

# National Microfinance Bank



## Impact Management Case Study



**Location** Jordan

**Sector** Agriculture & Education



الوطني لتمويل المشاريع الصغيرة  
NATIONAL MICROFINANCE BANK

## Business Model

National Microfinance Bank (NMB) is a Jordanian microfinance institution registered as a private shareholding company and authorized by the Central Bank of Jordan to provide financial service for existing and startup micro-to-small businesses (MSMEs) with amounts ranging from USD 300 to USD 70,000. It employs around 485 employees and serves more than 84,000 clients through a network of 34 branches distributed all over Jordan.

NMB contributes positively to two main sectors; the agricultural and educational sectors. Both sectors play a vital role in shaping the economic and social systems of the communities in Jordan, and are closely linked to build up capacities, preserve the natural environment and achieve sustainability.

**The agricultural sector** faces problems and challenges represented by successive years of drought, fluctuating rains, lack of agricultural land, scarcity of water resources, and various other risks. The agricultural sector contributes to **28%** of the GDP and employs **3.5%** of the total workforce. Agricultural exports constitute around **18%** of the Kingdom's total exports, **92%** of which go to Arab markets. Jordan has achieved self-sufficiency in several agricultural products such as olive oil, seeds and milk. However, many basic food products such as

wheat, dairy products, sugar, red meat and vegetables are imported from abroad..

Within the **educational sector**, despite some impressive improvements in the past years, the quality of education remains uneven and not competitive by international standards. The sector continues to face persistent problems due to pressures of a growing, young population, migration from private to public schools, and an increasing refugee population, which puts additional stress on the public system's facilities, particularly in disadvantaged areas.

As the COVID-19 pandemic has caused massive impact on micro-businesses<sup>1</sup>, including home-based and early-stage businesses, both sectors have been especially hard-hit, with large portions of their workforce vulnerable to layoffs; suffering due to lack of cash reserves, financial resources, and assets as well as access to finances to cover fixed costs and to respond to the crisis.

<sup>1</sup> This new economic situation poses a significant risk to Jordan in the short term. With an unemployment rate of 19% at the end of 2019 and a slowdown of business-as-usual economic activity, families and small business will struggle.

According to a study done by the ILO, the pandemic has been particularly harmful to micro and small businesses in Jordan; **98%** of the surveyed enterprises confirmed that they were negatively impacted in one way or another. National GDP is estimated to have fallen by **23%** during lockdown periods, a **30%** drop in the services sector with **20%** total employment losses, mainly driven by job losses in the service sector, followed by agriculture. At the same time, household income

fell on average by one-fifth due to the lockdown, driven by contraction in service sector activities, a slowdown in manufacturing activity and lower remittances coming from abroad.

As a result, NMB has developed new loans programs targeting stakeholders that work within the education and agriculture sectors to support and enhance living standards.



## Key Stakeholders

The **agricultural sector** is considered a source of income for about 80,000 families in rural and urban areas and the Ministry of Agriculture is increasingly involved in all aspects of agricultural development. Farming is also labor-intensive in Jordan, where about **20%** to **30%** of the male workforce continues to depend on farming for their livelihood.

In the **educational sector**, with the literacy rate standing at more than **93%**, there is equal opportunity for students from both genders to access schools till secondary education. The Jordanian public school system also supports over 143,000 refugee students, adding more pressure on the educational system in the country, while nearly **35%** of public schools are rented or double-shifted.

# Agricultural Sector

## 1. Planning For Impact

### Impact Value Chain

The **Impact Value Chain** is a visual map of how an organization's strategy and operations contribute to its business value and the Sustainable Development Goals (SDGs). The Impact Value Chain allows the organization to holistically understand the effects of its inclusive business activities on different groups of people and the planet.

