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MSME FINANCIAL INCLUSION STUDY IN JORDAN 2022

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List of acronyms and abbreviations

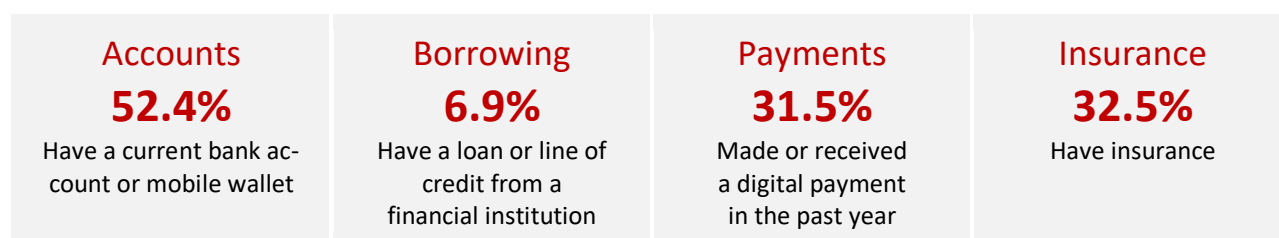
BFC	Business & Finance Consulting
CBJ	Central Bank of Jordan
EBRD	European Bank for Reconstruction and Development
FI	Financial institution
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
IFC	International Finance Corporation
JLGC	Jordan Loan Guarantee Corporation
JOD	Jordanian dinar (currency)
MFI	Micro-Finance Institution
MSME	Micro, Small and Medium Enterprise
NBFI	Non-bank financial institution
POS	Point of sale
SME	Small and Medium Enterprise
TA	Technical Assistance

Executive summary

In 2022 the CBJ and GIZ conducted what is believed to be the first major, nationally representative survey in Jordan designed to measure financial inclusion of MSMEs. The definition of MSMEs was the same as that applied by the Jordanian Department of Statistics for its Establishments Census. The definition also corresponds to the one adopted by the CBJ, although the CBJ definition includes turnover and assets as criteria in addition to the number of employees. Based on this definition, micro enterprises have 1-4 employees, small enterprises have 5-19 employees and medium enterprises have 20-99 employees. The study differentiates between formal MSMEs, meaning those that are legally registered as a business with the appropriate government body, and informal MSMEs, which are not legally registered.

For the most part, this survey confirmed expectations that as enterprise size increases, the level of financial inclusion likewise increases significantly. In terms of account ownership, usage of savings and investment products, borrowing, insurance, and digital payments, medium enterprises tend to have considerably higher usage rates than micro enterprises, with small enterprises in between. The study also suggests that there may be a missing middle in terms of credit for loan amounts from roughly JOD 10,000 to 100,000, as these amounts in some cases are too high for MFIs and too low for banks.

The following graphic presents selected key financial inclusion indicators for formal (i.e., registered) MSMEs in Jordan, followed by a more detailed discussion.



Accounts

48.2% of formal MSMEs in Jordan have a current bank account, and 12.9% have a mobile wallet account. Current accounts and mobile wallets are transactional accounts that make possible electronic payments and thus are particularly important to financial inclusion. Current account ownership is strongly correlated with business formality and size. Only 13.5% of informal micro enterprises have an account, rising to 43.7% of formal micro enterprises, 87.9% of small enterprises, and 100.0% of medium enterprises. By contrast, mobile wallets are one of the few financial products that are not strongly linked to business size, with similar ownership rates observed for micro, small and medium enterprises. For unbanked micro enterprises, mobile wallets provide an alternative means to conduct payment transactions, effectively replacing the main functions of a bank account. The share of formal MSMEs with either a current account or a mobile wallet is 52.4%.

Savings and investment

15.0% of formal MSMEs have some form of savings or investment product, such as a savings account, term deposit account, certificate of deposit, stocks or bonds. The ownership rate of such products is almost the same for small and medium enterprises, at around 26.0%, but is significantly lower for formal micro enterprises, at 13.8%. Formal micro enterprises may have less awareness of such products, less excess cash to invest, or may struggle to meet the minimum product requirements, such as initial deposit sizes or average balances. None of the informal MSMEs surveyed reported having used savings or investment products. In terms of specific product types, micro enterprises and small enterprises were most likely to have a savings account, whereas medium enterprises were more likely to have a term deposit.

Credit

Only 6.9% of formal MSMEs reported having an outstanding loan or line of credit from a financial institution. However, this result differs significantly by size, with 18.0% of medium enterprises and 17.2% of small enterprises having a loan from a financial institution, but only 5.7% of formal micro enterprises and no informal micro enterprises. It is likely that micro enterprises are borrowing informally in order to meet their need for credit. Another alternative source of financing that is relatively popular for all size categories, including informal micro enterprises, is Islamic finance. 23.5% of formal MSMEs and 21.2% of informal micro enterprises had some type of Islamic product, with ijara (Islamic leasing) being the most common. Nearly all survey respondents that did not have a loan from a financial institution stated that they didn't need one or that loans are not relevant to their business.

Digital payments

The share of formal MSMEs that made or received a digital payment in the past year was 31.5%, with 29.5% making a digital payment and 13.3% receiving a digital payment from their customers. Paying utility bills was the most common form of making digital payments (by 24.5% of formal MSMEs), followed by paying suppliers (12.6%) and employees (5.4%) digitally. In terms of receiving digital payments from customers, this was mainly done by bank transfer (11.3% of formal MSMEs), POS terminal (6.0%), e-commerce sites (5.4%), and QR code (3.8%). There is a very strong trend of increasing digital payment usage as the size and formality of the enterprise increases. Only 7.7% of informal micro enterprises made or received a digital payment, compared to 72.0% of medium enterprises.

Insurance

Most MSMEs do not have any insurance connected with their business, although this indicator is highly dependent on business size. The insurance usage rate rises from 7.7% among informal micro enterprises to 29.3% for formal microenterprises, 56.9% for small enterprises and 84.0% of medium enterprises. **Auto insurance is the most common type (24.0% of formal MSMEs have it)**, followed by health insurance (15.9%) and worker's compensation insurance (10.5%). Property insurance and liability insurance are not frequently reported on the whole, although they are used in moderate rates by medium enterprises.

Conclusions and recommendations

The study establishes a baseline that will make it possible to measure future gains in the financial inclusion of MSMEs. Currently the key indicators can be described as being at a moderate level, with significant opportunities for improvement. A number of recommendations are proposed to accelerate those future improvements, including:

Credit-related recommendations:

- Cancel the tax on interest that must be charged by non-bank financial institutions, as the tax reduces the competitiveness of the non-bank institutions
- Support the expansion of portfolio guarantee programs to include more financial intermediaries with higher limits, in order to spur MSME lending
- JLGC may consider offering leasing guarantees now that the sector has come under CBJ supervision and will be subjected to more comprehensive regulation, following the discontinuation of this practice in the past as a result of a high default rate on lease guarantees
- Support the development of machine-learning tools for credit analysis and loan approval in order to enhance credit risk assessment and improve the efficiency of the lending process
- Create a financial benchmarking tool using tax statements of businesses in order to facilitate cluster-based lending approaches
- The CBJ may consider offering a special credit line through financial institutions that specifically targets the "missing middle" within the MSME sector (loans between JOD 10,000 and 100,000)

Other recommendations:

- Undertake additional research on topics such as financial literacy, consumer protection, Islamic finance, green finance, and insurance
- Create incentive programs for electronic payment acceptance in order to motivate MSMEs to accept electronic payments from customers, such as through POS devices
- Support the creation of an insurance comparison site in order to make it easier for MSMEs to learn about and price the available products, which will ultimately lead to higher insurance usage rates
- Develop a regulatory framework for deposit-taking MFIs in order to increase account ownership among micro and small enterprises
- Continue to invest in financial literacy and education, with a focus on creating and enhancing content-sharing platforms and encouraging user-developed content
- Create a program or programs designed to provide business development services to unregistered businesses and encourage registration

1 Introduction

This study was commissioned by GIZ as part of the project “Innovative Approaches for the Financial Inclusion of Micro, Small and Medium Sized Enterprises (MSMEs) in Jordan” (contract number 81286149). It follows a request from the Central Bank of Jordan (CBJ) to GIZ for support with ongoing CBJ efforts to measure financial inclusion in connection with the CBJ’s intention to develop the next version of its National Financial Inclusion Strategy. The CBJ had already conducted a survey of households in early 2022 and sought GIZ’s assistance with carrying out a survey of MSMEs. The goal of this study was to develop the survey questionnaire, conduct the survey, analyze the results, and produce a report containing the main findings and relevant recommendations. GIZ selected the Swiss consulting company Business & Finance Consulting GmbH (BFC) to carry out the project on its behalf. The survey field work was carried out by Ipsos Jordan under a separate contract.

The most recent census¹ of businesses in Jordan in 2018 determined that there were 167,519 active enterprises, of which 166,638 (99.5% of the total) were MSMEs. Micro enterprises, defined as having 1 to 4 employees, made up 89.7% of the total, followed by small enterprises (5-19 employees) at 8.0% of the total, medium enterprises (20-99 employees) at 1.7%, and large enterprises at 0.5%.

	# of employees	# of enterprises	% of total
Micro	1-4	150,338	89.7%
Small	5-19	13,485	8.0%
Medium	20-99	2,815	1.7%
Large	100+	881	0.5%
	Total	167,519	100.0%

The statistics in this section of the report, unless otherwise noted, are based on a demand survey of MSMEs that was conducted in October 2022. The survey, which was commissioned by the CBJ and GIZ, defines MSMEs based on the number of employees according to the table above. More details about the survey methodology can be found in Appendix 2.

In addition to analyzing the results by size category, the study also considers the degree of formality of the enterprise. Formal enterprises are defined as those that are legally registered with the Ministry of Industry and Trade or other relevant government bodies. Examples of legal registration forms include limited liability company, joint stock company, partnership and sole proprietorship. Informal enterprises are defined as those that are not legally registered. The financial inclusion indicators are divided into four main groups:

- Informal micro enterprises
- Formal micro enterprises
- Small enterprises
- Medium enterprises

For the purposes of this report, the small and medium categories specifically refer to formal enterprises that are legally registered. Although there are no reliable data on informal enterprises in Jordan, anecdotal evidence suggests that nearly all informal enterprises fit into the micro size category, whereas there are probably very few informal small and medium enterprises. Business registration is a fairly simple, quick and inexpensive process in Jordan, so informality is a choice that entrepreneurs make for a variety of reasons which may include the desire to avoid taxation or to avoid the financial reporting requirements that accompany registration.

¹ Department of Statistics of Jordan. *Establishments Census 2018*. <http://dosweb.dos.gov.jo/censuses/establish-census/>

It is important to note that the indicators in this section refer only to products that are used for business purposes. For example, if a sole proprietor has a mobile wallet account but uses it only for household transactions not connected with the business, this respondent would be recorded as not having a mobile wallet account.

2 Accounts

This section considers the ownership and use of transactional accounts, meaning the types of accounts that facilitate payment transactions and that typically do not pay interest to the account holder. The two types of accounts commonly offered in Jordan that fit this description are current accounts and mobile wallet accounts. Statistics for overdrafts are also given, although these are not a separate type of account but rather a feature of current accounts that allows the current account holder to go into a negative balance, effectively borrowing from the bank.

Figure 1: Share of MSMEs with a transactional account (current account or mobile wallet)

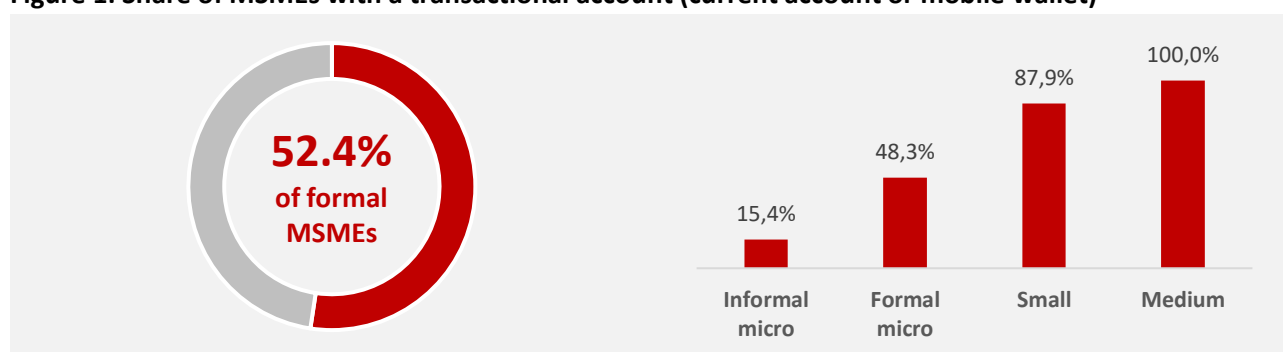


Figure 2: Current account ownership rates

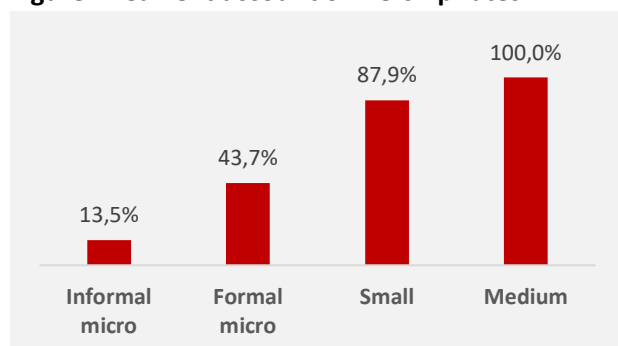


Figure 3: Mobile wallet ownership rates

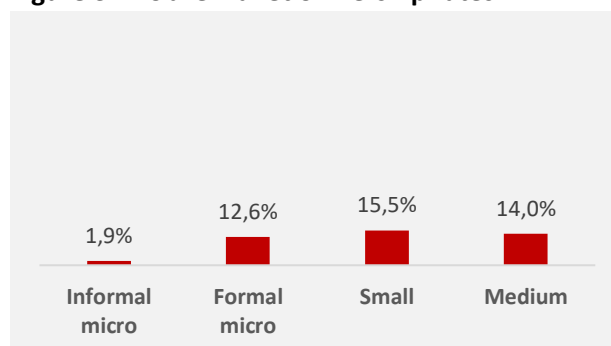


Table 1: Account ownership rates

	Informal micro	Formal micro	Small	Medium	Formal MSMEs ²
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 account	15.4%	48.3%	87.9%	100.0%	52.4%
Overdraft	0.0%	21.3%	58.6%	78.0%	25.3%

Account ownership. Overall, 48.2% of formal MSMEs have a current account at a bank. Current account ownership is strongly correlated with size and formality, rising from just 13.5% of informal micro enterprises

² The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, 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.

with an account to 43.7% of formal micro enterprises, 87.9% of small enterprises, and 100.0% 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 (14.0%) 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 rather 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. Most small and medium enterprises that have a current account also have an overdraft feature with their account. The share of formal micro enterprises that have an overdraft is lower, at 48.7%, and none of the informal micro enterprises have an overdraft. The lower rate of overdrafts among micro enterprises may reflect the perception of banks that micro enterprises are riskier or may reflect less demand for an overdraft among microenterprises.

