



# Insights into Financial Inclusion in Jordan

Country Report Based on the Global Findex 2021 of the World Bank



The Jordan Payments and Clearing Company

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Bank

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Author: Nour Khammash

## 1 Introduction to the Global Findex Database

As defined by the World Bank, financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered in a responsible and sustainable way<sup>1</sup>. The ability to access financial services is mainly referred to as “Account” in the Global Financial Inclusion Database of the World Bank. Having an account denotes all types of financial accounts that individuals could have, involving:

- 1- Mobile Money Accounts, which refer to using a mobile phone to pay bills, send or receive money, through a GSM Association Service or a mobile payment service, or receive wages and government transfers through a mobile phone.
- 2- Financial Institution Accounts, which refer to individuals with debit cards or with an account (self or together with someone else) at a financial institution, namely at:
  - Banks
  - Credit Unions
  - Other Financial Institutions (e.g., cooperatives, and microfinance institutions)
  - The post office – if applicable

The World Bank's Financial Inclusion Database is the most reliable and comprehensive source for adult financial inclusion indicators worldwide. Periodically and since 2011, a report has been issued by the World Bank on financial inclusion indicators every three years (2011-2014-2017-2021), except for the 2021 report, which covered a four-year interval due to the outbreak of COVID-19 and its repercussions. Indicators include various financial services such as payments, savings, borrowing, etc., and each indicator's detailed specifications are measured, such as gender, income level, education level, rural/urban area classification, etc.

Financial inclusion is considered a vital enabler of the UN Sustainable Development Goals (SDGs), which eventually leads to the ultimate goal of achieving economic growth. The main SDGs linked directly to financial inclusion are as follows<sup>2</sup>:



<sup>1</sup> worldbank.org. 2022. Financial Inclusion. [online] Available at: <https://www.worldbank.org/en/topic/financialinclusion/overview> [Accessed 10 August 2022].

<sup>2</sup> Lazardassetmanagement.com. 2021. How Financial Inclusion is Driving Fairer Growth in Emerging Markets. [online] Available at: [https://www.lazardassetmanagement.com/uk/en\\_uk/references/fundamental-focus/financial-inclusion](https://www.lazardassetmanagement.com/uk/en_uk/references/fundamental-focus/financial-inclusion) [Accessed 10 August 2022].

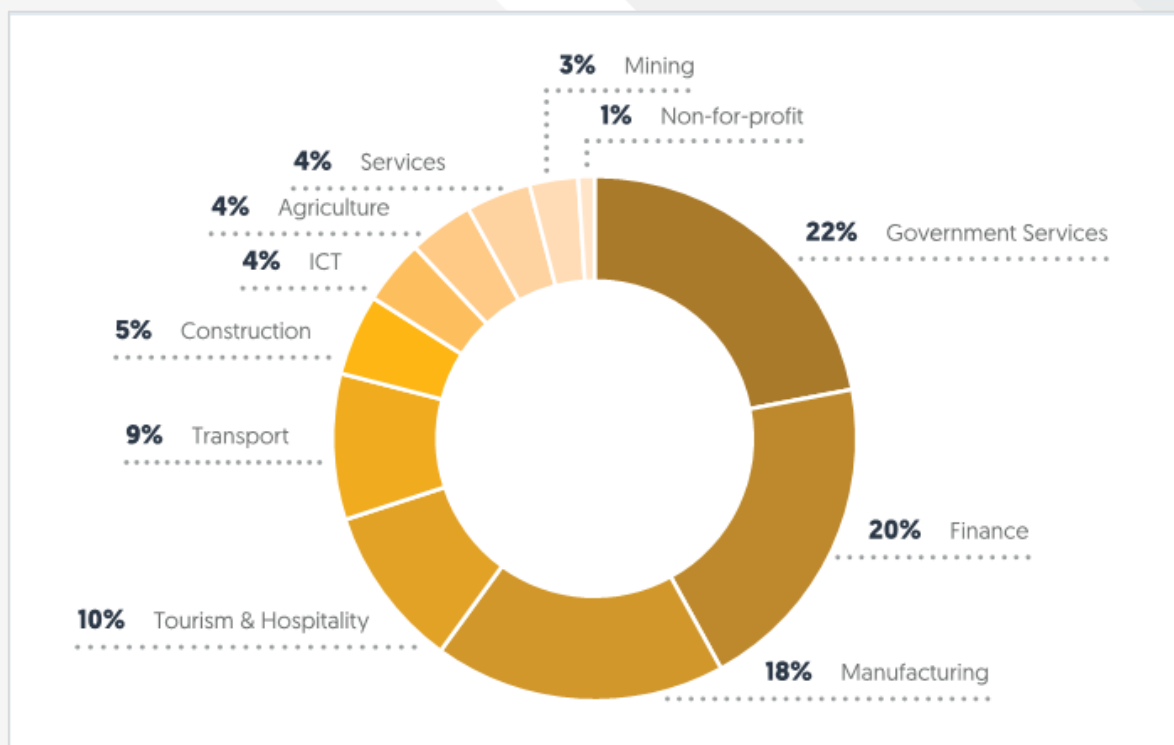
Improving financial inclusion entails that individuals have access to financial services they need, e.g., bank accounts and saving and insurance products, which are tools to improve their livelihoods and help eradicate poverty and eliminate hunger. Therefore, it confers significant benefits to the aforementioned SDGs.

