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Local Enterprise Support Project

BENCHMARK DATA ON PAYMENTS BY MICRO (1-9 EMPLOYEES) AND SMALL ENTERPRISES (10-50 EMPLOYEES) IN JORDAN

SURVEY & FGDs FINDINGS

November 2018

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Focus Group Discussions | Sep 1-16

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I. EXECUTIVE SUMMARY

I.1. INTRODUCTION

The USAID Jordan Local Enterprise Support Project (USAID LENS) Award No. AID 278 LA 14 00001 is a five-year project to encourage the long-term economic growth and development potential of underserved Jordanian communities. The project helps empower local communities to design and implement collaborative local economic development (LED) initiatives and will support the vitality and competitiveness of micro and small enterprises (MSEs) that are often at the heart of individual, family and community livelihood within vulnerable populations. In its inter-related activities, the project will work with public and private sector partners at the municipal, governorate and national levels to develop local environments conducive to investment and MSE growth.

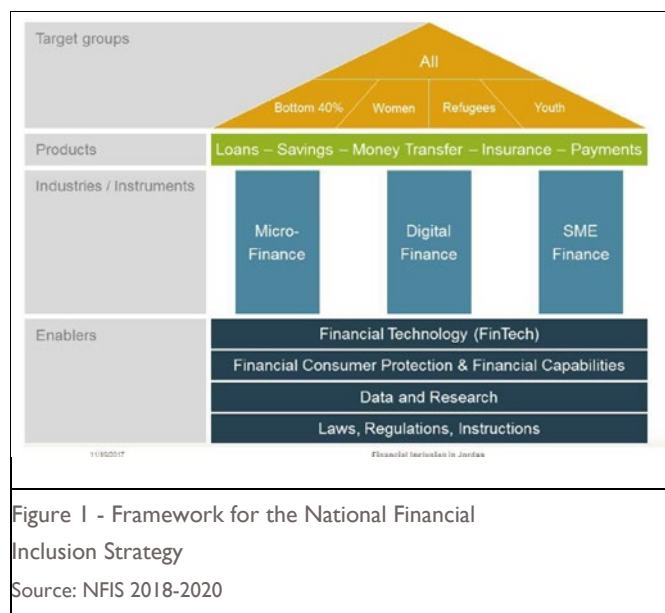
In its efforts to achieve its goals, USAID LENS is actively supporting the microfinance sector in Jordan to build its capacities, enhance its competitiveness, and increase the sector's financial

inclusion of different client segments to enhance their living

standards through involvement in producing economic activities. As such, this research report into MSME payments was commissioned to inform financial services providers (MFIs and PSPs) on the challenges and opportunities that micro and small businesses¹ face with Access to Finance (A2F) generally and payments specifically. The aim of this report is to provide core inputs for all stakeholders in product development, designing training and marketing materials and, upgrading of strategies in how to engage with micro and small businesses.

The quantitative research of 88 micro business, 36 small business and 4 cooperative, and 10 qualitative Focus

Group Discussions with representatives of students, refugees, micro and small businesses, and co-operatives, was conducted in the context of the signing of the Maya Declaration in 2016² and, the



¹ A micro business has 1-9 employees. A small business has 10-49 employees.

²<https://www.afi-global.org/news/2016/11/central-bank-jordan-makes-bold-maya-commitment-financial-literacy-access-refugees>

National Financial Inclusion Strategy 2018-2020³, both of which aim to increase financial inclusion to 42% by 2020 and to cut gender financial inequality to 30%.⁴

The National Financial Inclusion Strategy is promoted and supported by Central Bank of Jordan, and has three pillars of microfinance, digital financial services and SME finance.

I.2. KEY FINDINGS

I.2.1. ACCESS TO FINANCE

In terms of financial dealings, ‘cash is king’ for both micro businesses and to a lesser degree small businesses. Banking was less the norm for micro businesses 18%⁵ for banking tools (bank transfers, deposits or cheques) against 38% for small business. A two third majority of micro businesses, and half of small businesses reported having ‘no challenges’ with receiving payments, with ‘cash on delivery’ being the most common for micro businesses and to a lesser extent small businesses.

Micro businesses stated a set of constraints to grow their business and which mainly focused on receiving payments from customers, financial literacy and, a lack of linkages to markets. In terms of USAID LENS training, only a minority⁶ of micro and small businesses participated in ‘Access to Finance’ training, ‘Business Linkages’, ‘Business Planning’, ‘Accounting’, ‘Use of Digital Payments’ and ‘Marketing’⁷.

I.3. DIGITAL FINANCIAL SERVICES

I.3.1. THE MARKET AS A WHOLE

1. Only 6% of small business and 2% of micro business use of a phone, tablet or other mobile device for record keeping, making payments to Banks/MFI or Saving Group, receiving or making payments.
2. Almost two thirds of respondents heard of the DFS services, this mainly through social media and the internet, or family and friends. There was little awareness from traditional media channels.
3. Respondents in the “younger” age bracket (18-44) 51% for micro businesses and 57% for small businesses indicated a willingness to adopt digital payments if trained and the services were appropriately promoted.

³<http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/2018/The%20National%20Financial%20Inclusion%20Strategy%20A9.pdf>

⁴ These targets are in contradiction to FINDEX 2017⁴, which states the level of financial inclusion has already increased from 25% - 42% between 2011 and 2017. Both male and female inclusion has increased by roughly the same percentage between 2011 and 2017, namely by 65% and 59% respectively, and the gender is gap now at 29% the highest globally out of 148 countries

⁵ Figures in charts and graphs and otherwise may not add up to 100% due to rounding.

⁷ Only 1% of micro businesses had any USAID LENS support compared to 9% Small businesses.

I.3.2.SMALL BUSINESS

1. In-branch banking is the most preferred way to access financial services at 37%, followed by ATMs 26%, while mobile banking app was 7%, and Mobile Wallet Services 2%.
2. AyaPay, ZainCash and Mobile banking are not used much by small businesses, though 21% use eFAWATEERcom, and 3% Mahfazti and Dinarak.
3. The few who use these services use them for bill payment, checking balances, prepay airtime/subscriptions, and Cash-in Cash-out.
4. An overwhelming majority of small businesses said they had no need for these services as their work requires dealing with cash and which is faster and easier.
5. 47% of small businesses see no challenges and believed using digital payments would be fast and easy to implement and would help them in their work, whereas almost a quarter believed they did not need DFS and it would slow work down.
6. When small businesses were probed on the concept of adopting digital payment methods, there was almost a two third consensus that the various features and advantages they afford their businesses were very attractive. With the right awareness raising, trust elements such as Government certification, and training, the use of digital payments could quickly move forward.
7. Those few small businesses who have adopted DFS, said, it was easy to learn and understand. They stated it was a more convenient and modern way to transact. A third of small businesses who adopted DFS stated they were obliged to use DFS in response to a request by social security, Government authorities or the bank which provided them with the service.

I.3.3.MICRO BUSINESSES

1. 72% don't access any financial services. 13% use in-branch services, 8% ATMs, mobile banking 4% and credit/debit cards 1%.
2. Usage of digital financial services was very low, 2% for AyaPay, 6% for Dinarak, 7% for eFAWATEERcom, 4% for Mahfazti and 6% for ZainCash. The services used were for bill payment, to check balances, receive/send transfers and, pre-pay airtime/subscriptions.
3. The overwhelming majority of micro businesses said they had no need for them as their work required dealing with cash which is faster and easier.
4. The research suggested 36% of micro businesses would use DFS in their business against 44% who said they wouldn't; 20% had no opinion.
5. 36% of respondents believe customers not having an account and trust are big challenges, as well as a lack of education and training.

I.3.4.FOCUS GROUP DISCUSSIONS

During the FGDs the 5 segments had quite different opinions on digital payments.

- **Students** had an acceptance that digital payments would make things easier, but highlighted that good advertising was needed to raise awareness.
- **Urban and Rural Cooperatives** highlighted that training and awareness were necessary. Digital financial services, if there was training would save time and effort. They suggested the need for using 'icons' for better recognition and ease of use.
- **Refugees** had safety concerns when it comes to e-wallets, and though it would be a challenge for older people.

- **Micro businesses** were open to the idea especially those working in food catering. However, the user experience should be easier. Symbols and images (icons) for example for those who cannot write or read.
- **Small businesses** suggested more advertising on Facebook and social media was needed. In general, they were more accepting to the idea if the services could cater to a wider sector of clients. They mentioned the trust issue.

I.4. IMPLICATIONS FOR MFIS AND PSPS

While there is a global move to DFS, especially mobile money, Jordan, which has a supportive central bank, policy and regulation, has not seen significant movement in the market and which can still be considered nascent in terms of awareness, account registration, agent mobilization and, regular (30 days) usage. There are numerous reasons for this and which range from the value proposition to agents, the pricing structure of DFS services, the predisposition for cash, trust in the technology and service providers, effective marketing campaigns, the level of financial inclusion (more generally), the identification and promotion of successful use cases and, the role of the Central Bank.

This lack of awareness, usage and trust has significant implications. For PSPs, without scale in number of accounts and transactions, and with thin margins (on transactions), it will be difficult for the 5 service providers to be financially sustainable. On the other side, MFIs are wanting to increase outreach on the one hand and benefit from operational efficiencies that DFS can provide on the other. However, if the business model for PSPs is struggling, and there is limited consumer demand, then it is difficult to see where there can be multi-stakeholder benefit through the rolling out and uptake of mobile money wallets (rather than DFS more generally).

However, the findings in this report suggest that while the market may be currently low, if critical aspects of DFS, such as training, trust, awareness through appropriate media channels, segmenting of the market and highlighting of specific value proposition (by both MFIs and PSPs) rather than national level generic messages, then there could be a scale up of services to sustainable levels.

2. METHODOLOGY

2.1. QUANTITATIVE SURVEYS

A total of 88 interviews with MSE's, 36 SME's and 4 cooperatives were completed during the period September 9th to 16th in East Amman and Naour, Irbid, and Zarqa governorates, this from a total of 197 MES's addresses. 64 addresses for SME's were drawn from LENS database of establishments. LENS provided a total of 20 cooperative addresses to complete 4 interviews.

Field results were in line with the American Association for Public Opinion Research and were calculated as follows:

TABLE 1. RATE OF RESPONSE IN QUESTIONNAIRES

RR 2	Response Rate	0.49
COOP2	Cooperative Rate	0.82
REFI	Refusal Rate	0.11
CONI	Contact Rate	0.60
LOCI	Location Rate	0.86

1. Two questionnaires provided by USAID LENS were used for this survey. The first relates to MSE's and the second to SME'S and cooperatives. (ANNEX 1 & 2)
2. Five highly qualified field supervisors were recruited for the conduct of these interviews.
3. A clean data set in both Arabic and English in addition a weighted frequency run were delivered to USAID-LENS on the 23rd of September.

2.1.1. PARTICIPATING ESTABLISHMENT INFORMATION

1. 66% of micro businesses owners were present at the interview, and 34% not available. 78% of those not available were substituted by someone familiar with the business.
2. 38% of small business owners were available for the interview, and 62% not. 74% of those not available were represented by someone familiar with the business.
3. 79% of micro businesses consented to participate in the interview. 62% of interviews were conducted with an employee. 23% were either the son or daughter and 6% were with a relative. 90% of total respondents were male⁸.
4. 86% of small businesses consented to participate in the interview with 70% of interviews being conducted with an employee. 13% were either with the son or daughter of the owner, and 13% with the manager. 94% of total respondents were male.

2.1.2. NUMBER OF EMPLOYEES, RELATIONSHIP WITH USAID LENS AND LOCATION OF BUSINESSES

1. In response to a question of how many hires, part-time or full-time, family members, informal hires, and other partners working for the establishment/project made over the past five years, 53% of all micro businesses interviewed did not additionally hire anyone, 12%

⁸ Note, the sample was randomised (and provided by USAID LENS to the research company). The reason for such a high level of male respondents could be because female business owners were not comfortable to answer the questionnaires.

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employed three persons, 9% two persons, 8% one, 5% four, 3% five, 1% employed seven, 15% employed eight and 8% nine or more persons.

