Jordan

The Jordanian banks covered by the survey account for 88 per cent of the country's total banking assets, with the majority domestic banks (Chart 1).[1] About 36 per cent of Jordanian banks expect their branch networks to stay the same or increase over the next five years. This is similar to expectations in the Southern and Eastern Mediterranean (SEMED) region and Türkiye, where just under 40 percent of banks expect networks to grow and 30 per cent expect no change. By comparison, close to 50 per cent of banks across the EBRD regions expect their networks to shrink.

On average, Jordanian banks lag their counterparts in SEMED and Türkiye on having social, environmental and climate change-related policies and targets (Chart 2).[2] Although close to 40 per cent of banks in Jordan have climate change-related policies and targets in place, only a small minority of the banks surveyed cite climate change risk as an explicit part of their risk management.

On the provision of loans to small and medium-sized enterprises (SMEs), the share of Jordanian banks conducting at least some social, environmental, corporate governance or climate change-related impact assessments is on par with or higher than the average in SEMED and Türkiye and the EBRD regions (Chart 3). Around 90 per cent of Jordanian banks say they conduct social impact assessments before lending to SMEs, the second-highest share in the EBRD regions after Estonia. In SEMED and Türkiye, in contrast, only 67 per cent of banks undertake social impact assessments before loan approval.

Over 60 per cent of Jordanian banks provide loans specifically to improve energy-efficiency of residential housing (Chart 4). Indeed, all of the Jordanian banks surveyed say they provide loans for the specific purpose of improving the energy efficiency of SMEs and/or corporate clients, the highest share in the EBRD economies (along with Lithuania, Mongolia, Romania and Uzbekistan). More than 70 per cent of Jordanian banks provide loans to improve the energy efficiency of commercial real estate, compared with around 55 per cent, on average, in SEMED and Türkiye or the EBRD economies.