## 2 Purpose of this Report

The Jordan Payments and Clearing Company, JoPACC, is committed to spreading knowledge about financial services in Jordan. As such, JoPACC condensed quantitative insights about the latest financial inclusion indicators published by the World Bank for the years (2017 - 2021) in this report. The 2021 edition of the Global Findex report is based on nationally representative surveys of over 125,000 adults in 123 economies with a sample size of 1,009 individuals and an error margin of 3.6% for Jordan specifically.

## 3 Jordan at a Glance

Jordan is a developing country with a relatively small economy. Its latest gross domestic product (GDP) for 2021 reached 45.2 billion USD<sup>3</sup>, representing only 0.01% of the world economy.<sup>4</sup> The top five contributing sectors to Jordan's GDP are government services, finance, manufacturing, tourism and hospitality, and transport.<sup>5</sup>



Source: JORDAN ECONOMIC GROWTH PLAN 2018 - 2022

<sup>3</sup> Tradingeconomics.com. 2022. Jordan GDP - 2022 Data - 2023 Forecast - 1965-2021 Historical - Chart - News. [online] Available at: <https://tradingeconomics.com/jordan/gdp> [Accessed 10 August 2022].

<sup>4</sup> Tradingeconomics.com. 2022. Jordan GDP - 2022 Data - 2023 Forecast - 1965-2021 Historical - Chart - News. [online] Available at: <https://tradingeconomics.com/jordan/gdp> [Accessed 10 August 2022].

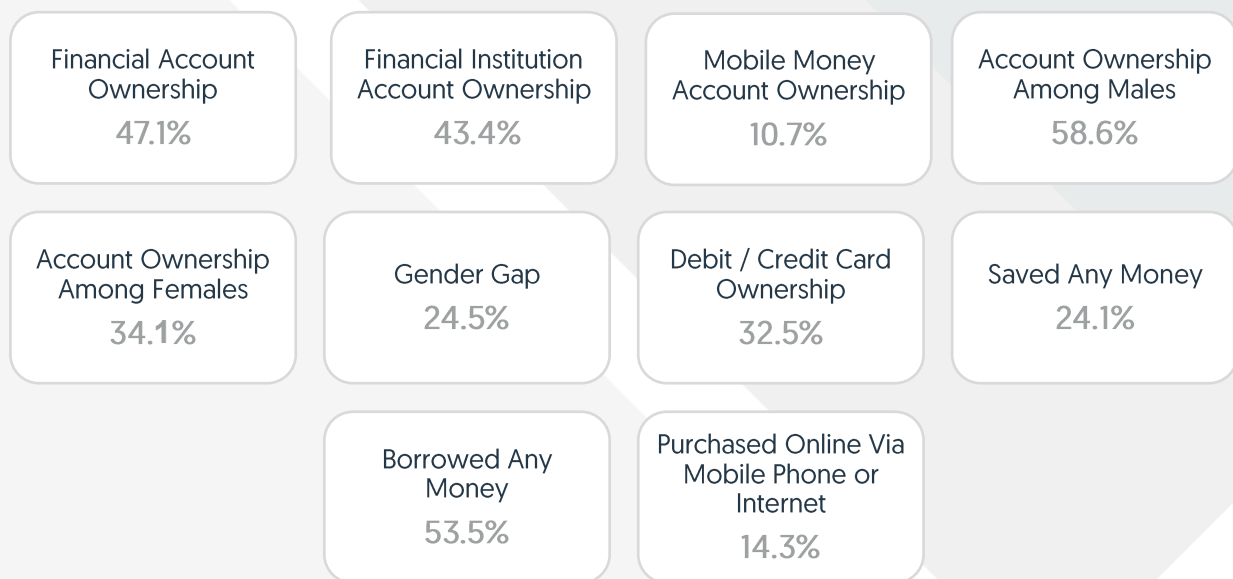
<sup>5</sup> n.d. JORDAN ECONOMIC GROWTH PLAN 2018 - 2022. [PDF] The Economic Policy Council. Available at: <https://www.ssif.gov.jo/UploadFiles/JEGProgramEnglish.pdf> [Accessed 10 August 2022].