Other demand surveys. The World Bank Enterprise Survey for Jordan, which was most recently carried out in 2019, found that 69.3% of small enterprises (using the same size definition) and 93.8% of medium enterprises had a checking or savings account.³ The World Bank's figures are lower than those from the 2022 CBJ-GIZ survey, which may be a sign of growth in account ownership from 2019 to 2022.

Table 2: Account usage rates (as % of MSMEs that have the given product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Used current account	28.6%	86.8%	96.1%	98.0%	88.6%
Used mobile wallet	100.0%	79.6%	96.4%	92.3%	82.0%

Use of accounts. Usage⁴ rates for current accounts and mobile wallets are fairly high among formal MSMEs that have these products, and are slightly higher for current accounts than for mobile wallets. The share of formal MSMEs that used their current account in the past year was 88.6%, compared to 82.0% that used their mobile wallet in the past year. Usage rates were slightly higher on average among small and medium enterprises than micro enterprises. For example, formal micro enterprises had a usage rate of 86.8% for current accounts, compared to 96.1% for small enterprises and 98.0% for medium enterprises. A similar trend was observed for mobile wallets as well. 79.6% of formal micro enterprises used their mobile wallet, lower than 96.4% of small enterprises and 92.3% of medium enterprises. Informal micro enterprises, by contrast, had a quite low usage rate of 28.6% for current accounts. As discussed below in the section on payments, informal micro enterprises are less likely to make or receive electronic payments, which may partly explain why they have low usage rates of current accounts. The finding of 100.0% mobile wallet usage among informal micro enterprises should be interpreted with caution due to the fact that only a few of the surveyed informal micro enterprises have a mobile wallet, meaning that the indicator is calculated from a very small number of observations.

Table 3: Product relevance (i.e., potential demand, as % of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium
Current account	26.7%	26.3%	57.1%	N/A ⁵
Mobile wallet	11.8%	23.7%	34.7%	51.2%

Potential demand. MSMEs that do not have an account were asked if this product is relevant for their business and of interest to them, in which case they may wish to obtain this product in the future. In other words,

³ The World Bank survey did not include micro enterprises.

⁴ The term usage may refer to deposits, withdrawals, electronic payments made or received from the account, money transfers, or similar types of actions performed with the account.

⁵ All medium enterprises surveyed had a current account, so this indicator is not relevant for them.

this indicator can be seen as a proxy for potential demand among those MSMEs that do not already have the product. In general, the potential demand varies by size, with small and medium enterprises showing greater interest in getting an account in the future. The share of small enterprises without a current account that are potentially interested in getting one was 57.1%, more than double the rate of 26.3% for formal micro enterprises and 26.7% for informal micro enterprises. As with usage rates, these findings are likely to be closely linked to the expectations of businesses that they will need to take advantage of digital payments in the future. In other words, the relatively larger enterprises (among MSMEs) may expect to have a greater need to make and receive digital payments, for which they would need to have an account. Most of the MSMEs that consider these products relevant believe they are qualified to receive them, if they were to apply. For current accounts, 75.0% of informal micro enterprises, 80.8% of formal micro enterprises, and 75.0% of small enterprises believe that they could qualify for and access one. For mobile wallets, the expectation is even higher. 83.3% of informal micro, 88.9% of formal micro, 94.1% of small and 90.9% of medium enterprises expect to qualify for a mobile wallet account. The higher expectation of qualifying for a mobile wallet relative to a current account suggests that MSMEs perceive mobile wallets as being easier to obtain.

Reasons for not having an account. Most survey respondents without a current account state that they don't have one because they do not need one or it is not relevant for their business. This was the response given by 91.1% of unregistered micro enterprises and 87.8% of registered micro enterprises. For small enterprises, however, the share was lower at 57.1%. Some small enterprises (14.3% of them) cited religious reasons for not having a current account.⁶ Among the 28.6% of small enterprises that selected "other reason," further questioning demonstrated that most of those other reasons are roughly equivalent to not having a need for a current account. Similarly, lack of need or lack of relevance was by far the main reason given for not having a mobile wallet account. 100.0% of unregistered micro enterprises, 91.4% of registered micro enterprises, 87.8% of small enterprises, and 86.0% of medium enterprises cited this as their main reason. For both current accounts and mobile wallets, other reasons such as unappealing product conditions, fear of rejection, or lack of awareness of the product are very rarely chosen.

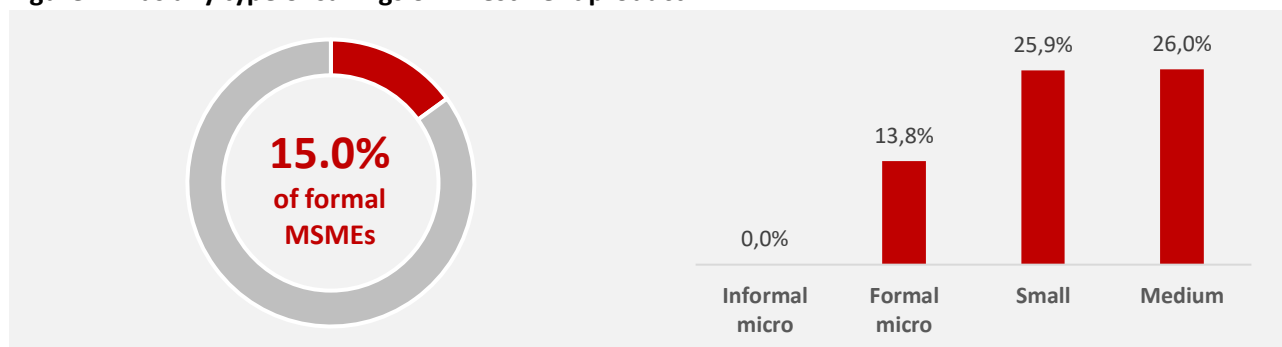
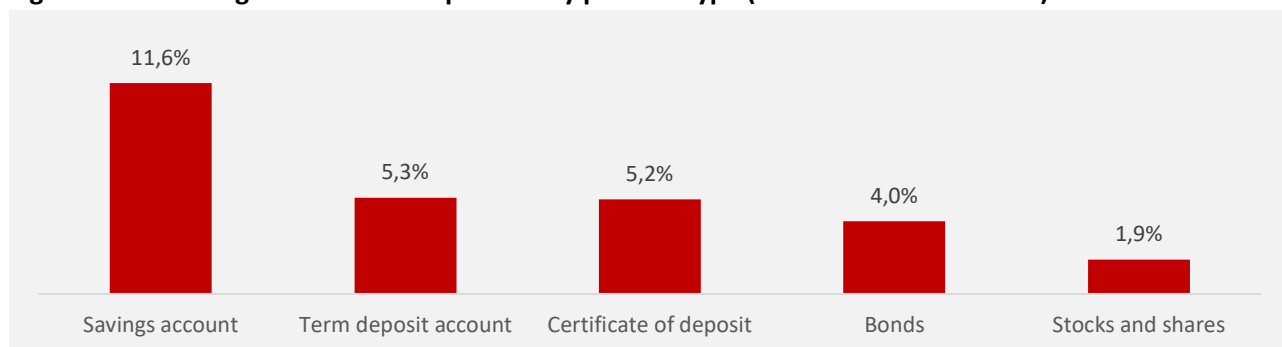
Some factors not captured by the survey may help explain why so many MSMEs claim not to need current accounts or mobile wallets. One factor is the preference for cash. If both customers and suppliers of MSMEs prefer to transact in cash, that would decrease the incentive for entrepreneurs to open a business account. Another factor is related to tax avoidance. The many MSMEs that do not report all of their income to the tax authorities may be concerned that having an account would make it easier for the authorities to track their actual income, in which case they would have to pay more tax. The cash preference of Jordanians is a cultural factor that is gradually changing as a result of financial education, consumer protection efforts, and simpler account opening procedures. As more and more Jordanians demand that MSMEs accept electronic payments or pay their salaries electronically, the MSMEs will find that the benefits of having an account outweigh the tax disadvantages. The government could potentially facilitate account opening of MSMEs by offering tax benefits, such as lower tax rates, on income that was earned through electronic channels, as discussed in more detail in the Recommendations section below.

3 Savings and investment

Savings and investment products, unlike the transactional account products described previously, usually pay interest (or generate dividends and capital gains in the case of stocks) and cannot directly be used to make payments. Term deposits, savings accounts, certificates of deposit, stocks and bonds⁷ are the main categories of savings and investment products available to MSMEs in Jordan.

⁶ Given that current accounts usually do not pay interest and that they are offered by Islamic banks as well as conventional banks, it is not clear why religion would act as a barrier to having a current account.

⁷ Here we refer to stocks in bonds in the sense of assets purchased by the MSME, not stocks and bonds issued by the MSME in order to raise money.

Figure 4: Has any type of savings or investment product**Figure 5: Has savings or investment product by product type (share of formal MSMEs)****Table 4: Ownership rates of savings 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%
Savings 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%

Ownership rates. The share of formal MSMEs that have some form of saving or investment product is 15.0%. The rate is similar for small (25.9%) and medium (26.0%) enterprises, but is much lower for formal micro enterprises (13.8%) and especially for informal micro enterprises, none of which reported having any of these products. Several factors may explain why micro enterprises are less likely to have savings and investment products:

- Micro enterprises may be less familiar with the conditions and benefits of such products, which is related to lower financial literacy levels
- Micro enterprises may consider that they do not have enough excess cash to justify using such products
- For certain products like term deposits, small deposit sizes may earn very low interest rates relative to larger deposits; furthermore, some products have a minimum purchase amount or minimum balance which are difficult for micro enterprises to meet

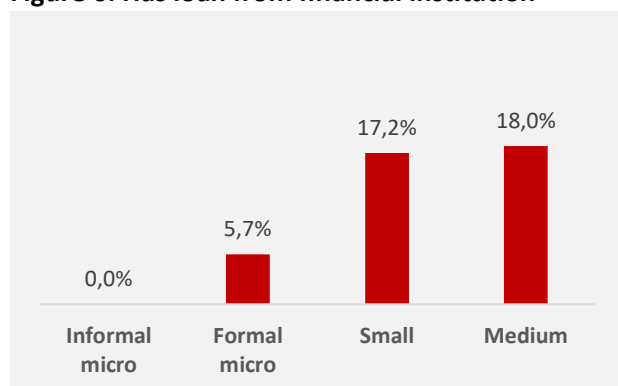
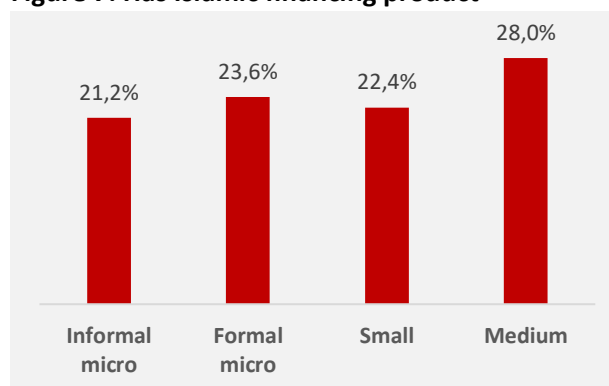
Of the five identified product categories, savings accounts are the most popular among micro and small enterprises, while medium enterprises are more likely to have a term deposit than a savings account. Medium enterprises are more likely to own stocks and shares (10.0% have them) as an investment tool than micro and small enterprises, both of which report a 1.7% ownership rate.