2. In comparison, 6% of the small businesses hired no-one over the past five years, with 15% having hired ten persons, 13% only one, 6% twenty, 6% twenty five and another 6% thirty, 4% employed five and all others employed between 2 and 200 as indicated in Annex 4.
3. 2% of micro businesses are home-based.
4. Only 1% of micro businesses had any USAID LENS support, including training, this compared to 9% of small businesses.
5. 43% of micro businesses are based in Amman, 27% in Zarqa and 31% in Irbid.
6. 66% of small businesses are based in Amman, 30% in Irbid and just 4% in Zarqa.

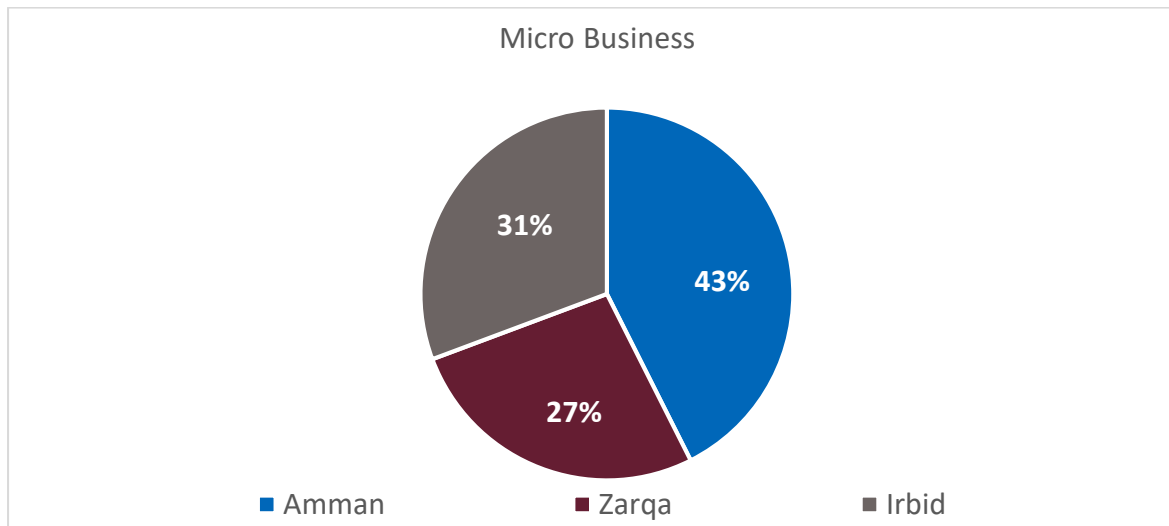


Figure 2. Geographic Location of micro businesses

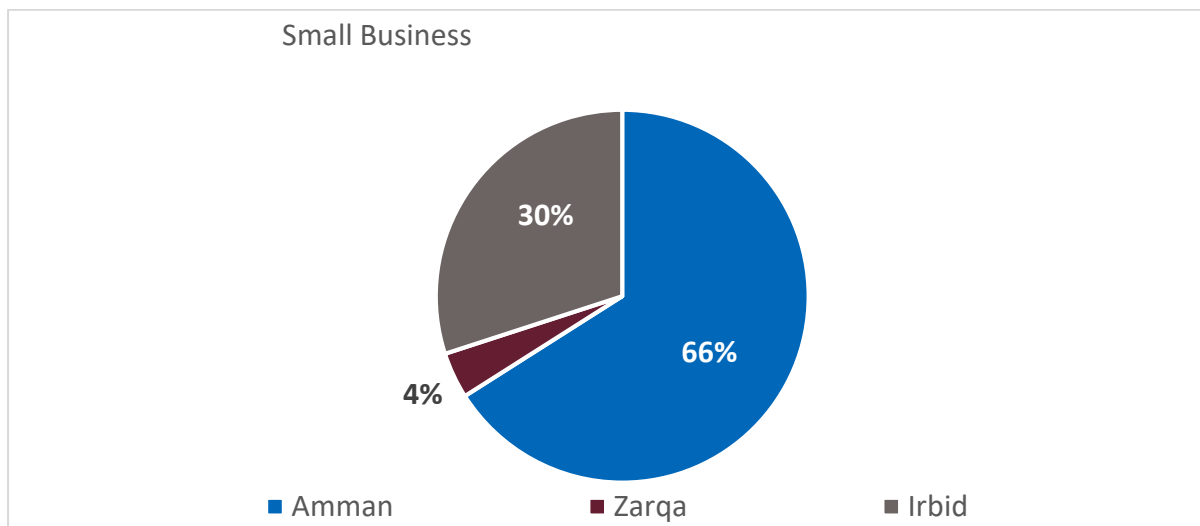


Figure 3. Geographic Location of small businesses

2.1.3.LEGAL STATUS – SMALL BUSINESSES

43% of interviewed businesses are sole proprietorship, 27% limited Liability Co., 9% General Partnerships, 3% Limited Partnership Co., and 18% did not know.

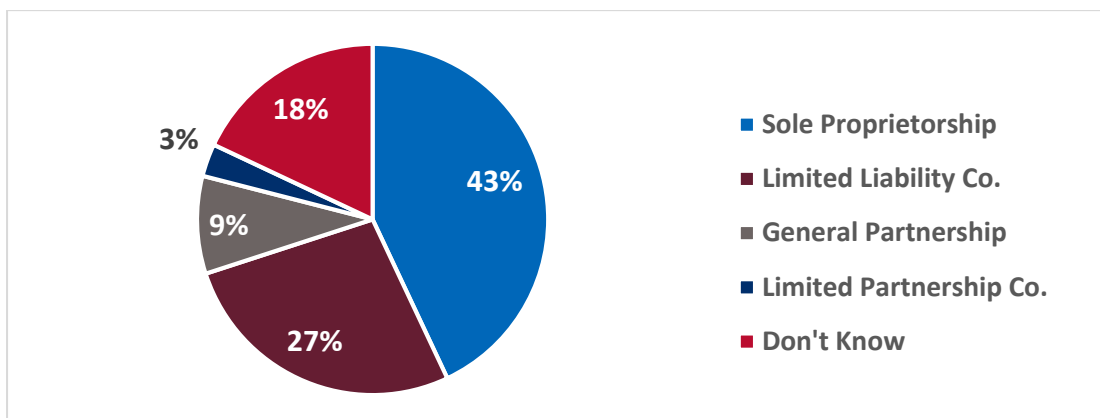


Figure 4. Legal Status of Small Businesses

2.1.4.MEMBERSHIPS – SMALL BUSINESSES

Small business were members of the following organisations.

- Chamber of Commerce: 40%
- Chamber of Industry: 43%
- Cooperative: 21%
- Professional Association: 26%
- Informal savings or Loan Group: 97% NO, 3% Don't Know
- Micro-Finance Institutions: 97% NO, 3% Don't Know
- Member of NGO: 97% NO, 3% Don't Know
- Ward or Village Committee: 97% NO, 3% Don't Know