The country has one of the youngest communities worldwide, as 63% of its citizens are under the age of 30<sup>6</sup>. Furthermore, Jordan enjoys a high literacy rate [98%]<sup>7</sup>, a complete mobile phone penetration rate (100%), and a high internet access rate (89%); all of which serve as enablers of financial inclusion in Jordan.

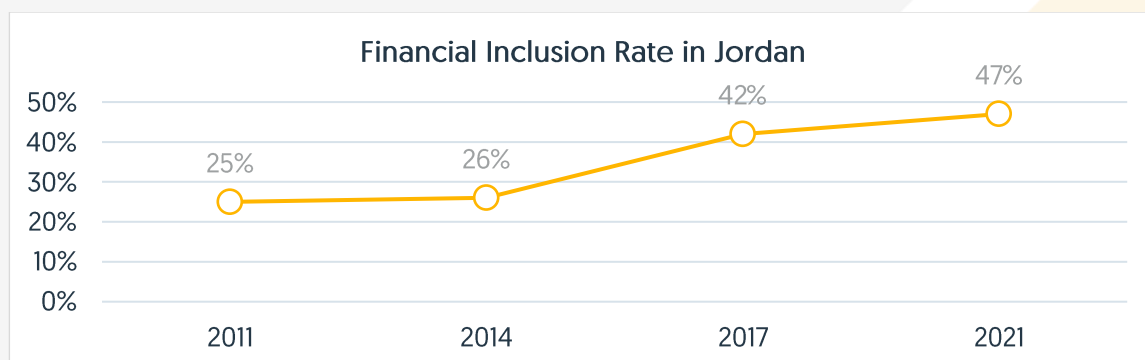
Jordan's current financial inclusion rate is 47%. With a gender gap of 25%, males have significantly higher access to financial services [59% for males compared to 34% for females]. The gender gap contracted by [16%] from 2017 to 2021. As stated in the Global Findex Report for 2021, the gender gap in Jordan is not high, but still in double digits.

#### 4 Key Financial Inclusion Indicators in Jordan (2021 – 15+):



#### 5 A Deep Dive into Financial Inclusion Indicators in Jordan

From 2017 through 2021, the growth in financial inclusion in Jordan increased by 12%, resulting in a 5% increase on the total rate between the said years.



While the rate of change is modest, the witnessed growth can be attributed to specific measures taken in the wake of the outbreak of COVID-19. In March 2020, the Central Bank of Jordan permitted - for the

<sup>6</sup> Unicef.org. n.d.Youth: A successful transition to adulthood for every child. [online] Available at: <https://www.unicef.org/jordan/youth#:~:text=Jordan%20has%20one%20of%20the.is%20not%20without%20its%20challenges> [Accessed 10 August 2022].

