

Innovative long-term savings solution in Jordan

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Jordan is a fast growing market in the Arab world, with a population of 11 million (of which 2.9m are non-citizens incl. 2m refugees) and an annual population growth rate of roughly 2.2 % per year over the past five years. Although Jordan's GDP decreased from 2015 (2.4) to 2017 (1.97), the country has a relatively low rate of inflation and a relatively high GDP per capita. Still, 15 % of the population lives under the poverty line. Additionally, the Syrian refugee crisis has affected Jordan through increased rent costs and an influx of skilled workers which has caused negative effects on the labor market for low to medium income Jordanians.²

Financial sector context

Jordan is the fourth largest microfinance market in the Arab region, following Egypt, Morocco, and Tunisia, all of which have larger populations than Jordan. As of year-end 2018, the Jordanian microfinance sector is estimated to have over 300'000 borrowers³ and a gross loan portfolio of US\$ 204 million.⁴

The World Bank's financial inclusion database (Findex) provides an estimate that 27 percent of the women in Jordan have bank accounts (in 2017). However only 7 percent of the women in Jordan save regularly with any financial institution. Now, at least 21 percent of women reported saving money at home or through savings club (Jimaya) and 43 percent of women reported that they saved any money in the past year.

This highlights a critical demand-supply gap for savings with formal institutions. Women have a high willingness to save but they do not save their money with banks for multiple reasons such as inconvenience due to limited access to bank branches, non-availability of products suited to their needs (such as high minimum balance and fees), low perceived service quality and low level of trust with banks. Current Jordanian national regulations prohibit microfinance institutions (MFIs) from offering deposit-taking services. Consequently, there are no savings products offered to target the low-income segment.

Main gaps: Limited access, lack of need-based products and no avenue for risk-free long term savings.

To promote financial inclusion, the Central Bank of Jordan launched JoMoPay (Jordan Mobile Payments) in 2014 which allows clients with a mobile phone and valid ID to open an e-wallet and make transactions such as paying bills, sending money, shopping and taking out microloans. Despite recent technology successes with refugees and remittances, there has been little uptake due to the overlying issue of a bank-led model, low digital savviness and the e-wallet being an inadequate long-term savings tool.

Women tend to continue saving at home and these funds are exhausted quickly and used for regular payments such as rent, electricity bills etc. and unplanned expenses like health emergencies. Jimaya offers an avenue for women to create a savings plan for up to two years, requiring clients to form groups with relatives and friends. Home-based savings and Jimaya act as an instrument for income smoothening rather than a fund accumulation tool for long and short-term saving methods.

Table 1 ¹ : Population and economic indicators	
Population in million (2021)	11
GDP growth (2017)	2.0%
Inflation (2017)	3.3%
Trade balance (% of GDP) (2017)	-21.6%
Foreign direct investment (net) (% of GDP) (2017)	5.1%
Net ODA received (% of GNI) (2017)	7.3%
Remittances received (% of GDP) (2017)	11.1%
Economic Freedom Index ¹ (Rank among 186 countries (2017))	66.7
Poverty indicators	
GDP per capita (USD) (2015)	4'129.8
Gini Index (0= equality 100= inequality) (2015)	33.7
International poverty rate (2010; at 1.90 USD/day)	0.1%
National poverty rate (2010)	14.4%
National rural poverty headcount rate (2010)	16.8%

¹ The World Bank Group (2017). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed 6/27/2019.

² International Labour Organization. *Impact of Syrian Refugees on the Jordanian Labour Market*. https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_364162.pdf

³ <http://www.jordantimes.com/news/local/microfinance-paradox-costs-do-not-go-down-sector-expands-include-more-jordanians-taxation>

⁴ <https://www.themix.org/mixmarket/countries-regions/jordan>

Partner financial institution

Microfund for Women (MFW) is a leading non-profit microfinance company based in Amman, Jordan. It is the only Jordanian MFI that actively targets women entrepreneurs (93% of their clients). MFW operates through a network of 63 branches across Jordan with a client base of over 116'000 (gross loan portfolio of US\$ 36.29 million) and provides small business loans as well as life and hospitalization insurance. It also provides trainings on business skills and personal development to ensure its clients have the tools to start and expand their businesses.

