Achievement of Market-Friendly Initiatives and Results
(AMIR 2.0 Program)

Funded by the U.S. Agency for International Development

NEW PRODUCT PRIORITY ASSESSMENT, PHASE III

(For Sustainable MFIs In Jordan)

Final Report

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This report was prepared by Ms. Anita Campion, in collaboration with Chemonics International, Inc., prime contractor to the U.S. Agency for International Development (USAID) for the AMIR 2.0 Program in Jordan.

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List of Acronyms

AMC - Ahli Microfinancing Company

AMIR, Phase I - Access to Microfinance and Improved Implementation of Policy Reform

AMIR, Phase II - Achievement of Market-Friendly Initiatives and Results

ATM - Automatic Teller Machine

CAB - Cairo-Amman Bank

CDG - Community Development Group

CHF - Community Habitat Finance

GGL - Group Guaranteed Lending

JACP - Jordan Access to Credit Project

JD – Jordanian Dinar

JMCC - Jordan Micro Credit Company

JNB – Jordan National Bank

IT – Information Technology

MFI - Microfinance Institution

MFW – Microfund for Women

MSMEs – Micro, Small and Medium Enterprises

USAID – United States Agency for International Development

Executive Summary

Sustainable Jordanian microfinance institutions (MFIs) to date have been successful in reaching many clients with what are considered the 'typical" products offered by an MFI – generic, short term, business purpose term notes. However, in order to expand market opportunities for the MFIs and improve their competitive positions, it is important to support product enhancement and diversification efforts. To that end, Chemonics' Achievement of Market-Friendly Initiatives and Results (AMIR) program, funded by USAID, contracted Anita Campion, Microfinance Specialist, to assess what products are currently available to microentrepreneurs to assist in the expansion and growth of their businesses, as well as to assess the reasonableness of new product concepts that the four sustainable AMIR partner MFIs are currently considering. AMIR contracted the Community Development Group (CDG), a local market research firm, to conduct surveys and focus groups to measure the current levels of client satisfaction and to assess the interest that current and potential MFI clients have in new products that the partner MFIs in Jordan are planning to offer. This document summarizes the key findings of the market research, including findings from the survey, which was based on input from 306 micro and small enterprises (MSMEs) in Jordan (164 current and 142 potential MFI clients), as well as ten focus group sessions.

The Microfinance Specialist expanded on the assignment at no additional cost to USAID, by designing two questionnaires, one for current microfinance clients and one for potential microfinance clients. The survey questionnaire for current clients integrated additional questions to assess the clients' satisfaction with current products, which served as an additional source of information for new product development, as well as ideas for potential adaptations to current products and services. Furthermore, the findings will serve as baseline data for future assessments of customer satisfaction.

The market research, including surveys and focus group sessions, was effective in uncovering opportunities for market expansion. Fortunately, the four AMIR partner MFIs have unique strategies for new product development, which should help them all to expand and reach more unserved populations without creating unnecessary competition. Below is a summary of the main conclusions drawn from the market research and the next steps to be taken to pursue promising new markets and to ensure high levels of customer satisfaction in the future.

MFI Customer Satisfaction

In general, the four AMIR partner MFIs enjoy high levels of client satisfaction, with the majority of clients stating that they are "satisfied" or "strongly satisfied" overall with the MFI. Clients of AMC and MFW indicated the highest levels of satisfaction, with 85.7 percent of AMC's clients and 85.4 percent of MFW's clients either satisfied or strongly satisfied. Clients of JACP indicated the highest levels of dissatisfaction, with 7.3 percent strongly dissatisfied and 2.4 percent dissatisfied. All of the MFIs were rated highly in terms of relationship with the loan officer and their understanding of the clients' needs. Where there was dissatisfaction, it was mostly attributed to product features, such as interest rate, loan size, loan term and payment frequency.

New Product Priorities

Below is a list of new products that the partner MFIs hope to launch over the next year, in order of priority (based on MFI interest and verified market potential) for support from USAID's AMIR program.

1. Small Business Lending. Given the significant levels of interest in small business loans according to the market research and the Ministry of Labor's current emphasis on small business lending, the AMIR program should definitely support the development of small business loan programs. The majority (77.8%) of registered enterprises with 6-10 employees and 44.4 percent of registered enterprises with 11-30 employees were interested in a loan if offered on favorable terms. Based on the high levels of interest in small business loans in Irbid and Amman, AMIR should support JACP's and AMC's desire to expand into this higher-end market. With interest being strongest among enterprises with 6 to 10 employees, AMC and JACP should begin by entering the lower end market for small business loans, which is more similar to its microenterprise portfolio. The MFIs can gradually scale up as they gain experience and confidence in their methodologies.

2. Loans to Purchase Taxis. Based on the survey and focus group findings, there appears to be a fair amount of interest in taxi loans. Of the entrepreneurs surveyed that own taxis, 63.6 percent (7 out of 11) were interested in obtaining a loan if offered on favorable terms. The focus groups and findings from the additional questionnaire designed specifically for taxi drivers indicated that taxi owners interested in loans have a low risk profile (in terms of age, number of accidents and tickets per year) and have enough income to repay taxi loans. These findings suggest that there is a viable market for taxi loans and therefore, the AMIR program should support JMCC in targeting this new market. Based on the input from focus group participants, JMCC should consider offering new taxi loans that include the cost of the tags in the overall loan amount, less a ten percent down payment.

3. Life Insurance. The survey findings indicated that there is a market for micro life insurance. One third (32.4%) of survey respondents said they were interested in life insurance. According to the survey, the geographical areas with the greatest market potential were Amman (42.4% interested) and Zarqa/Ruseifa (25.3%). Men were slightly more likely to be interested than women, with 53.5 percent of men interested versus 46.5% of women interested in life insurance. Of those willing to pay for life insurance, the majority were willing to pay over 8 JD per month (96 JD per year). This finding indicates that there is significant profit potential since this amount would be more than adequate to cover the cost of a substantial death benefit. The AMIR program should support MFW in its development a life insurance product for women. While the research indicated greater interest in an "income protection" policy that would offer a true death benefit, MFW should still consider offering a mandatory loan protection benefit at low cost to the client, as a way to become familiar with this new market and to learn more about the related risks. Given that there was even stronger interest in life insurance among men, the AMIR program should also support JMCC to develop this product if its management decides to offer life insurance as a true product, rather than just as a product feature, as it currently offers.

4. Housing and Home Improvement Loans. There seems to be a fair amount of potential for loans guaranteed by real estate, especially to purchase and build new homes, with 87.7% of four focus group session participants interested in a loan for such purposes. The findings imply that there is significant potential for making real estate-based loans and that those who own real estate tend to have higher monthly revenue and therefore, could afford larger loans or a second loan. If JACP decides to enter the housing loan market, however, it should begin by making loans to purchase existing houses. Given all the risks involved with building a house, such as the skills and integrity of the builder, it is safer to begin by offering loans only for houses that have a value that is easily predetermined. The market research indicates that there is also some interest in home improvement loans. Of those surveyed requesting a home improvement loan, over half (51%) wanted a loan between 1001-6000 JD. The average monthly sales of those interested was 2,283 JD, indicating that this is a fairly affluent market. In offering home improvement loans, it is likely that many existing clients would be interested in this product as a second loan so the MFIs would need to factor the clients' current level of indebtedness into the loan decision. The AMIR program should support JACP's further exploration of the market potential for housing and home improvement loans, ensuring that all legal issues and risks are taken into consideration before product launch.

5. Automated Lending. One of the impediments to MFW's expansion is its loan officers' capacity to adequately evaluate businesses and determine their loan repayment potential. The majority of MFW's loan officers are women with only high school educations who lack the financial calculations and analytical skills to effectively perform cash flow and risk analysis required of individual lending. Rather than change the profile of its loan officers, MFW is interested in exploring the use of an automated loan decision-making mechanism, such as the PalmPilot or small computers that could facilitate the loan officers' ability to make smart loan decisions quickly and transfer information collected in the field easily to the central management information system. Given the potential for cost savings and rapid expansion through automation, the AMIR program should help MFW develop a simplified, automated credit scoring mechanism, based on its historical data and the parameters its individual loan officers currently use to make loan decisions.

In addition to the above products, USAID should support JMCC's interest in additional market research for the following products: IT business training loans and start-up loans to technical college students. The survey instrument was not appropriate for assessing the full market potential for these products, since potential clients for these loans are not necessarily entrepreneurs. In the case of the IT business training loans, JMCC will need to contact the companies that need the computer and business skills as well as the schools that would offer such trainings to understand the market and its potential. To understand the market for start-up loans to technical college graduates, JMCC needs to contact the technical colleges and their students, as well as the Ministry of Labor to determine technical skills in demand.

Steps toward Implementation

Once adequate market research has been conducted and market potential has been reasonably assured, the MFIs will need to further test the feasibility of their new product concepts. For each new product, the following five steps are recommended:

1. Conduct a feasibility study. Market research is one element required of a feasibility study; however, additional information is needed to verify the viability a new product. A complete feasibility study checks for the operational viability, in terms of impact of the product on the MFI's operations and other product lines, estimates market pricing and projects estimated cash flows and profitability. In addition, the feasibility study should address legal issues required to offer the new product and determines the additional risks involved with offering the product. The feasibility study should be written in the format of a business plan with input from management. If the study indicates that the new product is indeed financially and operationally feasible, it should be presented to the board for approval. In this case, the MFI progresses to the next step, development of a prototype for the new product.

2. Develop a prototype. In this phase of new product development, the MFI specifies the terms and conditions of the new product, which will serve as the "prototype" or design of the new product. This step also requires the MFI to determine product delivery, marketing and internal control mechanisms. For example, the MFI will decide whether current loan officers should offer this additional product or specialized loan officers should be hired to target and reach this market. Internal control mechanisms might include visits from the MFI's branch managers to verify that the new product is being communicated appropriately and that the client met all the qualifications. For this step to be successful, the prototype should be developed with significant input from MFI front line staff who are familiar with client concerns and can often better gauge client response and identify operational issues that management might not consider. If front line staff and management disagree with certain aspects of the prototype, then additional input should be sought directly from clients before the prototype is finalized.

3. Train pilot staff. Once a prototype is set, the MFI will need to determine where it will pilot test the new product, select the appropriate staff for the pilot test and train them. The pilot test site should be selected in a geographical area that has been predetermined to offer significant market potential and launched from one or two branches in that area. Staff training for the pilot should include a training on the features of the new product as well as how to communicate with existing and potential clients in a way that accurately describes the product being offered, while being careful to explain that this is a new product, not available at all of the MFI's locations and could be subject to change in the future. In addition, staff should plan to explain to clients who are interested in the new product that MFI will be following up with them to ask them some questions about the pros and cons of the new product. As most new financial products require some risk assessment or minimum qualifications criteria, the majority of the staff training time will be spent on how staff will identify and assess qualified clients. Trainers should also encourage staff involved in the pilot test to communicate issues that arise as they are working with clients on the new product.

4. Pilot test new product prototype. With the prototype set and the pilot staff trained, the MFI can begin to pilot test the new product. Before the pilot test begins, however, the MFI should have determined what level of results, in terms of number of clients and profitability must be achieved or what period of time, will indicate that the new product is viable. Usually pilot tests are carried out for six to twelve month periods. The pilot test is used to refine the prototype and determine whether or not to launch the product on a wide-scale. As issues arise, the prototype should be adjusted, possibly extending the duration of the pilot test. If after multiple adjustments, the pilot test still indicates that the market or profit potential is not adequate, then the MFI should not implement the product on a wide-scale.

5. Implement on a wide-scale. If the pilot test indicates a viable market for the new product, then the MFI should prepare for wide-scale implementation. Using the final specifications for the new product, the MFI should adjust its systems and processes to integrate the new product into all aspects of its operations. Integration includes updating the management information system, revising internal controls and amending the operations manual to include the processes for the delivery and servicing of the new product. The MFI will need to inform all departments of the new product and train all relevant staff on their roles related to the new product. Working with the human resource department, the MFI should consider designing special incentive systems that will motivate front line staff to market and sell the new product. Based on client feedback from the focus groups and pilot test, the MFI will need to develop new marketing and promotional materials and have them ready in time for the new product "launch." Often MFIs can gain free publicity by organizing a special event around a new product launch, such as a party or celebration at each of the branches in which potential clients are invited to come and learn about the new product.

Support additional customer satisfaction monitoring. In addition to the above suggestions, USAID's AMIR program should encourage its sustainable MFI partners to consider making the product adaptations recommended in this report, which should lead to improvements in customer satisfaction. Using the customer satisfaction portion of the survey, the AMIR program should conduct follow up surveys in a year or two to help the MFIs assess their performance in customer satisfaction against the baseline information collected from the first survey. The partner MFIs interested in better understanding reasons behind client dissatisfaction and desertion should also receive support to develop tools to measure and monitor client desertion, as well as to develop formats for exit interviews and other mechanisms to learn about client preferences, such as though client suggestion boxes or complaint systems. By becoming more receptive to customer needs and concerns, the MFIs will be able to maintain long-term productive relationships and design products that are responsive to a larger population in Jordan.

1. Introduction and Purpose of Consultancy

The Access to Microfinance and Improved Implementation of Policy Reform (AMIR, Phase I) Program, with the support of USAID, helped establish and support three microfinance institutions (MFIs) in Jordan. These MFIs are the Jordan Micro Credit Company (JMCC), Ahli Microfinancing Company (AMC), and Jordan Access to Credit Project (JACP), an affiliate of the Community Habitat Finance (CHF). In addition, AMIR worked to further develop a fourth pre-existing MFI, the Microfund for Women (MFW), which evolved from Save the Children's Group Guaranteed Lending (GGL) program. Unlike most other MFIs in Jordan, these four partner MFIs are committed to attaining operational sustainability and to operate in accordance with microfinance international "best practices."

In 2002, the second phase of the AMIR Program, (Achievement of Market-Friendly Initiatives and Results) was launched. The goal of the second phase of AMIR is "to promote economic growth and prosperity for all Jordanians by developing a more market-friendly environment for broad-based economic opportunity and business expansion." This four component initiative has devoted one component to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs.

To date, USAID's AMIR partner MFIs in Jordan have been successful in reaching many clients with what are considered the "typical" products offered – generic, short term, business purpose term notes. However, to expand market opportunities for the MFIs and thereby improve their competitive position, AMIR aims to support the MFIs' product enhancement and diversification efforts.

To that end, this technical assistance consultancy identified the products currently available to the microentrepreneur to assist in the expansion and growth of their businesses and assessed the reasonableness of new product introductions in terms of both supply and demand. The objective of this technical assistance was:

To assess the current market situation of microfinance products and compile a list of appropriate new products to consider launching over the next twelve months, based on input from current and potential microfinance clients, with an action plan to do so.

Specifically, AMIR contracted a Microfinance Specialist to perform the following tasks:

- Assess the current market situation regarding the supply of microfinance products
- Discuss with the USAID supported MFIs their views on new product needs and adequacy of existing products
- Design a questionnaire that responds to MFIs' desire for information on customer preferences and the marketability of potential new products
- Hold focus groups with existing and potential clients of the MFIs to gain a greater understanding of new market possibilities
- Analyze findings of information collected from focus groups and from the MFIs
- Develop a list of potential new products to be considered in Jordan
- Prioritize the list of new products
- Define the next steps for in-depth research and launching of new products

The Microfinance Specialist expanded on the above assignment at no additional cost to USAID, by designing two questionnaires, one for current microfinance clients and one for potential microfinance clients. The survey questionnaire for current clients integrated additional questions to assess the clients' satisfaction with current products, which served as an additional source of information for new product development, as well as ideas for potential adaptations to current products and services. Furthermore, the findings will serve as baseline data for future assessments of customer satisfaction.

To support this effort, AMIR contracted the Community Development Group (CDG), a local market research and assessment firm in Jordan, to conduct surveys and focus groups in Arabic to assess the interest that current and potential MFI clients have in new products that the MFIs in Jordan are planning to offer. Specifically, AMIR contracted CDG to assess the current market situation of microfinance products by conducting surveys of 300 microentrepreneurs in Jordan (200 current MFI clients and 100 potential MFI clients) and to hold ten focus groups of entrepreneurs who might be interested in new products that offer market potential.

In addition to the above tasks, the Microfinance Specialist worked with CDG to develop the database for collecting survey information and trained 8 local animators and 4 supervisors on how to conduct the surveys and accurately record the information in a non-biased manner.[1] The Microfinance Specialist also worked with CDG on the development of the focus groups, ensuring that they would result in information and findings that would be useful to the MFIs' in developing the new product specifications. In addition, she built CDG's institutional capacity, by guiding its staff on how to analyze the survey and focus group data.

Organization of the Document

This report summarizes the key findings of market research, including surveys and focus groups, in an effort to guide the AMIR program's four partner MFIs in the development of new products. This chapter has explained the purpose and the methodology used in the study. Based on interviews with board chairs and executive directors, the next chapter summarizes the new product development strategies the partner MFIs were interested in exploring. The third chapter presents the highlights of the findings of the surveys and focus group sessions and chapters four through seven discuss the findings in relation to the new product development strategies of each of the four partner MFIs: AMC, JMCC, JACP and MFW. The report closes with a summary of the implications for future USAID support to these four sustainable MFIs and details the next steps for implementing the new product development strategies that demonstrated market potential.

[1] Of the 12 trained, 8 were women and 4 were men.

2. MFI New Product Development Strategies

As the supply of traditional microfinance products approaches the demand for such products in Jordan, MFIs will need to become more innovative in their product and service offerings to continue to attract additional clients, expand their markets and improve profitability. Table 1 below presents the MFI partners' portfolios and terms for the loan products they currently offer. There is debate as to whether the market for microfinance loans in Jordan is becoming saturated. Already the MFIs have begun to experience reduced demand for group loans, as more individual loan alternatives become available in the market, which is an indication that the market is indeed maturing.[2] However, there remains potential for expansion in the individual loan market. As of the end of March 2002, the four partner MFIs were collectively providing loans to 12,765 active clients, which represents only 8.2 percent of the total demand for microfinance.[3] Responding to changes in market demand, the MFIs are increasingly moving away from group lending and toward individual lending, which tends to be more profitable. In the long-run, however, as competition increases in microfinance, MFIs in Jordan will need to develop more specialized strategies to distinguish themselves from the other microfinance providers.

Table 1: Loan Terms and Portfolios for USAID/Jordan Partner MFIs

As of Mar. 31, 2002	**AMC**	**JMCC**	**JACP/CHF**	**MFW**
Maturity	6-24 months	7-12 months	6-36 months	6-12 months
Payment frequency	monthly	weekly and bi-monthly	monthly	weekly and bi-monthly
Annual flat int. rate	12%	13-15%	16% DB*	19.2-24%
Effective int. rate	25%	30-45%	16-40%	34-44%
Fees	10-140 JD	3-10 JD	0 JD	5 JD
Min. loan size	1,000 JD	700 JD	500 JD	200 JD
Max. loan size	10,000 JD	6,000 JD	14,000 JD	2,500 JD
No. active loans	1,032	1,352	3,835	6,546
Outstanding portfolio	1.3 mil. JD	1.0 mil. JD	3.3 mil JD	1.2 mil. JD
Operational sustainability	119%	133%	121%	125%

*DB = declining balance

Fortunately, discussions with the Chairs and Executive Directors of the four MFI partners revealed that they were already thinking of innovative ways to remain competitive in the marketplace and have four distinct approaches to expanding their markets, improving productivity and profits (Annex 2 lists individuals met and contacted during the assignment). As the four MFIs put their new product development strategies into effect, if successfully implemented, collectively they will yield the following results:

[2] In the late 1990s, when the Bolivian microfinance market became oversupplied, many clients shifted from group to individual lending when given the option.

[3] According to the AMIR "Microfinance/Microenterprise Strategic Assessment" of April 2001, the market demand for microfinance in 2001 was approximately 154,000 potential clients.

- greater market outreach, with more individuals and entrepreneurs having access to reasonably priced loans;
- increased product offerings, allowing current and potential clients a greater variety of product choices that are based on their specific situations and needs;
- a heightened awareness of the benefits of monitoring customer satisfaction and product preferences; and
- more solid microfinance institutions that will be able to sustain changing market and economic conditions over the long-term.

This section describes the new product development strategies that each of the four MFI partners was interested in researching and how these approaches fit into their overall market strategy. This information was collected through a series of interviews with the MFIs with the promise to respect their concerns for privacy by not sharing their new product ideas and strategies with the other MFIs. (Annex 3 presents the MFI Interview Questionnaire). Each MFI Chair and Executive Director was asked questions regarding how they viewed their MFI's competitive position, level of customer satisfaction, current and future target market niches, as well as product adaptation and new product strategies for improving their market positions in the future.

2.1 Ahli Microfinancing Company (AMC)

AMC began operations in November 1999 as a for-profit limited liability company, which is a wholly owned subsidiary of Jordan National Bank (JNB). In just two years, AMC grew to 1,032 active loan clients with a total outstanding portfolio of 1.3 million JD (approximately US$1,820,000).[4] It has a high repayment rate of 119 percent as of March 31, 2002. Dr. Jack Kattan, AMC's Chairman, views AMC's strength as its solid balance between its social mission and profit objectives. As of February 2002, AMC has a strong liquidity position, with 900,000 JD in cash and the ability to borrow up to 750,000 JD at 9% annual interest at any time. This access to funds will allow AMC the freedom to experiment with new products and new markets in the next year.

Current Target Market. AMC currently targets mostly formal microenteprise and small business clients interested in larger loans sizes, ranging from 1,000 to 10,000 JD in the greater Amman area. AMC offers individual loans for working capital or fixed asset investments. While it originally planned to serve 50 percent female clients, the majority of its clients are men. Given its focus on formally registered businesses, AMC is likely to serve primarily male clients.[5]

Competition. AMC views itself as competitive vis-à-vis other MFIs as well as traditional financial institutions. AMC targets larger, higher income enterprises than most of the MFIs and offers better effective interest rates for this niche market. While AMC's interest rates run approximately five percent higher than traditional bank rates, banks require collateral, but AMC does not.

Customer satisfaction. Of the four partner MFIs, AMC's methodology most closely resembles a traditional financial institution. This distinction has been a source of strength as

[4] Based on exchange rate of 1JD = US$1.4, March 2002.
[5] According to the Assessment of the "Demand for Microfinancial Services in the Micro and Small Scale Enterprise Sector in Jordan" in July 1998, the majority of women's businesses operate informally.

well as a weakness to AMC. AMC's methodology requires its clients to produce a significant level of documentation to apply for a loan, which is its most common cause for customer complaints. Specifically, each client must provide recent bank statements, official registrations and expense, sales and cash flow figures. If the client doesn't have a checking account, then AMC checks the black lists of the Central Bank of Jordan, JNB and the internal black list AMC maintains to ensure that the customer does not have a bad prior repayment history. Even second-time borrowers must provide updates of all this information. This can cause the loan application and disbursal process to be delayed by up to one month, while the client works to collect all the necessary documentation or AMC waits for the results of the external black list checks. Other than a sometimes slow loan application process, AMC offers its clients many conveniences, including rapid loan disbursal (within 48 hours on average), convenient locations (requiring clients 15 minutes travel time to branches) and extensive branch locations and hours (branches open Sunday through Thursday from 8:30AM – 5PM).

New product/market strategies. AMC plans to continue to target primarily formally registered businesses in greater Amman, as well as Zarqa, Ruseifa and Irbid, the most densely populated areas of Jordan. In addition to its current products, AMC is considering the following new products:

- **Larger, longer term loans to small businesses**. AMC plans to gradually increase its loan sizes from a maximum of 10,000 JD to 20,000 JD over the next few years. In addition, it is considering increasing its loan maturities from a maximum of 2 years to a maximum of 3 to 5 years. AMC asked for assistance in assessing the potential for this market and whether higher interest rates or more collateral should be required to cover the additional risk.

- **Islamic lending**. AMC was interested in exploring the potential for Islamic lending and wanted to know how best to offer a non-interest bearing loan product and whether it would require special licensing. AMC would be more interested in a product that allowed it to share in the profits of a client's purchase and resell than in becoming a temporary owner of the item purchased or becoming a formal business partner with its clients. Before such a product could be launched, however, research would need to be done to assure that it could be offered by a non-Islamic bank.

- **Leasing to target sectors**. AMC would consider engaging in offering its clients leasing or rent-to-own alternatives to loans. AMC believes that there is potential for the following items: computers, cars/vehicles, sewing machines and other capital investment purchases. AMC would have an advantage in these markets because it could build on the relationships Jordan National Bank has developed with certain supplier companies. There are possible tax consequences to leasing that would have to be considered before launching this product, such as who would get to claim depreciation on the leased item.

In the long-term, AMC would also be interested in considering the use of personal digital assistants (such as PalmPilots) and credit scoring to facilitate the loan decision process. However, AMC does not yet have the volume of loan clients or the management information system that would be required to take advantage of these technologies.

2.2 Jordan Micro Credit Company (JMCC)

JMCC was registered in June 1999 as a non-profit limited liability company, but its roots date back to the Noor al Hussein Foundation's income generating projects of the 1980s. Despite the fact that it has received far less donor support than the other partner MFIs, JMCC has managed to achieve almost 90 percent operational self-sufficiency in just two years. As of March 31, 2002, JMCC had 1,352 active loan clients with a total outstanding loan portfolio of 1.0 million JD (approximately $1,400,000) with a near perfect repayment rate. Nonetheless, JMCC's lack of access to capital has limited its growth. JMCC plans to borrow from the Wholesale Lending Facility to continue its market expansion, but is seeking additional support to fund its new product development efforts.

Current Target Market. JMCC offers individual loans ranging in size from 700 to 6,000 JD in the greater Amman area. It follows a step-lending methodology in which all clients enter the first of four loan cycles with a seven-month loan of 700 to 900 JD. In the following cycles, clients are offered incrementally larger loans (up to a maximum of 6,000 JD) and longer maturities (10 and then 12 months) at increasingly better interest rates. JMCC uses a credit scoring system with 100 points total – those clients who score lower than 60 points must secure their loan with collateral. JMCC's strategy is to build and retain a base of credit-worthy clients. JMCC began with an objective of reaching 50 percent female clients, but given its target of larger loans, the majority of its clients are men.

Competition. JMCC's primary competitor is AMC, since both MFIs are targeting mostly male entrepreneurs who seek larger loans in the greater Amman area. Since AMC's interest rates are lower, JMCC will need to find ways to distinguish their products in a way that justifies the higher cost.

Customer satisfaction. JMCC has no formal system for collecting feedback from clients on their level of satisfaction. However, JMCC views itself as family and relationship-oriented and loan officers have often informally passed along feedback from the clients to management that have helped to understand their needs. Some customers have complained about the interest rate being too high, but many are happy with the product. JMCC's loan process takes approximately 2 to 3 weeks, depending on the borrowers' preparedness. In general, a client spends 10 days preparing for the loan on average. Once the loan application is complete, JMCC takes approximately 7 to 10 days to process first loans and 3 days for second loans. Most clients travel approximately 4 km to the JMCC branch (30 to 60 minutes) and can pick up loan checks anytime between 8:30AM and 4:30PM on Tuesdays. Clients repay at the Housing Bank for Trade, which has 106 branches in Jordan, so repayment should be convenient for most clients.

New product/market strategies. JMCC is getting ready to launch a new product feature that it calls "credit protection," which is really a life insurance policy with a death benefit equal to the original loan value. It will offer this to all its clients through an existing life insurance company and will cost only 2,500 JD per 1 million JD of insurance. In addition, JMCC is interested in the following ideas in this order of priority:

- **IT business training loan.** JMCC is considering offering educational loans to people interested in taking certain computer or information technology courses and getting jobs to satisfy the high levels of demand for these skills in Jordan. Khalid Al-Gazawi, Acting Executive Director of JMCC, says that the estimated demand to hire people with training in Oracle, JAVA, Microsoft and other computer applications is 20,000 in Jordan. He estimates that the average cost of this type of training is 7,000 JD for seven months of part-time training. JMCC would give a 3 to 6 month grace period after the training ended to allow the client to find a job. If hired, the average starting salary is approximately 600 JD per month, from which the client could repay the loan. Recognizing that these are higher risk loans, JMCC would likely require a co-signer or collateral to secure the loan. In addition, JMCC would hire a couple loan officers to focus on this target market who could assess a potential student's ability to succeed in the program. JMCC estimates that it could make 150 IT business training loans in the first year, so would need approximately 1.5 million JD to launch the product. The Acting Director has already contacted IT training centers as well as businesses that might hire people with this type of training and has received a positive response on the potential for collaboration. One way to reduce risk would be to offer loans to people that businesses had pre-selected for the training, with a co-guarantee of the loan from the company or a salary reduction scheme to ensure repayment.

