البنك المركزي الأردني
CENTRAL BANK OF JORDAN

الاشتمال المالي في الأردن
Financial Inclusion In Jordan

National Financial Inclusion Strategy 2023-2028

Jordan

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Contents

List of Abbreviations

ACH	Automated Clearing House System
ATM	Automated Teller Machine
CBJ	Central Bank of Jordan
CEMC	Consumer Empowerment and Market Conduct
COVID-19	Coronavirus Disease 2019
CRIF	Jordan's Credit Bureau
DEF	Development and Employment Fund
EBRD	European Bank for Reconstruction and Development
ECC	Electronic Cheque Clearing
EIB	European Investment Bank
EMV	Economic Modernization Vision
FCP	Financial Consumer Protection
FEP	Financial Education Program
FI	Financial Inclusion
FinTech	Financial Technology
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICPs	Insurance Core Principles
IFC	International Finance Corporation
I-FIN	Innovative Approaches for the Financial Inclusion of Micro, Small, and Medium-sized Enterprises (MSMEs) in Jordan[1]
JIF	Jordan Insurance Federation
JLGC	Jordan Loan Guarantee Corporation
JOD	Jordanian Dinar
JoMoPay	Jordan Mobile Payment System
JoPACC	Jordan Payments and Clearing Company
JPSF	The Jordan Postal Saving Fund
MFI	Microfinance Institution
MoH	Ministry of Health
MSME	Micro, Small, and Medium-sized Enterprises
NBFI	Non-bank Financial Institution
NFIS	National Financial Inclusion Strategy
NGOs	Non-governmental Organizations
OECD/INFE	Organisation for Economic Co-operation and Development/ International Network on Financial Education
POS	Point of Sale
PSP	Payment Service Provider
QR	Quick Response Code
RMS	Royal Medical Services
RTGS	Real-Time Gross Settlement System
SDG	Sustainable Development Goals
SME	Small and Medium-sized Enterprises
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees

[1] The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), n.d.

Terms and Definitions

Bottom 40%	The low-income households who fall in the bottom 40% of the total adult population in terms of income.
Data and Research	The collection and processing of data and information that help policymakers businesses devise informed financial inclusion policies, strategies and plans, to set indicators for financial inclusion and to perform monitoring and evaluation.
Digital Financial Services	Electronic means of payments and money transfers including for mobile money. Electronic payment systems cover the infrastructure that provides the channels and tools for the delivery of DFS, by the mobile or other electronic payments and transfer services, to youth, women, refugees and the low-income segment in particular, and the unbanked, financially underserved or excluded in general.
Finance Company	Any financial institution that primarily engages in lending and is not a bank or a microfinance institution.
Financial Capability	The internal capacity to act in one's best financial interest, given socio-economic environmental conditions. It encompasses the knowledge (literacy), attitudes, skills, and behaviors of consumers with regard to managing their resources and understanding, selecting, and making use of financial services that fit their needs.
Financial Consumer Protection	The state whereby the rights of consumers of financial services are preserved through a clear legislative framework that identifies the relationship between providers of financial and banking services and their customers to ensure the consumers' rights in terms of fairness and transparency, as well as protecting their rights when complaining. In addition, financial consumer protection involves raising consumers' awareness and enabling them to take well-informed financial decisions through encouraging them to improve their knowledge and skills needed to manage their assets.
Financial Inclusion	The state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services that meet their needs, help to improve their lives, and are delivered in a responsible and sustainable way.
Financial Technology	A term referring to technology-enabled innovation financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.
Insurance Penetration	Premiums as a percentage of Gross Domestic Product (GDP).
Laws, Regulations, Instructions	The system of rules and provisions that relate directly to the financial system, its markets, and financial instruments, as well as the financial service providers, financial consumers, financial regulators, and their relationships, rights and duties. They are legitimized directly by the Central Bank of Jordan, the Cabinet, or the Parliament.
Medium-sized Enterprise	A medium-sized enterprise has assets or annual sales/revenues between JOD 1 to 3 million and the number of employees between 21 and 100.
Microfinance	Provision of financing and financial activities to persons of low income and persons who are unable to obtain financial services wholly or partially from the banking sector – whether these parties are individuals, microenterprises, or small companies, and according to the Central Bank's standards.
Micro-sized Enterprise	The enterprise whose total assets or annual sales/ revenues is less than (100,000) JOD, and the number of employees is less than (5) employees
Small-sized Enterprise	A small enterprise has assets or annual sales/revenues that are lower than JOD 1 million and the number of employees between 5 and 20 employees; and is not a public shareholding company, insurance, or financial brokerage company.

I. Introduction

1. The Definition of Financial Inclusion

Financial Inclusion in the Kingdom is defined according to the National Financial Inclusion Strategy (2018-2020) as follows:

"Financial inclusion is the state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services – payments, saving, credit, transactions, and insurance – that meet their needs, help to improve their lives, and are delivered responsibly and sustainably."

2. Rationale for Financial Inclusion

Financial Inclusion is a crucial element aligned with the country's overarching goals outlined in the Jordan Economic Modernization Vision and other national development objectives. The rationale behind emphasizing financial inclusion in Jordan stems from its potential to foster sustainable economic growth, poverty eradication, enhance socio-economic development, and maintain stability within the country. Here is how financial inclusion connects with these key priorities:

Economic Modernization Vision:

Financial inclusion is a cornerstone of the Economic Modernization Plan as it aims to leverage inclusive financial services to stimulate economic activity, particularly among underserved or marginalized populations.

By providing access to financial services like banking, credit, and insurance, the plan seeks to empower individuals, SMEs, and rural communities, enabling them to participate more actively in the formal economy.

Poverty Eradication and Socio-economic Development:

Financial inclusion plays a pivotal role in poverty eradication strategies by enabling access to affordable credit, saving, and insurance services, thus empowering individuals and micro-entrepreneurs to generate income and improve their livelihoods.

Through access to financial services, marginalized groups, women, and youth can gain the tools and resources necessary to participate in economic activities, contributing to overall socio-economic development.

Promoting Stability and Resilience:

Inclusive financial systems contribute to economic stability by reducing income inequality, enhancing resilience against economic shocks, and fostering a more inclusive financial ecosystem.

Expanding access to financial services, especially in rural and remote areas, aims to create a more robust and stable financial infrastructure that benefits all segments of society.

By integrating the unbanked or underserved populations into the formal financial sector, Jordan can unlock its economic potential, driving overall economic growth and progress toward broader development objectives.

Alignment with Sustainable Development Goals (SDGs) in Jordan:

Moreover, the National Financial Inclusion Strategy in Jordan resonates with the United Nations Sustainable Development Goals (SDGs). Specifically, it contributes to (SDG 1: No Poverty), (SDG 8: Decent Work and Economic Growth), (SDG 9: Industry, Innovation, and Infrastructure), and (SDG 10: Reduced Inequalities). By promoting financial inclusion, the Strategy acts as a catalyst for poverty eradication, economic empowerment, and reducing inequalities within the society. Furthermore, it supports the development of robust infrastructure and innovation ecosystems, fostering sustainable economic growth in accordance with the SDGs.

In essence, the National Financial Inclusion Strategy (2023-2028) in Jordan emerges as a pivotal enabler, reinforcing the objectives of the Economic Modernization Vision orchestrated by the Royal Court while concurrently advancing the nation's commitment to achieving the Sustainable Development Goals.

3. Data Source

The Central Bank of Jordan (CBJ) and the Government of Jordan formalized their commitment to increasing financial inclusion with the issuance of the National Financial Inclusion Strategy (NFIS) for (2023-2028). The NFIS sets targets, defines target groups, and identifies methods to improve financial inclusion in the future. In early 2023, a Financial Inclusion Diagnostic Study was published based on a nationally representative face-to-face survey of (1,052) households and (334) Micro, Small, and Medium-sized Enterprises (MSMEs). A similar survey had been conducted in 2017. Unless otherwise noted, the figures in this strategy are taken from 2022 study.

4. Financial Inclusion Framework

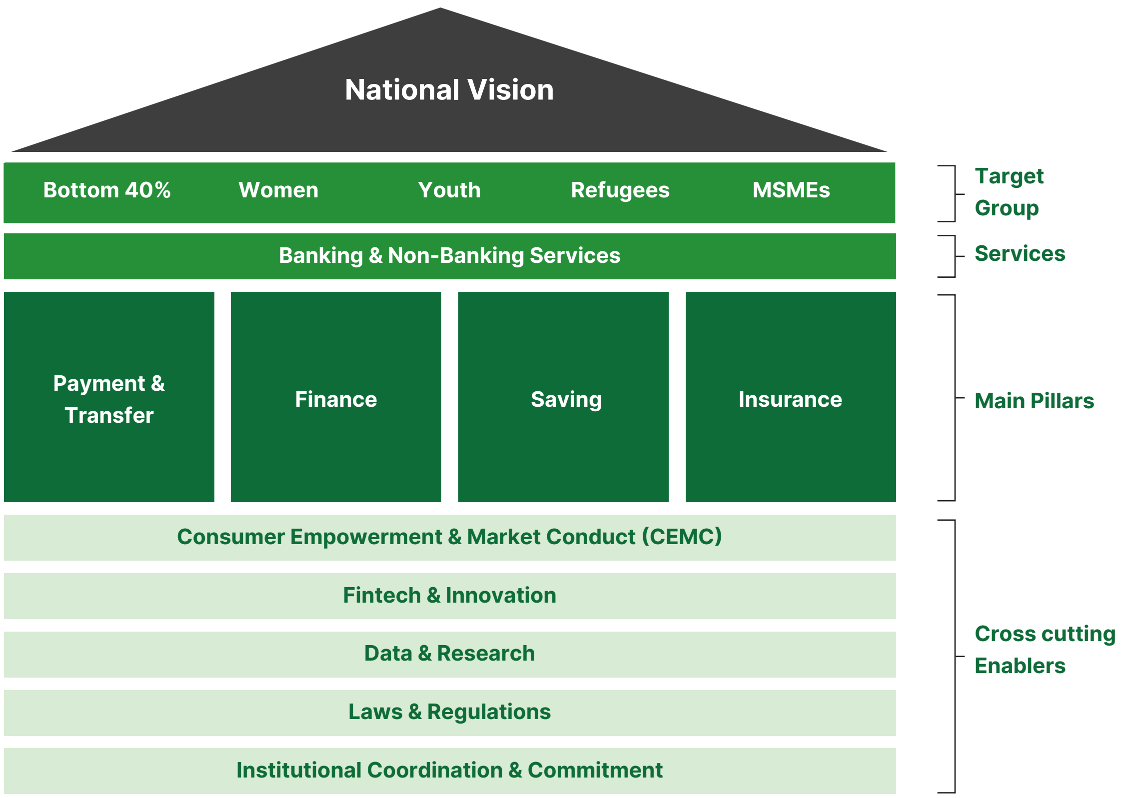

Figure 1: Financial inclusion framework

5. Vision

Financial inclusion has gained paramount importance, driven by recent national, institutional, and individual events and the emergence of challenges that need immediate attention. These challenges encompass financial crises affecting low-income populations, climate change impact on rural communities, and political conflicts and wars affecting energy prices and business stability. The Central Bank of Jordan (CBJ) has prioritized financial inclusion in response to these challenges.

CBJ's vision is to promote financial inclusion in Jordan, benefiting all segments of society, individuals, and businesses alike. This involves ensuring access to financial products and services, including **payment and transfer, finance, savings, and insurance,** from formal financial institutions at reasonable costs, improving living standards. CBJ launched the National Financial Inclusion Strategy (NFIS) (2018-2020) to manifest this vision aligning policies and efforts across public and private sectors, and stating clear and measurable initiatives to enhance financial inclusion. The strategy achieved key objectives; increasing financial inclusion from (33.1%) to (43.1%) and reducing the gender gap from (53%) to (22%), according to the FI Diagnostic Study 2022.

Building on these achievements, CBJ has developed the new NFIS (2023-2028), serving as a roadmap for further advancing financial inclusion in Jordan. This strategy efficiently allocates resources for economic growth and sustainable development, enabling the financially excluded to participate in the production cycle. It aligns with the Economic Modernization Vision (EMV) (2023-2033) and its executive program (Priorities 2023-2025), which guide the national economy through the next decade and contribute to achieving the United Nations' sustainable development goals by 2030.

The vision statement for NFIS (2023-2028) is *"Responsible and sustainable access and usage of financial products and services by different societal segments that contribute to achieving economic and social development in the Kingdom."*

CBJ is leading efforts to enhance financial inclusion in the country, with support from various public and private sector partners. Following the National Financial Inclusion Strategy (2018-2020), CBJ has adopted a collaborative approach involving all stakeholders. This approach clarifies roles and responsibilities, fosters common understanding, and coordinates initiatives under a unified framework. It ensures the achievement of objectives and efficient resource allocation to priority sectors and target groups, promoting financial inclusion.

The National Financial Inclusion Strategy (2023-2028) framework incorporates target groups, main pillars, and cross-cutting enablers aligned with the Kingdom's financial inclusion priorities. It focuses on individuals and the business sector, especially those excluded from the financial system. Target groups include the bottom 40%, women, youth, refugees, and MSMEs.

The inclusion of the insurance sector as a main pillar in the new strategy aim to address emergencies and essential needs for a dignified life. Special attention is given to women to bridge the gender gap in accessing financial services and empower them to assume societal leadership roles. Policies and practices are tailored to refugees' conditions and income levels, respecting their fundamental right to access financial products and services.

The National Financial Inclusion Strategy (2023-2028) is structured around four fundamental pillars: finance, savings, insurance, payment, and transfers. Savings was added as a fundamental pillar of this NFIS to enhance saving products, enabling proper financial planning and motivating the use of existing products to improve living standards and financial resource management.

The above-mentioned pillars are supported by cross-cutting enablers, including Consumer Empowerment and Market Conduct, FinTech and Innovation, Data and Research, Regulatory and Legal Frameworks, and Institutional Coordination and Commitment.

CBJ also addresses climate change's impact on the financial sector by greening the financial system and integrating climate change in Regulatory and supervisory frameworks. As a result, CBJ launched the Green Finance Strategy (2023-2028) in November 2023, aligning with the Kingdom's efforts to transition to a green economy and considering the consequences of climate change for target groups.

5.1. Target Groups

The NFIS identifies the bottom 40%, women, youth, refugees, and the MSMEs as target groups that tend to exhibit below-average financial inclusion rates. The financial inclusion indicators for these groups are presented below.

The bottom 40%

The bottom 40% is defined as low-income households that fall in the bottom 40% of the total adult population in terms of income. Low-income households have low ownership and usage indicators for transaction accounts, savings, formal borrowing, digital payments, and insurance. Here are the key findings in 2022:

- **Account ownership:** (19.5%) of low-income adults had an account.
- **Payment and transfer:** (17.6%) used a digital payment.
- **Finance:** (8.7%) of the bottom 40% borrowed formally. Despite the low rate of formal borrowing, it appears that low-income households are often able to meet their borrowing needs through informal sources. The rate of informal borrowing is almost the same for the lower- and upper-income groups.
- **Savings:** An unexpected finding from the financial inclusion survey is that the low-income group was more likely to save money than the higher-income group, with low-income households primarily holding cash at home rather than using an account. According to the survey, the saving rate for the bottom 40% was (16.1%) with (1.7%) saving money in an account, while the saving rate for the top 60% was (13.8%).
- **Insurance:** The relatively high insurance ownership rate among low-income households (53.6%) is attributable to employer-provided medical insurance and special government programs providing free medical insurance to low-income households, compared to (66.7%) for the upper 60%.

Women

In 2022, there are significant gender disparities in financial inclusion, with women facing challenges compared to men, particularly in account ownership and digital payment usage.

- **Account ownership:** Only (31%) of women had accounts, while (53.1%) of men did, resulting in a substantial gender gap of (22.1%). Women's account ownership has increased since 2017 (27.2%), but men's ownership has increased by more (37.6%), widening the gender gap. The gender disparity in account ownership is closely tied to income levels, as women generally earn less than men. Women in the top (60%) of earners have nearly equal account ownership rates as men.
- **Payment and transfer:** Due to the lower account ownership among women, their usage of digital payments is also lower. In 2022, only (27.4%) of women used digital payments, compared to (50.2%) of men.
- **Finance:** Women borrowed more from financial institutions than men with a slight margin (14.4% of women compared to 14.3% of men). They also tend to have lower rates of bank borrowing but higher rates of borrowing from MFIs.
- **Savings:** The gender gap in account ownership contributes to the finding that women are less likely to save in accounts; only (3.3%) of women saved in an account in 2022, compared to (5.1%) of men.
- **Insurance:** Overall, the ownership rate is similar between women (60.7%) and men (61.1%), but women are more likely to have medical insurance than life or auto insurance compared to men.

These disparities underline the need for targeted efforts to improve financial inclusion for women and bridge the gender gap in access to financial services.

Youth

Young people aged (15 to 24) face notable disparities in financial inclusion compared to older individuals across various financial product categories. Here are the key findings:

- **Account ownership:** Only (23.9%) of people in this age group have a formal account, which is less than half the rate of (50.9%) for those aged 25 and older.
- **Payment and transfer:** Just (23.3%) of youth used digital payments in 2022, exactly half the rate of (46.6%) observed for older adults.
- **Finance:** Only (5.2%) of youth received a loan in 2022, compared to (18.1%) for older adults. Like refugees, youth are more likely to borrow from MFIs than traditional banks.
- **Savings:** The rate of youth who saved money in a formal account in 2022 was (2.6%), slightly more than half the rate of (5.0%) for older adults.
- **Insurance:** The share of youth with insurance is relatively high at (53.8%), primarily because they are covered under their parents' medical insurance policies. However, this rate is below the (63.9%) rate for older adults.

These disparities in financial inclusion highlight the challenges youth face in accessing and utilizing financial products and services compared to their older counterparts. Efforts to address these gaps and promote financial inclusion among youth are essential for their financial well-being and future economic prospects.

Refugees

Refugees encounter significant obstacles when it comes to achieving formal financial inclusion, as evidenced by the following key findings:

- **Account ownership:** Only (12.1%) of refugees have formal accounts, a notably lower rate compared to the general population.
- **Payment and transfer:** A mere (10.4%) of refugees used digital payments in 2022, suggesting minimal participation in the digital financial landscape.
- **Finance:** A remarkably high (66.5%) of refugees reported borrowing informally, compared to just (5.5%) that borrowed formally, indicating limited access to formal credit.
- **Savings:** None of the surveyed refugees saved money in a formal bank account or mobile wallets, but some (3.3%) saved informally in 2022, highlighting a lack of access to formal saving options.
- **Insurance:** Only (17.6%) of refugees have insurance coverage, significantly below the average.

These low financial inclusion indicators can be partly attributed to refugees' lower income and employment levels, with a median income of (JOD 60) per month, considerably less than the average income of (JOD 200) for others.

However, there is some hope on the horizon, as certain financial institutions are beginning to accept alternative forms of identification, such as UNHCR cards or residence permits. These alternative IDs may eventually facilitate refugees' access to formal financial services, potentially improving their financial inclusion in the future.

Micro, Small, and Medium-Sized Enterprises (MSMEs)

In connection with this study, in 2022, the CBJ and GIZ conducted the first major nationally representative survey in Jordan designed to measure the financial inclusion of MSMEs. Specifically, micro-sized enterprises have (1-4) employees, small-sized enterprises have (5-19) employees, and medium-sized enterprises have (20-99) employees [2]. The study differentiates between formal and informal MSMEs, meaning those legally registered as a business with the appropriate government body (formal) vs. those not (informal). For the most part, this survey confirmed expectations that as enterprise size increases; the level of financial inclusion likewise increases significantly. Regarding account ownership, usage of saving and investment products, finance, insurance, and payment and transfer, medium-sized enterprises tend to have considerably higher usage rates than micro-enterprises, with small enterprises falling somewhere in between. The study also suggests that there may be a missing middle in credit for loan amounts from roughly (JOD 10,000) to (JOD 100,000), as these amounts are sometimes too high for MFIs and too low for banks.

[2] The CBJ definition of MSMEs also includes assets and annual turnover, in addition to number of employees, as criteria. For the sake of simplicity and in order to compare the survey sample characteristics with the total population, the survey only used number of employees as a criterion

5.2. Cross-Cutting Enablers

Consumer Empowerment and Market Conduct

The concept of financial well-being has gained prominence in recent years as a result of the global financial crisis, in addition to the COVID-19 pandemic, to ensure that the consumers' interaction with the financial system is meaningful and beneficial to their own needs and the importance of protecting and supporting consumers to cope financially, and to be able to face unexpected shocks, thus building their financial resilience.

