



# Partnering with the Private Sector to Extend Digital Financial Services to the Unbanked

Experiences from the Project “Improving Access to Remittances and other Financial Services through Digital Solutions (Digi#ances)” in Jordan

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### **Partnering with the Private Sector to Extend Digital Financial Services to the Unbanked**

#### **Experiences from the Project “Improving Access to Remittances and other Financial Services through Digital Solutions (Digi#ances)” in Jordan**

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GIZ is responsible for the content of this publication.

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# List of Acronyms and Abbreviations

<b>CBJ</b>	Central Bank of Jordan
<b>DFS</b>	Digital Financial Services
<b>Digi#ances</b>	Improving Access to Remittances and other Financial Services through Digital Solutions
<b>DPP</b>	Development Partnership with the Private Sector
<b>EUR</b>	Euro
<b>FGD</b>	Focus Group Discussions
<b>GIZ</b>	Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GmbH) / German Development Agency
<b>JOD</b>	Jordanian Dinar
<b>JoMoPay</b>	Jordan Mobile Payments
<b>JoPACC</b>	Jordan Payments & Clearing Company
<b>KPI</b>	Key Performance Indicator
<b>KYC</b>	Know-Your-Customer
<b>MEPS</b>	Middle East Payment Services
<b>MFI</b>	Microfinance Institution
<b>MOI</b>	Ministry of Interior
<b>POS</b>	Point of Sale
<b>PSP</b>	Payment Service Provider
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>WFP</b>	World Food Programme





# Glossary

<b>Cash-In</b>	Cash exchanged for e-money.
<b>Cash-out</b>	E-money exchanged for cash.
<b>Digital Financial Services</b>	The broad range of financial services accessed and delivered through digital instruments, including payments, credit, savings, remittances, and insurance.
<b>E-money</b>	A type of monetary value electronically recorded. It is generally understood that e-money: (i) is issued upon receipt of funds in an amount no less in value than the value of the e-money issued; (ii) is stored on an electronic device (e.g., a chip, prepaid card, mobile phone, or computer system); (iii) accepted as a means of payment by parties other than the issuer; and (iv) convertible into cash.
<b>E-wallet</b>	An e-money product, where the record of funds is stored on a device, typically in an integrated circuit chip on a card or mobile phone.
<b>Exchange House</b>	Usually refers to a type of business unique to the Middle East. These businesses are licensed as money changers and are often family owned. Many have expanded to provide a wide variety of payment services, particularly cross-border, and form a vital part of the remittance market. Although traditionally focused on regional trade and payments, many exchange houses now collaborate with international money transfer operators to facilitate international remittances into and from Jordan.
<b>Know-Your-Customer (KYC)</b>	A set of due diligence measures undertaken by a financial institution to identify a customer and the motivations behind his or her financial activities. KYC is a key component of anti-money laundering and combating the financing of terrorism regime.
<b>Mobile Money</b>	A form of e-money, accessed through a mobile phone.
<b>Mobile Payment</b>	A form of mobile financial services in which payments are initiated through a mobile phone (both smartphones and digital feature phones). For this report, this does not include the use of a mobile phone to execute payments through banks outside of JoMoPay (i.e. mobile banking).



# Glossary

<b>Payment Service Provider (PSP)</b>	An entity providing services that enable funds to be deposited into an account and withdrawn from an account; payment transactions (transfer of funds between, into, or from accounts); issuance and/or acquisition of payment instruments that enable the user to transfer funds (e.g. checks, e-money, credit cards, and debit cards); and money remittances and other services central to the transfer of money. In the context of Jordan, Mobile Payment Service Providers are e-money issuers licensed by the Central Bank of Jordan to issue e-money and connect to the JoMoPay national payment switch.
<b>Remittances</b>	Person-to-person international payments of relatively low value.
<b>Switch</b>	A computer-based software system where transactions are routed. Generally, this occurs for the transaction to be rerouted to a different PSP and/or product, enabling interoperability. In Jordan, transactions by the same mobile services providers are also routed through the JoMoPay switch.







# 1

## Executive Summary

In recent years, Jordan has experienced a high influx of Syrian refugees due to the protracted conflict in neighbouring Syria. As of January 2019, the total number of Syrian refugees in Jordan stands at more than 671,000. Access to formal financial services such as deposits, loans, and insurance for this population group is very low, with bank account ownership at a mere 7.5% according to a GIZ study in 2017<sup>1</sup>. At the same time, the mobile phone penetration rate in the country is high; as of Q4 2017, SIM penetration was at 85%. In addition, a UNHCR study conducted in 2016 found that refugee families spend 10-20% of their cash disbursements on connectivity, which comes second after expenses related to housing, clothing and healthcare expenditure. Capitalising on the high mobile penetration rate, and in line with the Central Bank of Jordan (CBJ)'s commitment to advance financial inclusion in the country, the national mobile payments switch JoMoPay (Jordan Mobile Payments) was developed, allowing for financial services to be accessed through a mobile phone. Since 2016, five mobile payment services providers (PSPs) - Aya Pay, Dinarak, Mahfazati, MEPS, and Zain Cash - obtained approvals from CBJ to operate on the ground. As of December 2018, a total of 450,000 mobile wallets had been registered.