- **Islamic lending.** JMCC is interested in learning how it could package loans so as to avoid interest charges, without marketing them as "Islamic" or "Murabaha" loans. Particularly, JMCC is interested in knowing what sectors and suppliers would be good to target for this type of product, and what profit margin clients would be willing to offer.
- **Taxi loans.** The Government of Jordan currently has a program to encourage taxi drivers to retire their vehicles (by selling them to the public or by selling them for spare parts) and by new vehicles in exchange for a waiver of customs duties. Normally a new car would cost a taxi driver 10,000 JD, but with the waivers a new car would only cost 6,000 JD. So, JMCC is interested in understanding the level of interest taxi drivers have in purchasing new vehicles if they had access to a loan. JMCC would require that the car be fully insured (have property insurance) and would hold the title of the car until the loan was paid off to reduce risk. In addition, JMCC is possibly interested in offering "registration fee" loans to taxi drivers to spread out the cost of their annual registration and insurance fees over the year.
- **Start-up loans to technical college graduates.** JMCC is also considering making loans to graduates with technical skills, such as carpentry or electricity, to start-up a business in that trade. JMCC would check with the Ministry of Labor to see what skills are most in demand and offer the colleges' top graduates 2,000 to 5,000 JD loans with a 6 to 9 month grace period to start-up a business. While the average technical college graduate earns 100 JD per month, those with their own businesses can often earn 300 JD per month, which would create the additional income needed to repay the loan. Nonetheless, lending to start-ups is a risky business as not all individuals make good entrepreneurs. If JMCC were to offer these loans, it should consider making these loans at higher interest rates than its traditional loans unless another guarantee was available.

2.3 Jordan Access to Credit Project (JACP) with CHF

JACP began operations in December 1998, as a not-for-profit company in Jordan, affiliated with the Cooperative Housing Foundation (CHF) of Washington, D.C. Based in Aqaba in Southern Jordan, JACP operates in partnership with three commercial banks, The Bank of Jordan, Jordan National Bank and Cairo-Amman Bank (CAB). According to official agreements, JACP finances 80 percent of each loan, while the participating bank finances the remaining 20 percent. The profit or loss is then shared on an 80/20 basis between JACP and the participating bank. JACP is responsible for the marketing, loan application and approval process, as well as the loan management and follow up. At the end of March, JACP had 3,835 active clients (2/3 women) representing an outstanding loan portfolio of 3.3 million JD (approximately $4,620,000), and had achieved operational self-sufficiency of 121 percent.

Current Target Market. JACP began by targeting southern Jordan enterprises with group and individual loans ranging in size from 50 to 14,000 JD. JACP started with an emphasis on group lending, but has gradually moved away from group lending and toward individual lending. By March 2000, 68 percent of JACP's portfolio was in individual loans and management now says that they are no longer targeting group borrowers at all. To broaden market share and move toward financial self-sufficiency, JACP has broadened its geographical focus and now covers most major urban areas in Jordan. For new product development, JACP requested the survey focus on clients in Irbid.

Competition. With JACP's broader client base, it now faces competition on many fronts. For its smaller loan clients, MFW represents JACP's greatest competition, but only for female clients. MFW offers low-end products specifically designed for informal female business owners, and usually at lower interest rates than CHF. At the higher end, AMC represents a significant competitor, as it offers lower rates for large loan sizes.

Customer Satisfaction. JACP has struggled to find its market niche outside of southern Jordan, which has low population density and recent repayment problems due to the poor economy and the south's dependency on tourism. In March 2000, JACP reported a retention rate of only 18 percent among its group clients. JACP conducted research to understand the desertion and repayment problems and found that many clients were suffering from financial hardship as a result of the recent economic downturn in Jordan and either could not repay or did not want to have to repay the loans of other group members. These factors led to JACP's decision to broaden its geographical scope and product offerings.

Normally, JACP disburses individual loans within one week of receipt of a complete application. In the past few months, however, JACP ran out of capital for on lending and as a result some clients have been waiting for over two months for a loan. JACP plans to borrow from the Wholesale Credit Facility soon to address this issue. Otherwise, JACP offers convenient services, such as several bank branches, most of which are less than 5 km away from the average customer.

New product/market strategies. Recently, JACP introduced its "Golden Loan" product, which offers loans to women using gold and precious jewelry as collateral at lower interest rates than its traditional loan products. This product has been slow to take off, possibly due to negative perceptions of pawn lending. In the past, JACP has been mandated by USAID to limit its loan sizes, however, JACP is now considering increasing its maximum loan size from 14,000 to 20,000 JD. In addition to these new strategies, JACP is interested in the following potential products:

- **Home improvement or real estate loans**. JACP is in the process of conducting market research for home improvement loans or other loans secured by real estate. While JACP is conducting its own research it may work with AMIR 2.0 to conduct follow up focus groups once it has the results of its surveys in mid-March.

- **Leasing to target sectors**. JACP is interested in possibly creating a product to lease buses, taxis, trucks or other large fixed assets to entrepreneurs in Jordan. JACP's executive director suggested that CHP has found it easier to repossess vehicles or other large assets than to remove an individual from his home. JACP's relationship with Cairo Amman Bank offers one potential source for partnering in this area, as CAB has extensive leasing experience.

- **Village banking**. JACP is considering building on its lending portfolio by lending to large cooperatives through a village banking methodology. It has already had success lending to smaller coops of 10 to 15 people, but hasn't been as successful reaching large coops.

2.4 Microfund for Women (MFW)

MFW was founded in 1996 as an affiliate of Save the Children and built on Save the Children's pre-existing Group Guaranteed Lending (GGL) scheme. In December 1999, MFW registered as a non-profit limited liability company. MFW targets only female clients and many of its clients live in Palestinian refugee camps in northern Jordan. MFW began with group lending but has gradually introduced individual loans as a result of increasing competition and to avoid client desertion. MFW's methodology requires all clients to enter through the group lending product and after two successful loan cycles, clients become eligible for an individual loan. While the group loan is for short-term working capital, the individual loans can be for either short-term working capital or for longer term fixed asset investments. In addition, MFW's best clients can take out a second loan, called "seasonal loans," to meet additional needs for capital through high demand periods, such as for Ramadan or the start of the school year. MFW's strategy has been successful, as it has achieved the largest outreach of all the MFIs. By the end of March 2002, MFW had 6,546 active loan clients with an outstanding loan portfolio of 1.2 million JD (approximately US$1,680,000) and a stellar repayment rate of 100 percent.

Current Target Market. MFW is committed to serving only female entrepreneurs, with the majority of them working in informal businesses, many of which are operated from the home. MFW plans to stay focused on small loans and currently offers a maximum loan size of 2,500 JD. One of the limitations MFW faces in offering larger individual loans, is that few of their loan officers have the education and capacity to evaluate cash flow and financial statements. MFW plans to expand vertically rather than horizontally, focusing on its existing geographical target areas. In other words, MFW is not planning on opening new branches but will deepen outreach from its current branches. For the market research, MFW was most interested in assessing the potential for markets in Baqa'a, Zarqa, Ruseifa, and Irbid, all urban areas in northern Jordan.

Competition. At the low-end of the microfinance market, MFW faces little competition. However, as some of its most successful clients grow their businesses, MFW will likely face increasing competition from other MFIs, including AMC, JMCC and JACP, who offer larger loans at lower interest rates. MFW's competitive strength lies in its commitment to serving the needs of female entrepreneurs, many of whom begin their businesses in the informal sector. By targeting women while their businesses are still small and continually monitoring customer preferences, MFW will likely be able to form strong long-term relationships with their clients.

Customer Satisfaction. MFW regularly monitors customer satisfaction and solicits feedback from its clients through surveys, focus groups and exit interviews. MFW holds focus groups at least two times per year and recently conducted a survey on customer satisfaction. While the clients are mostly positive about their experiences, MFW has used these feedback mechanisms to develop new products, such as the seasonal loan, and learned that religious reasons and women's lack of mobility (ability to get out of the house to sell products) are common reasons for losing clients.

Marketing. By conducting targeted marketing campaigns, MFW has been successful in developing its image as the MFI for women. MFW's television advertisements, featuring a middle aged woman name Bahaya, have been very appealing to women. Nonetheless, word of mouth has been MFW's most successful marketing tool. A recent survey reflected that 55.8 percent of its clients learned about MFW from another client.
Other ways MFW attracted clients included the television ads (5.7%), flyers and brochures (4.0%) and from employees (2.5%).[6]

New product/market strategies. MFW has been proactive in exploring its new product development interests and has already done some preliminary research on the following new product ideas:

- **Micro-insurance.** MFW did an informal survey among its clients and learned that there was a lot of interest in both life and health insurance. However, MFW has not yet been able to identify a life insurance company that would offer a reasonable rate to its clients. One company said it would charge 8 JDs to offer a life insurance benefit equal to the loan value of 200 JD, requiring a four percent surcharge for each loan to simply break even. A study conducted by the German Development Institute (GDI) in April 2001 concluded that while there is significant unmet demand for health insurance among low-income people, potential micro-insurance partners "are unable to offer health insurance at an affordable premium level or on a voluntary basis."[7] In addition, the United Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA), a quasi-public institution, is providing free primary health care to Palestinian refugees, MFW's primary target market.[8] Nonetheless, MFW is interested in continuing to research the nature of this demand and their clients' potential to pay an insurance premium, particularly for mandatory or voluntary life insurance. MFW's volume of clients should help it find an attractive rate for a mandatory insurance product, i.e. one that is offered to all clients as part of the loan product.
- **Islamic lending**. MFW was also interested in learning about the potential for alternatives to lending by charging interest, but prefers not to call it Islamic lending so as not to imply that there current products are against Islamic principles.

Automating Loan Decision-Making. Another concept that MFW is interested in exploring is the use of technology to reduce operational costs and improve productivity. MFW would be interested in researching the potential to use personal digital assistants, such as PalmPilots, or small computers that would facilitate their loan officers ability to make smart loan decisions quickly, to carry client information with them and to share the information with the management information system (MIS) database. The introduction of such a tool could also lay the ground work for the creation of a credit scoring system, which would further facilitate

[6] Interview with Mr. Bassem Khanfar, General Manager, MFW, February 13, 2002.
[7] Page VI, "Improving the Social Protection of the Urban Poor and Near-Poor in Jordan," GDI, April 2001.
[8] Ibid, p. IV.

loan officers' ability to make loan decisions, especially for larger loans. MFW is currently in the process of upgrading its MIS - once installed MFW would be interested in pilot testing the concept. The General Manager, Mr. Bassem Khanfar, thought that MFW could supply one computer for each of the nine branches to start, but would need some financial assistance for the MIS integration and training.

3. General Market Research Findings

CDG's Report, "MFI Product Market Needs Assessment," details the findings of the surveys conducted to measure current customer satisfaction levels and to identify potential new products for AMIR's four partner MFIs. The surveys were completed by 306 micro and small enterprises (MSMEs) in Jordan, including 164 current and 142 potential MFI clients. There were two types of questionnaires: one for current clients (see Annex 4) and one for potential clients (see Annex 5). The survey questionnaire for current clients included the same questions asked to potential clients as well as questions to assess the clients' satisfaction with current products, which served as an additional source of information for new product development and offered insight into potential adaptations to current products and services. After the survey results were in, the consultant met with each of the MFI directors to discuss the survey findings as they related to their proposed new product development strategies, as well as the implications for their current product lines. Based on the survey findings, each of the MFIs identified additional market research questions they wanted to pose to current and potential clients in a focus group format. While surveys are useful in understanding general trends in the market, focus groups help to understand perceptions and obtain more qualitative information to assess potential market response to new products or product adaptations. This section summarizes the key findings of the surveys, as well as the relevant findings from the ten focus group sessions that were used to further understand the implications for the MFIs' new product development strategies.

3.1 Survey Sample

With support from the consultant, CDG conducted 306 surveys in March 2002, which included the following composition of MFI current and potential clients, as requested by the partner MFIs:

- 108 in Amman (42 current clients of AMC, 41 current clients of JMCC, 25 potential small business clients – 21 females),
- 20 in Madaba (20 potential clients –10 females)
- 66 in Irbid (41 current clients of JACP and 25 potential clients – 15 females),
- 57 total in Zarqa and Ruseifa (31 current clients of MFW and 26 potential clients – 57 females),
- 35 in Baqa'a (10 current clients of MFW and 25 potential clients – 23 females).
- 20 in Jerash (20 potential clients –10 females)

3.2 General Client Satisfaction

In general, the MFIs enjoy high levels of client satisfaction, with the majority of clients stating that they are "satisfied" or "strongly satisfied" overall with the MFI. Table 2 below summarizes the general levels of client satisfaction for each of the four partner MFIs. However, these results include only active clients and therefore do not reflect the opinions of those clients that have left the MFI due to dissatisfaction. Therefore, one can assume that the true level of satisfaction of past clients is not quite as high as these results suggest. Exit interviews would help to have an even better understanding of client satisfaction levels and the reasons for desertion.

Table 2: Client Satisfaction per MFI

Client Response Regarding Overall Satisfaction with MFI:	Name of Microfinance Institution			
	AMC	MFW	JMCC	JACP
Number of Clients Surveyed	42	41	41	41
Strongly Satisfied	33.3%	53.7%	20.0%	19.5%
Satisfied	52.4%	31.7%	40.0%	41.5%
Neutral	14.3%	12.2%	37.5%	29.3%
Dissatisfied	0.0%	0.0%	2.5%	2.4%
Strongly Dissatisfied	0.0%	2.4%	0.0%	7.3%
Total	100.0%	100.0%	100.0%	100.0%

Clients of AMC and MFW indicated the highest levels of satisfaction, with 85.7 percent of AMC's clients and 85.4 percent of MFW's clients either satisfied or strongly satisfied. Clients of JACP indicated the highest levels of dissatisfaction, with 7.3 percent strongly dissatisfied and 2.4 percent dissatisfied.

All of the MFIs were rated highly in terms of relationship with the loan officer and their understanding of the clients' needs. Dissatisfaction was mostly attributed to product features, such as interest rate, loan size, loan term and payment frequency. There was slightly more dissatisfaction among fixed asset loan clients than working capital loan clients.

It appears that the Jordanian MFIs have done well in applying best practice methodologies in terms of building strong relationships with its client base. As the environment becomes more competitive, the MFIs need to find ways of improving product features so that they continue to be attractive to their clients.

3.3 General Survey Findings

There were many general findings that are interesting to note and impact how the MFIs should target clients and design their products.

Profile of MSMEs' interests in loans. Of those surveyed, 84.3% said they would be interested in a loan if offered on favorable terms. However, this high level of interest is not surprising given that 164 of the 306 surveyed entrepreneurs were current clients. Nonetheless, of the 142 potential clients, 69% were interested in a loan, indicating that the microfinance market is far from saturated. Most respondents (72.9%) were interested in working capital loans, whereas only 34.3 percent were interested in fixed asset loans. Men were slightly more interested in receiving a loan than women. Over half of those interested in a loan wanted a loan between 1,001 JD and 6,000 JD. There was greatest interest in loans in the cities of Amman and Irbid. Over half (50.7%) interested in a loan had sales of 101-1000 JD per month. The most common (28.0%) monthly loan repayment amount selected was 51-100 JD/month. Of those interested in a loan, the most common forms of guarantee were co-signers (39.1%) and real estate (35.7%).

Double loans. Few clients had more than one loan outstanding (9.8%) and the majority of those (83.3%) were a result of having seasonal loans, which tend to be smaller and shorter term loans than working capital and fixed asset loans. This finding indicates that there are few clients borrowing from more than one institution and suggests that clients are not becoming over-indebted and the market is not yet saturated.

Gender trends. In general, men were interested in larger loans and higher monthly loan repayments than women, and had higher monthly sales that would allow them to qualify for larger loans. Men were also more likely to offer real estate as collateral than women (39.3% vs. 31.0%), whereas women were more likely to offer a co-signer to guarantee the loan (46% vs. 33.8%).

Registered vs. non-registered enterprises. Non-registered or informal enterprises expressed a greater level of interest in loans, with 95 percent of non-registered microenterprises versus 81.9 percent of registered microenterprises interested in a loan. This finding suggests that informal enterprises have more need and demand for loans and possibly fewer alternative sources of funding the growth of their enterprises. Registered businesses were more likely to offer real estate to guarantee the loan than non-registered businesses, which were more likely to offer co-signature guarantees.

Group vs. individual borrowers. While the majority of the 38 group loan clients surveyed were satisfied with their loans, there was less overall satisfaction among group loan clients than from individual loan clients of the same institution. From one MFI, all individual loan clients were either satisfied or strongly satisfied with individual loans versus 84.2 percent with group loans. The greatest area of dissatisfaction expressed among group loan clients was the payment frequency, with 60.5% of group clients surveyed dissatisfied with their bi-weekly payment frequency. The focus groups and comments noted in the survey identified that most group loan clients would have preferred to make monthly rather than bi-weekly payments.

3.4 Potential New Products

The survey identified market potential for a number of new products that the partner MFIs expressed an interest in, including small business loans, taxi loans and life insurance. These products are discussed in order of MFI interest based on the market potential indicated in the survey results.

Small Business Loans

There are many ways in which one could define small business loans, the most common being by number of employees or by loan size. Either way, the findings suggest that there is significant market potential for small business lending in Jordan. Since the Government of Jordan requires that all enterprises with more than five employees register to become formal businesses, this survey considers those enterprises with five or fewer employees to be microenterprises and those with 6 to 30 employees to be small businesses.

Most registered small businesses are interested in loans. The majority (77.8%) of registered enterprises with 6-10 employees and 44.4 percent of registered enterprises with 11-30 employees were interested in a loan if offered on favorable terms. This finding suggests that as enterprises grow, they tend to have less need for loans or more options for funding their enterprises. Hence, enterprises with 6 to 10 employees represent the greatest level of unmet demand for small business loans in Jordan.

Many registered small businesses want and can afford loans over 10,000 JD. Almost half (44.4%) of registered small businesses interested in a loan want loans over 10,000 JD. Over half of registered enterprises said they could pay 201-3,000 JD for monthly loan installments.

The majority (64.3%) of registered enterprises with 6-10 employees, as well as most (75.0%) of those with 11-30 enterprises offered real estate to guarantee the loan. Therefore, many registered small businesses can afford to repay a 10,000 JD loan. And the focus groups indicated that clients interested in larger loans were interested in having longer-term loans and were willing to pay a higher interest rate in exchange for the longer term.

Irbid and Amman offer great potential for small business lending. All the enterprises with 6-30 employees in Irbid and most of them in Amman (63.9%) were interested in a loan. There were too few small businesses surveyed in the other cities to assess their full potential for small business lending. The survey and focus groups targeted small businesses in Amman and Irbid, because those were the locations of greatest interest to AMC and JACP, the MFIs that expressed the most interest in small business lending.

Taxi Loans

Based on a small sampling of 11 taxi owners in the survey, there appears to be a fair amount of interest in loans. Of the entrepreneurs that own taxis, 63.6 percent (7 out of 11) were interested in obtaining a loan if offered on favorable terms. Of those, two wanted loans of 1001-3000 JD, two wanted 3001-6000 JD and three wanted 6001-10,000 JD. There was a wide range in terms of repayment ability, from 51-500 JD per month. The average monthly sales of those interested in taxi loans are 695 JD. All seven currently have outstanding fixed asset loans, so the purchase of new vehicles would probably have to be contingent on the sale of an existing vehicle to pay off of that loan. The findings of the focus groups were even more promising, with the majority of focus group participants (92.3% or 12 of the 13 taxi owners) interested in a loan to purchase a new taxi if offered on favorable terms, especially if the loan included the cost of the “taxi tags.” Some said that if they include taxi tags, they would be willing to buy 3 or 4 taxi cars. In addition, the focus groups and an additional questionnaire indicated that taxi owners interested in loans have a low risk profile (in terms of age, number of accidents and tickets per year) and have enough income to repay taxi loans. However, there seems to be less market potential for taxi registration loans than for new taxi loans. According to the focus group sessions, the majority (61.5% or 8 of the 13 taxi drivers) said they were not interested in a loan for annual taxi registration fees, not even if it would also cover annual insurance costs, which are usually factored into the registration fee.

Life Insurance

One third of survey respondents (32.4%) were interested in life insurance. Interest appears to be greatest in Amman (42.4%) and Zarqa/Ruseifa (25.3%). More men (53.5%) than women (46.5%) were interested in life insurance. Of those interested in life insurance, 75.3% were willing to pay above 5 JD per month for a 10,000 JD death benefit, which indicates that there is profit potential for this product. Approximately 58% of those interested in life insurance have sales of 51-1000 JD per month, which suggests that many of those interested in life insurance could afford to pay a monthly premium. Only 8.6 percent of the respondents currently have life insurance. What most (65%) said they liked about the product is that it allows them to secure a future for their family. By far the largest supplier of life insurance was ALICO (65.6%). Focus groups tested the extent to which clients were interested in life insurance to cover the balance of the loan in case of death (i.e. “credit protection”) or to provide a true death benefit (i.e. “income protection). The findings indicated that there is less negative connotation around the term “life insurance” than expected, that most clients do discuss financial planning related to death with their families, and that there is significant interest from clients in life insurance for income protection.

Home Improvement Loans

While the majority of survey respondents were not interested in home improvement loans, there was some interest, with 21.3% of respondents (65 of 240) interested in a home improvement loan. However, only 37.3% of those interested offered real estate to secure the loan. Of those surveyed, only 4.6% had ever had a home improvement loan before and only 2.7% said they currently have such a loan, indicating this is a fairly undeveloped market. The largest suppliers of home improvement loans to those in the survey were Housing Bank (42.9%), Arab Bank (21.4%) and Jordan National Bank (14.3%). Of those requesting a home improvement loan, over half (51%) wanted a loan between 1001-6000 JD. The average monthly sales of those interested was 2,283 JD, indicating that this is a fairly affluent market. Of those interested in home improvement loans, 61.3% have an outstanding loan, which is not surprising given the survey sample, which included many active clients. In offering home improvement loans, it is likely that many existing clients would be interested in this product as a second loan so the MFIs would need to factor the clients' current level of indebtedness into the loan decision. The four focus group sessions in Irbid (two with participants from urban areas and two with participants from rural areas) indicated a strong level of interest in home improvement loans. The majority of those who own their own home were interested in a home improvement loan. Given that the survey and focus groups targeted only entrepreneurs, the market for home improvement loans to home owners could be higher among the general population. The focus groups also indicated a strong demand for housing loans to purchase or build new homes, with 87.7 percent of all participants interested in a loan for such purposes.

IT Business Training Loan

Of the 306 participants in the survey, none had ever received a loan for IT business training, and only 38 (12.4%) said they were interested in such a loan. Of these respondents, there was a wide range of requested loan sizes from 501JD to over 10,000 JD. In terms of monthly repayment ability, the largest response was 51-100 JD per month (29%). Approximately half of those interested already have a loan, which is not surprising given the survey sample. The monthly sales average of those interested in an IT business training loan was 957 JD.

Savings Accounts

Of the total survey sample, there was greater interest in short-term than long-term savings accounts, with 31.4% interested in short-term savings accounts, but only 14.8% interested in long-term savings accounts. Few respondents have had a short-term savings account before (17.3%) and even fewer currently have a short-term savings account (16.7%). Only 11.2% said they had had a long-term savings account before, but very few (2.3%) said they currently have a long-term savings account. These findings suggest that there is some unmet demand for both short-term and long-term savings accounts, but more market potential for short-term savings accounts. Of those who had a short-term savings account, one fourth said what they liked about the product was that they could withdraw the money at any time and that there were fast and easy procedures. The most common suppliers of savings accounts were Housing Bank (48.1%), Arab Bank (14.8%) and Jordan National Bank (13.0%). Given that savings mobilization requires financial intermediation and regulation and supervision by the central bank, only AMC is qualified to offer savings as a new product. The Director of AMC says that AMC has attempted to market a voluntary savings account through its relationship with the Jordan National Bank, but had low levels of response. This could have been due to the fact that AMC was primarily advertising through its existing client base of entrepreneurs who prefer to invest most of their savings directly into their businesses. While the market potential from entrepreneurs may seem a bit low for savings products, it is likely that demand for savings products is even greater among non-entrepreneurs who do not have a business to invest in.

ATM Card

There was significant interest in Automatic Teller Machine (ATM) cards, with 43.6 percent of all respondents interested in this product. This technology is fairly familiar to people in Jordan, as many people already have had an ATM card in the past (31.0%) and 29.4 percent have one currently. The Housing Bank (42.3%) and the Arab Bank (22.7%) were the most frequently mentioned ATM providers. The majority of people who have had an ATM card (84.8%) liked the fact that it allowed them to withdraw money at any time. This product would be best offered in conjunction with a savings account, which requires a regulated financial institution. Currently, AMC is the only MFI that could offer such a product and is not interested in introducing an ATM product at this time.

Islamic Lending

While there is a market for Islamic lending in Jordan, it does not appear to be a profitable product for MFIs to offer, as discussed below.

Religion is a common reason for not wanting a loan. Of the 15.7% of all entrepreneurs surveyed that said they were not interested in a loan, nearly one third (29.2%) said their lack of interest was due to religious reasons. Respondents in Amman (35.7%), Madaba (33.3%) and Jerash (33.3%) were more likely to cite religious reasons for not be interested in a loan, than those in Baqaa (30%), Irbid (28.6%) or Zarqa/Ruseifa (18.2%). In general, men were more likely to give this reason than women (32.0% vs. 26.1%) were.

Significant interest in Islamic lending among those citing religious reasons. Of those stating religious reasons for not being interested in a loan, exactly half (50%) said they would be interested in receiving advance funds in exchange for a share of the profit, which represents a common form of Islamic lending, known as Marabaha. Interest in this form of Islamic lending was greatest in Amman (80%), Irbid (50%) and Zarqa/Ruseifa (50%). And men tended to be more interested than women in Islamic lending (62.5% vs. 33.3%).

Limited income potential in Islamic lending. Perhaps the most interesting finding is that all of those interested in Islamic lending reported monthly sales of 50 JD or less. This finding suggests that lower income entrepreneurs are more interested in Islamic lending. Since Islamic loans are fairly complex and expensive to offer, it is unlikely that the MFIs will be able to cover their costs in offering Islamic loans.

Rent-to-Own and Leasing

The survey findings indicate poor prospects for rent-to-own or leasing alternatives to lending as new product possibilities for the MFIs. Only two percent of the survey sample said they rent equipment. Of those that rent equipment, half work in retail or trade. Of those surveyed, 64.3 percent receive credit from their supplier. These findings suggest that entrepreneurs are more likely to purchase than rent equipment needed for their businesses and that suppliers often offer them credit if needed for such purchases. This implies that offering appropriate fixed asset loans are perhaps the better approach to serving this market need than renting or leasing. The survey did not determine what terms and conditions suppliers offer credit, which would help MFIs determine whether they could offer better terms and conditions to attract this target market.

In addition to the above, there was minimal interest in revolving credit lines (11.8% interested) and seasonal credit (19.1% interested). While definitions were provided for each of the potential products, the low levels of interest in these products could be partly as a result of survey respondents' lack of familiarity with them.

4. Relevant Market Research Findings for AMC

The survey had many interesting findings for AMC to consider in implementing its new product development strategies. The most relevant centered around two areas: current customer satisfaction and potential for small business lending. Originally, AMC had also expressed an interest in assessing the market potential for Islamic lending and leasing. But the survey findings indicated less profit potential with these two products than with the small business lending. Hence, AMC decided to use the focus groups to understand better those areas where current clients expressed dissatisfaction and to collect more information on the market potential for small business lending (see Annex 7). The findings are discussed below.

4.1 Current Clients Are Satisfied

In general, clients were quite satisfied with AMC. Of the 50 current clients surveyed, the majority (85.7%) rated their overall satisfaction with AMC as either “satisfied” (52.4%) or “strongly satisfied” (33.3%). And perhaps even more indicative of the high levels of satisfaction, none of the clients rated their overall satisfaction with AMC as “dissatisfied” or “strongly dissatisfied.” Table 3 presents the breakdown of AMC clients by their levels of overall satisfaction. However, it is interesting to note that men are more satisfied overall than women with AMC, with 88.5 percent of men “satisfied” or “strongly satisfied” compared to 71.4 percent of women.

Table 3: AMC Clients’ Overall Satisfaction

Client Response	Satisfaction %
Strongly Dissatisfied	0.00
Dissatisfied	0.00
Neutral	14.30
Satisfied	52.40
Strongly Satisfied	33.30
Total	100.00 %

Number of respondents = 42

Clients expressed the greatest levels of satisfaction in the areas of “facilities are clean” (97.6% satisfied), “friendliness of loan officer” (95.2%), “loan officer understands my needs” (95.2%) and “hours of operation” (95.2%). While most clients were satisfied overall with AMC, the survey identified a couple areas of dissatisfaction or areas in which clients could be more satisfied. Table 4 presents AMC’s satisfaction analysis according to product and service features. The areas in which AMC clients expressed dissatisfaction were interest rates and loan terms. There was slightly less overall satisfaction among fixed asset loan clients than among working capital loan clients, with 60 percent either satisfied or strongly satisfied with fixed asset loans versus 91.6 percent with working capital loans.

Table 4: AMC Client Satisfaction Analysis - % and (no.)