2.1.5.RESPONDENT DEMOGRAPHICS

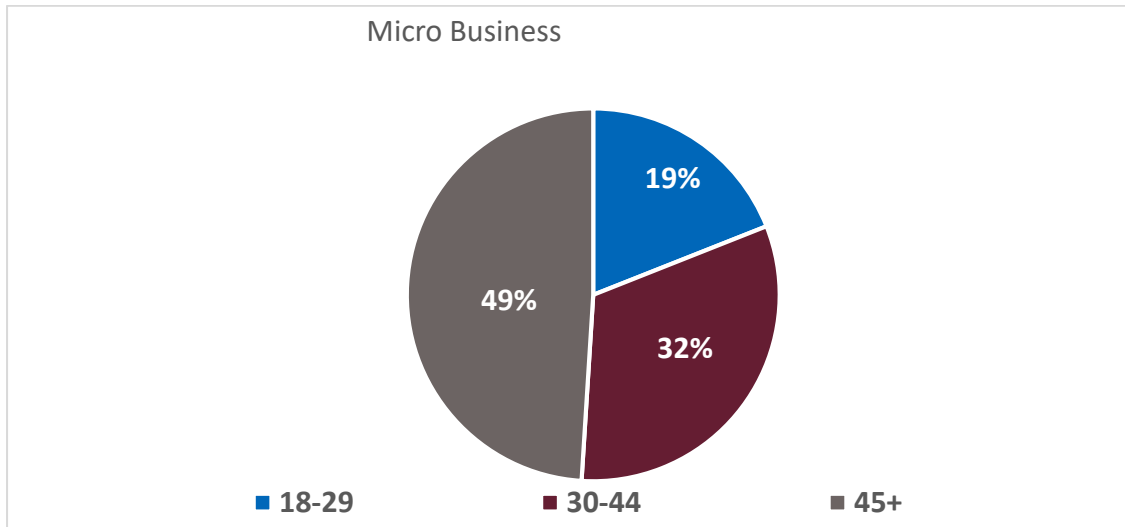


Figure 5. Age Groups of Micro Business Respondents

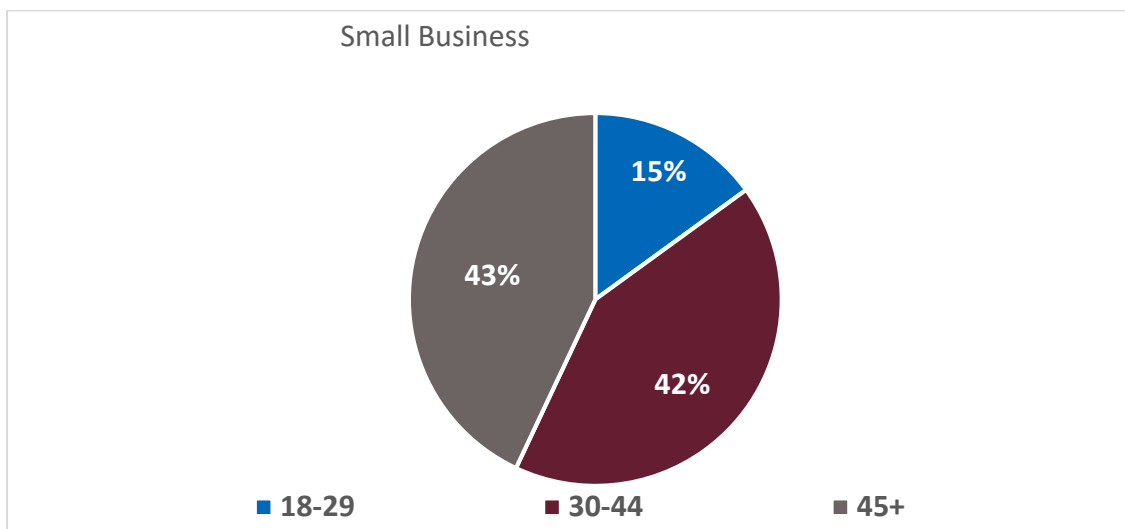


Figure 6. Age Groups of Small Business Respondents

1. Age Groups
2. Micro Businesses Nationality:
 - a. 96% Jordanian, 2% Syrian, 2% Other

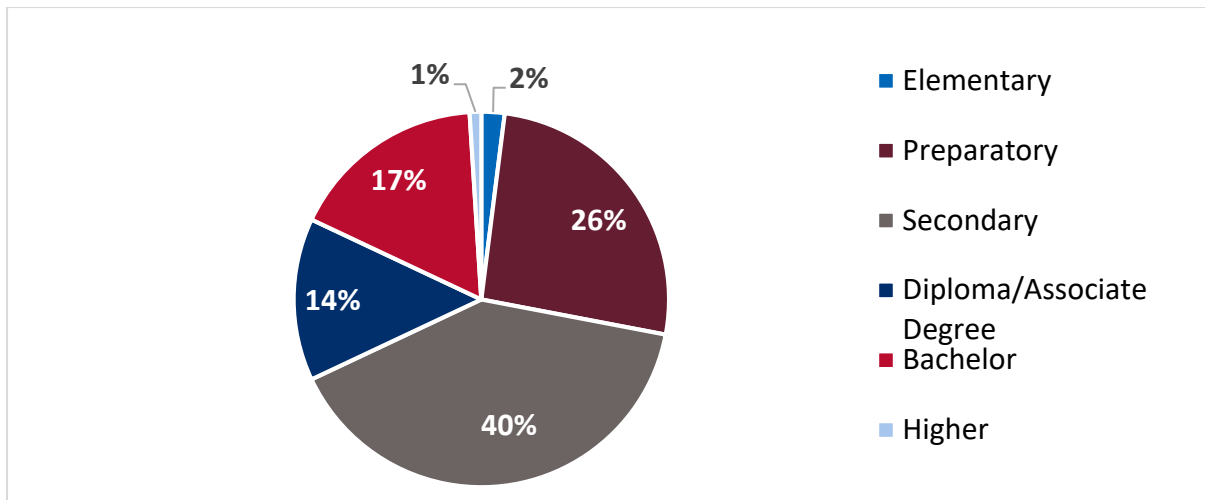


Figure 7. Education of Micro Business Respondents

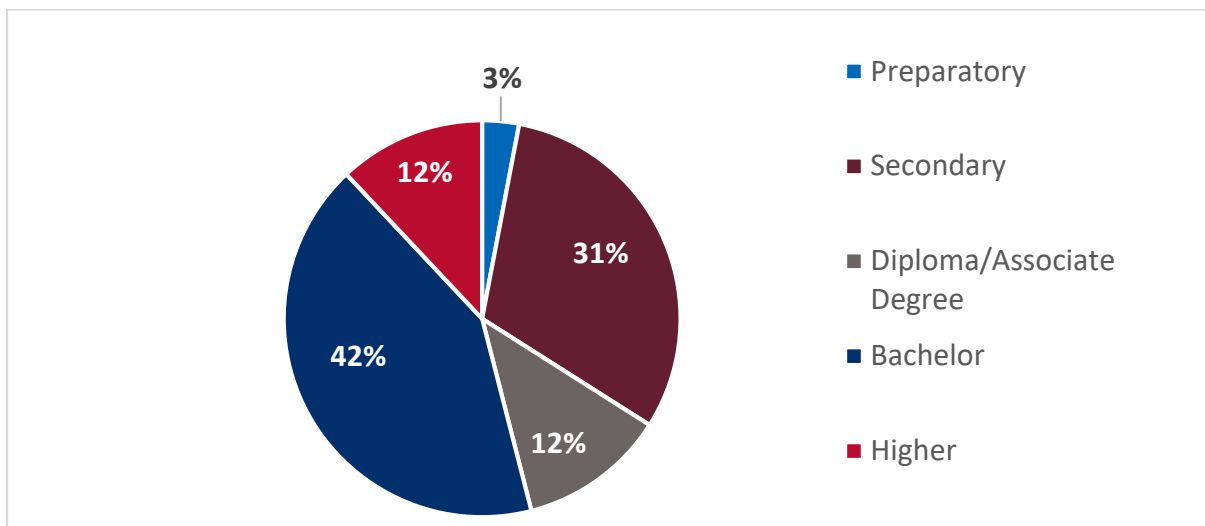


Figure 8. Education of Small Business Respondents

3. Education

4. Marital Status – Micro Businesses

b. 13% Single, 1% Engaged and 86% Married.

5. Household Size Excluding Owner – Micro Businesses

c. Zero members 3%, from One - Six members, 75%, seven members, 17% and eight and more, 5%.

6. Primary Earner - Micro Businesses

7. 86% primary earner in family VS 13% and 1% Don't know

2.2. FGD PARTICIPANTS

TABLE 2. FOCUS GROUP SEGMENTATION			
FG #	Details		Number of attendants
	Segment	Gender	
FG1	University students	Female	5
FG2	University students	Male	5
FG3	Cooperative (Urban)	Mixed gender	7
FG4	Cooperative (Rural)	Mixed gender	7
FG5	Refugees (24-30) years old	Mixed gender	6
FG6	Refugees (31-40) years old	Mixed gender	6
FG7	Home based businesses (1-9)	Female	4
FG8	Small businesses(10-49)	Male	3
FG9	Home based businesses (1-9)	Female	4
FG10	Small businesses(10-49)		2
FG11	Small businesses(10-49)	Male	4

2.2.1. DATA COLLECTION METHODS & TOOLS

Qualitative research explores attitudes and investigates, probes and gauges spontaneous reactions and generates lists of parameters. The following qualitative methodology was used for data collection: Focus Group Sessions (informal roundtable discussions).

2.2.2. DISCUSSION GUIDE

A customized Discussion Guide was used to facilitate all Focus Groups and which was given by USAID LENS. The discussions were held in Arabic. The discussion guides utilized can be found in Annex 3 of this report.

2.2.3. SCREENING AND RECRUITMENT OF PARTICIPANTS

The sample size and segmentation of the focus groups and in-depth interviews was designed in collaboration with USAID LENS. Analyzeize did the recruitment of research participants through an in-depth screening process.

2.2.4.SAMPLE SIZE

Eleven groups were conducted during September 2018, attended by Analyzeize Research and LENS staff. Each focus group was formed of approximately 4-7 respondents.

2.2.5.DURATION OF THE FOCUS GROUPS

The duration of the focus groups was around 1-1.15 hours each.

2.2.6.FOCUS GROUP SESSION RECORDINGS

Each focus group was recorded on Audio MP3. The information contained in the Audio recordings is strictly confidential and intended only for transcribing purposes done by Analyzeize. Any dissemination, distribution or copying of the recordings is strictly prohibited.

3. FINDINGS

3.1. FINANCIAL DEALINGS

3.1.1. PAYMENTS RECEIVED OVER THE LAST THREE MONTHS & CHALLENGES

1. 64% of micro businesses received payments on the basis of 'cash on delivery', and 2% did not receive any payments, this compared to 44% 'cash on delivery' for small businesses.
2. However, banking was less the norm with micro businesses; 5% bank transfer, 3% bank deposit or 10% cheque; a total of 18% for banking tools.
3. Banking was higher for small businesses, with 7% bank transfer, 6% bank deposit and 25% cheque.
4. 6% of small businesses used debit/credit card payments in their financial dealings.

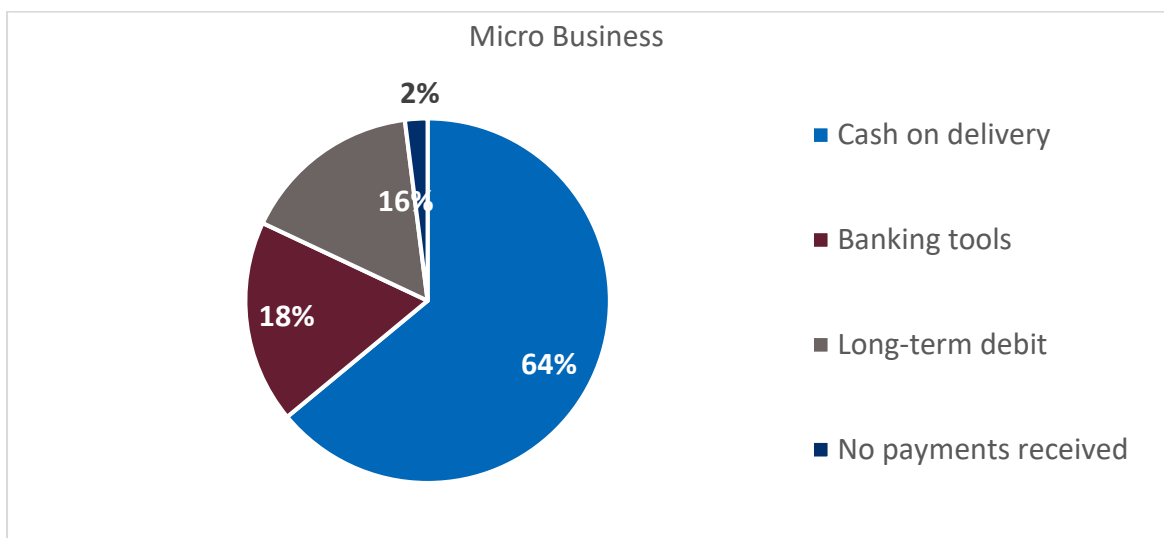


Figure 9. - Mode of Payments Received Micro Business

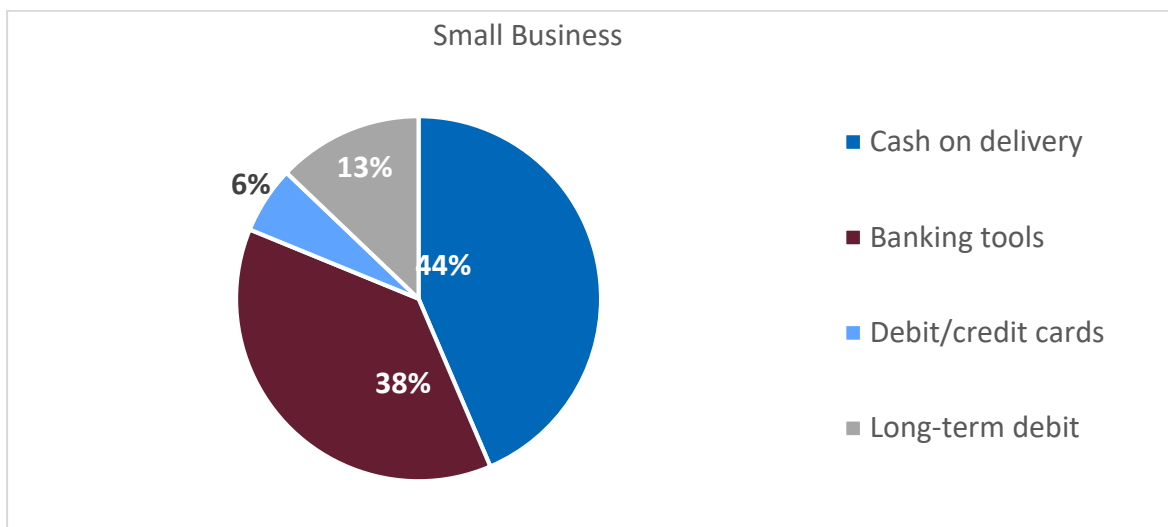


Figure 10. Mode of Payments Received Small Business

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5. 64% of micro businesses have 'no challenges' with receiving payments VS 48% for small businesses
6. Challenges for business include 'delays in payments' by customers, which was 19% for the Micro businesses and almost twice as much for the small businesses, at 37%.
7. Other challenges include payment 'default' by customers, 10% for the micro businesses and a similar 9% for the small businesses, as well as bouncing cheques at 6% for small businesses.

3.1.2. PAYMENTS MADE TO SUPPLIERS OVER THE LAST THREE MONTHS & CHALLENGES

1. 66% of micro businesses made payments on the basis on 'cash on delivery' compared to 35% for small businesses.
2. However, banking again was less the norm with micro businesses; 6% bank transfer, 2% bank deposit or 16% cheque; a total of 24% for banking tools.
3. Banking procedures for payments made were higher for small businesses with 19% bank transfer, 10% bank deposit and 31% cheque; a total 60%.
4. Other payment forms for the micro businesses includes a 9% debit, against 2% debit for small businesses.
5. 2% online purchases is also another payment made by small businesses.

