

**Achievement of Market-Friendly Initiatives and Results Program
(AMIR 2.0 Program)**

**Funded by
U.S. Agency for International Development**

Update Credit Demand Survey

Final Report

**Deliverable for Micro-Enterprise Initiative Component, Task No. 316.2.2
Contract No. 278-C-00-02-00201-00**

October 2002

This report was prepared by Jorge L. Daly, in cooperation with Community Development Group (CDG) and in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.

Table of Contents

	Page
Executive Summary	1
I. Introduction	4
Purpose and Significance of the Survey	4
Methodology and Sample Size	4
Organization of the Survey	5
II. Basic Profile of the Market	6
II.1 Typology Analysis	6
II.2 Socioeconomic Features of the Sample	10
II.2.1 Gender Characteristics	10
II.2.2 Governorate Characteristics	11
II.2.3 Urban-Rural Characteristics	13
II.2.4 Formal-Informal Business Characteristics	13
III. Loan Demand Analysis	
III.1 Informal Borrowing	15
III.2 Willingness to Borrow	18
III.3 Size, Preferred Terms and Use of Potential Loans	20
III.4 Credit History	25
III.5 Estimates of Potential and effective Demand	27
IV. Outlook for Business Growth and Expansion	29
IV.1 Basic Business Features	29
IV.2 Employment	32
IV.3 Potential for Business Growth and Constraints	33
Conclusions	35
Annex A: Questionnaire for Micro-Finance Market Demand in Jordan	38
Annex B: Distribution of Sample	44

Executive Summary

1. In June 2002, AMIR commissioned CDG to conduct a market survey nationwide with the objective of updating information on micro-loan demand. Its main purpose was to estimate micro-credit national demand and provide approximations by governorate, by type of business registration (formal or registered businesses and informal or non-registered businesses), by gender and by urban-rural location of establishments. Another important objective was to determine the basic profile of prospective customers, both in terms of risk and willingness to borrow.
2. The sample consisted of 4060 establishments surveyed, distributed nationwide. Of this, 2000 were registered businesses and 2060 non-registered. In terms of gender, male-owned businesses surveyed amounted to 2686, while those owned by women were 1374. And, in terms of urban-rural location, 3489 questionnaires were filled in urban areas and 571 in rural areas.
3. Notwithstanding that, in comparison with previous surveys conducted in East Amman, Zarqa and Irbid, the number of high-risk prospective customers is notably higher, the prevalent typology of nationwide customers seems to be the moderate risk/moderate potential. Almost 57% of respondents are clustered in this category. MFIs thus face a predominantly moderate-risk national market which, when assessed in combination with the potential demand for loans, is biased in the direction of caution or at best lukewarm enthusiasm on part of prospective clients
4. Borrowing from moneylenders is insignificant, but access to and actual borrowing from informal sources and from suppliers was acknowledged by sizeable numbers of prospective customers. In the national sample, 37% of respondents indicated they had access to loans from relatives, friends and neighbors. As seen by gender, women do have more access (48%) to these types of loans than men (40%). In the case of supplier loans, the proportion of prospective clients with access to this type of financing is even higher (47%) but men (56%) benefit from this more than women (31%).
5. To estimate micro-credit demand, two indicators were used. The first is the potential size of demand, determined by the *willingness of establishments to borrow*. The second is the effective market demand, which is determined by the monthly installment *micro-entrepreneurs can afford to pay*. The latter provides a more accurate approximation of actual market demand for micro-loans.

Potential Demand Size: It was estimated at JD220 million. Of this total, JD146 million is attributed to registered businesses and JD74 million to non-registered concerns. As regards urban-rural location, JD185 million is generated from urban-based establishments and JD35 million from firms located in rural areas. The following facts are worth citing:

- Demand for loans below JD200 and above JD10,000 is insignificant. Below JD200 only 0.5% of MSE are interested, while above JD10,000 the percentage is 2%.
- 38% of micro and small enterprise (MSE) willing to borrow demand loans within range of JD201 and JD1000.
- 22% of MSEs willing to borrow demand loans within range of JD1001 and JD2000
- 17% of MSEs willing to borrow demand loans within range of JD2001 and JD4500
- 14% of MSEs willing to borrow demand loans within range of JD4501 and JD7000 and 6.5% of them are willing to borrow within range of JD7001 and JD10,000.