Amman								
AMC	Satisfaction level				Importance			
Product Design	**Unsatisfied %**	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Loan Size	4.8 (2)	59.5 (25)	35.7 (15)		100 (42)			
Loan Term	19 (8)	54.8 (23)	26.2 (11)		95.2 (40)		4.8 (2)	
Interest Rate	50 (21)	35.7 (15)	14.3 (6)		90.5 (38)		9.5 (4)	
Fees	11.9 (5)	78.6 (33)	7.1 (3)	2.4 (1)	6.9 (29)	4.8 (2)	23.8 (10)	2.8 (1)
Payment Frequency	4.8 (2)	90.5 (38)	4.8 (2)		97.6 (41)		2.4 (1)	
Customer Service								
Speed of loan application process	14.3 (6)	69 (29)	16.7 (7)		97.6 (41)		2.4 (1)	
Speed of loan disbursal after application	11.9 (5)	76.2 (32)	11.9 (5)		100 (2)			
Friendliness of loan officer		95.2 (40)	4.8 (2)		100 (42)			
Loan officer understands my needs		95.2 (40)	4.8 (2)		100 (42)			
Other branch staff were courteous		71.4 (30)	4.8 (2)	23.8 (10)	76.2 (32)			23.8 (10)
Office Environment								
Hours of operation	4.8 (2)	95.2 (40)			68.3 (28)	19.5 (8)	12.2 (5)	
Facilities are clean		97.6 (41)		2.4 (1)	82.9 (34)	2.4 (1)	12.2 (5)	2.4 (1)
Convenient location	19 (8)	78.6 (33)	2.4 (1)		95.1 (39)	4.9 (2)		

Number of clients = 42

Interest Rates vs. Fees

Not surprisingly, many clients would prefer lower interest rates despite the fact that AMC offers the lowest interest rates of the four AMIR-partner microfinance institutions in Jordan. However, what was interesting to note in the survey was that while 50 percent of current clients said they were dissatisfied with interest rates, only 21.4 percent were dissatisfied with fees. Hence, the focus groups were designed to check whether clients preferred paying fees to interest rates. The findings of the focus group of ten women, as well as those of the focus group of 12 men, both in Amman indicate that most people prefer to pay a higher up-front fee and lower interest rate than no fee and a higher interest rate.

Originally, when asked whether they preferred to pay no fee and 10 percent interest on a 10,000 JD one-year loan or pay a fee of 100 JD and 9 percent interest, most selected the former. However, if allowed to pay the fee out of the loan amount, most changed their answer to the latter response. When asked whether they prefer to pay 0 JD up-front and 83 JD per month or to pay 100 JD up-front and 75 JD per month, most selected the latter. The participants were encouraged to make these choices based on initial impressions, rather than by trying to make the calculations. Through the discussions, no one seemed to recognize that the two questions were the same or that the total amount paid over the one year was the same for all four responses. It is interesting to note, given the time value of money, most clients selected the more expensive option of repaying some of the loan up-front. These findings suggest that clients are not savvy in calculating interest and suggest a preference for fees over interest payments. It is unclear whether negative perceptions of paying interest due to Islamic beliefs perhaps influence client preferences.

Longer Loan Terms

Of AMC's current clients surveyed, 19 percent were dissatisfied with loan terms. Since part of AMC's strategy is to move up-market by offering larger, but also long-term loans, the focus groups were used to determine whether clients would be more satisfied with longer-term loans and whether they would be willing to pay more for them. Many clients said they were interested in longer-term loans and that they would be willing to pay approximately 1-2 percent more for this option. Some clients felt the shorter the term, the lower the interest rate should be and vice verse.

Fixed Asset Loans

The most common thing that survey respondents who had had fixed asset loans said they disliked about the product was the high interest rate. In discussing fixed asset loans, some of the focus group participants explained that since the entrepreneur was taking a risk that the new asset purchased with a fixed asset loan would result in higher productivity and profits, he or she could not always afford to pay very high interest. However, the facilitator used this opportunity to show the participants that the microfinance institution (MFI) was also taking a higher risk in making a fixed asset loan. Some clients then suggested a grace period would at least help the entrepreneur to have some time to reap the benefits of the investment before beginning to repay the loan. The participants made the following suggestions for fixed asset loans. One participant said the MFIs should allow borrowers to purchase used equipment or machinery, which is less expensive than new equipment, but is harder to get a professional invoice for. Another suggested that MFIs should allow the value of the fixed asset to include the cost of customs duties if purchased from overseas. To reduce the risks involved with fixed asset lending, the clients suggested that the MFI verify that the loan was indeed used to purchase the fixed asset shortly after loan disbursal. Another warned that bribes can be used to inflate estimates in order to acquire a loan larger than needed for the fixed asset, suggesting that MFIs become familiar with what are reasonable estimates for fixed assets, especially large purchases.

In addition to the above findings, the focus group participants said that they thought long-term clients should get preferential treatment, with faster and easier loan processing as well as lower interest rates. Many of the focus group participants felt there had been many policy changes and staff turnover and would prefer the MFIs keep things the same or at least communicate changes if they have to happen.

4.2 Significant Potential for Small Business Lending

AMC should definitely pursue its interest in larger, longer-term loans to small businesses. According to the survey, the majority (77.8%) of registered enterprises with 6-10 employees and 44.4 percent of registered enterprises with 11-30 employees were interested in a loan if offered on favorable terms. This finding suggests that as enterprises grow, they tend to have more options for funding their enterprises or less need for loans. Hence, enterprises with six to ten employees represent the greatest level of unmet demand for small business loans in Jordan.

Many small businesses surveyed want and can afford loans over 10,000 JD. Almost half (44.4%) of registered small businesses surveyed interested in a loan want loans over 10,000 JD. Over half of registered enterprises said they could pay between 201-3,000 JD for monthly loan installments. Since AMC's average monthly installment for a 10,000 JD loan (based on 24 month loan term and 8% flat interest rate) is 416 JD, most of those enterprises can afford a loan of at least 10,000 JD. The majority (64.3%) of registered enterprises with 6-10 employees, as well as most (75.0%) of those with 11-30 enterprises offered real estate to guarantee the loan. Table 5 presents the survey results by business size and registration status and Table 6 presents the monthly sales of all businesses surveyed according to registration status.

Table 5: Distribution of Enterprises by Size and Registration - % and (no.)

	Registered Enterprises (N=220)		Non-Registered Enterprises (N=82)	
Number of employees	Interested in a loan (176)	Not Interested (44)	Interested in a loan (78)	Not Interested (4)
5 or less employees	81.9%	18.1%	94.9%	5.1%
6-10 employees	77.8%	22.2%	100.0%	
11-30 employees	44.4%	55.6%	100.0%	

Number of respondents =302

Irbid and Amman offer great potential for small business lending. All the enterprises with 6-30 employees in Irbid and most of them in Amman (63.9%) were interested in a loan. There were too few small businesses surveyed in the other cities to assess their full potential for small business lending.

Table 6: Distribution of Enterprises' Monthly Sales Interested in a Loan

	Registered Enterprises Interested in a Loan		Non-Registered Enterprises Interested in a Loan	
Monthly Sales (JD)	**No.**	**%**	**No.**	**%**
50 JD or less	12	6.8	11	14.1
51-100 JD	6	3.4	12	15.4
101-200 JD	12	6.8	26	33.3
201-500 JD	31	17.6	14	17.9
501-1000 JD	36	20.5	10	12.8
1001-2000 JD	19	10.8	2	2.6
2001-3000 JD	18	10.2	2	2.6
3001-5000 JD	11	6.3	1	1.3
5001-7000 JD	7	4.0		
7001-10000 JD	13	7.4		
10001-20000 JD	8	4.5		
>20000 JD	3	1.7		
Total	176	100.0%	78	100.0%

Number of respondents interested in a loan = 254

AMC should offer lower interest rates for qualified larger loan clients. As mentioned above, the focus groups indicated that clients were interested in longer-term loans and were willing to pay more for them. However, enterprises that qualify for larger loans tend to have more options for borrowing, including commercial banks that offer interest rates that are approximately two percent lower. Therefore, AMC will likely be able to attract some small business clients at its current interest rates but probably will not be able to charge higher interest rates for these longer-term loans. AMC's plan to charge lower interest rates for larger loans will likely be successful in attracting many small business clients.

AMC should broaden and deepen its market outreach. Table 7 presents the survey findings of enterprises in Amman interested in a loan according to their monthly sales and the amount of the loan they would be interested in. The areas highlighted in light gray represent AMC's current target market and the darker gray areas represent the unmet market potential small business lending. While some entrepreneurs with monthly sales of 1,000 to 10,000 JD, would like larger loans than AMC would offer them based on their risk analysis, by and large, AMC is serving much of this market. However, entrepreneurs that have monthly sales of 5,000 JD or more are currently constrained by AMC's lending parameters, in that they are not allowed to borrow to their maximum risk potential. While AMC allows entrepreneurs with monthly sales of 3,000 JD are allowed to borrow twice that (6,000 JD), those with monthly sales of 7,000 JD are only allowed to borrow 9,000 JD. The maximum loan any entrepreneur can borrow from AMC is currently 10,000 JD. In other words, there is potential for AMC to expand its market in two ways: 1) by offering larger loans to its existing market (for those with monthly sales of 5,000 –10,000 JD) and 2) by targeting larger enterprises (those with monthly sales over 10,000 JD).

Table 7: Distribution of requested loan size by enterprises' monthly sales - % & no.

	Amman					
Monthly Sales (JD)	Loan Size					
	< 500 JD	501-1000 JD	1001-3000 JD	3001-6000 JD	6001-10,000 JD	> 10,000 JD
50 JD or less			100.0 (2)			
51-100 JD			100.0 (2)			
101-200 JD		14.3 (1)	57.1 (4)	14.3 (1)	14.3 (1)	
201-500 JD		6.7 (1)	26.7 (4)	53.3 (8)	13.3 (2)	
501-1000 JD			35.0 (7)	35.0 (7)	25.0 (5)	5.0 (1)
1001-2000 JD			9.1 (1)	36.4 (4)	45.5 (5)	9.1 (1)
2001-3000 JD			25.0 (3)	33.3 (4)	33.3 (4)	8.3 (1)
3001-5000 JD			28.6 (2)	14.3 (1)	28.6 (2)	28.6 (2)
5001-7000 JD		33.3 (1)		66.7 (3)		
7001-10000 JD				37.5 (2)	12.5 (1)	50.0 (4)
10001-20000 JD					75.0 (3)	25.0 (1)
>20000 JD						100.0 (3)

Number of respondents = 94

4.3 Limited Potential for Islamic Lending

While there is a market for Islamic lending in Jordan, it does not appear to be a profitable product for AMC to offer.

Religion is a common reason for not wanting a loan. Of the 15.7% of all entrepreneurs surveyed that said they were not interested in a loan, nearly one third (29.2%) said their lack of interest was due to religious reasons. Respondents in Amman (35.7%), Madaba (33.3%) and Jerash (33.3%) were more likely to cite religious reasons for not be interested in a loan, than those in Baqaa (30%), Irbid (28.6%) or Zarqa/Ruseifa (18.2%). In general, men were more likely to give this reason than women (32.0% vs. 26.1%).

Significant interest in Islamic lending among those citing religious reasons. Of those stating religious reasons for not being interested in a loan, exactly half (50%) said they would be interested in receiving advance funds in exchange for a share of the profit, which represents a common form of Islamic lending, known as Marabaha. Interest in this form of Islamic lending was greatest in Amman (80%), Irbid (50%) and Zarqa/Ruseifa (50%). And men tended to be more interested than women in Islamic lending (62.5% vs. 33.3%).

Limited income potential in Islamic lending. Perhaps the most interesting finding is that all of those interested in Islamic lending reported monthly sales of 50 JD or less. This finding suggests that lower income entrepreneurs are more interested in Islamic lending. Since Islamic loans are fairly complex and expensive to offer, it is unlikely that AMC will be able to cover their costs in offering Islamic loans. Furthermore, offering Islamic loans in addition to traditional loans could send a confused message to AMC's current clients by suggesting that traditional borrowing is against Islam.

4.4 Poor Prospects for Leasing

The survey findings indicate poor prospects for rent-to-own or leasing alternatives to lending as new product possibilities for AMC. Only two percent of the survey sample said they rent equipment. Of those that rent equipment, half work in retail or trade. Of those surveyed, 64.3 percent receive credit from their supplier. These findings suggest that entrepreneurs are more likely to purchase than rent equipment needed for their businesses and that suppliers often offer them credit if needed for such purchases. The survey did not determine what terms and conditions suppliers offer credit, which would help MFIs determine whether they could offer better terms and conditions to attract this target market.

In addition to the above products, the focus group participants suggested they would also be interested in marriage loans and home improvement loans.

4.5 Summary and Recommendations

To further enhance customer satisfaction, AMC should consider the following:

- ***slightly reducing interest rates*** on its current products and charge up-front loan initiation fees to cover the cost of the interest rate reductions.
- ***advertise in ways that speak more concretely about the costs of its services*** and minimize the use of the term "interest rate," as there are possibly negative connotations due to Islamic beliefs.
- ***offer clients the possibility of taking longer loans*** in exchange for slightly higher monthly payments (perhaps 1-2% higher).
- ***consider offering a grace period*** up to approximately three months for fixed asset loans.
- ***identify ways in which it can streamline its processes***, so that long-term borrowers can receive preferential treatment, in terms of reduced requirements, faster loan processing and lower interest rates.

Together, these changes should result in even greater levels of customer satisfaction. The more satisfied the client, the more likely they will be to encourage other friends and family members to become AMC clients.

AMC should offer larger, longer-term loans to qualifying small businesses, as there is a significant market for these loans. To determine its full potential for small business lending, AMC should:

- ***Develop a prototype*** for a small business loan product, specifying the loan application requirements and loan approval processes. For each potential loan size, AMC will need to determine the interest rate, fee and repayment structure that it will propose and pilot test it in one or two of its branches in Amman before offering the product on a wide scale. Given that AMC's microenterprise lending is already based on individual lending to formally registered business, it should be fairly easy for AMC to begin small business lending, with few changes to its loan application and approval process.
- To ensure profit maximization and to avoid future dissatisfaction, AMC should probably ***begin by offering larger, longer-term loans*** at close to the same interest rates it currently offers and test for greater market potential by lowering interest rates for larger loan sizes slowly over time.
- AMC will need ***staff training to ensure that its loan officers are able to assess the risks*** and loan repayment capacity of the small businesses. In addition, AMC will need to ensure that it is adequately grooming its loan officers for middle management opportunities that will arise as its portfolio expands.

5. Relevant Market Research Findings for JMCC

The survey had some interesting findings for JMCC to consider in pursuing its new product development strategies. The most relevant centered around two areas: current customer satisfaction and potential for taxi loans. Since the survey only included eleven taxi owners, JMCC decided to use the focus groups to better assess the market potential for lending to taxi drivers (see Annex 8). In addition, the focus group participants completed a specially-designed survey to understand the specific interests and profile of taxi drivers that might be interested in a loan (see Annex 9).

Originally, JMCC had also expressed an interest in assessing the market potential for IT business training loans, Islamic lending and start-up loans to technical college graduates. The survey instrument was not appropriate for assessing the full market potential for IT business training loans or start-up loans to technical college students, since potential clients for these loans are not necessarily entrepreneurs. So, additional market research would need to be done to assess the full potential for these markets. In addition, the survey findings indicated that there is little profit potential for Islamic lending. The survey and focus group findings are discussed below.

5.1 Many Clients Are Satisfied

In general, clients were satisfied with JMCC, with 60 percent expressing that they were either "satisfied" or "strongly satisfied" overall. Only 2.5 percent of clients said they were "dissatisfied" overall with JMCC and none said they were "strongly dissatisfied." Table 8 presents the breakdown of JMCC clients by their levels of overall satisfaction. Women were more likely to express overall satisfaction than men, with 69.3% of the 13 women versus 55.5% of the 27 men either "satisfied" or "strongly satisfied" with JMCC.

Table 8: JMCC Clients' Overall Satisfaction

Client Response	Satisfaction %
Strongly Dissatisfied	0.00
Dissatisfied	2.50
Neutral	37.50
Satisfied	20.00
Strongly Satisfied	40.00
Total	100.00 %

Number of clients = 41

Clients expressed the greatest levels of satisfaction in the areas of "facilities are clean" (95% satisfied), "friendliness of loan officer" (95%) and "loan officer understands my needs" (95%). While most clients were satisfied overall with JMCC, the survey identified some areas of dissatisfaction or areas in which clients could be more satisfied. Table 9 presents JMCC's satisfaction analysis according to product and service features. The areas in which JMCC clients expressed dissatisfaction were interest rates, loan sizes, payment frequency and loan terms.

Maintain Competitive Interest Rates

Sixty percent of JMCC's clients surveyed said they were unsatisfied with their interest rate, with the greatest dissatisfaction coming from clients paying nominal interest rates of 14 and 15 percent. Men were more likely to be dissatisfied with the interest rate than women, with 70.4% of men versus 38.5% of women dissatisfied with their interest rate. Given that its main competitor is AMC, JMCC should seek ways to reduce costs so that it can lower interest rates to be more in line with those of AMC. In other words, JMCC should aim to reduce its nominal interest rates down from 13-15 percent to closer to 12 percent per year.

Clients Want Larger Loans

Almost half (45%) of clients were unsatisfied with their loan sizes, with men more likely to be dissatisfied than women (51.9% vs. 30.8%). Clients with larger loans are more likely to be dissatisfied than those with smaller loans, with 50 percent of clients with loans of 1,001 to 3,000 JD versus only 33.3% of those with loans of 501 to 1000 JD unsatisfied with their loan size. This implies that some of the clients with larger loan sizes would be more satisfied with even larger loan sizes and that JMCC's current maximum loan size is constraining some of its clients' growth. JMCC should consider raising its maximum loan size to accommodate those borrowers who demonstrate potential to manage larger loans.

Clients Prefer Monthly Payments

Many clients surveyed (42.5%) were unsatisfied with their payment frequency, with women more likely to be dissatisfied than men (61.5% vs. 33.3%). Those that had bi-weekly repayments were more likely to be dissatisfied than those with monthly repayments (44.8% vs. 36.4%). Mr. Al-Gazawi, Acting Executive Director of JMCC, says that JMCC has already began encouraging all clients to make monthly repayments rather than bi-weekly. So, this change should work toward improving customer satisfaction with payment frequency.

Offer Longer Loan Terms

Forty percent of JMCC clients surveyed are unsatisfied with their loan term, with slightly higher dissatisfaction among men than women (40.7% vs. 38.5%). Those with loan terms of 14 and 15 months were more likely to be dissatisfied than those with loan terms of 6 to 12 months or 20 months. All clients surveyed with 20 month term loans were satisfied with their loan term, whereas none of those with 14 or 15 month terms were. Based on this finding, JMCC should consider offering 20 month loan terms to more of its clients, assuming that the clients' business income supports this.

Table 9: JMCC Client Satisfaction Analysis - % and (no.)

JMCC (Amman)	Satisfaction Level				Importance			
Product Design	**Unsatisfied %**	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Loan Size	45 (18)	25 (10)	30 (12)		100 (40)			
Loan Term	40 (16)	35 (14)	25 (10)		95 (38)	2.5 (1)	2.5 (1)	
Interest Rate	60 (24)	27.5 (11)	12.5 (5)		97.5 (39)	2.5 (1)		
Fees	22.5 (9)	67.5 (27)	10 (4)		87.5 (35)	7.5 (3)	5 (2)	
Payment Frequency	42.5 (17)	37.5 (15)	20 (8)		100 (40)			
Costumer Service	**Unsatisfied %**	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Speed of loan application process	15 (6)	70 (28)	15 (6)		100 (40)			
Speed of loan disbursal after application	5 (2)	90 (36)	5 (2)		100 (40)			
Friendliness of loan officer	5 (2)	95 (38)			100 (40)			
Loan officer understands my needs	5 (2)	95 (38)			100 (40)			
Other branch staff were courteous	2.5 (1)	62.5 (25)	7.5 (3)	27.5 (11)	72.5 (29)			27.5 (11)
Office Environment								
Hours of operation	10 (4)	87.5 (35)	2.5 (1)		80 (32)	12.5 (5)	7.5 (3)	
Facilities are clean		95 (38)	2.5 (1)	2.5 (1)	90 (36)	2.5 (1)	7.5 (3)	
Convenient location	2.5 (1)	92.5 (37)	5 (2)		97.5 (39)	2.5 (1)		

Number of respondents = 40

5.2 Viable Market for Taxi Lending

The survey indicated significant interest in loans by taxi owners. The majority (63.6%) of surveyed entrepreneurs that own taxis (7 out of 11) were interested in obtaining a loan if offered on favorable terms. Of those seven, two wanted loans of 1001-3000 JD, two wanted 3001-6000 JD and three wanted 6001-10,000 JD. There was a wide range in terms of repayment ability, from 51-500 JD per month. The average monthly sales of those interested in taxi loans were 695 JD. All seven currently have outstanding fixed asset loans, so the purchase of new vehicles would probably have to be contingent on the sale of an existing vehicle and pay off of that loan. While the findings are positive, since the sample of taxi owners surveyed was small, JMCC decided to hold focus group sessions to assess the full market potential for loans to taxi drivers.

In addition to the original concept of lending to taxi owners to purchase new vehicles, JMCC decided it also wanted to explore the potential for “registration fee” loans to all taxi drivers (many are not owners) to spread their annual registration and insurance fees out over the year. Both these potential markets were addressed in the two focus group sessions held in Amman (see Annex 8 for taxi focus group report). Participants were also asked to complete an additional one page survey requesting personal information that was not appropriate to discuss in a focus group (see Annex 9 for taxi questionnaire results). The focus group findings are discussed below.

Low risk profile of potential taxi clients. The questionnaire asked a number of questions to determine the risk profile of 13 potential taxi loan clients in the focus group, the responses to which indicate that most taxi drivers interested in a loan are not high risk. The majority of taxi owners in the focus group is over 30 years old (84.6%), had no accidents in the past year (61.5%), and spends less than 200 JD on traffic tickets (69.3%). All of the focus group participants said that either no one else used their taxi (25%) or only one other person used it (75%). The majority of the taxi owners took their cars to professional mechanics (69.2%) and paid for their maintenance work themselves (84.6%). These findings suggest that the taxi drivers in the focus group were adequately mature and responsible to assume the responsibilities of taking a loan. Most of the taxi drivers in the focus group (53.8%) drive Nissan Sunny taxis, which are not considered top of the line vehicles, but as the focus group participants explain, they are “economical” and consume less fuel than other models.

Significant potential for new taxi loans. Of the 13 taxi drivers who participated in the focus groups, all owned their taxis. However, only one entrepreneur owned more than one taxi (he owned ten). The findings were promising, with the majority of focus group participants (92.3% or 12 of the 13 taxi owners) interested in a loan to purchase a new taxi if offered on favorable terms, especially if the loan included the cost of the “taxi tags.” Some said that if they include taxi tags, they would be willing to buy 3 or 4 taxi cars. It is not surprising that there was higher interest among those who participated in a focus group session than in the general survey. Since the taxi owners interest in a loan was probably what motivated them to agree to participate, the average interest in loans from taxi drivers is probably closer to the survey finding of 63.6% of taxi drivers, which is still quite high.

Many taxi owners can afford loans for new taxis. Of the focus group participants interested in a new taxi loan, 41.7 percent said their sales revenues were 300 JD per month and the majority (91.7%) reported monthly sales between 200 JD and 500 JD per month. The majority (74.9%) said they could pay between 150 to 200 JD per month for a loan payment.

After paying off their current taxi loans, over half (58.4%) said they could make down payment of 650 JD to 1,500 JD on the new car. Most taxi drivers (66.7%) estimate that a new car without customs duties would cost them between 7,500 JD and 8,000 JD. According to the focus groups, most taxi owners would like a five year (60 payments) loan that includes the cost of taxi tags (often 20% of the vehicle cost) and are willing to pay 10% of loan value as a down payment. Assuming the cost of the new car is 8,000 JD, taxi tags are 1,600 JD and the client makes a down payment of 10 percent (960 JD), then a typical new car loan would be approximately 8,640 JD. Based on an 8 percent flat interest rate paid over 5 years, JMCC could charge 202 JD per month for the 8,640 JD new taxi loan, which would satisfy the terms desired by most of the taxi owners.

Advertising new taxi loans. The focus group participants advised against using misleading or incomplete information to advertise a new taxi loan, but suggested the following words:

- Take out a taxi loan with its "Taxi Tag"
- "Taxi for all the citizens" caricature
- 60 months payment duration
- "Do not worry after this day, get a taxi!"
- Get a new taxi with no cosigner needed only by having your car as a guarantee
- Only a 10% initial payment is required
- Buy a new car without owing the banks favors and at low cost!
- Small loan payments
- Convenient payment facilities
- Low interest rates

Limited potential for taxi registration loans. There seems to be les market potential for taxi registration loans than for new taxi loans, according to the focus group sessions. The majority (61.5% or 8 of the 13 taxi drivers) said they were not interested in a loan for annual taxi registration fees, not even if it would also cover annual insurance costs, which are usually factored into the registration fee. The annual costs taxi drivers in the focus group pay for registration fees is just 250 JD on and for comprehensive insurance (property and liability insurance) is just 250 JD, for a combined total average of approximately 500 JD per year. Apparently, this amount is too small for most of the taxi drivers to bother with getting a loan. The words of one focus group participant explained the group's sentiment, "Why should I pay extra money for something I can handle and arrange by myself?" Of those interested in a taxi registration loan (38.5% or 5 of the 13 taxi drivers), two said they wanted loans of 500 JD and two said they wanted loans of 600 JD, and only one said they wanted a taxi registration loan of 1,500 JD. Given the low level of interest expressed in taxi registration loans and the low amounts they would cover, it is not advisable for JMCC to pursue this market.

5.3 Market Potential for Microinsurance

While JMCC had already decided to offer microinsurance as a new feature of its loan product, known as "credit protection," JMCC is currently using the life insurance more as a risk management tool than as a new product to expand its markets. The survey findings suggest that there is an unsatisfied market for life insurance as a stand alone product. One third (32.4%) of survey respondents said they were interested in life insurance. According to the survey, the geographical areas with the greatest potential were Amman (42.4% interested) and Zarqa/Ruseifa (25.3%). Men were slightly more likely to be interested than women, with 53.5 percent of men interested versus 46.5% of women interested in life insurance. Of those willing to pay for life insurance, 75.3 percent were willing to pay over 5 JD per month (60 JD per year) for a 10,000 JD death benefit. This finding indicates that there is potential for JMCC to make a profit since clients are willing to pay an amount that would more than cover the cost of life insurance. Approximately 58% of those interested in life insurance had monthly sales of 50 to 1,000 JD, which suggests that many of those interested are able to pay for such a benefit. Since JMCC already has developed a good relationship with an insurance carrier, JMCC should consider offering life insurance as an additional product to its current clients, as well as to potential clients. Potential clients would not necessarily have to be entrepreneurs, but could also be salaried employees who don't have life insurance benefits through their employment.

5.4 Low Profit Potential for Islamic Lending

While there is a market for Islamic lending in Jordan, it does not appear to be a profitable product for JMCC to offer.

Religion is a common reason for not wanting a loan. Of the 15.7% of all entrepreneurs surveyed that said they were not interested in a loan, nearly one third (29.2%) said their lack of interest was due to religious reasons. Respondents in Amman (35.7%), Madaba (33.3%) and Jerash (33.3%) were more likely to cite religious reasons for not be interested in a loan, than those in Baqaa (30%), Irbid (28.6%) or Zarqa/Ruseifa (18.2%). In general, men were more likely to give this reason than women (32.0% vs. 26.1%).

Significant interest in Islamic lending among those citing religious reasons. Of those stating religious reasons for not being interested in a loan, exactly half (50%) said they would be interested in receiving advance funds in exchange for a share of the profit, which represents a common form of Islamic lending, known as Marabaha. Interest in this form of Islamic lending was greatest in Amman (80%), Irbid (50%) and Zarqa/Ruseifa (50%). And men tended to be more interested than women in Islamic lending (62.5% vs. 33.3%).

Limited income potential in Islamic lending. Perhaps the most interesting finding is that all of those interested in Islamic lending reported monthly sales of 50 JD or less. This finding suggests that lower income entrepreneurs are more interested in Islamic lending. Since Islamic loans are fairly complex and expensive to offer, it is unlikely that JMCC will be able to cover their costs in offering Islamic loans. Furthermore, offering Islamic loans in addition to traditional loans could send a confused message to JMCC's current clients by suggesting that traditional borrowing is against Islam.

5.5 Limited Interest Among SMEs for IT Business Training Loans

The survey indicated that there was only limited interest in IT business training loans among entrepreneurs. Of the 306 participants in the survey, none had ever received a loan for IT business training, and only 38 (12.4%) said they were interested in such a loan. Of these respondents, there was a wide range of requested loan sizes from 501JD to over 10,000 JD. But in terms of monthly repayment ability, the largest response was 51-100 JD per month (29%). Approximately half of those interested already have a loan. The average monthly sales of those interested in an IT/Business Training loan were 957 JD.

This low level of market interest demonstrated in the survey results is not necessarily indicative of the potential market for this product as JMCC envisions it. JMCC is open to lending to entrepreneurs who think that learning computer or other business skills could help them to improve their businesses and profitability. However, JMCC's primary market for this product would be for those who could improve their formal employment potential by receiving this type of training.