Financial resilience depends on the availability of appropriate resources and the ability to mobilize them to face negative financial shocks. Having sufficient income and savings is necessary not only to meet the cost-of-living expenses and provide for long-term needs but also to cope with emergencies. Access to affordable credit can be a way to cope with a negative shock in the absence of sufficient financial resources, but an excessive level of debt puts significant constraints on household resources and reduces resilience to future financial shocks. Insurance mechanisms also manage risks and mitigate potential negative financial consequences. The ability to avoid losing financial resources from fraud/scam attempts can also support financial resilience. Moreover, an individual's ability to cope, bounce back, and adapt from shocks may also be related to personal abilities and perceptions.

The inter-related policy areas of financial inclusion, financial consumer protection, and financial literacy aim at supporting and enhancing financial well-being, as well as contributing to building trust and confidence in the financial system, which could be achieved by seeking to ensure that financial consumers:

- Have quality access to financial products and services and can use them to their benefit.
- Operate in a financial marketplace that has appropriate financial consumer protection measures in place so they are treated fairly, responsibly, and not exploited.
- Equipped with the financial knowledge and skills necessary to change attitudes, empower them, and foster healthy financial behavior.

Financial literacy is essential to consumer empowerment; it promotes good financial habits and informed financial decision-making. Additionally, it improves money management and enhances individuals' ability to withstand financial hardships. Eventually, accelerating financial literacy forms a solid foundation for a financially healthier life for individuals and empowers them to better contribute to sustainable development within their society.

CBJ has been keen to promote financial literacy within Jordanian society. However, additional efforts must be made to further empower and literate the consumer.

FinTech and Innovation

FinTech is recognized as the convergence of newly emerging, often disruptive technology, the financial system's infrastructure, the services therein, and their providers and recipients. FinTech firms are assumed essential drivers of competition, access to finance, economic growth, and job creation. The key to emerging, disruptive FinTech services is a regulatory environment conducive to innovation while protecting consumers, providing regulatory certainty for FinTech to evolve as technology is rapidly changing.

Financial institutions are investing significantly in digital transformation, gradually changing how they interact with customers. Nearly all formal financial institutions offer mobile phone apps and online banking systems, with new investment channeling towards adding functionality to those tools and making them easier to use. FinTech companies that apply technology as a core operating principle of their business have been operating in electronic payments for many years. In recent years, several FinTechs have also appeared in the lending market. FinTechs usually apply algorithmic models to issue relatively small loans quickly and efficiently. A few FinTechs have set up technology platforms to connect investors with borrowers rather than funding the loans themselves; crowdfunding platforms are an example of this approach.

Data and Research

In the journey toward a comprehensive National Financial Inclusion Strategy for Jordan, Data and Research emerges as a key factor, highlighting the pivotal role of data in shaping effective policies and fostering inclusive financial practices. This section underscores the critical importance of collecting and analyzing disaggregated data while developing concise reports to tailor interventions, identify barriers, and monitor progress. By embracing a data-driven approach, we not only enhance accountability and transparency but also align with global standards, ensuring our financial inclusion initiatives are grounded in the realities of our diverse population.

At the time of the previous study in 2017, the CBJ was just starting to collect financial inclusion indicators in a structured, systematic format. As of 2022, the CBJ is proposing to upgrade the set of indicators by adding new ones, with the goal of capturing a more comprehensive and complete picture.

The Platform for Collecting and analyzing Data:

Additionally, the Central Bank of Jordan has developed an electronic platform system for data collection and analysis to be a fundamental tool in supporting oversight and supervision functions. This is achieved by observing, evaluating, and monitoring all the growth, development, and efficiency of all sectors that fall under the umbrella of the CBJ to ensure their safety and efficiency. The platform evaluates the impact of sectoral growth on comprehensive economic development and financial inclusion in the Kingdom. Additionally, it tracks and analyzes customer behavior within these sectors, contributing to formulating and developing policies, adopting necessary standards, and establishing performance indicators for future periods.

The platform is to be launched in 2024 and offers several key benefits:

- Easing the burden of compliance requirements for entities under the supervision of the Central Bank, particularly in data provision through an automated system.
- Serving as a centralized and integrated system for data collection, acting as a comprehensive gateway for aggregating data provided by entities individually or collectively through approved data templates. It facilitates analysis and report generation by various supervisory departments within the Central Bank.
- Providing a historical database for all participating entities, allowing users to access stored inputted data securely.
- Enabling technical compatibility for banks to connect with the system, offering multiple options for data provision through various easily applicable and usable technologies.
- Ensuring efficiency and speed in data exchange between supervisory departments at the Central Bank and other banks. This includes monitoring data input errors through pre-approved validation rules and correcting them to ensure accurate and reliable data in a shorter timeframe compared to traditional methods.
- Facilitating quick data analysis and disseminating aggregate data rapidly to aid in decision-making processes. This dynamic presentation of data analysis results allows users to build reports and provides dashboards for data monitoring and deviation tracking.
- Facilitating access to the distribution rates of financial services for participating entities through reports extracted from the platform and published by the Central Bank. This enables strategic planning for infrastructure development, enhancing the spread of electronic channels, and contributing to financial inclusion initiatives in the Kingdom.

Legal and Regulatory Framework

Legal and regulatory frameworks are recognized as the key elements for an enabling environment for financial sector development in general and financial inclusion in particular, covering a broad range of topics that concern financial institutions and consumers relevant to financial inclusion. In the NFIS (2023-2028) CBJ included legal and regulatory actions to facilitate financial inclusion initiatives in Jordan as the following;

- Review laws/regulations related to allowing youth over 15 to open basic bank accounts/e-wallets.
- Review policies to simplify documentation processes for opening mobile wallets for refugees
- Review bank policies related to opening accounts to become gender sensitive.
- Review and foster offering of financial services tailoring MSMEs to improve their access to financial services in collaboration with local authorities and organizations.
- Activate the Insolvency Law and movable collateral registry.
- License finance companies.
- Introduce necessary regulations under the Finance Companies Bylaw.
- Review the credit bureau's legal and regulatory framework to ensure alignment with international developments in the credit information industry, including development of machine learning models and big data utilization.
- Issue the necessary legislation for the finance companies.
- Identify obstacles that the MSMEs may encounter regarding opening saving accounts and introduce necessary regulatory reforms.
- Implement a risk-based solvency regime by enforcing Solvency Margin Instructions No.7 of 2023 and ensure companies' compliance with the minimum solvency margin.
- Enact the new minimum capital requirements instruction No. 6 of the year 2023 to enhance serving the needs of consumers and meet their policy obligations.
- Review Compulsory Motor Insurance Regulations
- Create a legal environment for micro-insurance business by issuing new instructions regulating the micro-insurance business to enable the development of new products and services.
- Review the Instructions of Licensing and Regulating the Business and Responsibilities of Insurance Brokers and Agents.
- Issue instructions to regulate the Insurance business electronically in a conducive environment to facilitate digital channels.
- Issue revised code of conduct for insurance companies.
- Issue conditions and regulations of new insurance products.
- Issue instructions for penalties and fines with regard to violations that occur to the financial consumer
- Update the instructions on Dealing with Customers Fairly and Transparently and issue it under a new title, "Financial Consumer Protection Instructions for Banks."

6. National Goals and Sub-Goals

Table 1: National goals and sub-goals

National goals	Sub-goals
a. Increase account ownership by adults and MSMEs in formal financial institutions.	- Increase account ownership by adults from (43.1%) in 2022 to (65%) by the end of 2028. - Reduce the gender gap in the financial sector - measured by account ownership from (22%) in 2022 to (12%) by the end of 2028. - Increase account ownership by MSMEs from (52.4%) in 2022 to (75%) by the end of 2028.
b. Increase the usage by individuals and MSMEs of diverse financial products and services offered by formal financial institutions, including finance, saving, payment and transfer, and insurance.	• **Payment and Transfer:** - Increase the share of adults who use digital payments from (39.8%) in 2022 to (65%) by the end of 2028. - Increase the share of MSMEs who use digital payments from (31.5%) in 2022 to (50%) by the end of 2028. • **Finance from Bank and Non-Bank Financial Institutions:** - Increase the size of loans granted by banks to MSMEs by (24%) during the next four years (an average annual growth rate of (6%)). - Enhance individuals' access to responsible banking finance. - Enhance access to formal lending for MSMEs from finance companies and by achieving a growth rate of (16%) within four years. - Improve the quality of financial services and products for customers and empower them by taking appropriate measures to enhance financial consumer protection and build financial capacity. - Facilitate refugees' access to finance. • **Savings** - Increase the adult saving rate in formal financial institutions from (4.3%) in 2022 to (10%) by the end of 2028. - Increase MSMEs saving rate in formal financial institutions from (15%) in 2022 to (20%) by the end of 2028. - Increase the saving tools/products and digital solutions provided by different institutions available to the public (individuals and MSMEs). • **Insurance** - Maintain a robust and sustainable insurance sector, preserving wealth and national savings. - Increase the usage of insurance products and services. - Instilling confidence in insurance products and services.
c. Improve the quality of financial services and products for consumers and empower them through appropriate measures to enhance financial consumer protection and build financial capability.	• **Financial Consumer Protection:** - Enhance the financial consumer protection framework in the Kingdom. • **Financial capability** - Increase the average financial health score for adults from (42%) in 2023 to (50%) by the end of 2028. - Increase the financial literacy score among adults from (58%) in 2023 to (62%) by the end of 2028. - Conduct MSMEs' financial literacy score study.[3]

[3] This is expected to be conducted in 2024 for the first time in Jordan based on the "OECD/ INFE Survey Instrument to Measure the Financial Literacy of MSMEs -2020 version.

II. Current Status of Financial Inclusion in Jordan

In early 2022, the Central Bank of Jordan (CBJ) conducted a comprehensive supply and demand diagnostic study for financial inclusion in collaboration with the Business Finance and Consulting Company. The study aimed to quantitatively and qualitatively assess the financial inclusion of both individuals and MSMEs in Jordan, evaluate the impact of the National Financial Inclusion Strategy (2018-2020), and use the study's results as a foundation to set the National Financial Inclusion Strategy (2023-2028).

The study's findings indicated the achievement of key objectives by the National Financial Inclusion Strategy (2018-2020). It notably increased the percentage of financial inclusion in Jordan from (33.1%) to (43.1%) while also reducing the gender gap in the financial sector from (53%) to (22%). Additionally, the study assessed financial inclusion across three dimensions: access, usage, and the quality of formal financial services: Finance, Saving, Insurance, and Payment and Transfer.

In addition, its results provide indicators categorized by the targeted groups of individuals identified in the National Financial Inclusion Strategy (2023-2028). These groups are the bottom 40%, women, youth, refugees, and MSMEs. This is to identify precise qualitative and quantitative objectives based on the actual needs of each group and to ensure the improvement of their financial inclusion levels to enhance economic and social development.

The level of financial inclusion for households (% of adults[4]) in Jordan was summarized using five key indicators (Table 2).

Regarding MSMEs, the results of the study also showed the following leading indicators (Table 3).

Table 2: Core financial inclusion indicators for households (% of adults) in the Kingdom

Accounts Ownership	Payment and Transfer	Finance	Saving	Insurance
43.1%	39.8%	14.4%	4.3%	60.9%
Have a bank account or mobile wallet	Used digital payments during 2022	Borrowed from financial institutions in 2022	Saved money in an account in 2022	Have insurance policy

Table 3: Indicators of MSMEs' financial inclusion level in the Kingdom

Accounts Ownership	Payment and Transfer	Finance	Saving	Insurance
52.4%	31.5%	28.3%	15%	32.5%
Have accounts	Used digital payments during 2022	Borrowed from financial institutions in 2022	The share that has some form of saving or investment product in 2022	Have any insurance policy

4 Adults are defined as those aged 15 and above.

1. Financial Inclusion for Households

1.1. Account Ownership

Table 4: Financial inclusion indicators (2017 vs. 2022)

Financial Inclusion Indicator	2017 (%)	2022 (%)	Change (%)
Share of Adults with Any Account	33.1	43.1	+10.0
Bank Account Ownership	32.0	34.9	+2.9
Mobile Wallet Ownership	0.9	14.9	+14.0

- The share of adults with any account increased significantly from (33.1%) in 2017 to (43.1%) in early 2022, representing a growth of (10%).
- Bank account ownership saw modest growth, rising from (32%) in 2017 to (34.9%) in 2022, despite introducing the Basic Bank Account product targeted at the unbanked population.
- Mobile wallet ownership experienced substantial growth, from (0.9%) of adults in 2017 to (14.9%) in 2022, with a remarkable increase of (14%).
- The expansion of mobile wallets was driven, in part, by efforts from employers and the government to distribute salaries, national aid, and other payments through this digital channel.
- The Coronavirus Pandemic (COVID-19) was pivotal in encouraging employers and the government to reduce cash and cheques transactions, further promoting the adoption of mobile wallets.

1.2. Payment and Transfer

Households in Jordan have significantly embraced digital channels for payments and money transfers, with several factors contributing to this trend. In 2022, (39.8%) of adults used digital payments, a notable increase from (18.3%) in 2017. The COVID-19 pandemic played a significant role in this shift, as employers preferred disbursing salaries electronically, the government channeled more financial aid through accounts, and people became more cautious about handling cash to prevent infection. Other key factors driving the rise in digital payment usage include government-led awareness initiatives, increased availability of Point of Sale (POS) terminals, and agents (Figure 2) and enhancements in technical payment infrastructure. The introduction of the CliQ payment system, which enables free and instant money transfers between banks and Payment Service Providers (PSPs), likely contributed to the growth of electronic transfers.

Payment cards (debit, credit, or prepaid) are the primary instruments for electronic payments held by (24.7%) of adults. However, cardless payments using QR code are gaining acceptance and expected to become more prevalent.

Figure 2: Financial access points in Jordan

1.3. Finance

Borrowing rates in 2022 were high, driven mainly by informal sources due to the COVID-19 pandemic. In 2022, (39.3%) of adults borrowed informally, while only (14.4%) borrowed formally. The borrowing rates had increased from 2017, when (13.3%) borrowed informally and (9.9%) borrowed formally.

Microfinance Institutions (MFIs) played a significant role in 2022, with (8.3%) of adults borrowing from them, surpassing the (6.6%) bank-borrowing rate. Other Non-Bank Financial Institutions (NBFIs) besides MFIs, such as finance companies and government-sponsored lenders, contributed to financial inclusion, with (1.9%) of adults borrowing from them in 2022, up from (1%) in 2017.

Enacting Finance Companies Regulation No. 107 of 2021, which entered into force on 30 May 2022, has brought finance companies under the supervision of the Central Bank of Jordan, hence ensuring the soundness of the financial sector.

1.4. Savings

The share of adults that saved money in any way in 2022 was (14.7%). This relatively low figure can be attributed mainly to the effects of the COVID-19 pandemic, as many households would have had less money to save or would have felt pressure to lend money to their friends and relatives. By contrast, the World Bank's Findex study in 2017[5] found that (45.2%) of adults had saved money. Keeping cash at home is the preferred method for saving, practiced by (10.6%) of adults. Only (4.3%) of adults saved money formally in an account in 2022, down from (9.3%) in 2017.

1.5. Insurance

In Jordan, insurance has the highest ownership rate among all financial product categories, with (60.9%) of adults having some form of insurance in 2022. This high ownership rate is primarily due to automatic insurance coverage provided through employers, government programs for low-income families, or add-ons to other financial products, such as loans. It is relatively uncommon for individuals to proactively apply for and purchase insurance, except for compulsory auto insurance.

[5] Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank Group.

The most popular type of insurance is health insurance, held by (55.5%) of adults, followed by auto insurance (16.9%), life insurance (4.7%), and property insurance (0.6%). Many insurance policies are issued by employers in-group form, with only a small portion issued to individuals. Micro-insurance exists in Jordan, often linked to microloans covering life insurance and hospitalization.

Although many Jordanian banks have licenses for bancassurance, the volume of insurance issued through banks is reportedly low. Additionally, insurance companies have yet to fully utilize online and mobile systems for education, promotion, and sales of their products, which may explain why relatively few policies are issued directly to individuals compared to group policies.

2. Financial inclusion for MSMEs

2.1. Account Ownership

The ownership of current and mobile wallets among formal MSMEs in Jordan is crucial for facilitating electronic payments and enhancing financial inclusion.

- **Current account ownership:** Account ownership is strongly linked to business formality and size: while account ownership across formal MSMEs is (48.2%), this rate is (43.7%) for micro-sized enterprises, (87.9%) for small-sized enterprises, and 100% for medium-sized enterprises.

- **Mobile wallet ownership:** Mobile wallets, which enable electronic payments, are not strongly correlated with business size and, therefore, offer a more accessible electronic payment option for MSMEs of various sizes. Ownership rates for mobile wallets are similar across MSMEs by size.

2.2. Payment and Transfer

- **Digital payment usage:** In 2022, (31.5%) of formal MSMEs used digital payments. This includes (29.5%) making digital payments and (13.3%) receiving digital payments from their customers.

- **Common uses of digital payments:** The most common form of digital payments among formal MSMEs was paying utility bills (24.5%). Paying suppliers (12.6%) and employees (5.4%) digitally were also common practices.

- **Receive digital payments:** Receiving digital payments from customers was mainly done through bank transfers (11.3%). Other methods included POS terminals (6%), e-commerce sites (5.4%), and QR codes (3.8%).

- **Correlation with enterprise size and formality**: There is a clear trend of increasing digital payment usage as the size and formality of the enterprise increases; only (7.7%) of informal micro-sized enterprises used digital payments, while a significantly higher percentage (72%) of medium-sized enterprises engaged in digital payments.

These findings indicate that digital payment usage is rising among formal MSMEs in Jordan, with various purposes for making and receiving digital payments. The level of adoption tends to increase with the size and formality of the enterprise, highlighting the potential for further digital payment integration among businesses in the country.

2.3. Finance

- **Loan or line of credit ownership:** (28.3%) of formal MSMEs reported having an outstanding loan or line of credit from a financial institution. Loan ownership differs significantly by size, with (38%) of medium-sized enterprises, (34.5%) of small-sized enterprises, and (27.6%) of formal micro-sized enterprises having loans from financial institutions.

- **Informal borrowing:** Micro-sized enterprises are more likely to rely on informal sources to fulfill their credit needs, as their loan ownership from financial institutions is lower.

- **Islamic finance:** Islamic finance serves as an alternative source of financing and is relatively popular among all size categories of formal MSMEs; approximately (23.5%) of formal MSMEs reported using some Islamic financial products. The most common Islamic product among these MSMEs is Ijarah (Islamic leasing).

2.4. Savings and Investment

Among formal MSMEs in Jordan, (15%) have some form of saving or investment product, including saving accounts, term deposit accounts, certificates of deposit, stocks, or bonds (Table 5):

- **Ownership rate:** The ownership rate of saving or investment products is nearly the same for small and medium-sized enterprises, at around (26%). However, formal micro-sized enterprises have a significantly lower ownership rate (13.8%).

- **Possible reasons for differences:** Formal micro-sized enterprises may have lower awareness of such financial products, less available excess cash for investment, or difficulties meeting the minimum product requirements, such as initial deposit sizes or average balances.

- **Informal MSMEs:** None of the informal MSMEs surveyed reported using saving or investment products, indicating limited access to these financial tools among informal businesses.

- **Specific product types**: Micro and small-sized enterprises are more likely to have saving accounts, while medium enterprises are more likely to have term deposit accounts.

These findings highlight variations in the utilization of savings and investment products among different categories of formal MSMEs in Jordan, with micro-sized enterprises facing particular challenges in accessing and using these financial tools.

Table 5: Ownership rates of saving and investment products (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Term deposit account	0.0%	4.0%	17.2%	16.0%	5.3%
Saving account	0.0%	10.9%	19.0%	12.0%	11.6%
Certificate of deposit	0.0%	4.6%	12.1%	6.0%	5.2%
Bonds	0.0%	3.4%	10.3%	4.0%	4.0%
Stocks and shares	0.0%	1.7%	1.7%	10.0%	1.9%
Any of the above products	0.0%	13.8%	25.9%	26.0%	15.0%

2.5. Insurance

- **Insurance penetration:** The overall insurance penetration in Jordan in 2021 was (1.99%), with (1.66%) for non-life insurance and (0.34%) for life insurance, signifying the relatively modest size of the life insurance sector in the country.[6]

- **Ownership rate:** Insurance ownership rates in Jordan are highly dependent on the size and formality of the MSME (Table 6). Among formal MSMEs, the overall rate of insurance ownership is (32.5%), but this varies from (29.3%) for micro-enterprises to (56.9%) for small enterprises and (84.0%) for medium enterprises.

