



PRINCIPLED INTEREST

A DEVELOPMENT FINANCE LEARNING SERIES

The questions below were asked during the Principled Interest event on March 11th entitled *Social Assistance Payments and the Role of Financial Service Providers*. The answers were provided by the speakers and hosts of that event.

(USE OF TECHNOLOGY) Has anyone used iris biometric technology platforms and if so, what was their experience?

- Yes, in Jordan UN agencies (such as WFP) implemented iris scan with two banks for the disbursement of aid to refugees, and it has been a success.

(BUNDLED SERVICES/POVERTY ALLEVIATION) How has social payment systems been tied to graduation efforts to help people with have a path out of poverty?

- Digitizing social aid payment has contributed to increasing financial inclusion in Jordan. There are two types of aid that dominated the scene since the outbreak of COVID-19: pandemic-related aid to support most affected sectors and daily workers, and permanent aid programs. All programs aimed to save time and cost and preserve the health of beneficiaries. Aid recipients in Jordan started using their mobile wallets to pay for their bills electronically, and to pay for various services, and are more capable to track their spending and control it.

(REFUGEES) What was the process to conduct KYC for Refugees? Based on the video training, how much wallet usage uptake did you notice? 3 - How long were these training videos?

- JoPACC both offered online trainings and produced awareness videos. The online trainings varied in length and focus depending on the target audience and we held them based on demand from various entities, but they start in length from an hour and a half. We have trained community-based organizations, college students, refugees and farmers, among others. Some of them had wallets or opened them recently, so we did not track the growth in the uptake but rather focused on the comprehensive understanding of the service and on addressing any faced issues directly with the users and indirectly with their mobile wallet provider. One of the initiatives we have at JoPACC is called digital experiments, where we experiment with interventions to increase the uptake of mobile money, and we have tracked and documented the increase in the uptake following our interventions which varied from awareness to loyalty programs to incentive programs. In all our trainings and digital experiments we offered follow-up technical service, which gave us insights on the issues faced and informed our interventions and programs. Our reports on the conducted digital experiments can be

found on JoPACC's website. As part of our awareness efforts, we produced various short videos (2-5 minutes) that explain the various use cases & services and offer users a step-by-step tutorial to services with a high focus on user responsibility and the legal aspect of services.

(COST EFFECTIVENESS) What evidence do you have on the cost of transitioning from cash-based to digital financial services?

- Two studies by CBJ through consultative bodies (EY with Mastercard, and UNHCR) Indirect cost is environment, corruption, time, productivity

(GENDER DFS DIVIDE) Could you please share more on challenges and lessons learnt when supporting low-income women specifically?

- JoPACC has conducted 3 digital experiments to investigate women's uptake of mobile money. The target groups included women benefitting from microfinance loans, refugees, and users in small cities. All experiments offered comprehensive awareness, technical assistance, incentive programs and focus groups feedback. The appetite for financial independence was high, and women proved to be responsive to acquire digital financial tools only if provided with comprehensive knowledge to build trust in the services and self-confidence to use them. Whether financially included or not, living in a developed environment or a vulnerable one, evidence increases of women's strong skills in household financial planning and in prioritizing needs for the best interest of the family. We were very pleased to see women adopt mobile money for their small home-based businesses and we see potential in the growing uptake of digital financial services by women. The financial inclusion rate of women has increased since last year.

To what extent did you observe, in Jordan and Bangladesh specifically, that digital social assistance payments led to uptake of over Financial Services (savings, credits, insurances) or Digital economy services (e-commerce etc)?

- In Jordan, and despite the swift and massive uptake of mobile money by social aid recipients in 2020, all stakeholders were concerned that this momentum might be temporary. Therefore, towards the end of 2020 JoPACC conducted a market-wide survey to better understand the mobile money user experience and their future intentions. 86% of surveyed users expressed intention to continue using their mobile wallets in the future and 91% were satisfied with mobile wallets. Many users, especially women, save money in their wallets given the high level of privacy and security. We have also investigated digitizing microloans through mobile wallets in a pilot and the MFI we worked with have rolled out the service in all its branches. The expansion of services of mobile wallets is ongoing,

and we are in the planning phase of a project that will boost e-commerce through mobile money. eCommerce in Jordan has doubled in operations, and government payments tripled through digital channels. Electronic bill payments have also witnessed big strides in growth, where new billers and services onboarded to our efawateercom system for the electronic presentment and payment of bills. Most importantly, we have now better data available to analyze usage trends and enhance offered services.