Women's World Banking first began working with Jordan Insurance Company (JIC), a first class insurance provider, in 2011 with the *Caregiver* insurance product, originally providing individual coverage for MFW clients. JIC was an ideal partner because of their prior experience and understanding of micro insurance and microfinance and were a flexible partner willing to adapt processes and delegate underwriting and claims management function to MFW.

2. INTERVENTION APPROACH

The solution

The proposed project was to design and develop a long-term savings solution targeting low-income women, designed and delivered through a formal financial institution. While Microfund for Women (MFW) is best positioned to deliver such a programme due to its long-standing relationship with its women customers, as a microfinance institution, MFW is not allowed to collect deposits. Hence, Women's World Banking designed a savings-linked insurance programme (SLI) wherein an insurance product, with a component of savings, is designed by an insurance company and can be distributed by any intermediary such as MFW.

The vision of the proposed savings-linked product was to support women clients with a value-added, risk-free savings product tailored to their needs allowing them to increase their asset base by saving small amounts of money in a secure manner. The product was developed in association with Jordan Insurance Company (JIC) and MFW played the role of a distributor, thereby leveraging its local presence and longstanding trust to provide increased and convenient access to women clients.

Innovative product development:

- **Providing a legally compliant solution to offer savings** while overcoming an existing regulatory hurdle.
- **Creating an affordable product for low-income women:** Anyone can enroll in the policy with a monthly premium of either 10 JD or 20 JD, based on her savings capacity. There is also an option to save the occasional surplus cash.
- **Long-term savings solution to create opportunity to build assets:** The product term is kept at seven years, however, with the full flexibility to the policyholder to make an early withdrawal in case of emergency.
- **Providing a capital guarantee:** The policy guarantees the full return of premium after two years of saving. The premiums are invested in secured treasury bonds by the insurance company.
- **Competitive charge structure:** The charge structure is kept at a minimum to allow early breakeven for the policyholder.
- **Life insurance in the form of premium waiver:** In case of the unfortunate death of the policyholder, the insurance company would pay the premium for the remaining term so that the savings goal is still met for the family even in the absence of the policyholder.
- **Implementing flexibility in case of emergencies:** there is a grace period of 60 days to provide extra leeway in case of delay in paying the monthly premium.

Capacity building needs

Women's World Banking has been a long-standing partner of MFW and has helped the organization successfully launch the health insurance *Caregiver* product by regularly monitoring and fulfilling delivery gaps in order to achieve the desired scale. Based on the success of *Caregiver* with the strong partnership with JIC, MFW, JIC and Women's World Banking decided to create an innovative SLI solution to address the lack of savings products for low-income women in Jordan. However, since this is the first of its kind initiative in Jordan, MFW and JIC did not have the required experience and expertise in product development and setting up of operations. Women's World Banking, with its team of insurance