- **Insurance claims:** The share of MSMEs that submitted an insurance claim in 2022, out of those with insurance, is relatively high. Among formal MSMEs with any type of insurance, (27.1%) submitted a claim in 2022.

Table 6: Insurance ownership rates (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	3.8%	21.8%	39.7%	64.0%	24.0%
Property insurance	0.0%	4.6%	31.0%	50.0%	7.5%
Equipment insurance	0.0%	4.6%	17.2%	40.0%	6.2%
Theft insurance	1.9%	5.2%	24.1%	36.0%	7.2%
Fire insurance	0.0%	5.2%	29.3%	42.0%	7.8%
Health insurance	1.9%	14.4%	25.9%	48.0%	15.9%
Workers compensation insurance	0.0%	8.6%	27.6%	30.0%	10.5%
Professional liability insurance	0.0%	3.4%	12.1%	28.0%	4.6%
Other conventional insurance	0.0%	1.7%	1.7%	8.0%	1.8%
Takaful Islamic insurance	0.0%	1.1%	5.2%	0.0%	1.5%
Any type of insurance	7.7%	29.3%	56.9%	84.0%	32.5%

[6] Central Bank of Jordan. (2021). The Annual Report of Insurance Sector in Jordan. Retrieved from Central Bank of Jordan https://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/2022/Annual%20Report%20-%202021%20-.pdf

III. Pillars of Financial Inclusion Strategy (2023-2028)

1. Payment and Transfer

1.1. Current Status

Over the last ten years, Jordan has witnessed considerable advancements in its electronic payment systems within both wholesale and retail payment sectors. This includes the adoption of e-payment methods through mobile apps and online platforms. The country boasts a solid and varied national payment system infrastructure, providing a range of digital payment methods and channels. However, digital payment services are predominantly available in urban centers, with rural and remote areas experiencing limited electronic payment options. Certain societal groups remain financially excluded and underrepresented in the national payment system.

Jordan offers a variety of payment instruments, such as credit, debit, and prepaid options, both physical and digital, leveraging modern technologies. These instruments facilitate electronic payments and transfers, offering transactional flexibility. The retail payment market in Jordan features diverse channels, including online banking, mobile banking apps, and mobile payment applications like mobile wallets, ATMs, and point-of-sale terminals (POSs).

Regarding the legal framework, the Central Bank of Jordan has issued circular no. (6359/2/26) dated 29/03/2023, which revised commission rates for card payments and circular no. (26/2/6640) dated 3/04/2023, regulating commissions on the CliQ payment system for commercial transactions.

The National Payment System demonstrates high compatibility and interoperability, facilitating the execution of retail payments with minimal obstacles or restrictions. Nevertheless, further efforts by the CBJ and its stakeholders are required to broaden and enhance compatibility and interoperability across e-payment systems, instruments, and channels. This aims to ensure easy and affordable payment and transfer processes within the National Payment System for financial consumers and Payment Service Providers (PSPs).[7]

Jordan's digital infrastructure is robust, evidenced by a high internet and mobile phone penetration rate of (66.8%) and (85%) respectively, a tech-savvy population, and a centralized payment system. This positions Jordan as an attractive market for FinTech innovations with a significant potential customer base.[8]

Moreover, Jordan Payments and Clearing Company (JoPACC) introduced the instant, fee-free payment system CliQ, which recorded the highest transaction volume and value growth in its third year among Jordanian payment systems, with increases of (700.6%) in volume and (755.9%) in value. JoMoPay national payment switch ensures full interoperability among eight PSPs, bank accounts, and prepaid cards, facilitating efficient transactions. The COVID-19 pandemic accelerated digital onboarding for mobile wallets, significantly boosting their usage Additionally, the MadfooatCoM-operated eFAWATEERcom offers a bill payment service linked to online banking and ATMs, enhancing financial inclusion and payment service accessibility in Jordan.

Regarding electronic cross-border remittance services, the CBJ has developed a regulatory framework. This framework enables licensed exchange companies and authorized PSPs to offer electronic cross-border remittance services, focusing on interoperability and direct service provision through mobile wallets or licensed exchange companies. While various payment systems and tools exist for cross-border remittances, this framework addresses mobile wallet transactions through PSPs in collaboration with licensed exchange companies.[9]

Despite Jordan's progress in e-payment systems, there are still challenges in financial access and inclusion, especially in rural and underserved communities.

(Figure 3) below shows the current payments infrastructure statistics; Wholesale: The Real-Time Gross Settlement System (RTGS), and Retail: The Automated Clearing House System (ACH), the Electronic Cheque Clearing (ECC), eFAWATEERcom, JoMoPay, and CliQ:

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7 Jordan, C. B. (n.d.). *National Strategy for Electronic Payments (2023-2025)*. Retrieved from Central Bank of Jordan: https://www.cbj.gov.jo EchoBusv3.0/SystemAssets/PDFs/2023/NATIONAL%20STRATEGY%20FOR%20E-PAYMENTS1.pdf

8 Bank, W. (n.d.). *Individuals Using the Internet (% of population)*. Retrieved from World Bank: https://data.worldbank.org/indicator/IT.NET.USER.ZS

9 IMF. (2023). Jordan: Retail Central Bank Digital Currency Exploration. IMF. Retrieved from https://www.imf.org/en/Publications/high-level-summary-technical-assistance-reports/Issues/2023/02/23/Jordan-Retail-Central-Bank-Digital-Currency-Exploration-530066

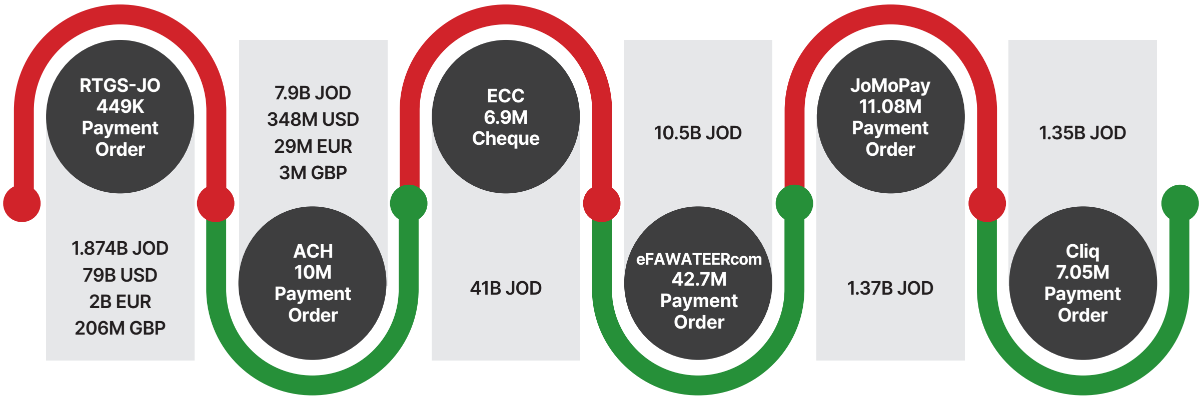

Figure 3: Payment transactions executed through payment, clearing, and settlement systems in 2022

(Figure 4) demonstrates the payment channels statistics in Jordan covering online & Mobile Banking, POS, QR, e-commerce, and ATMs statistics, while (Figure 5) their geographical distribution around the kingdom and (Figure 6) shows statistics on payment cards:

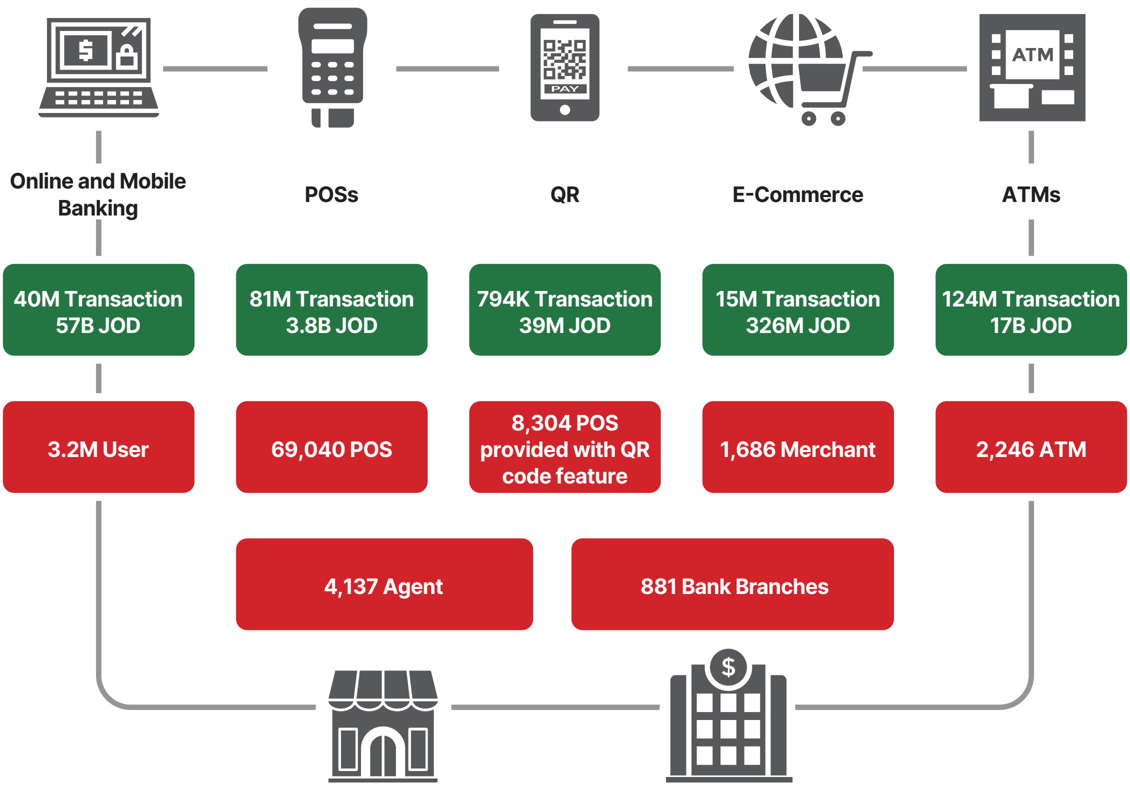

Figure 4: Payment channels statistics in 2022

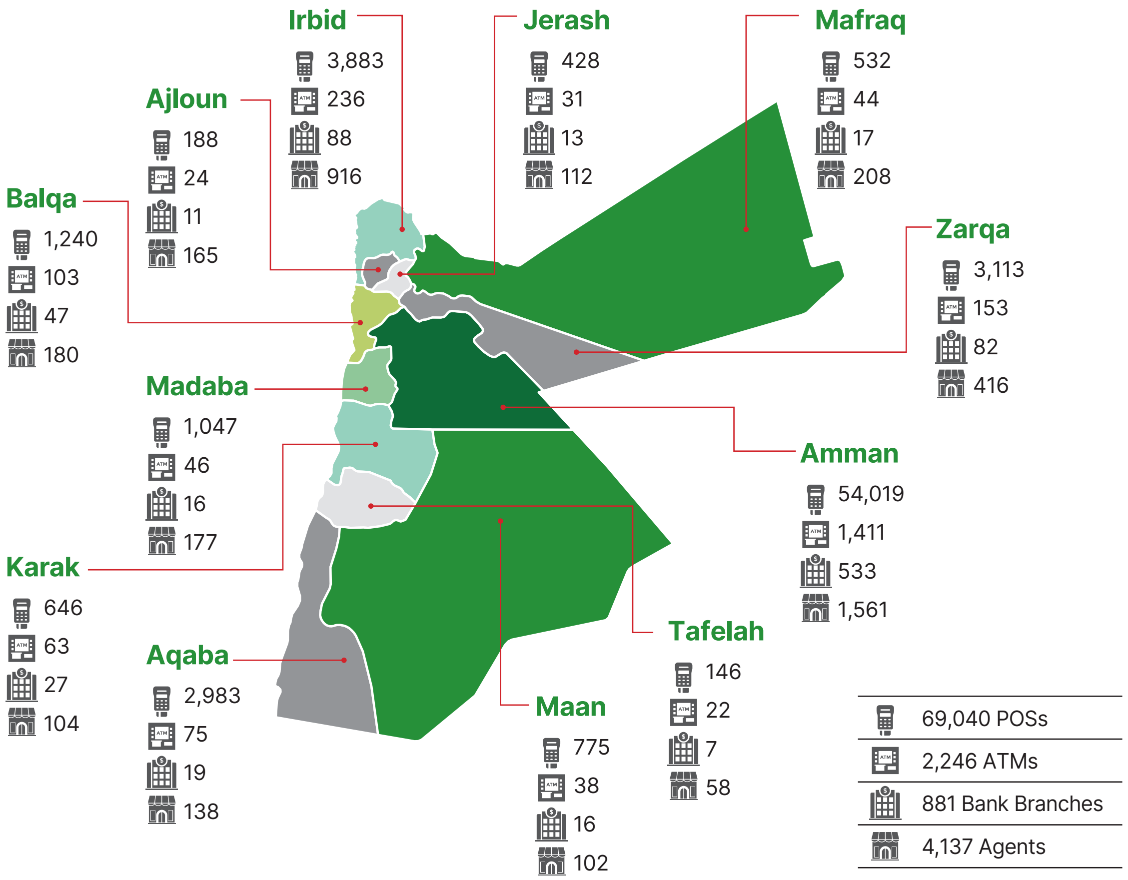

Figure 5: Geographical distribution of POSs, ATMs, agents, and bank branches in the Kingdom for the year of 2022

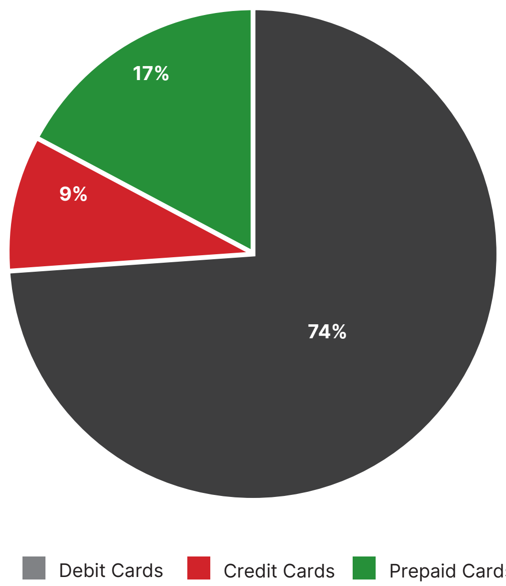

Figure 6: (5.7) million payment cards issued in the Jordanian market in 2022

Payment and Transfer for Households

Account ownership rate

The share of adults in Jordan with an account was (43.1%) in early 2022 (Figure 7). The share of adults with a bank account was (34.9%) in 2022, the share with a mobile wallet was (14.9%), and (0.2%) had an account from The Jordan Postal Saving Fund (JPSF).

Usage rates

The share of Jordanian adults that used digital payment in 2022 was (39.8%). The share of adults receiving a digital payment (32.6%) was somewhat higher than the share that made a digital payment (22.7%) (Figure 8). The most common type of digital transaction received was the payment of government aid into an account (17.1% of adults received aid in this way), followed closely by the receipt of a salary into an account (16.4% of adults), then receipt of remittances via account (5.6%) and receipt of self-employment business income via account (1.4%). The most common means of making digital payments was with some type of card (13.5% of adults), through the internet or a mobile phone (11.3% of adults), using a Point-of-Sale (POS) terminal (10.1%), or sending remittances digitally (6.6%). It should be noted that these categories of digital payments often overlap; for example, payments by POS terminal or by the internet are usually made with a card so that a single transaction may be counted in multiple categories.

The financial inclusion gap (Figure 9) for each segment is defined as the difference in percentage points between the indicator for adults not in the priority segment minus the indicator for adults in the priority segment. For example, the account ownership rate is 53% for men and 31% for women, so the gap is (22%), the gap between women's and men's usage rates of digital payment was (23%). The account ownership gap between youth and adults aged over 25, was (27%) and the digital payment usage gap was (23%). For the refugees, the account ownership gap between refugees and non-refugee adults was (37%) and the digital payment usage gap (36%). The ownership gap between bottom 40% and the top 60% group (42%) and (40%) was the digital payment usage gap.

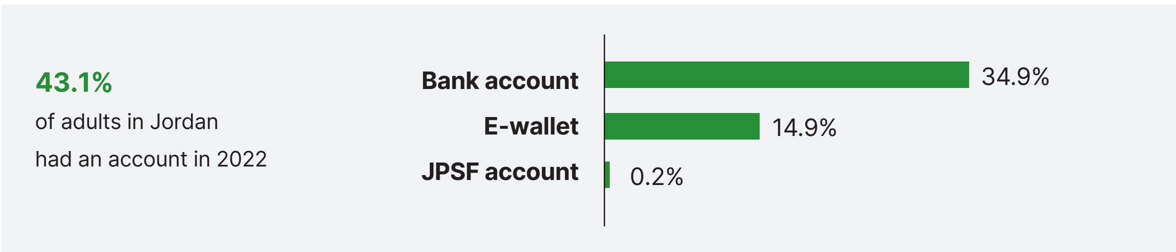

Figure 7: Account ownership rates by account type

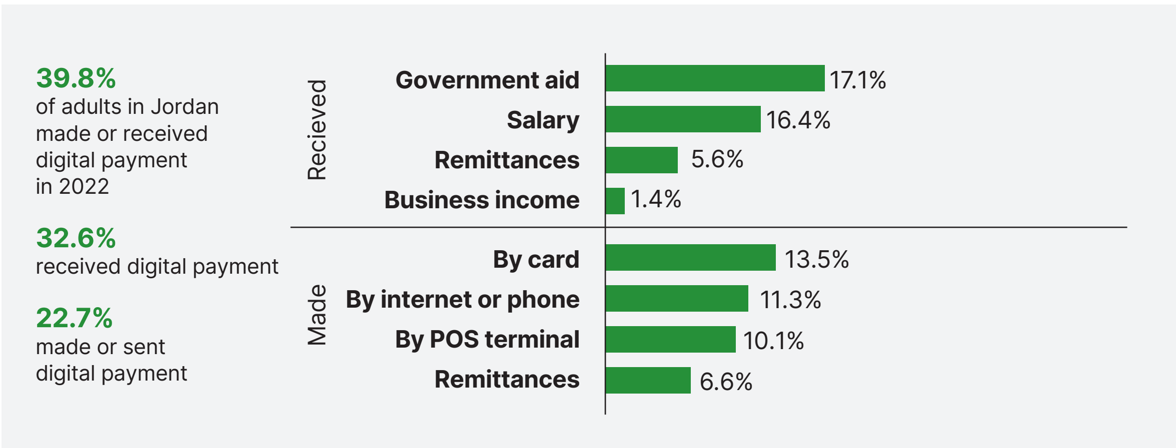

Figure 8: Digital payment usage indicators by type (% of adults)

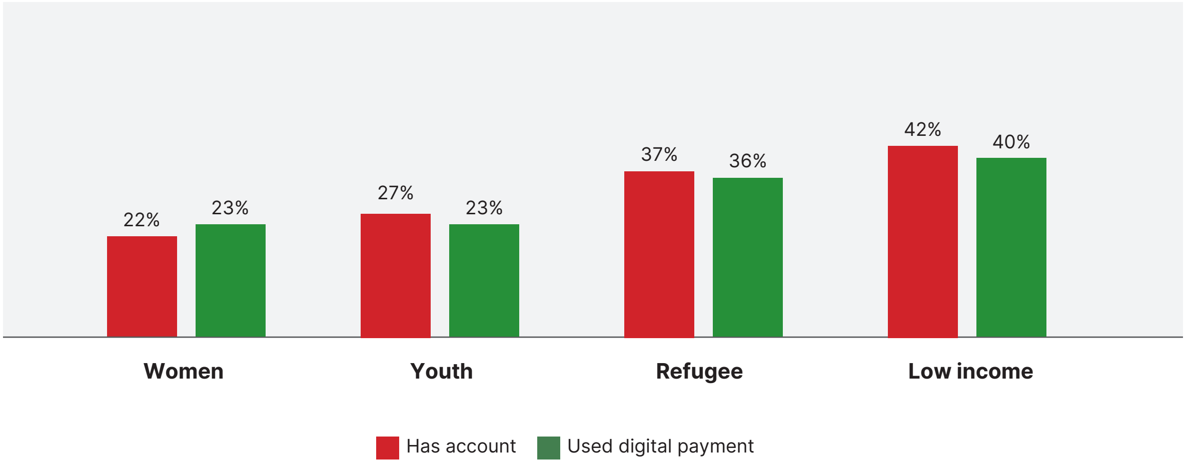

Figure 9: Account ownership and digital payment usage gap for target groups

After rapid growth in recent years, agents of Payment Service Providers (PSPs) are the most numerous category of access point, with (35.6) agents per 100,000 adults in 2021 (Figure 10). Three years earlier, in 2018, there had been only (10.0) payment agents per 100,000 adults. The number of ATMs follows closely at (30.2) ATMs per 100,000 adults, increasing only slightly in recent years. Bank branches are the next most numerous (13.0 per 100,000 adults), followed by branches, agents, and brokers of insurance companies (9.5), branches of exchange houses (3.8), and branches of MFIs (2.8).