Recognising the potential of digital financial services in Jordan and given its commitment to help low-income Jordanians, Syrian refugees, and women living in the country, GIZ launched the “Improving Access to Remittances and other Financial Services through Digital Solutions” (Digi#ances) project in 2015. Under the framework of a Development Partnership with the Private Sector (DPP), GIZ chose PSP Dinarak as its private sector partner for a pilot project aimed at promoting the uptake and usage of digital financial services among the aforementioned user groups. As the partnership came to an end, GIZ hired Amarante Consulting to conduct an evaluation of this pilot project and to recommend ways in which GIZ can continue to drive impact in this space. The evaluation also looks at general challenges with mobile money usage by refugees and low-income Jordanians, and puts forward recommendations for ways in which the sector can increase mobile wallet uptake and usage across the country.

Thanks to the partnership with GIZ, Dinarak gained access to expert technical assistance and equipment, which strengthened the provider with capabilities and best practices to build a strong foundation and drive its growth. Today, Dinarak has a business model with a solid value proposition to approach refugees and low-income Jordanians as well as women, thereby holding great potential to contribute substantially to financial inclusion

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<sup>1</sup> 'Financial Inclusion Diagnostics Study in Jordan, Synthesis Report' - GIZ and Central Bank of Jordan, December 2017

efforts. It is worth noting that as per feedback received from mobile money agents, focus group participants and industry experts, Dinarak is a well-known PSP in Jordan. The barely two-year-old start-up enjoys a market share of 21% in terms of total registered wallets<sup>2</sup>. It is also the first in the market in terms of active agents and stands second in terms of number of wallets opened and transactions processed.

Despite the support received from GIZ, there are a number of challenges faced by Dinarak that have hindered the company from increasing its reach within the pilot target group. For example, the limited product offerings due to the current regulations<sup>3</sup> make it hard for the firm to attract Syrian refugees who largely receive their money from UNHCR via ATM withdrawals or from their family and friends network via remittances. Dinarak struggles to motivate this segment to adopt the mobile wallet with other use cases. In addition, this segment appears to lack trust in banks and digital channels for financial transactions. Finally, many of the Syrians interviewed as part of this evaluation are not aware that they can open wallets with their existing identity documents<sup>4</sup>. On the service delivery side, it is difficult to incentivise agents given the low commissions and the current low volume of transactions at agent locations.

To overcome these challenges and to push uptake of the wallet, Dinarak has entered into a number of partnerships: Amman Ahliyah University, Arab Orient Insurance Company, FINCA Microfinance, National Aid Fund, Petra University, and Solidarity Insurance, to name a few. In addition, the start-up expanded its product offering in early 2018 with the launch of the Dinarak Mastercard, a popular service especially among the youth. While these partnerships all contribute to increasing Dinarak's footprint, they divert the start-up's attention from its initial focus on Syrian refugees and low-income Jordanians (the *raison d'être* of their partnership with GIZ) and onto youth, women and Jordanians in general.

Despite the challenges faced by Dinarak and the shift in strategic focus, GIZ has succeeded in assisting Dinarak with expanding its operations in the north of the country, home to the largest refugee host communities in the country. In addition, with GIZ's support, Dinarak has developed tailored marketing materials specifically targeting Syrian refugees.

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<sup>2</sup> JoPACC

<sup>3</sup> Currently, cross-border remittances are only allowed to be done through partnerships with the exchange houses and most PSPs have still not entered into any partnerships to offer this service. In addition, the P2P limit of JOD 100 for unbanked individuals is lower than the average amount of just above JOD 190 reported for incoming international remittances to Syrian refugees (read more at: "Remittances and Financial Inclusion: A Demand-Side Analysis of Low-Income Jordanians and Syrian Refugees in Jordan", CGAP Working Paper, December 2017")

<sup>4</sup> UNHCR ID and MOI card

Most importantly, the company is equipped with the necessary tools and knowledge to continue to target the unbanked market segment of refugees and low-income Jordanians. Given this enablement, the evaluation concludes that the pilot project under the GIZ-Dinarak partnership was a success.

It is also worth noting that the challenges faced by Dinarak are not unique to this particular provider, but rather are shared by the sector as a whole. In order to push uptake and usage of mobile wallets within the target populations and also more generally in Jordan, the evaluation team finds that there is a dire need to build country-wide awareness for the service. It is also indispensable to prioritise use cases that drive revenue directly into the wallet. International remittance and cash for aid to Syrian refugees are two relevant examples. Finally, industry players must find ways to incentivise agents to be brand ambassadors for mobile wallet services and encourage their clients to regularly use their wallets.





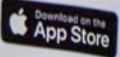
دينارك  
DINARAK

JoMoPay  
Jordan Mobile Payment



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الف  
55 44 000

# 2

## Refugees and Mobile Money in Jordan

Jordan has experienced a high influx of Syrian refugees due to the protracted conflict in Syria. As a result, Jordan hosts the second highest ratio of refugees to inhabitants in the world - 89 refugees per 1,000 inhabitants – with the total number of Syrian refugees standing at more than 671,000 as of January 2019.