Since the survey instrument was not adequate for assessing the full market potential for IT business training loans or for start-up loans to technical college students, JMCC will have to conduct additional market research to understand the nature of these non-entrepreneur based markets. In the case of the IT business training loans, JMCC will need to contact the companies that need the computer and business skills as well as the schools that would offer such trainings to understand the market and its potential. To understand the market for start-up loans to technical college graduates, JMCC needs to contact the technical colleges and their students, as well as the Ministry of Labor to determine technical skills in demand. Once it is determined that there is an adequate market for these products, feasibility studies should be conducted to assess all the costs of implementation, set pricing and determine the profit potential. Since these are riskier products in that they invest in human capacity rather than in material goods, JMCC will need to train loan officers on how to target this market and assess their loan qualifications.

5.6 Summary and Recommendations

To improve customer satisfaction, JMCC should consider the following:

- ***Seek ways to reduce costs*** so that it can lower interest rates on its current products by a few points to remain competitive with AMC.
- ***Offer larger loans*** to clients, especially clients with larger and faster growing businesses whose income justifies a larger loan.
- ***Offer monthly repayments*** to all clients. Continue to transition loans from bi-weekly to monthly repayment schedules.
- ***Consider offering longer-term loans*** to more clients, allowing more of those clients with 14 and 15 month terms to have 20 month loans if their incomes merit it.

Implementing a few of these changes should result in higher levels of customer satisfaction. The more satisfied the client, the more likely they will be to encourage other friends and family members to become JMCC clients.

JMCC should offer loans to taxi drivers to purchase new taxis and should consider offering life insurance as a stand alone product on a voluntary basis in addition to the mandatory credit protection insurance it is currently offering as part of its loan products.
To expand its markets, JMCC should:

- ***Develop a prototype for new taxi loans.*** Based on input from the focus groups, ideally JMCC would offer new taxi loans that include the cost of the tags in the overall loan amount, less a ten percent down payment. JMCC should assess all the costs involved with adding this new product and determine how its operational processes would need to be adapted, including how to factor in the various risks, such as a client's number of past accidents and tickets. JMCC could use a consultant to help it conduct a feasibility study of adding this new product and to determine product pricing and marketing. The feasibility study would set parameters for minimum loan size, minimum monthly sales revenues and minimum age of client, etc. Once a prototype for a new taxi loan product is developed that is financially feasible, then JMCC should pilot test the product at a couple branches and adjust as necessary before full product launch.

- ***Assess options for offering individual life insurance to clients.*** JMCC negotiate with the insurance company with which it has a relationship to determine whether together they could promote an individual, voluntary life insurance product. If there is interest, together they should conduct a feasibility study using mortality data in Jordan and information it has on the age and risk profile of its clients to determine the costs and risks involved with offering individual life insurance, as well as the potential profits and benefits. It would be useful for JMCC to have a consultant work with the loan officers to understand the pros and cons from their perspective of offering such a product.

- ***Conduct additional market research on IT Business Training loans and Start-up loans to Technical College Students***. If JMCC decides to pursue these two other products that were not adequately assessed by the survey, then it will need to develop its own ways of assessing the market potential from non-clients for these products. In the case of IT Business Training loans, JMCC will need to assess the market from two perspectives: 1) from the perspective of the potential employer of people with these types of skills (to learn what skills are most needed and the willingness of employers to pay for some of this training or to collaborate with JMCC on a salary reduction program); and 2) from the point of view of the potential student who is interested in paying for this training on his or her own (to assess risk profile and potential alternative sources of guarantee other than an employer). For the start-up loans to technical college students, JMCC will need to assess the market from two perspectives as well: 1) in terms of the demand for certain technical skills; and 2) the demand and ability for the unemployed to pay for technical college and then start a business in that trade. JMCC should recognize that both of these products are higher risk than their traditional loan products since repayment ability would be contingent upon earnings resulting from successful application of the new skills acquired from training. Once adequate demand is established, feasibility studies would need to be conducted, prototypes developed and pilot tested before wide-scale product launch.

- ***Train staff***. JMCC will need staff training to ensure that its loan officers are able to assess the risks and loan repayment capacity of new taxi loans. In addition, JMCC will need training on how to market and promote this product. If JMCC decides to go forward with offering individual life insurance, IT business training loans or start-up loans to technical college students, then additional training will be needed to train all staff about how these new products will be integrated into operations. Specialized staff will need to be trained that will become experts in those products, such as a marketing representative for the life insurance product and a loan officer specializing in assessing risks training-related loans.

6. Relevant Market Research Findings for JACP

The survey had some interesting findings for JACP to consider in implementing its new product strategies. JACP asked the AMIR program to focus its research on Irbid, a city in northern Jordan, which it thought offered good market potential. The survey findings confirmed this assertion. Irbid was the city with second highest level of interest in loans. While the greatest interest in loans from microenterprises (with 5 or fewer employees) was in Amman (93.1% of survey sample), Irbid was a close second with 88.1% of respondents interested in a loan. Of these, 42.3% want loans of 1001-3000 JD and 23.1% want loans of 3001-6000 JD. To guarantee the loan, 44.2% can offer a co-signer and 26.9% can offer real estate.

Other relevant survey findings centered around three areas: current customer satisfaction and potential for small business lending and for housing improvement loans. Originally, JACP had also expressed an interest in assessing the market potential for leasing and had already launched a pawn lending product. But the survey findings indicated less profit potential with these two products. As village banking is a methodology, rather than a new loan product, the survey did not fully address the viability of this approach to microfinance, but some of the results gave positive indications for it. JACP decided to use the focus groups to understand better those areas where current clients expressed dissatisfaction and to collect more information on the market potential for housing loans (see Annexes 10 and 11). The findings are discussed below.

6.1 Current Clients Are Satisfied

In general, clients in Irbid were satisfied with JACP. Of the 41 JACP clients surveyed, 61 percent were either "satisfied" or "strongly satisfied" with JACP's products and services overall. However, one client was dissatisfied and three clients were strongly dissatisfied, resulting in almost 10 percent of the clients surveyed indicating dissatisfaction. While this is not a cause for great concern, it is higher than expected considering that most of JACP's clients do not have good alternative sources of borrowing and that the survey interviewed only active clients and not any of the clients that have possibly left as a result of dissatisfaction or that are still waiting for a loan from JACP. Table 10 summarizes the general satisfaction levels of JACP's Irbid clients.

Table 10: JACP Clients' Overall Satisfaction

Client Response	Satisfaction %
Strongly Dissatisfied	7.30
Dissatisfied	2.40
Neutral	29.30
Satisfied	19.50
Strongly Satisfied	41.50
Total	100.00 %

Number of respondents = 41

Table 11 presents more detailed analysis of client' satisfaction with specific product and service features. Clients expressed the greatest levels of satisfaction in the areas of "friendliness of loan officer" (95.1%), "loan officer understands my needs" (90.2%) and "other branch staff are courteous" (90.2%). And almost all clients consider these factors important. The dissatisfaction centered on the following issues: interest rates (53.7% of clients dissatisfied); payment frequency (43.9%); speed of loan application (39%); speed of the loan disbursal after application (31.7%) and loan size (31.7%). Interestingly, clients with larger loans were more likely to be dissatisfied. These findings have some implications for JACP in that client satisfaction could perhaps be enhanced by making some adjustments, which were assessed further in the focus groups and are discussed below.

Lower Interest Rates

JACP's working capital loan clients were more likely to be dissatisfied with their interest rate than fixed asset clients (66.7% of clients with working capital loan versus 50% of those with fixed asset loans). JACP's effective interest rates of 16 to 40% per year are higher than some of the other microfinance providers, such as AMC, whose effective interest rates are closer to 25 percent per year. JACP should look for ways that it can improve productivity and increase efficiency, so that it can afford to lower interest rates while still moving toward financial self-sufficiency. By lowering interest rates slightly, particularly for working capital loan clients, JACP can ensure that it remains competitive in its target market.

While 53.7 percent of JACP's clients were dissatisfied with the interest rate, only 22% were dissatisfied with fees. In other words, 68.3 percent of JACP clients were satisfied with fees. So, the focus groups tested the assumption that overall satisfaction could perhaps be increased by repackaging the loans to have lower interest rates, but higher fees. An underlying assumption here is that since most people in Jordan are Muslim, there might be a preference to avoid the use of the term "interest." According to the few clients that participated in the focus groups in Irbid, this did not prove to be a possible solution. All clients felt that it made no difference to them whether the money is paid in fees or interest, but what they wanted was to simply pay less overall.

Alter Payment Frequency

One of the largest issues raised by JACP clients in the focus group sessions was that they didn't like the 28 day payment cycle. Some of the clients interpret the 28 day payment cycle as a way to extract extra interest payments from the client. Also, it makes it difficult for clients to plan and budget when to pay their monthly expenses. Instead, they preferred that the loan payments be monthly, such as on the 1st of every month. JACP should consider switching to a monthly loan repayment system, basing interest payments on an average month's number of days. This may require adjustments to JACP's loan monitoring and management information systems. These adjustments could be timed when other changes are being made to the systems so as to reduce the cost of this change.

Offer a Grace Period for Fixed Asset Loans

In addition to the above general concern among JACP clients, there was higher dissatisfaction with the payment frequency among fixed asset loan clients. In the focus group sessions, clients suggested that JACP consider offering a grace period of two to three months to allow the client to have a chance to start to achieve increased revenues as a result of the newly acquired machine or other asset.

Table 11: JACP Client Satisfaction Analysis - % and (no.)

	Irbid							
JACP	**Satisfaction Level**				**Importance**			
Product Design	**Unsatisfied %**	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Loan Size	31.7 (13)	48.8 (20)	19.5 (8)		82.9 (34)	9.8 (4)	7.3 (3)	
Loan Term	24.4 (10)	63.4 (26)	12.2 (5)		85.4 (35)	7.3 (5)	7.3 (3)	
Interest Rate	53.7 (22)	29.3 (12)	14.6 (6)	2.4 (1)	80.5 (33)	17.1 (7)	2.4 (1)	
Fees	22 (9)	68.3 (28)	4.9 (2)	4.9 (2)	68.3 (28)	26.8 (11)	4.9 (2)	
Payment Frequency	43.9 (18)	53.7 (22)	2.4 (1)		92.7 (38)	7.3 (3)		
Customer Service								
Speed of loan application process	39 (16)	53.7 (22)	7.3 (3)		97.6 (40)		2.4 (1)	
Speed of loan disbursal after application	31.7 (13)	61 (25)	4.9 (2)	2.4 (1)	97.6 (40)		2.4 (1)	
Friendliness of loan officer	4.9 (2)	95.1 (39)			100 (41)			
Loan officer understands my needs	4.9 (2)	90.2 (37)	4.9 (2)		92.7 (38)	4.9 (2)	2.4 (1)	
Other branch staff were courteous	4.9 (2)	90.2 (37)	2.4 (1)	2.4 (1)	95.1 (39)	2.4 (1)		2.4 (1)
Office Environment								
Hours of operation	4.9 (2)	78 (32)	7.3 (3)	9.8 (4)	65.9 (27)	31.7 (13)	2.4 (1)	
Facilities are clean	2.4 (1)	87.7 (36)	2.4 (1)	7.3 (3)	85.4 (35)	9.8 (4)	4.9 (2)	
Convenient location	15 (6)	82.5 (33)	2.5 (1)		77.5 (31)	17.5 (7)	5 (2)	

Number of respondents = 41

Streamline Loan Application Process

The survey findings suggest that approximately one third of JACP clients are not satisfied with the loan application process, with 39.0% dissatisfied with the speed of loan application process prior to submitting the application and 31.7% dissatisfied with the speed of the loan disbursal after submitting the application. JACP clients in the focus group sessions described the loan application process as typical, including "the usual papers required by any financial institution (ID, birth certificates, work license, cosigner's papers (bank account transactions document, etc.). However, best practice suggests that in order to be cost effective, microfinance institutions need to find creative ways of reducing its per borrower transactions costs of lending from that of traditional lenders. JACP should have a consultant look at its loan application process to find ways of reducing the amount of time and paperwork required by clients and staff to process a loan request, while still ensuring quality loan decisions.

Offer Larger Loans

One third (31.7%) of JACP clients surveyed said they were dissatisfied with their loan size. Dissatisfaction was greatest among those clients with larger loan sizes, with half of those with loans over 10,000 JD dissatisfied with their loan size. In fact, the larger the loan, the more likely the client was dissatisfied, which is detailed in Table 12. This finding suggests that clients that JACP could possibly improve customer satisfaction by offering larger loans to those clients that demonstrate capacity to manage such a loan. The potential for offering larger loans is discussed further in the next section on small business lending.

Table 12: JACP Client Satisfaction According to Loan Size - % and (no.)

JACP	Loan Size			
Current Loan Size (JD)	Unsatisfied%	Satisfied%	Neutral%	Total%
<500		100.0 (1)		100.0 (1)
1001-3000	29.4 (5)	41.2 (7)	29.4 (5)	100.0 (17)
3001-6000	30.8 (4)	69.2 (9)		100.0 (13)
6001-10000	37.5 (3)	25.0 (2)	37.5 (3)	100.0 (8)
Above 10000	50.0 (1)	50.0 (1)		100.0 (2)

Number of respondents=41

If JACP makes some of these changes, it will likely improve its clients' overall level of satisfaction. After implementing these changes, JACP should conduct a follow up survey in a year or so to see whether they have in fact led to improved customer satisfaction. In addition, JACP should measure and monitor client desertion and conduct exit interview when possible to understand the reason why some clients choose not to continue borrowing. By listening to client feedback, JACP will likely learn of new and innovative ways that it could operate, which will help it to become even more competitive in the future.

6.2 Significant Potential for Small Business Lending

JACP should definitely pursue its interest in larger, longer-term loans to small businesses. According to the survey, the majority (77.8%) of registered enterprises with 6-10 employees and 44.4 percent of registered enterprises with 11-30 employees were interested in a loan if offered on favorable terms. This finding suggests that as enterprises grow, they tend to have more options for funding their enterprises or less need for loans. Hence, enterprises with six to ten employees represent the greatest level of unmet demand for small business loans in Jordan.

Many small businesses surveyed want and can afford loans over 10,000 JD. Almost half (44.4%) of registered small businesses surveyed interested in a loan want loans over 10,000 JD. Over half of registered enterprises said they could pay between 201-3,000 JD for monthly loan installments. Based on 24 month loan term and 10% flat interest rate, a 10,000 JD's monthly loan installment would be approximately 500 JD, which many of the enterprises surveyed can afford. The majority (64.3%) of registered enterprises with 6-10 employees, as well as most (75.0%) of those with 11-30 enterprises offered real estate to guarantee the loan. Table 13 presents the survey results by business size and registration status and Table 14 presents the monthly sales of all businesses surveyed according to registration status.

Table 13: Distribution of Enterprises by Size and Registration - % and (no.)

	Registered Enterprises (N=220)		Non-Registered Enterprises (N=82)	
Number of employees	Interested in a loan (176)	Not Interested (44)	Interested in a loan (78)	Not Interested (4)
5 or less employees	81.9%	18.1%	94.9%	5.1%
6-10 employees	77.8%	22.2%	100.0%	
11-30 employees	44.4%	55.6%	100.0%	

Number of respondents =302

Irbid and Amman offer great potential for small business lending. All the enterprises with 6-30 employees in Irbid and most of them in Amman (63.9%) were interested in a loan. There were too few small businesses surveyed in the other cities to assess their full potential for small business lending. Of the small businesses in Irbid, 57.1 percent wanted a loan over 10,000 JD. To guarantee the loan, 33.3% of enterprises with six to ten employees can offer a co-signer and 33.3% can offer real estate. All of the small businesses with 11 to 30 employees could offer real estate to guarantee the loan.

JACP should offer lower interest rates for qualified larger loan clients. Focus groups in Amman indicated that clients were interested in longer-term loans and were willing to pay more for them. However, enterprises that qualify for larger loans tend to have more options for borrowing, including commercial banks that offer interest rates that are approximately two percent lower. Therefore, JACP will likely have to lower its interest rates from its current 16% on a declining balance to closer to 10% per year in order to attract enough small business loan clients.

Table 14: Distribution of Enterprises' Monthly Sales Interested in a Loan (% and no.)

	Registered Enterprises Interested in a Loan		Non-Registered Enterprises Interested in a Loan	
Monthly Sales (JD)	**No.**	**%**	**No.**	**%**
50 JD or less	12	6.8	11	14.1
51-100 JD	6	3.4	12	15.4
101-200 JD	12	6.8	26	33.3
201-500 JD	31	17.6	14	17.9
501-1000 JD	36	20.5	10	12.8
1001-2000 JD	19	10.8	2	2.6
2001-3000 JD	18	10.2	2	2.6
3001-5000 JD	11	6.3	1	1.3
5001-7000 JD	7	4.0		
7001-10000 JD	13	7.4		
10001-20000 JD	8	4.5		
>20000 JD	3	1.7		
Total	176	100.0%	78	100.0%

Number of respondents = 254

6.3 Some Potential for Housing Loans

There seems to be a fair amount of potential for loans guaranteed by real estate, especially to purchase and build new homes. There is also some interest in home improvement loans, even among non-homeowners. The relevant survey and focus group findings are discussed below.

Real estate is a popular source of collateral. After co-signature guarantees (39.1%), real estate was the second most offered form of guaranteeing a loan (35.7%). The use of a car or vehicle to guarantee a loan was a distant third (8.1%). Men were more likely than women to offer real estate to guarantee a loan (39.3% vs. 31.0%). Those offering real estate as collateral tended to have larger businesses (64.3% of enterprises with 6-10 employees and 75% of enterprises with 11-30 employees wanted loans) and requested larger loan sizes (39% wanted loans between 3001-10,000 JD). Those surveyed offering real estate as collateral have average monthly sales of 3,243 JD. Together, these findings imply that there is significant potential for making real estate-based loans and that those who own real estate tend to have higher monthly revenue and therefore, could afford larger loans or a second loan. As over half of the entrepreneurs surveyed were active loan clients, it is not surprising that over half of those that offered real estate as collateral have an outstanding loan currently.

Some demand for home improvement loans. Only 65 of 240 entrepreneurs surveyed that were interested in a loan, or 21.3 percent, said they were interested in a home improvement loan. And of those, only 37.3% of those offered real estate to secure the loan (however, this question was not linked to the question of interest in a home improvement loan). Despite the lack of a strong demand for home improvement loans according to the survey, JACP decided it wanted to explore this potential market further through the use of focus group sessions. There was concern that respondents might have understood home improvement loans to be only large loans for additions to homes, rather than for smaller loans to make simple home repairs or upgrades. In addition, JACP felt that there was limited supply for home improvement loans and that lack of familiarity with such loans could have impacted how people responded. The survey findings confirmed that home improvement loans are rare, as only 4.6% of survey respondents had ever had a home improvement loan before and only 2.7% said they currently have such a loan. Of those that had had a home improvement loan, Housing Bank (42.9%), Arab Bank (21.4%) and Jordan National Bank (14.3%) were the largest suppliers.

The four focus group sessions in Irbid (two with participants from urban areas and two with participants from rural areas) indeed indicated a greater level of interest in home improvement loans. Of the 45 focus group participants, 22 (almost half) were interested in a home improvement loan. However, only 10 of the 45 participants currently own their home. Most interesting to note is that the majority of those who own their own home were interested in a home improvement loan. Given that the survey and focus groups targeted only entrepreneurs, the market for home improvement loans to home owners could be quite high. While some participants that do not own homes were interested in home improvement loans, others expressed concern that their landlords might not agree to the improvements.

Of those surveyed requesting a home improvement loan, over half (51%) wanted a loan between 1001-6000 JD. The average loan amounts desired by focus group participants ranged from 2,000 JD to 20,000 JD, with the majority requesting loan sizes of 3,000 JD to 8,000 JD. The average monthly sales of those interested according to the survey was 2,283 JD, which implies that most clients could afford a loan size of 3,000 JD to 6,000 JD.

Strong demand for housing loans. The focus groups indicated a strong demand for housing loans to purchase or build new homes, with 87.7 percent of all participants interested in a loan for such purposes. Interest in a loan to build a house was particularly strong from potential rural borrowers, with all seven rural male participants indicating an interest in a loan to build a house. Participants desired housing loans ranging in size from 3,000 JD to 50,000 JD, with the majority interested in loans between 15,000 JD and 25,000 JD. Most potential housing clients felt that reasonable terms for housing loans would include interest rates of 6-7%, payable in monthly installments over five to ten years and thought that they should have to wait only 7 to 10 days for the loan disbursal after submitting a complete application.

Marketing home improvement and housing loans. To market home improvement and housing loans, the focus group participants recommended the following slogans:

- Would you like to improve your house?
- Save the house before you lose it.
- Loans that are easy and convenient.
- Would you like to own a house with a comfortable loan and low interest rate?
- Do you want to own a house with your monthly rent payments?
- Everyone who rents a house can own one!
- Build a house and find your son a wife!
- Pay it instead of your monthly payments.

The participants said they would like to see pictures of nice houses with backyards. They dislike buildings and apartments that are crowded and close to each other. They would also like to see pictures of nice furniture and nice decor. They also said they preferred images of "normal people, not dressed in luxurious clothes, in front of cozy houses with backyards." For home improvement loans, the advertisement could show a picture of the house before and after the home improvement loan. The participants said what they don't want to see in an advertisement is misrepresentations or incomplete information.

Legal issues with real estate-based loans. There are a number of issues that must be addressed to make real estate-based loans. In order to use real estate to guarantee a loan, a lien must be placed on the property. Placing a lien on real estate property is not difficult in Jordan. The lender simply goes with the client to the Land and Distance Authority to file a lien and within a few days the lien will be registered. However, what makes real estate-based lending difficult in Jordan is actually recovering the funds in the case of non-payment. In Jordan, with proof that the borrower guaranteed the loan with the real estate in question, the lender must send a letter to the Minister of the Interior who holds monthly meetings to determine which requests should be sent on to the King. And the King of Jordan himself must sign a release allowing the real estate to be sold to pay off an uncollected loan. This process often takes up to ten years to complete. In addition to the difficulty in recuperating a loss on real estate-based loans, it is also difficult to remove people from their premises and can result in some image problems for a financial institution. All these issues must be taken into consideration in designing loans that rely on real-estate as the form of guarantee.

6.4 Limited Potential for Leasing

The survey findings indicate poor prospects for rent-to-own or leasing alternatives to lending as new product possibilities for JACP. Only two percent of the survey sample said they rent equipment. Of those that rent equipment, half work in retail or trade. Of those surveyed, 64.3 percent receive credit from their supplier. These findings suggest that entrepreneurs are more likely to purchase than rent equipment needed for their businesses and that suppliers often offer them credit if needed for such purchases. The survey did not determine what terms and conditions suppliers offer credit, which would help MFIs determine whether they could offer better terms and conditions to attract this target market.

6.5 Poor Prospects for Pawn Loans

Of the 258 survey respondents that were interested in a loan, less than one percent (0.8%) offered gold as a source of collateral to guarantee the loan. It is unclear whether it is a lack of availability or willingness to offer gold as a method of securing a loan, but the findings clearly suggest that there is very limited market potential for pawn lending. Given the negative perceptions of pawn lending combined with these findings and JACP's results to date, JACP consider discontinuing its "Golden Loan" product or at least, hold off on expanding its outreach until its pilot testing identifies a financially viable market.

6.6 Indications of Market Potential for Village Banking

As village banking is a methodology, rather than a new loan product, the survey did not address the viability of this approach to microfinance. However, a number of survey responses should help to make the decision as to how viable this approach will be in Jordan. Specifically, it appears that there is strong desire for small loans and for short-term savings accounts. Of those enterprises with 5 employees or fewer, over 60% are interested in loans of 6000 JD or less. And 85% of women interested in loans want less than 3000 JD. In addition, 31.4% of respondents said they were interested in short-term savings accounts. Those that had savings accounts liked that it allowed them a chance to save money (24.5%), allowed them to withdraw money at any time (24%) and that the accounts offered easy and fast procedures (24.5%).

6.7 Summary and Recommendations

To improve customer satisfaction, JACP should consider the following:

- ***slightly reducing interest rates*** on its current products, particularly its working capital loans and larger loans.
- ***switch to a monthly loan repayment system***, basing interest payments on an average month's number of days and adjust the loan tracking and management information systems accordingly.
- ***consider offering a grace period*** up to approximately two to three months for fixed asset loans.
- ***identify ways to streamline processes***, to reduce costs and process loans faster. JACP could benefit from an outside consultant who could look at its loan application and operational processes, from a fresh perspective, to identify areas of improvement.
- ***offer larger loans to qualified borrowers***.

Together, these changes should result in greater customer satisfaction. The more satisfied the client, the more likely JACP will be able to retain quality clients and remain competitive in an increasingly competitive microfinance market.

In terms of new markets and products, JACP should:

Offer larger, longer-term loans to qualifying small businesses, as there is a significant market for these loans. To determine its full potential for small business lending, JACP should:

- ***Develop a prototype*** for a small business loan product, specifying the loan application requirements and loan approval processes. For each potential loan size, JACP will need to determine the interest rate, fee and repayment structure that it will propose and pilot test it in one or two of its branches in Irbid before offering the product on a wide scale. Given that JACP's microenterprise lending has already moved toward individual lending to formally registered business, it should be fairly easy for JACP to begin small business lending, with few operational changes.
- To ensure profit maximization and to avoid future dissatisfaction, JACP should probably ***begin by offering larger, longer-term loans*** at close to the same interest rates it currently offers and test for greater market potential by lowering interest rates for larger loan sizes slowly over time.
- JACP will need ***staff training to ensure that its loan officers are able to assess the risks*** and loan repayment capacity of those interested in small business loans, home improvement and housing loans. In addition, JACP will need to ensure that it is adequately grooming its loan officers for middle management opportunities that will arise as its portfolio expands.

Gradually enter the housing-related lending market. JACP should consider the findings of the AMIR survey and focus groups, combined with the findings of its own research, to determine what types of housing-related loans it would like to offer. While home improvement loans demonstrate less market interest than housing loans, JACP might want to begin by offering home improvement loans since the loan size and relative risk is smaller and therefore, more similar to its current loan products.

Pilot-test home improvement loans. If JACP decides to pilot a home improvement loan, the following suggestions are recommended:

- ***offer the loan based on payment ability, requiring a co-signature guarantee*** rather than a real estate-backed guarantee, since it is difficult to make a claim against real estate in Jordan.
- ***Begin by offering home improvement loans to good past borrowers,*** to test the product with a low risk segment and refine the product features before offering it on a wider scale. Begin by offering the loans on similar terms and at similar interest rates as JACP's other products, but allow for the combined loan values (home improvement loan plus enterprise-related loan) to go slightly higher than JACP would have allowed in the past. Gradually adjust the product as necessary.
- ***Ultimately, offer home improvement loans to non-entrepreneurs.*** Given the limited supply of home improvement loans, there is probably great demand for home improvement loans, particularly from salaried employees that do not have a business to invest in.

Pilot-test loans to purchase houses. While interest was slightly greater for loans to build new houses, if JACP decides to enter the housing loan market, it should begin by making loans to purchase existing houses. Given all the risks involved with building a house, such as the skills and integrity of the builder, it is safer to begin by offering loans only for houses that have a value that is easily predetermined. Before launching a housing loan product, JACP should pilot test its product in one market first, such as in Irbid, and consider the following suggestions:

- ***Conduct a study of the rental rates in the area*** to determine the average monthly amount people are used to paying for housing as well as to determine the percentage of renters versus buyers in the area.
- ***Conduct a feasibility study***, assessing the costs and potential revenues of creating a housing loan product, determining the extent to which current systems and processes would need to change and the marketing that would be required to launch the product.
- ***Develop a prototype*** for a housing loan, specifying the terms of the loan product, application and approval process. Despite the fact that the focus group participants suggested interest rates of 6-7% per year, JACP should begin by pilot testing the product at higher interest rate, closer to 10 percent per year, and only lower if necessary to attract market volume.

In addition to the above recommendations, JACP should consider exiting or minimizing its "Golden Loan" product and should not create a leasing product at this time. If JACP want to begin a village banking methodology, it will need to conduct additional research and feasibility analysis. One concern to consider is that few village banks become large enough to be self-sufficient and those that do often have operational problems due to the complexities that come with managing a large financial intermediary, which most villagers are not prepared to handle. In addition, JACP should attempt to clarify its target markets (rural or urban, large or small borrowers, etc.), as greater focus would help JACP's staff to become experts in these target markets and would move JACP toward greater market competitiveness and ultimately financial self-sufficiency.

7. Relevant Market Research Findings for MFW

The survey had some interesting findings for MFW to consider in implementing its new product development strategies. Overall, MFW's clients are satisfied with its current product offerings, but could perhaps be even more satisfied with a few changes to product design and by automating the loan decision-making mechanism. Since the survey results indicated more potential for microinsurance than Islamic lending, MFW chose to use the focus groups to better understand the market potential for offering mandatory and voluntary life insurance products to its current clients. The findings are discussed in detail below.

7.1 Most Current Clients Are Satisfied

In general, clients were very satisfied with MFW. Of the 41 current clients surveyed, the majority (85.4%) rated their overall satisfaction with MFW as either "satisfied" (31.7%) or "strongly satisfied" (53.7%). Only one client said she was "strongly dissatisfied." Table 15 presents the breakdown of MFW clients by their levels of overall satisfaction.