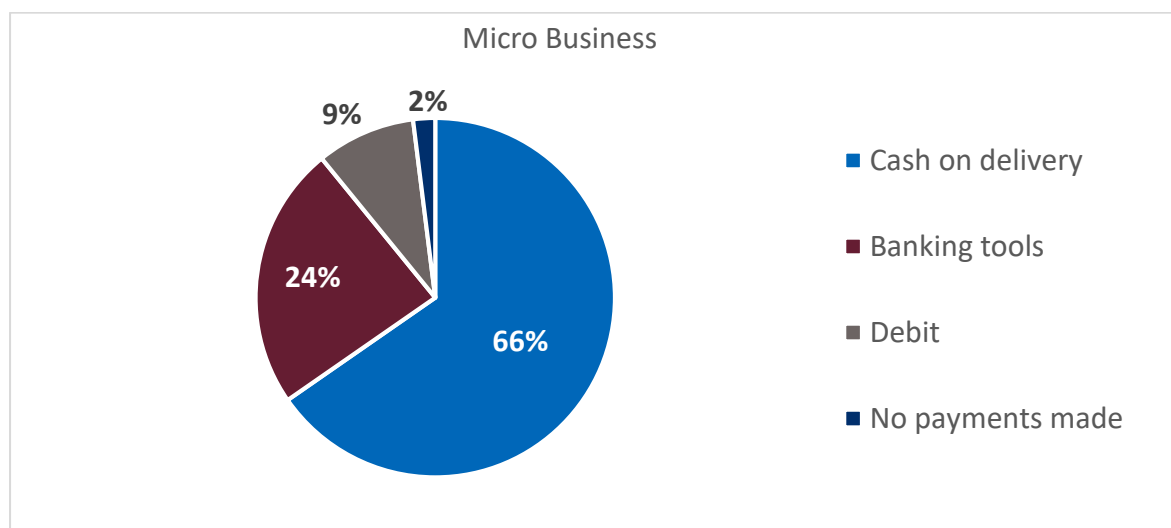


Figure 11. Mode of Payments Made To Suppliers Micro Business

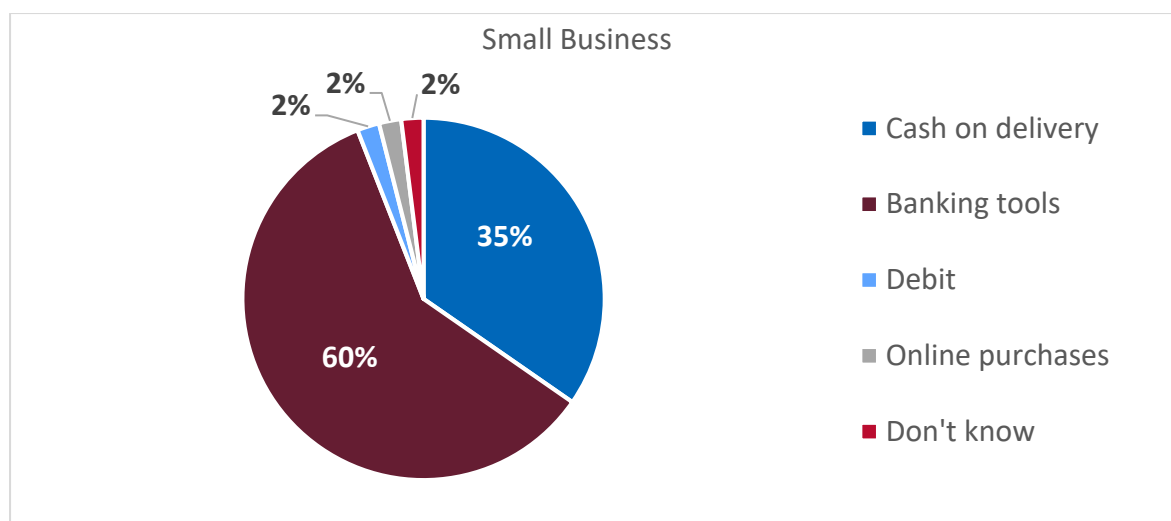


Figure 12. Mode of Payments Made To Suppliers Small Business

6. 85% of micro businesses have 'no challenges' with making payments vs 91% for small businesses.
7. Challenges for micro businesses include 14% 'unable to pay providers due to limited sales' and 1% due to problems with providers.
8. The overwhelming majority, or 76% of micro businesses, do not have any type of insurance. However, a minority of 4% have business insurance, 12% have health insurance and, 8% vehicle insurance.
9. Micro businesses stated a set of constraints to grow their business:
 - a. 14% don't know how to do good record keeping (1% Don't know)
 - b. 14% find the amount of paperwork and reporting required when registered another constraint (1% Don't know)
 - c. 4% find regulations and licensing complications an impossibility to register
 - d. 21% find cost and organizing transport a constraint (4% Don't know)
 - e. 17% don't know about linkages to markets
 - f. 8% can't get credit from a bank or MFI (1% Don't know – 1% refused to answer)
 - g. 6% think not having a savings account a constraint (1% Don't know)
 - h. 29% think the issue of receiving payments from customers another constraint
 - i. 4% find remittances / transfers expensive and complicated (2% Don't know – 2% refused to answer)
 - j. 9% don't think any of the above is a constraint (1% Don't know)
 - k. However, 7% think of other constraints, such as Syrian labor, markets not well organized and mostly bad economic conditions in Jordan (1% didn't know).

10. As for small businesses, challenges include late payments by customers, at 7%, and lack of cash receipts by providers, at 3%.

3.1.2.1. FREQUENCY OF PAYMENTS BY SMALL BUSINESSES

1. Almost half of small businesses⁹, or 49%, pay their largest suppliers 'once a month', with 19% 'once a week', 9% 'once every two weeks', 9% 'longer than once a month', 3% 'more than once a week' while 12% saying they 'don't know'.

3.1.2.2. SMALL BUSINESSES AND THEIR CUSTOMERS

1. In terms of their knowledge of their own customers, 24% of small businesses stated that 76-99% of their customers are regular/known to them, 34% stated that 51-75% of their customers are regular/known to them, 27% stated 26-50% are known to them and 12% stated that less than 25% are known to them.
2. 27% of small businesses that deliver products go as far as nationwide using a courier/ taxi service, 15% deliver as far as 25-100 KMs, 13% as far as 10-25 KMs, and 6% as far as 5-10 KMs while 39% do not provide that service.
3. In terms of training received, only 6% of small businesses participated in 'Access to Finance' training, 15% in 'Business Linkages', 18% in 'Business Planning', 12% in 'Accounting', 15% in 'Use of Digital Payments' and 18% in 'Marketing'.

3.1.3.FOCUS GROUP FINDINGS

When reference was made to payments received or made, the FGD respondents revealed:

- **Female university students** had low knowledge about payment methods in general due to their low usage as most don't pay the bills at their house. They preferred traditional methods in saving as they distrust the banking system and many pointed out that it is "Haram" while if another "Halal" method was introduced they would most definitely use it.
- **Male university students**, on the other hand, were more familiar with payment methods. For transfers, they use either Western Union or banking. They all had bank accounts, and two respondents had even applied for loans but complained of high interest. The Arab Bank's Shabab Account was mentioned as an interest free option beyond a certain balance ceiling. "Dealing with the bank is a lot easier". "But exchange houses are becoming better".
- They sometimes pay bills online, mainly online shopping. Utility bills are paid at the company in cash, although relevant university fees are paid through e-FAWATEER.com which all university students were familiar with as the payment method is used by their universities, but they do that in-branch. They complained about waiting in line.
- **Both urban and rural cooperatives'** payment methods are mostly banking, cash and cheques for bill payment. They keep track of their payments manually.

⁹ This question was not asked of micro businesses

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- Older male participants had no trust in online payment systems, and would not use it unless it had more regulations and laws surrounding it. Some had a concern that these forms of payments would cause unemployment.
- Western Union is known for transfers.
- They don't have knowledge about e-FAWATEERcom, however some do use online payments system. E-FAWATEERcom is known for utility bills settlement.
- **Refugees** showed that their expenses are mostly living expenses, hence, it was extremely hard to use any form of payment but cash. They occasionally transfer money in person (through a relative/friend) though also used exchange houses. They rarely receive any transfers and they tend to send more.
- Loans are not applicable / very hard for Syrians.
- Female refugees seem to have low knowledge when it comes to payment methods.
- e-fawateercom was identified by males.
- **Home Based Businesses** deal in cash, mostly for their payments, but use banking tools such as cheques and transfers. Some, however, regard money associations, as 'halal'. They don't have enough income to save money.
- Females pay utility bills through e-FAWATEERcom or at the company.
- **Small businesses** use mostly banks and cash. Transfers are sent through exchange houses.
- Cash is always preferred as there is always a receipt. The receipt has the amount, the name and whether a cheque or cash was used.
- They pay their bills through the company itself and don't use online banking. Some have not heard of e-FAWATEERcom, others did but never used it.

3.1.4. IMPLICATIONS FOR MFIS AND PSPS

Payments are clearly an everyday fact for businesses, whether that is collecting from customers or making payments to suppliers. There is opportunity for both MFIs and PSPs to work hand-in-hand for mutual benefit to explore new products and services through the analysis of data at the granular level and in particular at the directional flows, frequency and size of transactions.

While businesses big and small may take a loan for working capital purposes, what they might actually need / prefer is an overdraft facility and/or a smaller revolving loan to meet their monthly cashflow fluctuations. Through digitizing payments, it is possible to algorithmically analyze a business and determine their credit needs – this is known as: alternative credit scoring. Such a product / service could either be through a MFI or PSP working independently, or through a joint venture / partnership / MOU. An example of such a service is www.kopokopo.co.ke

3.2. CASH MANAGEMENT & RECORD KEEPING

- 28% of micro businesses do not record cash flow, however, 69% record cash flow manually (pen and paper, receipts) with just 2% recording digitally through the use of computers or smartphones. In comparison, 45% of small businesses record cash flow manually (pen and papers, receipts) and 52% recording digitally, with 3% using a cash machine.

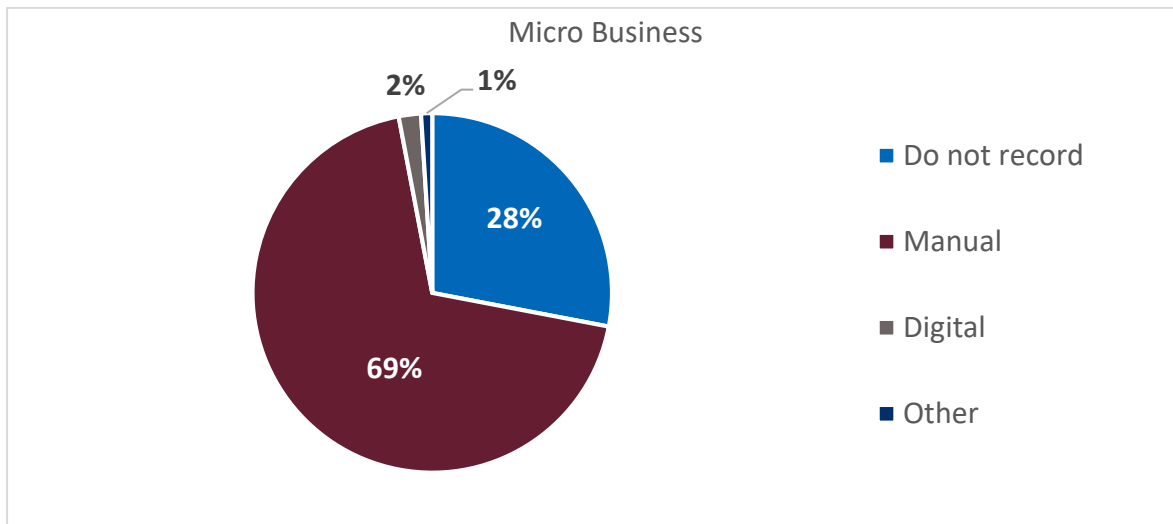


Figure 13. Mode of Record Keeping Micro Business

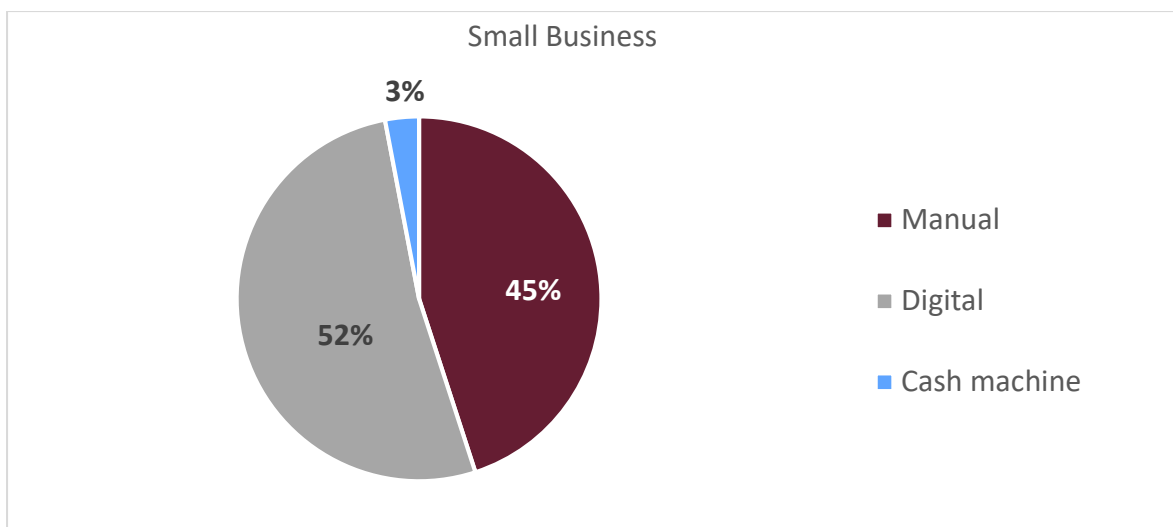


Figure 14. - Mode of Record Keeping Small Business

- As part of their business operations, only 10% of micro businesses use computer with internet, and 15% without internet, 21% use basic mobile phone, and just 4% a public internet location. A much lower 2% resorts to the use of phone, tablet or other mobile device for record keeping, make payments to Banks/MFI or Saving Group, and receive payments from customers, while 4% use them for making payments to suppliers. In comparison, only 6% of small businesses resort to the use of phone, tablet or other mobile device for record keeping, a similar 6% make payments to Banks/MFI or Saving Group, 6% receive payments from customers. 9% however use them for business purposes.