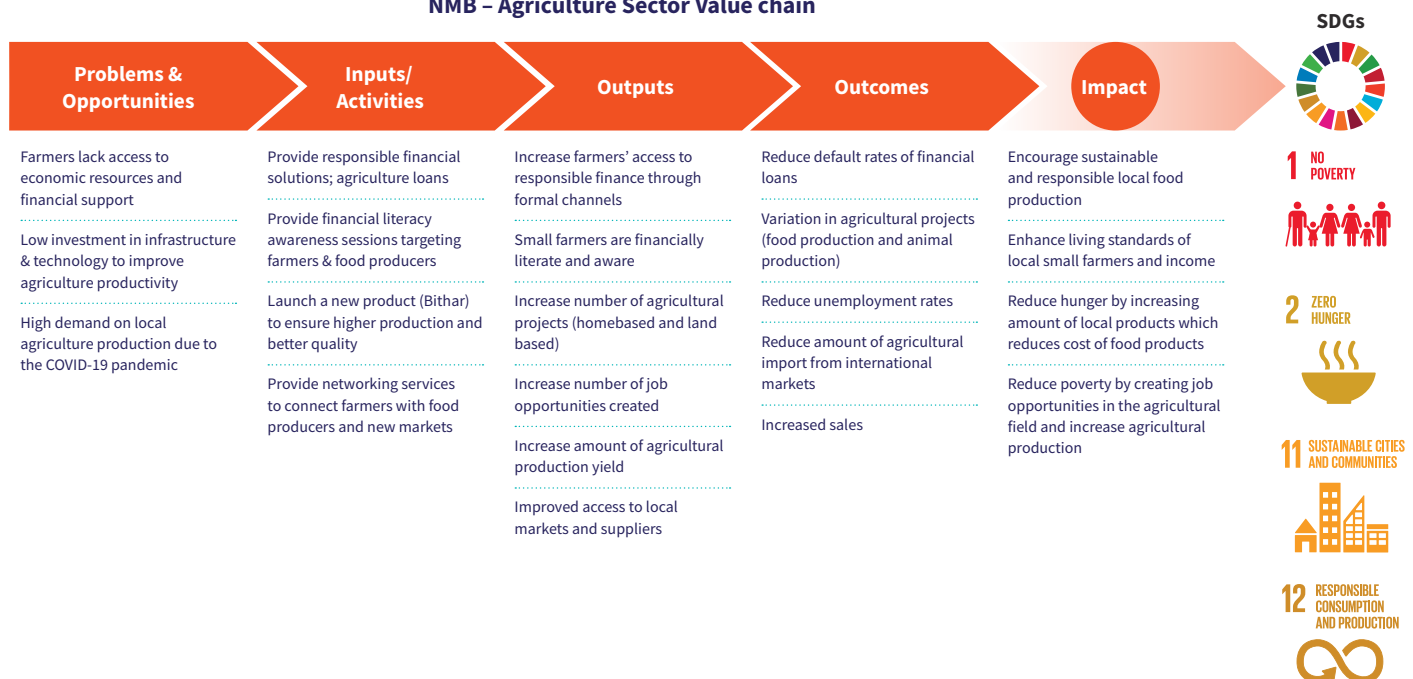
The major problems and opportunities of the agricultural sector in Jordan, along with the responsive actions that have been done by NMB are represented in two main challenges:

**First**, and as a response to the lack of farmers' access to economic resources and financial support, NMB is providing responsible financial solutions and financial literacy awareness sessions targeting farmers and food producers. As a result, there was an increase in the farmers' accessibility to responsible and sustainable finance through formal channels, along with an increase in the farmers' literacy and financial awareness. This, at the medium term, resulted in increasing farmers' income and reducing the default rate of financial loans.

In the long run, the farmers' living standards have been enhanced, and the level of poverty has been reduced through creating job opportunities in the agricultural field, increase agricultural production, and encourage sustainable and responsible local food production.

**Second**, to solve the problem of low investments in infrastructure and technology, NMB launched the 'Bithar' (meaning seeds in Arabic) loan project, which looks at providing extra loans for farmers. This has resulted in increase in the number of agricultural projects (home-based and land based). This has led to the creation of more job opportunities, especially for female households, along with variation in the agricultural projects and businesses (food production and animal production), and a reduction of unemployment rates and the amount of agricultural import from international markets. These outputs and outcomes will have a great impact on enhancing the living standards of local small farmers, reducing poverty by creating job opportunities in the agricultural field, encouraging sustainable and responsible local food production, and reducing hunger by increasing the amount of local products which reduces cost of food products.