Over 80% of the Syrian refugees live outside of camps and poverty levels are high with over 80% living below the poverty line. 51% of the refugees are children and 4% are elderly. In order to support the Syrian community, the Government of Jordan issued 46,000 work permits for Syrians in 2017.<sup>5</sup> Other initiatives also work towards providing support to this population, such as allowing Syrian refugees to use their UNHCR ID along with a Ministry of the Interior (MOI) card to register for a mobile wallet. In addition, initiatives including the GIZ Digi#ances project and the Mobile Money for Resilience (MM4R) initiative launched by the Bill & Melinda Gates Foundation and the Central Bank of Jordan also seek to promote the financial inclusion of Syrian refugees in Jordan. The mobile phone penetration rate in Jordan is high, with a SIM penetration of 85% as of Q4 2017.<sup>6</sup> In addition, a UNHCR study conducted in 2016 found that refugee households spend 10 to 20% of their cash aid on connectivity which comes second after expenditure for housing, clothing and healthcare.<sup>7</sup>

Capitalising on the high mobile penetration rate and given its commitment to increase financial inclusion in Jordan, the Central Bank of Jordan introduced a regulatory framework for Mobile Financial Services, and with it, commissioned the development of the national mobile payments switch JoMoPay. Since 2016, five payment services providers (PSPs) - Aya Pay, Dinarak, Mahfazati, MEPS, and Zain Cash - obtained approvals from the CBJ and began operations to offer digital financial services to Jordanians and non-Jordanians through mobile wallets.

Among CBJ's objectives, supporting the launch of mobile wallets will increase financial outreach in the country and will offer formal financial services to unbanked populations. In addition, CBJ has authorised PSPs to open wallets for Syrian refugees using their UNHCR ID as the Know-Your-Customer (KYC) document together with the MOI card. As refugees are

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<sup>5</sup> UNHCR Fact Sheet 2018

<sup>6</sup> GSMA Intelligence 2018

<sup>7</sup> 'Connecting Refugees: How Internet and Mobile Connectivity Can Improve Refugee Well-Being and Transform Humanitarian Action.', UNHCR, September 2016.

unable to open bank accounts, wallets were seen as a better means to cater to refugees and allow them to integrate into the local economy.

According to JoMoPay data for December 2018, there were a total of over 450,000 wallets opened<sup>8</sup> in the country.

While the use case for refugees for mobile wallets and mobile money services appears strong, in reality, the service has not scaled. This is the case also for local Jordanian populations among whom the service adoption and usage remains low. Typically for refugees, the most relevant use cases are those revolving around receipt of money (e.g. benefits from the government or UNHCR, cross border remittances<sup>9</sup>, purchasing goods and services required for their daily lives, and utility bill payments). Since the mobile wallet currently is not the primary channel used to receive their money<sup>10</sup>, refugees have not yet found the motivation factor that would push them to open and use mobile wallets<sup>11</sup>.

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<sup>8</sup> For an adult population of almost 5 million in the country, based on the latest demographic and social statistics by the United Nations Statistics Division.

<sup>9</sup> According to a study conducted by CGAP in 2016, 13.6% of Syrian refugees engage in remittances - Refer 'Remittances and Financial Inclusion: A Demand-Side Analysis of Low-Income Jordanians and Syrian Refugees in Jordan, CGAP Working Paper December 2017. Total remittances for low-income Jordanians and Syrian refugees is estimated at US\$231 million per year, total Jordanian remittances market estimated at US\$ 4 billion inbound and US\$ 500 million outbound.

<sup>10</sup> Refugees either receive cash through iris-scan biometric technology directly through bank ATMs or receive benefits via card which enables withdrawal of the money at select bank ATMs. Cross border remittances are received via Exchange Houses.

<sup>11</sup> Interviews with market players also informed the evaluation team that Syrian refugees are skeptical of opening wallets given that they worry about putting their money in an instrument other than hard cash. Some worry about scrutiny on their financial transactions. Others worry about how to get the money out, especially in the event that they head back to Syria, given the recent opening of borders by the Jordanian government.



# 3

## Digi#ances Project Description

Recognising the potential of DFS in Jordan and given its commitment to advance the financial inclusion of low-income Jordanians and Syrian refugees living in the country, GIZ launched the Digi#ances project in 2015. **Digi#ances, short for “Improving Access to Remittances and other Financial Services through Digital Solutions”, is a project implemented jointly by GIZ and CBJ to improve the access of remittances and other financial services through digital solutions to low-income Jordanians, Syrian refugees and women.**



The project aims to create the conditions for using digital solutions for cross-border remittances for refugees and low-income Jordanians, thus making an important contribution to financial inclusion in Jordan. Digi#ances’ approach can be broken down into the following three components:

1. Digi#ances leads the development and implementation of pilot projects that strengthen the supply-side of the national mobile payments system, and increase uptake and usage of needs-based DFS.
2. Digi#ances provides advisory services to CBJ to establish a conducive regulatory framework and robust supervisory mechanisms for DFS and cross-border remittances that comply with international standards on consumer protection, anti-money laundering, and anti-terror financing.
3. To stimulate demand, Digi#ances conducts information campaigns and trainings on financial literacy tailored to target groups – Syrian refugees, low-income Jordanians, and women - to raise awareness and promote the responsible use of DFS.