Table 15: MFW Clients' Overall Satisfaction

Client Response	Satisfaction %
Strongly Dissatisfied	2.4
Dissatisfied	0.0
Neutral	12.2
Satisfied	31.7
Strongly Satisfied	53.7
Total	100.0%

Number of respondents = 41

Clients expressed the greatest levels of satisfaction in the areas of "friendliness of loan officer" (100% satisfied), "hours of operation" (97.6%), "convenient location" (97.6%) and "loan officer understands my needs" (90.2%). While most clients were satisfied overall with MFW, the survey identified a couple areas of dissatisfaction or areas in which clients could be more satisfied. Table 16 presents MFW's satisfaction analysis according to product and service features. The areas in which MFW clients expressed some dissatisfaction were with payment frequency (56.1% unsatisfied), loan term (41.5% unsatisfied), interest rates (36.6% unsatisfied) and loan size (29.3% unsatisfied). There was less overall satisfaction among group loan clients than individual loan clients, with 100 percent either satisfied or strongly satisfied with individual loans versus 84.2 percent with group loans.

Table 16: Satisfaction Analysis For Total MFW Sample- % and (no.)

MFW	Satisfaction Level				Importance			
Product Design	**Unsatisfied %**	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Loan Size	29.3 (12)	46.3 (19)	24.4 (10)		87.8 (36)	9.8 (4)	2.4 (1)	
Loan Term	41.5 (17)	46.3 (19)	12.2 (5)		97.6 (40)		2.4 (1)	
Interest Rate	36.6 (15)	46.3 (19)	17.1 (7)		87.8 (36)	2.4 (1)	9.8 (4)	
Fees	12.2 (5)	68.3 (28)	19.5 (8)		78.0 (32)	17.1 (7)	4.9 (2)	
Payment Frequency	56.1 (23)	34.1 (14)	9.8 (4)		90.2 (37)		9.8 (4)	
Customer Service								
Speed of loan application process	2.4 (1)	81.8 (12)	9.8 (14)		97.6 (40)		2.4 (1)	
Speed of loan disbursal after application	4.9 (2)	85.4 (12)	9.8 (4)		95.1 (39)		4.9 (2)	
Friendliness of loan officer		100 (41)			97.6 (40)		2.4 (1)	
Loan officer understands my needs	2.4 (1)	90.2 (12)	7.3 (3)		95.1 (39)		4.9 (2)	
Other branch staff were courteous		75.6 (12)	4.9 (2)		80.5 (33)	2.4 (1)	2.4 (1)	14.6 (6)
Office Environment								
Hours of operation		97.6 (40)	2.4 (1)		85.4 (35)	7.3 (3)	7.3 (3)	
Facilities are clean	2.5 (1)	80 (32)	12.5 (5)	5.0 (2)	85.0 (34)	7.5 (3)	7.5 (3)	
Convenient location		97.6 (40)	2.4 (1)		97.6 (40)		2.4 (1)	

Number of respondents = 41

Table 17: MFW Satisfaction Analysis for Group Loan Clients - % and (no.)

Group Loans								
MFW	**Satisfaction Level**				**Importance**			
Product Design	***Unsatisfied %***	**Satisfied %**	**Neutral %**	**N/A %**	**Important %**	**Unimportant %**	**Neutral %**	**N/A %**
Loan Size	28.9 (11)	47.4 (18)	23.7 (9)		86.8 (33)	10.5 (4)	2.6 (1)	
Loan Term	42.1 (16)	44.7 (17)	13.2 (5)		97.4 (37)		2.6 (1)	
Interest Rate	34.2 (13)	47.4 (18)	18.4 (7)		86.8 (33)	2.6 (1)	10.5 (4)	
Fees	13.2 (5)	65.8 (25)	21.1 (8)		76.3 (29)	18.4 (7)	5.3 (2)	
Payment Frequency	60.5 (23)	28.9 (11)	10.5 (4)		89.5 (34)		10.5 (4)	
Customer Service								
Speed of loan application process	2.6 (1)	86.8 (33)	10.5 (4)		97.4 (37)		2.6 (1)	
Speed of loan disbursal after application	5.3 (2)	84.2 (32)	10.5 (4)		94.7 (36)		5.3 (2)	
Friendliness of loan officer		100 (38)			97.4 (37)		2.6 (1)	
Loan officer understands my needs	2.6 (1)	89.5 (34)	7.9 (3)		94.7 (36)		5.3 (2)	
Other branch staff were courteous		73.7 (28)	5.3 (2)	21.1 (8)	78.9 (30)	2.6 (1)	2.6 (1)	15.8 (6)
Office Environment								
Hours of operation		97.4 (37)	2.6 (1)		84.2 (32)	7.9 (3)	7.9 (3)	
Facilities are clean	2.7 (1)	78.4 (29)	13.5 (5)	5.4 (2)	83.8 (31)	8.1 (3)	8.1 (3)	
Convenient location		97.4 (37)	2.6 (1)		97.4 (37)		2.6 (1)	

Number of respondents=38

Improving Satisfaction of Group Loan Clients

While the majority of MFW's group loan clients surveyed are satisfied in general, there are areas of dissatisfaction with specific aspects of the products' design. In particular, most group loan clients (60.5%) are not satisfied with the payment frequency and 42.1 percent are dissatisfied with the loan term. Table 17 presents the detailed satisfaction analysis of MFW's group loan clients. It is not unusual for group loan clients to express dissatisfaction with the requirement of weekly meetings, time entrepreneurs often feel could be better spent on their business. To improve the satisfaction among group loan clients, MFW should consider ways of reducing the frequency of group meetings or the amount of time spent in weekly meetings. In addition, MFW should consider offering longer term loans to group loan clients. Given that individual loan tend to be more satisfied than group loan clients, MFW should find ways to encourage more group loan clients to graduate to individual borrowers more quickly, possibly through the use of an automated loan decision-making mechanism, which is discussed in Section 4.1.3.

Ensuring Competitive Interest Rates for Individual Loan Clients

While all of the individual loan clients are generally satisfied, MFW must ensure that it is offering reasonable interest rates if it wants to remain competitive in the future. The majority (66.7%) of MFW's individual loan clients expressed dissatisfaction with the interest rate on their loan. MFW's annual effective interest rates are significantly higher (34-44%) than AMC's annual effective interest rate (25%). While MFW and AMC only compete for female clients directly in Amman, at present, as both MFIs expand, MFW will find it increasingly difficult to compete with AMC in the future, particularly for larger loan clients. MFW should ensure that its interest rates are competitive, by gradually reducing interest rates as clients' businesses grow and they become eligible for larger loan sizes.

Prospects for Expansion through Automated Lending

One of the impediments to MFW's expansion is its loan officers' capacity to adequately evaluate businesses and determine their loan repayment potential. The majority of MFW's loan officers are women with only high school educations who lack the financial calculations and analytical skills to effectively perform cash flow and risk analysis required of individual lending. Rather than change the profile of its loan officers, MFW is interested in exploring the use of an automated loan decision-making mechanism, such as the PalmPilot or small computers that could facilitate the loan officers' ability to make smart loan decisions quickly and transfer information collected in the field easily to the central management information system. In essence, MFW would need to develop a simplified credit scoring mechanism based on its historical data and the parameters its individual loan officers currently use to make loan decisions.

While the survey was not used to explore the potential for automated lending, the above findings suggest that MFW's clients could be even more satisfied if it were easier for group clients to become individual loan clients. In addition, the reduced costs derived from automation (in terms of reduced loan officer time spent on analysis) could be transferred to the client through lower interest rates. To explore this concept further, MFW should conduct a feasibility study assessing the potential benefits and costs associated with automating their loan decisions and should hold focus groups with the loan officers to understand their concerns and to identify potential constraints to implementing such a system.

7.2 Potential for Microinsurance

The survey findings indicated that there is a market for micro life insurance. One third (32.4%) of survey respondents said they were interested in life insurance. According to the survey, the geographical areas with the greatest potential were Amman (42.4% interested) and Zarqa/Ruseifa (25.3%). Men were slightly more likely to be interested than women, with 53.5 percent of men interested versus 46.5% of women interested in life insurance. Of those willing to pay for life insurance, 75.3 percent were willing to pay over 5 JD per month (60 JD per year) for a 10,000 JD death benefit. This finding indicates that there is potential for MFW to make a profit since clients are willing to pay an amount that would more than cover the cost of life insurance. MFW currently pays 20 JD per year for a 10,000 JD death benefit for its 60 employees and estimates that the cost could be reduced further with a greater number insured. Approximately 58 percent of those interested in life insurance reported monthly sales of 51-1,000 JD per month, which suggests that many of those interested are able to pay for such a benefit.

Given the market potential identified in the survey, MFW decided to use the focus groups to test the extent to which its clients would be interested in life insurance to cover the balance of the loan in case of death (mandatory for all clients and included in the cost of the loan) or to provide a true death benefit (available to interested individuals for a monthly premium). The focus group facilitator intentionally avoided using the term “life insurance” as there are some negative connotations with the term in Jordan. Instead, the products were referred to as “loan protection” and “income protection” products. Annex 12 documents the results of the focus group sessions, which are summarized as follows:

- ***Most clients discuss financial planning related to death***. Most clients had discussed with their families how the family would deal financially with the unanticipated death of the business owner and many said they had kept good records of their money transactions so that a family member could easily learn the obligations and financial position of the business. The few who had not discussed their loan obligation with their families had not due to religious reasons and the cultural belief that “women should not work.”
- ***Greatest interest in income protection.*** There was more interest in an “income protection” product than a “loan repayment protection” product. Out of 10 clients in Ruseifa, seven said they were not interested in “loan protection,” but all but two said they wanted the product that offered the larger death benefit of 10,000 JD. Of the 11 clients in Amman, all wanted “loan protection” and all but two wanted “income protection” product that offered a true death benefit. In general, the clients felt that the amount needed to cover the loan payments was small enough for their families or the other group members to cover without much difficulty, except for larger loan sizes.

- ***Most clients willing to pay about 8 JD per month regardless of benefit***. Clients offered similar amounts that they would be willing to pay for insurance that would only cover the value of the unpaid loan as for a true death benefit. Clients that were interested in the loan protection product offered to pay between 2 to 30 JD per month, with the average approximately 7 JD per month. Clients interested in the income protection product were willing to pay between 2 to 75 JD per month, but by removing the 75 JD outlier in the data, the average amount was approximately 8 JD per month. The rationale behind the amount offered for the products was mostly based on what additional expense the clients felt they could afford.
- ***Less negative connotation around "life insurance" than suspected.*** In both focus groups, the participants identified the products as "life insurance" and most did not have a problem with the concept or the term. Only two of the 21 clients said they would not be interested in life insurance due to religious. Some of the participants equated the products with "social security." In the Amman focus group, participants even listed the word as an attractive word that could be used to advertise the product.
- ***Protecting children and family's future is the best selling point for life insurance.*** The focus group participants came up with some very good slogans to advertise life insurance products, as well as some words to avoid, which are summarized in the boxes below:

Attractive Words
▪ Affordable and comfortable payments
▪ Do not need anyone, can depend on oneself
▪ Protect your children and family
▪ Taking the right decision
▪ Today's project for tomorrow
▪ Do not be a burden on others
▪ Insurance for the whole family
▪ A scene of a woman in front of MFW leaving a letter for her children saying "For the sake of my children!!"

Repelling Words
▪ Threat
▪ Fear
▪ Jail/ Prison
▪ Lawyers
▪ Bi weekly payments
▪ Death
▪ Failure of business
▪ Don't mention value or percentages in ad

Given these findings, it appears that there is a good market for life insurance that could be very profitable for MFW, while also meeting an important client need for protecting their families against financial loss resulting from their unanticipated death. While interest seems to be greater for an "income protection" policy that would offer a true death benefit, MFW could still consider offering a mandatory loan protection benefit, as long as the cost is negligible to the client. MFW might do this for a few reasons. First, many clients in the focus groups said that MFW "threatens" clients as a way to ensure repayment. Tough tactics to ensure repayment are difficult at a time when the group might be suffering the loss of their friend as well as their group member. Offering to void the loan balance in the case of death could help MFW strengthen its image as a financial institution that cares and would reduce the hassle around collection in these cases. Second, MFW could use the product as a way to begin to compile statistics for a mortality table that could later be used to determine rates for an individual "income protection" life insurance product or to attract a formal insurance company to work with MFW to offer such a product. Third, MFW could offer loan protection on its own without it being legally considered life insurance and it would require little investment or infrastructure. MFW would have to start a reserve fund based on estimated pay outs it would expect based on the age profile of its clients and adjust it with more experience over time. Before introducing loan protection on a large scale, MFW should pilot test it in an area that showed receptivity to the concept, such as in Amman.

Based on the results, MFW should definitely pursue offering life insurance with a true death benefit, perhaps of 5,000 to 10,000 JD. The focus group indicates that clients would be willing to pay approximately 8 JD per month or 96 JD per year. This amount should be enough to attract a formal life insurance company to work with MFW and allow for MFW to take a fair cut of the profits. Seventeen of the 21 clients said they would be interested in "income protection" insurance, but only 11 of the 21 said they would be willing to pay 8 JD or more per month. However, if just half of MFW's clients were interested in individual life insurance, MFW would collect approximately 315,168 JD (3,283 clients x 96JD/year) or US$470,040, which should be enough to entice a commercial insurance company. One company to consider is ALICO, which was the most commonly mentioned insurance provider in the survey (65.6% of respondents who had life insurance). MFW should use the survey and focus group results to attract a life insurance company to work with it to develop and offer an individual life insurance product to its clients. In exchange for doing the marketing and sharing its client base, the insurance company should be willing to pay MFW between 10 to 50 percent of the profits.

7.3 Limited Potential for Islamic Lending

While there is a market for Islamic lending in Jordan, it does not appear to be a profitable product for MFW to offer.

Religion is a common reason for not wanting a loan. Of the 15.7% of all entrepreneurs surveyed that said they were not interested in a loan, nearly one third (29.2%) said their lack of interest was due to religious reasons. Respondents in Amman (35.7%), Madaba (33.3%) and Jerash (33.3%) were more likely to cite religious reasons for not be interested in a loan, than those in Baqaa (30%), Irbid (28.6%) or Zarqa/Ruseifa (18.2%). In general, men were more likely to give this reason than women (32.0% vs. 26.1%).

Significant interest in Islamic lending among those citing religious reasons. Of those stating religious reasons for not being interested in a loan, exactly half (50%) said they would be interested in receiving advance funds in exchange for a share of the profit, which represents a common form of Islamic lending, known as Marabaha. Interest in this form of Islamic lending was greatest in Amman (80%), Irbid (50%) and Zarqa/Ruseifa (50%). And men tended to be more interested than women in Islamic lending (62.5% vs. 33.3%).

Limited income potential in Islamic lending. Perhaps the most interesting finding is that all of those interested in Islamic lending reported monthly sales of 50 JD or less. This finding suggests that lower income entrepreneurs are more interested in Islamic lending. Since Islamic loans are fairly complex and expensive to offer, it is unlikely that MFW would be able to cover its costs in offering Islamic loans. Furthermore, offering Islamic loans in addition to traditional loans could send a confused message to MFW's current clients by suggesting that traditional borrowing is against Islam.

7.4 Summary and Recommendations

Continue to maintain satisfied clients MFW has been proactive in understanding its clients' interests and in designing products that satisfy clients' needs, which has paid off in terms of high ratings of overall customer satisfaction. Nonetheless, MFW could further satisfy clients and avoid client desertion by

- ***reducing the payment frequency,***
- ***extending loan terms,*** and
- ***maintaining competitive interest rates***.

Encourage individual lending through automation. MFW should make efforts to graduate its group loan clients to individual borrowers more quickly, possibly through the use of an automated loan-decision making mechanism. MFW should conduct a feasibility study and focus group sessions with its loan officers to further assess the potential for automating its individual lending and to avoid implementation problems.

Assess options for offering life insurance to clients. In terms of new products, life insurance appears to be a potentially profitable product, but Islamic lending does not. Between life insurance for loan protection and for income protection, there is greatest interest in income protection insurance that would offer a true death benefit. If MFW chooses to offer loan protection (loan forgiveness to its clients in the case of death), it should conduct a feasibility study using mortality data in Jordan and information it has on the age and risk profile of its clients to determine the costs and risks involved as well as the potential profits and benefits. It would be useful for MFW to have a consultant work with the loan officers to understand the pros and cons from their perspective of offering such a product. To offer its clients individual life insurance, MFW will need to partner with a commercial insurance firm. Once potential partners are identified, a consultant could help MFW to assess the various options and to determine the related costs and benefits of potential partnerships.

8. Conclusions and Next Steps

The market research, including surveys and focus group sessions, was effective in uncovering opportunities for market expansion. Fortunately, the four AMIR partner MFIs have unique strategies for new product development, which should help them all to expand and reach more unserved populations without creating unnecessary competition. The findings indicate that the market is far from saturated, especially when viewed from the perspective of clients' diverse needs for financial services, including non-traditional loan products, savings and insurance. This section summarizes the main conclusions drawn from the market research and highlights the next steps to be taken to pursue promising new markets and to ensure high levels of customer satisfaction in the future.

8.1 New Product Priorities

Below is a list of new products that the partner MFIs hope to launch over the next year, in order of priority (based on MFI interest and verified market potential) for support from USAID's AMIR program.

1. Small Business Lending Given the significant levels of interest in small business loans according to the market research and the Ministry of Labor's current emphasis on small business lending, the AMIR program should definitely support the development of small business loan programs. The majority (77.8%) of registered enterprises with 6-10 employees and 44.4 percent of registered enterprises with 11-30 employees were interested in a loan if offered on favorable terms. Based on the high levels of interest in small business loans in Irbid and Amman, AMIR should support JACP's and AMC's desire to expand into this higher-end market. With interest being strongest among enterprises with 6 to 10 employees, AMC and JACP should begin by entering the lower end market for small business loans, which is more similar to its microenterprise portfolio. The MFIs can gradually scale up as they gain experience and confidence in their methodologies.

2. Loans to Purchase Taxis. Based on the survey and focus group findings, there appears to be a fair amount of interest in taxi loans. Of the entrepreneurs surveyed that own taxis, 63.6 percent (7 out of 11) were interested in obtaining a loan if offered on favorable terms. The focus groups and findings from the additional questionnaire designed specifically for taxi drivers indicated that taxi owners interested in loans have a low risk profile (in terms of age, number of accidents and tickets per year) and have enough income to repay taxi loans. These findings suggest that there is a viable market for taxi loans and therefore, the AMIR program should support JMCC in targeting this new market. Based on the input from focus group participants, JMCC should consider offering new taxi loans that include the cost of the tags in the overall loan amount, less a ten percent down payment.

3. Life Insurance. The survey findings indicated that there is a market for micro life insurance. One third (32.4%) of survey respondents said they were interested in life insurance. According to the survey, the geographical areas with the greatest market potential were Amman (42.4% interested) and Zarqa/Ruseifa (25.3%). Men were slightly more likely to be interested than women, with 53.5 percent of men interested versus 46.5% of women interested in life insurance. Of those willing to pay for life insurance, the majority were willing to pay over 8 JD per month (96 JD per year). This finding indicates that there is significant profit potential since this amount would be more than adequate to cover the cost of a substantial death benefit. The AMIR program should support MFW in its development a life insurance product for women. While the research indicated greater interest in an "income protection" policy that would offer a true death benefit, MFW should still consider offering a mandatory loan protection benefit at low cost to the client, as a way to become familiar with this new market and to learn more about the related risks. Given that there was even stronger interest in life insurance among men, the AMIR program should also support JMCC to develop this product if its management decides to offer life insurance as a true product, rather than just as a product feature, as it currently offers.

4. Housing and Home Improvement Loans There seems to be a fair amount of potential for loans guaranteed by real estate, especially to purchase and build new homes, with 87.7% of four focus group session participants interested in a loan for such purposes. The survey results found that those offering real estate as collateral tended to have larger businesses (64.3% of enterprises with 6-10 employees and 75% of enterprises with 11-30 employees wanted loans) and requested larger loan sizes (39% wanted loans between 3001-10,000 JD). Those surveyed offering real estate as collateral have average monthly sales of 3,243 JD. Together, these findings imply that there is significant potential for making real estate-based loans and that those who own real estate tend to have higher monthly revenue and therefore, could afford larger loans or a second loan. If JACP decides to enter the housing loan market, however, it should begin by making loans to purchase existing houses. Given all the risks involved with building a house, such as the skills and integrity of the builder, it is safer to begin by offering loans only for houses that have a value that is easily predetermined. The market research indicates that there is also some interest in home improvement loans. Of those surveyed requesting a home improvement loan, over half (51%) wanted a loan between 1001-6000 JD. The average monthly sales of those interested was 2,283 JD, indicating that this is a fairly affluent market. In offering home improvement loans, it is likely that many existing clients would be interested in this product as a second loan so the MFIs would need to factor the clients' current level of indebtedness into the loan decision. The AMIR program should support JACP's further exploration of the market potential for housing and home improvement loans, ensuring that all legal issues and risks are taken into consideration before product launch.

5. Automated Lending One of the impediments to MFW's expansion is its loan officers' capacity to adequately evaluate businesses and determine their loan repayment potential. The majority of MFW's loan officers are women with only high school educations who lack the financial calculations and analytical skills to effectively perform cash flow and risk analysis required of individual lending. Rather than change the profile of its loan officers, MFW is interested in exploring the use of an automated loan decision-making mechanism, such as the PalmPilot or small computers that could facilitate the loan officers' ability to make smart loan decisions quickly and transfer information collected in the field easily to the central management information system. Given the potential for cost savings and rapid expansion through automation, the AMIR program should help MFW develop a simplified, automated credit scoring mechanism, based on its historical data and the parameters its individual loan officers currently use to make loan decisions.

In addition to the above products, USAID should support JMCC's interest in additional market research for the following products: IT business training loans and start-up loans to technical college students. The survey instrument was not appropriate for assessing the full market potential for these products, since potential clients for these loans are not necessarily entrepreneurs. In the case of the IT business training loans, JMCC will need to contact the companies that need the computer and business skills as well as the schools that would offer such trainings to understand the market and its potential. To understand the market for start-up loans to technical college graduates, JMCC needs to contact the technical colleges and their students, as well as the Ministry of Labor to determine technical skills in demand.

8.2 Steps Toward Implementation

Once adequate market research has been conducted and market potential has been reasonably assured, the MFIs will need to further test the feasibility of their new product concepts. For each new product, the following five steps are recommended:

1. Conduct a feasibility study Market research is one element required of a feasibility study; however, additional information is needed to verify the viability a new product. A complete feasibility study checks for the operational viability, in terms of impact of the product on the MFI's operations and other product lines, estimates market pricing and projects estimated cash flows and profitability. In addition, the feasibility study should address legal issues required to offer the new product and determines the additional risks involved with offering the product. The feasibility study should be written in the format of a business plan with input from management. If the study indicates that the new product is indeed financially and operationally feasible, it should be presented to the board for approval. In this case, the MFI progresses to the next step, development of a prototype for the new product.

2. Develop a prototype. In this phase of new product development, the MFI specifies the terms and conditions of the new product, which will serve as the "prototype" or design of the new product. This step also requires the MFI to determine product delivery, marketing and internal control mechanisms. For example, the MFI will decide whether current loan officers should offer this additional product or specialized loan officers should be hired to target and reach this market. Internal control mechanisms might include visits from the MFI's branch managers to verify that the new product is being communicated appropriately and that the client met all the qualifications. For this step to be successful, the prototype should be developed with significant input from MFI front line staff who are familiar with client concerns and can often better gauge client response and identify operational issues that management might not consider. If front line staff and management disagree with certain aspects of the prototype, then additional input should be sought directly from clients before the prototype is finalized.

3. Train pilot staff Once a prototype is set, the MFI will need to determine where it will pilot test the new product, select the appropriate staff for the pilot test and train them. The pilot test site should be selected in a geographical area that has been predetermined to offer significant market potential and launched from one or two branches in that area. Staff training for the pilot should include a training on the features of the new product as well as how to communicate with existing and potential clients in a way that accurately describes the product being offered, while being careful to explain that this is a new product, not available at all of the MFI's locations and could be subject to change in the future. In addition, staff should plan to explain to clients who are interested in the new product that MFI will be following up with them to ask them some questions about the pros and cons of the new product. As most new financial products require some risk assessment or minimum qualifications criteria, the majority of the staff training time will be spent on how staff will identify and assess qualified clients. Trainers should also encourage staff involved in the pilot test to communicate issues that arise as they are working with clients on the new product.

4. Pilot test new product prototype With the prototype set and the pilot staff trained, the MFI can begin to pilot test the new product. Before the pilot test begins, however, the MFI should have determined what level of results, in terms of number of clients and profitability must be achieved or what period of time, will indicate that the new product is viable. Usually pilot tests are carried out for six to twelve month periods. "For most short-term products, the design and development process (including pilot test) will last six months to a year at a minimum, with the average length closer to one to two years before full product roll-out."[9] The pilot test is used to refine the prototype and determine whether or not to launch the product on a wide-scale. As issues arise, the prototype should be adjusted, possibly extending the duration of the pilot test. If after multiple adjustments, the pilot test still indicates that the market or profit potential is not adequate, then the MFI should not implement the product on a wide-scale. In this case, the pilot test should still be considered successful in the sense that it helped the MFI to avoid a product failure, which would have been more costly (in terms of money and reputation) if the product had been offered widely without a pilot test.

5. Implement on a wide-scale If the pilot test indicates a viable and profitable market for the new product, then the MFI should prepare for wide-scale implementation. Using the final specifications for the new product, the MFI should adjust its systems and processes to integrate the new product into all aspects of its operations. Integration includes updating the management information system, revising internal controls and amending the operations manual to include the processes for the delivery and servicing of the new product. The MFI will need to inform all departments of the new product and train all relevant staff on their roles related to the new product. Working with the human

[9] P. 22, Brand, October 1998.

resource department, the MFI should consider designing special incentive systems that will motivate front line staff to market and sell the new product. Based on client feedback from the focus groups and pilot test, the MFI will need to develop new marketing and promotional materials and have them ready in time for the new product "launch." Often MFIs can gain free publicity by organizing a special event around a new product launch, such as a party or celebration at each of the branches in which potential clients are invited to come and learn about the new product.

In addition to the above suggestions, USAID's AMIR program should encourage its sustainable MFI partners to consider making the product adaptations recommended in this report, which should lead to improvements in customer satisfaction. Using the customer satisfaction portion of the survey, the AMIR program should conduct follow up surveys in a year or two to help the MFIs assess their performance in customer satisfaction against the baseline information collected from the first survey. The partner MFIs interested in better understanding reasons behind client dissatisfaction and desertion should also receive support to develop tools to measure and monitor client desertion, as well as to develop formats for exit interviews and other mechanisms to learn about client preferences, such as though client suggestion boxes or complaint systems. By becoming more receptive to customer needs and concerns, the MFIs will be able to maintain long-term productive relationships and design products that are responsive to a larger population in Jordan.

Annex 1 – Scopes of Work

Annex D

Scope of Work: Specific Tasks of the Consultant(s)

Activity Name:	315.1 MFI Product Market Needs Assessment
SOW Title:	New Product Priority Assessment - Phase III
Modification No:	1
SOW Date:	Thursday, March 14, 2002
SOW	Final
Total LOE:	30

Task and Consultant

LOE/F/New Product Priority Assessment - Phase III

AC Anita Campion

I. Specific Challenges Addressed by this Consultancy

The government of Jordan has embarked upon a bold economic transformation program aimed at improving the standard of living and quality of life for all Jordanians. There are many facets of the program and a key to its success will be the ability to encourage the establishment and enhancement of micro/small/medium enterprises (MSMEs).

Microbusiness is not a new phenomenon, since its antecedents of loans to small village and cottage industries trace back several millennia. What today is defined as microbusiness most likely was founded in the ancient kingdoms in the region known as "The Golden Crescent", between the Tigris and Euphrates Rivers.

Within the boundaries of the Kingdom of Jordan, however, the idea of microbusiness and microentrepreneurs may not be as well imbedded into the local culture as it was in the surrounding countries. Until relatively recently, the majority of the Jordanian population were primarily herders and farmers rather than town dwellers and traders, so that the microbusinesses that existed would have been rurally oriented. But, during the last 50 years the demographics of Jordan have changed dramatically, with approximately 78% of the population now living in the four largest governates. Despite this demographic change, the rise of microentrepreneurship in Jordan has been slowed by the creation of a large public sector that has been established during this period, which was used as both a social and public service mechanism.

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Currently, the combined public sector and the Government comprise more than 35% of the employed labor force. Consequently, there is a tendency for school leavers, and the unemployed, to look to the public sector first for employment opportunities, rather than to becoming self-employed entrepreneurs. As a consequence, many microentrepreneurs view self-employment as a stopgap measure, to be abandoned as soon as a public sector job is obtained.

The provision of loan capital to microbusinesses through a formal structure originated in the Public Sector. The Agricultural Credit Corporation (ACC) was founded in 1959 for the express purpose of making loans for the development of the agricultural sector in Jordan, including small loans. The first formal microlending program, however, was established by the Industrial Development Bank (IDB) in 1965. These microbusiness loan providers were soon followed by other public and oundation lenders, such as the General Union of Voluntary Societies (GUVS) in 1986, and the Development and Employment Fund (DEF) in 1992. Since this time several foundations also have involved themselves in microfinance, the names of which are included in Appendix I. Most of these organizations have social goals and roles, and view microfinance as a tool for achieving those goals, rather than focusing on providing microfinance on an operationally sustainable basis.