NMB – Agriculture Sector Value chain





## 2. Monitoring Performance

NMB has a pool of 84,000 customers located in almost all cities of the Kingdom of Jordan. These customers are classified within 10 sectors: productive, insurance and healthcare, commercial, educational, services, agricultural, tourism, industrial and energy and environment.

For the purpose of this report and to analyze impact, NMB surveyed 107 customers out of a total of 826 customers in the agriculture sector. Customers of this sector are very gender equal; the selected sample included **61%** females. It is also worth mentioning that more than **40%** of these customers are located in the main poverty pockets of Jordan, including Southern Ghour (**16%**), Western Irbid (**14%**) and Madaba (**14%**), where the family income is around USD 2 to 3 a day.

To assess their performance, NMB highlighted the baseline value for 2019, compared to the actual value till end of July 2021, along with the targeted impact till end of 2021. This is done to better evaluate the current situation and its impact on operations, customers and future targets.

As shown in table (1), due to pandemic circumstances and the low numbers of and amounts of loans distributed in 2020, there was a drop in the numbers and amounts of the first three indicators (numbers and amount of loans for male and female customers) and an increase in the percentage of defaulted agriculture loans (indicators 5 and 6).

### NMB Contribution

Based on local surveys of the Jordanian market post COVID-19, the agricultural sector was among the main sectors that continued to thrive due to the increase in demand for local productions. This increased the need for agribusinesses owners to get financial solutions to help growing and developing their businesses. NMB surveyed a number of active clients and guarantors who have benefited from loans for agriculture purposes to understand their needs, which helped in developing a product with a loan size, amount and repayment method at a very competitive interest rate that also suits the needs of agriculture beneficiaries.

Based on that, the Bithar project was launched utilizing a client centric approach considering the needs of the agricultural sector, targeting farmers and owners of agricultural and livestock projects and seasonal projects, who have agricultural assets such as land or livestock to cover operating costs and support the project, to purchase the requirements of agricultural production, both plant, and animal production, and fattening projects.

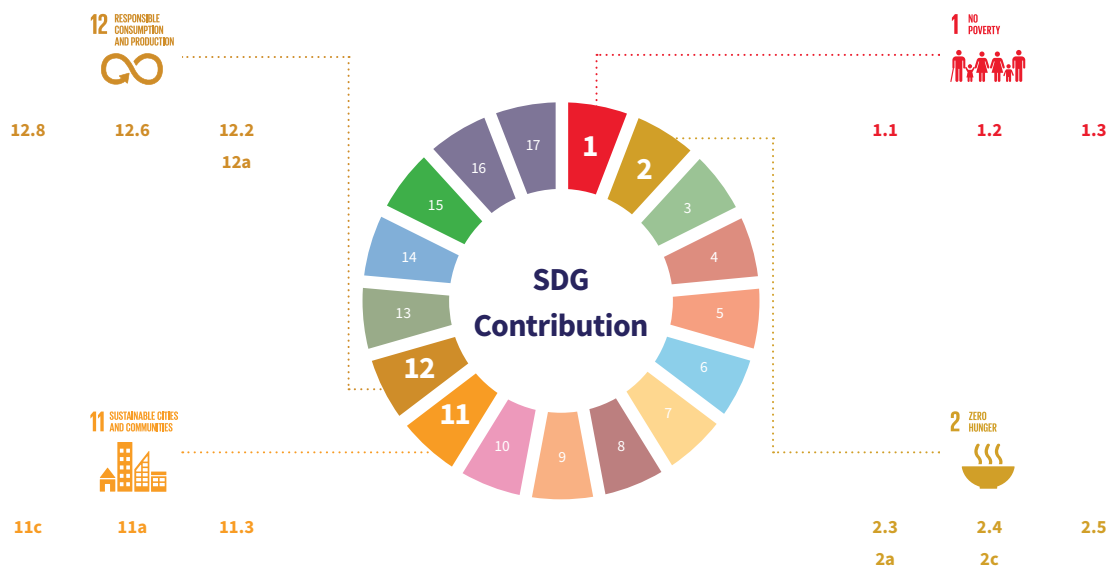
This product provided a loan amount ranging from USD 700 to USD 5000, and is a fully digitalized service.