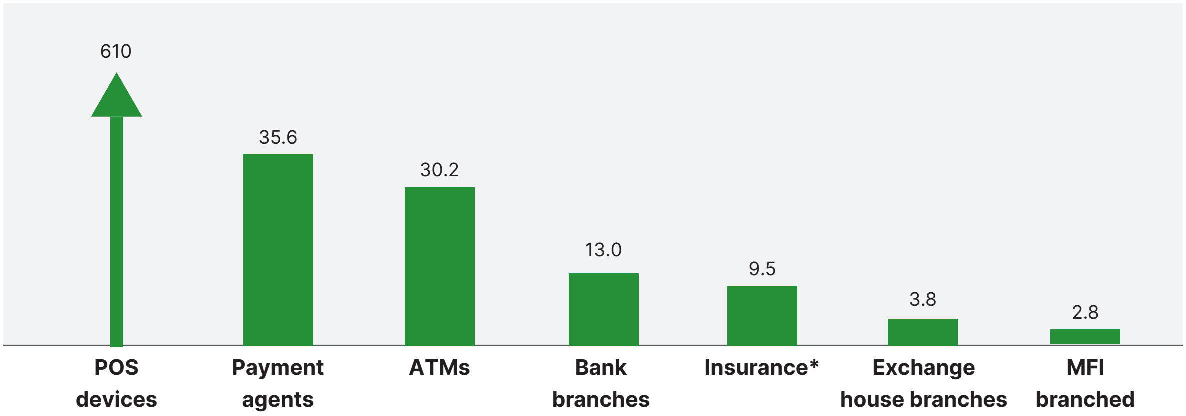

Figure 10: Number of access points per 100,000 adults (2021)[10]

10 * Insurance category includes branches, agents and brokers

Payment and Transfer for MSMEs

Account ownership

Overall, (48.2%) of formal MSMEs have a current account at a bank (Table 7). Current account ownership is strongly correlated with size and formality, rising from just (13.5%) of informal micro-enterprises with account to (43.7%) of formal micro-enterprises, (87.9%) of small enterprises, and (100%) of medium enterprises. By contrast, mobile wallet ownership does not correlate strongly with enterprise size. Although only (1.9%) of informal micro-enterprises have a mobile wallet, the rate among formal enterprises is very similar for micro (12.6%), small (15.5%), and medium (14%) segments, with an overall result of (12.9%) for all formal MSMEs. Micro enterprises may appreciate the relatively simple procedures to get a mobile wallet, whereas medium enterprises may find the transaction limits of mobile wallets to be somewhat restrictive. A few micro enterprises reported having a mobile wallet but not a current account, so the overall share of formal MSMEs with either a current account or a mobile wallet stands at (52.4%), slightly higher than the (48.2%) share with a current account.

Digital payment usage

The share of formal MSMEs that used a digital payment in the past year was (31.5%), but the figure varies significantly by enterprise size and formality (Table 8). Among formal micro enterprises, the digital payment usage rate was (28.7%), rising rapidly to (53.4%) for small enterprises and (72.0%) for medium enterprises. Informal micro enterprises rarely use digital payments, with a usage rate of just (7.7%).

Table 7: Account ownership rates (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs[11]
Has current account	13.5%	43.7%	87.9%	100.0%	48.2%
Has mobile wallet	1.9%	12.6%	15.5%	14.0%	12.9%
Has current or mobile wallet	15.4%	48.3%	87.9%	100.0%	52.4%
Overdraft	0.0%	21.3%	58.6%	78.0%	25.3%

[11] The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, and medium) multiplied by the share of that size group in the total population of MSMEs in Jordan, according to the 2018 Establishments Census of the Department of Statistics. The weights are: 0.902 for formal micro, 0.081 for small, and 0.017 for medium enterprises.

Table 8: Digital payment usage in 2022 (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Made or received digital payment	7.7%	28.7%	53.4%	72.0%	31.5%
Made digital payment	7.7%	27.0%	48.3%	70.0%	29.5%
- To employees	0.0%	3.4%	20.7%	36.0%	5.4%
- To suppliers	3.8%	10.9%	22.4%	54.0%	12.6%
- For utility bills	3.8%	22.4%	39.7%	62.0%	24.5%
Received digital payment	0.0%	10.3%	37.9%	54.0%	13.3%
- By POS terminal	0.0%	4.6%	17.2%	26.0%	6.0%
- By QR code	0.0%	2.9%	12.1%	12.0%	3.8%
- By bank transfer	0.0%	9.2%	27.6%	48.0%	11.3%
- On e-commerce site	0.0%	4.6%	10.3%	22.0%	5.4%

1.2. Challenges

Efforts to overcome these barriers and promote digital payments in Jordan are ongoing, focusing on education, accessibility, and increased payment acceptance. From this standpoint, we shed light on the most prominent challenges that hinder the target groups from using digital payment services:

General Challenges

- **Preference for cash transactions:** Jordan exhibits a strong preference for cash transactions; however, this is gradually changing due to efforts in financial education, consumer protection initiatives, and simplified account opening processes.
- **Fees:** Both individuals and MSMEs highlight the fees associated with digital payments as a deterrent.
- **Cash salary payments:** A significant portion of adults (54.4%) still receive their salaries in cash, contributing to the continued reliance on cash transactions.
- **Merchant acceptance:** A lack of payment acceptance among merchants, particularly in the medical sector, hinders the shift towards digital payments.
- **Infrastructure challenges:** Infrastructure challenges are related to the cost of digital payment systems.

Households

Bottom 40%

- **Agent network:** While the mobile wallet agent network has expanded rapidly, coverage remains suboptimal, especially in smaller towns and rural areas.
- **Financial literacy:** Limited financial literacy and knowledge about Basic Bank Accounts, mobile wallets, and digital payment services pose challenges to the adoption of digital financial services.

Women

- **Gender gap**: Women face significant financial inclusion gaps for account ownership and digital payment usage. The rate of account ownership in 2022 was (31.0%) for women and (53.1%) for men, a gap of (22.1%). Account ownership is highly correlated with digital payment usage.
- **Limited access to formal financial accounts**: This is primarily the result of social and economic factors that influence women's employment rates and income levels.

Youth

- **Legal restrictions:** Laws in place prevent youth under 18 from independently opening financial accounts without a guardian's involvement.
- **Unemployment impact:** High youth unemployment rates contribute to restricted access to formal financial accounts and digital payment services among this demographic.
- **Lack of tailored products:** There is a shortage of financial products designed to meet the specific payment needs of youth.

Refugees

- **Challenges in document acquisition:** Difficulty in obtaining the required documents for opening a mobile wallet due to regulatory and administrative hurdles.
- **Weak infrastructure in refugee camps:** Limited digital payment infrastructure and agent networks within refugee camps hinder financial access.
- **Trust issues:** A lack of trust in non-traditional financial services within the refugee community.
- **Limited financial literacy:** Refugees often lack awareness and understanding of digital payment tools and channels.
- **Account barriers**: Regulatory requirements and documentation obstacles prevent many refugees from opening bank accounts.

MSMEs

- **Tax reporting concerns:** Businesses express worries about tax reporting and the potential consequences of maintaining bank accounts and conducting digital payments.
- **Limited financial literacy:** Many MSMEs lack knowledge and awareness about digital payment services, with (53.3%) abstaining from digital payments for this reason.
- **Perceived complexity:** About (37.4%) of formal MSMEs find digital payment systems and services challenging.

1.3. Goals

Table 9: Goals of payment and transfer

Sub-goals	Targets	Strategic Measures
1. Increase account ownership by adults from (43.1%) in 2022 to (65%) by the end of 2028.	Increase Jordanians and resident adults account ownership from (49.5%) in 2022 to (67.5%) by the end of 2028.	- Review laws/regulations related to allowing youth over 15 to open basic bank accounts/e-wallets. - Develop financial products tailored to the needs of youth.
	Increase refugees' account ownership from (12.1%) in 2022 to (18%) by the end of 2028.	- Review policies to simplify documentation processes for opening mobile wallets for refugees. - Enhance and develop dedicated products for refugees, such as basic accounts and wallets.
2. Reduce the gender gap in the financial sector - measured by account ownership from (22%) in 2022 to (12%) by the end of 2028.	Increase women's account ownership from (31%) in 2022 to (46%) by the end of 2028.	- Collaborate with relevant key stakeholders and community leaders to promote women's access to financial services. - Review bank policies related to opening accounts to become gender sensitive.
	Decrease the gender gap in financial capabilities.	- Please refer to the Consumer Empowerment and Market Conduct pillar (Table 23).
3. Increase account ownership by MSMEs from (52.4%) in 2022 to (75%) by the end of 2028.	- Increase micro-enterprise account ownership from (48.3%) in 2022 to (63%) by the end of 2028. - Increase small enterprises account ownership from (87.9%) in 2022 to (94%) by the end of 2028.	- Review and foster offering of financial services tailoring MSMEs to improve their access to financial services in collaboration with local authorities and organizations.

Sub-goals	Targets	Strategic Measures
4. Increase the share of adults who use digital payments from (39.8%) in 2022 to (65%) by the end of 2028.	Decrease the gender gap in usage of digital payments from (22.8%) in 2022 to (12%) by the end of 2028.	- Collaborate with financial institutions to develop suitable products for women.
	Increase the share of refugees who use digital payments from (10.4%) in 2022 to (15 %) by the end of 2028.	- Enhance digital payment infrastructure within refugee camps, ensuring secure and accessible payment channels for refugees. - Increase merchants acceptance, agents, ATMs in refugee camps. - Foster partnerships with relevant stakeholders including NGOs and community leaders to promote the use of digital financial services to refugees.
	Increase the share of youth who use digital payments from (23.3%) in 2022 to (40%) by the end of 2028.	- Design products for youth.
	Wage digitization for the private sector.	- Digitize salaries in private schools in coordination with the Ministry of Education. - Digitize salaries in selected private sector.
	Digitize payments in the health and transportation sectors.	- Digitize payments in all public health sector, private clinics and pharmacies in coordination with the Ministry of Health. - Digitize private and public transportation payments in coordination with the Ministry of Transportation.

Sub-goals	Targets	Strategic Measures
5. Increase the share of MSMEs who use digital payments from (31.5%) in 2022 to (50%) by the end of 2028.	Review policies to promote digital payment acceptance.	- Provide technical assistance for installing and using electronic systems. - Study in coordination with related authorities offering tax benefits, such as lower tax rates on income earned through electronic channels.
	Develop dedicated products for MSMEs that fit their needs.	- Develop products for MSMEs in coordination with banks and PSPs.

CBJ will adopt the UN Principles for Responsible Digital Payments in achieving the above goals.[12]

[12] UN principles for responsible digital payments. (n.d.-b). Retrieved from https://responsiblepayments.org/

2. Finance

2.1. Current Status

Borrowing

Rate and source

The overall borrowing rate of (47.1%) in 2022 can be considered relatively high, although it primarily results from informal rather than formal sources. Specifically, (14.4%) of adults borrowed from formal sources, and (39.3%) borrowed informally in 2022 (Figure 11). Microfinance institutions (MFIs) were the primary source of formal borrowing (8.3% of adults), followed by banks (6.6%), with 1.9% of adults borrowing from other sources that may include finance companies, government institutions such as the Development and Employment Fund (DEF), or leasing companies. Among informal sources, family and friends were the primary sources by far (33.8% of adults), followed by store credit (12.8%) and borrowing from an employer (4.7%). It is worth noting that (6.5% of adults borrowed from both formal and informal sources, suggesting that for some borrowers, the choice depends on the particular circumstances.

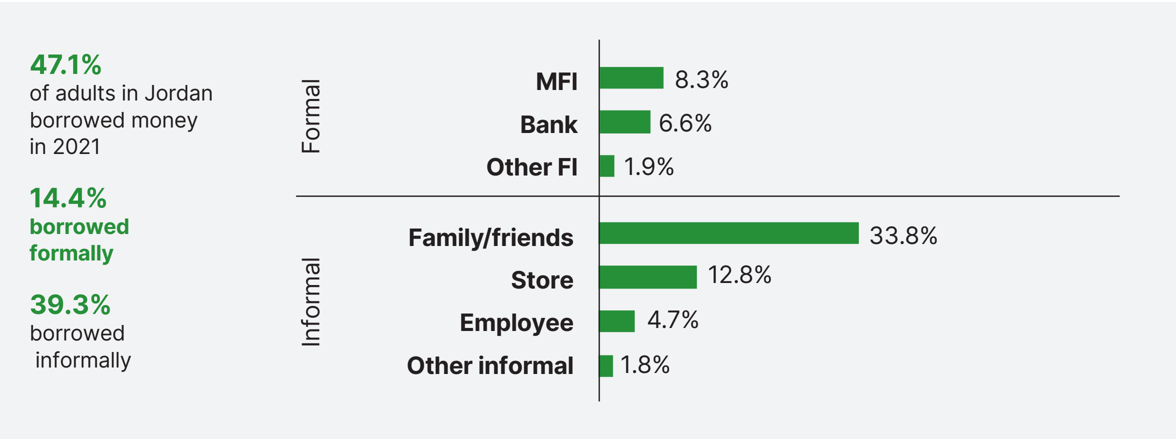

Figure 11: Share of adults that borrowed money by source

Reasons for borrowing formally

Among those who borrowed from a formal financial institution (Figure 12), (14.6%) borrowed to purchase a car, (13.9%) borrowed for medical reasons, (12.6%) to buy a home, (11.3%) to start a business, and (7.3%) for green investment, which refers mainly to the purchase of equipment or appliances that are either energy efficient or run on renewable energy sources.

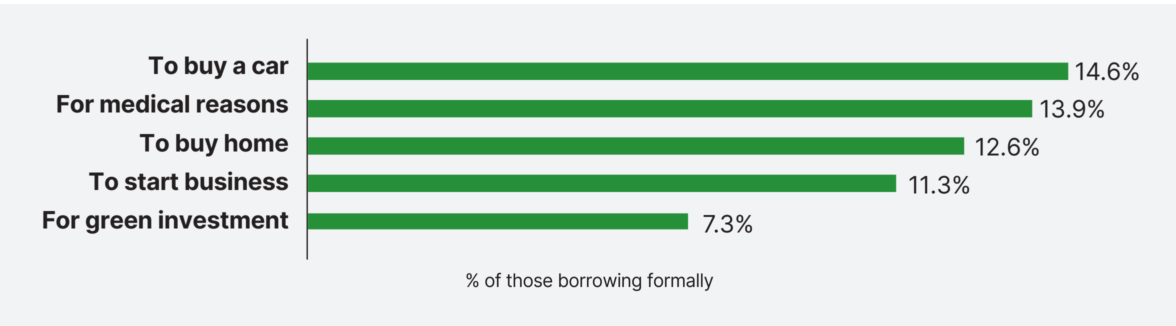

Figure 12: Reasons for formal borrowing

Reasons for borrowing informally (individuals)

Religious reasons are the second most common reason, mentioned by (17.3%) of non-borrowers (Figure 13). Other reasons, such as the high cost of borrowing, income limitations, existing debt, lack of trust, and strict requirements, are cited with lower frequency. Some reasons, like poor credit history, lengthy processing times, and distance to financial institutions, are mentioned by a very small percentage of non-borrowers. A small share of non-borrowers (1.0%) reported applying for a loan but was rejected.

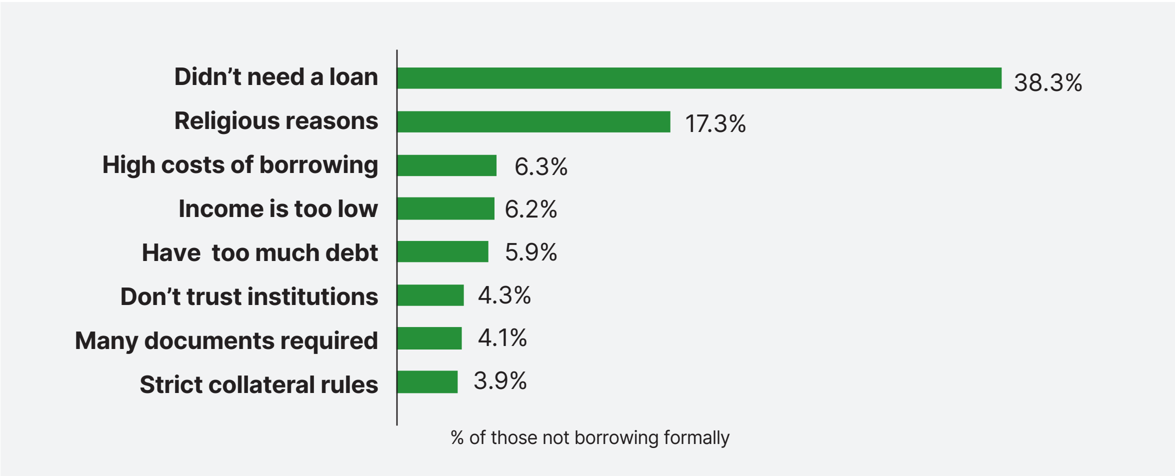

Figure 13: Reasons for borrowing informally

The supply-side perspective

Supply-side data from banks and MFIs shows a somewhat different picture, with the number of outstanding bank loans to individuals and the number of MFI loans per 1,000 adults decreasing from 2017 to 2022 (Figure 14). The number of outstanding bank loans to individuals over those five years increased from 1.13 million in 2017 to 1.22 million in 2022, but this increase was slower than the population growth, so the indicator per 1,000 adults fell. The number of outstanding MFI loans decreased slightly from about 434,000 to 421,000. This finding is inconsistent with the relatively strong growth in the percentage of adults who borrowed formally. Of course, it should be considered that the outstanding loans may have been issued years ago, while the demand-side figures only consider borrowing activity in 2022.

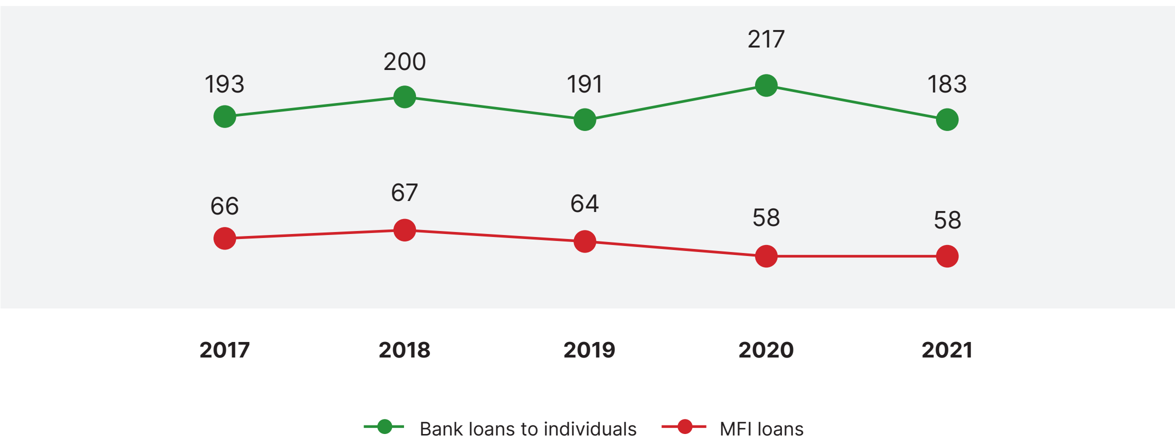

Figure 14: Number of outstanding loans per 1,000 adults

Supply-side MFI statistics include loans to Micro and Small-sized enterprises (MSEs), while demand-side data does not, potentially causing diverging figures. Additionally, supply-side data is based on the number of loans, not borrowers, which means changes in the number of individuals with multiple loans can affect the data. Despite the initial appearance of inconsistency, both supply and demand figures may be accurate. To enhance comparability, future surveys should consider measuring the share of adults with outstanding loans, and financial institutions should report the number of borrowers receiving loans throughout the year rather than just the outstanding total.