Table 5: Relevance of product to business (i.e., potential demand, as % of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium
Term deposit account	7.7%	16.2%	22.9%	26.2%
Savings account	15.4%	27.7%	17.0%	27.3%
Certificate of deposit	7.7%	8.4%	13.7%	12.8%
Bonds	5.8%	9.5%	11.5%	14.6%
Stocks and shares	3.8%	7.0%	14.0%	17.8%

Potential demand. Among MSMEs that do not have the given products, the level of interest in getting these products in the future is not particularly high. For any particular product and segment, less than 30% of MSMEs consider the product to be relevant to their business. Savings accounts and term deposit accounts generally are associated with higher relevance, while certificates of deposit, stocks and bonds appear to be of less relevance. There is also a general trend of increasing potential demand as the size and formality level increases, with informal micro enterprises having the lowest interest levels and medium enterprises having the highest interest for most product categories. It is not particularly surprising that the potential demand is not very high for savings and investment products, as most business owners would prefer to invest available cash in their business operations rather than in investment products. A preference for investing free cash in core business activities is generally a sign of a healthy economic and business environment.

4 Credit

Figure 6: Has loan from financial institution**Figure 7: Has Islamic financing product****Table 6: Usage of credit products (% of MSMEs that have the given product)**

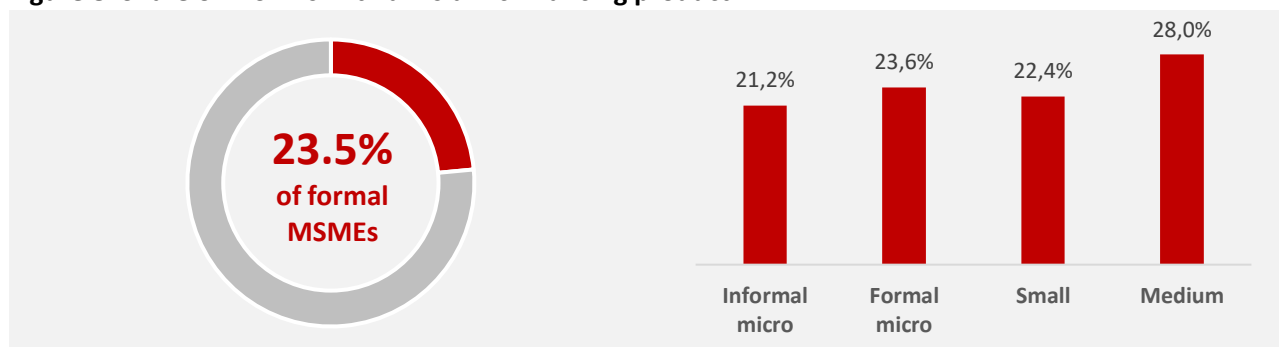
	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Loan/credit line from formal institution	0.0%	5.7%	17.2%	18.0%	6.9%
- From bank	0.0%	2.3%	17.2%	18.0%	3.8%
- From MFI	0.0%	4.0%	0.0%	2.0%	3.7%
- From other financial institution	0.0%	0.6%	0.0%	0.0%	0.5%
Peer lending/crowdfunding	0.0%	0.6%	0.0%	2.0%	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%
Islamic financing product	21.2%	23.6%	22.4%	28.0%	23.5%
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%

Usage of credit-related products. The share of formal MSMEs that had an outstanding loan or line of credit from a financial institution was 6.9%. Small enterprises and medium enterprises, which had borrowing rates of 17.2% and 18.0% respectively, were much more active borrowers than formal micro enterprises, of which only 5.7% had a loan. None of the surveyed informal micro enterprises stated that they have a loan or line of credit from a formal institution. Small and medium enterprises borrowed almost exclusively from banks, while formal micro enterprises were more likely to have a loan from an MFI than from a bank. Peer lending and crowdfunding are relatively new products in the Jordanian market, and consequently just 0.6% of formal MSMEs reported that they have an outstanding loan through these channels. Receipt of a loan from a shareholder or related company was only observed among medium enterprises and overall made very little contribution as a funding source. The issuance of debt securities (i.e., bonds) to raise funds is being practiced by MSMEs in Jordan, although the rate of usage is low at 0.6% for formal micro, 3.4% for small, and 6.0% for medium enterprises. Conventional (non-Islamic) leasing is also reported infrequently, with just 3.1% of formal MSMEs stating that they have an outstanding lease. Unlike for many credit-related products, the use of leasing does not appear to increase as the size category of the enterprise increases. However, the Islamic form of leasing, known as *ijara*, is much more popular and contributes to a relatively high overall usage rate of Islamic financing (23.5% of MSMEs are using some type of Islamic financing product). Islamic finance is discussed in more detail below. Other credit-related products with low overall usage rates are factoring (1.1% of formal MSMEs), letters of credit (1.9%), and guarantees (1.2%).

Reasons for not borrowing. Nearly all survey respondents that did not have a loan from a financial institution stated that they didn't need one or that loans are not relevant to their business. This is true both for bank loans and MFI loans. For bank loans, roughly 90% of MSMEs without a loan claim that they didn't need one, rising to roughly 95% with regard to MFI loans.⁸ Religion is rarely given as a reason for not taking a bank loan (roughly 2% of MSMEs gave this reason). Other suggested reasons, such as lack of awareness of the product, not being able to find good product terms, or complicated application procedures, were very rarely mentioned. Nevertheless, it is worth noting that 1.8% of micro enterprises, 4.2% of small enterprises and 2.4% of medium enterprises claim to have been rejected for a bank loan. The higher rejection rate for small enterprises may be meaningful, and may specifically connect to the issue of the "missing middle" discussed in more detail below. The reported rejection rates for MFI loans were 1.9% for informal micro, 0.0% for formal micro, and 1.7% for small enterprises, lower than the rejection rates for bank loans.

Informal sources. MSMEs were not specifically asked about informal borrowing behavior in the 2022 survey. However, the fact that the borrowing rate from formal sources of 6.9% is somewhat low suggests that MSMEs may be engaging in informal borrowing in significant volumes. For the sake of comparison, the household survey revealed that 14.4% of adults borrowed formally but a much higher 39.3% borrowed informally. In this context, it seems likely that the informal borrowing rate among MSMEs (especially micro enterprises) exceeds the formal borrowing rate. However, unlike households, many MSMEs are meeting their borrowing needs with Islamic financing, as discussed below. Therefore, while some informal borrowing is surely being practiced by MSMEs, it is probably well below the rate of 39.3% that was observed for households. This issue could be explored further in future surveys.

⁸ The exact percentages that stated that they didn't need a loan for bank loans were 92.3% of informal micro, 88.2% of formal micro, 87.5% of small and 90.2% of medium enterprises. The exact percentages for MFI loans were 84.6% of informal micro, 95.8% of formal micro, 94.8% of small and 100.0% of medium enterprises. These percentages are out of those without the given type of loan.

Figure 8: Share of MSMEs with an Islamic financing product**Table 7: Usage of Islamic financing (% of MSME that currently have the product)**

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Murabaha	1.9%	7.5%	5.2%	10.0%	7.3%
Mudharaba	0.0%	0.0%	1.7%	2.0%	0.2%
Musharaka	0.0%	1.1%	15.5%	12.0%	2.5%
Ijara	19.2%	13.8%	6.9%	4.0%	13.1%
Istisnaa	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%

Islamic finance. As mentioned above, the use of Islamic financing products is more common among MSMEs than the use of conventional credit products. Overall, 23.5% of formal MSMEs have some type of Islamic financial product⁹, much higher than the share that have a loan, line of credit, or lease from a non-Islamic provider. One interesting aspect of Islamic finance is that it does not differ much by size or registration category. All three formal size groups and even informal micro enterprise have similar usage rates ranging from a low of 21.2% (informal micro) to 28.0% (medium). The most commonly used product is ijara, or Islamic leasing. Ijara is typically used by enterprises to lease commercial property or equipment. In a reversal of the typical trend of medium enterprises having higher usage than micro enterprises, the use of ijara decreases as enterprise size increases. Only 4.0% of medium enterprises stated that they had an ijara lease, compared to 13.8% of formal micro enterprises and 19.2% of informal enterprises. Instead, medium enterprises tend to use a combination of murabaha (10.0% of medium enterprises did so), musharaka (12.0%) and istisnaa (10.0%). For small enterprises, musharaka was the most frequently used product, by 15.5% of small enterprises.

Table 8: Comparison with World Bank Enterprise Survey (% of SMEs with bank loan or credit line)

	Small	Medium	Large
2019 World Bank Enterprise Survey	13.3%	16.0%	28.2%
2022 CBJ survey	17.2%	18.0%	N/A

Other demand surveys. The 2019 World Bank Enterprise Survey for Jordan found that 13.3% of small enterprises and 16.0% of medium enterprises had a loan or line of credit from a bank, slightly lower than the results of the 2022 survey. The share of large enterprises with a bank loan was significantly higher, at 28.2%. The much higher rate of bank borrowing among large enterprises is a strong indicator that they have better access to finance, although it is also possible that large enterprises simply had a greater demand for financing.

⁹ This discussion does not include Takaful, or Islamic insurance, which is covered in the section of this report on insurance.

Table 9: 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 credit. Among MSMEs that did not have a loan from a financial institution, 22.4% indicated that they may be interested in receiving one in the future. The highest interest was shown for bank loans (21.1%), followed by loans from MFIs (7.6%) and other FIs (7.1%). Interest in other credit products such as leasing, factoring and guarantees was at a low level (well below 10% of MSMEs expressed interest), consistent with the low usage rates for these products. The fact that the level of interest of 22.4% is higher than the actual usage rate of 6.9% (share of formal MSMEs with a loan from an FI) can be interpreted as a sign of unmet demand. It is also noteworthy that the difference between these indicators is particularly high for micro enterprises. For example, only 5.7% of formal micro enterprises have a loan from a financial institution, but a much higher 21.3% of those without a loan expressed interest in receiving one. By contrast, the share of medium enterprises with a loan (18.0%) is about the same as the share that expressed interest in receiving one (17.5%). For small enterprises, the figures are 17.2% that have a loan versus 20.8% that are interested. This indicates that there is a relatively modest amount of unmet demand for loans among medium enterprises but significant unmet demand among micro enterprises, with small enterprises falling between these two extremes. This conclusion is generally supported by statements of financial sector experts interviewed for this study.¹⁰ On the other hand, we could ask why the share of MSMEs that are interested in getting credit is not higher than its current level. For example, we could ask why around 22% of MSMEs are interested in getting a loan, when it could be 30% or 40% or more. The following factors help to answer this question:

- Some MSMEs prefer to borrow from informal sources, if they have the option to do so, especially if they can obtain the funds with low or no interest, and with flexible repayment schedules, through friends and relatives
- Even for MSMEs that don't have the option to borrow informally on good terms, the products offered by financial institutions may not match the business needs in terms of pricing, repayment schedules, required documentation, collateral requirements, processing time, and so on
- Low levels of financial literacy among MSMEs in Jordan may result in business owners feeling uncomfortable engaging with financial institutions or not fully understanding the benefits of working with such institutions
- Some MSMEs prefer Islamic financing options to conventional loans (see below)
- Interest in loans is a question of timing to some extent, and the survey may have coincided with a time period in which demand was generally low, perhaps due to seasonal economic factors or other factors not under the control of the financial institutions

¹⁰ After the survey of MSMEs was completed, series of call-back checks were carried out among selected respondents to pose the question about potential future interest in loans a more specific way. Rather than just ask about potential future interest in getting a loan, as in the original survey, the follow-up questions asked the MSME to rate the likelihood that it would apply for a loan from a financial institution in the next 12 months on a scale of 1 (very unlikely) to 5 (very likely). With this more specific wording, several respondents that initially reported having no future interest in a loan changed their minds and stated that they would be likely or very likely to apply for a loan in the next 12 months. Although this follow-up question was not asked to all respondents, the partial results suggest that the true level of interest could be slightly higher than the level indicated by the figures in Table 10 above.

All of these factors may to some extent limit the interest that MSMEs have in obtaining a loan from a financial institution.

Table 10: 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%
Mudharaba	7.7%	6.4%	5.6%	13.3%	6.3%
Musharaka	1.9%	5.8%	10.2%	4.5%	6.1%
Ijara	5.3%	5.8%	14.9%	4.3%	5.4%
Istisnaa	5.9%	9.1%	7.1%	4.4%	8.8%
Qard hasan	19.2%	23.1%	22.4%	14.6%	22.9%

Potential demand for Islamic finance. As with conventional credit products, the level of relevance and interest that MSMEs expressed for Islamic finance products is not particularly high. MSMEs show future interest mainly in qard hasan and murabaha products – 22.9% of formal MSMEs are interested in qard hasan and 19.5% in murabaha. Qard hasan is essentially an interest-free loan that is a type of concessional financing from the lender, therefore it is not surprising that this cost-free product is of relatively high interest. Unfortunately, it is also not widely available from Islamic institutions in significant volumes. Murabaha is much more readily available in the market. Other products seem to be of minimal interest and are mentioned by less than 10% of formal MSMEs as being relevant to their business.