The main impact of this project is increase in income, as stated by **93%** of farmers, thus improving the quality of their lives. Moreover, **28%** of the clients reported creating additional job opportunities, while **51%** stated that the variety and quality of their products has been enhanced.

### Indicators Table

Indicators	Baseline Value (2019)	Actual for 30/6/21	Target End of 2021	Stakeholders	Data Collection Method	Data Source	Linked SDG Targets
Number of total clients in the agricultural sector from all NMB clients	903	826	800	Primary	Database	1-2-11-12	826
Number of loan female agriculture	587	508	500	Farmers	Primary	Database	1-2-11-12
Number of loan male agriculture	316	318	300	Farmers	Primary	Database	1-2-11-12
Amount of loan disbursed for agricultures purpose	USD 863,150	USD 480,890	USD 423,729	Farmers	Primary	Database	1-2-11-12
Average number of jobs created	1.3	1.2	1.5	Farmers, their families	Primary	Database	1-11
Percentage of defaulted agriculture loans for female	0.789%	2.6%	1.5%	Farmers	Primary	Database	11-12
Percentage of defaulted agriculture loans for male	1.640%	4.5%	2.5%	Farmers	Primary	Database	11-12
Average increase in income for small farmers	USD 550	USD 424	USD 424	Small Farmers	Primary	Database	1-11
Percentage of loans by female agriculture	65%	61%	60%	Farmers	Primary	Database	1-2-11-12
Percentage of loans by male agriculture	35%	39%	40%	Farmers	Primary	Database	1-2-11-12
Percentage clients who said that new projects were created / found new job opportunities	0	28%	30%	Clients	Secondary	Survey	1-2-11-12
Number of clients who got loans for the Seed Project	0	260	350	Clients	Primary	Database	1-2-11-12

### NMB IVC – SDG Wheel



## Way Forward

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Committing to IMM practices has created a deeper understanding of the impact created by the microfinance bank's initiatives. In this particular case, it helped NMB understand the impact of the Bithar project and how to manage it in a way that increased production quality and quantity and enhanced farmers' living standards.

Meanwhile, to better manage their impact through providing non-financial services to support the agriculture beneficiaries and their businesses, NMB will be working on offering networking services to connect farmers with food producers and new markets. Through this initiative the bank has discovered new problems in the supply chain that were forcing the farmers to sell at lower prices.

NMB detailed analysis through direct interviews with questions to better understand the impact of this project after six months of implementation. This approach aims to improve their access to local markets and suppliers and increase their sales. This will lead to:

- Enhance the living standards of local small farmers.
- Reduce poverty by creating job opportunities in the agricultural field and increase agricultural production.
- Encourage sustainable and responsible local food production.
- Reduce hunger by increasing the amount of local products which reduces cost of food products.



# Educational Sector

## 1. Planning For Impact

### Impact Value Chain

There are three main problems and opportunities in education sector outlined in the impact value chain.

**One** of the most challenging problem in the educational sector is the lack of public awareness on vocational education and the real market's need for skilled/trained students. This problem causes an increase in unemployment rates among youth due to the saturation of the market with academic graduates/students. NMB helps mitigate these two problems by providing the necessary guidance and awareness workshops regarding the available options when considering vocational education and providing joint workshops or skills exchange between Jordanians and Syrian refugees and by providing financial services to cover vocational education fees.

The outputs of these activities are increased awareness on the importance of vocational training among youth and their parents, increased number of graduates from vocational education institutions, and enhanced integration of refugees in the community.