Impact of COVID-19

During the COVID-19 pandemic, overall borrowing increased, likely due to households needing short-term loans during economic uncertainty. Among those whose income decreased because of the pandemic, (45.7%) borrowed from informal sources, higher than the (28.7%) rate among those with stable incomes. Formal borrowing was slightly higher for those with reduced income (14.9%) than those with steady income (13.5%). Despite the challenges of convincing formal lenders during income loss, many adults could secure formal loans during these challenging circumstances.

Customer satisfaction

Most borrowers reported being satisfied with their loans, but (19.2%) were unsatisfied or very unsatisfied (Figure 15). The most common reason for dissatisfaction was the high perceived cost of borrowing (48.3% of dissatisfied borrowers mentioned this), followed by a short loan maturity or large monthly payments (24.1%). Complicated procedures to get a loan, strict collateral requirements, the long time needed to receive the funds, and the distance to the lending institution were rarely mentioned (Figure 16).

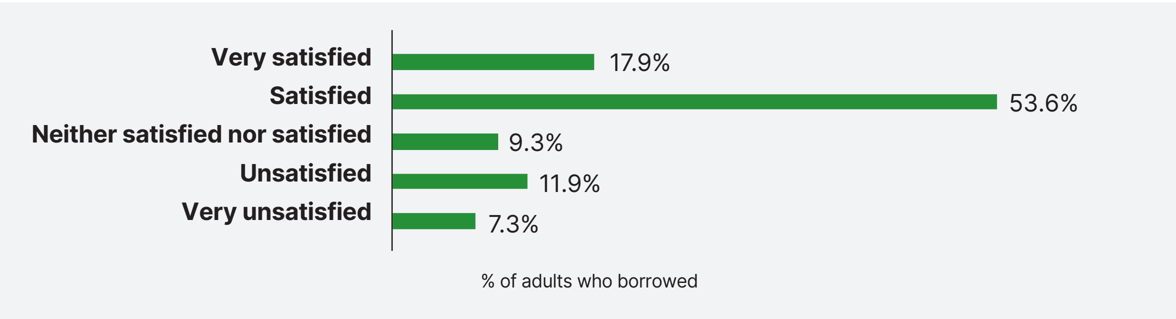

Figure 15: Satisfaction with loan

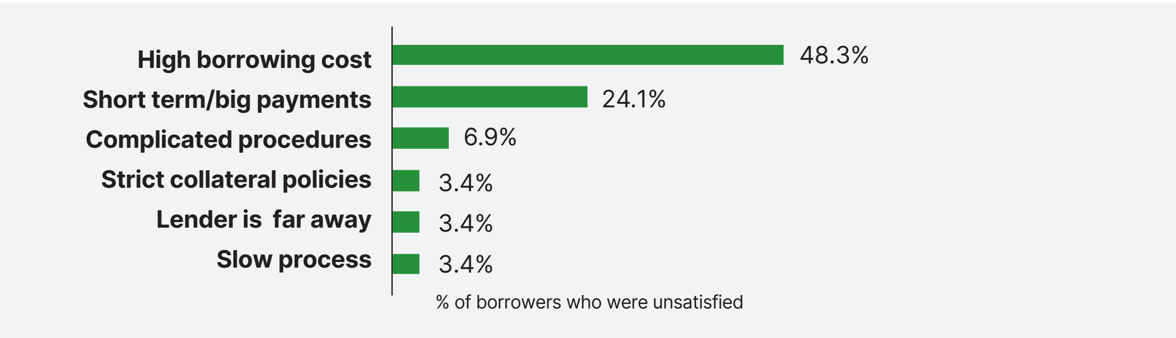

Figure 16: Reasons for dissatisfaction

Islamic finance

A robust Islamic financing industry plays a crucial role in promoting financial inclusion by catering to customers who, for religious reasons, prefer not to use conventional financial products. In Jordan, the share of adults using Islamic finance products in 2022 was (1.6%), about one-quarter of the adults who took a bank loan. This figure has remained relatively stable over time, with the 2022 rate of (1.6%) only slightly higher than the (1.5%) recorded in 2017.

Interestingly, (17.3%) of adults who did not borrow in 2022 did so mainly for religious reasons. However, of those who abstained from borrowing for religious reasons, less than (1%) used Islamic finance in 2022. This suggests that some potential customers may be unaware of the availability of Islamic financing, face challenges in reaching Islamic financing institutions, or find the main products offered by Islamic financial institutions not fully compliant with Shariah principles.

Green finance

Given the escalating risks of climate change, the CBJ is taking proactive steps to lead the development of a climate-responsive financial sector. The goal is for the CBJ to emerge as a national champion and a leading central bank in the region for climate risk management and the promotion of green finance. Therefore, CBJ launched the Green Finance Strategy (2024-2028)[13] in November 2023; this strategic initiative represents a significant milestone in Jordan's climate change agenda, introducing a crucial element: incorporating environmental considerations into the financial sector.

Recognizing the existing and potential impact of climate change in Jordan, including rising temperatures and declining precipitation since the 1960s, the CBJ aims to address climate-related financial risks comprehensively. The strategy is integral to fulfilling the CBJ's mandate for financial stability. A key aspect involves fostering the mobilization of green finance from the private sector, contributing to the financial system's sustainability, and supporting Jordan's international climate commitments.

The strategy's vision is to transform Jordan's financial sector into a leading advocate for green finance mobilization and increased resilience against climate-related and environmental risks. The CBJ will collaborate closely with financial sector stakeholders, including ministries, international bodies, and scholars, to achieve this vision. Specifically, the CBJ guides financial institutions in integrating climate-responsive and environmental considerations into various aspects of decision-making, including corporate governance, risk management, internal controls, disclosure and reporting, and green financing.

However, it is crucial to emphasize that broader national green policies play a pivotal role in the financial sector to effectively drive the transition toward a more resilient and environmentally friendly economy. These policies are essential, particularly in creating demand for green financing. Therefore, a coordinated and comprehensive approach is necessary to address the challenges of climate change.

Guarantees

Guarantees contribute to financial inclusion by enhancing access to credit among borrowers who would normally be refused credit (or offered credit on poor terms) due to perceived high risk. The Jordan Loan Guarantee Corporation (JLGC), which had nearly (JOD 715 million) in total assets in 2022, is the main provider of guarantees. Although JLGC's guarantees are primarily directed to businesses rather than individuals, there is a housing program that had (JOD 12 million) in outstanding guaranteed loans in 2022 and a program that supports individuals to start a small business with nearly (JOD 24.4 million) out of outstanding loans in 2022. The guarantees cover up to (80%) of the losses of participating finance companies.

Credit bureau

Jordan's first private credit bureau, CRIF, has almost certainly contributed positively to increasing consumer lending in Jordan by giving lenders greater confidence in determining the level of indebtedness and payment discipline of their applicants. Since starting operations in 2016, CRIF has been improving its services by adding more participating institutions, improving the accuracy and content of its reports, and adding new features

[13] Central Bank of Jordan. (2023). Green Finance Strategy (2023-2028). Retrieved from Central Bank of Jordan: https://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/FINAL%20-%20Green%20Finance%20Strategy%20-%20English%20Version%20-%2010%20Nov%202023.pdf

such as a credit score. The participants in CRIF include all banks, (10) leasing companies, (8) MFIs, (6) credit card companies, (17) finance companies, and other data providers, up to (70) participants.

MSMEs

Usage of credit-related products

In 2021, borrowing by formal MSMEs in Jordan varied by size (Table 10). The overall formal MSME loans from financial institutions were (28.3%). Small and Medium-sized Enterprises had higher borrowing rates at (34.5%) and (38%), while formal micro-enterprises had a (27.6%) rate, and informal micro-sized enterprises did not borrow from formal institutions. Small and medium-sized enterprises preferred banks, while formal micro-sized enterprises leaned toward MFIs. Peer lending and crowdfunding were rare (0.6%). Shareholder loans had limited use. Debt securities (bonds) use was low. Conventional leasing was infrequent (3.1%), but Islamic leasing (Ijarah) was popular (23.5% used Islamic financing). Other credit-related products like factoring (1.1%), letters of credit (1.9%), and guarantees (1.2%) had low usage rates.

Table 10: Usage of credit products (% of (MSMEs) that have the given product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Loan/credit line from formal institution	21.2%	27.6%	34.5%	38.0%	28.3%
- From bank	0.0%	2.3%	17.2%	18.0%	3.8%
- From MFI	0.0%	4.0%	0.0%	2.0%	3.7%
- From other financial institution	0.0%	0.6%	0.0%	0.0%	0.5%
- From Islamic FI	21.2%	23.6%	22.4%	28.0%	23.5%
Peer lending/crowdfunding	0.0%	0.6%	0.0%	2.0%	0.6%
Loan from owner/related company	0.0%	0.0%	0.0%	4.0%	0.1%
Debt securities issued	0.0%	0.6%	3.4%	6.0%	0.9%
Leasing	0.0%	3.4%	0.0%	2.0%	3.1%
Factoring	0.0%	1.1%	0.0%	2.0%	1.1%
Letter of credit	0.0%	1.7%	3.4%	6.0%	1.9%
Guarantee	0.0%	1.1%	0.0%	10.0%	1.2%

Islamic finance

Islamic financing is more prevalent among MSMEs than conventional credit products (Table 11), with (23.5%) of formal MSMEs using Islamic financial products, notably higher than those with non-Islamic loans, lines of credit, or leases. Usage is consistent across MSME size and registration categories, ranging from (21.2%) for informal micro enterprises to (28.0%) for medium-sized enterprises. Ijarah, Islamic leasing, is the most commonly used product, but its usage decreases with increasing enterprise size (4 % for medium enterprises, 13.8% for formal micro, and 19.2% for informal). Instead, medium-sized enterprises use a combination of Murabaha (10.0%), Musharakah (12.0%), and Istisna (10.0%). Small enterprises prefer Musharakah (15.5%).

Table 11: Usage of Islamic financing (% of (MSMEs) that currently have the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Murabaha	1.9%	7.5%	5.2%	10.0%	7.3%
Mudharabah	0.0%	0.0%	1.7%	2.0%	0.2%
Musharakah	0.0%	1.1%	15.5%	12.0%	2.5%
Ijarah	19.2%	13.8%	6.9%	4.0%	13.1%
Istisna	1.9%	4.6%	3.4%	10.0%	4.6%
Qard Hasan	0.0%	0.6%	0.0%	4.0%	0.6%
Other	0.0%	0.0%	0.0%	2.0%	0.0%
Any of the above products	21.2%	23.6%	22.4%	28.0%	23.5%

Potential demand for credit

MSMEs generally show low interest in credit-related products (Table 12), except for bank lending, which has (21.1%) of formal MSMEs without a bank loan expressing potential future interest. For all other credit products, less than (10%) of MSMEs found them relevant: (7.6%) for MFI loans, (6.7%) for leasing, and (4.4%) for debt securities. Notably, interest in loans from financial institutions declines with size and formality: (28.8%) for informal micro-sized enterprises, (22.7%) for formal micro, (20.8%) for small enterprises, and (17.5%) for medium enterprises.

Table 12: Potential demand for credit (% of (MSMEs) without the given product that consider it relevant)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Bank loan (or credit line)	15.4%	21.3%	20.8%	17.5%	21.1%
MFI loan	23.1%	7.8%	6.9%	2.0%	7.6%
Other FI loan	9.6%	7.5%	3.4%	4.0%	7.1%
Loan from any FI	28.8%	22.7%	20.8%	17.5%	22.4%
Loan from shareholders	9.6%	8.1%	5.2%	6.4%	7.8%
Debt securities issued	0.0%	4.6%	1.8%	2.1%	4.4%
Peer lending/crowdfunding	1.9%	5.2%	6.9%	2.0%	5.3%
Leasing or hire-purchase	3.9%	7.1%	1.7%	6.1%	6.7%
Factoring	1.9%	4.7%	1.7%	2.0%	4.4%
Letter of credit	1.9%	3.5%	0.0%	8.5%	3.3%
Guarantee	1.9%	4.7%	3.4%	6.7%	4.6%

Potential demand for Islamic finance

MSMEs express limited interest in Islamic finance products (Table 13), with a higher interest in Qard Hasan (22.9%) and Murabaha (19.5%). Qard Hasan is an interest-free loan, but it's not widely available. Murabaha is more accessible. Other Islamic products garner minimal interest, mentioned by less than 10% of formal MSMEs as relevant to their business.

Table 13: Potential demand for Islamic finance (% of MSMEs without product that consider it relevant)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Murabaha	12.0%	21.3%	12.8%	10.5%	19.5%
Mudharabah	7.7%	6.4%	5.6%	13.3%	6.3%
Musharakah	1.9%	5.8%	10.2%	4.5%	6.1%
Ijarah	5.3%	5.8%	14.9%	4.3%	5.4%
Istisna	5.9%	9.1%	7.1%	4.4%	8.8%
Qard Hasan	19.2%	23.1%	22.4%	14.6%	22.9%

Supply side statistics

The primary supply-side indicator of borrowing activity is the ratio of outstanding bank loans to MSMEs as a percentage of total outstanding bank loans. This ratio is tracked and regularly reported by the CBJ. The ratio stood at (10%) in 2022 and has risen since 2018 when it was (9%) (Figure 17). While the ratio is proper as an indicator, it is crucial to remember that changes in the ratio may reflect changes in average loan sizes rather than changes in the number of borrowers, reducing its usefulness as a measure of financial inclusion.

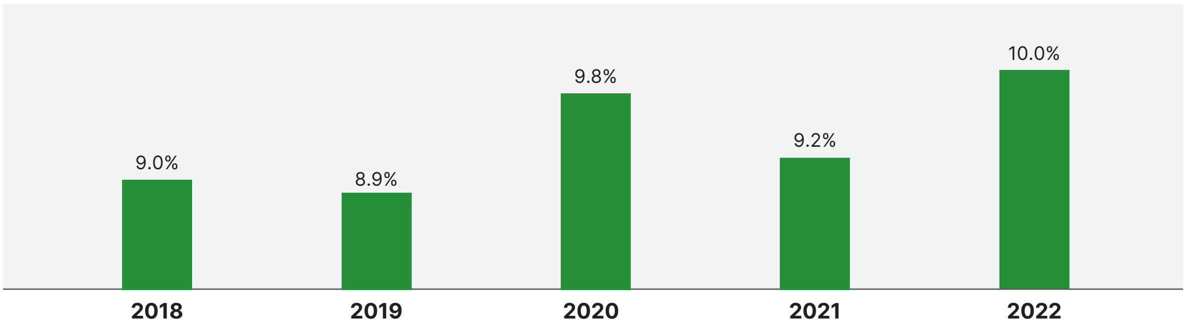

Figure 17: Value of (MSME) loans to total banks loans (%)

Loan sizes and the missing middle

Microfinance Institution (MFI) loan sizes in Jordan typically start at small amounts, such as around JOD 100 or JOD 300. However, the maximum loan sizes offered by MFIs vary significantly on paper, with reported maximums ranging from JOD 10,000 to JOD 100,000. Most MFIs do not lend to these maximums' upper range. For instance, an MFI with a JOD 50,000 maximum loan size often lends only up to about JOD 10,000 in practice.

In contrast, the FI Diagnostic Study indicated that banks typically start lending to MSMEs at a minimum loan size of around JOD 10,000, although some may offer amounts that are more diminutive. However, even when smaller loans are possible, bank staffs often prefer to lend more considerable sums, typically exceeding JOD 50,000 or JOD 100,000. This creates a gap, often referred to as the "missing middle," where small businesses are too big for MFIs but too small for banks. These businesses may have limited lender choices and may be subject to less favorable loan conditions, including loan size, interest rates, maturity, and collateral requirements.

Some Non-Bank Financial Institutions (NBFIs) are attempting to address this missing middle segment, but they are relatively few, concentrated in Amman, and may offer higher interest rates than banks. Overcoming the challenge of the missing middle is crucial for Jordan's efforts to expand financial inclusion for MSMEs.

Collateral

Microloans below JOD 10,000 usually do not require physical collateral but may request a co-signor. Larger loans often need physical collateral, preferably real estate, but also vehicles or equipment. MSMEs without real estate struggle to access loans over JOD 10,000 unless guaranteed by JLGC. Strong financial performance and a good credit history can secure loans without real estate. The new movable asset registry introduced in 2021 aims to boost confidence in using movable assets as collateral, reducing dependence on real estate. However, some banks remain hesitant to embrace the collateral registry.

Guarantees

JLGC is the primary guarantor for MSMEs in Jordan, with a 2021 guaranteed business loan balance of JOD 424.8 million. Due to the large-scale government-backed COVID-19 support program, JLGC's portfolio surged from JOD 87.0 million in 2019 to JOD 408.7 million in 2020. Four MFIs collaborate with JLGC, along with many banks, offering microenterprises guarantee coverage. The reported usage of JLGC guarantees is relatively low, with (10.3%) of formal MSMEs borrowed from financial institutions using JLGC guarantees. The same percentage used guarantees from other sources. It's essential to note that some enterprises may not be aware of guarantee usage, especially with portfolio guarantees covering multiple loans.

Movable collateral registry

The Jordan Collateral Registry, managed by the Ministry of Industry, Trade and Supply, is the Kingdom's movable collateral registry. The collateral registry is relatively new, having started operating in 2021, but some financial institutions are already using it to register their security interests in movable assets (aside from vehicles, which are registered separately). The collateral registry should increase financial inclusion in lending by encouraging financial institutions to accept movable assets as collateral more frequently than in the past. Currently, real estate is the preferred form of collateral, but not all potential borrowers own real estate or may not wish to pledge it for relatively small loan sizes. Although the movable collateral registry is probably more relevant for MSME lending, it may positively influence household lending.

Sectors Providing Finance

Banks

In 2023, the number of licensed banks operating in Jordan reached (20) banks. These banks are distributed as follows; (15) Jordanian banks (3 of them are Islamic banks), and (5) branches of foreign banks, including one branch of a foreign Islamic bank. These banks carried out their operations via a network of (875) branches and (56) representative offices in 2023, compared to (881) branches, and (60) representative offices at the end of 2022.[14]

Credit facilities extended by licensed banks to individuals during 2022 increased by (JOD 1.3 billion) (10.2 percent), reaching (JOD 14.3 million). Meanwhile, credit facilities extended to companies increased by (JOD 1.2 billion) (7.4 percent), to reach (JOD 17.9 billion), (SMEs account for %14.1 of the total credit facilities extended to companies).[15]

Microfinance institutions

In 2022, Jordan had nine microfinance companies under the Central Bank's supervision, operating through (210) branches. These companies served around (441,000) clients, with a total loan portfolio of approximately (JOD 314 million). Notably, (80%) of borrowers were women, and the average loan balance stood at (JOD 913).

The borrowing rate from MFIs significantly increased, rising from (4.2%) in 2017 to (8.3%) in 2022. Borrowing was more common among employed individuals (8.7%) compared to self-employed (7.3%).

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14 From the Central Bank of Jordan.

15 Central Bank of Jordan. (2023, September). Annual Report 2022. Retrieved from Central Bank of Jordan: https://www.cbj.gov.jo/EchoBusV3.0/SystemAssets/64b3eedb-e871-472f-b892-746207853d3f.pdf

Other finance companies

"Other Finance Companies" refers to any financial company that primarily engages in lending and is not an MFI. A significant (1.9%) of adults borrowed in 2022 from financial companies aside from banks and MFIs, up from (1%) in 2017, highlighting the increasing importance of such companies for financial inclusion. Finance companies may include traditional private finance companies such as mortgage companies, consumer credit companies, payday lenders, and FinTech lenders. Some of these biggest finance companies have total assets surpassing JOD 50 million, making them larger than some MFIs. Finance Companies Bylaw No. (107) of 2021 mandates more formal regulation for previously lightly supervised institutions like leasing, factoring, mortgage, and crowdfunding companies. Unlicensed lending is now prohibited, with varying capital requirements: (JOD 500,000) for crowdfunding (to facilitate access to credit only), (JOD 2 million) for crowdfunding (participate in lending), (JOD 2 million) for MFIs, (JOD 8 million) for real estate financing and financial leasing, (JOD 12 million) for mortgage refinancing and (JOD 5 million) for other finance companies.