The partnership with Dinarak within the framework of the “Development Partnership with the Private Sector” falls into the first intervention area of the project.

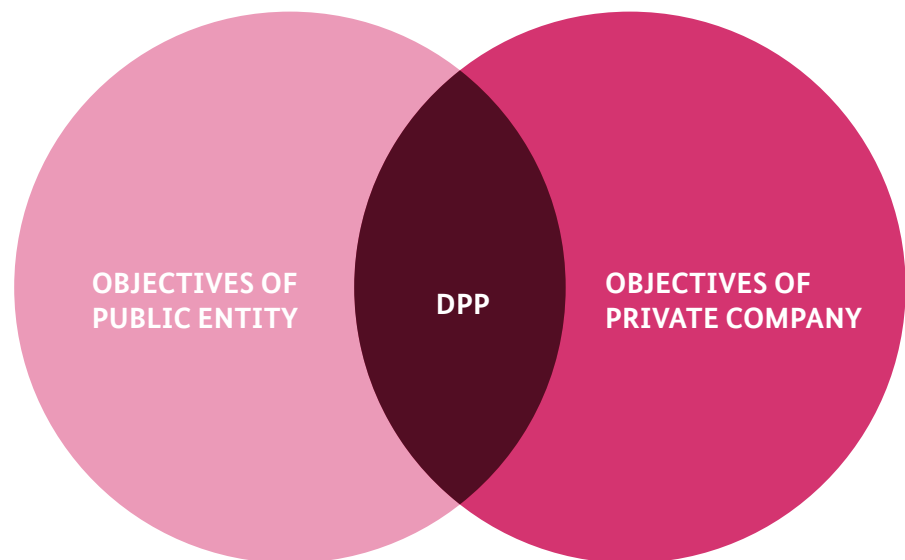


# 4

## Development Partnerships with the Private Sector (DPP)

In *Development Partnerships with the Private Sector (DPP)*, governments and private sector companies join forces to promote sustainable development.<sup>12</sup> The private sector plays an important role in the development of a region and shares many development policy objectives. GIZ has long recognised the fundamental contribution the private sector plays in creating jobs, training workers, improving the quality and availability of local goods and services, and transferring new technologies.

Under the DPP scheme, these voluntary development partnership projects are designed, planned, implemented and financed jointly by the public and private sectors, capitalising on each partner's strength and area of expertise to achieve development impact. Both partners commit resources and share competencies, benefits, and risks.



DPPs entail the following elements:

### 1. Support for development projects that are of strong business interest

GIZ provides strategic advisory services on different forms and types of joint projects which align development policy goals and business interests.

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<sup>12</sup> Factsheet 'Development Partnerships with the Private Sector' – GIZ 2017

This includes advice on what is required for an effective development project and on the process flow of a development partnership, as well as technical assistance and capacity building. DPPs intend to leverage the private sector’s know-how and realistic understanding of operations, bottlenecks, and target groups to achieve overarching development goals. Capacities of the private sector are enhanced through GIZ’s technical expertise in development issues and best practices.

## 2. Project development, implementation and monitoring

GIZ assists the private sector in drafting its project ideas, planning the implementation process, and assessing its intended impact. Through the partnership with GIZ, partners from the private sector gain access to technical know-how and GIZ’s networks. This often results in the establishment of new partnerships with other organisations in the development sector, as well as involvement with decision makers. Furthermore, development partnerships often enhance entry to new markets through a combination of the private sector’s experience on the ground and GIZ’s expansive network. Various forms of direct and indirect support are provided during the implementation phase. Regular monitoring through impact surveys play an important role in identifying issues early and allowing business plans to be adjusted.

## 3. Processing of experiences

DPPs are often used to pilot new approaches in a region, drawing on experiences from other countries and attempting to replicate business models that have been successful elsewhere. Lessons learned are identified to further the pilot project and to scale it, as well as to ensure the sustainability of the results locally. Results are shared with the wider public to foster learning and development within the whole sector.

<b>Benefits for the PUBLIC SECTOR</b>	<b>Benefits for the PRIVATE SECTOR</b>
<p>More efficient, effective and sustainable solutions for development bottlenecks</p> <p>Use of private sector know-how for development purposes</p> <p>Access to additional resources for development</p>	<p>Easier entry into new markets</p> <p>Support for development projects that are also of business interest</p> <p>Access to know-how, networks and decision makers</p>



In 2016, within the framework of the DPP, GIZ invited the DFS industry in Jordan to submit proposals to provide DFS in the north of Jordan where the majority of the target group lives. Through a transparent selection process, GIZ selected Dinarak as its private sector partner for the pilot initiative.

## DIGI#ANCES DPP TIMELINE





Dinarak's strong focus and understanding of the target segments in the project proposal documents, coupled with a management that was motivated and passionate about the cause of financial inclusion, led to its selection as pilot partner.

The objective of the partnership was to promote the uptake and usage of DFS in the north of Jordan focusing on the target segments of low-income Jordanians, Syrian refugees and women.

In return, GIZ would provide technical assistance to Dinarak with a focus on the following areas:

- Business strategy and roadmap setting**
- Agent network development and management**
- Support related to customer-centric outreach and marketing**

The project was co-funded by both Dinarak and GIZ in line with the DPP policy, which states that investment from the public sector partner cannot exceed 50% of the total project cost.