The concept of sustainable microfinance was introduced into Jordan by Save the Children (SC) in 1994, when they commenced the Group Guaranteed Lending and Savings Program (GGL) in the Mahatta and Natheef refugee camps. Encouraged by this success, they established a separate legal entity (the Jordanian Women's Development Society) in 1996, which commenced operations in 1997 and became Microfund for Woman in 1999. Subsequently, three other microfinance institutions (MFIs) were established, Jordan Micro Credit Company (JMCC), Ahli Microfinancing Company (AMC), and Jordan Access to Credit Project (JACP) via Cooperative Housing Foundation (CHF).

The AMIR (Access to Microfinance and Improved Implementation of Policy Reform) Program commenced operations in February, 1998. One of its key goals is the establishment of a sustainable microfinance industry in Jordan by the time the program closes in January 2002. Since inception, the AMIR Program has helped establish and support three MFIs, and together with the U.S. Agency for International Development (USAID), is working with a fourth MFI. There are considerable differences between these four MFIs, and the other microfinance providers, of which the most important are the commitment to attaining operational sustainability, and to operate in accordance with the "best practices" of microfinance.

In 2002, the second phase of the AMIR Program, AMIR Program (Achievement of Market-Friendly Initiatives and Results) was launched. The goal of AMIR Program is "To promote economic growth and prosperity for all Jordanians by developing a more market-friendly environment for broad-based economic opportunity and business expansion." This four component initiative has devoted one component to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs.

The microfinance institutions to date have been successful in reaching many clients with what are considered the 'typical" products offered by an MFI, generic, short term, business purpose term notes. However, in order to expand market opportunities for the MFI's and thereby improving their competitive position, it is important to support product enhancement and diversification efforts.

To that end, AMIR Program contracted Anita Campion, Microfinance Specialist, to assess what products are currently available to microentrepreneurs to assist in the expansion and growth of their businesses, as well as to assess the reasonableness of new product concepts that the MFIs are currently considering. In addition, AMIR Program contract the Community Development Group (CDG), a local market research firm, to conduct 300 surveys (160 current clients and 140 potential clients) to assess the interest that entrepreneurs have in new products that the MFIs in Jordan are planning to offer. Hence, AMIR seeks to have a Microfinance Specialist follow up on the results of the survey and to further assess those products that offer
the most market potential for the MFIs. To assess the specific terms and conditions that the MFIs should offer for new products this consultant will work with CDG and

II. Objective

the MFIs to conduct eight focus groups of entrepreneurs that have expressed
interest in the MFIs' new product ideas.The objective of this consultancy is to determine the specific terms and conditions that entrepreneurs in Jordan require for new products that the partner MFIs plan to offer in the next year.

III. Specific Tasks of the Consultant(s)

Under this Scope of Work, the Consultant(s) shall perform, but not be limited to, the tasks specified under the following categories:

A. Background Reading Related to Understanding the Work and Its

Consultant(s) shall read, but is/are not limited to, the following materials related to fully understanding the work specified under this consultancy:

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- Anita Campion
  - Microfinance/Microenterprise Strategic Assessment, April 2001
  - Business Plans of JMCC, AMC, Microfund for Women and CHF
  - Policy Environment for Financial Services to Micro and Small Enterprises in Jordan
  - The MBP Guide to New Product Development, by Monica Brand
  - Building Customer Loyalty, by Craig Churchill and Sahra Halpern, MicroFinance Network
  - Automating Microfinance, by Anita Campion and Sahra Halpern, MicroFinance Network

B. Background Interviews Related to Understanding the Work and Its

The Consultant(s) shall interview, but is/are not limited to, the following individuals or groups of individuals in order to fully understand the work specified under this consultancy:

- Anita Campion
  - Key Personnel at AMIR Program
  - Key Personnel at USAID Economic Opportunities Office
  - Executive Directors of AMC, JMCC, CHF and Microfund for Woman

C. Tasks Related to Achieving theConsultancy's Objectives.- Key Personnel at CDG

The Consultant(s) shall use his/her education, considerable experience, and additional understanding gleaned from the tasks specified in A. and B. above to:

- Anita Campion
  - Review findings/analysis of 300 new product surveys and provide feedback to CDG.
  - Provide substantive edits to CDG and help format the final survey report. (2 days)
  - Discuss findings with MFIs and the implications for their proposed new product strategies.
  - Identify at least four new products that have market potential for the MFIs in Jordan.
  - Prepare content for four focus group sessions.
  - Train CDG staff on how to conduct these focus groups.

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with support from CDG and the MFIs.
- Develop survey tool for taxi drivers and process results. (1 day)
- Pilot test two focus group sessions for one MFI with CDG
- Adjust focus group session format based on findings of pilot tests, as necessary
- Analyze findings of the nine focus groups and prioritize the list of new products to be launched over next year
- Define the next steps for in-depth research and launching of new products
- Write report summarizing the most relevant findings of the survey and focus groups, send to AMIR 2.0 for feedback, make changes as necessary
- Write reports for each of the four partner MFIs assessing the viability of their new product development strategies based on the findings of the surveys and focus groups, send to AMIR 2.0 for feedback, make changes as necessary

- Communicate with MFIs on other potential products to understand their needs in interests in additional support from AMIR to develop SOWs (1 day)
- Draft SOWs for next six assignments related to new product development for MFIs. (1 day)
- Oversee the start-up of the consultancy for the development of small business loan products (Pedro Jimenez) – (1 day)
- In addition to new product development tasks, work with AMIR on the development of a survey instrument for understanding constraints to entrepreneurship, provide feedback to governance consultant on how to

IV. Time frame for the Consultancy.

Unless otherwise specified, the following time frame will govern the timing for the completion of this consultancy:

	Start	LOE	To Post	From Post	Field Work	3rd Country	U.S.A.
Anita Campion	25-Mar-200	30	1 days	1 days	11 days	0 days	17 days

V. LOE for the Consultancy.

This consultancy will require the effort of the following consultants:

Consultant Name	Travel	Field	U.S.	3rd	Total
Anita Campion	2	11	17	0	30
Subtotal	2	11	17	0	30

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VI. Consultancy Qualifications

The Consultant(s) shall have the following minimum requirements:

- **Anita Campion**

  Phase 1

  1. *Educational Qualifications*
     - Masters with a focus on international development or commensurate work experience
  2. *Work Experience Qualifications*
     - 10 years experience in SME development projects with a focus on microfinance
     - Extensive experience in the implementation of microfinance best practice activities
     - Experience in MFI evaluation an emphasis on product adequacy a bonus

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Annex D
Scope of Work: Specific Tasks of the Consultant(s)

Activity Name:	315.1 MFI Product Market Needs Assessment
SOW Title:	FFPC/D/Field Survey - New MFI Products - Phase II
Consult Task	CDG Community Development Group
Modification No:	4
SOW Date:	Thursday, February 14, 2002
SOW Status:	Final

I. Specific Challenges Addressed by this Consultancy

The government of Jordan has embarked upon a bold economic transformation program aimed at improving the standard of living and quality of life for all Jordanians. There are many facets of the program and a key to its success will be the ability to encourage the establishment and enhancement of micro/small/medium enterprises (MSMEs).

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Currently, the combined public sector and the Government comprise more than 35% of the employed labor force. Consequently, there is a tendency for school leavers, and the unemployed, to look to the public sector first for employment opportunities, rather than to becoming self-employed entrepreneurs. As a consequence, many microentrepreneurs view self-employment as a stopgap measure, to be abandoned as soon as a public sector job is obtained.

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The provision of loan capital to microbusinesses through a formal structure originated in the Public Sector. The Agricultural Credit Corporation (ACC) was founded in 1959 for the express purpose of making loans for the development of the agricultural sector in Jordan, including small loans. The first formal microlending program, however, was established by the Industrial Development Bank (IDB) in 1965. These microbusiness loan providers were soon followed by other public and foundation lenders, such as the General Union of Voluntary Societies (GUVS) in 1986, and the Development and Employment Fund (DEF) in 1992. Since this time several foundations also have involved themselves in microfinance, the names of which are included in Appendix I. Most of these organizations have social goals and roles, and view microfinance as a tool for achieving those goals, rather than focusing on providing microfinance on an operationally sustainable basis.

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In 2002, the second phase of the AMIR Program, AMIR 2.0 (Achievement of Market-Friendly Initiatives and Results) was launched. The goal of AMIR 2.0 is "To promote economic growth and prosperity for all Jordanians by developing a more market-friendly environment for broad-based economic opportunity and business expansion." This four component initiative has devoted one component to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs.

The microfinance institutions to date have been successful in reaching many clients with what are considered the 'typical" products offered by an MFI, generic, short term, business purpose term notes. However, in order to expand market opportunities for the MFI's and thereby improving their competitive position, it is important to support product enhancement and diversification efforts. To that end, AMIR 2.0 has contracted Anita Campion, Microfinance Specialist, to assess what products are currently available to microentrepreneurs to assist in the expansion and growth of their businesses, as well as to assess the reasonableness of new product concepts that the MFIs are currently considering. AMIR 2.0 seeks to contract the Community Development Group (CDG) to conduct surveys and focus groups to assess the interest that current and potential MFI clients have in new products that the MFIs in Jordan are planning to offer

.II. Objective

The objective of this consultancy is to assess the current market situation of microfinance products by conducting surveys and focus groups of 300 microentrepreneurs in Jordan (200 current MFI clients and 100 potential MFI

III. Specific Tasks of the Consultant(s)

Under this Scope of Work, the Consultant(s) shall perform, but not be limited to, the tasks specified under the following categories:

Phase1

Consultant Name: ***Community Development Group***

A. Background Reading Related to Understanding the Work and

Consultant(s) shall read, but is/are not limited to, the following materials related to fully understanding the work specified under this consultancy:

B. Background Interviews Related to Understanding the Work

The Consultant(s) shall interview, but is/are not limited to, the following individuals or groups of individuals in order to fully understand the work specified under this consultancy:

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C. Tasks Related to Achieving theConsultancy's Objectives.

The Consultant(s) shall use his/her education, considerable experience, and additional understanding gleaned from the tasks specified in A. and B. above to:

A: Tasks related to Achieving the Consultancy's Objectives
In conducting the following tasks, CDG should operate as independently as possible, taking care to minimize the burden placed on the partner MFIs:
- Review sample questionnaires for current and potential MFI clients and provide feedback on the applicability of the questionnaires to the Jordanian environment (Feb. 14, 2002)
- Translate survey questionnaires from English into Arabic (Feb. 18)

- Participate in survey training and set up database to capture information (Feb. 19)
- Conduct pilot test of surveys in Amman, make necessary adjustments to questionnaires (Feb. 20)
- Conduct 300 surveys (Feb. 21 – Mar. 14):
- 105 in Amman (40 current clients of AMC, 40 current cleints of JMCC, 25 potential small business clients)
- 20 in Madaba (20 potential clients – approximately 50% female)
- 65 in Irbid (40 current clients of CHF and 25 potential clients – approximately 50% female),
- 55 total in Zarqa and Rusaifa (30 current female clients of MFW and 25 potential female clients),
- 35 in Baqa'a (10 current female clients of MFW and 25 potential clients – approximately 50% female).
- 20 in Jarash (20 potential clients – approximately 50% female)

- Summarize findings, send AMIR 2.0 and Anita Campion summary report in English (Mar. 17-21) in light with attached survey analyses and data base fields and definitions
- Review findings/analysis, organize focus groups (identify and contract location, and contact all participants) and pilot test 2 focus group sessions with Anita Campion (Mar. 23-28)
- Conduct 8 additional focus groups of approximately 12-15 participants each with 1 facilitator and 1 animator per group (Mar. 31-April 11). The 10 focus groups will probably take place as follows:
  - 4 in Amman
  - 4 in Irbid
  - 1 in Zarqa or Rusaifa
  - 1 in Baqa'a
- Summarize highlights of the focus groups and sends to AMIR 2.0

and Anita Campion (April 14-15)

IV. Timeframe for the Consultancy - February 14 – April 15, 2002.

V. LOE for the consultancy: (see attached detailed Level of Effort

D. Timeframe for the Consultancy

Work performed under this scope of work will commence on Wednesday, February 20, 2002 and will be completed within 20 spreadsheet)

Required Qualifications for this consultancy:

Supervisor must have:
- SME development projects with a focus on microfinance
- Strong English language abilities and report writing skills
- At least 10 years experience in conducting market surveys and focus groups
- Extensive project supervisory experience

Facilitator must have:
- At least 5 years experience in conducting market surveys and focus groups
- At least 2 years experience overseeing surveys and facilitating focus groups

Animators must have:
- At least 2 years experience in conducting market surveys and focus groups
- Willingness to work with low-income entrepreneurs in a respectful manner

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Annex 2 – Individuals Contacted During Assignment

Mr. Khalid Al-Ghazawi, Acting Executive Director, JMCC.

Mr. Jim Barnhart, Private Enterprise Officer, USAID/Jordan.

Mr. Rafael Jabba, Country Director, JACP/CHF.

Dr. Jack N. Kattan, Deputy General Manager, Jordan National Bank and Chairman of AMC.

Mrs. Linda Kawar, Information Manager, CDG.

Mr. Ramzi Kawar, General Manager, CDG.

Mr. Bassem Khanfar, General Manager, MFW.

Ms. Terri Kristalsky, SMI Component Leader, AMIR, Chemonics International.

Mrs. Niveen Abboushi Sharaf, Chair of MFW.

H.E. Mr. Sami Qammoh, Chairman, JMCC.

Mr. Steve Wade, Chief of Party, AMIR, Chemonics International.

Mr. Jamil El Wheidi, Microfinance Specialist, AMIR, Chemonics International.

Annex 3 – MFI Interview Questionnaire

NEW PRODUCT DEVELOPMENT QUESTIONNAIRE FOR MFIS

1. INTRODUCTIONS, PURPOSE OF ASSIGNMENT

Objective of consultancy: to assess the current market situation of microfinance products and compile a list of appropriate new products to consider launching over the next 12 months.

Methodology: Information will be collected from current and potential clients through surveys and focus groups conducted by CDG.

MFI Role: For this consultancy to be successful, we will need your cooperation in obtaining information on your MFI, selecting an unbiased sample of clients for the surveys and organizing and preparing for the focus group sessions.

Benefit to your MFI: The findings of this market research will be available to you, which should help your MFI have a better understanding of your clients and their product needs and interests. The end result of the consultancy will be a prioritized list of new products or product adaptations to expand your market outreach along with next steps needed to implement these changes.

2. DISCUSS MFI'S CURRENT PRODUCT LINES

A. Existing product line – have them describe in their words the features, strengths and weaknesses.
For each product:

1) Who is your target market? (gender, income level, geographical areas, loan size, etc.)
2) What is the size of the market? (# clients)
3) How many active clients do you currently serve?
4) Current outstanding loan portfolio in JD?
5) Range of loan sizes?
6) Average loan size?
7) Range of terms (maturity)?
8) Average maturity?
9) Interest rate?
10) Fees?
11) Repayment rates?
12) Client retention rates?
13) Average number of days to process loan?
14) Average amount of time client spends to obtain a loan?
15) Average distance client travels to reach branch?
16) Branch hours?

B. Competition. For each product:

1) Who is your competition now?
2) What do they offer that is more attractive?
3) What do you offer that is more attractive?
4) How do you distinguish yourself from the competition in your marketing efforts?
5) Who do you see as your greatest competition in the future?

C. Customer satisfaction:

1) How have you measured customer satisfaction in the past?
2) What efforts have you made to keep customers satisfied?
3) What system do you have for collecting client feedback and responding to complaints?
4) What are the most common client complaints?

3. MFI OBJECTIVES IN NEW PRODUCT DEVELOPMENT

What would you most like to learn from the survey?

- how to retain clients
- how to improve productivity/reduce costs
- how to expand market outreach
- how to improve cost recovery or profitability

Is there a particular target market you are interested in?

- gender
- income level
- rural/urban/geographical area
- savings clients
- other?

4. NEW PRODUCT POSSIBILITIES

Which new product ideas are the most appealing to your MFI?

- adaptations of existing products
- new technologies, such as ATM/debit cards, use of Palm Pilots, credit scoring
- new loan products – revolving credit line, seasonal loans, Islamic loans
- new savings product – e.g. mobilize rural group savings to benefit from higher interest rates on larger bank accounts.
- new insurance products – life, health, disability, property
- other products – housing improvement loans, pawn lending, leasing (e.g. for computers, inventory), IT business training loans

Why is this idea the most appealing?
How much money does the MFI have to invest in new product development?

Annex 4 – Current Client Survey

Name ________________________________ __ Male __Female

Address ________________________________ Phone 1 ________________

City __________________________________ Phone 2 ________________

I. Current Product Satisfaction

	How satisfied are you? 1 – Unsatisfied 2 – Neutral 3 – Satisfied			**How important is this?** 1 – Unimportant 2 – Neutral 3 – Important		
Product Design						
1. Loan size	1	2	3	1	2	3
2. Loan term	1	2	3	1	2	3
3. Interest rate	1	2	3	1	2	3
4. Fee	1	2	3	1	2	3
5. Payment frequency	1	2	3	1	2	3
Customer Service						
6. Speed of loan application process	1	2	3	1	2	3
7. Speed of loan disbursal after application	1	2	3	1	2	3
8. Friendliness of loan officer	1	2	3	1	2	3
9. Loan officer understands my needs	1	2	3	1	2	3
10. Other branch staff were courteous	1	2	3	1	2	3
Office Environment						
11. Hours of operation	1	2	3	1	2	3
12. Facilities are clean	1	2	3	1	2	3
13. Convenient location	1	2	3	1	2	3
General						

14. My overall level of satisfaction with the MFI is:
❒ Strongly dissatisfied ❒ Dissatisfied ❒ Neutral ❒ Satisfied ❒ Very satisfied

15. What I like best about the MFI is:

____

16. My satisfaction would improve if the MFI made the following changes:

____

____

17. I plan to use the MFI's services again in the future:
❒ Strongly disagree ❒ Disagree ❒ Neutral ❒ Agree ❒ Strongly agree

II. New Product Preferences

1. What type of business do you have? Describe ________________________________

a) __ garment b)__ handicrafts c)__ food d)__ wood/furniture e)__ metal/industrial

f) __ retail/trade g)__ restaurant h) __taxi i)__ manufacturing j) __ general service

2.1 How many years in business? ________ years 2.2 Number of employees? ______

3. What are your main inputs (items you purchase)? ______________________________

4. Who is your supplier company? ____

5. Does your supplier offer you credit? Y N

6. Do you rent any items currently? If so, what? ________________________________

7.1 If offered favorable terms, would you be interested in a loan (if active borrower, would you be interested in a loan upon maturity)? Y N **(If no, go to 9)**

7.2 If yes, for what amount? _______JD

7.3 What are your average gross monthly sales? ___________JD

7.4 How much per month of your disposable income could you pay? ________JD

7.5 What can you offer to secure a loan?
a) __ real estate b) __ inventory c) __ appliances d) __ car/vehicle e) __ gold
f) __ cash/savings g) __ co-signer h) __ other ______________________

8. If unwilling to take a loan, please indicate the reason:
a) __ lack of collateral b) __ lack of documents c) __ lengthy procedures d)__ no need
e) __ religious reasons f) __ don't like to be in debt g) __ other _________________

9.1 If unwilling to take loan for religious reasons, would you be interested in receiving advance funds in exchange for a share of the profits? Y N **(If no, go to 10)**

9.2 If yes, what percentage of your profits would you be willing to share? ___%

10. Are you interested in and have you had any of the following financial services in the past?

Product	**Interested**	**Have**	**Had**	**Institution**	**What I liked:**	**What I disliked:**
Working capital loan						
Fixed asset loan						
ATM/Debit card						
Revolving credit line						
Seasonal credit loan						
Home improvement loan						
IT business training loan						
Short-term savings acct						
Long-term savings acct						
Life insurance						

11. If interested in life insurance, what amount would you be willing to pay per month to have a benefit of 10,000 JD? ________JD

12. Is your business formally registered? Y N

13.1 Would you be willing to participate in a two-hour focus group to discuss your financial service preferences in more detail? Y N

13.2 If yes, what time of day would be best for you? a) __ 7-9AM b) __9-11AM c) __ 2-4PM d) __4-6PM

Annex 5 – Potential Client Survey

Name ________________________________ __ Male __Female

Address _______________________________ Phone 1 _______________

City/Location __________________________________ Phone 2 _______________

1. What type of business do you have? Describe ________________________________
a) __ garment b)__ handicrafts c)__ food d)__ wood/furniture e)__ metal/industrial
f) __ retail/trade g)__ restaurant h) __taxi i)__ manufacturing j) __ general service

2.1 How many years in business? ________ years 2.2 Number of employees? ______

3. What are your main inputs (items you purchase)? ______________________________

4. Who is your supplier company? ____

5. Does your supplier offer you credit? Y N

6. Do you rent any items currently? If so, what? _______________________________

7.1 If offered favorable terms, would you be interested in a loan? Y N **(If no, go to 9)**

7.2 If yes, for what amount? _______JD

7.3 What are your average gross monthly sales? ___________JD

7.4 How much per month of your disposable income could you pay? ________JD

7.5 What can you offer to secure a loan?
a) __ real estate b) __ inventory c) __ appliances d) __ car/vehicle e) __ gold
f) __ cash/savings g) __ co-signer h) __ other _______________________

8. If unwilling to take a loan, please indicate the reason:
b) __ lack of collateral b) __ lack of documents c) __ lengthy procedures d)__ no need
e) __ religious reasons f) __ don't like to be in debt g) __ other _________________

9.1 If unwilling to take loan for religious reasons, would you be interested in receiving advance funds in exchange for a share of the profits? Y N **(If no, go to 10)**

9.2 If yes, what percentage of your profits would you be willing to share? ___%

10. Are you interested in and have you had any of the following financial services in the past?

Product	**Interested**	**Have**	**Had**	**Institution**	**What I liked:**	**What I disliked:**
Working capital loan						
Fixed asset loan						
ATM/Debit card						
Revolving credit line						
Seasonal credit loan						
Home improvement loan						
IT business training loan						
Short-term savings acct						
Long-term savings acct						
Life insurance						

11. If interested in life insurance, what amount would you be willing to pay per month to have a benefit of 10,000 JD? ________JD

12. Is your business formally registered? Y N

13.1 Would you be willing to participate in a two-hour focus group to discuss your financial service preferences in more detail? Y N

13.2 If yes, what time of day would be best for you? a) __ 7-9AM b) __9-11AM c) __ 2-4PM d) __4-6PM

Annex 6 – Documents Read for the Assignment

ACCION International, *New Product Development for Microfinance: Design, Testing and Launch*, Technical Note No. 2, by Monica Brand, October 1998.

ACCION International, *Commercial Approaches to New Product Development in Microfinance: Case Studies of Banco Solidario de Ecuador and Cajas Municipales de Arequipa, Peru*, by Monica Brand, August 1999.

ACCION International, *The MBP Guide to New Product Development,* by Monica Brand, August 2001.

AMIR, "The Demand for Microfinancial Services in the Micro and Small Scale Enterprise Sector in Jordan," Final Report by Mayada Baydas, July 1998.

AMIR, "Policy Environment for Financial Services to Micro and Small Enterprises in Jordan," Final Report by Reese Moyers, July 1998.

AMIR, " Market Specifics Survey #1 – East Amman," Final Report by CDG, December 1999.

AMIR, "The Detailed Strategic Plan to Achieve Operational Sustainability of the Al Ahli Microfinancing Company," Final Report by Graham Perrett, June 2000.

AMIR, "The Detailed Strategic Plan to Achieve Operational Sustainability of the Jordan Micro Credit Company," Final Report by Graham Perrett, October 2000.

AMIR, "The Review of the Existing Strategic and Business Plan of the Microfund for Women," Final Report by Graham Perrett, October 2000.

AMIR, "Target Specific Survey – Irbid," Final Report by Jorge Daly, January 2001.

AMIR, "Target Specific Survey – Zarqa," Final Report by Jorge Daly, January 2001.

AMIR, "Microfinance/Microenterprise Strategic Assessment," Final Report by Graham Perrett, April 2001.

AMIR, " MFI Product Market Needs Assessment Survey," Final Report by Community Development Group, April 2002.

Calmeadow, *Providing Insurance to Low-Income Households, Part I: Primer on Insurance Principles and Products*, by Warren Brown and Craig Churchill, November 1999.

Center for Urban Development Studies and Harvard University Graduate School of Design, *Housing Microfinance Initiatives*, DAI, May 2000.
CHF, "Southern Jordan Access to Credit Program: Revised Business Plan," Report by Rafael Jabba, April 26, 2000.

German Development Institute, "Improving the Social Protection of the Urban Poor and New Poor in Jordan," Draft for Discussion by Markus Loewe, Jens Ochtrop, Christine Peter, Alexandra Roth, Maja Tampe and Arvid Turkner, April 2001.

MicroFinance N etwork, *Automating Microfinance,* by Anita Campion and Sahra S. Halpern, 2001.

MicroFinance N etwork, *Building Customer Loyalty: A Practical Guide for Microfinance Institutions*, Technical Guide No.2, by Craig F. Churchill and Sahra S. Halpern, 2001.

Annex 7

Focus Group Report

Small Business Loans

I. Introduction

Focus Group Objective

The session's main objective was to identify loan terms and conditions that are attractive to small business owners.

Focus Group Protocol

Following were the main themes of the focus group discussion:

1. How many of you have taken out a loan before? Ask 3 individuals to discuss their experiences. Try to have them answer the following questions:
   - From whom?
   - What was the process?
   - Was their much paperwork required?
   - How much time did it take to receive the loan?
   - What was the loan amount?
   - How much did it cost – interest rate, fees, monthly payment?

2. What would be the ideal scenario for receiving a loan? (Try to have other people answer the question).

3. For a one year 10,000 JD loan, which would you rather pay?

    No fee and 10% interest?

    Or 100 JD fee and 9% interest?

For the same loan, would you rather pay:

    0 JD upfront and 83 JD/month?

    Or 100 JD upfront and 75 JD/month?

Discuss pros and cons of paying fees versus interest. Check for how easy it was for clients to make this comparison?

4. Did anyone here respond in the survey that they weren't satisfied with loan terms? Ask person, "why not?" Would they have preferred longer term? How much longer? Would they have been willing to pay more to have a longer term? If yes, how much more?

5. Discuss difference between working capital and fixed asset loans. Who had a fixed asset loan? What did you like and dislike about that loan?

6. How could microfinance institutions make things easier and more convenient for you?

II. Male Session

Date : April 3rd, 2002
Participants: Male borrowers
Place: ZENID
Time: 1:00 pm – 3:00 pm

Twelve male clients participated in this focus group session. All have ongoing businesses (mostly retail trade and services) and had previously taken a loan.

After introducing Community Development Group and the objective of the session as mentioned above, the six questions were posed for discussion.

Summarized Discussion Points

Following is an overall summarization of the ideas and points of discussion presented by the male participants.

(1) Experiences in Taking a Loan
Below are comments made by various clients, not necessarily representing the groups' view.

AMC Clients

1- Long and tedious procedures (15-20 days) to process loan application. Client should constantly push it forward.
2- MFI wants a registered business which is sometimes too expensive for client to be registered; MFI should change the rule that a business should be registered to be a candidate for loan.
3- Frequent change of loan officer. Client has to re-explain everything to the new loan officer.
4- One loan officer must be assigned that knows everything from A-Z about the case.
5- Collateral now being a co-singer and check with total loan size; this is difficult, also loan is rejected if co-signer has any history of returned check with central bank (even if one check, years ago).

(2) Ideal Scenario for Receiving a Loan
Below are comments made by various clients, not necessarily representing the groups' view.

1. MFI Loans should be insured.
2. Payment period:
    - ii. if loan size JD1000 or less, then term is 18 months
    - iii. if loan size JD2000 or more, then term is 24 months

Payment period should correspond to client's situation

Payment should be monthly.

1. Fees:
    - iv. if loan size JD1000 or less, then JD100 in fees
    - v. if loan size JD2000 or more, then JD150 in fees

2- Interest rate to be lower, such as 7-9%. Interest to be paid with monthly repayment and not deducted from loan size.
3- Lower late fees. Late repayment fines should depend on the reason of lateness and the client situation, and waived if it is the MFI's fault.
4- Offer a grace period before first repayment.
5- Give out the requested loan size and not less.
6- Need to inform people if the policy changes to inform of new requirements
7- Longer-term clients should be offered better loan terms
8- Allow client to pay off loan so they can get another larger loan

(3) Choices of payment for JD10,000 loan for one year

First Choice:

a. no fees and 10% interest : 7 participants (concern was that they have no money to pay upfront and that is why they want a loan in the first place)
b. JD100 in fees and 9% interest : 5 participants. Paying JD100 from loan amount (JD10000) will make little difference

Second Choice:

a. Zero amount upfront and 83 JD/Month: 7 participants. The difference between JD75 and JD83 is not much.
b. JD100 upfront and JD75 /month: 5 participants. Rational behind this is that the less the repayment amount the better.