As a result, there is an increase in the number of jobs created and business owners (entrepreneurs), wider professions and skills available at different sectors in the market, enhanced living standards of refugees, and higher social cohesion in the community. This will leave a great impact on:

- Improving the quality and accessibility of vocational education
- Enhancing living standards and reducing poverty

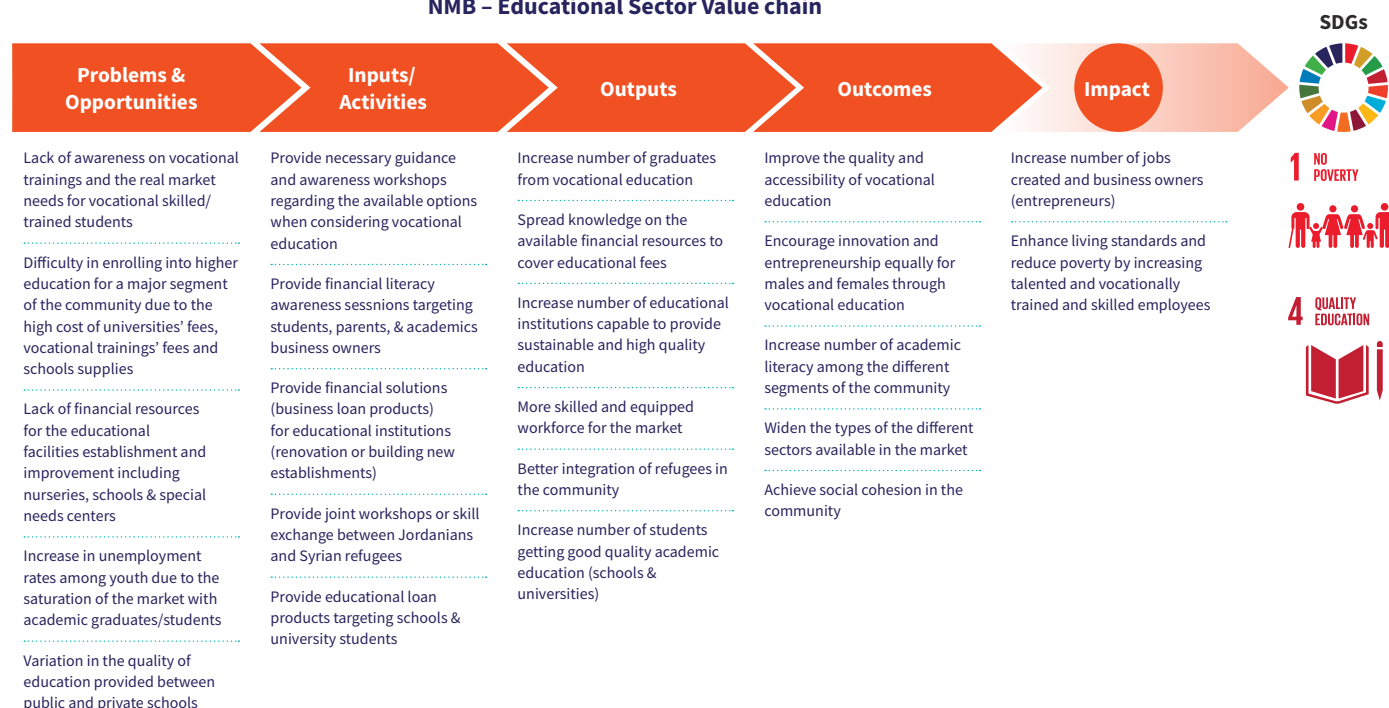
- Encouraging innovation and widening the scope of talents
- Encouraging entrepreneurship and job creation equally for males and females

The **second** problem is the wide gap and variation in the quality of education between public and private schools, and difficulty in enrolling into higher education for a major segment of the community due to the high cost of universities' fees, vocational training fees and schools' supplies. To overcome this problem, NMB is providing educational loan products targeting school and university students, which will increase the number of students getting good quality academic education. In addition, NMB is providing financial literacy awareness sessions targeting students, parents, and academics business owners to spread knowledge on the available financial resources to cover educational fees, increase number of academic literacies among the different segments of the community, which can result in enhancing living standards and reducing poverty by increasing talented and vocationally trained and skilled employees.

The **third** problem is the lack of financial resources to establish new, and renovate old educational facilities including nurseries, schools and special needs centers. NMB is contributing to solve this problem by providing financial solutions (business loan products) for educational institutions (renovation or building new establishments) and help increasing the number of educational institutions capable of providing sustainable and high-quality education. This will, in return, increase number business owners (entrepreneurs) and number of jobs created and encourage entrepreneurship and job creation equally for males and females, while enhancing living standards and reducing poverty.