As the GIZ-Dinarak partnership comes to an end, Amarante Consulting was brought on to evaluate the partnership and impact created. Among other things, the evaluation looked at aspects such as the effectiveness of the partnership, lessons learned and general challenges with mobile money uptake in the market. The study also makes recommendations for GIZ to encouraging further mobile wallet adoption and usage among the target group in the future.

The methodology used for the evaluation included desk-based document review, secondary research (remote work), individual semi-structured interviews along with focus group discussions and field visits (onsite) in Jordan. Further details on how these methodologies were implemented are provided in Annex 1.

# 5

## The GIZ-Dinarak Partnership

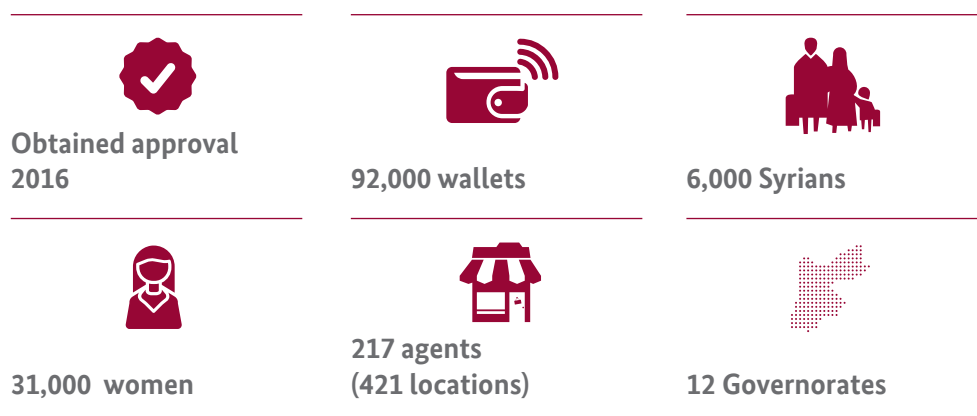
### 5.1 Dinarak

Dinarak is a mobile payment service provider established in 2014. In 2016, Dinarak obtained approval from CBJ to commence its PSP operations. The company's stated mission is to build a mobile payments business that provides millions of unbanked Jordanians with access to financial services and that transforms lives through financial inclusion.

In its initial DPP proposal to GIZ, Dinarak had planned to only target Syrian refugees living in refugee camps, yet with GIZ's input, the focus broadened to include Syrian refugees residing in the host communities. The reasons for this shift in strategic focus were the restricted entry access to the camps and limited internet access there<sup>13</sup>, two major hurdles for Dinarak's planned operations. With GIZ's assistance, Dinarak benefited from technical expertise which enabled them to also target low-income and unbanked Jordanians, in particular women, who were included as target segments within the scope of the partnership.

Finally, Dinarak's motivation to cater to the target segment and credibility thanks to the GIZ partnership also helped the start-up form other partnerships with organisations (such as FINCA Microfinance, Mercy Corps, and the National Aid Fund) looking to work with PSPs to target the unbanked segments of the population.

### DINARAK AT A GLANCE



<sup>13</sup> 64% of refugees in camps do not have access to the internet, and 20% have access on a weekly basis or less frequently according to CGAP and GIZ Working Paper 'Financial Inclusion: A Demand-Side Analysis of Low-Income Jordanians and Syrian Refugees in Jordan' December 2017.

Two years into their business, the start-up stands first in the market both in terms of the percentage of active wallets relative to opened wallets and in terms of active agents (over 60%). It stands second in terms of the number of wallets opened and the number of transactions processed by the sector.<sup>14</sup>

## 5.2 GIZ's Support to Dinarak and Insights Gained

The role GIZ has played in supporting Dinarak is undeniable. Evaluation observations and findings support this fact, as do Dinarak employees as well as other industry experts and project stakeholders. The project was co-funded, with Dinarak investing heavily in building a robust agent network in the north of Jordan in proximity to the target groups, proactive outreach and awareness raising among the target groups, and field staff on the ground. GIZ's contribution focused on providing advisory services through specialised consultants in the fields of business strategy, agent network establishment and management, staff training, marketing and awareness raising campaigns, and equipment, as well as conducting impact surveys. The three main areas of Technical Assistance provided by GIZ were as follows:

### Business Strategy

With the help of expert consultants, GIZ supported Dinarak in developing a business model with a robust value proposition to approach the target customers in the north of Jordan. As of August 2018, 81% of Dinarak's customers were in Irbid, Amman and Mafraq, which is in line with the project's focus on the north of Jordan where there is a high concentration of Syrian refugees and low-income Jordanians.

As of October 2018, Dinarak had around 5,000 out of the total 8,000<sup>15</sup> Syrian refugees currently registered across all PSPs in the country, the highest share of refugees among all PSPs. This shows that Dinarak was actively pursuing this target. The evaluation team believes that without GIZ's support and guidance this would not have been possible.