(4) Satisfaction with Loan Terms

1- Some participants were willing to pay more interest (1-2%) for a longer term, some thought the interest rates were already high enough

(5) Likes and Dislikes of Working Capital and Fixed Assets Loans

Fixed assets loan depend on the assets invoiced amount only and does not include customs and shipping which sometimes it is more than the asset itself.

1- Clients can get false invoices from anywhere and obtain the fixed assets loan dishonestly.
2- It is not clear how a fixed assets loan can be used when purchasing used assets, so loan officer should verify the use of the loan to reduce risks.
3- Instead of fixed assets loan, one total loan that allows for purchase of asset and any goods that are needed to start producing. That is combining the fixed assets and the working capital loan in one establishment loan.
4- Some clients were willing to pay higher rates for fixed asset loan.

(6) Things that MFIs Can Do To Make It Easier

Many participants suggested the following to be taken into consideration by their MFI:

- Longer loan term
- Grace period before first repayment (at least one month)
- Easier collateral conditions. Stop requesting check guarantee.
- Late repayment fines to depend on reasons of being late and situation of client. Weekend and holidays not to be included within fine period.
- Reasonable interest rate.
- Different treatment and more trustful relationship with repeat clients.
- Allow for payment of loan in full before end of term. MFI should offer solution in case of business failure such as rescheduling loan.
- Less paperwork and easier procedure.
- MFI must be more flexible with clients and tailor the loan to accommodate the seasonal difference in income and the nature of the business.
- One loan officer must be assigned that knows everything from A-Z about the case and not change the responsible person.

III. Female Session

Date : April 3rd, 2002
Participants: Female borrowers
Place: ZENID
Time: 10:30 am – 12:30 am

Ten females participated in this focus group session. All have ongoing businesses such as a grocery (1), selling garments (2), sewing and embroidery (6), and beauty saloon (1), also all except one had previously taken a loan for their ongoing businesses.

After introducing community Development Group and the objective of the session as mentioned above, the six questions were posed for discussion.

Summarized Discussion Points

Following is an overall summarization of the ideas and points of discussion presented by the female participants.

(1) Experiences in Taking a Loan
Below are comments made by various clients, not necessarily representing the groups' view.

AMC Clients

1- Participant approached AMC to request a loan, a loan officer then came to the participant's resident to investigate work. Participants received her first loan of JD1000 loan over a year and with 12% interest, now she has a JD2000 loan over an 18 month and with 10% interest .
2- The major objections were:
    a. Interest rate; participant noted that the Housing Bank charges 7%.
    b. Interested is deducted from the loan upfront
    c. Collateral now being an employed co-singer; while previously co-signer need not be employed with a salary.

(2) Ideal Scenario for Receivinga Loan
Below are comments made by various clients, not necessarily representing the groups' view.

1- Payments to be monthly instead of bi-weekly as they are currently for group loans.

2- Payment period to be longer
3- Interest rate to be lower such as 8-10%
4- Interest to be paid with monthly repayment

5- Smaller repayment amount (prefers to pay monthly JD50 vs. JD87 for a loan of JD600)
6- Starting with larger loans (vs. starting with a small amount that increases with repeat borrowing) to enable client to properly establish and enhance her business.
7- Remove condition of co-signer being an employed person with constant salary
8- Allow for a grace period at start of loan (e.g. 2 months, especially since their sales is usually through credit at the beginning, it was noted Development and Employment Fund gives 6 months grace period)
9- Location of payment is no problem
10- Given Loan size to be appropriate to the size of the project.
11- One of AMC clients said: "AMC loan conditions and facilities are excellent, all your requests can be found at AMC".

(3) Choices of payment for JD1,000 loan for one year

First Choice:

a- no fees and 10% interest : 3 participants (concern was that they have no money to pay upfront and that is why they want a loan at the first place)
b- JD100 in fees and 9% interest : 7 participants

When it was suggested that the fees be deducted from the loan amount, all agreed that they would rather pay 9% interest and pay JD100 in fees.

Second Choice:

a. Zero amount upfront and 83 JD/Month: none
b. JD100 upfront and JD75 /month: All participants as long JD100 are deducted from loan. Rational behind this is that the less the repayment amount the better.

(4) Satisfaction with Loan Terms

1. Participants were willing to pay more interest for a longer term
2. Grace period of two months is needed before first

(5) Likes and Dislikes of Working Capital and Fixed Assets Loans

1. Answers depended on the nature of participants' business. Fixed assets loan is well liked by those who need it. Participants who are in retail trade prefer the working capital loan.
2. Clients willing to pay higher rates for fixed asset loan, but want a grace period.

(6) Things that MFIs Can Do To Make It Easier

Many participants suggested the following to be taken into consideration by their MFI:

- Longer loan term
- Grace period before first repayment
- Easier collateral conditions
- Stop requesting a check guarantee

- Allow for at least 2 days grace period after repayment due date and before calculating fines
- Increase size of loan
- Lower interest rate

AMC Clients
- Change the rule that cosigner must be an employee and allow for co-signer to be a relative.
- Allow for the store to be collateral.

IV. Main Differences Between Males And Females Session

Male and female participants shared most of the views and perception, except that females were more tolerant and did not seem to have the strong objections and the bad experiences reported by the males. Following are the main differences:

Ideal scenarios for receiving loans
1- Both want lower interest rates; females 8-10% while males 7-9%
2- Both want easier collateral; females do not want the employed co-signer as guarantor, males do not want signed checks as guarantee for the total loan amount.

Choices of payment for JD10,000 one year loan
1- Almost half the men and all the women preferred to pay fees upfront to reduce the monthly payment. But more males (7 vs 5) preferred to pay zero upfront and JD83/month based on the fact that difference between JD83 and JD75 is small.

Satisfaction with loan term
1- Females were more willing than males to pay more interest for longer term loans.

Fixed Assets loan
1- Unlike females, males brought up the fact that a client may dishonestly acquire the loan against false invoices.
2- Some male participants requested working capital and fixed assets loan combined.

Things MFI can do to make it easier

1- Males brought up the rescheduling of loan as something to be taken up by MFI in case business fails and allow client to pay loan in full before end of term.

Annex 8

Focus Group Findings

Taxi Loans

Introduction

Focus Group Purpose

To identify loan terms and conditions that are attractive to taxi drivers.

Focus Group Protocol

1. How many of you have taken out a loan before? Ask two individuals to discuss their experiences. Try to have them answer the following questions:
   - From whom?
   - What was the process?
   - Was there much paperwork required?
   - How much time did it take to receive the loan?
   - What was the loan amount?
   - How much did it cost – interest rate, fees, monthly payment?

2. What would be the ideal scenario for receiving a loan? (Try to have other people answer the question).

3. Registration loans.
   a) Would you be interested in a receiving a loan to cover your annual registration fees? If they say it depends, ask what it depends on. Ask them what they think would be a reasonable amount to pay (in terms of interest or JD/year).
   b) Would you be interested in a loan that covers both your annual registration fees and your annual insurance payment? Assess level of interest and factors affecting the decision.

4. New car loans.
   - How many of you would like to purchase a new taxi? What kind of car would you want to purchase? How many of you would be interested in financial assistance to purchase a new taxi? Discuss what they would consider reasonable terms and conditions:
   - The loan requires a co-signer in addition to the title to the taxi to guarantee the loan.
   - The interest rate is 12% per year? 10%?
   - The loan has to be repaid within 3 years? 5 years?

5. What would be a good newspaper advertisement to explain a new loan product for taxi drivers? First, have the group work on one for a loan to buy new taxis and then have the group work on one for a loan for annual registration fees. What image or picture might accompany the advertisement? What words are attractive? What words would you avoid?

6. Please fill out this anonymous questionnaire. (Hand out questionnaire that asks more personal questions, reassuring the participants that this is an anonymous questionnaire

and that they do not have to give their name; explain we are just trying to understand the profile of the average taxi driver).

Session I:

General Information:

Date and Time:	14 April 2002 from 1:00 till 2:00 pm
Place:	Queen Zein Al-Sharaf Institute for Training and Development (ZENID) – North Hashmi (Amman)
Number of Participants:	5 male taxi drivers
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the discussion session :

Question One:
How many of you have taken out a loan before? Ask 2 individuals to discuss their experiences. Try to have them answer the following questions: From whom? What was the process? Was there much paperwork required? How much time did it take to receive the loan? What was the loan amount? How much did it cost – interest rate, fees, monthly payment?

- Three participants had experiences in taking loans. Two shared their experiences; one had 'positive feelings' towards his experience and the other had a more challenging experience.

'Positive feelings' experience:

Loan Amount =	JD 25000
From :	HSBC bank
Interest Rate =	Paid JD 3800 over 3 years
Duration:	There were no cosigners needed and it did not take him much time to receive the loan. As soon as the papers were ready, he received the loan.
Papers needed:	A birth certificate, ID, educational degree certificate, an account transactions document for the last 4 months (check whether there are any returned checks) and others .. He was not upset with what they asked for "because this guarantee is their right."
Notes	- He is a taxi office owner, he had several experiences in taking loans and a good record with HSBC " A client from a long time!" - The participant's loan was a " Personal Loan". The loan payment mechanism decreases gradually from the first payment to the last one. The first payment was JD 1500 and it decreased to reach JD 150 for the last payment (declining balance interest rate).

'Negative feelings' experience:

Loan Amount =	JD 8000
From :	Housing Bank for Trade and Industry
Interest Rate =	8% for 3 years loan
Duration:	Minimum 35 days
Papers needed:	Same papers requested by any bank or institute and he felt 'ok' about it.
Notes:	- Three co-signers were needed and those co-signers must have their bank accounts in the same bank. This delayed the process of receiving the loan because some co-signers working in the army needed to transfer their accounts to the bank! - The availability and necessity of having cosigners issue was raised. This usually causes pressure and embarrassment to the borrower and delays the receiving of the loans. He suggested that 'Court Payment Guarantee' could be a substitute to the cosigners, which includes a guarantee from the family.

Question Two:
What would be the ideal scenario for receiving a loan? (Try to have other people answer the question).

- All the participants insisted that in an ideal scenario, the following should be taken into consideration:

    - Co-signers should not be required in the procedure of taking a loan.
    - A "Performance Bank Payment Guarantee, which is based on the client's past history and reputation for payment, a "Court Payment Guarantee" or "Checks" could substitute the co-signers.
    - Better loan facilities should be provided – complicated regulations and procedures should be simplified and facilitated.
    - Corruption "wasta" should be eliminated.

- One of the participants is a 'university student' studying law. He said that he wants to work to be able to cover his educational expenses. He wants to take a loan to buy a taxi to work on but since he cannot afford getting a co-signer, he does not know what to do!

- Another participant wanted to inquire about the mechanism that MicroFund for Women uses, "Solidarity Group Loans" where the group members themselves cover/cosign for each other.

- The taxi office owner suggested a "Main – Supportive" guarantee procedure where a taxi office owner guarantees the loan taker as 'Main cosigner' and the taxi workers as 'Supportive cosigners.' In this way the bank/ institute deals with one person/ party rather than many persons/ parties and guarantees the loan payment through the taxi office.

Question Three:

Registration loans.

a) Would you be interested in receiving a loan to cover your annual registration fees? If they say it depends, ask what it depends on. Ask them what they think would be a reasonable amount to pay (in terms of interest or JD/year).
b) Would you be interested in a loan that covers both your annual registration fees and your annual insurance payment? Assess level of interest and factors affecting the decision.

- Taxi drivers do not differentiate between the annual registration fees and the insurance payments because usually the registration fees include the insurance, i.e. the registration fees and the insurance payments are one-package item.

- All the taxi drivers were interested in receiving loans to cover their annual registration fees (which include insurance payments) and the taxi office owner said " Especially when you own 10 taxis, of course someone will need such loans!"

- A participant clarified that sometimes he pays JD 1350 for his car as registration fees with full insurance.

- The taxi drivers need this kind of loans because:
  - The annual registration fees and the insurance payments are expensive compared to their income.
  - Paying the fees divided in payments on several months is easier and more affordable than paying the whole amount all in one payment.

- The values of the loans they need:

Loan Value	**Interest Rate**	**Payment Value/ month**
JD 5000	5 - 6 %	JD 40
JD 7000 (10 cars)*	Up to JD 1000	JD 150
JD 1500	5 %	Divided on 2 years

*Taxi Office Owner

Question Four:

New car loans.

- How many of you would like to purchase a new taxi? What kind of car would you want to purchase? How many of you would be interested in financial assistance to purchase a new taxi? Discuss what they would consider reasonable terms and conditions:
- The loan requires a co-signer in addition to the title to the taxi to guarantee the loan.
- The interest rate is 12% per year? 10%?
- The loan has to be repaid within 3 years? 5 years?

None of the participants wanted to purchase new cars because they all have new taxi cars (2000 – 2001 models).

- But when asked if they were going to buy new cars, they answered that they prefer 'Samsung' cars.

- The amounts of the loans varied between JD 3000 to JD 15000 and to be repaid over 3 to 4 years.

- They would not prefer to take loans that need cosigners but they will be willing to have their taxis as collateral to receive the loans.

- Both 12% and 10% per year interest rates are high!

- It is good and 'fine' to repay their loans over 3 and 5 years.

Question Five:
What would be a good newspaper advertisement to explain a new loan product for taxi drivers? First, have the group work on one for a loan to buy new taxis and then have the group work on one for a loan for annual registration fees. What image or picture might accompany the advertisement? What words are attractive? What words would you avoid?

Advertisements for ***new car loans*** *may <u>include</u>:*

- Buy a new car without owing the banks favors and at low cost!
- Small loan payments
- Convenient payment facilities
- Low interest rates
- No initial payment needed

Advertisements for ***new car loans*** *should <u>NOT include</u>:*

- Cosigners
- High loan sizes payments
- The interest rate amount should not be deducted from the loan at first payment!

Advertisements for ***new car loans*** *may <u>include the following pictures</u>:*

- A pyramid of Jordan Dinars over a new Taxi car
- A new taxi car

Advertisements for ***annual registration fees loans*** *may <u>include</u>:*

- Renew your car's registration with an easy mind!

- Do you want to renew your car's registration with no pain, suffering, delay, or paying any penalties?
- Renew your car's registration with affordable payments!
- Renew your car's registration on a monthly basis!!

*Advertisements for **annual registration fees loans** should NOT include:*

- Penalties
- Any delay will affect you negatively/ scratch your car's registration!

General Comments:

- The participants recommended that on receiving their loans the interest rate should not be deducted from the amounts. Instead of deducting the interest rate amount, they can sign a "Payment Bill" to be paid at the end of each month

Session I:

General Information:

Date and Time:	26 April 2002, 10:00 – 12:00
Place:	CDG Hall
Participants:	8 Male Taxi Drivers
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:
Following are the outcomes that resulted from the discussion session :

Question One:
How many of you have taken out a loan before? Ask 2 individuals to discuss their experiences. Try to have them answer the following questions:
From whom? What was the process? Was there much paperwork required? How much time did it take to receive the loan? What was the loan amount? How much did it cost – interest rate, fees, monthly payment?

- All the participants own cars but still owe payments to their taxi offices for the "Taxi Tag" (license to own a taxi)

- Only one participant has an experience in taking loans. He shared his experience as follows:

Loan Amount =	JD 10,500
From :	Cairo Bank
Interest Rate =	He used to pay JD 245 as monthly payments over 48 months (4 years)
Duration:	Within 4 days form the completion of the needed papers and the availability of the cosigner, he was able to take the car. (The bank dealt directly with the car company)
Papers needed:	Usual papers asked by any bank. All banks require, a cosigner and have the car as collateral to give the loan.
Notes	- The participant's experience was a smooth and uncomplicated one because he knows someone in the bank. - In cases a person (loan taker) delays in paying his/ her payments, the bank reschedules / rebalances his/ her loan over a longer period with an increase in the interest rate.

Question Two:
What would be the ideal scenario for receiving a loan? (Try to have other people answer the question).

- All the participants insisted that in an ideal scenario, the following should be taken into consideration:

  - Reasonable interest rate (a maximum of 7 to 8 % per year).
  - The duration to repay the loan should be 5 years.

- Cosigners should not be required in the procedure of taking a loan. Putting the vehicle as collateral to receive the loan could be a substitute.
- One participant said that the cosigner needed should not be limited only to people working in the government.
- Since the borrower has to offer his car as collateral to the loan, he already paid for the "Taxi Tag" (20% of the loan value), and he has a full insurance for his car, there is no need for a cosigner.
- A grace period should be offered.
- The initial payment should be decreased to 10% not 20 or 25% of the price of the car.

Note: The most important thing that concerns the taxi drivers when taking a loan is the monthly payments.

Question Three:

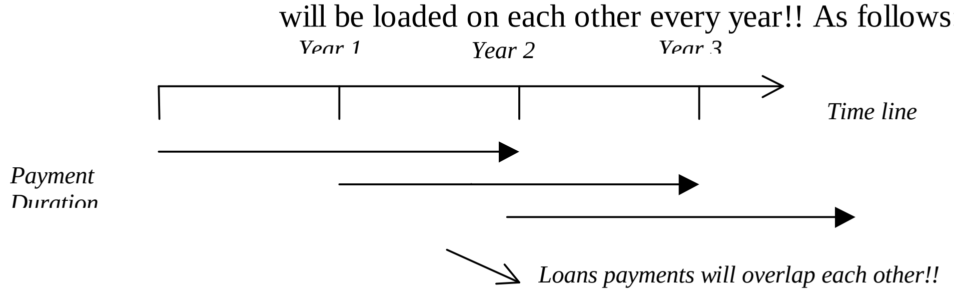
Registration loans.

c) Would you be interested in a receiving a loan to cover your annual registration fees? If they say it depends, ask what it depends on. Ask them what they think would be a reasonable amount to pay (in terms of interest or JD/year).

d) Would you be interested in a loan that covers both your annual registration fees and your annual insurance payment? Assess level of interest and factors affecting the decision.

- Taxi drivers do not differentiate between the annual registration fees and the insurance payments because usually the registration fees include the insurance, i.e. the registration fees and the insurance payments are one-package item.

- None of the taxi drivers was interested in taking loans to cover their annual registration fees (which include insurance payments), because:
  - The participants usually save (JD 2) on monthly basis for the annual registration.
  - "No need to put an extra loan on myself!"
  - "Why should I pay extra money for something I can handle and arrange by myself? Why should I pay JD 700 payment (with interest rate) instead of JD 500??"
  - In case the participants took a loan for the annual registration fees, they will pay them over 2 to 3 years (for example) duration. The payments and loans will be loaded on each other every year!! As follows:



- The participants usually pay the following:

Annual Registration fees:	JD 250
Partial Insurance:	JD 120
Full Insurance:	JD 250 – 350

Question Four:
New car loans.

- How many of you would like to purchase a new taxi? What kind of car would you want to purchase? How many of you would be interested in financial assistance to purchase a new taxi? Discuss what they would consider reasonable terms and conditions:
- The loan requires a co-signer in addition to the title to the taxi to guarantee the loan.
- The interest rate is 12% per year? 10%?
- The loan has to be repaid within 3 years? 5 years?

- All the participants were interested in buying new cars (If and only if they include the "taxi tags" which costs them highly up to JD 12000). Some said that if they include "taxi tags," they are willing to buy 3 or 4 taxi cars!!

- They prefer 'Nissan Sunny" or "Hyundai" cars because the cars are economical (low fuel consumption).

- Both 12% and 10% per year interest rates are high and not competitive.

- 3 years duration was not accepted by the drivers but the 5 years is 'ok.'

- One participant said that he would take the following offer: the car as a guarantee, a cosigner, 10% initial payment for 5 years. The other participants commented, "It is similar to what banks offer!"

Question Five:
What would be a good newspaper advertisement to explain a new loan product for taxi drivers? First, have the group work on one for a loan to buy new taxis and then have the group work on one for a loan for annual registration fees. What image or picture might accompany the advertisement? What words are attractive? What words would you avoid?

*Advertisements for **new car loans** may include:*

- Take out a taxi loan with its "Taxi Tag"
- "Taxi for all the citizens" caricature
- No cosigners are needed
- 60 months payment duration
- "Do not worry after this day, get a taxi!!"

- Get a new taxi with no cosigner needed only by having your car as a guarantee
- No initial payments are needed!
- Only a 10% initial payment is required
- 3 months grace period

*Advertisements for **new car loans** should NOT include:*

- 2 cosigners are needed
- Interest rates of 12% or 13%
- Do not put ads with missing information or with exaggerated loan amounts

*Advertisements for **new car loans** may include the following pictures:*

- Attractive "shining" new taxi
- "Abu Mahjoob" caricature

General Comments:

- It is preferable to give loans for new taxi cars with their taxi tags!
- Loans should not be given to taxi drivers who are single and irresponsible

Annex 9
TAXI FOCUS GROUP QUESTIONNAIRE FINDINGS

1. What kind of taxi do you drive currently?

Item	Frequency	Percent
Samsung	4	30.8
Nissan Sunny	7	53.8
Hundaye	2	15.4
Total	13	100.0

2. How old is the taxi?

No. of year	Frequency	Percent
1.00	5	38.5
2.00	5	38.5
3.00	3	23.1
Total	13	100.0

3. How many people other than you use the car?

No. of Persons	Frequency	Percent
None	3	25.0
1.00	9	75.0
Total	12	100.0
Missing Answer	1	
	13	

4. Who does the maintenance work on your taxi?

	Frequency	Percent
friend or relative	1	7.7
A professional mechanic	9	69.2
Samsung Company	3	23.1
Total	13	100.0

5. Who pays for the maintenance work on your taxi? A

	Frequency	Percent
Myself	11	84.6
friend or relative	1	7.7
the owner of the taxi	1	7.7
Total	13	100.0

6. Do you own your taxi?

	Frequency	Percent
Yes	13	100.0

7. If offered good terms, would you be interested in a loan to purchase a new taxi?

	Frequency	Percent
Yes	12	92.3
No	1	7.7
Total	13	100.0

8. If no, what is the reason you are not interested in a loan?

		Frequency
Missing Answer	System	13

Please note that no answer was provided by the person answering "No" to being interested in loan.

9. How many taxis do you own?

No. of Owned Taxis	Frequency	Percent
1.00	11	91.7
10.00	1	8.3
Total	12	100.0
Missing Answer	1	
	13	

10. What kind of taxi(s) would you buy

	Frequency	Percent
Samsung	2	16.7
Nissan	9	75.0
Hundaye	1	8.3
Total	12	100.0
Missing Answer	1	
	13	

11. Approximately how much would the new taxi(s) cost (without customs duties)?

JD	Frequency	Percent
6,500	2	16.7
7,500	5	41.7
8,000	3	25.0
9,500	1	8.3
10,000	1	8.3
Total	12	100.0
Missing Answer	1	
	13	

12. How much money could you put down on the taxi(s), after you sell your current taxi or its parts and pay off existing loans?

JD	Frequency	Percent
0.00	1	8.3
Least Possible Amount	1	8.3
650.00	1	8.3
750.00	2	16.7
800.00	2	16.7
1500.00	2	16.7
1750.00	1	8.3
2000.00	1	8.3
2500.00	1	8.3
Total	12	100.0
Missing Answer	1	
	13	

13. How much could you pay toward a loan payment ?

JD/month	Frequency	Percent
1.00	1	8.3
120.00	1	8.3
135.00	1	8.3
150.00	3	25.0
160.00	1	8.3
175.00	1	8.3
200.00	4	33.3
Total	12	100.0
System	1	
	13	

14. What are your monthly revenues (sales)?

JD/month	Frequency	Percent
200.00	2	16.7
250.00	1	8.3
300.00	5	41.7
400.00	1	8.3
500.00	2	16.7
2000.00	1	8.3
Total	12	100.0
Missing Answer	1	
	13	

15. How old are you?

Years	Frequency	Percent
26.00	1	7.7
29.00	1	7.7
31.00	1	7.7
32.00	1	7.7
34.00	4	30.8

37.00	1	7.7
38.00	1	7.7
39.00	2	15.4
52.00	1	7.7
Total	13	100.0

16. How much money did you spend on traffic tickets in the last year?

JD	Frequency	Percent
40.00	1	7.7
50.00	2	15.4
60.00	1	7.7
65.00	1	7.7
70.00	1	7.7
100.00	2	15.4
120.00	1	7.7
200.00	1	7.7
500.00	1	7.7
800.00	1	7.7
1000.00	1	7.7
Total	13	100.0

17. How many accidents did you have last year?

No. of accidents	Frequency	Percent
.00	8	61.5
1.00	2	15.4
5.00	1	7.7
10.00	1	7.7
12.00	1	7.7
Total	13	100.0

18. How much did you pay last year for annual registration fees?

JD	Frequency	Percent
140.00	1	7.7
200.00	3	23.1
220.00	1	7.7
240.00	2	15.4
260.00	1	7.7
300.00	1	7.7
500.00	3	23.1
3160.00	1	7.7
Total	13	100.0

19. How much do you pay for insurance on your taxi

JD	Frequency	Percent
120.00	1	7.7
130.00	3	23.1
150.00	1	7.7
184.00	1	7.7
240.00	2	15.4

250.00	1	7.7
1000.00	2	15.4
1300.00	1	7.7
1840.00	1	7.7
Total	13	100.0

20. Is your insurance comprehensive (includes both liability and property insurance)?

	Frequency	Percent
Yes	7	53.8
No	6	46.2
Total	13	100.0

21. Would you be interested in a loan to cover your annual registration fees?

	Frequency	Percent
Yes	5	38.5
No	8	61.5
Total	13	100.0

Those who said yes indicated the following loan values:

	Frequency	Percent
500	2	15.4
600.00	2	15.4
1500.00	1	7.7

22. Would you be interested in a loan to cover your annual registration fees and insurance?

	Frequency	Percent
Yes	5	38.5
No	8	61.5
Total	13	100.0

Annex 10

Focus Group Report

of Current and Potential Clients

Customer Satisfaction and Housing Loans

I. Introduction

Focus Group Purpose

to identify loan terms and conditions that are attractive to JACP's clients and to assess the potential for home improvement loans in Irbid.

Focus Group Protocol

1. Ask a few individuals to discuss their experiences in taking out a loan from JACP. Have them answer the following questions:
   - What was the process?
   - Was there much paperwork required?
   - How much time did it take to receive the loan?
   - What was the loan amount?
   - How much did it cost – interest rate, fees, monthly payment?
   - What did you like and dislike about borrowing from JACP?
   - How long do you think it should take after you complete the application to receive a loan?
   - How could JACP make things easier and more convenient for you?

2. Discuss difference between working capital and fixed asset loans. Ask the following questions:
   - Who has had a fixed asset loan?
   - What did you like and dislike about that loan?
   - What about the frequency of the loan payments – are monthly payments good?
   - Are you willing to pay a higher interest rate for a fixed asset loan than a working capital loan?
   - How does JACP's fixed asset loan compare to those offered by other financial institutions?
   - How many people here have a fixed asset loan currently?
   - If JACP offered a grace period of 3 months, how many people here would be interested in a fixed asset loan?

3. For a one year 10,000 JD loan, which would you rather pay?
   No fee and 10% interest ?
   Or 100 JD fee and 9% interest?

   For the same loan, would you rather pay:
   0 JD upfront and 83 JD/month?
   Or 100 JD upfront and 75 JD/month?

Discuss pros and cons of paying fees versus interest. Check for how easy it was for clients to make this comparison?

4. **Housing loans**.
   How many of you own your homes? Of those who do not, how many would be interested in a loan for purchasing a home? How many would be interested in a loan for building a new house from scratch?

   Home improvement loans.
   - If offered on attractive terms, how many of you would be interested in a loan for making additions to your home, for example, adding a new room? If so, how large of a loan would you want?
   - If offered on attractive terms, how many of you would be interested in a loan for making improvements to your home, for example, repairing the roof, replacing windows, etc.? If so, how large of a loan would you want?
   - What would you consider reasonable terms for this loan? What is a reasonable interest rate? How many years should be given to pay off the loan? How frequent should the payments be, i.e. monthly? How long should it take after you complete the application to receive such a loan?
   - Would you be willing to offer your home as collateral in order to receive the loan? Would your spouse (husband or wife) agree to this?

5. What would be a good poster to show the benefits of a home improvement loan, what would it say? What pictures would you show?