(LAST MILE) What are some of the key challenges on the uptake of DFS by last mile households especially for graduation Programs.

- In a market study we conducted end of 2020 on the mobile money user experience, we found that the key pain points are the limited acceptance of digital payments, technical and response issues of the wallet application, agent services, customer support reachability, and lack of massive marketing and awareness of mobile money services. In coordination with the Central Bank of Jordan and all mobile payment service providers, a roadmap is under development to address all pain points and collaborate to enhance the user experience. From JoPACC's side, we started offering awareness sessions to unbanked users across Jordan and we offer technical support to ensure they are well aware of their rights and responsibilities and are well served, and that all challenges are reported and addressed.
- On the other side, and besides agents, several banks enabled cash-in/cash-out services through their ATMs to mobile wallet users, and we currently have 500 ATMs enabling cash-out services and over 200 enabling cash-in. Moreover, we have partnered with the Jordan Post Company to have their branches serve as super agents to all wallet types and we have developed a Unified Agent Interface to enable access to all wallet types by agents from this portal. On the issue of liquidity at agents, mobile payment service providers expanded their collaboration with exchange houses to serve as agents given the regular availability of cash at their branches. Furthermore, and in aid disbursement programs, there was high coordination between the National Aid Fund and mobile payment service providers to pump cash gradually at agents in the locations of beneficiaries to ensure sufficient cash-out service availability. And lastly, we are now experimenting with kiosk machines at different locations that offer cash-in/cash-out services to mobile money users. What the market is still missing is cash managers to address the issue of liquidity in a more comprehensive manner.

Is it mandatory for actors of retail payments (merchant acquirers, MNOs issuing mobile money...) to participate in the JoPACC scheme ?

- The scheme follows the financial institution model, where only FIs can be direct participants on the system. Therefore, MNOs desiring to issue mobile money

have registered sister companies providing mobile payment services, and those sister companies participate in our JoMoPay switch. The participation on the switch is mainly open to mobile payment service providers, currently 7 companies, and to banks offering mobile wallets to their clients, currently 7 banks. While merchant acquirers are not direct participants on the switch, they work closely with mobile payment service providers to expand the offering and acceptance of digital payment. The scheme is built on an interoperable model, where transactions between accounts in all participating financial institutions are possible.

How developed are merchant payments developed compared to P2P transactions ?

- The merchant payment acceptance is still growing in Jordan and immense efforts are undertaken to expand it. On the one side, the Central Bank of Jordan mandated all mobile payment service providers to expand their merchant networks, and on the other side the service providers formed an alliance to coordinate on the acceptance of QR code payments while enabling interoperability. JoPACC from its side has also launched a facility to expand digital liquidity and the acceptance of QR code payments. While the numbers are still considered humble, the growth is on the right track. Besides cardless merchant payments through wallets, all mobile wallet companies offer companion cards that can be used for point of sale payments and for online purchases. The use of those cards by mobile wallet users has been on the rise and purchases are the top use case in number by mobile wallet users. JoPACC issues monthly report on the transactions, which can be found on our website.

What is the rationale behind the regulation of merchant instant payments (MDR and interchange rates), and what were the reactions of actors to this regulation?

- It is better to address this question to the Central Bank directly, but we can share the following: Following the outburst of COVID-19, the Central Bank of Jordan addressed the MDR and interchange fees to regulate them, putting in place a very low MDR. Their rationale was to reduce cost on merchants to increase the acceptance of digital payments, given that the market in Jordan is sensitive to price, and a resistance to digital payments by merchants was witnessed. The market wasn't very pleased with the regulation and is pushing to reverse it.

(PHONE OWNERSHIP) Can anyone comment on the issues of phone ownership and the gender/family issues associated with it, as well as how they affect disbursement to the right beneficiary? For example you will find that someone who has no mobile phone relies on a relative's/neighbor's phone as we have seen in some areas where poverty is high?

- We have this issue in Jordan and we include it in our awareness raising efforts. In vulnerable communities not all family members own their own mobile devices, and they rely on family members to open mobile money accounts. We have also noticed a tendency to change mobile numbers frequently partially because numbers get disconnected due to not being charged on time. Besides awareness, in Jordan mobile wallets are registered on the mobile number under the national ID number, which could assist in ensuring that aid is delivered to the targeted beneficiaries. We have also enabled self-inquiry for users to identify wallets registered under their numbers. The demand is increasing in Jordan to regulate the ownership of mobile numbers and we expect this to solve many of the issues faced at this stage.