Despite having the highest share of Syrian refugees, the figure itself is very low and usage rates remain low as well. There are three main reasons why Syrian refugees are not using Dinarak:



1. A large majority do not have the funds to put into a wallet (whatever aid money they receive is being spent to cover their daily needs);

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<sup>14</sup> Source JoPACC

<sup>15</sup> Source CBJ



2. The aid they get is not directly credited into a mobile wallet, so using this wallet means they have to first withdraw their aid to then deposit it into the wallet – a task that seems unnecessary to those whose priority is to fend for their families and self; and



3. They do not entirely trust the system (since they are not very familiar with it).

They also fear that their financial transactions will be traceable via the wallet. Some wonder if they will lose their money should they decide to leave Jordan one day. Overall, given that they don't have enough information about Dinarak and there is no easy use case that motivates them to try it, adoption rates and usage remain low. From Dinarak's perspective, it is a challenge to change this mindset and build trust for the product among refugees.

Syrian refugees expressed their interest in receiving their aid through wallets as mentioned by one of the participants in the focus group discussions: **'If we can link aid from UNHCR and WFP to the wallet, it will transform the lives of hundreds of thousands of Syrians by easing the burdens we face to withdraw the cash'**.

All things considered, it is essential for Dinarak to continue raising awareness and promoting their services to Syrian refugees. One clear insight from the focus group discussions was that many Syrians are unaware that they can open wallets using their UNHCR ID and MOI card, an aspect that should be stressed in awareness raising sessions. Collaborating with the humanitarian agencies to find ways to reach the Syrian refugees would also result in increased uptake and usage.

### **Agent Network Development and Management**

One of the key factors of the success of a PSP is its agent network. Agents need to be widespread geographically so that they are easily accessible to customers. In addition, agents are the main points of contact between the PSP and the customer. It is crucial that they are well informed about

the product and services in order to be able to sign-up new customers and encourage usage. Dinarak, with the support of GIZ, has invested time and money into developing a widespread agent network. As of December 2018, Dinarak had signed with 217 agents spread over 421 locations in Jordan, out of which 145 are active. It is important to note that half the agents are exchange houses<sup>16</sup>. In rural areas where exchange houses are not always present, other locations such as salons, pharmacies, coffee shops and supermarkets act as agents.

Despite the number of agents in its network, field observations in Irbid showed that Dinarak customers seem to prefer to use the main branch in the city centre mall for all their Dinarak operations, as expressed by many during the focus group discussions. Some participants were unaware of the existence of agents, or had heard that there are agents but didn't know their locations. Others mentioned that the branch is more convenient because of its location, and a few said that they feel more comfortable dealing directly with the branch. Only a few shared that they use exchange houses.

A young Syrian man had suggested that **'Dinarak should go to areas with a high concentration of Syrian refugees, find out where the large supermarkets are and sign them up as agents - this will help raise awareness'**.



Left: Dinarak agent in Amman; Right: Focus Group Discussion with Syrian Refugees, Irbid, 5th Nov. 2018

<sup>16</sup> This means that liquidity issues which are usually complex to manage in agent networks are not so much a challenge, as exchange houses usually have good levels of liquid cash at their locations.

Agents have their core business in addition to the services they offer under their agency agreement with Dinarak (opening of wallets, cash deposits/withdrawals, etc.). This being the case, there needs to be an incentive for them to take time from their core business and become more active as agents. The incentive is usually additional revenue. However, the commissions earned by Dinarak's agents are minimal given the limited pool of active customers, as confirmed by the agents interviewed by the evaluation team. The agents' main motivation was that they like Dinarak because it offers an easy and quick way to pay bills, and so they promote this convenience to their clients. This is unfortunately unlikely to be a sufficient motivation to drive wide scale usage of the service.

Dinarak should find ways to create stronger incentives for its agents. The PSP should raise awareness about its agents' locations to create more traffic at agents' sites to prevent them from losing interest in offering the service.

### Support Related to Customer-centric Marketing

The mobile wallet is still a new concept in Jordan, and uptake is generally low across the country. In order to encourage customer adoption, there needs to be a lot of awareness building via marketing campaigns to change people's mindsets and build their trust in the service offering. During the onsite study, a general lack of awareness of mobile wallets was one of the main challenges and issues mentioned by Dinarak's customers and agents alike.<sup>17</sup>

International consultants from GIZ have worked closely with Dinarak on customer segmentation and prioritisation, branding and communication strategy, and focusing on the value proposition for each target segment. In addition, GIZ's project team developed marketing brochures specifically tailored towards women and Syrian refugees, target-group based roll-up banners, and fee structure sheets to raise awareness and knowledge among the customer.

It is worth noting that according to agents, focus group participants and industry experts, Dinarak is the most well-known PSP in Jordan with a market share of 21% of total wallets.<sup>18</sup>

Dinarak has been focusing its marketing efforts via social media which seems to be the preferred channel of communication by the participants of the focus group discussions. A young Jordanian during the focus group

<sup>17</sup> Feedback received during Focus Group Discussions and agent visits carried out by the evaluation team

<sup>18</sup> According to data provided by Dinarak and CBJ



discussions said, **'We want to have short videos on social media to show us how to use the app and its benefits'**.

Dinarak should continue to undertake targeted marketing and awareness campaigns in order to attract more customers and push uptake of the service. They should continue using social media as their main marketing channel and develop short informative videos informing the users about the services, how to use Dinarak, and its benefits.