## NMB – Educational Sector Value chain



## 2. Monitoring Performance

The table in the Framing Impact section was set to address the impact of the financial and non-financial services provided by NMB for the benefit of the educational sector in Jordan. Through tracking performance on these indicators, NMB will be able to measure the key achievements of the provided services and the actions needed for the development of these services.

In this sector, NMB has provided loans for two main purposes: **Academic and Business**. The first one, which represents **88%** of the whole amount of loans, aims at supporting students complete their academic and/or vocational education. The business loans, which represents the remaining **12%** of total amount and value of loans aims at supporting educational businesses in terms of schools, universities and kindergartens.

The percentage of female active beneficiaries reached **71%** by June 2021 with a target to maintain this number by the end of the year.

NMB's total value of loans disbursed for education purposes has reached USD 436,480 with a target to more than double it by the end of the year to reach around USD 958,970. This is due to the high demand on educational loans, especially due to the pandemic, where many people experienced a loss of income, which made them unable to complete their education.

### NMB Contribution

As NMB is aware of the high demand of vocational trainers in Jordan, they held awareness sessions for around 700 of their customers.



Indicators	Baseline Value (30/6/2021)	Target for (2021)	Stakeholders	Data Collection Method	Data Source	Linked SDG Targets
Number of active beneficiaries for education loans for females	975	1,200	Students	Primary	NMB database	1-8
Number of active beneficiaries for education loans for males	388	500	Students	Primary	NMB database	1-8
Total value of loans disbursed for educational loans (students)	USD 436,480	USD 958,970	Students	Primary	NMB database	1-8
Total number of disbursed benefices from business loans educational purpose	20	30	Business owners	Primary	NMB database	1-8
Value of loans disbursed for educational business purposes	USD 54,869	USD 82,290	Business owners	Primary	NMB database	1-8
Number of active loans provided for business purposes (for schools, universities)	13,367	13,635	Business owners	Primary	NMB database	1-4-8-9
Total number of loans	67,089	68,727	Clients	Primary	NMB database	4-8-9
Number of loans per sector:						
<b>Productive</b>	2,132	2,175	Clients	Primary	NMB database	4-8-9
<b>Insurance and health care</b>	2,390	2,438		Primary	NMB database	4-8-9
<b>Commercial</b>	25,124	25,626		Primary	NMB database	4-8-9
<b>Educational</b>	1,363	1,700		Primary	NMB database	4-8-9
<b>Service</b>	6,077	6,199		Primary	NMB database	4-8-9
<b>Agricultural</b>	826	843		Primary	NMB database	4-8-9
<b>Tourist</b>	32	33		Primary	NMB database	4-8-9
<b>Industrial</b>	215	219		Primary	NMB database	4-8-9
<b>Energy and environment</b>	13,081	13,343		Primary	NMB database	4-8-9
<b>Consumer</b>	15,849	16,166		Primary	NMB database	4-8-9

## Way Forward

In the near future, NMB will provide the necessary guidance and awareness workshops regarding the available options when considering vocational education targeting educational loan beneficiaries and potential clients.

These awareness workshops will increase the number of graduates from vocational education and number of jobs created and business owners (entrepreneurs) and enhance living standards and reduce poverty by increasing talented and vocationally trained and skilled employees.



## Challenges & lesson learned

One of the biggest challenges faced is the fact that the IMM concept is relatively new for all types of businesses in the region, especially in the microfinance industry. Special efforts, training courses, meetings and emails were used as tools to properly inform NMB staff, who were responsible for delivering further awareness and training sessions for employees and clients. Accordingly, and to make sure the proper messages were delivered, it was important to simplify the information and give practical examples of real cases to show how to collect and analyze outcome data and use it to enhance operations and increase impact.

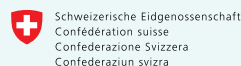
NMB is aware that adopting this concept within its operations is of great importance; it will help generate a greater understanding of the client's needs, priorities and aspirations. NMB will be integrating its tools of impact measurement into daily operations which will greatly help them take impact measurement a further step into better serving clients, through getting better insight of their needs, resulting in more client centric financial products or by adding needed non-financial services.



Contact the Business Call to Action

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