Table 11: Expects to qualify for credit product (% of MSMEs that consider the product relevant)¹¹

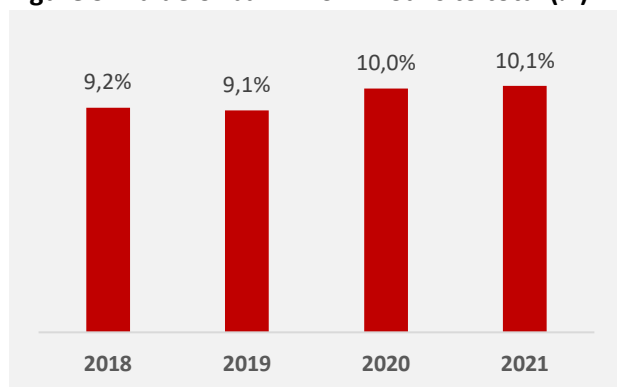
	Informal Micro	Formal micro	Small	Medium
Bank loan	50.0%	55.6%	60.0%	85.7%
MFI loan	66.7%	76.9%	N/A ¹²	N/A
Murabaha	83.3%	81.8%	83.3%	100.0%
Qard hasan	40.0%	52.5%	69.2%	71.4%

Expectation to qualify for credit. The share of enterprises¹³ that expect to be able to qualify for and access a bank loan in the future starts at a moderate 50.0% for informal micro enterprises and rises to 55.6% for formal micro enterprises, 60.0% for small enterprises, and 85.7% for medium enterprises. The rates are even higher for murabaha, which exceed 80% in the case of informal micro, formal micro and small enterprises, rising to 100.0% of medium enterprises. For qard hasan the figures are somewhat lower. Less than half (40.0%) of informal micro enterprises expect to be able to receive qard hasan, compared to 52.5% of formal micro, 69.2% of small and 71.4% of medium enterprises. The reason that enterprises express more confidence in their ability to access murabaha is logical, given that murabaha is used to finance a specific asset and usually has a shorter maturity on average than bank loans, making the murabaha product somewhat less risky for the financial institutions. The expectations are lower for qard hasan perhaps because MSMEs understand that qard hasan is usually a less profitable product for the Islamic financial institutions and therefore more challenging to obtain.

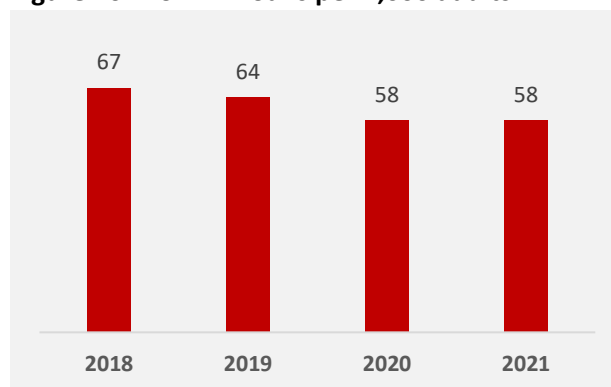
¹¹ For other credit product categories, such as crowdfunding and ijara, this indicator was not calculated due to the small share of enterprises that consider it relevant to their business (i.e., the sample size is too small).

¹² The indicator is not provided because very few small and medium enterprises consider an MFI loan relevant for their business, so the sample size was too small to be meaningful.

¹³ Out of those enterprises that do not have the product but consider it relevant to their business.

Figure 9: Value of bank MSME loans to total (%)

Source: CBJ Financial Stability Report

Figure 10: # of MFI loans per 1,000 adults

Source: Tanmeyah

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 report by the CBJ. The ratio stood at 10.1% in 2021 and has risen significantly since 2019, when it was 9.1% (Figure 9). While the ratio is useful as an indicator, it is important to keep in mind 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. Another valuable supply-side indicator is the number of outstanding MFI loans per 1,000 adults. The ratio has been declining since 2018, but stabilized at 58 in 2020 and 2021 (Figure 10). The decline in 2020 can be attributed mainly to the effect of the pandemic. Although most of the loans of MFIs are disbursed to MSMEs, the data includes an unknown number of consumer loans to salary earners. Ideally, future reporting from MFIs would separate these two groups.

Loan sizes and the missing middle. MFI loan sizes start in small amounts, usually around JOD 100 or JOD 300. Maximum loan sizes vary greatly among MFIs, at least on paper. One MFI reported a maximum loan size of JOD 10,000, while another had a maximum loan size ten times higher of JOD 100,000. Several others have maximum loan sizes around JOD 50,000. However, in practice, most MFIs are not lending in such large amounts. For example, one MFI that can by policy lend up to JOD 50,000 admitted that in practice they only lend up to about JOD 10,000. MFI staff may feel uncomfortable analyzing larger enterprises, which tend to be more complex, and managers may worry about the potentially damaging impact of relatively large loans on portfolio quality. By policy, bank lending to MSMEs typically starts at a minimum loan size of around JOD 10,000, although there are examples of banks that can offer smaller amounts. However, even when relatively small loan sizes are possible, in practice bank staff often avoid the smaller loans, typically preferring to lend in amounts greater than JOD 50,000 or JOD 100,000. When just looking at the official product terms of financial institutions, there appears to be a substantial overlap between MFIs and banks in the range of JOD 10,000 to JOD 100,000. However, in reality there is evidence of a “missing middle” of small businesses that are too big for MFIs but too small for banks. Even though these small businesses are sometimes able to borrow from a bank or MFI, they may have fewer choices among lenders or may be forced to accept relatively unattractive loan conditions in terms of loan size, interest rate, maturity, or collateral requirements. There are NBFIs that are attempting to bridge this gap by focusing specifically on this missing middle segment. However, there are only a few of these NBFIs so far, and they tend to have a limited physical presence (focused in Amman), limited liquidity, and offer interest rates that are considerably higher than those offered by banks¹⁴. Overcoming the challenge of the missing middle will be a key factor in Jordan’s success in increasing financial inclusion for MSMEs.

Table 12: Requested vs. approved loan (% of MSMEs that have a loan)

	Formal micro	Small	Medium

¹⁴ One such NBFi interviewed for this study lends to small businesses at around 17-22% annually, whereas bank rates usually do not exceed 10%.

Loan amount was less than requested	60.0%	22.2%	33.3%
Loan maturity was less than requested	6.7%	9.1%	8.3%

Requested versus approved loan conditions. Most MSMEs that borrowed money, regardless of size, are receiving a loan maturity that is at least as long as they requested. For micro, small and medium enterprises, 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 which was less than they requested. By contrast, only 22.2% of small and 33.3% of medium enterprises received a smaller amount than requested. There are several possible factors that may be contributing to this finding:

- If the micro enterprise does not keep financial records (64.9% of formal micro enterprises do not), financial institutions will have to estimate their cash flows. In most cases financial institutions will be conservative in the estimates, leading to an approved loan amount that is less than the true repayment capacity of the enterprise.
- Micro enterprises may have overly ambitious 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 and management most importantly
- Financial institutions may overstate the riskiness of working with micro enterprises, believing them to be much riskier than they are in fact. To limit risk, they may deliberately approve loan amounts that are relatively small for the enterprise. Some financial institutions may also lack appropriate digital tools that would enable them to accurately measure the repayment capacity and credit-worthiness of micro enterprises, further compounding the problem.

To overcome this gap in the requested loan amount for micro enterprises will probably require some efforts from both customers and lenders. The micro enterprises can perhaps do a better job of record-keeping and be more realistic about their growth prospects. At the same time, financial institutions could work with their staff members to identify and eliminate any bias against micro enterprises. For example, if statistics on loan defaults were tracked by size group, this would probably show that micro enterprises do not on average have significantly higher default rates than small or medium enterprises.

Table 13: Loan purpose¹⁵ (% of MSMEs that have a loan)

	Formal micro ¹⁶	Small	Medium
Working capital	64.7%	45.5%	30.8%
Equipment	35.3%	45.5%	30.8%
Vehicles	17.6%	54.5%	38.5%
Real estate	17.6%	18.2%	30.8%
Export finance	11.8%	0.0%	15.4%
Green/eco-friendly finance	10.5%	16.7%	23.1%
Other purpose	6.3%	10.0%	23.1%

Loan purpose. Enterprise size has a strong correlation with loan purpose, as larger enterprises (within the MSME segment) are more likely to use loan funds to finance the purchase of fixed assets (equipment, vehicles and real estate) and less likely to use the funds for working capital. 64.7% of micro enterprises used their loan for working capital investment, but the rate decreases to 45.5% for small and 30.8% for medium enterprises. Given their small size, some micro enterprises may not qualify for a large enough loan to enable to purchase fixed assets, leaving them with working capital as the only investment option. Green finance usage rates are also linked to size, rising from 10.5% of formal micro enterprises that used their loan for green or eco-friendly purposes to 16.7% for small and 23.1% for medium enterprises.

¹⁵ The sum of the figures for each size group exceeds 100% because some businesses use the loan for multiple purposes

¹⁶ Informal micro enterprises are excluded because none of those surveyed had a loan from a financial institution

Lending policies. In the vast majority of cases, financial institutions in Jordan perform a detailed and comprehensive analysis of MSME loan applicants, including a review of their business model, credit history, and financial performance. Financial analysis includes performing ratio analysis, and for relatively larger loan sizes the analyst often makes future financial projections. Most financial institutions apply certain ratio-based limits, such as a minimum debt coverage ratio. The debt-to-equity ratio is also considered highly important, although most banks do not apply a concrete limit. At least one bank has an online application and fast decision model using credit scoring, where the scoring contributes 90% of the overall decision, but this approach is atypical and only applies to a small sub-segment of MSMEs that meet specific criteria. To verify credit history, many banks check both the private credit bureau CRIF and the public credit registry maintained by CBJ. While financial institutions mostly gave positive feedback on CRIF, a few commented that inaccuracies¹⁷ are sometimes present, leading them to also use the public credit registry as a backup.

Accuracy of financial reports. One key challenge for lenders performing financial analysis is that the official accounting records of many MSMEs are deliberately misstated in order to reduce the MSME's tax burden. Most commonly, MSMEs report sales and profits that are much lower than the actual level. Based on the official records, the MSME appears to qualify for an amount which is much less than they can actually afford to repay. Financial institutions must then decide if they will make the loan decision based strictly on the official financial information or if they will try to account for the true financial results. Some MSMEs maintain a separate set of unofficial accounts (i.e., the "true" balance sheet and income statement with accurate figures) which the financial institution can use, making this process relatively simple. However, in many other cases, the financial institution must reconstruct the true financial statements on its own using its best judgement and whatever data is available, which can be very time-consuming. According to banks interviewed for this study, the accuracy of official financial statements usually increases with business size. In other words, medium enterprises have more accurate financials than small enterprises, and small enterprises have more accurate financials than the micro enterprises that prepare official financial records. As mentioned above, 64.9% of micro enterprises do not keep financial records at all, which of course presents an even greater challenge for financial institutions.

Collateral. Micro loans in relatively small amounts (e.g., less than JOD 10,000) are typically granted without taking physical assets as collateral, although a co-signor or guarantor is often requested. For relatively larger loans, physical collateral is usually taken. Financial institutions tend to have a strong preference for real estate as collateral, but may also take vehicles, equipment and other assets. MSMEs that do not own real estate often struggle to obtain credit in amounts over JOD 10,000, unless they can get a guarantee issued by JLGC. Despite the importance of real estate as collateral, businesses that have strong financial performance and a good credit history have a better chance than others to get a loan without real estate. The recent introduction in 2021 of a movable asset registry should gradually encourage financial institutions to use movable assets as collateral with greater confidence, potentially reducing their dependence on real estate collateral. However, some banks remain hesitant to use the collateral registry. One bank manager commented that they use the collateral registry to check for claims of other financial institutions on the assets of business applicants, but the bank does not yet register its own claims on movable collateral, primarily because it considers that the benefit of registration is not worth the cost.¹⁸

Table 14: Collateral indicators (% of MSMEs that had a loan)

	Formal micro	Small	Medium
Provided collateral for loan	68.8%	54.5%	100.0%
- Real estate	37.5%	36.4%	61.5%
- Equipment and vehicles	6.3%	18.2%	15.4%

¹⁷ Types of inaccuracies mentioned by financial institutions included loans that were missing from the bureau record, outstanding loan amounts not being accurate, and loans that were actually past due showing as current.

¹⁸ Financial institutions sometimes consider it not worthwhile to attempt to repossess movable collateral, because the value of such collateral is often quite small relative to the loan amount, or the item itself is difficult to find.

- Inventories	6.3%	9.1%	0.0%
- Personal assets of owner	13.3%	9.1%	23.1%
- Blanket lien on entire business	6.3%	9.1%	7.7%
- Other	25.0%	9.1%	30.8%

Survey data indicates that 68.8% of formal micro, 54.5% of small and 100.0% of medium enterprises provided collateral for their most recent loan. Medium enterprises are typically borrowing in relatively large amounts and probably own assets like real estate and vehicles that they can provide as collateral. Nevertheless, it is somewhat surprising that financial institutions are choosing not to offer any collateral-free loans to their best medium-sized customers. The fact that 68.8% of micro and 54.5% of small enterprises provided collateral reflects the fact that some may not have collateral which the lenders would consider acceptable, and some are probably requesting loan amounts small enough that the lenders consider collateral unnecessary. For example, if a small enterprise can only offer some equipment for which it cannot prove ownership as collateral, the financial institution may not bother to take it as security. Or if a micro enterprise is requesting just JOD 10,000, the exposure level is low enough that the financial institution may decide to forego collateral. Real estate was the most common type of collateral provided, with an especially high rate of 61.5% of medium enterprises providing real estate collateral.