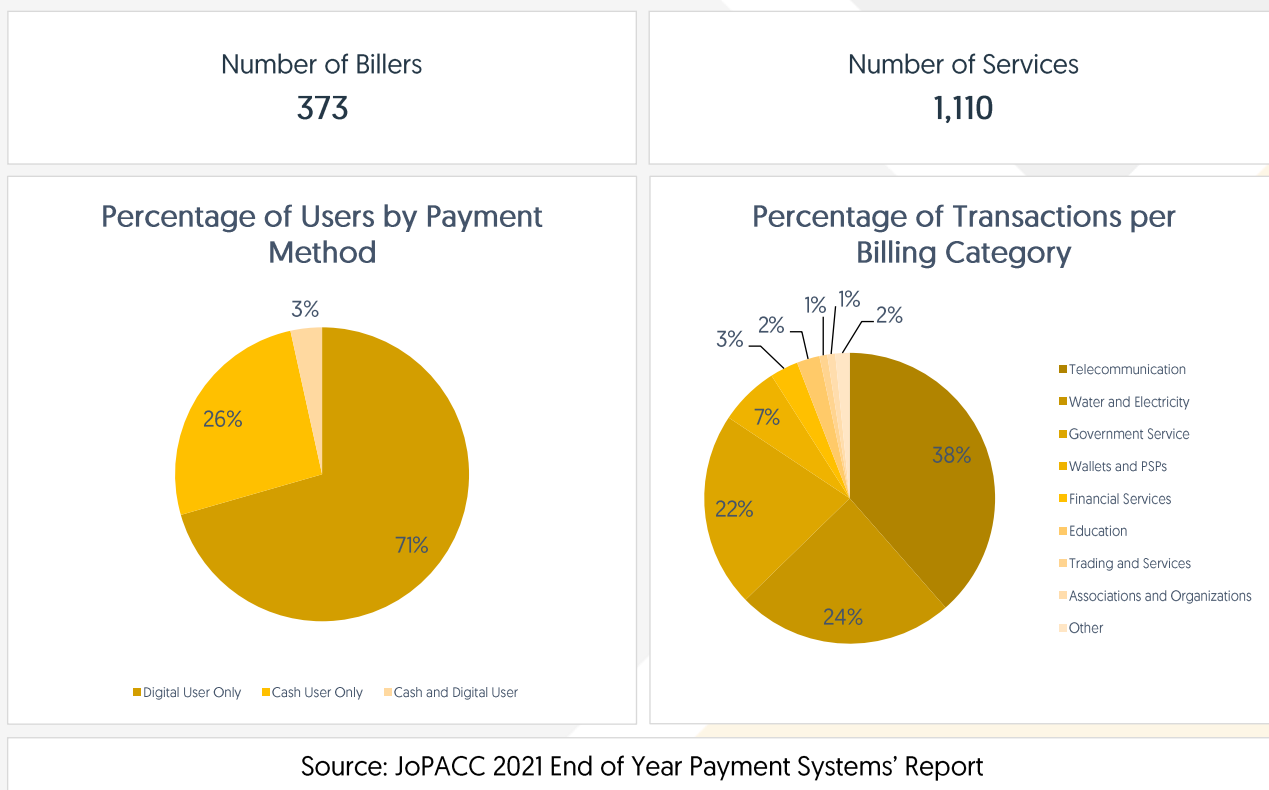
<sup>7</sup> Data.worldbank.org. 2022. Literacy rate, adult total [% of people ages 15 and above] - Jordan | Data. [online] Available at: <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=JO> [Accessed 10 August 2022].

first time - opening mobile wallets by individuals remotely, instead of visiting Mobile Wallet Service Providers' branches (mPSPs) or their agents to complete the physical KYC process. Following this action, government entities such as the National Aid Fund and the Social Security Corporation started sending aid payments to individuals' mobile wallets instead of cash, resulting in the opening of 1.2 million wallets in 2020, compared to 608,344 wallets by the end of 2019. Not only that, but a number of banks in Jordan enabled cardless ATM deposit and withdrawal options to mobile wallet users, providing better access to deposit and withdrawal points across the kingdom.

The Jordan Payments and Clearing Company (JoPACC) played a vital role in spreading awareness about financial services and systems in Jordan. Since the beginning of the outbreak, JoPACC has launched the Mobile Wallets Gateway to serve as a guide for clients of mobile wallets, allowing access to the self-registration links of all mobile wallet providers, providing their contact details, and detailing their transaction and service fees. Simultaneously, JoPACC launched the instant payment system "CliQ" adopting the latest ISO 20022 standard for financial messages, facilitating money transfers between bank accounts in Jordan instantly. At the same time, the company upgraded the JoMoPay system to the same ISO standard (20022), enabling instant transfers between bank accounts and mobile wallets.

The Electronic Bill Presentment and Payment System (eFAWATEERcom) also experienced rapid growth during the pandemic. In 2020, and compared to 2019, the number of billers in the eFAWATEERcom system grew by 62% (from 196 billers in 2019 to 318 billers in 2020), providing digital payment services to a wide range of private and government sectors. The necessity of digitizing government payments gained greater importance, and as a result, new billers continued to connect to the eFAWATEERcom system.