Effective Demand: It was estimated at JD86 million. Of this total, JD54 million is attributed to registered businesses and JD32 million to non-registered concerns. As regards urban-rural location, JD74 million is generated from urban-based establishments and JD12 million from firms located in rural areas. The following facts are worth citing:

- 13% of SMEs willing to borrow can only make monthly payments below JD25
- 37% of MSEs willing to borrow can make monthly payments within range of JD26 and JD50
- 31% of MSEs willing to borrow can make monthly payments within range of JD51 and JD100
- 12% of MSEs willing to borrow can make monthly payments within range of JD101 and JD200.
- 7% of MSEs willing to borrow can make monthly payments of above JD200.

The breakdown of potential and effective demand by governorate is shown:

Governorate	MSE Population	MSEs Willing to Borrow	Potential Demand Size (in millions of JD)	Effective Demand (in millions of JD)
Irbid	16,702	9,130	31.6	10.1
Al-Mafrak	3,412	1,931	2.6	1.1
Ajloun & Jerash	1,042	916	0.7	0.5
Zarqa	30,212	17,387	45.3	18.4
Al-Balqa	4,304	1,945	5.6	2.1
Amman	66,522	33,264	107.0	44.9
Madaba	3,900	2,527	7.9	2.1
Al-Karak	1,600	1,163	3.6	1.4
Al-Tafileh	1,344	747	2.3	0.8
Maan	1,250	1,031	1.0	0.3
Aqaba	7,086	4004	12.4	4.3
Total	137,374	74,045	220	86

6. Taking into account the fact that, based on credit history, commercial banks have been able to capture, at most, only 10% of prospective customers, the market segment that can be captured by MFIs is of considerable size. Given the fact that NGO activity is insignificant, this means that MFIs can potentially capture almost 90% of the market. However, it must be emphasized that 90% of potential and effective demand is concentrated in just four governorates – Amman, Irbid, Zarqa and Aqaba. The rest of the governorates do not exhibit a critical population mass which would enable MFIs to operate with large volumes of loans and, consequently, with significantly lower operating costs.
7. Of these four governorates, Irbid and Aqaba feature markets with scant expectations for expansion. In Irbid, only 30% of respondents indicated that they were willing to expand their businesses, while in Aqaba 25% reported so. These proportions are way below the national average – 40%.

Equally significant is the fact that firms willing to expand operations predominantly prefer to finance expansion from cash or retained earnings. This fact supports the important finding that micro-entrepreneurs exhibit a certain degree of reluctance to borrow. And, when they acquiesce to do so, they reveal preference from commercial banks. At the moment, MFIs do not figure predominantly in their plans.

8. Lastly, it should be indicated that women, in general, seem to be better prospects than men. Not only are they more willing to borrow and are, on the whole, safer risks. Significantly, they are more optimistic about the future. In fact, close to half of the sampled women indicated that there were no constraints to business expansion (for men this percentage is 28%. The significance of this finding should not be lost in MFIs.

Micro-Credit Demand Survey

I. Introduction

It is a principal objective of the AMIR Program to foster the expansion of financial services to Jordan's micro-enterprises. To meet this goal, AMIR provides assistance to the Jordan's premier microfinance institutions (MFIs) so that, in time, they will be able to manage self-sustaining, profitable micro-credit programs.

In June 2002, AMIR commissioned CDG to conduct a market survey nationwide with the objective of updating information on micro-loan demand. The survey therefore builds on the very important findings unveiled in the Baydas micro-credit demand study (1998) and in market surveys conducted in East Amman (1999) and Irbid and Zarqa (2000).