There is further survey evidence to suggest that financial institutions are relatively strict with regard to the value of collateral they are taking for loans. The World Bank Enterprise Survey of 2019 found that the value of collateral provided for loans was 295% of the loan amount in the case of small enterprises and 259% in the case of medium enterprises. Financial institutions often apply heavy discounts to the estimated market value of collateral when determining how much they can lend, which partly explains why the value of collateral may be so much larger than the loan amount.

Guarantees. As mentioned earlier, JLGC is the main provider of guarantees in Jordan, and most of its programs are directed towards MSMEs. The total outstanding balance of business loans guaranteed by JLGC in 2021 was JOD 424.8 million. As a result of the massive scale of the government-sponsored COVID support program, which included a substantial guarantee component, the guaranteed business portfolio of JLGC increased dramatically in size in 2020, reaching JOD 408.7 million in that year from just JOD 87.0 million in 2019. Four MFIs are working with JLGC in addition to numerous banks, ensuring some coverage of microenterprises with guarantees. The reported rate of usage of guarantees from the MSME demand survey is somewhat low, with 10.3% of formal MSMEs that borrowed from a financial institution reporting that they used a guarantee from JLGC. The same percentage stated that they used a guarantee from a source other than JLGC, which may be a local bank or from a guarantee program offered by an international institution such as OPIC. However, it should be kept in mind that enterprises may not be aware that a guarantee was used on their behalf, especially in the case of portfolio guarantees that cover a large group of loans rather than being issued on behalf of specific borrowers.

Innovative lending techniques. While most MSMEs are served according to the traditional lending methodologies described above, there are some signs of innovative products or approaches being used to reach customers in Jordan. A few examples are:

- **POS-based lending:** This is a form of credit for stores in which the loan amount is set based on the volume of transactions being processed through the store's POS terminal. Loan sizes up to 20% or 30% of POS turnover are typical. Because the POS transaction history is easily verifiable, the lender typically will make the loan without collateral or without performing a financial analysis of the business, resulting in a simplified due diligence approach. The lower costs for the lender in theory can be passed on to the customer in the form of relatively attractive interest rates. Several commercial banks and a few non-bank finance companies mentioned that they are either already practicing or are preparing to launch this service.
- **Cluster-based lending:** Cluster-based lending involves lending to specific business activities that have been thoroughly analyzed by the bank. Because the bank understands the business model in great

depth, a detailed financial analysis is not performed for each client. Instead, a simplified approach to financial analysis is applied based on a limited set of indicators and performance standards that are relevant to most businesses of the given type. Collateral may or may not be taken depending on the loan size and type of business. One bank interviewed for this study is applying cluster-based lending for gas stations and is planning to expand to beauty salons and pharmacies. Another bank mentioned that they are in the process of developing cluster lending approaches for several business activities.

- **Supply chain finance:** Supply chain finance has not been practiced very widely in Jordan in the past, or has been practiced in a somewhat informal or haphazard way by a few commercial banks. The further development of well-structured supply chain finance methodologies, and the implementation of those methodologies by a wider number of institutions, has very good potential for increasing credit outreach to MSMEs. However, some promoter, such as the CBJ or an international development institution, may need to step up and lead the effort with a strong demonstration project to show the best practice methodologies and to get the local financial institutions on board.
- **The IFC Upstream project:** A new approach being supported by the IFC, which it refers to as the “upstream” approach, involves connecting three types of partners: 1) companies that collect structured transactional data on MSMEs, such as e-commerce sites, 2) FinTech companies that can mine that data and develop algorithms, and 3) financial institutions that can use the algorithms to make lending decisions. The upstream approach can be considered a very specific form of supply chain finance.
- **Peer-to-peer lending and crowdfunding:** There is one crowdfunding platform in Jordan and one company that practices peer-to-peer lending. Although such services typically account for a relatively small share of overall lending in countries where these services are well-developed, they often are able to reach the types of enterprises that struggle to obtain funding from traditional lending institutions such as banks. As such, they can make a positive contribution to financial inclusion even if their overall portfolios are not particularly large.

The presence of these approaches and initiatives, while still in an early stage, is indicative of the strong potential for increasing MSME financial inclusion by applying innovation and creativity to overcome long-standing barriers.

Government and international support programs. There is a wide spectrum of programs by the Jordanian government and various international organizations designed to promote MSME finance. One common approach is the provision of credit lines by international institutions to local financial institutions strictly for MSME lending to sub-borrowers, often combined with capacity-building assistance. International institutions that use this approach are EBRD, IFC and EIB. The credit lines may be provided directly to the local financial institutions by the international institution or channeled through a local program managed by the CBJ or some government body. Capacity-building assistance to local financial institutions usually takes the form of trainings for local staff and the development of policies, procedures and tools for MSME lending. In some cases, these programs focus on particular sub-segments that are designated as priority segments. For example, IFC is supporting women-led SMEs with both TA and funding to improve their access to finance in cooperation with several banks.

Another priority segment is startup enterprises. The Innovative Startups & SMEs Fund (issfjo.com), supported by investments from the CBJ and World Bank, provides early-stage equity finance to startups and early-stage SMEs. At present the centerpiece of government MSME financing efforts is the COVID-19 Support Programme, which provides subsidized loans to MSMEs via banks. The programme is expected to be gradually phased out as the economy recovers and as financial institutions increase their lending activities using their own funds, so in principle there should not be a dramatic shock to MSME finance levels as government support is withdrawn.

Regulation. As with lending to households, the key regulatory change in recent years was the recent introduction of the Finance Companies Regulation No. 107. The potential impact of the regulation on MSME finance is difficult to predict at this early stage. On the one hand, some informal or semi-formal financial providers may exit the market, leaving MSMEs with fewer sources of funding, but those who remain are likely

to become stronger as a result of better oversight and adherence to prudential regulations. These finance companies that previously operated in a regulatory gray zone are particularly likely to take an interest in finding market niches with limited competition going forward, and so they may be drawn to serving the missing middle described above for loans in the range of JOD 10,000 to 100,000. One of the finance companies interviewed for this study is specifically focusing on trying to reach that missing middle, and there are believed to be at least two or three other finance companies with a similar approach.

5 Payments and transfers

MSMEs play a particularly important role in the payment system because they are not just users of digital payment services but can also facilitate the use of digital payments by households, for example by enabling customers to pay via POS terminals or e-commerce purchases on the MSME's website. MSMEs can be especially important for facilitating electronic payments in rural areas and small towns, because financial institutions have a limited presence in such areas.

Figure 11: Share of MSMEs that made or received a digital payment in the past year

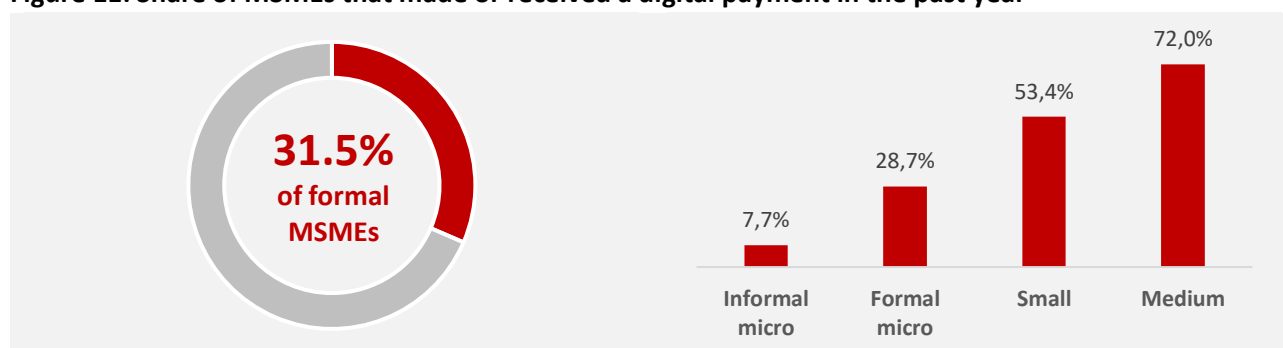


Figure 12: Share of MSMEs that paid out or received a digital payment by source/destination

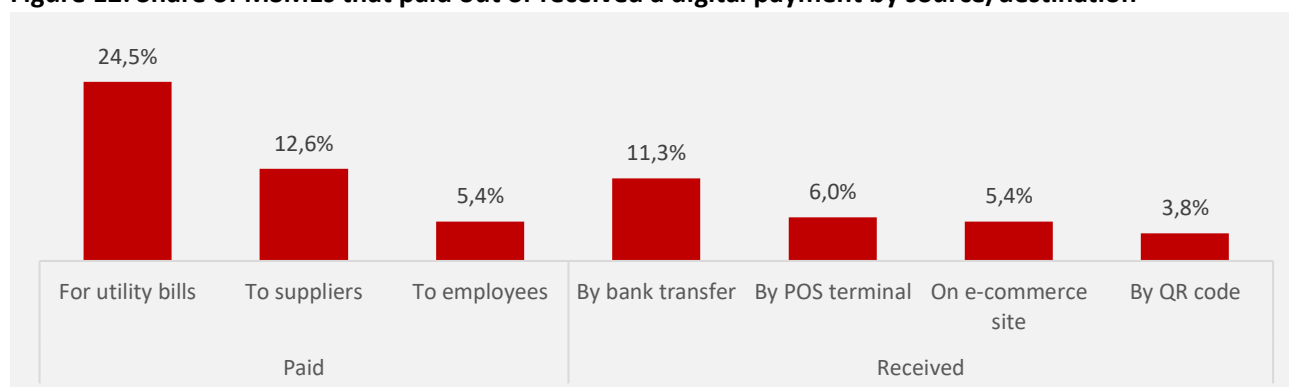


Table 15: Digital payment usage in past 12 months (% of MSMEs)

	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%
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Digital payment usage. The share of formal MSMEs that made or received a digital payment in the past year was 31.5%, but the figure varies greatly by enterprise size and formality. 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%. MSMEs are more likely to make digital payments than to receive them from customers. 29.5% of formal MSMEs made a digital payment in the past year, more than double the rate of 13.3% that received a digital payment from a customer. Electronic payment of utility bills was relatively common, reported by 24.5% of formal MSMEs. Paying suppliers digitally was less common, as 12.6% of formal MSMEs did so. The share of formal MSMEs that paid their employees digitally (i.e., by bank transfer) was low at 5.4%, but the differences among size groups was noteworthy. 36.0% of medium enterprises and 20.7% of small enterprises paid employees digitally, but among formal microenterprises the rate was just 3.4%. In terms of receiving digital payments from customers, the means to do so were bank transfer (11.3% of formal MSMEs), POS terminal (6.0%), e-commerce website or app (5.4%), and by QR code (3.8%).

Comparison with households. It is worth noting that the rate of digital payment usage by MSMEs of 31.5% was somewhat lower than the 39.8% rate observed among households. The main source of digital payments for households was the distribution of government aid through an account; these transactions involve households but not MSMEs. In addition, many households receive their salary into an account, but large enterprises, rather than MSMEs, are more likely to process their staff payments electronically. These two factors probably account for most of the difference between the digital payment rates of MSMEs and households.

Table 16: Payment cards and services (% of MSMEs)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Has debit card	1.9%	31.0%	48.3%	52.0%	32.8%
Has credit card	0.0%	11.5%	32.8%	30.0%	13.5%
Has online banking	0.0%	12.1%	41.4%	68.0%	15.4%
Has mobile banking	0.0%	20.7%	41.4%	44.0%	22.8%
Has cash collection services ¹⁹	0.0%	11.5%	44.8%	36.0%	14.6%
Has card processing services ²⁰	0.0%	12.6%	43.1%	40.0%	15.6%
Has payroll services	0.0%	5.7%	34.5%	58.0%	9.0%

Payment cards and services. The ownership rates for debit and credit cards among formal MSMEs were 32.8% and 13.5%, respectively. Card ownership rates were quite similar for small and medium enterprises, but micro enterprises were much less likely to have a debit or credit card. Only 1.9% of informal micro enterprises reported having a debit card, and none had a credit card. While card products are usually thought of in the context of households, they can also be important for MSMEs, because cards can be used to order products online from suppliers or to pay in a supplier's store at a POS terminal. However, the benefit of cards is probably somewhat less for medium enterprises, because they may be placing rather large orders that are more suitable for a bank transfer than a card or e-commerce payment. This may explain why 100.0% of medium enterprises have a current account but only 52.0% report having a debit card. Among formal micro enterprises, mobile banking (used by 20.7% of formal micro enterprises) is more popular than online banking (12.1%), but this dynamic changes as the size of the enterprise increases. For small enterprises, the use of online and mobile banking is equal at 41.4%, whereas medium enterprises are more likely to have online banking (68.0% have it) than mobile banking (44.0%). There is some use among MSMEs of payment-related services offered by a third party such as cash collection (14.6% of formal MSMEs have it), card processing

¹⁹ Refers to the provision of third-party cash management services whereby a company collects and deposits cash on behalf of the business.

²⁰ Refers to services that enable a business to accept card payments from customers, for example with a POS terminal

(15.6%), and payroll processing (9.0%). For these payment services, usage rates are again much higher among small and medium enterprises than among micro enterprises.