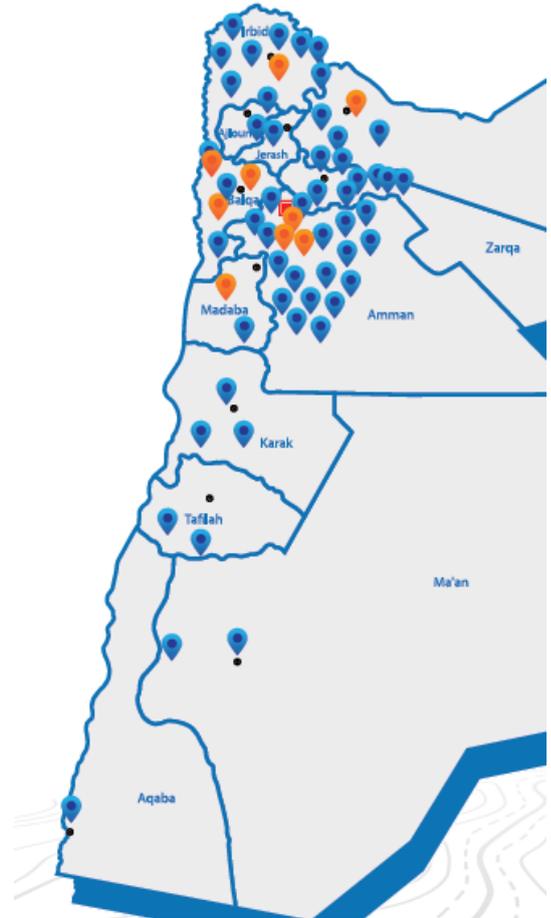


Figure 1: MFW's branch network map

experts provided the instrumental support in product design, setting up the operational processes for enrolment and post sales servicing, marketing and customer education, staff training especially around change management, staff incentives, risk and quality control, and lastly, developing the financial model based on three-year sales projections.

Main activity areas (goals, targets, resources and timeframe) and outputs

Goals and Targets:

As part of the original proposal, the following targets were set:

- Minimum 20,000 clients enrolled in two years
- Minimum savings mobilization (new plus renewal premium collected) of 1.22 million JD in two years
- Lapse 10% or less
- Net positive income for MFW from insurance operations

However, due to multiple challenges as mentioned in the later sections, MFW was not able to accomplish these targets in the set timeframe and the target for clients enrolled has been revised downwards to 4,500.

As of 31 August 2021 there were 1,888 active clients, of which 240 were in the grace period. While the product has not broken even per se, MFW continues to see it as an important offering.

Activities and milestones:

The key milestones and deliverables for Women's World Banking and their status is mentioned below:

Key Milestones	Status
Client Research (funded by Stuart Foundation, MFW and AIG)	Delivered
Market Assessment (funded by Stuart Foundation, MFW and AIG)	Delivered
Product Prototype Design	Delivered
Insurance Partner Selection (Tender Process)	-NA- (MFW partnered with JIC)
Operational Model and Preparation (Product Policy Doc; Process Maps; Financial Projections)	Delivered
Marketing and Communications Strategy and Materials (Marketing Materials)	Delivered
Training Strategy and Material (Training Plan; Training Materials)	Delivered
Product Performance Monitoring (Key Performance Indicators (KPIs) Dashboard)	Delivered
Pilot Plan and Launch (Pilot Protocol; Pilot Launch Brief)	Delivered
Pilot Performance Monitoring (Monthly KPIs Dashboard)	Delivered
Pilot Evaluation (Pilot Evaluation Brief, with recommendations for roll-out)	Delivered
Roll-Out Strategy (Roll-Out Strategy)	Delivered
Revised Financial Plan (Financial Projections)	Delivered
Phased Roll-Out, with training (Roll-Out Brief)	In progress
Quantitative Evaluation (Monthly KPIs Dashboard)	Not completed because of pilot being on hold resulting in no sales
Qualitative Evaluation (with clients)	
Final Assessment	
Sharing and Dissemination of Findings & Lessons Learned (Internal and External Communications Piece(s))	

Additionally, there were unanticipated regulatory interventions due to which MFW had put the pilot on hold until April 2018. In the course of the licensing process for microfinance institutions, the regulator asked MFW to apply for an insurance agent license and provide a business plan so WWB had to reallocate staff time to support MFW in meeting regulatory requirements.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client-level

Client Profiles – Customers that consider the long-term positive effects of Amani

Kafaya is 39, she is married and has two daughters (17 and 15) and two sons (10 and 2). She worked in a lawyer's office previously but lost her job a few years ago and started a small food business for people she knows, cooking traditional mahshy (stuffed vegetables). She started to save with Amani before the COVID crisis because she found the model more appealing to other saving options when the loan officer presented it to her. In particular, she liked Amani because it keeps your money for yourself while with Jimaya you have to give money away which bears a risk, and she experienced a robbery years ago when keeping all her life savings at home. COVID impacted her food business as people stopped ordering so she prioritized paying for food and reduced all other expenses.

Khawla is a 51-year-old Jordanian widow with two boys. She owns a photography studio which she founded 15 years ago. Khawla is also a regular client and has been committed to MFW for a number of years, and given this, the Al Nasir branch told her about the Amani product in 2017, when the product was first piloted. She joined the programme at that time. At one point, Khawla wanted to drop out of the programme due to financial issues given the nature of her seasonal

work. However, bank staff managed to convince her to continue with the programme explaining its long-term impact and positive effects and she decided to take a grace period instead of dropping out. Khawla recently told staff that she would like to complete the 7-year term at the programme so that she can save money for her future.