3. 67% of small businesses reported no challenges in cash management (petty cash, taxis, stationery etc.). On the other hand, some reported certain challenges: Collecting payments from customers, 15%; paying suppliers, 10%; having the correct change, 5%; forgetting to record payments or dealing in foreign currencies, 3%.
4. When it comes to safe-keeping of daily sales cash, 53% of small businesses deposit it in their bank account, 18% spend it directly on business operations, 8% keep it at home, 8% with a savings collector, 3% spend it on personal things while 5% have no daily sales. 3% didn't know and another 3% refused to answer.
5. Business finances at 57% of small businesses is managed internally by the accountant, 37% by the owner, 3% by an external accountant and 3% by a male member of the family.

3.2.1. IMPLICATIONS FOR MFIS AND PSPS

The findings show there is limited computerization of sales and recording of costs. This is not surprising as it is a common challenge that micro and small business the world over face. However, this lack of recording has impacts at every level of the economy, from macro in regards taxation, to micro and over or understocking, analysis of seasonal / religious fluctuations, differentiating between business revenue and personal income, having sufficient cash at all times etc.

Without accurate records, the business will not be able to optimize performance either operationally or financially. Additionally, if a business is not able to produce such records, an MFI will have less information from which to make accurate credit decisions, and thus will be forced to rely on either collateral or guarantors, and which could mean them losing out on otherwise potentially credit worthy customers. Conversely, the more information known about a business, the better, more customised service the MFI and PSP can potentially give - a win:win for all.

Through digitizing transactions and providing book keeping tools for business, the business will likely grow and which will in turn benefit both the MFIs and PSP, more especially as they will be able to adapt products / services to the individual's business needs. Having a greater understanding of a business' cash flow needs through data analysis, will allow for the development of suitable loans and/or overdraft type financial products. This provision of a non-financial product / service would be a significant value add to businesses.

3.3. ACCESS TO FINANCE

3.3.1. MICRO BUSINESSES

1. 92% of micro businesses primarily finance their business from the company's generated revenues, 2% from own savings and 1% respectively from a revolving fund, loan from family or other means such as wholesaler financing or long-term receivables. 2% said they did not know.
2. The majority of micro businesses or 53% face no challenges when accessing formal financial products or services (bank, MFI, insurance, Payment service provider i.e. mobile wallet) but the biggest challenge to some 10% is the non-compliance with Sharia. Additionally, 10% don't understand the process, 5% either don't trust the banks and MFIs or find the fees and commissions too high respectively. 4% are challenged by accessibility/location of services, and 4% don't have the right documents. 4% do not deal with formal institutions/too many papers required, and 4% simply don't know.
3. Moreover, only 6% of micro businesses have applied for a loan during the last five years or received financial support from any financial institution/bank.

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4. 6% took for a loan for their business. 34% of those who took a loan made the decision based on loan processing time, 22% due ease of application or repayment requirements, respectively, and 11% due to either lower interest rate or longer repayment time.
5. 80% of loan recipients (the 6%) received their loan through their bank account/MFI account, 20% were not sure. Repayment was effected through the bank's branch/MFI office for 80% of the loan or in cash through a field officer. Similarly, 80% repaid their loan on monthly instalments, and 20% every two weeks.
6. 40% said the cost of making the repayment (transportation / eFWATEERCOM) was less than one Dinar, 20% incurred no cost, and 19% incurred a cost of 2-3 Dinars, and 20% more than 5 Dinars.
7. Of the 94% of micro businesses who chose not to take a loan, 39% said they were not in need, 26% out of religious considerations, 8% do not trust financial institutions, 7% said loan conditions were too difficult, 5% didn't believe their business qualified.
8. Only 24% of micro businesses use a bank for business savings, 32% save at home in a safe place, while as many as 43% have no spare money to save. 1% is a member of a saving group.

3.3.2.SMALL BUSINESSES

1. 88% of small businesses primarily finance their business from the company's generated revenues, 6% through a loan from a commercial bank while 6% said they did not know.
2. 75% of small businesses use a bank for business savings, 6% save at home in a safe place, while 11% have no spare money to save. 3% saves in land, not sure or refused to answer respectively.

3.3.3.FOCUS GROUP DISCUSSION FINDINGS

- **University males** "If there is an income source, I would save for sure." "I have my own business, a page that I use to sell stuff online. So I save some money, since I have an income source. I save money at home or in the bank".
- **Coops Azraq** "We save in the bank of course. Every person has a saving account. Yes we can save, for the year 2017 we saved 1,200JD's". Another said, "I can't save money, when you receive 300 and you have a lot of commitments, you can't save any money".
- "We have a box called 'Makhater' box, we keep the money in this box, and use it for urgent situations; it is at the Bank of Jordan. We also distribute the excess to the members. Our committee is a women committee but work is with both men and women".
- **Coops Irbid** "We don't save. No. With life's commitments? It's very hard". "The salary is barely enough and you want to buy a house so you have to pay for that and you have to pay for your children. And life is too pressuring and is expensive. Saving is hard". "For a Jordanian citizen to save, his income should be around 1000 JDs if he had a house that he owns. 1000 JDs for a family? It's not enough. "I wanted to try to save but there isn't a way to save with the government".
- **HBB** "No, you cannot save anything these days, it's great if we can cover our expenses". "There are no savings".
- **Small businesses** "We save mostly in the bank. However the education money is kept at home". "Honestly, no, I can't tell you that I am able to save". Others save money at home. "No. Not at banks or organizations or anything". "I don't trust them".

3.3.1. IMPLICATIONS FOR MFIS AND PSPS

The findings show there is limited interaction between the micro business sector and FIs. Why is this? It could be one of two primary reasons: first, lack of suitable products and services (as discussed above). An example of this is that 70% of regulated MFI clients are women, and thus indicating demand for access to finance related services. But if the level of female financial inclusion is low and the gender gap is still large, there must be a significant challenge with making a sustainable value proposition to Jordanian women to get them more financially included and/or the current range of products and services does not meet their needs.

Second is access / access points. While the current value proposition to PSP agents is currently limited in terms of capital to invest versus commission earned, it is a different challenge for MFIs. It is possible under existing regulation for MFIs to have satellite branches, (not 3rd party agents) and whereby employees can take repayments, accept loan applications and do marketing activities; to date this model has not been scaled.

Looking at financial access examples from India and China which have very different payments systems models, but keeping in mind the Jordanian NFIS strategy to increase financial inclusion and reduce gender equality, we can see that according to FINDEX 2017, since 2011 China has increased financial inclusion from 64% to 80% (though the gender gap remains at 8%). In India there has been a staggering increase in inclusion from 35%- 80%, all the while the gender gap dropping from 17% to 6%. While Jordan is following a model of a fully integrated payment system that integrates RTGS, with JoMoPay (mobile payment platform) Efwateercom (P2G payments) national ID etc. similar to the Indian model, there is significant deviation when it comes to access points. Jordanian mobile payments have around 400,000 registered accounts (7% of adult population) but of which approximately 1/3rd are active, and considerably less are 30 days active. There are approximately 1,000 mobile money registered agents though many are inactive. There are 700 ATMs and 30,000 POS¹⁰. These national level key performance indicators compare unfavourably to India and China, as while these two countries have populations over a 100 times bigger (than Jordan), they have many times more points of financial access. For example, China has over 650,000 ATMs and 21 million POS¹¹, and India has 2million POS and 200,000 ATMs¹².

¹⁰ Source CBJ statistics

¹¹ Source – CPI 2017

¹² Source – RBI Bulletin

3.4. DIGITAL FINANCIAL SERVICES

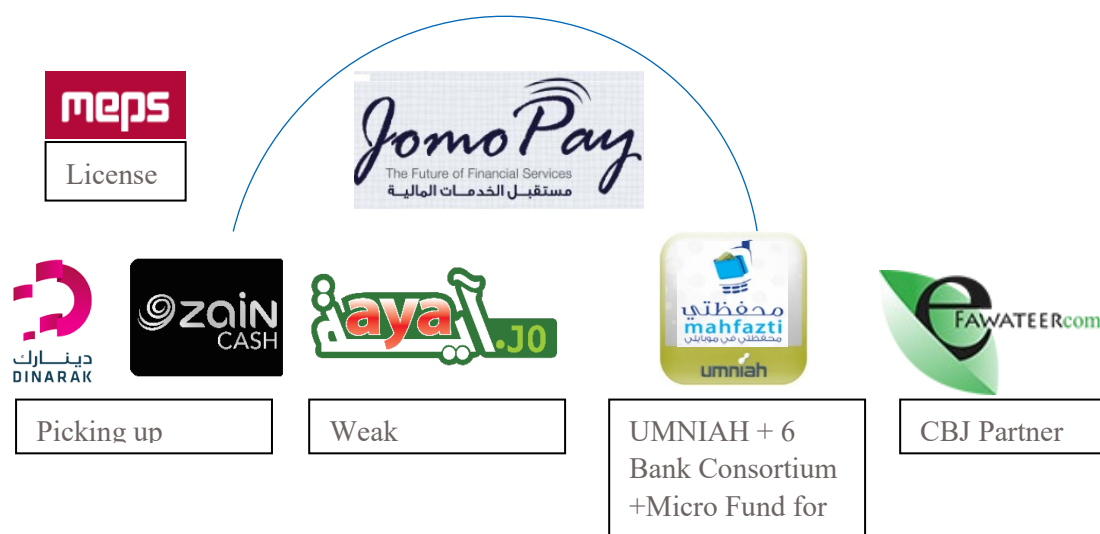


Figure 15. Digital Financial Service Providers and Platforms

3.4.1. AWARENESS

1. 31% of Small businesses never heard of the services but 69% did:
 - a. through social media, 28%,
 - b. the internet, 28%,
 - c. family and friends, 8%,
 - d. in-shop, 11%,
 - e. television, 9%,
 - f. radio, 6%,
 - g. bank and/or MFI, 4%
 - h. BSP, 2%,
 - i. Others at 6%, requested by social security and tax department or newspapers.

2. 34% of micro businesses never heard of the services, however, 66% did:
 - a. 39%, through social media
 - b. 22%, the internet,
 - c. 11%, family and friends,

- d. 8%, in-shop,
- e. 6%, television,
- f. 5%, BSP,
- g. 4%, Government announcement,
- h. Others at 5%, include, radio, newspapers, street advertising, electricity and water authorities.

3.4.2. SMALL BUSINESSES

1. Banking seems to be a most preferred access for digital financial services for small businesses where 'In-branch' banking counts at 37%, ATMs at 26%, mobile banking app at 7%, credit/debit cards at 7% and online banking at 4%, a total banking usage of 81% compared to just 2% Mobile Wallet Services. 15% don't use any of these services while 4% use online purchases whether through a bank card or otherwise.