Table 17: Relevance/interest in payment products (% of those without the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Debit card	19.6%	21.5%	38.7%	33.3%	23.0%
Credit card	19.2%	23.4%	25.6%	34.3%	23.7%
Online banking	17.3%	26.1%	29.4%	75.0%	26.6%
Mobile banking	11.5%	21.7%	32.4%	46.4%	22.7%
Cash collection services	13.5%	22.1%	28.1%	34.4%	22.6%
Card processing services	15.4%	18.2%	37.5%	54.5%	19.3%
Payroll services	5.8%	22.4%	33.3%	40.0%	23.2%

Potential demand. The potential future demand for various payment service and products, as measured in terms of the relevance of and interest of MSMEs in these products, varies considerably by enterprise size and formality. Medium enterprises express the greatest interest in all the products and services except for debit cards, perhaps for the same reason discussed above: medium enterprises are more likely to buy supplies and raw materials in large order sizes via bank transfer. Medium enterprises especially have high interest in online banking (75.0% of those without online banking consider it relevant), and 54.5% of medium enterprises view card processing services as being important. By contrast, informal micro enterprises generally consider payments cards and related services to be of limited interest, with less than 20% expressing interest in any of the product categories. This lack of interest is related to the fact that:

- most informal micro enterprises do not have an account which they could link to a card
- card payments might make their informal (and thus illegal) business activities visible to the tax authorities
- the customers and suppliers of informal micro enterprises prefer to use cash

Formal micro and small enterprises consistently fall within the two extremes of the informal micro and medium enterprises.

Table 18: Reasons for not using digital payments (% of those that didn't use)²¹

	Informal micro	Formal Micro	Small	Medium	Formal MSMEs
Lack of knowledge	39.6%	53.2%	55.6%	42.9%	53.3%
High fees	25.0%	29.8%	25.9%	35.7%	29.7%
Large payment size	16.7%	20.2%	33.3%	42.9%	21.0%
Not easy to use	29.2%	37.9%	29.6%	35.7%	37.4%
Lack of trust	16.7%	29.0%	22.2%	7.1%	28.5%

Reasons for not using digital payments. The most common reason given by MSMEs for not making or receiving a digital payment is lack of knowledge about digital payment services. 53.2% of formal micro enterprises and 55.6% of small enterprises indicated this reason. The ratio was somewhat lower for medium enterprises (42.9%) and informal micro enterprises (39.6%) but still at a significant level. Although substantial investments in awareness-building and education about the topic of digital payments have been made in recent years by the CBJ and other stakeholders, this finding suggests that those efforts should be continued and perhaps even intensified in the future. 37.4% of formal MSMEs stated that they consider digital payment systems and services to be difficult to use, which may refer both to the initial setup and ongoing maintenance of such systems. The fees associated with digital payments were also cited as a barrier by 29.7% of formal MSMEs, and lack of trust in the providers of such services was mentioned by 28.5%. Notably, medium enter-

²¹ The totals for each segment exceed 100% because respondents could choose more than one answer.

prises appear to have greater confidence in the service providers, as only 7.1% of medium enterprises mentioned this as a concern. A number of respondents (21.0% of formal MSMEs) questioned the suitability of digital payments for large transaction amounts. Not surprisingly, this issue of payment size was more of concern among medium enterprises (42.9% mentioned it), than small (33.3%) or formal micro enterprises (20.2%).

Overcoming the constraints. Increasing the usage of digital payment services among MSMEs in some ways parallels the tactics that can be applied to increase digital payments among households. Enabling and encouraging MSMEs to open current accounts or mobile wallets, encouraging them to take and use card products, and promoting competition among the providers of those services, are all likely to contribute to higher digital payment usage. Aside from direct usage of payment services, MSMEs can also facilitate the use of payment services by their customers, for example by accepting sales through POS terminals. Supporting the introduction of a greater variety of POS devices available in the market, with different features and payment models, could encourage greater participation by MSMEs. For example, the use of “soft POS” terminals, where the mobile phone of the employee becomes the POS device, has strong potential to appeal to business owners. MSMEs can also facilitate account creation and digital payment usage among their employees by paying salaries to an account. Considering that only 5.4% of MSMEs pay their employees by account at present, there is considerable room for improvement in this area. Dealing with the tax concerns of MSMEs, their perception that digital payment usage will be accompanied by more tax could potentially be addressed with special tax rebates that apply specifically to transactions that are executed electronically.

6 Insurance

Figure 13: Share of MSMEs with any type of insurance

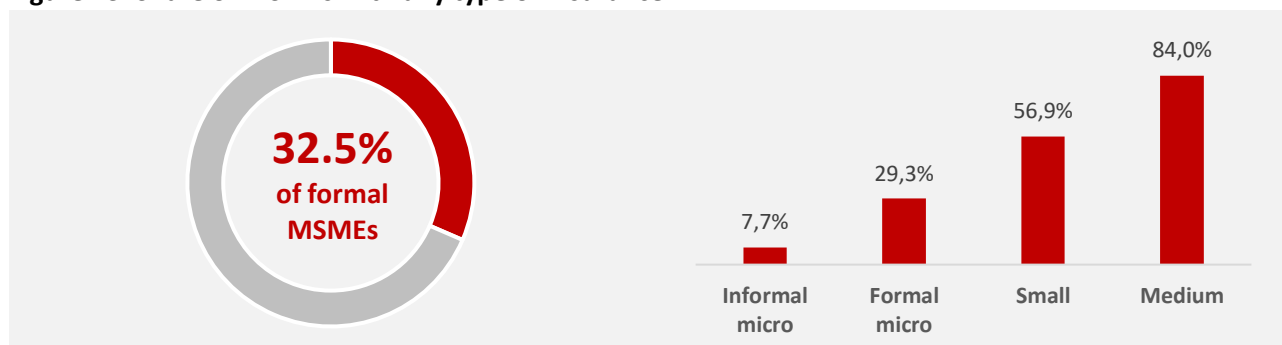


Figure 14: Share of formal MSMEs with insurance by type of insurance

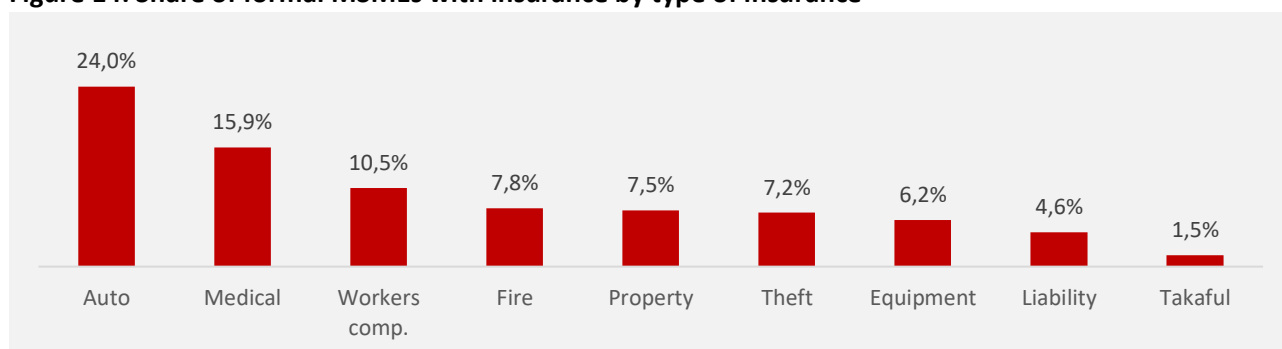


Table 19: Insurance ownership rates (% of MSMEs)

	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%

Insurance ownership. Insurance ownership rates in Jordan are highly dependent on the size and formality of the MSME. 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. Only 7.7% of informal micro enterprises have some form of insurance. Because auto insurance is mandatory and many MSMEs need vehicles, it is not surprising that this is the most common type of insurance, held by 24.0% of formal MSMEs. This is followed by health insurance for workers (15.9% of formal MSMEs have it) and workers' compensation insurance (10.6%). Various forms of property insurance (equipment, theft, fire, and general property insurance) are not popular among micro enterprises but exhibit moderate ownership rates among medium enterprises. The same is true for professional liability insurance, which is held by just 3.4% of formal micro enterprises but by 28.0% of medium enterprises. Takaful Islamic insurance is not widely used, as only 1.5% of formal MSMEs reported having a Takaful policy.

Table 20: Submitted an insurance claim in past year (as % of those with insurance)²²

	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	26.3%	39.1%	25.0%	28.0%
Property insurance	62.5%	38.9%	24.0%	50.2%
Equipment insurance	37.5%	50.0%	30.0%	39.5%
Theft insurance	22.2%	42.9%	27.8%	28.3%
Fire insurance	22.2%	47.1%	28.6%	30.4%
Health insurance	24.0%	33.3%	33.3%	25.7%
Workers compensation insurance	26.7%	31.3%	26.7%	27.6%
Professional liability insurance	50.0%	28.6%	21.4%	42.4%
Other conventional insurance	33.3%	0.0%	25.0%	30.2%
Any type of insurance	25.5%	36.4%	26.2%	27.1%

Insurance claims. The share of MSMEs that submitted an insurance claim in the past year, out of those that had insurance, is relatively high. Among formal MSMEs with any type of insurance, 27.1% submitted a claim in the past year. The tendency to submit claims does not appear to depend significantly on enterprise size, as formal micro enterprises and medium enterprises had similar rates of 25.5% and 26.2% respectively, although small enterprises had a somewhat higher result of 36.4%. These figures suggest that MSMEs are quite assertive in attempting to enforce their rights as policy holders. By contrast, the household survey showed that only 1.7% of individuals with insurance submitted a claim in the past year. The dramatic difference between the household survey and MSME survey may be partly explained by the fact that most individuals received their insurance without paying for it, and thus they may be less motivated to enforce their rights by submitting a claim. The share of claims that are approved is not known, but MSMEs would presumably not go to the trouble of submitting a claim unless they had a high expectation for the claim being approved.

²² The findings for informal micro enterprises are not shown here, because there are too few of them with insurance for the results to be statistically meaningful.

Table 21: Potential demand for insurance (% of MSMEs without the product)

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Auto insurance	16.0%	18.4%	28.6%	11.1%	19.0%
Property insurance	25.0%	36.7%	52.5%	52.0%	37.8%
Equipment insurance	19.2%	25.3%	50.0%	40.0%	27.2%
Theft insurance	23.5%	41.8%	47.7%	40.6%	42.2%
Fire insurance	26.9%	41.2%	61.0%	51.7%	42.6%
Health insurance	19.6%	34.2%	58.1%	65.4%	36.3%
Workers compensation insurance	13.5%	22.0%	45.2%	40.0%	23.8%
Professional liability insurance	17.3%	21.4%	39.2%	27.8%	22.8%
Other insurance	3.8%	5.8%	17.5%	10.9%	6.9%

Potential demand. There is a moderate level of interest in getting insurance among MSMEs that do not currently have it. For theft and fire insurance, the share of formal MSMEs that consider it relevant for their business exceeds 40%. Interest in auto insurance is somewhat low at 19.0%, reflecting the fact that MSMEs without an automobile do not need auto insurance. For most types of insurance, micro enterprises (both formal and informal) see the product as being less relevant compared to small and medium enterprises. Somewhat surprisingly, small enterprises are more likely to consider most types of insurance to be more important to them than medium enterprises do. This may be because medium enterprises have enough cash flow and savings that they can cover the cost of lawsuits or property damage or theft on their own, without the need for insurance. By contrast, small enterprises may be profitable enough to afford insurance but not so profitable that they are willing to replace damaged assets or pay for other insurable events out of their internal funds. Micro enterprises demonstrate lower interest in insurance most likely because their cash flows are relatively smaller and they consider insurance to be too expensive.

Table 22: Share of MSMEs that expect to qualify (as % of those without it but consider it relevant)

	Informal micro	Formal micro	Small	Medium
Auto insurance	75.0%	72.0%	90.0%	100.0%
Property insurance	69.2%	70.5%	71.4%	92.3%
Equipment insurance	70.0%	69.0%	83.3%	100.0%
Theft insurance	66.7%	72.5%	90.5%	100.0%
Fire insurance	64.3%	75.0%	80.0%	100.0%
Health insurance	60.0%	80.4%	80.0%	100.0%
Workers compensation insurance	71.4%	77.1%	68.4%	92.9%
Professional liability insurance	55.6%	77.8%	75.0%	100.0%

Expectations of qualifying for insurance. The rates of MSMEs that expect to be able to qualify for and access insurance, as a percentage of those who do not currently have insurance but consider it relevant to their business, is fairly high and increases with business size. For most types of insurance, 100% of medium enterprises expect to be able to obtain a policy. For small enterprises, the rates are somewhat lower, ranging roughly from 70% to 90% depending on the product type. For formal micro enterprises the figures are mostly in the 70s, and mostly in the 60s for informal micro enterprises. The survey did not explore why some enterprises believe they will not qualify, but given the trend by enterprise size, it seems likely that having less income could be a reason that some enterprises, particularly micro and small enterprises, do not think they will qualify.

Lender-driven insurance. A number of financial institutions report that they require MSME borrowers to obtain insurance in certain circumstances as a condition for approving a loan. A few institutions, for example, require the owners to have life insurance. When physical assets are taken as collateral, banks often require those assets to be insured with a property insurance policy. Some banks also ask borrowers to insure their

inventories. The demand survey revealed that 25.0% of micro enterprises, 41.7% of small enterprises, and 30.8% of medium enterprises were required to get some form of insurance as a condition for the most recent loan that they received. The reason that medium enterprises are less frequently asked to get insurance than small enterprises may be related to the fact that medium enterprises are more likely to already have insurance. By contrast, micro enterprises are less frequently asked for insurance than small enterprises perhaps because the average loan size is small enough that insurance is considered unnecessary.