### 5.3 Shift in Focus

To overcome the challenges and try to push use of the wallet among target and non-target groups, Dinarak has entered into several partnerships including with Amman Ahliyah University & Petra University, Arab Orient Insurance Company, Darajtee & Jeeny Taxi, FINCA Microfinance, National Aid Fund, Opensooq.com, and Solidarity Insurance. In addition, many companies and organisations use Dinarak for their payments: disbursements to individuals who get paid wages per job or per day (like drivers), petty cash management<sup>19</sup> and salary transfer. As mentioned earlier, the Dinarak Mastercard which launched in early 2018 has also become very popular, especially among youth. However, bill payment remains the highest use case for the PSP.



Youth customers of Dinarak talking about the Dinarak MasterCard offering, during focus group discussions with Jordanians, Irbid, 5th Nov. 2018

<sup>19</sup> Companies use the Dinarak webportal to pay for their vendors instead of paying to them using cheques.

Through the partnerships that Dinarak has formed and the successful launch of the Mastercard, coupled with the difficulty in reaching Syrian refugees, Dinarak has moved away from prioritising Syrian refugees and low-income Jordanians and is increasingly catering to youth, women and Jordanians in general.

## 5.4 Was the Partnership Successful?

GIZ succeeded in supporting Dinarak in its journey from a start-up to a two-year-old business with a solid foundation for its operations. It has equipped this start-up with the capabilities and best practices to drive a healthy growth trajectory.

Dinarak's success is also recognised on a regional level. The start-up won the 'Financial Inclusion Initiative of the Year' award during a ceremony held in Dubai on 31 October 2018<sup>20</sup>. The partnerships with GIZ as well as with the Arab Women's Enterprise Fund, which aims to establish a female agent network, thereby enabling women-led businesses to become agents, played a critical role in getting Dinarak this far.

Despite the challenges faced by Dinarak and the shift in focus away from Syrian refugees, what Dinarak has achieved in the duration of the project is impressive. With GIZ's support, Dinarak managed to establish a strong presence in the north of Jordan, and is equipped with the right skillset and tools to target Syrian refugees, low-income Jordanians and women. Although Syrian refugees may not be Dinarak's main strategic focus moving forward, it still recognises the importance of continuing to include this market segment beyond the scope of this partnership. For example, in Q4 2018 alone, the number of Syrian refugees with registered Dinarak wallets rose by 17%. This further demonstrates the partnership's success in making refugees a part of Dinarak's operational scope of work.

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<sup>20</sup> The award was granted by FinX by Fintech Galaxy, the MENA region's only fintech digital crowdsourcing platform, in recognition of the achievements of innovative institutions and start-ups in the fintech ecosystem and to celebrate excellence in the financial technology sphere.







# 6

## Mobile Money and the Challenges Faced by PSPs

Over the past 18 months, the total number of mobile money users in Jordan has increased from 95,700 wallets in July 2017 to almost 450,000 wallets in December 2018.<sup>21</sup> However, activity levels remain low with the main use case being bill payment. There are a number of factors leading to the slow uptake that the sector is struggling to overcome:

### **Lack of awareness**

People are still not aware or not comfortable with the idea of digital payments. Jordan is a cash-based society and changing mindsets to shift to digital payments takes time and requires heavy marketing campaigns. This is especially true for rural areas, where awareness is almost non-existent.

### **Lack of agents' infrastructure**

Acquiring agents in rural areas is difficult, as there are no strong incentives for business owners to become agents. The revenue is low and it is a challenge for the service provider to maintain liquidity. Exchange houses remain the preferred agent location choice in more urban areas largely due to their liquidity capabilities.

### **Use cases of wallet services are still limited**

The range of customer products is not wide or attractive enough. PSPs are unable to give interest on customers' wallet deposits. Using the wallet as a saving mechanism to push uptake is therefore not conducive. The value proposition is limiting because of the heavy reliance on the need to deposit cash in the wallet in order to be able to use it. Utility bill payment is currently the most frequently made transaction. As the industry evolves, more use cases that allow for direct payment of income or salaries into a wallet are being offered, which industry experts expect will lead to higher uptake. Likewise, some industry actors shared that the upcoming potential implementations of multiple digital user experiences for mobile

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<sup>21</sup> JoMoPay monthly reports for July 2017 and October 2018

wallets (e.g tap and pay) will also contribute to increasing uptake and potentially reducing the need for agents (while increasing transactions at merchant locations). In addition, the fact that MFIs are planning to disburse loans and allow for instalment payments through wallets is expected to also substantially increase uptake.

### **Lack of interoperability between mobile wallets and the card & POS industries**

Currently, JoMoPay is not integrated with in-country payment acquirers like MEPS and Network International. Therefore, the PSPs are unable to have their customers use their mobile wallets to buy from merchants equipped with existing card and POS devices.

### **Difficulty in reaching Syrian refugees**

As mentioned earlier, there are several reasons why it is difficult to reach Syrian refugees:

- They do not have the funds to put in a wallet. Whatever cash aid they receive is spent on meeting daily needs.
- They do not trust PSPs and do not want their financial transactions to be traceable.
- They are unaware that they can open wallets with their existing ID documents.