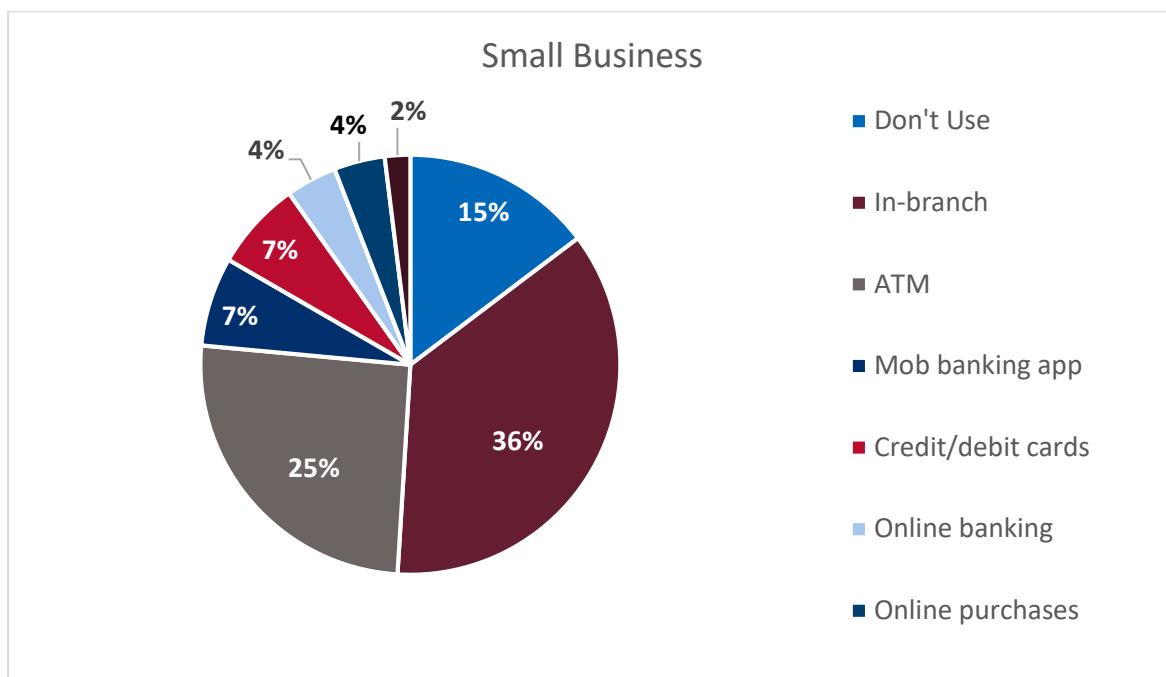


Figure 16. Use of Digital Financial Services Micro Businesses

- 2. A reason for this high banking usage as stated in responses is salary transfers, social security contributions, sales and other Gov. taxes.
- 3. AyaPay, ZainCash and Mobile banking is not used by Small businesses, with a high 21% for eFAWATEERcom, 3% for Mahfazti and Dinarak respectively. The few who use these services use them for bill payment, 50%, to check balances 17%, prepay airtime/subscriptions, 8%, and Cash-in Cash-out, 25%.
- 4. Asked why they don't use these digital payment methods, 30% of small businesses said they had no need for them,
 - a. 30% said their work requires dealing with cash,

- b. 21% dealing with cash makes work faster and easier,
 - c. 3% said due to low sales there was no need to open an account,
 - d. 6% mentioned commissions and fees,
 - e. 8% either didn't know how they work, or didn't know they existed,
 - f. 3% mentioned difficulty in using them.
5. Those few small businesses who adopted them said it was easy to learn and understand, 23%, more convenient to transact than cash, 16%, modern way to transact, 15%, recommended by someone using them, 8%, they helped them with record keeping. However, 31% said they were requested by social security, forced to be used by Government authorities or the bank provided them with the service.

3.4.3.MICRO BUSINESSES

- 1. The case for micro businesses accessing financial services is different. 72% don't access any of these services against 13% in-branch services and 8% ATMs respectively, mobile banking app at 4%, and credit/debit cards at just 1%. 1% use online purchases and another 1% don't know.

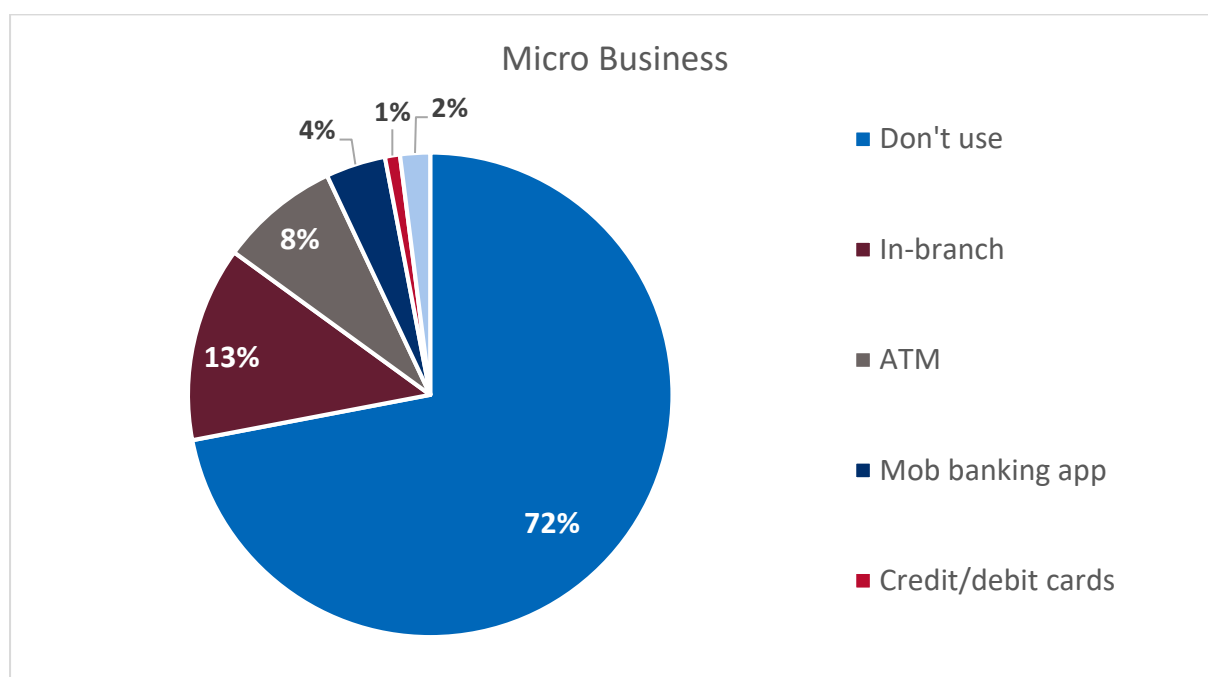


Figure 17. Use of Digital Financial Services Small Businesses

- 2. Usage of mobile financial services is low:
 - a. 2% for AyaPay, 6% for Dinarak, 7% for eFAWATEERcom, 4% for Mahfazti and Mobile banking and 6% for ZainCash. These services are used for bill payment, 38%, to check balances 16%, receive/send transfers 16%, pre-pay airtime/subscriptions, 8%, and merchant payment, 8%. 15% did not know.

3. Asked why they don't use these digital payment methods, 34% of micro businesses said they had no need for them,
 - a. 29% said their work requires dealing with cash,
 - b. 14% dealing with cash makes work faster and easier,
 - c. 9% said due to low sales there was no need to open an account,
 - d. 5% mentioned religious reasons,
 - e. 3% mentioned commissions and fees,
 - f. 5% either didn't know how they work, or didn't know they existed.
4. 76% of micro businesses have no challenges in using cash, however, they have challenges with collecting payments from customers, 5%, having the right change, 6%, paying suppliers, 4%, lack of digitized records, other, 5% included forged money, delayed payments by customers and theft. 1% did not know and another 1% refused to answer.
5. Only 14% of micro businesses send or receive remittances for personal or business reasons VS 85% who don't, and 1% did not know. Those who did, effect remittances or receive them through the bank, 31% or through exchange houses, 69%.

3.4.4.FOCUS GROUP DISCUSSION FINDINGS

When reference was made to Digital Financial Services, FGD respondents revealed:

- **University students** heard about Zain Cash, Dinarak, and Mahfazti and Aya but did not use any. At the same time, they had very confusing knowledge about them. One mentioned "making them halal"!
- One mentioned Zain Cash demands a lot of work and difficult procedure.
- When probed further he said, "When I went to register, the employee talked a lot and I didn't understand. I felt something was wrong".
- "I heard of it, wanted to try it but it was not supported everywhere".
- "I don't know any of my friends that deal with it".
- **Urban and Rural Cooperatives** heard of Dinarak, Mahfazti and Zain Cash but don't use them. They heard that Syrians use Dinarak. They expressed as well that it needed to be linked to the central bank and the government (they had no knowledge that it already is).
- There was little awareness among Refugees of Dinarak, Mahfazti. However, it was mentioned that NGOs use Zain Cash when working with refugees. Zain Cash seems to have a higher awareness, and more trust. Some friends of participants use it. It solved a lot of issues. It has a potential if the right partnership is concluded with UNHCR.
- One male participant used to use Mahfazti and stopped after a week since it is not used for the purchases that he needs and is not widely used.

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- Females of **Home based businesses** had no previous knowledge about e-wallets and have never heard of it before. Some have heard of Mahfazti through friends.
- E-FAWATEERcom is new to some. Some remember seeing advertisements on Facebook for Zain, Mahfazti and e-FAWATEERcom.
- Some said “you can’t go with this idea (digital payment) to poor neighborhoods”.
- **Small businesses** participants heard of Zain cash, Dinarak and Mahfazti.
- “I downloaded it and didn’t know how to use it. It is a bit complicated. I didn’t benefit”.
- “One of my workers use it, but I have no idea about it”.
- They see fees as a problem. It is complicated for many people. Some people do not know how to use a phone to pay. “As long as there is trust in this technological process, everyone will use it”.
- They had concerns that low income people won’t accept this idea.

3.4.5. WILLINGNESS TO USE DIGITAL FINANCIAL SERVICES

3.4.5.1. SMALL BUSINESSES

1. 43% of small businesses believed using digital payments would be fast and easy to implement, 4% said they did not trust these applications, 5% said they would not help them in their work and 22% did not need them, 4% believed they would slow down work, and 4% due to lack of sufficient knowledge. 17% did not know.

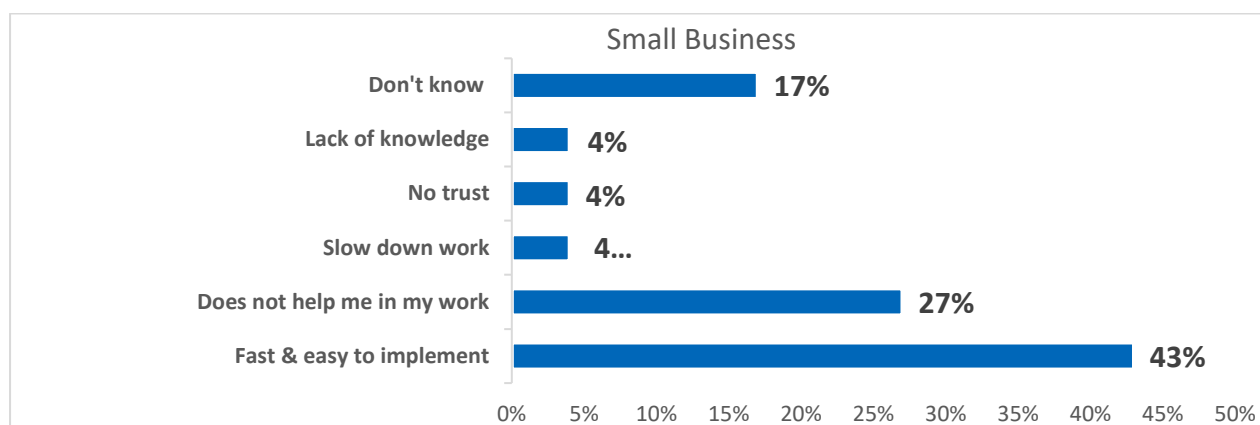


Figure 18. Digital payments would work or not Small Businesses

2. 47% of small Businesses see no challenges, but there are similar challenges to micro businesses, such as customers not having an account, 21%, suppliers not having an account, 4%, irregular payment flows, 11%, lack of education on how to use these services, 11% and lack of trust in these services, 4%. Another 4% did not know.