Achieved main results:

(1) Research insights to identify the right client segment

Two rounds of research funded by the Stuart Foundation and AIG (demand research in 2015 and prototype testing in 2016) clearly highlighted the demand for a goal-based savings programme among a certain type of women clients. The product was found to have the greatest appeal among the women who were financially disciplined and could pay 10 to 20 JD per month without any difficulty. Based on the research insights, the target clients for the SLI programme were decided to be the mid- and high-income clients of MFW – referenced in Figure 2, i.e. those who have stable fixed and variable household income (including salaries/pension) between 700 – 1'500 JD.

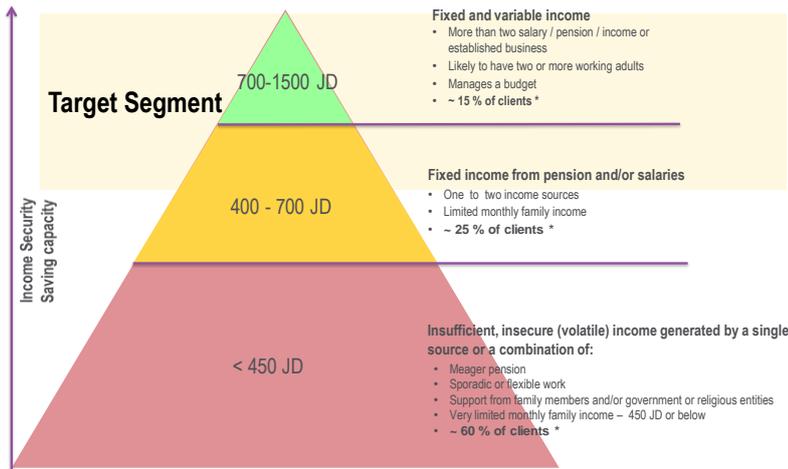


Figure 2 - Target segment

(2) Competitive product design:

Women’s World Banking and MFW conducted thorough secondary research on similar savings products available in Jordan and other countries. The team found that most of the products offered were not meeting the right balance between affordability, flexibility and return for the clients, the three main pillars of the product design. Women’s World Banking also played a key role in negotiating the product features and charge structure with the insurance company JIC. The SLI product designed by Women’s World Banking met the three conditions (affordability, flexibility and return) well and thus was found to be very competitive in its category.

(3) Customer education and marketing:

Women’s World Banking also developed comprehensive training programme for the MFW branch staff, including a sales training module, sales pitch and objection handling script. The biggest challenge for the branch staff was building their confidence in selling a savings product (asking the customers for money), because they were only used to selling loans (giving money) to the customers which is much easier to sell.

Additionally, Women’s World Banking and MFW developed marketing and visibility items for the branches with the objective of creating enthusiasm and promotion around the new product. The team chose the name Amani (“wishes”) for the SLI product based on client feedback during the research. The team also developed and tested personalized SMS scripts with the clients, including a welcome message and premium reminders.

Partially achieved results:

(4) Information Technology (IT) On-Boarding

The IT system requirements were identified based on the enrolment and payment process assessed by Women's World Banking and implemented by MFW independently following three main priorities: 1) no replication of existing fields, 2) flexibility in product parameters (in case of later changes) and, 3) supporting the workflow through automated short message service (SMS) and reporting.

However, the third priority has only been partially completed and the effectiveness of the system will have to be tested as scaling occurs. For example, at the time of writing this report, SMS reminders are not being sent to clients because the solution is manual (extract of file, upload in system), is cost and time consuming and only effective when there are large report batches. A second example is MFW’s use of Excel for calculating the payment schedule and account total for the client as the insurance company does not have an integrated system with the ability to calculate the client’s

balance and send it via mobile phone. MFW is integrating the product in its hotline so that customers can request their account information and be called back. Finally, finding a digital way to pay a premium is crucial for those clients who do not renew their loan. This has not yet been addressed for two main reasons: 1) there is an additional time hurdle for staff to onboard clients into a digital solution and this requires an integrated approach to identify those clients who are near the loan renewal date, which given the scaling challenges was not the priority and 2) the insurance company had not registered with e-fawateer due to the reported high cost.