2.2 Challenges

Households

- **High borrowing rates from informal resources:** Informal borrowing is an unreliable finance resource, exposing clients to over-indebtedness and predatory lending practices

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- **High cost of borrowing:** The expenses related to obtaining finance are often obstacles to almost all individuals who report being unable to borrow.
- **Lack of widespread distribution of financial services resources provided by finance companies:** Distant points of sale and uneven distribution of branches through which finance companies provide services impose a hurdle to the spread of finance companies' services and limit their reach.
- **The Need to enhance FinTech services infrastructure:** Access to loans via FinTech companies is lacking due to a weak infrastructure that would prevent them from tapping opportunities posed by technology, such as spreading their outreach to underserved segments.
- **Poorly developed products catering to household needs:** The loan products offered to underserved segments are not customized to their needs or accessible to them.
- **Long and complicated procedures to obtain finance:** The procedures required to apply for a loan, which include requests for multiple documents that would dissuade MSMEs from obtaining finance, should be simplified and proportionate to the size of the loan and the enterprises to facilitate the process.
- **Religious reasons:** Lack of suitable and widespread Sharia-compliant finance products would lead to low interest in obtaining loans. This is not particular to a specific group and is a social constraint for relevantly large segments.
- **The need to enhance the Protection of consumer rights:** Solid consumer rights systems increase trust in the finance system and prevent abuse, especially towards vulnerable, underserved segments.
- **Lack of financial literacy of customers:** This challenge remains relevant for a large segment of clients who lack awareness about products offered by finance companies or their rights/ obligations linked with the services provided in this scope.

Refugees

- **Lack of access to finance:** (66.5%) of refugees reported borrowing informally (almost double the rate for non-refugees), compared to just (5.5%) that borrowed formally. This exposes refugees to over-indebtedness and predatory lending practices. Moreover, the expenses related to obtaining finance are often obstacles to almost all individuals who report being unable to borrow. Refugees who have experienced difficulties reaching different outlets of finance companies and issues with their identification documents being accepted for their loan applications suffer even more from these obstacles.

- **Unemployment:** Refugees have substantially lower employment rates and income levels than non-refugees. Only (23.1%) of refugees indicated that they are employed or self-employed, compared to (41.9%) among non-refugees. Lack of employment hinders obtaining finance with no regular income to support loan payments.

MSMEs

- **High cost of borrowing:** Small and micro-sized enterprises, in particular, find it expensive to borrow from formal institutions, which would dissuade them from obtaining such finance, which includes fees and commissions.

- **Lack of suitable products:** There do not seem to be many products designed to respond to the specific needs of micro and small enterprises. Also, the lack of suitable Islamic Sharia-compliant products would further drive many in this sector to abstain from lending.

- **Unsuitable product maturity:** The maturity of the loans for MSMEs does not meet their needs.

- **Long and complicated procedures to obtain finance:** The procedures required to apply for a loan, including requests for multiple documents that would dissuade MSMEs from obtaining finance, should be simplified and proportionate to the size of the loan and the enterprises to facilitate the process.

- **The need to enhance the infrastructure of FinTech services**: Access to loans via FinTech companies is lacking due to a weak infrastructure that would prevent them from tapping opportunities posed by technology, such as spreading their outreach to underserved segments. Fintech also contributes to the decrease of cost on finance.

- **The need for capacity building:** The MSMEs' cadres need highly customized training and capacity-building efforts to boost their companies' performances and manage their credit lines.

- **High level of informality of MSMEs:** Companies that lack formal registration are challenging to assess due to the shortage of data, leading to the inability to recognize the needs of these companies and build targets accordingly. It should be noted that many of these enterprises are reluctant to register for concerns related to fees or taxes that are imposed upon registration.

- **The majority of MSMEs lack the preferred, acceptable collateral for accessing financing to grow their businesses.** This challenge would hinder MSMEs' desire to obtain finance due to the lack of resources and high risks on companies to put their assets, if they possess them, for collateral. Furthermore, accepted collaterals are traditional, such as lands or real estate, and more diversification in collateral types can help these enterprises reach new ways of accessing finance.

- **Many formal micro-enterprises (64.9%) do not maintain financial records, leading financial institutions to estimate their cash flows.** These estimates may be conservative, resulting in approved loan amounts below the actual repayment capacity of the micro-enterprise.

- **Micro-sized enterprises might be overly ambitious or optimistic in their borrowing plans,** possibly indicating a gap in financial literacy.

- **Financial institutions might perceive micro-sized enterprises as riskier than they are,** leading them to approve smaller loan amounts to mitigate risk.

- **Unreliable financial management and financial reporting by MSMEs**
- **Religious objections to interest-based (non-Islamic) borrowing.**
- **Entrepreneurs are often unaware of the financing options available due to smaller enterprises' lower financial literacy levels.**
- **Lack of trust in financial institutions.**

Finance Companies

- **Lack of confidence in formal institutions:** As finance companies, excluding microfinance companies, were not considered a part of the formal lending sector, clients could not trust finance companies and their services. Therefore, placing these companies under the supervisory umbrella of CBJ should enhance confidence in the sector.
- **There is a need to qualify and build capacities in finance companies' staff**: Like their MSME counterparts, finance companies' staffs need highly customized training and capacity-building efforts to solidify their companies' performance and compliance.
- **Increased cyber and information security risks:** The ongoing burgeoning of technological transformation of services and products offered by finance companies has exposed financial institutions worldwide to increasingly threatening cyber risks, attacking newly regulated finance companies facing these same risks. Therefore, these companies need to adopt robust cybersecurity systems, which leads to enhanced confidence in their services.

2.3. Goals

Finance from Banking Institutions

Table 14: Goals of finance from banking institutions

Sub-goals	Targets	Strategic Measures
1. Increase the size of loans granted by banks to MSMEs by (24%) during the next four years (an average annual growth rate of (6%).	Increase the size of loans granted to micro and small enterprises by an average annual growth rate of (6%).	- Continue development finance schemes for MSMEs based on the principle of additionality and linked with banks' products innovation and skill building - Upskill staff in SME credit analysis in banks to allow for a better and simplified credit decision-making process. - Develop financial capacity-building programs for MSMEs. - Enhance role of JLGC. - Activate the Insolvency Law and movable collateral registry. - Collect disaggregated data on MSME lending from banks.
	Increase the size of loans granted to medium enterprises with an average annual growth rate of (6%).	
	Increase the percentage of SMEs obtaining credit from banks from (17.4%) to (20%).	
	Improve MSME's use of digital financial services.	- Develop digital financial applications and platforms for MSMEs. - Enhance the security and protection of digital information for MSMEs.
2. Enhance access to responsible banking finance for individuals.	Increase the size of loans granted by banks to women and youth by an average annual growth rate of (5%).	- Develop lending products targeting women in sectors such as (health, education, and residential). - Develop lending products targeting businesswomen. - Develop bank-lending products for youth.
	Increase the percentage of women obtaining credit from banks from (4.4%) to (6%).	
	Increase the percentage of youth obtaining credit from banks from (1%) to (3%).	
	Improve funding levels for low-income households.	- Develop bank-lending products for low-income households.

Finance from non-bank Financial Institutions

Table 15: Finance from non-banking institutions

Sub-goals	Targets	Strategic Measures
1. Enhance access to formal lending for MSMEs from finance companies by achieving a growth rate of (16%) within four years.	Increase lending from finance companies, including MFIs, with an annual average growth rate of (4%).	- License finance companies - Encourage the development of new and diversified financial products and services. - Introduce necessary regulations under the Finance Companies Bylaw - Increase awareness about Islamic finance companies and their services - Enhance the role of JLGC. - Encourage finance companies to offer non-financial services for MSMEs.
	Enhance the creditworthiness assessment for finance companies' clients.	- Ensure that all finance companies are utilizing licensed credit bureau services for their credit assessment processes. - Review the credit bureau's legal and regulatory framework to ensure alignment with international developments in the credit information industry, including development of machine learning models and big data utilization.
	Inclusion of finance companies sector within the formal financial system.	- Develop regulatory tools for collecting data on different finance companies. - Issue the necessary legislation for the finance companies.
2. Improve the quality of financial services and products for customers and empowering them by taking appropriate measures to enhance financial consumer protection and build financial capacity.	Build staff capacities in the finance companies sector	- Hold capacity building and training sessions for the staff of finance companies. - Link access to development finance to the skill development and product innovation.
3. Facilitate access to finance by refugees.	Integrate the refugees among target groups of finance companies	- Encourage institutions to design products and services that cater to the needs of refugees and accommodate their unique circumstances at affordable cost.

3. Savings

3.1. Current Status

Saving is a key indicator of strong financial discipline and health, enabling individuals and businesses to make substantial investments and protection against unexpected financial crises. It plays a crucial role in financial inclusion. However, keeping savings in cash at home can lead to reckless spending, theft, and damage, and it misses out on earning interest or contributing to the broader economy's financial activities. Therefore, encouraging savings through formal financial institutions is in the best interest of both households and the overall economy.

Including a saving service as a central component of the National Financial Inclusion Strategy aims to promote financial discipline and motivate individuals and MSMEs to save more. This helps them achieve their financial objectives and contributes to the country's economic growth.

Formal savings refers to *"the portion of income or resources not spent on current expenditures, and put aside with formal financial institutions such as banks, PSPs or other regulated channels, that allow securely storing funds and accumulating for future needs such as emergencies, education, homeownership, retirement, and investment opportunities."*

Access to Formal Savings

Access to formal savings can be measured by various indicators assessing the extent to which individuals and MSMEs can save money through formal financial institutions. One commonly used indicator is the percentage of adults and MSMEs with bank accounts and/or mobile wallets. The indicators below illustrate the access to formal saving options for both households and formal MSMEs in Jordan (Table 16):

Table 16: Indicators of access to formal saving options for both households and MSMEs

Entity	Indicator	Types	Percentage
Individuals	Adults with Bank Account	Types of Accounts	
		Current Accounts	23.2%
		Saving Accounts	8.5%
		Term Deposits	1.1%
		Basic Bank Accounts	0.9%
		Other Types of Accounts	0.8%
		Types of Banks	
		Conventional (Non-Islamic) Banks	21.6%
		Islamic Banks	14.9%
		Both Islamic and Conventional Banks	1.6%
MSMEs	Formal MSMEs with Financial Accounts	Current Accounts	48.2%
		Mobile Wallets	12.9%

Usage of Formal Savings

The data reveals that while the overall saving rate in Jordan is (14.7%), formal savings in accounts at financial institutions stand at (4.3%) (Table 17). The COVID-19 pandemic likely contributed to the reduction in saving behavior. Saving for emergencies is the primary reason for saving among adults (Table 18). There is an opportunity to encourage informal savers to transition to formal savings. The type of account (bank account vs. mobile wallet) influences saving behavior, with higher saving rates in bank accounts, possibly due to higher income levels. Additionally, formal MSMEs are more likely to have saving and investment products than informal micro-enterprises.

Table 17: Indicators of usage of formal saving options for households

Category	Saving Rates (%)	Formal Saving Rates (%)
Overall	**14.7%**	**4.3%**
Saving Rates by Group		
- Women	15.7%	3.3%
- Bottom 40%	16.1%	1.7%
- Refugees	3.3%	0.0%
- Youth	25.2%	2.6%

Table 18: Saving methods, reasons for saving, saving by account type, and saving by MSMEs households

Saving Methods (% of adults)	Saving Rates (%)
- Cash at Home	10.6%
- Saved in an Account	4.3%
- Informal saving Group	2.0%
- Buying Precious Metals	1.0%
- Other	1.6%
Reasons for Saving (% of adults who saved)	
- Emergencies	65.8%
- Planned Purchase	40.0%
- Education Expenses	28.4%
- Old Age	10.3%
Savings by Account Type (% of adults with the indicated type of account)	
- Bank Account	9.5%
- Mobile Wallet	2.3%
Savings by MSMEs (% of MSMEs)	
- Formal (MSMEs)	15.0%
- Small Enterprises	25.9%
- Medium Enterprises	26.0%
- Formal Micro Enterprises	13.8%
- Informal Micro Enterprises	0.0%

Quality of Formal Savings

The satisfaction degree of adults who use saving accounts in terms of product conditions and customer service is the indicator that is widely used to describe the quality of the formal financial system for saving. The results of the study are shown in (Table 19) below:

Table 19: Indicator of quality of the formal financial system for saving

Satisfaction Level	Percentage of Adults
Very Satisfied	21.9%
Satisfied	49.2%
Neither Satisfied Nor Unsatisfied	7.0%
Unsatisfied	4.7%
Very Unsatisfied	1.6%

The main reasons for dissatisfaction were:
- Complicated procedures for depositing and withdrawing money.
- High transaction fees.
- Poor customer service.
- Lack of knowledge about saving accounts (approximately 20% of those dissatisfied).

3.2. Challenges

General Challenges

- **Poor monthly income:** Jordan has experienced a downgrade in its income classification from upper-middle to lower middle, according to the latest report by the World Bank. People in Jordan experience a high cost of living compared to their income.
- **Cultural barriers include financial illiteracy, negative attitudes toward saving.**
- **Most saving products require a minimum balance and a one-time account-opening fee** that may discourage engagement with financial institutions. Other bank charges, such as ATM usage fees, unfavorable returns, monthly operating fees, and withdrawal fees on savings, may serve as additional disincentives.
- **Geographic barriers** make it difficult for banks to deliver services and expensive for individuals to save, particularly those in remote rural areas.
- **Low digital literac**y leads to difficulty accessing saving products or services.
- **Using one account** for all the family members may cause misuse and lead to a deficiency in the saved amount.
- **The aftermath of the COVID-19 pandemic,** such as raising interest rates on loans, losing sources of income / having no fixed income source, and increased urgent expenses are still affecting the population.

Households

Bottom 40%

- **Poor monthly income:** Despite their small income, people with low incomes face significant expenditure needs in relation to the sums of money immediately available to them.
- **Lack of trust in financial institutions:** Limited financial literacy may lead individuals to avoid becoming customers of traditional financial institutions and opt for alternative financial services providers.
- **Unemployment:** Joblessness can restrict available financial resources and raise concerns about losing benefits, making it less likely for individuals to save money.

Women

- **Women face financial challenges** such as lower income and limited financial resources due to their often-unpaid family caregiver roles, working in lower-paying fields, and higher unemployment rates, which force them to take extended unpaid leave and financially depend on others.
- **Gender gap in literacy and financial literacy:** The illiteracy rate among women (7.5%) is significantly higher than men's (2.7%), potentially hindering women's participation in the formal financial sector. Low financial literacy levels, particularly among educated women, may result in lower confidence in financial services.
- **Cultural factors:** Cultural norms may prevent women from controlling household finances, as male heads of households often manage them. This lack of financial control can impede women's ability to engage in formal financial activities, including savings.

Youth

- **Limited financial resources:** youth typically have lower average incomes, which restricts their ability to save due to limited financial resources.
- **High unemployment rates:** Youth often face higher unemployment rates, making it challenging to secure a stable source of income and allocate funds for savings.
- **Regulatory barriers:** National regulations impose age requirements for opening and operating a bank account, with youth typically needing to be at least 18 years old. For those aged 15-17, an adult parent or guardian may need to open and manage an account on their behalf.
- **Lack of encouragement or guidance:** Some youth may miss out on opportunities to save due to a lack of encouragement or guidance regarding financial literacy and saving practices.
- **Perceptions and beliefs:** Youth may avoid financial institutions due to their beliefs or perceptions about banking, potentially hindering their participation in formal financial activities.

Refugees

- **Limited access points**: Many refugee camps are in remote areas, far from bank branches, Payment Service Provider (PSP) offices, and ATMs accepting deposits. This geographical distance makes it difficult for refugees to access formal financial services.
- **Complex procedures:** The account opening process often involves complex procedures, such as in-person visits, long waiting times, and document requirements for opening an account since they may lack the necessary identification documents, which hinders their ability to open accounts and access financial services.
- **Low mobility and high costs:** It is difficult for refugees inside the camps to access traditional financial services due to the difficulty of leaving the camps. The cost of using a mobile phone also limits refugees' use of mobile banking and other digital financial services.

MSMEs

- **Inconsistent cash flows:** Many MSMEs, particularly micro-sized enterprises, struggle with generating a consistent cash flow, allowing them to allocate funds for savings and investments.

- **Low financial literacy:** MSME owners in Jordan may lack the financial knowledge and skills to manage their finances, including making informed decisions about saving and investing. Some MSMEs may not express strong interest in acquiring saving and investment products, possibly due to a lack of understanding or trust in formal financial institutions.

- **Limited investment options:** MSMEs may have limited investment choices, and some may not align with their needs, suggesting demand for more tailored financial products and potentially hindering their growth and returns due to market constraints.

- **Saving accounts in credit assessment:** Financial institutions may not consider saving accounts reliable indicators of creditworthiness for MSMEs, which discourages enterprises from saving.

- **Tax evasion.**

3.3. Goals

Table 20: Goals of savings

Sub-goals	Targets	Strategic Measures
1. Increase adults' saving rate in formal financial institutions from (4.3%) in 2022 to (10%) by the end of 2028.	Increase the formal saving rate for women from (3.3%) in 2022 to (8.9%) by the end of 2028.	- Diversify product offering marketed explicitly towards women through banks. - Develop saving products marketed towards women through PSPs companies. - Digitalize the saving groups to facilitate women's transition from the informal to the formal financial system, especially women in rural areas.
	Increase saving account ownership in banks for women from (6.7%) in 2022 to (9%) by the end of 2028.	
	Increase the formal saving rate for refugees from (0%) in 2022 to (1%) by the end of 2028.	- Develop accessible and affordable products and accounts that encourage saving in collaboration with PSPs. - Improve mobile wallet to encourage refugees to save by offering the option to save a small amount of their remittances when received, in collaboration with PSPs.
	Increase the formal saving rate for youth from (2.6%) in 2022 to (7.7%) by the end of 2028.	- Develop saving products for youth (Banks). - Improve mobile wallets and digital tools to encourage youth to save (PSPs).
	Increase saving account ownership in banks for youth from (5.6%) in 2022 to (8.5%) by the end of 2028.	

Sub-goals	Targets	Strategic Measures
	Increase the formal saving rate for the bottom 40% from (1.7%) in 2022 to (4.3%) by the end of 2028.	- Improve the Basic Bank Account to be used to promote saving. - Develop new saving products (banks, JPSF, and PSPs). - Improve mobile wallets and digital tools to encourage the bottom 40% to save in collaboration with PSPs.
	Increase saving account ownership for the bottom 40% in banks from (4.3%) in 2022 to (6%) by the end of 2028.	
2. Increase MSMEs saving rate in formal financial institutions from (15%) in 2022 to (20%) by the end of 2028.	Increase saving accounts/ products ownership for formal MSMEs from (11.6%) in 2022 to (17%) by the end of 2028.	- Introduce new saving products by banks designed explicitly for MSMEs. - Promote using various digital platforms to promote saving / micro-saving in collaboration with financial institutions. - Identify obstacles that the MSMEs may encounter regarding opening saving accounts and introduce necessary regulatory reforms.
	Increase term deposit accounts/products ownership rate for formal MSMEs from (5.3%) in 2022 to (8%) by the end of 2028.	
	Increase certificate of deposit accounts/products ownership rate for formal MSMEs from (5.2%) in 2022 to (8%) by the end of 2028.	
	Increase bond product ownership for formal MSMEs from (4%) in 2022 to (6%) by the end of 2028.	
3. Increase the saving tools/ products and digital solutions provided by different institutions available to the public.	Increase the number of saving products from (50)[16] in 2022 to at least (58) by the end of 2028.	- Launch new saving products /accounts in collaboration with the Jordanian banks and other financial institutions (Hajj Fund, JPSF). - Develop a digital platform (e.g., app) to enhance saving and support saving habits in collaboration with Hajj Fund and JPSF Fund.
	Develop two saving products through sandbox and incubators by the end of 2028.	- Develop saving products in collaboration with JOIN Fincubator and other players in the FinTech sector.

[16] From the Central Bank of Jordan.

4. Insurance

4.1. Current Status

The insurance sector in Jordan has gained prominence within the National Financial Inclusion Strategy following the CBJ's assumption of regulatory oversight in 2021. Despite its significance in supporting economic stability and overall well-being, only (24.9%) of adults are insured through private insurance companies, while government-provided health insurance covers the majority of adults at (47.8%). Insurance ownership is driven primarily by health insurance, which (55.5%) of adults have, followed by motor insurance at (16.9%), life insurance at (4.7%), and property insurance at (0.6%). The overall insurance penetration in Jordan in 2021 was (1.99%), with (1.66%) for non-life insurance and (0.34%) for life insurance, signifying the relatively modest size of the life insurance sector in the country.[17]

Access to Insurance

Various providers support access to formal financial services in Jordan's insurance sector. In 2021, there were (23) insurance companies, including two Islamic insurers. Additionally, there were (90) offices of insurance companies, (450) agents, and (150) brokers in 2021, indicating a sufficient availability of insurance services catering to a range of consumers, including MSMEs and individuals.