Chart 1 Branch presence of surveyed banks

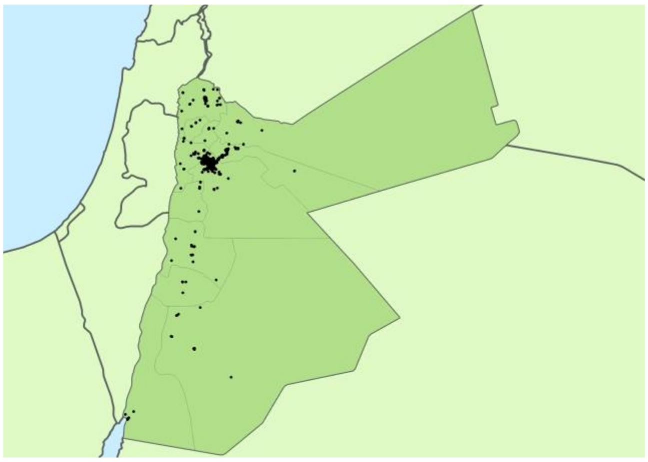


Chart 2 ESG policies and targets

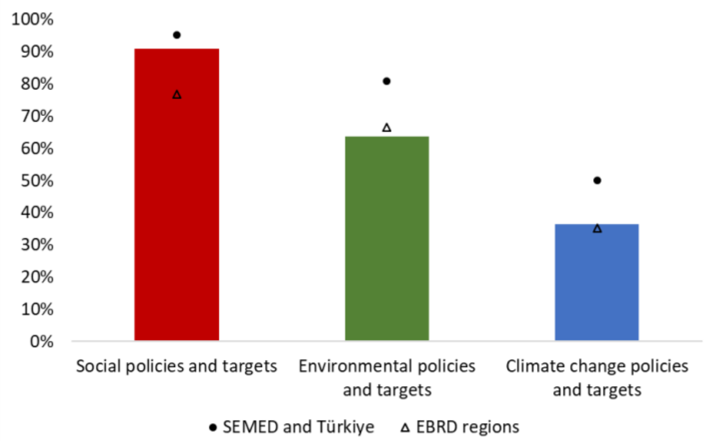


Chart 3 Impact assessment of SMEs before loan approval

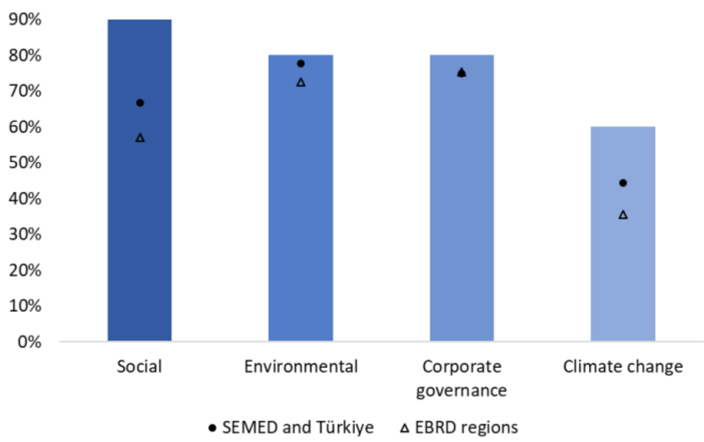
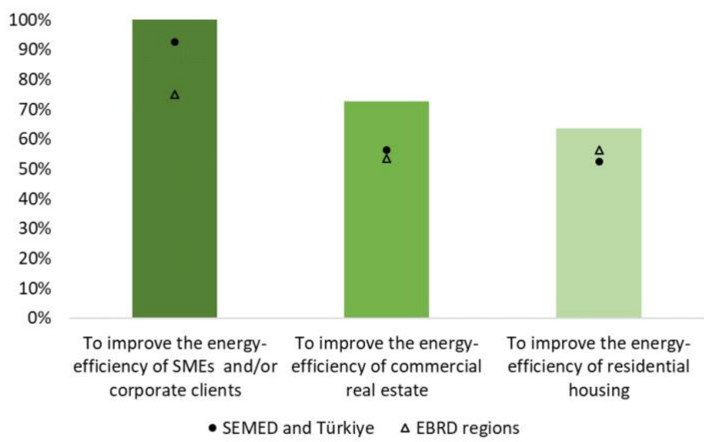


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Domestic banks account for 86 per cent of these banking assets.
[2] Bars in Charts 2, 3, 4, 7 and 8 refer to the percentage share of banks in Jordan.

Meanwhile, the largest proportion of Jordanian banks surveyed cite trading and sales as the business line offering most opportunity from fintech, closely followed by trade finance and corporate lending (Chart 5). Even in other business segments, such as retail lending, payment services, SME lending and asset management, a majority of banks say they view fintech as a source of opportunity. However, in leasing, only a quarter of Jordanian banks view fintech as an opportunity. In comparison, on average, across the EBRD regions as well as SEMED and Türkiye, more than double the percentage of banks view fintech as an opportunity for leasing.

Jordanian banks, on average, are ahead of their peers in SEMED and Türkiye on adopting most digital technologies (Chart 6). Just under 75 per cent of Jordanian banks report having already launched the use of digital wallet solutions for mobile payments using near-field communication, compared with just under half of banks in SEMED and Türkiye and 40 per cent of banks in the EBRD regions. Alongside Belarus, Jordan boasts the highest share of banks in the EBRD economies reporting the commercial use of digital wallet solutions. Close to two-thirds of banks surveyed in Jordan also say that they use cloud computing and biometric authentication for customer identification services, while just 30 per cent of banks in the EBRD regions have launched services incorporating cloud computing and 40 per cent use biometric authentication commercially.

Nearly 90 per cent of banks in Jordan are concerned about information technology (IT) security and regulatory certainty surrounding fintechs, a slightly higher share than the average in SEMED and Türkiye and the EBRD regions (Chart 7). However, only a small minority of Jordanian banks face financial constraints on investing in fintechs or experience difficulties in establishing links with them. About half of the Jordanian banks surveyed accept online applications for SME loans, a higher share than in SEMED and Türkiye, on average, but similar to the EBRD regional average. More than two-thirds of Jordanian banks report facing strong competition from non-bank finance companies in both SME and retail lending.