(5) Full-roll out

The roll-out has not been achieved in the original agreed project schedule due to three types of delays:

- 1) While product design and financials could be completed in time, it took longer to agree on the financials. The insurance company had to take a leap of faith by waiving penalties beyond the first year. To break even financially and provide the long term incentive, the product needed to have a penalty for withdrawal. However, as the insurance premium is higher in the first years of savings, the first two years run at a loss for the insurer, who still agreed to remove the penalty beyond one year.
- 2) MFW originally faced multiple resource issues and competing priorities in the course of the project. Quality insurance personnel in Jordan were not easy to find until 2018. SCBF then supported MFW through the recruitment and capacity building of one new dedicated person that was hired in November 2018.
- 3) Finally, the regulatory agenda shifted during the project with increasingly more stringent scrutiny on the product and agency model. By the time things started to settle in a very competitive market, a repeated slander campaign against MFW on over-indebtedness of their clients hit social media, which required top management's full attention. Senior leadership decided to put the project on hold in March 2019 and to obtain a clear approval from the Central Bank of Jordan which was received in June 2019.

Partner financial institution-level

Despite having a very competitive product, many challenges affected the timely roll-out of the programme:

- 1) The negotiations with the insurer took longer than expected, mainly due to hesitancy from JIC regarding designing a product with small margins. On the other hand, from MFW's perspective, since this is the first time they were working on a savings product, there were concerns regarding possible risks. Additionally, MFW felt intense pressure to design a flawless product that would have a competitive edge over other products in the market (e.g. a newly launched savings programme offered by the government targeting the Haj pilgrims and another product as an e-wallet launched by JoMoPay).
- 2) MFW experienced resource challenges and competing priorities over the course of the project. While there was a designated project manager from MFW, that person had multiple different responsibilities. With the additional support of SCBF, a new staff with marketing background was hired to handle the project full-time.

Financial sector-level

It is too early to articulate the direct impact of the product on the financial sector and the regulatory environment tends to prioritize client protection with requirements that also slow down innovation. The national financial inclusion strategy that was issued in 2018 however sees savings as a key element for the landscape and states: "Access to and quality of savings products still bears potential"⁵.

4. LESSONS LEARNT

The following lessons learnt can be concluded from the project:

- 1.) **Driving change management in an organization is more critical than developing a "perfect" product:** One of the biggest challenges during implementation was shifting the mind-set of the MFW employees at all levels. Selling savings is difficult, especially for an institution that has been historically selling credit. The main resistance comes from the branch staff who does not have the required "sales" aptitude and confidence to sell a savings product (a shift in the attitude from "we are in the business of giving money to people" to "savings means asking the same client to give us her money"). The second level of resistance comes from the operational teams as their thought process is heavily oriented towards "credit risk assessment". Building a culture of sales for savings products requires a shift in the mind-set to "simplifying enrolment criteria to ensure more and more customers enrol in the programme." In the beginning, MFW imposed several restrictions on the eligibility criteria for the clients to enrol in the SLI programme which not only created entry barriers for most customers, but also slowed down the entire enrolment process. In hindsight, more effort was required to convince all stakeholders in the programme through regular communication and participation.
- 2.) **Dedication and data is key for effective implementation:** Despite a solid product design, a pricing structure aligned with their customers' aspirations and a full-time project manager, MFW was not able to fully mobilize their clients' savings as per the original plan when COVID hit. While adverse conditions (regulatory issues, slander campaign) did play a certain role, one internal reason was also the reduced autonomy of the project manager, the fragmentation in decision-making to set bold targets, their lack of enforcement or holding branch personnel accountable for their targets.

⁵ <http://www.cbj.gov.jo/DetailsPage/CBJEN/NewsDetails.aspx?ID=207>

- 3.) **Build excitement through multiple promotional activities in order to create necessary traction for the product:** This product was designed in a way that made it affordable for a large number of clients; thus, profit margins for the insurer JIC and MFW were only sufficient to cover their operating costs. Increasing client volume was critical to achieve commercial sustainability. However, in the absence of an organized change management approach, limited promotional activities, the product was not able to gain sufficient visibility which resulted in lack of excitement in the branch staff and therefore lack of client enrolment.