Purpose and Significance of the Survey

- (i) An estimation of micro-credit national demand. The survey also provides approximations of micro-credit demand by governorate, by type of business registration (formal or registered businesses and informal or non-registered businesses), by gender and by urban-rural location of establishments.
- (ii) The survey will shed light on the basic characteristics of market demand, that is, on the socio-economic profile of clients and their likely attitude towards risk and willingness or unwillingness to solicit loans from MFIs. To this end, and following the methodology employed in previous surveys, a typology of micro-entrepreneurs, expressed in terms of credit worthiness (risk) and potential for loan demand, was constructed.
- (iii) An assessment of business growth and constraints which may negatively affect on potential demand for micro-loans. In doing so, the survey attempts to provide valuable information not only to MFIs but also to Enterprise Development Centers for the future provision of business development services.

Methodology and Sample Size

Conduction of the survey took into account both registered (formal) establishments and non-registered (informal) businesses. To survey formal businesses, a sample was obtained from data on business licenses provided by the country's municipalities. Accordingly, as of June 2002, there were a total of 68,687 registered businesses nationwide. Statistical estimation and analysis was predicated upon a confidence interval of ± 2.16 , which yielded a total of 2000 establishments, that is, 2.91% of the total number of registered enterprises nationwide, which were surveyed.

Unfortunately, and not unlike experiences with past surveys, lack of reliable statistics and studies on the composition and characteristics of the informal sector prevails. The survey

used the assumption that the number of informal enterprises would roughly correspond to 100% of total formal businesses related to such sectors.

During the field work, a total of 60 more establishments were added to the sample, which brings the total to 4060. Of this, 2000, that is, 49.3% include % as well as number were registered businesses and 2060 (50.7%) please include % as well as number non-registered. In terms of gender, male-owned businesses surveyed amounted to 2686, while those owned by women were 1374. And, in terms of urban-rural location, 3489 questionnaires were filled in urban areas and 571 in rural areas.

Not unlike past surveys, it must be stated that the conduction of the survey was riddled with difficulties regarding data collection. While not the norm, the surveyors encountered refusal to cooperate on part of decision makers, in part due to their being busy with customers, their belief that the surveyors represented the tax authority, unwillingness to cooperate or simply unavailability. Fortunately, on the whole, these problems were successfully addressed.¹ Another problem was that the supervisors were forced to change their work location because of road excavations in the visited area, or lack of variety in business activities. This occurred in Karak, Wadi Mousa, Khrabet el-Souq, Sahab, and Al-Azraq Al-Shamali.

Organization of the Survey

The survey is made up of three sections. Section II sheds light on some socio-economic characteristics of micro-entrepreneurs in Jordan, with special emphasis on risk profile and their potential demand for loans. Section III is devoted to loan demand analysis and provides an approximation to both potential and effective demand for micro-loans. Section IV describes the outlook for business growth and identifies principal constraints.

The survey is accompanied by two annexes. Annex A details the questionnaire that was used in the survey. Annex B details the areas that were surveyed and the distribution of the sample by governorate.

¹ To help the supervisors do their jobs, many associations, centers and associates, with which CDG has good relations, were contacted and asked for assistance especially in locating females working informally from their homes. Those were: Princess Basma Centers, Microfund for Women, Working Women Association, Refugees Camp Improvement Association (Shniller), Relief and Works Agency for the Palestinian Refugees-UNWRA (Wehdat), and other active individuals, such as Ms. Fasel Al-Khalidi (Ma'raq), Ms. Thuraya Al-Ateb (Khalidieh), Ms. Sahar Abu Nassar (Amman), Um Tha'er (Wehdat Camp), Ms. Na'ela Al-Wadah (Aqaba), Mr. Ghazi Al-Mughrabi (Ma'an), and Engineer Ziad Al-Ajrashi (Tafileh).

II. Basic Profile of the Market

This section provides an overview of both the basic characteristics of the sample according to risk and potential demand for loans (typology analysis) and the socioeconomic features of potential clients.