### **Registration process is limiting**

The registration process currently requires customers to visit an agent to fill out the KYC forms and open the wallet, as remote registration is not allowed. This often requires customers to travel far distances to reach agents, especially in rural areas, and it discourages potential customers resulting in limited growth. This is likely to change in the near future with JoPACC and other industry players working on an easier and digitised sign-up process.

Based on the above, it is clear that the challenges faced by Dinarak are not unique to this PSP alone. The sector as a whole is facing low uptake and usage numbers. Going forward, many initiatives are poised to help promote the service. The set-up of JoPACC, for example, is a clear indication that there is going to be a renewed effort to push interoperability and the uptake of DFS in the country.

# 7

## Conclusion and Recommendations for the Sector Moving Forward

With the support and guidance of GIZ, Dinarak has cemented its position as one of the main providers of DFS in Jordan. It is clear that Dinarak has a good understanding of all client segments of the market, each segment's challenges and needs, and enjoys a widespread agent network to foster its business growth.

Dinarak and the other PSPs are facing some challenges that are limiting them from increasing the uptake of mobile wallets in the country. The PSPs, regulators, and development and humanitarian agencies should all work together to help promote adoption and usage of mobile wallets country-wide. The following are some high-level recommendations for the mobile money sector:

### **Raise awareness and training**

Awareness and training are key factors in driving mobile money uptake. Changing mindsets and gaining people's trust in mobile money is a process that takes time but is critical for the success of mobile money. Evidence has shown that it is easy to sign up for a wallet and download the app, but unless one is informed about the service's capabilities and benefits, it will not be used. Therefore, awareness alone is not sufficient. It needs to be combined with training campaigns to educate the users.

Beneficiaries expressed interest in receiving practical and interactive trainings that would show them the app and what services are provided, rather than have someone merely list the benefits and advantages. In addition, the preferred marketing channel is social media. Users would like to see short educational videos online that would inform them about the product, its benefits and uses, and user journey in the app itself; something that they can regularly go back to.

### **Increase the variety of use cases**

Having a variety of products that address different needs are one of the main means to encourage the use of mobile products. Currently, the

main use case is bill payment, but that alone cannot drive demand for the product. PSPs should start working with exchange houses to offer international remittances into wallets. This will allow for a source of money to be received directly into the wallet, thus eliminating or reducing the need for cash-ins at agent locations. In addition, it would be an added benefit if customers can gain interest on their savings.

### **PSPs should work closely with humanitarian agencies to target Syrian refugees**

PSPs are finding it difficult to reach Syrian refugees. Joining synergies with humanitarian agencies would improve access to this target group for PSPs, while the former could benefit from the private sector's dynamism and ability to innovate. In addition, Syrians who participated in the focus groups have expressed their desire to have their aid transferred through wallets. It is advisable though to have beneficiaries choose their preferred channel or cash aid receipt and their preferred PSP, as it will be difficult for one PSP to ensure all the liquidity needed on a payment day for this segment. Given the urgency of the issue at hand due to the high number of financially excluded refugees, it is necessary that stakeholders from both the private and humanitarian sector demonstrate their commitment to the cause by acting in a timely manner.

### **PSPs should find ways to incentivise agents to push the uptake of the product**

Agents are the link between customers and PSPs. Therefore, it is very important to have the right incentive structure in place to encourage agents to promote transactions with the wallet. Incentives can be financial, although finding a commission structure that is lucrative to both the agent and the PSP in the early stages might be difficult. There needs to be large volumes of transactions to benefit from economies of scale. Other incentives could be linked to targets such as agents benefiting from discounts at retailers or restaurants upon reaching certain targets. Other ways to incentivise agents is for the PSP to partner with an MFI who would provide financing to the agents. The facility of a loan or overdraft can be offered to the best performing agents, thus acting as an incentive for the agent to perform well.







# Annex 1: Methodology Overview

## **Desk Analysis**

The team reviewed and analysed all documents and reports related to the project, including PSP selection project documentation, project management reports, KPIs, project implementation plans and project monitoring plans. In addition, reports and papers related to digital finance in Jordan, status of refugees, JoMoPay reports were also reviewed in order to understand the state of the mobile money sector in the country.

## **Individual Semi-structured Interviews**

Eight semi-structured face to face individual interviews were conducted with key project stakeholders and main players in the sector, namely GIZ, senior management and branch employees at Dinarak, CBJ, JoPACC, UNHCR, and Aya Pay. In addition, interviews were arranged with Mahfazati and key Dinarak staff and consultants who worked on the Dinarak project in the past. Two agent visits were also conducted in Irbid and five in Amman to understand the agents' roles, operations and challenges they face. The evaluation team also visited the Dinarak branch located in the city centre mall in Irbid.

## **Focus Group Discussions and One-on-one Interviews**

Two focus group discussions (FGDs) were conducted in Irbid. One comprised nine Syrian refugees, two males and seven females, while the other group consisted of seven Jordanians, three males and four females. The FGDs were organised in Irbid as it has a high concentration of Syrian refugees and the highest number of Dinarak users. One-on-one telephone interviews with four unbanked Jordanian Dinarak customers (two females, one of them living in Irbid and the other in Amman, and two males living in Irbid) were also set up to complement the FGDs.





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