The government plays a pivotal role as the largest insurance provider, covering (67.1%) of health insurance through the Royal Medical Services (RMS) or the Ministry of Health (MoH). Employer-established self-financing funds contribute to (19%) of health insurance coverage, while insurance companies provide (13.2%) of health insurance coverage.

Usage of Insurance

The FI Diagnostic Study 2022 indicated that (60.9%) of adults have insurance. However, the number of outstanding insurance policies per 1,000 adults decreased from (315) to (257) from 2017 to 2021, primarily due to the COVID-19 pandemic's impact on insurance demand. Only about (1.7%) of insured individuals submitted claims in 2022, despite (166) claims made per 1,000 adults. Insurance premiums as a percentage of GDP declined from (2.1%) in 2017 to (1.99%) in 2021. Gender-wise, women are more likely than men to have health insurance (58.8% for women versus 52.8% for men), but women are less likely to have life insurance (3.6% versus 5.6%).

For MSMEs in Jordan, insurance ownership rates are closely tied to their size and formality. The overall insurance ownership rate among formal MSMEs is (32.5%), ranging from (29.3%) for micro-sized enterprises to (56.9%) for small enterprises and (84.0%) for medium enterprises. Only (7.7%) of informal micro-sized enterprises have insurance, possibly due to smaller cash flows and cost considerations. Auto insurance is the most common type (24.0%) among formal MSMEs, followed by health insurance for workers (15.9%) and worker compensation (10.6%). Property and professional liability insurance are less popular among micro-enterprises but have moderate ownership rates among medium enterprises. Takaful Islamic insurance is not widely used, with only (1.5%) of formal MSMEs having a Takaful policy. In 2021, (27.1%) of formal MSMEs submitted insurance claims.

Ten licensed banks in Jordan provided insurance services in 2021, contributing (3%) of total premiums. Additionally, two MFIs offer micro-insurance bundled with loans, mainly covering life and hospitalization, but offering micro-insurance to non-borrowers is not widespread.

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[17] Central Bank of Jordan. (2021). The Annual Report of Insurance Sector in Jordan. Retrieved from Central Bank of Jordan: https://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/2022/Annual%20Report%20-%202021%20-.pdf

Quality of Insurance

Jordan's insurance sector benefits from a robust regulatory framework. In 2021, the CBJ assumed responsibility for supervising and regulating the insurance sector, as outlined in Insurance Regulatory Law No. 12 of 2021. The legal and regulatory framework for insurance is standard and does not impose unusual features or significant constraints on insurance companies. While efforts have been made to enhance transparency and corporate governance through instructions and circulars, the framework continues to evolve to meet industry needs and ensure customer protection.

However, some individuals face obstacles in obtaining insurance coverage. The main challenges include affordability, cited by (51.6%) of adults in the diagnostic study, complicated procedures reported by (9%), and a lack of understanding about how insurance works, mentioned by (4.6%) of participants.

4.2. Challenges

- **Regulatory and supervisory framework update required:** The issuance of Insurance Regulatory Law No. 12 of 2021 necessitates the modernization and updating of the regulatory framework to align with international best practices and Insurance Core Principles (ICPs).

- **Fragmented insurance portfolios and small insurers:** The presence of numerous small insurers and fragmented insurance portfolios hampers the creation of meaningful risk pools and limits the expansion of life insurance offerings.

- **Lack of affordable insurance products:** A significant portion (51.6%) of adults cannot afford insurance products, particularly micro-enterprises that find insurance costs burdensome compared to their cash flows.

- **Unsuitable insurance products:** The lack of insurance products tailored to consumer needs stems from limited demand-side research, slow market development, and innovation, especially in life insurance.

- **Limited distribution channels:** There is a shortage of distribution channels for insurance products, especially outside of urban areas, due to an over-reliance on direct sales, inadequate digitalization, and slow sector innovation.

- **Low public confidence and trust:** The insurance sector faces challenges in gaining public trust, emphasizing the need for fair treatment of consumers, especially in timely and fair claims settlements.

- **Low financial awareness and literacy:** A lack of efforts to educate individuals about insurance's role in effective risk transfer acts as a critical barrier to insurance product usage.

- **Insufficient insurer motivation to innovate for MSMEs:** Insufficient incentives exist for insurers to innovate in designing and offering products and services tailored to MSMEs.

- **Lack of regulatory framework for MSMEs' distribution channels:** The absence of a regulatory framework that supports specific distribution channels and transactional platforms trusted and accessible by MSMEs limits insurers' ability to innovate in extending coverage to this sector.

- **Lack of affordable and suitable products for the bottom 40%:** A significant portion (51.6%) of adults among the bottom 40% income group cannot access affordable insurance products tailored to their needs.

- **Limited FinTech Knowledge in Insurance Sector:** There is a lack of technical knowledge regarding FinTech' s application in the insurance sector in Jordan, and few connections exist between potential participants in different sectors. This hinders the development of an environment conducive to insurance initiatives through InsurTech.

- **Limited Market Research:** Insufficient market research has resulted in a scarcity of data, especially concerning unserved and underserved customer segments in the insurance industry.

4.3. Goals

Table 21: Goals of insurance

Sub-goals	Targets	Strategic Measures
1. Maintain a robust and sustainable insurance sector, preserving wealth and national savings.	Develop a regulatory framework that strengthens the financial positions of insurance companies.	- Implement a risk-based solvency regime by enforcing Solvency Margin Instructions No.7 of 2023 and ensure companies' compliance with the minimum solvency margin. - Enact the new minimum capital requirements instruction No. 6 of the year 2023 to enhance serving the needs of consumers and meet their policy obligations. - Review Compulsory Motor Insurance Regulations. - Transition to a risk-based supervision approach for insurance companies.
	Support market research within the insurance sector.	- Conduct market research to collect demand-side data about target groups (bottom 40%, MSMEs) and determine suitable insurance products. - Enhance data collection and improve data availability related to access, usage, and quality of insurance.
	Stimulate inclusive insurance market research and innovation regarding affordable insurance products to target MSMEs and the bottom 40%.	- Provide new insurance products and access channels for MSMEs to support their businesses and asset development. - Simplify insurance products at lower cost through new access channels to facilitate access and serve the bottom 40%.
	Promote micro-insurance to become effective and dynamic, thus catalyzing socio-economic growth.	- Create a legal environment for micro-insurance business by issuing new instructions regulating the micro-insurance business to enable the development of new products and services. - Introduce new micro-insurance products by insurance companies.

Sub-goals	Targets	Strategic Measures
	Promote diverse distribution channels and amplify the reach of insurance services and products.	- Review the Instructions of Licensing and Regulating the Business and Responsibilities of Insurance Brokers and Agents. - Issue instructions to regulate the Insurance business electronically in a conducive environment to facilitate digital channels. - Develop digital insurance platforms designated for underwriting and claims handling by the insurance sector.
2. Increase the usage of insurance products and services.	Increase the share of adults covered by insurance from Insurance companies from (24.9%) in 2022 to (32%) by the end of 2028.	- Provide new insurance products and access channels to targeted segments.
	Increase insurance ownership by MSMEs from (32.5%) in 2022 to (40%) by the end of 2028.	
3. Instill confidence in insurance products and services.	Enhance proper business conduct to ensure fair treatment, protect consumers, and prevent market abuses.	- Issue revised code of conduct for insurance companies. - Issue conditions and regulations of new products. - Establish a fund to protect consumers interest and claims.
	Raise the complaint settlement percentage from (51%) in 2023 to (85%) by the end of 2028.	- Mandated by the code of conduct form complaints handling units in insurance companies after issuing the amendment code of conduct instruction. - Develop a new complaint-handling mechanism to facilitate the redress of customer complaints.

5. Consumer Empowerment and Market Conduct

Financial Consumer Protection (FCP) is crucial for fostering financial inclusion by ensuring fair treatment for users of financial services. It builds trust in the financial system and encourages more significant utilization of financial services. We at CBJ first started with regulations primarily targeted banks, and then he regulatory framework expanded to include regulations directed to non-bank institutions like MFIs, exchange houses, and PSPs.

Similarly, financial literacy is essential to consumer empowerment; it promotes good financial habits and informed financial decision-making. Additionally, it improves money management and enhances individuals' ability to withstand any financial hardships. Eventually, financial literacy forms a solid foundation for a financially healthier life for individuals and empowers them to better contribute to sustainable development within their society.

5.1. Current Status

The CBJ, along with its partners, has taken several remarkable steps to protect financial consumers, boost confidence and competitiveness in the financial and banking systems, improve the quality of financial services provided to customers, and encourage individuals and increase their access to financial services by having a comprehensive framework for financial consumer protection.

Furthermore, CBJ continually develops and reviews the financial consumer protection framework to enhance the controls and measures in place and develop a positive consumer-focused culture within financial institutions.

Additionally, the journey toward empowering consumers with financial knowledge, skills, and access to resources while enforcing ethical market conduct is ongoing. This dual approach ensures that individuals are brought into the financial system and can participate actively and responsibly.

Financial Consumer Protection for Households

Regulatory Status

According to the 2016 amendment of the Central Bank Law, the CBJ has a mandate to set the rules and standards that govern the treatment of consumers fairly and transparently by banks and financial institutions and raise public awareness of banking and financial activities.

The initial regulations on consumer protection focused mainly on banks, but in recent years, regulatory efforts have broadened to cover MFIs, exchange houses, PSPs, and other non-bank institutions for individuals and institutions. The CBJ has prioritized consumer protection in the financial sector through a series of regulations and initiatives:

- **Regulatory focus:** In 2012, CBJ issued the "Instructions on Dealing with Customers Fairly and Transparently" for banks, emphasizing transparency in credit controls, fee limitations, safeguarding dormant accounts, and effective complaint resolution.

- **Evolution of regulations:** These regulations have evolved, and new "Financial Consumer Protection Instructions for the Banking Sector" are expected to align with international best practices. They cover principles like fair consumer treatment, transparency, responsible lending, prevention of over-indebtedness, product design, financial education, data confidentiality, and responsible pricing.

- **Expansion to other sectors:** Similar regulations were introduced for MFIs in 2018 and exchange houses and Payment Service Providers (PSPs) in 2021. Complaint handling regulations were introduced in 2017, and guidelines for serving customers with disabilities were introduced in 2018.

- **Debt collection guidelines:** In early 2023, CBJ issued guidelines for controlling debt collection practices by MFIs, aiming to establish transparent and fair procedures while protecting the rights of all parties.

- **Commission instructions:** CBJ also issued commission instructions for MFIs, setting maximum commission limits.

- **Monitoring and inspections:** the CBJ actively monitors the market in a manner that addresses the unlicensed financial institutions and informs the respective security authorities to take action. Additionally, the CBJ issues periodic warnings to consumers to avoid dealing with those institutions to combat fraud and insecure practices.

- **Reinforcing the regulatory framework of financial consumer protection:** the CBJ carried out several off-site and on-site inspection tasks on banks and non-banking financial companies to ensure the compliance of these institutions with the financial consumer protection legislation in force. Many tools and techniques were used in these inspections, including mystery shopping.

Disclosure

According to the FI Diagnostic Study 2022, financial institutions excel at explaining loan products (86.8% of cases), which is crucial for borrowers' understanding and timely repayment. However, they often fail to explain account terms before signing agreements (47%). These explanations are essential under Financial Consumer Protection guidelines and are inspected regularly.

MFIs outperform banks in explaining loan terms (90.5% vs. 83.9%), possibly due to focusing on segment needs and a commitment to Financial Consumer Protection. Banks do slightly better than PSPs in explaining account conditions (47.6% vs. 40.7%), with mobile wallets having complex limitations that may need more customer clarification.

(Table 22) summarizes customer satisfaction with the explanation of financial institutions' loan products and account terms, including banks, MFIs, and PSPs.

Table 22: Customer satisfaction with the explanation of financial institutions' loan products and account terms

Aspect	Loan Products	Account Terms	Notes
Financial institutions' explanation rate	86.8%	47.0%	Only 47.0% of customers think financial institutions explain accounts properly before agreements are signed.
Importance for the institution	High	Low	Account explanations are less emphasized, as the impact of low account usage is less obvious and more challenging to measure than loans.
MFI vs. Banks (Loan terms explanation rate)	90.5% (MFIs)	83.9% (Banks)	MFIs excel in explaining loan terms, with 90.5% satisfaction, while banks score 83.9%. MFIs focus on their customer segment's needs, especially those with limited access to finance, and prioritize compliance with Financial Consumer Protection Instructions.
Banks vs. PSPs (Account terms explanation)	47.6% (Banks)	40.7% (PSPs)	Banks perform slightly better than PSPs, with 47.6% satisfaction, compared to 40.7% for PSPs.
Mobile Wallets	-	Complex	PSPs receive lower satisfaction, possibly due to more complex limitations in mobile wallets, such as transaction limits based on type and period.

Reading contracts

Many customers do not thoroughly read their financial contracts, with only (69.5%) of borrowers and (32.0%) of account holders admitting to doing so.

For bank customers, existing financial consumer protection instructions require the contract to include acknowledgments from both the customer and the guarantor, confirming that they have read and understood all its clauses. However, upcoming instructions for the banking sector will mandate banks to provide a “Fact Sheet” form to customers and guarantors before contract signing. This Fact Sheet includes essential credit information like the loan amount, number and value of installments, interest rate, amendment periodicity, and all associated commissions and costs.

MFIs follow different guidelines. Under the Instructions of Financial Consumer Protection for the Microfinance Sector, MFIs are obligated to provide consumers and guarantors with a “Key Facts Statement” of the product or service before contract signing. Additionally, MFIs must allow sufficient time for consumers and guarantors to review contract clauses, address any inquiries, and ensure they understand their rights and obligations.

Complaints

Submitting and resolving complaints

A very small percentage of Jordan’s adult population, precisely (1.1%), or (1.6%) of those who actively use financial services, reported filing a complaint with a financial institution in 2022 (Figure 18).

It is essential to note that the number of respondents who reported submitting complaints was relatively low, only (12) out of a total of (1,052) surveyed did so. Among these (12) respondents, only seven mentioned that their complaints had been resolved during the survey.

These findings suggest that financial institutions in Jordan might not be remarkably swift in addressing customer complaints. Of the seven whose complaints were resolved, four expressed complete satisfaction with the resolution, two were partially satisfied, and one was entirely dissatisfied with the outcome.

Channels for submitting complaints

The Central Bank of Jordan (CBJ) advises individuals to initiate complaints with the financial institutions that provided the service. If they are dissatisfied with the resolution or their complaints have not been resolved, they can escalate to the CBJ.

In 2017, the CBJ issued instructions outlining the regulatory framework for handling consumer complaints of financial and banking service providers. These instructions mandate the establishment of dedicated units within these institutions to handle complaints. For banks, the unit should be under the Compliance Control Department to ensure independence, while for financial institutions, it should report to the general manager. Staff in these units must possess adequate knowledge of services, products, and relevant regulations.

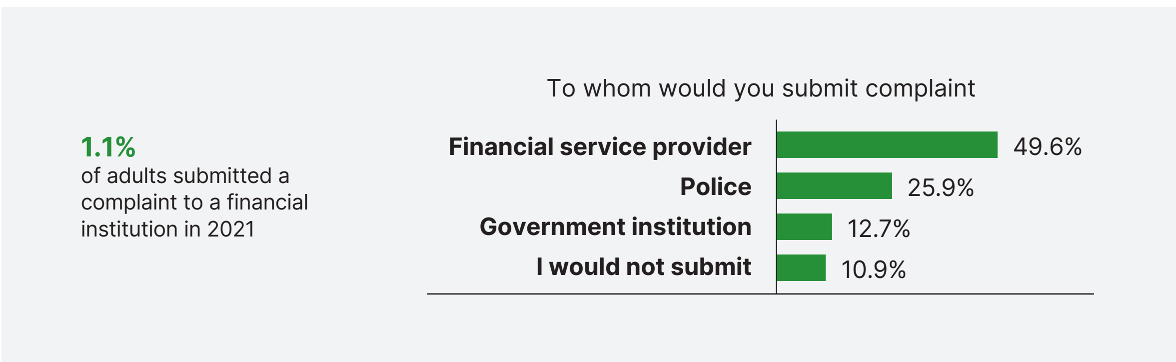

Figure 18: Indicators regarding submitting complaints

The CBJ has established a platform on its website to inform customers of their complaint submission rights and available channels, including phone calls, complaint boxes, personal attendance, and online submissions.

Complaints from the supply-side perspective
To address the issue of low complaint submissions by adults, CBJ has adopted an approach of aggregating supply-side data from various financial institutions. This data is now compiled and published in the CBJ's Consumer Complaints Report.

In 2022, (92,477) consumer complaints were received by financial institutions, with (37,792) complaints directed at banks and (54,685) at non-bank financial institutions.[18]

The majority of complaints among banking customers (75.6%) were related to electronic services, indicating the growing popularity and accessibility of digital methods for interacting with financial institutions.

Despite a notable increase in the total number of complaints in recent years, such as a (33%) increase from 2020 to 2021, this surge can be attributed more to heightened customer awareness of their right to complain and improved record-keeping by financial institutions rather than a decline in service quality.

The escalation ratio, which assesses the effectiveness of banks and non-banking financial institutions in handling complaints in 2022, stands at (6.3%) for banks, (9%) for MFIs, and (7.6%) for Electronic Payment and Money Transfer Companies.

Over-indebtedness

An essential aspect of financial consumer protection is ensuring that lenders do not place borrowers in a situation where they are likely to default. This requires lenders to carefully assess the repayment capacity of applicants and set appropriate conditions regarding loan amounts and payments. For retail loans, maximum debt burden ratios are generally reasonable, averaging around (50%), which helps preventing excessive borrowing.

When evaluating business loans, banks take conservative approaches to assess cash flows. They often disregard or discount unofficial income not reported for tax purposes.

In contrast, MFIs typically include this unofficial income, potentially contributing to a perception of higher over-indebtedness in the microfinance sector compared to the Small and Medium Enterprises (SME) sector. There is concern about the high rate of borrowing by individuals in 2022, reaching (47.1%), mainly driven by informal borrowing. However, this trend might be influenced by the temporary effects of the pandemic.

The FI Diagnostic household survey 2022 found that (5.9%) of adults who did not borrow formally in 2022 cited having too much existing debt as the reason. This is a decrease from (7.8%) reported in the 2017 survey.

Financial Literacy for Households

The Jordanian government and the CBJ have recently been very active in promoting financial literacy and education. The centerpiece of the government's strategy is the Financial Education Program (FEP), which introduced financial education classes in schools for grades (7) through (12). The program was rolled out gradually from 2015 to 2018, with updates to the curriculum in 2019 and 2020. Roughly (4,000) schools in the kingdom are participating in the FEP. One of the FEP's main objectives is to digitize its curriculum using a Microsoft-accredited IT platform, with teachers expected to create their digital content. It is worth mentioning that the curriculum is designed to be interactive, engaging, and relevant to students' daily lives. It is a compulsory class for all school students in grades (7-10) and an optional elective for students in grades (11) and (12); accordingly, Jordan is one of the leading countries in this field.

Aside from the FEP, the CBJ publishes relevant materials on its website and social media platforms and periodically conducts financial awareness sessions for various target groups, including women, children, youth, people with disabilities, elderly, forcibly displaced persons, and the military sector in all governorates. Banks and non-banking financial institutions are sometimes invited to participate in financial literacy campaigns and publish financial literacy material through their electronic channels.

[18] From the Central Bank of Jordan.

Measuring Financial Literacy

According to the FI Diagnostic Study 2022 demand survey, the average adult answered (3.1) of the (7) questions correctly, including the insurance question newly introduced in the 2022 questionnaire. The survey attempted to measure some fundamental aspects of the financial literacy of households through seven questions. These questions cover the topics of interest, diversification of one's savings, inflation, deposit insurance, and other insurance.

In the same context, the Financial Literacy score in Jordan was measured in 2023 using the OECD/ INFE Toolkit for Measuring Financial Literacy and Financial Inclusion (version: 2022). The OECD/INFE defines financial literacy as: *"A combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being"*. The overall financial literacy score reached (58%).

According to the survey, the most understood concept is inflation, followed by the benefits of diversification in risk reduction, which is similar to the results of the FI diagnostic survey.

Inflation and Diversification

In the 2022 survey, (91.9%) of adults answered the basic inflation question correctly, up from (86.9%) in 2017. Inflation affects the prices people pay for goods and services daily, so, unsurprisingly, this topic is well understood.

The only other question answered correctly by most adults (59.0% in 2022) was on diversification, up sharply from just (31.3%) in 2017. It is possible that for many households, the COVID-19 pandemic has dramatically illustrated the benefits of diversification.