7 Financial literacy, consumer protection and COVID

Financial literacy among MSMEs. The level of financial literacy of MSMEs can be assessed to some extent by the degree of sophistication in terms of financial reporting and planning. Only 7.7% of informal micro enterprises keep financial records in a systematic way, rising to 35.1% for formal micro enterprises, 65.5% for small enterprises, and 90.0% for medium enterprises. The share that produces standardized financial reports such as an income statement, balance sheet and cash flow statement also rise dramatically as the size and formality of the business increase. The overall rate for producing these statements is 29.4% among formal MSMEs, somewhat lower than the overall rate of 38.5% that keep financial records. Informal and formal micro enterprises primarily keep records by hand (on paper), while small and medium enterprises are more likely to use a computer for record-keeping. Only 18.2% of formal MSMEs have their financial results audited, although 74.0% of medium enterprises do so. Business planning can be considered a sign of financial literacy, and is often required for MSMEs to obtain a loan, but most MSMEs do not have a written business plan. Even among medium enterprises, less than half (42.0%) have a business plan, declining to 25.9% for small enterprises and 16.1% for formal micro enterprises. Over half (55.7%) of formal MSMEs reported that they are not well prepared to face a cash flow emergency, although the indicator decreases rapidly as the business size and formality increases. 67.3% of informal micro enterprises are not well prepared for a cash flow emergency, but only 22.0% of medium enterprises are not well prepared. To some extent this trend reflects financial literacy, as managers of relatively larger enterprises within the MSME segment are probably more knowledgeable about the tools and resources that can be used to prepare for emergencies. Of course, the larger enterprises may simply be more profitable and thus can more easily set aside savings. The following table summarizes the relevant indicators.

Table 23: MSME financial literacy indicators

	Informal micro	Formal micro	Small	Medium	Formal MSMEs ²³
Keeps financial records	7.7%	35.1%	65.5%	90.0%	38.5%
- By hand	7.7%	24.7%	19.0%	20.0%	24.2%
- By computer	0.0%	4.0%	41.4%	64.0%	8.1%
- Using cloud services	0.0%	0.6%	0.0%	2.0%	0.6%
- By external accountant	0.0%	5.7%	5.2%	4.0%	5.7%
Has standard financial statements ²⁴	9.6%	25.3%	63.8%	82.0%	29.4%
Gets financial statements audited	0.0%	14.9%	43.1%	74.0%	18.2%
Has written business plan	0.0%	16.1%	25.9%	42.0%	17.3%
Not prepared for cash flow emergency	67.3%	58.0%	36.2%	22.0%	55.7%

Financial consumer protection. Consumer protection is important for MSMEs as well as for individuals. Although small and medium enterprises may be more financially sophisticated on average than individuals and better able to protect themselves, the managers of micro enterprises 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

²³ The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, 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.

²⁴ For example, the business produces an income statement, balance sheet, and/or cash flow statement.

borrowed) was 57.4%, lower than the 69.5% of individuals who read their loan contract. However, the rate rises by enterprise size, from 56.3% for micro enterprises to 66.7% for small and 76.9% for medium enterprises. Most formal MSMEs (70.1%) considered that the financial institution fully and properly explained the loan contract to them, somewhat lower than the 86.8% for individual borrowers. Business loan contracts are often more complex than consumer loan contracts, with more conditions and obligations, so it is particularly important that financial institutions are diligent in explaining the contract to MSME borrowers. Only 0.8% of MSMEs submitted a complaint to a financial institution about a financial product or service in the past year²⁵, slightly lower than the 1.1% among households.

Table 24: Consumer protection indicators for MSMEs

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Read loan contract*	N/A ²⁶	56.3%	66.7%	76.9%	57.4%
Lender explained loan contract well*	N/A	68.8%	83.3%	76.9%	70.1%
Submitted complaint	1.9%	0.6%	3.4%	2.0%	0.8%

* As % of MSMEs that have a loan from a financial institution

Impact of COVID on MSMEs. The majority of MSMEs (84.4%) experienced a significant decline in income due to the pandemic, and that negative impact was still ongoing for 72.0% of MSMEs at the time of the survey in October 2022. However, medium enterprises appear to be more resilient to the effects of COVID than micro enterprises. Only 68.0% of medium enterprises experienced a loss of income, versus 85.1% of formal micro enterprises. Similarly, less than half (40.0%) of medium enterprises continued to experience reduced income in late 2022, versus 74.1% of formal micro enterprises. The figures for small enterprises were in between those of medium and micro enterprises. Informal micro enterprises surprisingly reported somewhat better results than formal micro enterprises, which may be related to the fact that informal enterprises tend to engage in different types of business activities than formal enterprises. For example, mending of clothing is a common informal business activity for which demand may actually increase during a pandemic, as people seek to save money by fixing old clothing rather than buying new clothing.

8 Conclusions and recommendations

The following recommendations involve changes to existing regulations, the introduction of new regulations, or the development of technical assistance programs designed to improve the capacity of financial institutions to serve MSMEs.

8.1 Credit related recommendations

Cancelling the tax on interest charged by NBFIs. NBFIs, including MFIs and leasing companies, are required to collect a 3% sales tax on the interest they charge to their customers. By contrast, interest on bank loans is not subject to this tax. As a result, NBFIs have a comparative disadvantage in terms of pricing, which is compounded by their comparative disadvantage in funding (because they cannot accept deposits like banks). This situation is not conducive to financial inclusion, because NBFIs, including FinTech companies, are often willing and capable of working with customer segments that banks would perceive as high risk or not of strategic interest, such as the “missing middle” described earlier. Canceling the sales tax on interest charged by NBFIs would lead to a more diverse, competitive lending industry in Jordan.

²⁵ 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.

²⁶ No informal micro enterprises borrowed from a formal institution in the past year

Supporting portfolio guarantees. The speed and convenience of using guarantees depends greatly on what type of guarantee is available – a portfolio guarantee or an individual guarantee. As mentioned earlier, a portfolio guarantee covers a relatively large group of loans up to a certain exposure limit, whereas an individual guarantee is issued to an individual MSME borrower. The portfolio guarantee is essentially pre-qualified for the MSME borrower, so the process is extremely quick and simple, whereas an individual guarantee must be individually reviewed and approved for each potential borrower. Although JLGC already offers portfolio guarantees to several financial institutions in Jordan, financial inclusion could be facilitated further by increasing the limits of those financial institutions, by offering portfolio guarantee limits to new institutions, or by convincing other guarantee providers aside from JLGC to offer portfolio guarantees in Jordan. At the same time, portfolio guarantees pose higher risk to the provider of the guarantee, so substantial increases in the availability of portfolio guarantees is unlikely to occur without additional support designed to mitigate the credit risk. International development institutions may be able to help in this regard by offering a counter-guarantee to the guarantee provider (such as JLGC), essentially protecting the guarantee provider from excessive losses on their portfolio guarantees.

Supporting leasing guarantees. Leasing guarantees were previously available in Jordan, but the practice of offering guarantees for leasing was discontinued due to a relatively high default rate. Now that the leasing industry has recently come under the supervision of the CBJ and will be subjected to tougher standards and prudential requirements, leasing companies are expected to develop more sophisticated tools for assessing credit risk and become more disciplined in their decision-making. Therefore, this would be an appropriate time to revive the practice of offering leasing guarantees.

Algorithmic lending and credit scoring. Although credit scoring is being used for the evaluation of MSME loan applications, only a few financial institutions do so, and usually only for a relatively small sub-segment with the MSME sector, such as for micro loan applications. In some cases, scoring systems may be built based on expert judgement rather than based on data-driven, machine learning algorithms. The use of algorithmic lending has the potential to improve the accuracy of credit decision-making if the systems are built from high-quality data. The challenge for financial institutions in Jordan will be to gather and store relevant customer data that can be used to construct scoring systems and to gain access to relevant expertise in machine learning. The CBJ, the Association of Banks of Jordan, or international development institutions could support Jordanian financial institutions by defining and communicating best practices for data collection, perhaps including the development of standards for data classification. They could also provide funding to FinTech companies specializing in algorithmic lending and connect financial institutions to those FinTechs. The creation of educational programs for students in artificial intelligence and machine learning could also be beneficial over the longer term. Alternative data for scoring, such as account transaction histories, mobile phone activity, and social media activity, can potentially enhance the accuracy of the scoring systems. The availability of such alternative data could be analyzed as part of a special project, and development institutions could finance the creation of tools or APIs that make it easier for financial institutions to incorporate such alternative data into their scoring systems.

CBJ funding to the missing middle. CBJ funding programs have proven effective in facilitating lending to MSMEs in the past and most recently during the pandemic. However, in keeping with their historical tendencies, banks generally try to channel low-cost CBJ funding to relatively larger MSMEs in amounts of JOD 100,000 and up, while MFIs tend to channel funding to relatively small micro enterprises in amounts less than JOD 10,000. As a consequence, the “missing middle” of loan amounts between JOD 10,000 and 100,000 described earlier in this report remains somewhat underserved. One option would be for the CBJ to offer a specific “missing middle” funding line that can only be used for loan amounts in that range, with particularly attractive conditions.

8.2 Other recommendations

Incentive programs for electronic payment acceptance. The CBJ and government of Jordan should consider the development of incentive programs designed to increase the acceptance of digital payments by MSMEs. Currently many MSMEs are reluctant due to a combination of low customer demand, significant transaction fees, the cost of equipment such as POS terminals, and tax compliance concerns. The structure of the incentives could take a number of possible forms, including:

- Tax credits on sales earned through digital channels
- Grants to MSMEs to partially cover the upfront costs of POS terminals and related equipment
- Grants designed to partially cover transaction fees
- Technical support related to installation and usage of electronic systems, such as training or grants to cover installation and maintenance

The program could be targeted towards relatively smaller businesses within the MSME segment by offering relatively larger incentives to businesses with lower sales. The program could also target MSMEs in rural areas and smaller towns with relatively larger incentives. Such a program could build from the CBJ's similar experience with the COVID-19 Response Challenge Fund but on a larger scale.

Relaxing mobile wallet transaction limits. Mobile wallet providers set a variety of transaction limits on their accounts in order to manage their risk exposure. These limits were primarily designed with the needs of households in mind. However, entrepreneurs that use mobile wallets partly for business purposes may experience larger account turnover than the typical household customer and may need to make relatively large transactions, for example to make a purchase from a supplier. Higher transaction limits could encourage more entrepreneurs to open and use mobile wallets, which would boost financial inclusion indicators. PSPs could develop differentiated products for mobile wallets used for consumer and business purposes.

Boosting MSME insurance usage. The use of insurance by MSMEs – micro enterprises in particular – is restrained in the first place by cost. MSMEs often feel that they don't have enough spare cash to spend on insurance. Another contributing factor is lack of awareness of and familiarity with the terms and conditions of insurance, which makes MSMEs hesitant to engage with insurance companies. Furthermore, certain types of policies that might be of interest to MSMEs, such as business interruption or key person insurance, are not widely available in Jordan. One obvious approach to boosting insurance usage by MSMEs would be for the government or a development finance institution to partly or fully subsidize the cost of insurance, at least initially while the market develops. The subsidy should be relatively larger for the neediest customers, such as micro enterprises, women-led enterprises, and enterprises based in remote governorates or rural areas. As a complement to the subsidies, technical assistance could be offered to insurance companies in order to develop products better tailored to the needs of micro enterprises. This effort should be pursued in conjunction with the insurance comparison site mentioned next.

Support for insurance comparison site. The low use of private insurance by MSMEs (especially micro enterprises) is almost certainly influenced by the limited availability of information online regarding the features and pricing of insurance policies. The web sites of the insurance companies present much less information than those of banks or MFIs, and there are no sites that aggregate information from multiple insurance companies, such as the insurance comparison sites that are commonly found in more developed markets. The CBJ in cooperation with development partners and the Jordan Association of Insurance Companies could consider supporting the development of an insurance comparison site, starting with basic products that would be of interest to MSMEs such as auto insurance, liability insurance, and property insurance. The study has demonstrated that micro enterprises often prefer using mobile apps to websites, so any functionality offered online through a website should likewise be mirrored in a mobile app.

Deposit-taking MFIs. The rate of ownership of current accounts and mobile wallets by formal MSMEs is only modestly higher than the rate for households. The CBJ may wish to consider authorizing deposit-taking MFIs in order to fill this gap in the market. Deposit-taking MFIs are likely to be successful in reducing the persistent

financial inclusion gaps for informal enterprises and sole proprietors in particular, because these segments act as individuals rather than legal entities. In introducing a regulatory framework for MFIs, the CBJ would be able to build from the numerous examples and best practices from other countries. With increased liquidity available from deposits, MFIs would be encouraged to expand their lending activity to somewhat larger enterprises, in amounts larger than JOD 10,000, which could help reduce the “missing middle” credit problem discussed earlier in this report.

Financial literacy training. The government of Jordan and the CBJ are already investing heavily in financial awareness, education and literacy through a variety of programs and channels, in cooperation with numerous partners from both the public and private sectors. These ongoing investments in financial education should be maintained in the coming years, but more focus should be placed on using technology to understand the needs of MSMEs and deliver the relevant services. For example, creating platforms for user-generated content, where individuals and organizations can post materials that they have developed, has the potential to greatly increase the availability of information and the level of interest from the public. Such educational content platforms are available from various international vendors as off-the-shelf products, but it could be advantageous for government or donor funding to support local technology companies to develop customized solutions that take into account the specifics of the Jordanian financial sector. The CBJ is also advised to implement a comprehensive monitoring and evaluation framework for the financial literacy trainings that it is developing, either in partnership with a local NGO or an international development sponsor. Such a framework would provide more structured and immediate feedback, making it possible to improve these services more quickly, design new services, and better target them to the right beneficiaries.

