, businesses, and governments to transact cheaply and efficiently. Since mobile phones are game changers, there is an opportunity to accelerate inclusive without the need for major investment in costly additional infrastructure. Apart from digital infrastructure, the main building block required is a dynamic business environment for the development of digital finance products that meet the needs of individuals and small businesses in ways that are superior to the informal financial tools they use today. There could be more opportunities in product development if the CBJ could authorize e-signature and deposit-taking at the level of MFIs, PSPs to develop and use NFC gadgets for transactions, and NANO credit. At the

backend, DFS presents an opportunity for financial institutions to enhance service quality through the elimination of paper work.

#### **10.4. THE NEED FOR DIGITAL FINANCE EDUCATION-**

While the CBJ and the Ministry of Education's financial literacy work in schools continues to expand in scope, adult digital literacy programs should be enforced since fear and mistrust of digital solutions and payment systems is part of the culture of the older generation and women in Jordan who tend to be adherent of cultural beliefs. Financial literacy training efforts in Jordan focuses on credit; this should continue to be emphasized, going forward; more attention should be given to digital financial literacy to support the digital services rollout and scale up. It is imperative that customers get a clear understanding of the value proposition for DFS and are informed and assisted on how to use PINs, ATMs, and the other basics of the digital payment's technology.

## **II. RECOMMENDED ACTIONS TO DEVELOP THE MARKET**

Insights and knowledge of DFS paradigms in other markets can help establish a better understanding of the key success factors needed for the optimization of DFS operations in Jordan. Globally, while private sector players such as financial service institutions and telecommunication companies are playing a direct role in driving DFS adoption and promoting financial literacy for the unbanked, the public sector work relentlessly to catch up with the fast-changing pace of innovation in terms of regulation and infrastructure. Some recommended actions for the public and private sectors may include;

### **II.1. GOVERNMENT AND CBJ (POLICY & REGULATIONS)**

#### **I.1.5. SHORT-TERM MEASURES**

- CBJ should redefine the current business model for PSPs by reviewing the commission split on eFAWATEERcom transactions. Capping bill payment fees with a three-way split reduces PSP's margins
- CBJ could review and increase the caps on cash-out transactions, account limits and P2G on mobile wallets to spur usage and increase uptake.
- CBJ should Authorize e-KYC and biometric solutions to spur subscriber uptake and usage

#### **I.1.6. MEDIUM TERM MEASURES**

- The enforcement of full Interoperability: The minimum requirements for a digital finance ecosystem to be fully effective is interoperability at three levels: (a) between financial institutions, and ideally between all financial institutions; (b) between all PSPs; and, (c) between all cash-in/cash-out facilities. PSPs tend to realize significant benefits of scale when fixed costs become relatively small and when there is complete interoperability at providers and at the market level
- Product innovation: The CBJ should hasten the launch of the Fintech Sandbox initiative so as to enable Fintech firms to speed up the development and testing of new products. The customer data supply frequency from partner institutions to CRIF should be reviewed to encouraging real-time lending innovative products such as digital credit from PSPs. Digital data trail can used to transform PSPs understanding of customer needs and inform assessment of credit risk,

allowing for extension of credit to individuals and businesses whose past transactions suggest they are low risk. In Kenya for example, it is estimated that 27% of Kenyan adults (18+) takes at least one digital loan over a period of 90 days, suggesting many active borrowers using Mobile Financial Services.

- CBJ could liberalize bill payments, the main revenue driver in the sector which is exclusively in the hands of eFAWATEER.com.
- Extend NFC payments to include PSPs
- The CBJ may want to review its regulatory framework to allow MFIs to take deposits. This action has the potential to provide a major boost to mobile wallet account ownership in the MFI sector through wallet-to-bank savings.
- Reduce the high tax on PSPs and clearly define its tax regime

### **I.1.7. LONG-TERM MEASURES**

- Given the complexity of the current agent network where cash-in and cash-out transactions are mostly in the hands of traditional financial outlets, CBJ could review the current regulatory framework and liberalize bill payments through aggregators who can provide all types of applications and transactions supporting different providers of DFS in Jordan. For instance, when M-pesa realized that it was unable to set up an agent network fast enough to keep pace with growth in the customer base, it decided to add aggregators in the distribution channel between Vodacom and its agents to speed the agent acquisition process. Aggregators were to be responsible for recruiting new agents and for managing their float. In return, they were to be paid a bonus for each agent recruited and a percentage of commissions earned by that agent going forward.
- The CBJ could equally set up a national agent training institute that can benefit both DFS providers as well as agents to build readily available agents capacity to support areas such as regulatory compliance, agent management, operational and logistics support, business modelling and customer support. For instance at Helix Institute of Digital Finance, the curricula focuses on DFS Constraints framework, fundamental principles of mass Distribution, managing agent network set-up, agent on-boarding, agent compensation, liquidity Management, DFS risk and fraud management, BTL branding & marketing communication, and agent network monitoring & Support.

### **II.2. THE PRIVATE SECTOR**

- Setting up an Independent Association of PSPs: An independent association of PSPs and Fintech firms could be an enabling forum to identify issues and make meaningful contributions to the CBJ on how to address market challenges. Note, this was a recommendation at the DFS Council in November 2018.
- Customer segmentation: Segmenting customers, profiles and usage patterns and mapping them along the mobile money /mobile wallet customer journey may help PSPs to identify priority segments where there are opportunities for growing the subscriber base. For instance, taking a gendered approach to the traditional mobile money customer journey from registration to more advanced use may help to identify stages at which women tend to drop off more often than men. This can help pinpoint where to focus efforts to assist in reducing the gender gap.

- Digital skills and awareness: Trainings should be provided to customers, so they understand the benefits and opportunities of being online, and have the skills to use the mobile internet and applications for financial transactions. The high penetration of Smart phone is not enough to close a digital literacy gap with regards to promoting access to digital financial services in Jordan. A joint communication campaign between CBJ and PSPs should be used to create mobile wallet awareness to increase buy-in since most Jordanians tend to trust CBJ/government more than the private sector/PSPs.
- Support to PSPs: Jordanian PSPs require financial and technical assistance in the domain of agent network development and management, alongside clear and attractive value proposition for agents. Start-up PSPs lack the financial and operational capacity to develop a broad marketing and communication strategy, management of agent sales force, systems and analytics, rapid product development, and financial intermediation which are all key success factors in the MFS business. Since MNOs can reduce costs and promote growth by leveraging existing customer base and distribution networks, Orange and Umniah should be encouraged to work as a standalone.



## 12. ANNEXES

### 12.1. ANNEX I: LIST OF INTERVIEWS

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