Insurance

Another indicator for which adults scored low was regarding conventional insurance (as opposed to deposit insurance), which was answered correctly by just (20.5%) of adults.[19] Even though this study found that more than half of adults in Jordan have insurance, most individuals receive this insurance free from the government or automatically through their employers and rarely submit claims, making them less likely to educate themselves about the topic.

Deposit Insurance

Only (2.9%) of adults know how much protection deposit insurance provides, down from (8.6%) in 2017. (38.5%) Some adults believe Jordan does not have deposit insurance, and another (17.9%) believe coverage is far below (JOD 50,000). This lack of awareness of deposit insurance may impact the demand for accounts. It should; therefore, be a focal point of future financial literacy training efforts since higher awareness of deposit insurance may strengthen trust in banks and encourage financial inclusion.

[19] This question on insurance was not asked in the 2017 survey.

Financial Health for Households

Financial health/well-being refers to a state in which individuals and families can meet financial needs and obligations, pursue financial aspirations and goals, and cope with negative financial shocks, considering their current and future finances in a prudent manner. Financial well-being varies with individual and aggregate contextual factors.

The Central Bank of Jordan has measured financial health for three consecutive years (2021 - 2023) through an electronic survey, which was created using "The FinHealth Score® Toolkit" issued in 2020; based on this toolkit, financial health consists of four components: Spending, Saving, Borrowing, and Planning. In 2023, the survey was developed by adding several questions consistent with the definition based on the OECD/ INFE Policy Note on Defining and Measuring Financial Well-being.

The results showed an improvement in the average financial health score, which reached (42%) in 2023, up from (38%) in 2021; such a rise can be attributed to the improvement in the financial situation of individuals in Jordan in 2023 compared to 2021, and their efforts to cope with the repercussions of the COVID-19 pandemic, the return of some employees to their jobs or receiving their financial dues in total, and their financial recovery after significant income disruptions since the beginning of the pandemic.

The percentage of financially vulnerable people declined from (57.4%) in 2021 to (47.7%) in 2023.

Additionally, the survey revealed that the spending component was the weakest among respondents; this can be explained by the fact that almost half of the respondents had a monthly income of less than (JOD 500) in 2023, which negatively reflects on their ability to maintain a lower spending level compared to their income, as well as paying their bills on time, in addition to the common behavior of citizens in general to postpone the payment of bills, and that nearly half of the respondents have an unmanageable amount of debt.

Financial Literacy of MSMEs

The financial literacy of MSMEs is reflected in their financial reporting, planning, and preparedness for emergencies. Only a small percentage of informal micro-enterprises (7.7%) maintain systematic financial records, but this rate increases significantly for larger and more formal businesses. The production of standardized financial reports, like income statements and balance sheets, also rises with business size and formality. Informal and formal micro-enterprises primarily use manual record-keeping, while small and medium enterprises use digital means.

Financial audits are infrequent among formal MSMEs (18.2%) but more common among medium enterprises (74.0%). Business planning, often a sign of financial literacy, is lacking in most MSMEs, even among medium enterprises. A significant number of formal MSMEs (55.7%) feel unprepared for cash flow emergencies, with preparedness improving as business size and formality increase. This trend may reflect financial literacy and profitability differences among different MSME segments.

Although small and medium enterprises may be more financially sophisticated on average than individuals and better able to protect themselves, micro-sized enterprise managers may be exposed to the same risks to which individuals are exposed. The share of formal MSMEs that read their loan contract (among those that borrowed) was (57.4%), lower than the (69.5%) of individuals who read their loan contracts. However, the rate rises by enterprise size, from (56.3%) for micro-sized enterprises to (66.7%) for small and (76.9%) for medium enterprises. Most formal MSMEs (70.1%) considered that the financial institution entirely and adequately explained the loan contract to them, somewhat lower than 86.8% for individual borrowers. Business loan contracts are often more complex than consumer loan contracts, with more conditions and obligations, so financial institutions must diligently explain the contract to MSME borrowers. Only (0.8%) of MSMEs submitted a complaint to a financial institution about a financial product or service in 2022,[20] slightly lower than (1.1%) among households.

20 Survey respondents that submitted a complaint were asked about the outcome of that complaint, but too few respondents submitted a complaint for the results to be meaningfully interpreted.

5.2. Challenges

Households

Supervision and enforcement of financial consumer protection laws

There are no instructions for penalties and fines regarding violations related to financial consumer protection issues. Therefore, there is a need for instructions for penalties and fines that depend on the impact of the violation committed by the bank/non-bank institution, the possibility of its recurrence, and the consequences of this violation for the consumer.

In addition, imposing the penalty on the bank/non-bank institution, correcting the violating situation, and reversing any amounts to the consumer may not compensate the consumer for the negative effects of the violation committed by the bank/non-bank institution.

The difficulty of thoroughly monitoring issues related to the transparency of the bank/non-bank institution when dealing with the consumer requires developing supervisory techniques and tools in this regard, including mystery shopping.

Wrong choice of financial product/service

Consumers can make poor choices when selecting financial products or services that do not align with their needs or financial capabilities. This can lead to difficulties meeting the obligations associated with these products/services. Several reasons contribute to these wrong choices:

- **Complex product designs:** Financial institutions often bundle their products, forcing consumers to acquire additional products/services they may not need. This can result in extra costs and other obligations stemming from these ancillary products/services. In addition, the complex design of the product may make it difficult for the consumer to use the product optimally, leading to increased costs.
- **Numerous terms and conditions:** The presence of many complex terms and conditions can make it challenging for consumers to grasp the implications of their choices fully. Sometimes, financial institutions may not provide the information, making it hard for consumers to make informed decisions.
- **Difficulty in assessing and comparing products:** Evaluating and comparing financial products can be complicated due to various criteria and considerations. This complexity, combined with limited financial awareness among consumers, can make it challenging for them to make suitable choices.
- **Misleading marketing and presentation methods** that may be practiced by the bank/non-banking financial institution, whether when advertising the product/service or when providing the consumer with product details, such that the product features are exaggerated or the consumer is informed of the features without mentioning the terms and restrictions of this product.

Financial education and literacy

Enhancing financial literacy is crucial, with data revealing that households, on average, correctly answer only (3.1) out of (7) basic financial literacy questions. The following are the main challenges in financial literacy:

- **The lack of awareness regarding deposit insurance.**
- **Unfamiliarity with Basic Bank Accounts.**
- **Low level of women's financial inclusion and literacy.**
- **Difficulty in reaching women outside the labor force through financial literacy activities.**
- **Insufficient knowledge about simple and compound interest.**
- **A noticeable gender gap in financial knowledge.**

- **Poor financial behavior:** Poor money management, budgeting skills, and reliance on borrowing to meet expenses are common challenges.

- **Informal financial practices:** Many rely on friends and relatives to save and borrow

- **Cryptocurrency risks:** The CBJ banned crypto-currencies in the Jordanian financial system due to the high risks associated with dealing with them in financial institutions and the national economy. Nevertheless, it is still possible for investors to use services based outside of Jordan to buy and sell cryptocurrency. There is a lack of awareness about the risks of cryptocurrencies, and some consumers are exposed to online financial fraud and scams.

- **Weak financial resilience makes people vulnerable to financial hardships, especially in spending.**

- **Cash preference:** the preference for cash among many Jordanians is a barrier to greater use of financial services.

- **Difficulty in assessing and comparing products:** Evaluating and comparing financial products can be complicated due to various criteria and considerations. This complexity, combined with limited financial awareness among consumers, can make it challenging for them to make suitable choices.

- **Refugees:** limited awareness and understanding of digital payment tools and channels and lack trust in non-traditional financial services. Also, some individuals within refugee camps are unaware of the possibility of providing cash-in/cash-out services by shops that are not exchange houses.

- **Fee discouragement:** Various fees associated with saving products discourage engagement with financial institutions.

- **COVID-19 impact:** Lingering effects of the COVID-19 pandemic, such as rising interest rates, increased urgent expenses, and loss of income sources, continue to affect individuals and households.

MSMEs

Savings and Investment

According to the FI Diagnostic Study 2022, the majority of formal MSMEs have a current account at a bank (48.2%). Current account ownership strongly correlates with size and formality; micro-enterprises are less likely to have saving and investment products (13.8%). Several factors may explain why; one is that micro-enterprises may be less familiar with the conditions and benefits of such products, which is related to lower financial literacy levels.

Finance

Requested versus approved loan conditions
Most enterprises that borrowed money, regardless of size, receive a loan maturity that is at least as long as requested. For MSMEs, the share whose maturity was less than requested was less than (10%) for each size group. However, a majority (60.0%) of formal micro enterprises received a loan amount less than they requested. By contrast, only (22.2%) of small and (33.3%) of medium enterprises received a smaller amount than requested. One possible factor contributing to this finding is that Micro enterprises may be overly aggressive in their borrowing plans, more willing to take on high debt levels, or overly optimistic about their future growth potential, which could indicate a gap in financial literacy.

Owning and usage of banking accounts
Many consumers, especially MSMEs, avoid opening bank accounts for various reasons. For MSMEs, this reluctance is often due to a preference for cash transactions among their customers and suppliers. Additionally, MSMEs may fear that having a bank account could lead to easier tracking of their income by authorities, resulting in higher taxes. Households also share these concerns, along with cultural reasons and the belief that their financial transactions do not necessitate a bank account. Fees and commissions associated with bank accounts also contribute to their hesitation.

Over-indebtedness
The successive increases in the interest rate on credit facilities, which began in 2022, in addition to the negative effects of COVID-19 on the financial conditions of households and MSMEs, led to increased consumer indebtedness. These reasons led to the inability of some borrowers to fulfill their financial obligations in whole or their delay in fulfilling them promptly, leading to their inability to pay them completely, in addition to the impact on the customer's standard of living.

Informal lending
Informal finance serves diverse groups unable to access traditional financial services but carries risks such as lack of oversight, over-indebtedness, unfair practices, high interest rates, limited borrower information, non-productive loans, and fraud. To address these concerns, Finance Companies Bylaw No. 107 of 2021, effective from 30/5/2022, mandates Central Bank supervision for financing companies within two years, enhancing borrower protection.

5.3. Goals

Table 23: Goals of consumer empowerment and market conduct

Sub-goals	Targets	Strategic Measures
1. Enhance the financial consumer protection framework in the Kingdom.	Amend FCP regulations to include all financial institutions regulated and supervised by the CBJ.	- Issue instructions for penalties and fines with regard to violations that occur to the financial consumer.
	Enhance supervisory tools and techniques to cover consumer protection instructions that have been issued recently / or are to be issued and to regulate all financial institutions subject to the supervision of the CBJ.	- Update the instructions on Dealing with Customers Fairly and Transparently and issue it under a new title, "Financial Consumer Protection Instructions for Banks." - Develop inspection tools and methodologies in line with developments in financial services and products and the legislations in force in that regard. - Prepare a unified document that includes the principles of financial consumer protection and its requirements, including all terms and conditions related to financial consumer protection and specific to every financial sector in Jordan. - Develop a database that includes all data and information related to financial services and products provided to the financial consumer in Jordan. This database aims to provide accurate information to enhance disclosure and transparency as a financial consumer protection principle that supports preparing studies and reports in this field.

<table>
<tr><th>Sub-goals</th><th>Targets</th><th>Strategic Measures</th></tr>
<tr><td rowspan="2">2. Financial Capability:
- Increase the average financial health score from 42% in 2023 to 50% by the end of 2028.
- Increase the financial literacy score among adults from 58% in 2023 to 62% by the end of 2028.
- Conduct MSMEs financial literacy score study (expected to be implemented in 2024).</td><td rowspan="2">Focus on issues that showed a weakness in financial literacy among all segments of society in all governorates through the complaints of customers of banks and non-banking financial institutions as well as the results of various financial literacy surveys. Target groups include women, children, youth, people with disabilities, the elderly, forcibly displaced persons, the military sector, and MSMEs in all governorates.</td><td>General Strategic Measures:
- Participate in the OECD/ INFE internationally coordinated survey for measuring the financial literacy of adults.
- Conduct a survey to measure the average financial health score.
- Launch a specialized platform to increase financial literacy for all segments of society.
- Hold awareness campaigns to educate consumers on relevant regulations and access to help channels using the internet, social media, and other methods.
- Improve the financial education program for school students based on the outputs of the (Impact Study) implemented by INJAZ.
- Conduct an insurance awareness campaign.
- Encourage the healthy spending behavior of individuals through coordination with the “Savings” pillar and implementing financial literacy activities on the “World Savings Day.”
- Raise awareness of the principles of responsible finance.
- Launch awareness campaigns highlighting the benefits and security of digital payments to overcome cultural preferences for cash transactions.</td></tr>
<tr><td>Strategic Measures per Target Groups
1. MSMEs:
- Conduct financial literacy programs/ training/campaigns (financial education) for MSMEs.
- Develop a guidance platform for MSMEs, including knowledge and awareness material. (It could be for all financial services for MSMEs).
- Employ a multifaceted approach, including media channels and workshops, in partnership with MFIs and NGOs to raise awareness about Micro-insurance among MSMEs. (Annually)</td></tr>
</table>

Sub-goals	Targets	Strategic Measures
	Focus on issues that showed a weakness in financial literacy among all segments of society in all governorates through the complaints of customers of banks and non-banking financial institutions as well as the results of various financial literacy surveys. Target groups include women, children, youth, people with disabilities, the elderly, forcibly displaced persons, the military sector, and MSMEs in all governorates.	- Implement awareness and financial literacy programs for entrepreneurs, in addition to specialized courses for the local community, such as women and business owners. - Employ various media outlets with the support of NGOs, Civil Society, and donors in Jordan to promote awareness about insurance among the bottom 40% and MSMEs. (Annually) - Conduct an annual workshop in collaboration with JIF to disseminate information about property insurance for micro-enterprises, aiming to enhance awareness. **2. Youth:** - Conduct financial literacy programs to equip youth with the knowledge and skills necessary to manage their finances and help them understand concepts such as budgeting, saving, and investing. - Implement a biannual workshop initiative in Jordan, in collaboration with JIF, to raise awareness about life insurance among the youth population in universities. **3. Refugees:** - Conduct targeted awareness campaign to educate refugees about: • Digital payment tools. • Knowledge and skills about savings, budgeting, and digital financial literacy. **4. Bottom 40%:** - Conduct financial literacy programs for the bottom 40% to understand various savings concepts and strategies, such as budgeting, saving, and setting financial goals. As well as promote Basic Bank Accounts as a mean to save formally.

Sub-goals	Targets	Strategic Measures
	Decrease the gender gap in financial capabilities.	- Monitor financial sector institutions' initiatives to provide specialized products and services to women. - Conduct MSMEs awareness Campaign for women-led MSMEs - Implement financial awareness campaigns targeting women on International Women's Day and Mother's Day. - Provide targeted financial literacy programs designed specifically for women, educating them about basic bank accounts, mobile wallets, and digital payment services. - Conduct financial literacy programs designed explicitly for women who focus on saving to take control of their financial well-being by providing women with the necessary knowledge and skills to manage their finances and savings effectively. - Conduct a workshop about micro-insurance among women, leveraging support from MFIs and NGOs. (Annually)

Next Steps

After the National Financial Inclusion Strategy 2023-2028 launch, working groups will convene to outline comprehensive action plans, delineating specific activities to achieve the Strategy's sub-goals, targets, and strategic measures. These action plans will adhere to a structured RACI model, outlining the Responsible Accountable, Consulted, and Informed entities for each activity, ensuring clear ownership and accountability throughout the implementation process.

Moreover, these action plans will incorporate a well-defined timeline for activities, establishing clear milestones and deadlines to steer progress toward the Strategy's overarching goals effectively.

The working groups will also focus on developing the monitoring and evaluation templates. These templates will be designed for quarterly completion, enabling continuous monitoring and evaluation of progress. This periodic review mechanism will provide an invaluable opportunity to assess achievements, identify potential deviations, and make timely course corrections. It will also serve as a platform to induce necessary changes, fostering adaptability and efficiency in pursuing the Strategy's goals.

Through this structured approach encompassing detailed action plans and robust monitoring and evaluation mechanisms, the implementation process of the National Financial Inclusion Strategy will be poised to track progress effectively, ensure accountability, and promptly adjust the Strategy for optimal efficiency in achieving the envisioned objectives.

Governance and Stakeholders

Financial Inclusion Steering Committee

Governor, Central Bank of Jordan (CBJ) (Chair)
Deputy Governor, Central Bank of Jordan (CBJ)
Secretary General, Ministry of Planning and International Cooperation (MoPIC)
Secretary General, Ministry of Digital Economy and Entrepreneurship (MoDEE)
Secretary General, Ministry of Higher Education and Scientific Research(MoHE)
Secretary General, Ministry of Education (MoE)
Secretary General, Ministry of Youth (MoY)
Chairman, Jordan Insurance Federation (JIF)
General Manager, Jordan Loan Guarantee Corporation (JLGC)
Chairman, Association of Banks in Jordan (ABJ)
Chairman, Tanmeyah

Financial Inclusion Technical Committee

Deputy Governor, (CBJ) (Chair)
Executive Manager, Payment Systems, Domestic Banking Operations and Financial Inclusion (CBJ) (Co-Chair)
Executive Manager, Financial Stability (CBJ)
Executive Manager, Money Exchange Supervision (CBJ)
Executive Manager, Finance Institutions and Credit Bureaus Supervision (CBJ)
Executive Manager, Oversight and Supervision on National Payment System (CBJ)
Executive Manager, Insurance Supervision Department (CBJ)
Executive Manager, Banking Supervision (CBJ)
Financial Inclusion Division (CBJ) (Secretariat)

Working Group: Payment and Transfer Services

Executive Manager, Oversight and Supervision on National Payments System Department (CBJ) (Chair)
CBJ (Members)
Income and Sales Tax Department (ISTD)
Ministry of Digital Economy and Entrepreneurship (MoDEE)
Ministry of Industry, Trade and Supply (MoIT)
Ministry of Labour (MoL)
Visa
MadfooatCoM
Network International
Gate to Pay
Jordan Payments and Clearing Company (JoPACC)
Musharbash Exchange
Better than Cash Alliance (BTCA)

Working Group: Finance from Banks

Executive Manager, Financial Stability (CBJ) (Chair)
CBJ (Members)
Association of Banks in Jordan (ABJ)
INJAZ
Jordan Loan Guarantee Corporation (JLGC)

Working Group: Finance from Non-banks

Executive Manager, Finance Companies and Credit Bureaus Supervision Department (CBJ) (Chair)
CBJ (Members)
Jordan Enterprise Development Corporation (JEDCO)
TANMEYEH
The Jordanian Association of the Leasing Companies (JALCJo)
CRIF
Microfund for Women (MFW)
Jordan Payments and Clearing Company (JoPACC)

Working Group: Consumer Empowerment and Market Conduct

Executive Manager, Money Exchange Supervision Department (CBJ) (Chair)
CBJ (Members)
National Aid Fund (NAF)
Ministry of Education (MoE)
Ministry of Higher Education and Scientific Research (MoHE)
Ministry of Youth (MoY)
The Jordanian National Commission for Women (JNCW)
Association of Banks in Jordan (ABJ)
TANMEYEH
Jordanian Exchange Association (JEA)
Al Hussein Fund for Excellence (HFE)
INJAZ
Jordan River Foundation (JRF)
Jordan Payments and Clearing Company (JoPACC)
Jordan Insurance Federation (JIF)
Jordan Enterprise Development Corporation (JEDCO)

Working Group: Insurance

Executive Manager, Insurance Supervision Department (CBJ) (Chair)
CBJ (Members)
Ministry of Agriculture (MoA)
Income and Sales Tax Department (ISTD)
TANMEYEH
United Nations Development Programme (UNDP)
Jordan Insurance Federation (JIF)
Gulf Insurance Group-Jordan (GIG)
Jordan Insurance Company
Al-Nisr Al Arabi Insurance Company
Jordanian Insurance Brokers Association

Working Group: Savings

Executive Manager, Banking Supervision Department (CBJ) (Chair)
CBJ (Members)
Ministry of Higher Education and Scientific Research (MoHE)
Ministry of Youth (MoY)
Ministry of Digital Economy and Entrepreneurship (MoDEE)
Ministry of Planning and International Cooperation (MoPIC)
The Jordanian National Commission for Women (JNCW)
Ministry of Social Development (MoSD)
Jordan Postal Saving Fund (JPSF)
Bank al Etihad
Safwa Islamic Bank
Zain Cash
Orange Money
German Sparkassenstiftung (DSIK)
Jordan River Foundation (JRF)
INJAZ
CARE

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الاشتمال المالي في الأردن
Financial Inclusion In Jordan