A lack of creditworthy customers and loan officers' inability to obtain the right amount and type of information needed to evaluate credit risks are two of the main constraints Jordanian banks face in lending to innovative industries such as IT, chemicals and pharmaceuticals (Chart 8). As compared to SEMED and Türkiye and the EBRD regions more widely a relatively small proportion of Jordanian banks surveyed cite insufficient demand for credit as a constraint on lending here.

Chart 5 How fintech will affect banks' business lines

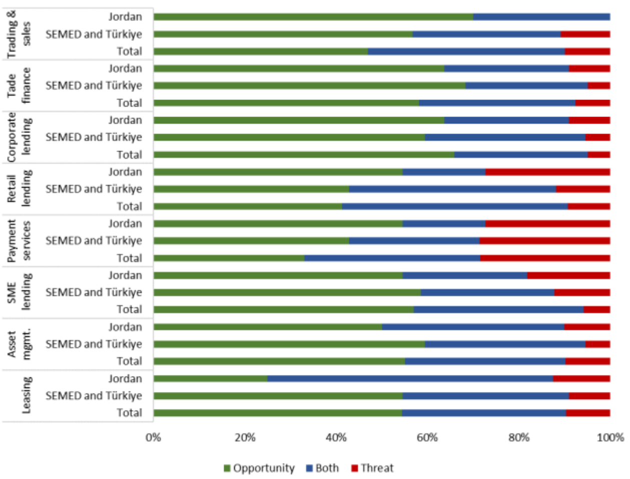
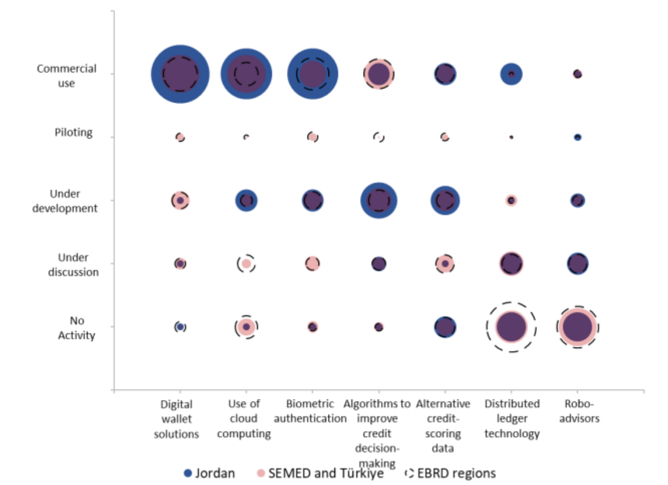


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Concerns about digital technologies

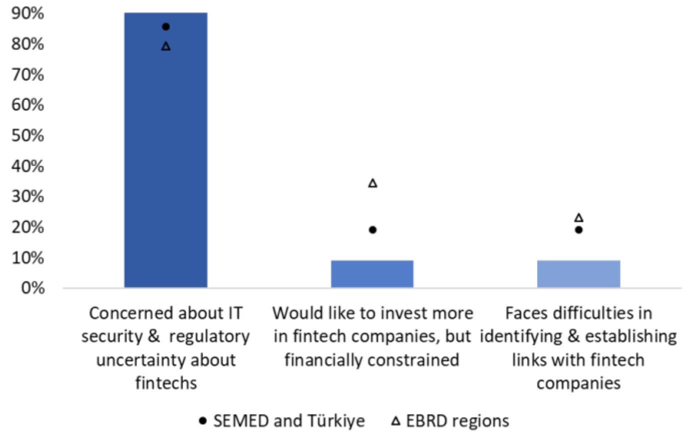


Chart 8 Constraints on lending to innovative industries