Recommendations for future projects in a similar context:

- 1.) **Empower the project manager** to drive project activities by influencing cross-functional stakeholders effectively, make operational decisions without asking for approvals, and drive decisions through regular data analysis.
- 2.) **Monitor the branch staff** through branch visits and follow-up, focus on building their communication skills and confidence in selling the savings product. Emphasize accountability of salesforce.

Update: Programme evaluation conducted in Q1 2021

Due to the COVID-19 pandemic, the team was unable to conduct the programme evaluation originally planned to take place in 2020 and MFW was unable to reach the original target and scale the programme further. Women's World Banking conducted a remote evaluation of the programme in lieu of an in-person evaluation.

1. Research activities conducted:

Women's World Banking conducted remote qualitative research between January and April 2021 in order to better understand:

- Customers' motivation to enrol in Amani;
- Customers' experience with the enrolment process;
- Customer segment:
 - Active customers: motivation to continue saving despite the Covid-19 situation;
 - Within/beyond grace customers: reasons for not paying the premium;
 - Withdrawal customers: reasons for withdrawal;
- Current approach to saving money including the customers' goals and avenues for savings;
- Customers' understanding and interest in digital payment channels; and
- Feedback from the customers regarding how to improve the Amani product.

Women's World Banking scoped the learning agenda, prepared and translated the interview guides and trained two staff from MFW to conduct customer interviews. However, due to the government imposed lockdown, in-person interviews with the clients were not possible, which led MFW to conduct these interviews by phone. Also, due to limited bandwidth, MFW was able to interview 10 customers compared to a more reliable sample of 25 that we had originally planned to interview across multiple segments (Voluntary/ Mandatory, Active/ Withdrawn, and Premium Size of 5/10/20 JD).

2. Key findings from the Qualitative Interviews:

- 1) **Customers intended to save:** We observed a high level of intention to save among the clients, both among voluntary as well as obligatory customers.
- 2) **Customers preferred the Amani product over the Jimaya product (informal savings group):** Customers preferred Amani because of the unique savings feature which reduced immediate temptation to spend. Customers cited "no temptation to spend" as a strong factor in their preference of the product during the qualitative interviews.
- 3) **Clients had a good general understand of the Amani product:** Clients understood that a savings instrument helps build their reserve funds for the future and they are awarded a small percentage in interest. However, there were some areas of confusion observed in their understanding specifically pertaining to the product term and withdrawal conditions (e.g. "money is only available after the loan is over").
- 4) **Clients did not mention their engagement with MFW after the enrolment process:** In the interviews clients did not mention being contacted by MFW and encouraged to save regularly with the Amani product. Women's World Banking recommended to MFW that they should launch SMS campaigns and welcome calls for newly enrolled customers.

- 5) **Most of the customers interviewed were not aware of/comfortable with the digital premium payment option:** Women's World Banking recommended that MFW ramp up the efforts in making the transactions cashless for Amani.
- 6) **Customers are not fully aware of their payment status:** One of the clients who was interviewed claimed that she has been paying regularly for 4-5 months but the data mentioned that she paid only one instalment since September 2020. Women's World Banking checked the records to confirm this account and found that the data was reliable, but this qualitative finding illustrates that customers are not fully aware of their payment status.

3. Key learnings and next steps

- 1) The qualitative research indicated that the product features were well appreciated by the clients and there was not enough feedback to support any change in the product design. Women's World Banking strongly recommended that MFW not make any further updates in the product design. Instead, MFW should concentrate on the client engagement (via SMS or phone calls since word of mouth has not yet materialized strongly) and start to actively use the data to identify clients who are about to fall out the scheme due to late payment.
 - 2) One of the key challenges that led to delays in conducting this qualitative research were errors found in the Amani data, especially for the obligatory policies which made it difficult to reconcile the customer journey and their premium payment patterns. Women's World Banking shared a list of the data issues with MFW in order to improve data quality.
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