#### eFAWATEERcom Propitious Stats for 2021

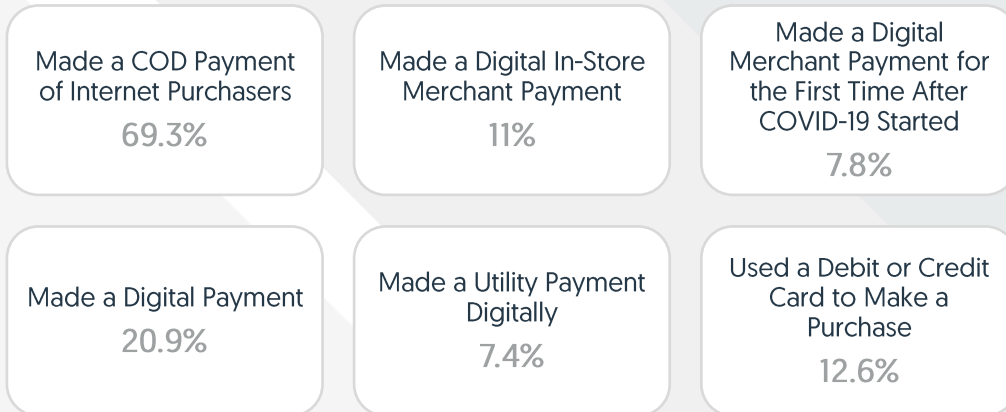


Despite the devastating impact of COVID -19 worldwide, one can deduce that the pandemic was an accelerator of the adoption of digital financial services by the Jordanian government, the Central Bank

of Jordan, and relevant stakeholders, resulting in increasing access to digital financial services by individuals.

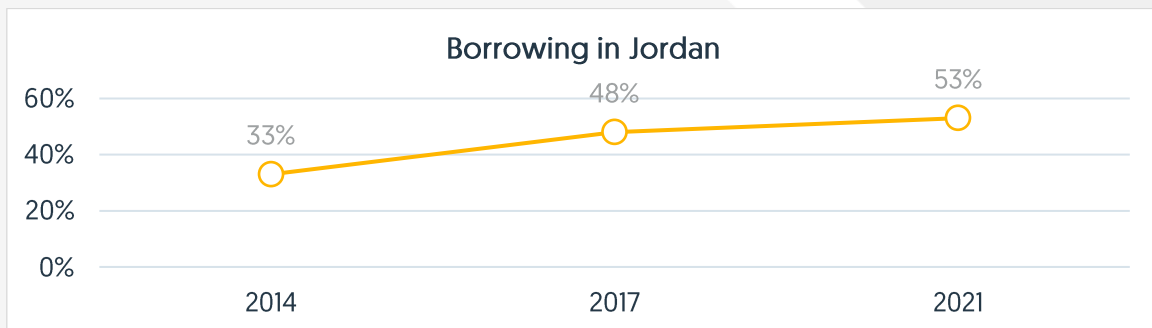
### 5.1 Spending Trends in Jordan

Financial inclusion necessitates, among others, offering comprehensive and easy-to-use financial services and products to individuals. Understanding the usage rate of various services is a key indicator of user adoption of such services since the overarching goal is to maintain active usage of financial services after providing access to them.

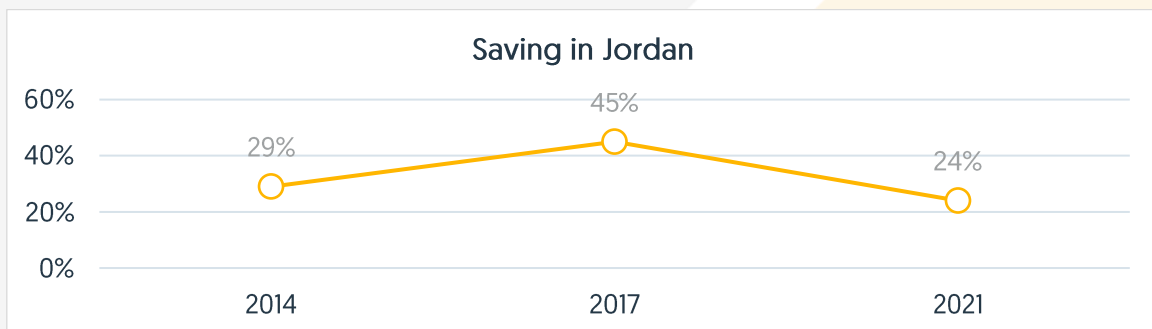


### 5.2 Borrowing and Saving in Jordan

- From 2014 to 2021, borrowing increased by 61%. However, only 10% of borrowers in 2021 borrowed formally (from a bank or another type of financial institution or using a credit card). In contrast, 42% of borrowers cited family and friends as their source of borrowing.