Encouraging business registration. This study demonstrates clearly that informal, unregistered enterprises have particularly low financial inclusion levels compared to registered enterprises. Informality creates risks and uncertainties both for the enterprise itself and for financial institutions that may consider working with them, reducing both the demand for and supply of formal financial services to this segment. Informal enterprises generate very modest income; 88.5% of those surveyed reported having annual turnover of less than JOD 10,000. Many of them function just as a supplement to some other source of family income rather than as a primary income source. Consequently, informal entrepreneurs see little benefit to registering their business, if they expect it continue to operate on a very small scale. Offering business development services (BDS) to such informal enterprises has the potential to help some of them scale up to a size and turnover level at which registration would become both beneficial and necessary. BDS programs can help connect these entrepreneurs with new customer markets, enable them to sell online, and better deal with administrative issues such as hiring employees, keeping accounting records, and paying taxes. Although there are numerous BDS programs offered in Jordan, many of them free of charge, the author is not aware of any that are specifically directed towards informal businesses. Even if such BDS programs focusing on unregistered businesses already exist, increased funding from the government or international institutions in order to expand their outreach and service scope would be very welcome.

Women-led MSME study. The MSME survey that forms the foundation of this report was designed as a representative survey that would reflect the actual population of enterprises in Jordan. As a result, the number of women-led businesses in the sample is relatively small (29 out of 334 total MSMEs had a woman as a primary owner).²⁷ Among formal micro enterprises, the rate of current or mobile wallet account ownership is almost identical (48% of women-led micro enterprises have a current account or mobile wallet account, versus 49% for male-led micro enterprises). In terms of formal borrowing, digital payments and insurance ownership, the numbers are likewise very similar, specifically among formal micro enterprises. These findings appear to suggest that formal, women-led micro enterprises do not face any substantial barriers in terms of financial inclusion. However, the results for formal micro enterprises are reported here because they are the most numerous segments in the sample (there are 19 women-led, formal micro enterprises in the sample).

²⁷ According to market research company Ipsos Jordan, about 8% of Jordanian MSMEs are majority-owned by women, close to the 9% rate in the sample (29 out of 334).

The number of women-led enterprises in the unregistered micro and small groups are very low (6 in unregistered and 4 in small), and there were no women-led medium enterprises among the 50 medium enterprises in the sample. Therefore, drawing conclusions for those segments is difficult or impossible, and the picture of financial inclusion for women-led MSMEs remains incomplete. Consequently, it is proposed to conduct a follow-up study in the future that will focus specifically on financial inclusion for women-led MSMEs by surveying a larger sample of women-led MSMEs and comparing the results with a control group of male-led MSMEs. Focus group interviews with female entrepreneurs would also be helpful in providing extra depth and context to the survey.

Increasing access to Islamic finance. This study has demonstrated the importance of Islamic finance to financial inclusion of MSMEs, especially micro enterprises. However, the number of financial institutions that are licensed to practice Islamic finance is relatively low, which may somewhat reduce the competitiveness of the sector and the level of availability and outreach of Islamic financial services. The regulatory prohibition on conventional financial institutions issuing Islamic products is a key constraint in this regard. Several other countries in the region allow financial institutions to offer both conventional and Islamic financing, usually through a dedicated “Islamic window” after obtaining a special license. Yemen, Morocco, Pakistan, Egypt, and Saudi Arabia are among the countries that allow this practice. If Jordan were to authorize such Islamic windows in conventional banks, it would be likely to lead to a meaningful increase in the volume of Islamic finance and an improvement in the terms of this finance, driven by increased competitiveness among providers. In turn, this would be beneficial to the many MSMEs that have expressed a strong interest in Islamic financing.

MSME financial benchmarking tool. Several financial institutions have started engaging in cluster lending, which refers to the practice of developing specialized, data-driven approaches to lend to certain business activities. By gaining a deep understanding of a certain business activity and developing analytical models that partly automate the financial and operational analysis, financial institutions can process applications more quickly and better manage credit risk. If these financial institutions could access financial statistics taken from tax reports of all businesses in Jordan, it would enhance their ability to create financial benchmarks and develop more accurate cluster lending systems. This would involve the tax authorities creating a database containing the financial statements of all active businesses, then making that database accessible to financial institutions and other registered users. The availability of such data could lead to greater financial inclusion for MSMEs.

Appendix 1: MSME survey

Methodology

As with the household survey, the MSME survey was commissioned by CBJ and carried out by the research company Ipsos Jordan under the supervision of BFC. GIZ provided funding and technical support for the survey. A total of 334 surveys were conducted in October 2022 through face-to-face interviews with owners and managers of MSMEs. Interviewers used tablet computers to record responses. The definition of MSMEs follows the one applied by the Jordanian Department of Statistics and is based on the number of employees. Micro enterprises have 1-4 employees, small enterprises have 5-19, and medium enterprises have 20-99.

The sample was designed to be representative within four groups: informal micro enterprises, formal micro enterprises, small enterprises, and medium enterprises. However, because small and medium enterprises comprise such a small proportion of the total population, these two groups were oversampled, meaning that the share of small and medium enterprises in the sample was deliberately made to be larger than their share in the total population of MSMEs. Otherwise, there would not have been enough small and medium enterprises in the sample to draw conclusions about their level of financial inclusion. The following table compares the share of MSMEs in the sample to the overall MSME population, as estimated by the Department of Statistics for the 2018 Establishments Census. The share of informal micro enterprises in the population is unknown.

	# in sample	% in sample	% in MSME population
Unregistered micro	52	15.6%	N/A
Registered micro	226	67.7%	90.2%
Small	58	17.4%	8.1%
Medium	50	15.0%	1.7%
Total	334	100%	100%

Knowing the share of formal micro, small and medium enterprises in the total population makes it possible to calculate the weighted average financial inclusion indicators for the formal MSME population as a whole in Jordan.

Profile of survey respondents

The following table presents demographic and structural characteristics of the surveyed MSMEs.

	Informal micro	Formal micro	Small	Medium	Formal MSMEs ²⁸
Main owner is female	11.5%	10.9%	6.9%	0.0%	10.4%
CEO is female	11.5%	8.6%	6.9%	0.0%	8.3%
Main owner is Jordanian citizen	96.2%	94.8%	98.3%	94.0%	95.1%
Main owner is refugee	3.8%	4.0%	1.7%	4.0%	3.8%
Is home-based business	21.2%	16.1%	8.6%	2.0%	15.2%
Has website	7.7%	22.4%	51.7%	84.0%	25.8%
Had e-commerce sales	1.9%	20.7%	27.6%	34.0%	21.5%
Age of primary owner:					
- 16-24 years old	5.8%	9.8%	6.9%	0.0%	9.4%
- 25-34 years old	26.9%	21.3%	31.0%	38.0%	22.3%
- 35-44 years old	28.8%	25.9%	19.0%	40.0%	25.5%

²⁸ The figures for formal MSMEs are a weighted average of the results for each size group (micro, small, medium) multiplied by the share of that size group in the total population of MSMEs in Jordan.

MSME Financial Inclusion Study in Jordan 2022

- 45-54 years old	13.5%	23.6%	25.9%	16.0%	23.6%
- 55-64 years old	17.3%	14.4%	15.5%	4.0%	14.3%
- 65+ years old	7.7%	5.2%	1.7%	2.0%	4.8%
Operating timeframe:					
- Full-time	84.6%	82.8%	96.6%	100.0%	84.2%
- Part-time	11.5%	16.7%	3.4%	0.0%	15.3%
- Seasonal	1.9%	0.6%	0.0%	0.0%	0.5%
- Other, please specify	1.9%	0.0%	0.0%	0.0%	0.0%
Legal form:					
- Joint stock company	0.0%	0.0%	0.0%	2.0%	0.0%
- Limited liability company	0.0%	1.1%	12.1%	24.0%	2.4%
- Not registered	100.0%	0.0%	0.0%	0.0%	0.0%
- Partnership	0.0%	17.8%	34.5%	42.0%	19.6%
- Sole proprietorship	0.0%	81.0%	53.4%	32.0%	78.0%
Industry:					
- Accommodation and food service	11.5%	4.0%	19.0%	20.0%	5.5%
- Administrative and support service	1.9%	0.0%	6.9%	4.0%	0.6%
- Agriculture, forestry and fishing	0.0%	0.6%	0.0%	2.0%	0.6%
- Construction	1.9%	0.0%	0.0%	2.0%	0.0%
- Human health and social work	0.0%	2.9%	1.7%	4.0%	2.8%
- Information and communication	0.0%	0.6%	0.0%	16.0%	0.8%
- Manufacturing	5.8%	6.9%	6.9%	10.0%	6.9%
- Other service activities	19.2%	13.2%	3.4%	4.0%	12.3%
- Private education institutions	0.0%	0.0%	3.4%	8.0%	0.4%
- Professional, scientific and technical	1.9%	4.6%	5.2%	0.0%	4.6%
- Real estate activities	0.0%	1.1%	1.7%	0.0%	1.2%
- Transportation and storage	0.0%	0.6%	0.0%	6.0%	0.6%
- Water supply; waste management	3.8%	0.6%	1.7%	0.0%	0.7%
- Wholesale and retail trade	53.8%	64.9%	50.0%	24.0%	63.0%
Annual turnover (JOD):					
a. 10,000 or less	88.5%	74.7%	0.0%	0.0%	67.4%
b. 10,001 - 25,000	7.7%	14.4%	0.0%	0.0%	13.0%
c. 25,001 - 50,000	1.9%	8.0%	0.0%	0.0%	7.3%
d. 50,001 - 100,000	1.9%	2.3%	0.0%	0.0%	2.1%
e. 100,001 - 250,000	0.0%	0.0%	89.7%	0.0%	7.3%
f. 250,001 - 500,000	0.0%	0.0%	6.9%	4.0%	0.6%
g. 500,001 - 1,000,000	0.0%	0.0%	3.4%	28.0%	0.8%
h. 1,000,001 - 3,000,000	0.0%	0.6%	0.0%	68.0%	1.7%
Governorate:					
- Amman	26.9%	42.0%	60.3%	62.0%	43.8%
- Aqaba	0.0%	0.0%	10.3%	10.0%	1.0%
- Balqa	30.8%	4.0%	0.0%	2.0%	3.7%
- Irbid	11.5%	23.0%	8.6%	8.0%	21.6%
- Jerash	1.9%	1.7%	3.4%	0.0%	1.8%
- Karak	3.8%	5.2%	1.7%	2.0%	4.8%
- Ma'an	1.9%	1.1%	5.2%	6.0%	1.6%
- Mafraq	7.7%	2.3%	1.7%	10.0%	2.4%
- Zarqa	15.4%	20.7%	8.6%	0.0%	19.4%
Number of owners:					
- 1 person	86.5%	81.0%	53.4%	28.0%	77.9%
- 2-4 people	13.5%	18.4%	41.4%	52.0%	20.8%
- 5-10 people	0.0%	0.6%	3.4%	18.0%	1.1%
- 11 and more people	0.0%	0.0%	0.0%	2.0%	0.0%
- Owned by parent company	0.0%	0.0%	1.7%	0.0%	0.1%

Appendix 2: Selected financial inclusion indicators

Share of MSMEs by category that have the indicated product. Source: CBJ-GIZ survey

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Transaction accounts					
Current account	13.5%	43.7%	87.9%	100.0%	48.2%
Mobile wallet	1.9%	12.6%	15.5%	14.0%	12.9%
Current or mobile wallet account	15.4%	48.3%	87.9%	100.0%	52.4%
Overdraft	0.0%	21.3%	58.6%	78.0%	25.3%
Savings and investment products					
Term deposit account	0.0%	4.0%	17.2%	16.0%	5.3%
Savings 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%
Credit products					
Loan/credit line from formal institution	0.0%	5.7%	17.2%	18.0%	6.9%
- 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%
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					
Murabaha	1.9%	7.5%	5.2%	10.0%	7.3%
Mudharaba	0.0%	0.0%	1.7%	2.0%	0.2%
Musharaka	0.0%	1.1%	15.5%	12.0%	2.5%
Ijara	19.2%	13.8%	6.9%	4.0%	13.1%
Istisnaa	1.9%	4.6%	3.4%	10.0%	4.6%
Qard hasan	0.0%	0.6%	0.0%	4.0%	0.6%
Any of the above products	21.2%	23.6%	22.4%	28.0%	23.5%
Payments					
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%
Has debit card	1.9%	31.0%	48.3%	52.0%	32.8%
Has credit card	0.0%	11.5%	32.8%	30.0%	13.5%
Has online banking	0.0%	12.1%	41.4%	68.0%	15.4%
Has mobile banking	0.0%	20.7%	41.4%	44.0%	22.8%
Has cash collection services	0.0%	11.5%	44.8%	36.0%	14.6%
Has card processing services	0.0%	12.6%	43.1%	40.0%	15.6%
Has payroll services	0.0%	5.7%	34.5%	58.0%	9.0%

	Informal micro	Formal micro	Small	Medium	Formal MSMEs
Insurance					
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%

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