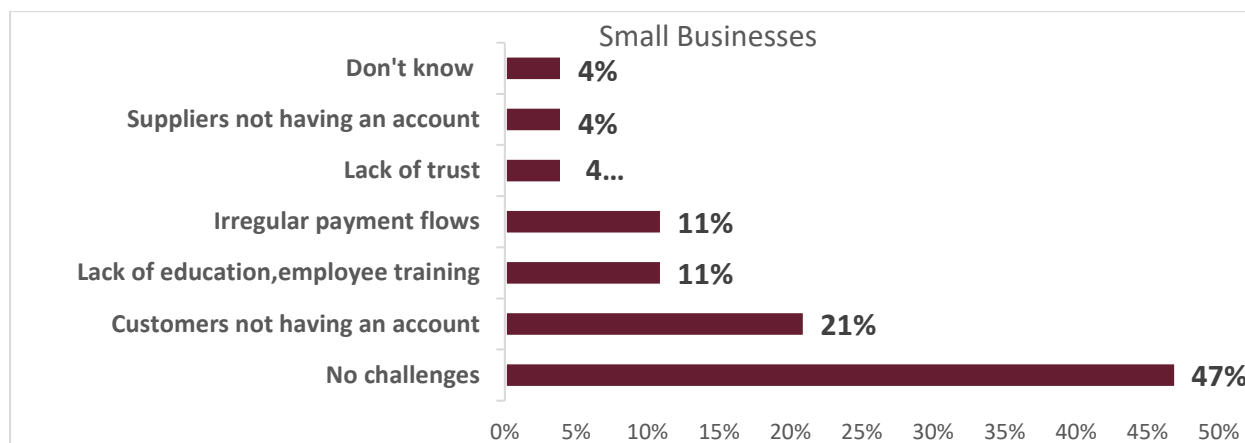


Figure 19. Challenges in using digital payment methods Small Businesses

3.4.5.2. MICRO BUSINESSES

1. Asked if using digital payments would work or not work in their business, 27% of micro businesses said if it was fast and easy to implement, 2% more economic, 1% safer, 1% based on customer request, 1% works but more expensive, 1% works but no need in their work, 1% facilitates purchases and sales and 1% helps avoid financial mistakes, against a similar 26% who said it did not help them in their work, 5% they preferred cash, 3% customers were not interested, 3% said they did not trust these applications, 4% due to lack of sufficient knowledge or 2% difficult to use. 20% did not know.

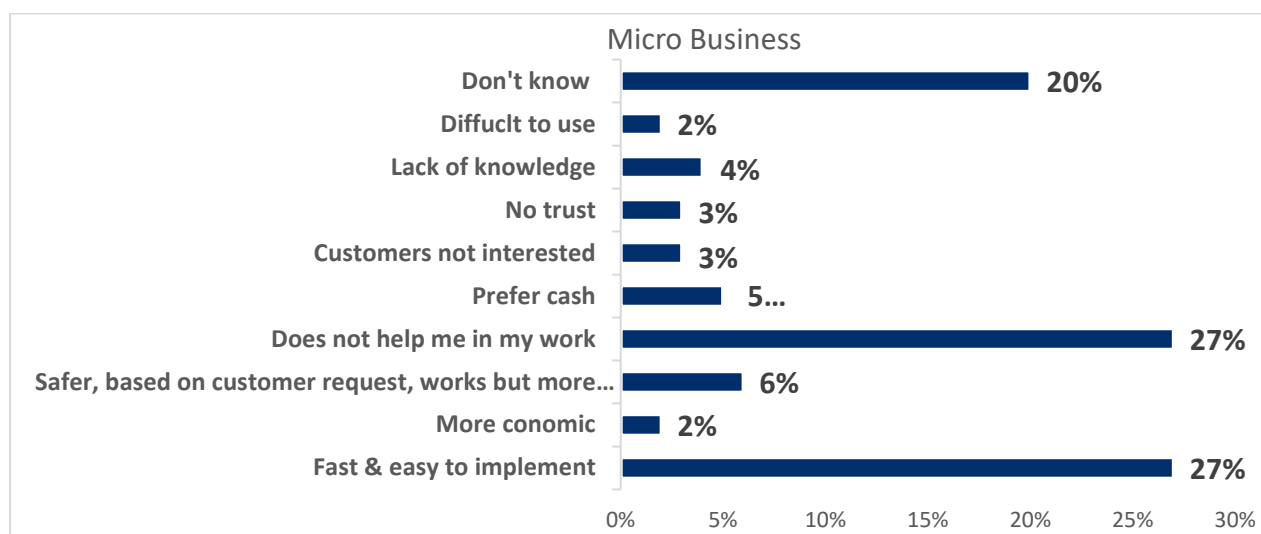


Figure 20. Digital payments would work or not Micro Businesses

2. Whether they see any challenges in using digital payment methods, 23% of micro businesses do not see any challenges, but 24% believe customers not having an account is a challenge, suppliers not having an account, 7%, account registration, 2%, lack of education on how to use these services or employee training, 12% is another challenge, lack of access points, 2% and distance to access points/agents, 5%, the issue of trust in these services, 9%, and irregular payment flows, 9% and 1% mentioned high commissions. Those who did not know were 5%.

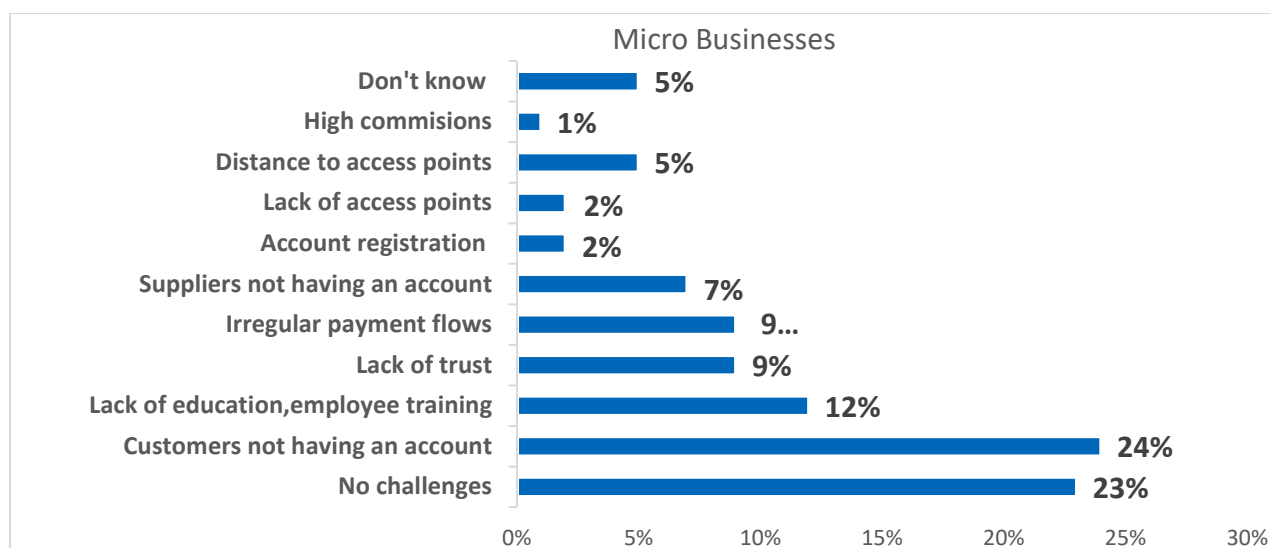


Figure 21. Challenges in using digital payment methods Micro Businesses

3.4.6. FOCUS GROUP DISCUSSION FINDINGS

FGD respondents were probed on the likelihood of them using digital payment services if made available and necessary knowledge acquired:

- There was an acceptance among university students that digital payment would make things easier...but there were things that made no sense. Good advertising is needed. Everything would be easier electronically.
- FG participants from Urban and Rural Cooperatives meant training and awareness were necessary. These, if applied, would save time and effort.
- Challenges are a good internet connection.
- Applications should make use of 'icons' as many people don't understand the services which to make easier be replaced with an 'icon' for better recognition.
- Refugees on the other hand have safety concerns when it comes to e-wallets.
- They stated that it was challenge for older people.
- Home based businesses were open to the idea especially those working in food catering. However, they meant "what is most important is easy to use" "you have to have symbols and images (icons) so it becomes easier for people who cannot write or read".
- Some said: "Why not! Everyone knows how to use GPS location".
- Small businesses said more advertising on Facebook or social media is needed.
- In general they were more accepting to the idea if it caters to a wider sector of clients. "If I want to use it must be trusted and guaranteed by the Government".
- "For me, the only service I trust are the messages from the bank."

3.4.7. PRODUCT DEVELOPMENT

3.4.7.1. SMALL BUSINESSES

Small businesses were probed on how attractive the following assumptions to various options of adopting digital payment methods:

TABLE 3. ATTRACTIVENESS OF ADOPTING DIGITAL PAYMENTS SMALL BUSINESSES

ASSUMPTIONS	VERY ATTRACTIVE	SOMEWHAT ATTRACTIVE	NOT REALLY ATTRACTIVE	NO AT ALL ATTRACTIVE	NOT SURE
	%	%	%	%	%
I would adopt digital payments if some of my customers asked me	39	26	17	17	-
I would adopt digital payments if it would help me access greater credit for investment	35	22	22	22	-
I would adopt digital payments if it would help me access working capital quicker	48	13	17	22	-
I would adopt digital payments if it could be incorporated into my inventory management system	53	4	13	30	-
I would adopt digital payments if it could be incorporated into my record keeping	65	-	13	22	-
I would adopt digital payments if it led to a tax advantage	65	-	13	17	4
I would adopt digital payments if I could also do targeted marketing activities i.e. SMS to customers about a promotion	57	9	13	22	-
I would adopt digital payments if I could pay my employees automatically and immediately through the system	57	9	13	22	-

3.4.7.2. MICRO BUSINESSES

Micro businesses were also probed on their preference for service features.

TABLE 4. ATTRACTIVENESS OF ADOPTING DIGITAL PAYMENTS MICRO BUSINESSES

Automatic repayment of your loan from your mobile wallet	9%
Have a savings account that could deposit or withdraw from at any time	28%
Automatic savings i.e. a fixed amount is deposited from your mobile wallet into your bank account at a specified time i.e. every Thursday at 6pm, every 31st of the month	4%
Targeted savings i.e. setting a fixed goal for example to pay school fees	3%
Purchase Order finance i.e. getting a loan based on a contract	1%
An overdraft facility i.e. pre-approved short term deficit in bank account	3%
A safe place to save the money from my saving group	17%
Don't know	34%

Refused to answer	2%
Other: Cash payment	1%
Total	100%

3.4.8. IMPLICATIONS FOR MFIS AND PSPS

The findings show that cash is still very much king, however with the appropriate awareness, training, suitable value proposition (agents and customers) and with products and services that meet the needs of customers, then even for microbusiness, and especially small business, there is a latent demand for more cost and operationally efficient processes and payment channels. For this reason it is important to conduct Human Centred Design and follow prototype principles, both of which put the customer at the centre of the design and encourage feedback from the very early stages.

Getting customer feedback is critical when considering the product lifecycle, as per the example in figure 22.