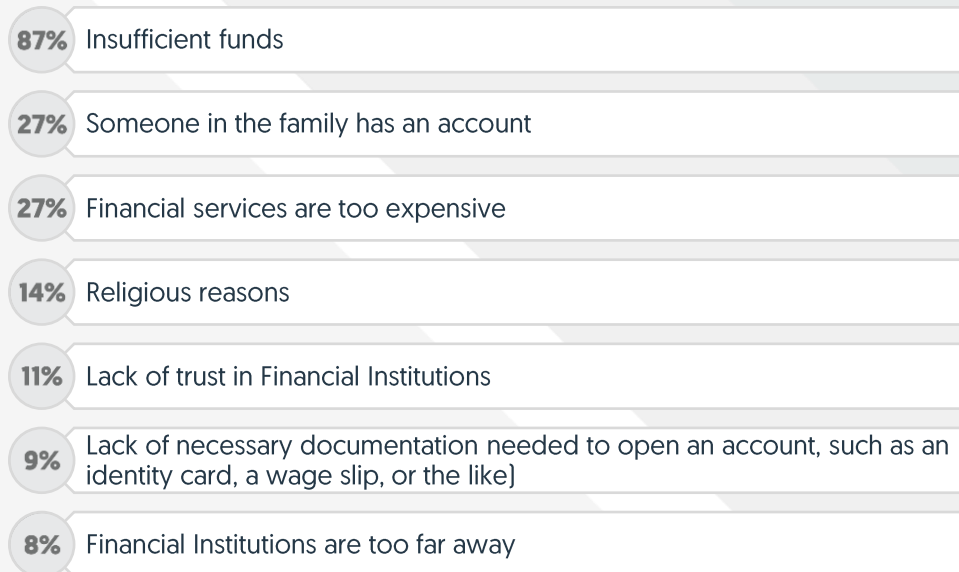
- From 2017 to 2021, there has been a 47% drop in savings by residents in Jordan. Only 4% saved formally at a financial institution, while 11% saved using a savings club or with a person outside the family.



Considering the challenging unemployment rate, which stood at 24% amid the pandemic crisis<sup>8</sup>, exacerbating the job challenge for Jordanians, the dramatic decrease in saving, and the large increase in borrowing demonstrate normal behavior because of COVID-19 repercussions. From a financial inclusion perspective, saving and borrowing formally represent important opportunities to promote financial inclusion in Jordan.

## 6 Challenges to Financial Inclusion in Jordan

Respondents to the Global Findex 2021 Survey reported the below reasons for not opening a financial account in Jordan:



## 7 Conclusion

Despite ranking among the highest rates of financial inclusion in the MENA region, averaging [48 %], Jordan has a low financial inclusion rate of [47%] compared to countries in the same income level – upper middle-income countries, which mostly enjoy a good financial inclusion rate. Within the category of upper middle income, Albania [44%] represents a similar financial inclusion rate to Jordan, Thailand [96%] and Brazil [84%] are among the highest rates, and Iraq [19%] has the lowest rate.

Poverty and unemployment in Jordan are among the main challenges to achieving financial inclusion, especially among women, youth, and refugees, in addition to the significant gender gap Jordan still lies under. Additionally, and since 49% of mobile account owners reported needing help using their accounts, the user journey for mobile wallet apps in Jordan should be reconsidered, and further awareness campaigns that tackle wallet registration steps, usage, and offerings should be planned.

Despite these challenges, Jordan's excellent literacy rate, mobile phone penetration percentage, and internet access are significant drivers for financial inclusion. Capitalizing on these drivers, key players from the government, financial sector stakeholders, telecommunication companies, educational institutions, and non-governmental organizations should collaborate to address existing gaps and expand interventions to increase access to financial services, focusing on offering a comprehensive, seamless, and safe user experience.

<sup>8</sup> Tradegeconomics.com. 2022. Jordan Unemployment Rate - 2022 Data - 2023 Forecast - 2005-2021 Historical - Calendar. [online] Available at: <https://tradegeconomics.com/jordan/unemployment-rate> [Accessed 10 August 2022].