II.1 Typology Analysis

The entire sample was profiled by risk and potential demand for loans.² Ideally, for any MFI, the ideal market is composed of borrowers who feature very low probability of loan default, that is, that they are very good risks, and, on the other hand, high potential of effective loan demand. In the context of Jordan, the ideal micro-enterprise customer constitutes a type that exhibits the following characteristics:

- 5 to 10 employees
- Market value of assets (excluding land and building) below JD2,000.
- A ratio of total sales to total cost of inputs below 1.3
- Has previous or existing transactions with money lenders.
- Has access to loans from friends and relatives
- Has access to trade or supplier loans.
- Inability to finance expansion solely from retained earnings.
- Previous use of formal loans
- References on his/her character given by a supplier.
- Has sources of income other than those generated by business.
- Is older than 35 years old.
- Has dependents attending school.
- Owns any real estate.
- Has been operating the business more than 3 years.

This ideal type, that is, one that combines low risks and high potential (LR/HP) for loan demand, is virtually non-existent in the entire country. In fact, the distribution of respondents per specific typology indicated that there were only 9 establishments, out of the 4060 surveyed that featured the characteristics cited above.

Six other typologies were considered: low risk/moderate potential (LR/MP), low risk/low potential (LR/LP), moderate risk/high potential (MR/HP), moderate risk/moderate potential (MR/MP), moderate risk/low potential (MR/LP) and high risk (HR). What then is the typical profile of the micro-enterprise customer in the country? The answers can be found in the tables which depict the sample distribution by typologies for the country and

² Arbitrary weights were assigned to responses on questions associated with risk and potential demand behavior. Those for risk included: age (Q2), dependents attending school (Q3), ownership of assets (Q4), character reference (Q5), other sources of income (Q6), years operating the business (QB3) and the relationship between sales and loan size. Those for potential demand were: number of employees (QB1), willingness to borrow (Q17), estimated value of business assets (Q29), access to informal, moneylender and trade loans (Q10, 12, 15), ability to self fund investments (Q9), previous application or use of formal loans (Q25), and profitability.

divided by governorate, gender and urban/rural establishments. (See Tables II-1, II-2, II-3 and II-4). It is worth highlighting the following facts:

- Respondents grouped under the typology of high risk, that is, clients who under no circumstances should be served by MFIs, is unusually high (25.3% of the national sample).
- When analyzed by governorate, significantly lesser responses grouped under the high risk typology were detected in governorates with a smaller number of potential establishments. In these, the percentage of establishments categorized under high risk was markedly less than the national average – Ajloun and Jerash (3.4%), Al-Karak (11.1%), Maan (11.4%) and Madaba (13.6%).
- When analyzed by gender, male-run establishments categorized as high risk almost double that of female-owned establishments – 29.6% in the case of the former as opposed to 16.4% in the case of females.
- The relative weight of high risk urban-based establishments (25.7%) is slightly higher than the rural-based (22.4%).
- It is also interesting to note that the percentage of respondents grouped under high risk in areas where previous surveys were conducted in 1999 and 2000 – Amman, Irbid and Zarqa – has increased significantly. For example Amman, in this survey, now features 27.4% of potential establishments that are categorized as high risk, as opposed to 11% in 1999. In Irbid the percentage rose from 9% to 28.4% and in Zarqa from 8% to 25.8%.

The above suggests the possibility that market conditions in the last two years turned to the worse and, consequently, MFIs must strive to conduct with great care the risk-assessment of potential clients.

For the national sample, the prevalent typology seems to be the moderate risk/moderate potential. Almost 57% of respondents are clustered in this category. If the other two categories anchored in moderate risk are added – high potential (4.1%) and low potential (11.1%) – the percentage of potential clients who are considered moderate risks increase to 72%. The concentration of respondents in these typologies is depicted in Table II-5. Still, this presumes the sharpening of marketing techniques by MFIs to attract potential clients, since a relatively important percentage of them denote a reluctance to apply for loans.

This point should not go unnoticed at the moment of targeting female or male-run establishments. Within the categories which comprise the prevailing market typology, a higher percentage of female respondents (14.3%) are clustered in moderate risk/low potential than male respondents (9.5%). This suggests that more marketing efforts should be addressed to women. As regards analysis by governorate, Aqaba and Maan feature relatively higher percentage of respondents under this typology (15.6% and 14.3% respectively) than the rest of governorates.