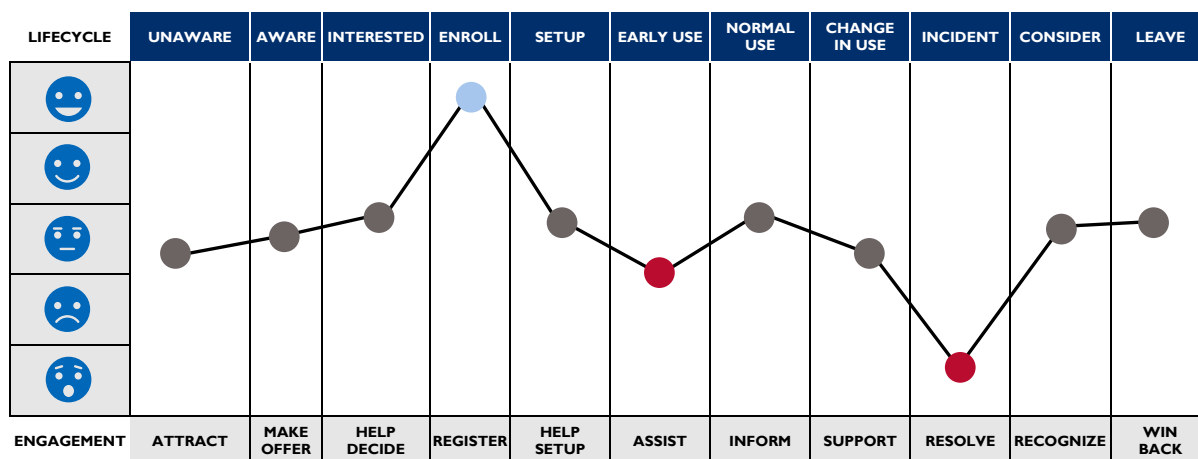


Figure 22. Example of digital payment product lifecycle

In addition, both PSPs and MFIs need to have their respective GO TO market strategies for each customer segment, this rather than generic ATL messages. For example, taking three broad segments, MFI and PSPs might consider:

- **Urban existing customers but with low usage:** need a combination of TTL & BTL activities to engage. Handholding them by helping them (Help Setup) step will be key to adopting digital payments
- **Urban youth who are new customers:** need a combination of ATL, TTL & BTL activities to reach out to them as they are more literate and have a larger disposable income bracket. They need to stay informed (Inform)
- **Rural new customers:** To attract new customers (those choosing the network to sign up on & those who want to leave the competition) hands on BTL activities need to be rolled out to capture this reluctant market

4. CONCLUSIONS

4.1. A NASCENT MARKET

While there is a global move to DFS, Jordan, which has a supportive central bank, policy and regulation, has not seen significant movement in customer uptake or agent engagement – the market should still be considered nascent as key performance indicators, such as: awareness, account registration, agent mobilization and, regular (30 days) usage, are all low and not financially sustainable.

There are numerous reasons for the low level of uptake, ranging from the value proposition to agents, the pricing structure of DFS services, the predisposition for cash, trust in the technology and service providers, effective marketing campaigns, the level of financial inclusion (more generally), and the promotion of successful use cases.

This lack of uptake has significant implications. For PSPs, without scale in the number of accounts and transactions, and with thin margins (on transactions) it will be difficult for the 5 service providers to be financially sustainable. On the other side, MFIs are wanting to increase outreach on the one hand and benefit from operational efficiencies that DFS can provide on the other. However, if the business model for PSPs is struggling, and there is limited consumer demand (to change from cash), then it is difficult to see where there can be multi-stakeholder benefit through the rolling out and uptake of mobile wallets.

4.2. WILLINGNESS TO ADOPT DFS

However, while awareness and usage of digital payments is still low for both micro and to a lesser extent small businesses, there does seem to be an openness to using them (especially in younger populations) if there is suitable training, the benefits are clearly explained and trust in the overall system can be re-enforced. Most importantly, micro and small business could adopt digital payments if there was demand from customers to move away from cash. In this regard, it was noted during the FGD the 5 segments had quite different opinions on digital payments and which suggests there is need for segmentation and a clear marketing and communication strategy from service providers (to each of those segments).

4.3. SMARTPHONE USAGE AND PRODUCT DEVELOPMENT

Smartphone penetration hovers around 83%¹³ and which is a very high percentage globally. This adoption, combined with strong network coverage allows MFIs and PSPs to innovate in the development of products and services without being beholden to MNOs and USSDs (as is the case in other markets). As found in the research, while the main drivers of mobile wallet uptake of bill payments, airtime purchase and P2P are not so strong use cases in Jordan, there are some specific opportunities in the market which are not currently being exploited, specifically around female

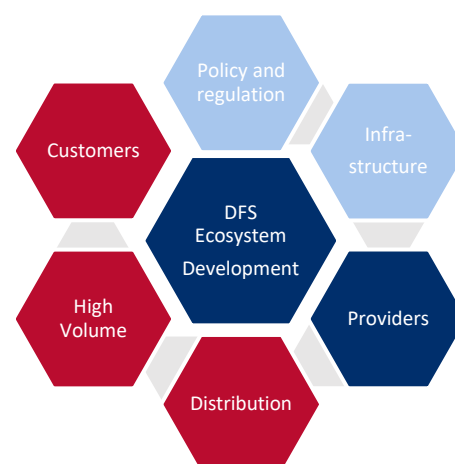


Figure 23 - Jordan DFS Ecosystem Overview
 Source: Author's analysis using UNCDF - MM4P Honeycomb Model.
 Light blue = advanced,
 Navy = progress made,
 Red = early stage

¹³ <https://www.statista.com/statistics/779558/mena-smartphone-penetration-by-country/>

financial inclusion and alternative credit scoring algorithms (leading to overdraft type financial products).

4.4. CASH IS KING AND THE ROLE OF JOMOPAY

Cash is king. While there is limited trust in financial institutions, there is much trust in the Central Bank. This creates a dichotomy, whereby PSPs are not trusted or understood, but JoMoPay is – this however creates confusion in the market with dual branding, with end users thinking that there is a service called JoMoPay that they can access, rather than it being a platform that facilitates mobile wallet payments. There is need for clarity on the one hand and to build confidence of the service providers on the other. This could be achieved through explaining the linkage between PSPs and the Central Bank in the form of accreditation and certification of services (over and above licences). The roles and responsibilities of different stakeholders should be addressed through national level financial education and awareness programs coordinated through the Central Bank and in which they are agnostic towards the PSPs.

4.5. THE NEED TO INCREASE ACCESS POINTS

There is a lack of scale in access points, this by both the PSPs and MFIs. While PSPs report of approximately 1,000 agents, many of these are double/ triple counted, for instance at post office locations or exchange houses. Other agents are in-active. Without access points, then the viability of the service, and the value proposition to end users will be severely limited. The underlying challenge of rolling out an agent network is the result of flat pricing and thin margins for PSPs, and which results in limited commissions for agents. This is an issue for the sector as whole to tackle otherwise there will inevitably be PSP casualties as it will be a survival of the financial fittest.

On the other side, MFIs have the opportunity to be agents for PSPs as well as set up their own satellite branch network, this dual strategy complementing itself, while at the same time being in alignment more generally with a move to digitizing transactions with the customers and which can be facilitated through partnership with PSPs.

4.6. LATENT DEMAND . . . IF BENEFITS CAN BE EXPLAINED

The research showed that low income levels, scarcity of savings and high opening balance ceilings make banks not that attractive to a majority of Jordanians, and as such, MFI and PSP services have a latent demand if appropriate products and services can be developed, and marketed appropriately with a focus on alternative credit, institutional security (from Central Bank supervision) and it can ease daily pressures, save time and effort, and is cost effective to users.

4.7. THE OPPORTUNITY OF YOUTH

76% of Jordanians are below 34 years of age. In the research, 51% for micro businesses and 57% for small businesses of those under 44) indicated interest to adopt digital payments if trained, understand the benefits, and the services are appropriately promoted.

4.8. WOMEN ARE ESPECIALLY UNDERSERVED

There are certain cultural / societal challenges for women in Jordan, this over and above the religious doctrine followed by many of the population wanting Sharia compliant financial products. It is important to be innovative as this is a large untapped market especially for PSPs. Even though 70% of MFIs client base is female, only 27% of women are financially included.

USAID LENS - Benchmark Data on Payments by Micro and Small Enterprises In Jordan

Anecdotally, women are afraid to approach a male mobile money agent, but this does not mean that they should not be able to do self-service financial transactions from their home or place of business. If solutions can be found by both MFIs and PSPs to serve women, there is opportunity to greatly increase scale.

5. RECOMMENDATIONS

5.1. SEGMENT THE MARKET

During the FGDs the 5 segments had quite different opinions on digital payments.

- Students: There was an acceptance that digital payments would make things easier. Good advertising is needed. Everything would be easier electronically.
- Urban and Rural Cooperatives highlighted that training and awareness were necessary. These, if applied, would save time and effort. There is need for the use of 'icons' for better recognition and ease.
- Refugees had safety concerns when it comes to e-wallets, and that it would be a challenge for older people.
- Micro businesses were open to the idea especially those working in food catering. However, use should be made easier. Symbols and images (icons) for example for those who cannot write or read.
- Small businesses meant more advertising on Facebook or social media is needed. In general they were more accepting to the idea if it caters to a wider sector of clients. There was still the trust issue.

As such it is vital for both MFIs and PSPs to segment the market and have a marketing and communication strategy specific for each of the market segments rather than relying on national level generic messages which do not highlight the respective value propositions.

5.2. BUILDING TRUST IN THE DFS MARKET

While the market may be currently low, if critical aspects of DFS, such as training, trust, awareness through appropriate channels etc. are addressed by both MFIs and PSPs, there can be mutual benefit. As such, it will be important to conduct demand side research on the market in general (to also help with segmentation) and specifically on female access to finance.

5.3. BE MORE CUSTOMER CENTRIC

All actors should forge a culture of customer centricity and follow Human Centred Design and prototyping principles, this so as to ensure the product / service design meets the customer needs and which will lead into an uptake of usage. This will be especially important when considering the Go TO market strategy and the engagement of the consumer throughout the product lifecycle.

5.4. MFIS TO CONSIDER THE SATELLITE BRANCH OPPORTUNITY

MFI satellite branches (the agent is an employee of the institution rather than a 3rd party) and whereby agents collect repayments and loan applications but not loan disbursements, is permissible under current regulation and should be examined as a way to increase outreach. Additionally, MFIs can also act as agents for PSPs in a mutually beneficial partnership – the PSP gets liquid agents, the MFI adds a new service to their client offering, has an additional income stream and, importantly can help facilitate the move towards more efficient operations. The following resources could be useful to further explore this opportunity.

- a. http://www.microsave.net/searches/tag_by_resources/Agent%20banking
- b. <http://mm4p.uncdf.org/article/2760/agency-banking-el-dorado-uganda-what-to-expect>
- c. <http://mm4p.uncdf.org/article/2760/agency-banking-el-dorado-uganda-what-to-expect>
- d. <http://www.uncdf.org/article/1940/toolkits-for-financial-service-providers-to-succeed-in-their-digital-journey>

NOTE: The Jordanian regulatory environment must always be kept in mind.

5.5. EXAMINE THE CURRENT DFS PRICING MODELS

It is important to re-examine the current DFS pricing models as flat versus tiered pricing, and on very thin margins, makes it difficult to build a commission structure that is attractive to potential mobile money agents or sustainable for PSPs more generally.

5.6. FULLY UNDERSTAND THE BUSINESS CASE OF DFS

MFIs must look fully at the business case of DFS. It is not a case of additional fees, but rather of increasing outreach on the one hand and becoming more operational efficient on the other. Similarly, PSPs should help their organisational partners understand the business case. In relation to this research, this would include small businesses, who while sensing potential for using DFS have not yet implemented transformation. The hypothesised reason for this, and based on experience in other markets, is that these business (also NGOs, cooperatives, associations etc) are not able to articulate let alone enumerate the benefits to management / board of directors, and thus the opportunity doesn't get past pilot stage with staff and customers.

5.7. LOOK FOR TECHNICAL ASSISTANCE OPPORTUNITIES

Both MFIs and PSPs may want to apply for targeted technical assistance in the following categories:

- a. Marketing capacity building
- b. Development of long term vision based on organisational digital transformational change (more than DFS as only a payment channel)
- c. Market segmentation
- d. Product development
- e. Strengthening customer call centre (this is a requirement under CBJ licensing)
- f. National level financial education and literacy strategy

6. ANNEXES

6.1. MICRO BUSINESS (1-9 EMPLOYEES) PAYMENT QUESTIONNAIRE



micro business 1-9
employee payments

6.2. SMALL BUSINESS (10-50 EMPLOYEES) PAYMENT QUESTIONNAIRE



Small business
10-50 employee pay

6.3. GUIDELINE FOR FOCUS GROUP DISCUSSION



FGD discussion
guide comments cs