II. Session 1:

General Information:

Date and Time:	17 April 2002 from 10:00am till 12:00pm
Place:	JACP Hall in Irbid
Number of Participants:	14 Females (3 current borrowers and 11 potential clients)
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the discussion session :

Question One: *Individuals' experiences in taking loans from JACP and changes that could be made to improve the client satisfaction.*

- ***The participants who have ongoing loans shared their experiences with JACP. They all agreed on the following points:***

Process:
- Easy, smooth, accurate and disciplined.
- The way they treat their customers is very cooperative and friendly. The process includes the following steps:
  - The loan taker fills out an application and estimates loan amount needed.
  - JACP does a site visit to study the case.
  - Based on the study, JACP determines the loan amount to be

	given.
	- Some papers are requested and a cosigner should be available.
	- JACP gives a check to the borrower.
Paperwork required:	The usual papers required by any financial institution (ID, birth certificates, work license, cosigner's papers (bank account transactions document, etc.)
Time duration:	Takes from 10 days to 3 weeks and the loan must be repaid within a maximum of 3 years
Loan amount:	JD 1000, JD 1600 and JD 7000
Monthly payments:	JD 75, JD 200, and JD 275
Interest rates	9.5 % (the participants considered the interest rate to be high. Usually the amount of the inertest rate is deducted initially from the loan amount).
Fees	Application fee usually is JD 15

- ***Likes and dislikes:***

Likes	*Dislikes*
- JACP's cooperative and friendly treatment with their customers and clients.	- Grace periods are unavailable.
- JACP's accuracy and organized procedures.	- Necessity of having a cosigner.*
- JACP's commitment to their promises.	- High interest rates.
- Special coverage and interest in certain jobs (especially the woman who works in furniture)	- Repayments are every 28 days. It should be on the 1st of every month.
- Encouragement and support they show to committed loan borrowers.	- Interests amounts are deducted from the loan amount the borrowers request.
- The smooth and understanding behavior JACP workers show toward their clients.	- JACP usually does not give the loan amount the participants request. This caused the participants to borrow from other people when they would have preferred to borrow only from JACP.
	- The high penalties JACP applies when there is a delay in repaying loans (JD 5 per day)

** Some cosigners offer their homes which are worth 3 to 4 times greater than the loan as collateral to the loans.*

Following are some comments the participants mentioned and suggested:

- A minimum of 2 month grace periods should be provided to the loan takers. Within this period of time the loan takers can target certain areas to promote and market their products and gain some income to repay their loans.
- JACP should consider a seasonal repayment method. Certain projects depend on seasons so it will be more convenient to some participants to repay their loans in those seasons.
- Cosigners could be substituted by other guarantee methods (checks, have their projects collateral to the loans (all agreed except the flower shop owner).
- Lower interest rates should be provided where other institutions ask for 6 to 8% interest rates and the DEF offer loans with 6% interest rates and a grace period up to one year.
- It is recommended that the interest should not be deducted from the original loan amount but divided over the repayment months.
- Penalties are not acceptable since sometimes urgent cases may occur with the borrowers that will postpone their payments. An extra week should be provided to the participants to repay their loans, when necessary. Also the JD 5 amount is too high compared to the banks' (JD 2.20 for 2 weeks delay in the payment) and other financial institutions.

Question Two: *Methods to improve JACP fixed asset loans.*

- The participants do not distinguish between fixed asset loans and working capital loans.

- Only one of the participants was given a loan to buy some machines (the woman who works in furniture). She said that they were quick in the process and treated her very well (especially that she is the only women who works in furniture upholstering but she said that the interest rates are really high. As for the monthly payments, it is recommended to be repaid on the first day of every month not every 28 day period.

- One participant asked for a loan to buy a bus for her KG but JACP said they do not provide this kind of loans. While another participant took a loan from Cairo Bank to buy a bus. She had the bus as collateral to the loan and a cosigner was needed. It was a smooth procedure and she did not have to pay high penalties when she was delayed in repaying the loan.

Question Three: *Discussion about the preferences for the use of fees and interest rates.*

a) The participants answers were:

No fee with 10% interest:	4 participants
JD 100 fee with 9%:	2 participants
The same:	4 participants
Did not answer:	4 participants

b) The participants answers were:
(some participants said that this question is not accurate – the values do not cover the loan amount over one year)

JD 0 upfront and JD 83/ month	6 participants
JD 100 upfront and JD 75/ month	5 participants
Did not answer:	4 participants

The participants rationale for the previous selections is:

- "Sounds better" – paying JD 75 every month is not like paying JD 83 every month (more convenient). One payment of JD 100 will ease the load of the monthly payments in the next coming months.

Seven participants did not mind paying fees while the others said, " We already are paying interest rates so why do we have to pay fees too?!"

Question Four: *Discussion about reasonable terms and conditions for home improvement loans.*

Housing Loans:

3 of the participants own homes with their husbands.
7 of the participants are interested in taking loans to build a house.

5 of the participants are interested in taking loans to purchase a house.

Home Improvement Loans:

- 2 participants (from the 3 who own houses) are interested in taking loans to improve their homes (buliding a second floor).
  The loans amounts requested were JD 8000 and JD 20000.
- 7 participants (who live in rented houses) are interested in taking loans to improve their homes (buying new funiture included).
  The loans amounts requested vary between JD 3,000 to JD 10,000.

Reasonable terms suggested:

- Low interest rates as banks (6-8%).
- Housing loans are usually high therefore the repayment duration should be over 10 years.
- The monthly payments should be every month not every 28 days.
- The penalties should not be applied on daily basis – give them a minimum of 5 days 'grace period'.
- A maximum of 7 days is the period of time that should be necessary to respond to their loan applications and receive their loans checks.

- Some participants suggested that a study should be conducted to determine the rent rates in the area and then estimate and determine the monthly payments values. The rent payments would be the loan payments!

- Some participants said that the "Orphans institution" usually gives loans with interest rates proportional to the loan amount (for a JD 10,000 loan and interest rate of 7% and for a JD 50,000 loan and interest rate of 8%).

***Question Five**: Attractive slogans for television commerials*

Attractive Words
Low and reasonable interest rates
Take a loan with no cosigners needed
Affordable monthly payments
Seasonal loan repayments are available
Get a loan within 10 days
Do you want to own a house with your monthly rent payments?
Do you want to improve your house?
Build a house and find your son a wife!
Affordable
Save the house before you lose it

Repelling Words
Cosigners are necessary
Ads with missing information are unfavorable
High interest rates
Payments every 28 days
Threatening statements
Unconvenient payments

III. Session 2:

General Information:

Date and Time:	17 April 2002 from 1:00am till 3:00 pm
Place:	JACP Hall in Irbid
Number of Participants:	8 males (7 JACP clients and one potential client) – one of the participants left after 30 minutes
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the discussion session :

Question One: *Individuals' experiences in taking loans from JACP and changes that could be made to improve the client satisfaction.*

- Almost all the participants attending the session are JACP clients. Following is the outcome of their discussion (their experience with JACP) :

Process:	Quick and comfortable.
Paperwork required:	The papers required by any financial institution to guarantee their rights. The papers required are more convenient than the bank's requirements.
Time duration:	It varied between 10 days to 2 weeks. Except for one participant it took him more than 2 to 3 months (the first client of JACP)
Loan amount:	JD 1570, JD 1500, JD 5000, JD 1900, JD 3000, JD 14000, and JD 8000.
Monthly payments:	Some of the participants were satisfied with their monthly payments and others were dissatisfied, but they all were displeased with repayments every 28 days!
Interest rates	High
Fees	Application fee usually is JD 15, reasonable amount for all except one who said that they already pay an interest rate so the fees should be eliminated.

- ***Likes and dislikes:***

Likes	*Dislikes*
- JACP workers' cooperative and friendly treatment with their customers and clients. - JACP requirements (guarantee requirements and paperwork) are less than the banks.	- Repayment every 28 days. It should be on the 1st of every month. - Interests amounts are deducted from the loan amount as an upfront payment. - Very 'high' interest rates (sometimes reach 13%) - Unavailablity of grace periods. - Necessity of having a cosigner.

- JACP usually does not give the loan amount the participants request. Thus causing the participants to borrow from other people (more pressure on them).
- JACP repayment method: the paper strips. It is recommended to substitute this method by signed checks (for example).
- The high penalties JACP applies on the participants when there is a delay in repaying their loans (JD 5/day)

- ***Following are some comments the participants mentioned and suggested:***

  - More than one participant said that the loan repayment method (of payments every 28 days) used by JACP charges the client for 2 to 3 months extra payments.
  - A minimum of 2 month grace periods should be provided to the loan takers especially for industry improvement loans (a grace period of at least 6 months).
  - Compared to other financial institutions (Islamic Bank), JACP charges very high interest rate that sometimes reaches 13% while the Islamic Bank charges 9.5%. Another participant said Jordan Bank's monthy payments are more convenient since for the same loan amount JD 1900, he used to pay JD 260/ month to Jordan Bank and JD 415 to JACP.
  - JACP should consider a seasonal repayment method. Certain projects (industries) depend on seasons so it will be more convenient to some participants to repay their loans in those seasons.
  - The loan amount shouldn't be determined by JACP since the client knows better than JACP how much he needs to improve his project.
  - The penalties applied are not fair since sometimes the banks are busy (especially at the end of the month) and they cannot repay the loan payments before 12:00 pm. In addition, some urgent and unexpected events might delay them to repay their loans on that specific day. The participants should have a 'one week grace period' to repay their loans, if necessary. (One person said that JACP terrifies late paying borrowers).
  - The loan duration should be extended to 4 and 5 years.
  - It is recommended that the interest should not be deducted from the original amount but divided over the months of repayment.

Question Two: *Methods to improve JACP fixed asset loans.*

- It is not clear for the participants the difference between fixed asset loans and capital loans.

- 3 participants took loans to buy machines.

- If JACP offered a grace period of 3 months, how many people here would be interested in a fixed asset loan?

- All the participants agreed with the 3 months grace period.

- The participants explained that when taking loans to buy machinarues, they would like to buy it themselves not from the financial institution.

- The participants refused to put the machines they buy as collateral to the loans because of the 'consumption rate of the asset loans' (the value of the machines decreases with time).

Question Three: *Discussion about the preferences for the use of fees and interest rates.*

a) The participants answers were:

No fee with 10% interest:	-
JD 100 fee with 9%:	-
The same:	4 participants
Did not answer:	2 participants (huge loan amount)

b) The participants answers were:

JD 0 upfront and JD 83/ month	-
JD 100 upfront and JD 75/ month	-
The same:	6 participants
Did not answer:	-

Question Four: *Discussion about reasonable terms and conditions for home improvement loans.*

Housing Loans:

- 2 participants are home owners.
- All the participants are interested in taking loans to build or purchase a house.
- The loans amounts requested varied between JD15000, JD 20000, and JD 50000.

Home Improvement Loans:

- Only 2 participants are interested in taking loans to improve their homes.
- The other participants are not interested in home improvement loans because they are living in rented houses.
- The loans' amounts requested are JD 2000 and JD 3000.

Reasonable terms:

- Low interest rates as banks (5.5 - 6%).

- A minimum of 3 to 4 months grace periods after taking loan.
- The monthly payments should be every month not every 28 days.
- Reasonable and affordable monthly payments.
- Housing loans should be paid over a long period of time.
- The penalties should not be applied on daily basis – give them a minimum 5 days 'grace period,' when necessary.
- A maximum 5 days is the period of time that should be needed to respond to their loans applications and receive their loans checks.

- Some participants said they will not put their homes as collateral to the loans because their houses are worth 3 to 4 times more than the loan amount.

***Question Five**: Television commercial attractive slogans*

Attractive Words
Loans that are easy and convenient.
Convenient locations for paying the loans.
Reasonable interest rate.
Pay it instead of your monthly rent payments!

Repelling Words
Guarantee
Restrictions
Restricted duration

Annex 11

Focus Group Report

of Potential Rural Clients

Housing Loans Only

IV. Introduction

Focus Group Purpose

To identify loan terms and conditions that are attractive to JACP's clients and to assess the potential for home improvement loans in Irbid.

Focus Group Protocol

6. **Housing loans**.
   How many of you own your homes? Of those who do not, how many would be interested in a loan for purchasing a home? How many would be interested in a loan for building a new house from scratch?

   Home improvement loans.
   - If offered on attractive terms, how many of you would be interested in a loan for making additions to your home, for example, adding a new room? If so, how large of a loan would you want?
   - If offered on attractive terms, how many of you would be interested in a loan for making improvements to your home, for example, repairing the roof, replacing windows, etc.? If so, how large of a loan would you want?
   - What would you consider reasonable terms for this loan? What is a reasonable interest rate? How many years should be given to pay off the loan? How frequent should the payments be, i.e. monthly? How long should it take after you complete the application to receive such a loan?
   - Would you be willing to offer your home as collateral in order to receive the loan? Would your spouse (husband or wife) agree to this?

7. What would be a good poster to show the benefits of a home improvement loan, what would it say? What pictures would you show?

V. Session 1:

General Information:

Date and Time:	20 April 2002 from 10:00am till 12:00pm
Place:	Nursery Hall in Irbid
Number of Participants:	15 female potential rural borrowers/ one participant came late
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the session:

Question One: *Discussion about reasonable terms and conditions for home improvement loans.*

Housing Loans:

- 2 participants own homes (with their husbands or families).
- 2 participants were not interested in purchasing or building new houses because they live happily with their families and they would rather have loans to improve their trade!
- 6 participants are interested in taking loans to build or purchase a new house.
- The loans amounts requested varied between JD 15,000 and JD 25,000.

Home Improvement Loans:

- 6 participants are interested in taking loans to improve their homes.
- The loan amounts requested vary between JD 2000 to JD 8000. Two participants did not determine the amount because they can not decide what they want.

Reasonable terms suggested:

- Low interest rates less or equal to the banks' rates (6 - 7%).
- Reasonable and affordable monthly payments.
- Housing loans are usually high therefore the repayment duration should be directly proportional to the loan amount; an average of 5 or 6 years.
- One year grace period.
- 4 participants would like to pay their payments on monthly basis while 6 said they would prefer quarterly payments to have more time to save money.
- The duration between filling the application and receiving the loan should not exceed 10 days (if approved) and one month (if a study is needed).

- One participants agreed to put her house as a collateral for the loan but only if the loan amount is proportional to the house value.
- The rest of the participants refused to put their houses as collateral to the loans because they share the same home with their families and do not want to jeopardize their families secure homes.
- Some offered the following guarantees as collateral to receive their loans are: a car, piece of land, deposit, salaries, a cosigner, and any guarantees that concern the borrower only.

Comments:

The participants said JACP should consider the following:

- The possibility of repaying the remaining loan amount in one payment if they could afford it!
- A flexibility in changing the interest rate according to the remaining loan amount.
- The monthly payments duration and the interest rate should be proportional to loan size.
- They prefer to take the full loan amount and divide the interest over the monthly payments.
- They prefer the "Decreased Personal Loans," based more on past history and family guarantee than offering other collateral.

Question Two: *Television commercial attractive slogans*

Attractive Words
Low and reasonable interest rates
Affordable monthly payments
Seasonal loan repayments are available
One year grace period
Convenient locations
Special discounts or appreciation certificates for committed loan takers
Bonus

Repelling Words
High monthly payments
Endless monthly payments
High interest rates
Mortgages

The participants would like to have pictures of nice houses with backyards since they all come from villages. They hate buildings and apartments that are crowded and close to each other. They would also like to see pictures of nice furniture and nice decor.

VI. Session 2:

General Information:

Date and Time:	20 April 2002 from 1:00am till 3:00 pm
Place:	Nursery Hall in Irbid
Number of Participants:	7 Males (potential borrowers)
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the session:

Question One: *Discussion about reasonable terms and conditions for home improvement loans.*

Housing Loans:

- 3 participants are home owners.

- All the participants are interested in taking loans to build houses. They do not prefer to purchase houses or apartments since they would design their houses themselves.

- The loan amounts requested were JD20,000, JD 25,000, and JD 40,000.

Home Improvement Loans:

- 5 participants are interested in taking loans to improve their homes.

- The other participants are not interested in home improvement loans because they are living in rented houses. And in case they want to improve their houses, they will face obstacles with the house owner.

- The loan amounts requested are between JD 5000 and JD 15000.

Reasonable Terms:

Guarantee:	▪ The house should be a used as a collateral to receive the loan. ▪ Prefer no co-signer. Since most of the population in Irbid depends on salaries, the entrepreneur borrower embarrasses her/himself with the people s/he knows so as to convince them to be her/his cosigners. ▪ Some people depend on their cosigners to repay their loans! ▪ Other things could be used as guarantees: a car, a piece of land, etc.
Interest rate:	▪ 6% is a good rate! ▪ The participants prefer where the interest is proportional to the loan amount and the payment decreases over time. ▪ The participants prefer to take the full loan amount and divide the interest over the monthly payments. ▪ The possibility of repaying the remaining loan amount in one payment.
Grace period:	▪ Minimum of 6 months
Penalties:	▪ The penalties should be terminated or if used, it should be applied after a period of 5 days and the amount should be considerable.
Duration:	▪ The income of the borrower should be taken into consideration and the duration should be for 5 years on average.
Monthly Payments:	▪ Should be collected on the first day of every month not every 28 days!
Duration between applying for the loan and receiving it:	▪ A maximum of 7 to 10 days! ▪ One participant said that if all the requirements were met, why delay the procedures?

- The participants said that they will be willing to take more than one loan if offered loans with reasonable terms.

- The participants said that a signed checks could substitute for a cosigner!

- For 'Home Improvement Loans', most participants are not willing to use their houses as collateral because they are 3 to 4 times the value of the loan amount. In addition, the loan amount should determine whether a cosigner is needed or not, i.e. if the loan amount is less than JD 5000, a cosigner is not needed while if it exceeds this value, a cosigner would then be required.

- None of the participants is going to ask for his wife's opinion regard putting the house as collateral to take a loan. Nor will they ask their opinion before taking out a loan.

  Why?
    - More than 90% of the women in Irbid do not work, thus they have no income in their houses
    - The stereotyping available in Irbid that "It is a shame for a man to ask his wife about a decision he will take!", "Women do not comprehend."

***Question Two**: Television commercial attractive slogans*

Attractive Words	Repelling Words
Would you like to improve your house?	Penalties
Would you like to own a house with a comfortable loan and low interest rate?	The ad should be clear and understandable "not mysterious!"
Interest rate 6%	High interest rates
Long payment duration	
Grace period	
Easy procedures	
Everyone who rents a house can own one too!	

- As for the pictures, it is preferable to have normal people dressed not in luxurious clothes in front of cozy houses with backyards.

- A picture of a house before and after a home improvement loan.

- A key given to a man in front of a house.

Annex 12

Focus Group Report

Loan and Income Protection

VII. Introduction

Focus Group Purpose

To learn people's preferences and willingness to pay for life insurance that either covers the loan amount in the event of death or offers a true death benefit (to partially replace lost income or cover burial expenses).

Note: The focus group intentionally avoided the use of the term "life insurance" as there are some negative connotations with the term in Jordan.

Focus Group Protocol

1. Discuss the importance of planning. Ask what planning you did to get ready to start your business? Why is planning important? How is it helpful?
2. How many of you have taken out a loan before? Who is responsible for paying the loan in the event that a borrower can not pay? (A family member? Other group member? Co-signer?)
3. Do any of you know a case when the borrower died before the loan was paid off? How was the loan repaid? If the reason the borrower can not repay is because she died unexpectedly, how does this impact the repayment?
4. Have you ever discussed with your family how your family would manage in the event of your premature death? In no, why not? If yes, what did you discuss and decide? How would your family manage with the loss of your income? Would your family have to pay for childcare? How would you cover the funeral and burial expenses? Would your family have to sell jewelry or other items?
5. To move on to the next question, explain that the reason we are conducting these focus group sessions is because a microfinance institution is considering offering a product that would help its clients to minimize the negative impact of such a loss.
6. Assuming you had a 5,000 JD loan that was guaranteed by a loved one, write down on a piece of paper how much you would be willing to pay per month to have the loan payments waived in the event of your accidental death. Then, write down the additional amount per month you would be willing to pay for a death benefit of 50,000 JD in the event of your death (to cover the loss of your income). Turn these pieces of paper in to facilitator and then discuss how they determined the amount.
7. How would you want a television commercial to explain a financial product that covered the loss income to a family in the case of death? What words would you use? What words would you avoid?

VIII. Session 1:

General Information:

Date and Time:	10 April 2002 from 10:00am till 12:00pm
Place:	Princess Basma Center for Social Development in Jabal Al-Nuzha
Number of Participants:	11 Female Loan Borrowers from MicroFund for Women in Amman
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the discussion session :

Question One: Discuss the importance of planning. Ask what planning you did to get ready to start your business? Why is planning important? How is it helpful?

The facilitator upon welcoming the participants was able to prepare them for the discussion topic and started them talking . Throughout the rest of the discussion, the participants tackled the issue of planning

Question Two: Repayment mechanism

- All the participants have ongoing businesses: (6) selling items (accessories, kitchenware,…), (1) sew and embroidery (2) wool tailoring, (1) ceramics, and (1) animal husbandry [chicken]. Their loans vary from JD 200 – 600, some had group loans and others had individual loans.

- The difficulties women face in repaying their loans:

  - Frequent payments within short periods of time (Biweekly payments)
  - The lack of the 'Cash Flow' where some customers buy on credit. This approach increases the numbers of customers but on the other hand reduces their income thus causing hardships in repaying their payments.

- The mechanisms the participants tend to use to repay their loans in case of difficulty:

  - Sell their goods at low prices with no profit or at a loss
  - Use their savings
  - Borrow from one another
  - Sell items and furniture from their homes
  - One pays from her dead husband's social security income salary

Question Three: Knowledge and experience of cases when borrower died before the loan was paid off

- One of the participants knew of a case of where a woman passed away suddenly and her family (sons and daughters, here husband was dead) had to repay the rest of the loan payments.

- Other case was mentioned was for a woman who was preparing herself for death and had sold all the goods she had and repaid her loan.

Question Four: *Discussion with family of the event of premature death*

- Some of the participants did not inform their families about their loans for certain religious beliefs and because of some gender stereotyping in their neighborhood as "It is a shame for women to work, they are not like men!".

- One of the participants keeps a record of all the money transactions and coordinates with close family members so that they can manage in cases of unexpected and sudden circumstances.

- Usually either family members or members of the group itself are the ones to cover the rest of loan repayments in cases of unexpected death of the loan holder.

- One of the participants who had young children expressed her fear of death and she thinks intensely about it with no solution so she usually " Puts it in God's hands!!" since she finds no other ways!

Question Five: How much participants were willing to pay to insure loan amount / get a death benefit

Note: Most of the participants were shocked/ impressed by the amount of JD 5000 and they focused on the amount rather on the question context.

The participants answers were:

A. *Insurances covering the loan amounts :*
    - (2 participants) JD 2,
    - (6 participants) JD 5,
    - (1 participants) JD 10,
    - (1 participant) JD 15, and
    - (1 participant) JD 30.

B. *Insurances offering a true death benefits:*
    - (2 participants) JD 3,
    - (4 participants) JD 5,
    - (1 participant) JD 10,
    - (1 participant) JD 15,
    - (1 participant) JD 20 and

- two answered “I do not want!”

The rational why participants chose those values:

- Suitable and comfortable
- Affordable even in cases of bad circumstances
- The amount is appropriate to the Market demand: where amount will not affect their monetary situation.

The values in part B either increased or did not change. The two cases who said “we do not want the second kind of insurance” was because of certain religious reasons and beliefs.

- Increase value rationale is:
  Better option and larger value!!
- Same value *rationale is*:
  “I cannot afford paying more”
  “You never know what will happen!” – fear of future circumstances
  (participant did not want to risk more)

Question Six: Television commercial attractive slogans

Attractive Words
▪ Affordable and comfortable repayments
▪ Do not need anyone
▪ Same as men
▪ Taking the right decision
▪ 2 months grace period
▪ Depend on myself
▪ Monthly repayments not weekly
▪ Insurance and guarantee
▪ Do not be a burden on others

Repelling Words
▪ Threat
▪ Fear
▪ Jail/ Prison
▪ Lawyers
▪ Bi weekly payments
▪ Jury and cases

General Comments:

- A participant suggested that there should be cooperation between MFW and the Social Development Ministry where in cases of repayment difficulties the Ministry will cover half the of the remaining loan and the family will repay the other half.
- MFW should inform the participants of any bazaars or wholesales held so that they can benefit from such events.
- 2 participants concluded the term “Life Insurance” from the discussion.
- One participant used the term ‘Social Security’ to clarify (Question 5) the concept for the other participants.
- One of the participants mentioned that in some banks, when the loan borrower passes away, the bank cancels the loan and do not ask his/ her family or the guaranteed person for the money!
- The MFW uses “threats” with the borrowers in cases of late repayments.

IX. Session 2:

General Information:

Date and Time:	11 April 2002 from 10:00am till 12:00pm
Place:	Business Women Center in Ruseifa
Number of Participants:	10 Female Borrowers from MicroFund for Women in Ruseifa
Facilitator:	Mr. Kamel Nabulsi
Reporter:	Ms. Tala Sweis

Output and Outcomes:

Following are the outcomes that resulted from the discussion session :

Question One: Discuss the importance of planning. Ask what planning you did to get ready to start your business? Why is planning important? How is it helpful?

The faciliator upon welcoming the participants was able to prepare them for the discussion topic and started them talking . Throughout the rest of the discussion, the participants tackled the issue of planning.

Question Two: Repayment mechanism

All the participants have ongoing businesses: (5) selling items (accessories, mobiles accessories, babies diapers,…), (2) sew, embroidery and tailoring, (1) restaurant, (1) coiffure and beauty center, and (1) mini grocery shop. Their loans vary from JD 200 – 1000 and 5 have individual loans and the other 5 have group loans. One group (3 members) of the group loans recently joined MFW.

The difficulties women face in repaying their loans:

- Seasonal and monthly variation in the participants' trade transactions causes undefined amount of income to cover their payments.
- Some participants were obliged to work with groups they do not know. This caused several disputes between the group members thus affecting the group payments.
- Frequent payments within short periods of time (Biweekly payments)
- The lack of 'Cash Flow' where some customers buy on credit. This approach increases the numbers of customers but on the other hand reduces their income thus causing hardships in repaying their payments.
- Short 'Grace Period'.
- The penalties the participants pay when postponement of their payments (JD 1/ day for individual loans and JD 1.20 /day for group loans) regardless of the reasons.

The mechanisms the participants tend to use to repay their payments:

- Pressuring their customers to repay their debts thus losing the customers in many cases.
- Borrow from one another
- Sell items and furniture from their homes

Question Three: Knowledge and experience of cases when borrower died before the loan was paid off

The participants shared an experience of a lady who passed away and MFW cancelled the rest of her loan after studying her case.

And they knew another case where the family of the deceased borrower had to pay the rest of the loan payments.

Question Four: *Discussion with family of the event of premature death*

Most of the participants were prepared for cases of sudden death and had discussed with their families how they would repay their loans (especially the participants who have joint projects with their families).

Many of them (especially the individual loan borrowers) keep a record with all the money transactions and share them with close family members so that their families can manage any unexpected death and sudden circumstances.

The participant who owns the restaurant said that she keeps a 'saving box' and saves money day by day to repay her loan payments.

Usually either family members or the group itself are the one to cover any repayments in cases of unexpected death of one of their colleagues.

The group members do not mind paying the loan payments of their dead colleague if the payments are small but the problem lies in case of large payments!

Question Five: How much participants were willing to pay to insure loan/ get a death benefit

The participants' answers were:

C. *Insurance covering the loan amounts:* (2 participants) JD 2, (1 participants) JD 5, and (7 participants) answered that they do not want life insurance.
D. *Insurance offering a true death benefits:* (2 participants) JD 2, (1 participant) JD 4, (1 participant) JD 5, (1 participant) JD 8, (2 participants) JD 10, (2 participants)

two answered "I do not want!" and (1 participant) said that she is willing to pay for JD 5000, JD 75 payments a month and JD 25 as a fee?!

The rationale for choosing those values was that the amounts are affordable even in cases of bad circumstances.

The values in part B increased for 8 participants but only 2 said they do not want such loans. One of the two said, "My husband has an insurance and I do not need the money!"

"Increase value' logic:
Product A is a waste of money and their families can afford paying the loan payments in case of death, but the Product B benefit the participants both in life (the loan itself) and death (the money given to their families after death).
Most of them assured that they would choose the Product B for the sake and benefit of their 'CHILDREN' and 'FAMILIES'!!

Question Six: Television commercial attractive slogans

Attractive Words
▪ Benefit yourself and benefit your children after your death!
▪ A 'Today' project for Tomorrow
▪ Special 'Success' for women !!
▪ A future project for my children!!
▪ For my children after me!
▪ My Children.. the most valuable thing!!
▪ Insurance for whole the family!
▪ A scene of a woman in front of MFW leaving a letter for her children saying "For the sake of my children!!"

Repelling Words
▪ Death
▪ Failure of business
▪ Do not mention values or percentages in the ads!

General Comments:

- The individual loans differ from the group loans in that there is less protection in the case the borrower can't make payment whereas the group members help each other in hard times!
  - The MFW uses "threats" with the borrowers in cases of deferring the repayments.
  - One of the participants mentioned the issue of "forced insurance" where MFW used to take an amount of JD 10 from the participants as insurance and save this amount in a bank amount. This amount was used to cover the payments of those who in some cases who were not able to pay their payments.
  - 2 participants concluded that the product was "Life Insurance" from the discussion and then most of the participants agreed with the term 'insurance.'
  - One participant compared the product with 'Social Security.'
  - Another participant raised the issue that she once had enough currency to pay the rest of her loan payments to increase her loan capital money but MFW refused!
  - Some participants discussed the gender stereotyping that their colleagues face and cause some problems with their families. Some stereotyping statements were "It is

a shame for a woman to work!" And, " Woman are not capable of handling such responsibilities!"

- A participant asked that MFW should not ask for the payments before the holidays (Eid)!!