In sum, MFIs face a predominantly moderate-risk national market which, when assessed in combination with the potential demand for loans, is biased in the direction of caution

or at best lukewarm enthusiasm on part of prospective clients. Include this paragraph in the Executive Summary (Jamil, this was already done, please see numeral 3 of Exec Summ)

Table II-1
Market Typologies: National Distribution

Type*	Frequency	Valid Percent
LR/HP	9	.2
LR/MP	97	2.4
LR/LP	5	.1
MR/HP	164	4.1
MR/MP	2272	56.8
MR/LP	444	11.1
HR	1011	25.3
Total	4002	100.0
Missing	58	
Total	4060	

*LR/HP: Low Risk/High Potential

LR/MP: Low Risk/Moderate Potential

LR/LP: Low Risk/Low Potential

MR/HP: Moderate Risk/High Potential

MR/MP: Moderate Risk/Moderate Potential

MR/LP: Moderate Risk/Low Potential

HR: High Risk

Please spell all i.e Low Risk / high potential (LR/HP) (Done).

Table II-2
Market Typologies: Governorate Distribution

	TYPE							Total
	LR/HP	LR/MP	LR/LP	MR/HP	MR/MP	MR/LP	HR	
Irbid	.2%	1.5%		4.0%	55.3%	10.6%	28.4%	100.0%
Al-Mafrak	1.1%	1.1%	2.1%		66.3%	10.5%	18.9%	100.0%
Ajloun and Jerash		6.9%		6.9%	82.8%		3.4%	100.0%
Al-Zarqa	.2%	2.7%		5.8%	56.4%	9.0%	25.8%	100.0%
Al-Balqa	.8%	4.0%		8.7%	54.8%	9.5%	22.2%	100.0%
Amman	.1%	2.2%	.1%	2.7%	54.9%	12.6%	27.4%	100.0%
Madaba		4.8%		8.8%	70.4%	2.4%	13.6%	100.0%
Al-Karak	1.9%	7.4%		5.6%	64.8%	9.3%	11.1%	100.0%
Al-Tafleh		2.3%	2.3%	6.8%	59.1%	9.1%	20.5%	100.0%
Maan		5.7%		8.6%	60.0%	14.3%	11.4%	100.0%
Aqaba	.5%	1.5%		4.4%	60.5%	15.6%	17.6%	100.0%
Total	.2%	2.4%	.1%	4.1%	56.8%	11.1%	25.3%	100.0%

Table II-3
Market Typologies: Gender Distribution

	Gender		Total
	Male	Female	
LR/HP	.1%	.4%	.2%
LR/MP	1.0%	5.4%	2.4%
LR/LP		.4%	.1%
MR/HP	5.0%	2.4%	4.1%
MR/MP	54.8%	60.8%	56.8%
MR/LP	9.5%	14.3%	11.1%
HR	29.6%	16.4%	25.3%
Total	100.0%	100.0%	100.0%

Table II-4
Market Typologies: Urban-Rural Distribution

			Total
	Urban	Rural	
LR/HP	.2%	.5%	.2%
LR/MP	2.2%	3.6%	2.4%
LR/LP	.1%	.2%	.1%
MR/HP	3.9%	5.4%	4.1%
MR/MP	56.4%	58.8%	56.8%
MR/LP	11.4%	9.1%	11.1%
HR	25.7%	22.4%	25.3%
Total	100.0%	100.0%	100.0%

Table II-5
Concentration of Respondents in Moderate Risks Typologies

	MR/HP	MR/MP	MR/LP	Total
Irbid	4.0%	55.3%	10.6%	69.9%
Al-Mafrak		66.3%	10.5%	76.8%
Ajloun and Jerash	6.9%	82.8%		89.7%
Al-Zarqa	5.8%	56.4%	9.0%	71.8%
Al-Balqa	8.7%	54.8%	9.5%	73.0%
Amman	2.7%	54.9%	12.6%	70.2%
Madaba	8.8%	70.4%	2.4%	81.6%
Al-Karak	5.6%	64.8%	9.3%	79.7%
Al-Tafleh	6.8%	59.1%	9.1%	75.0%
Maan	8.6%	60.0%	14.3%	82.9%
Aqaba	4.4%	60.5%	15.6%	80.5%
National	4.1%	56.8%	11.1%	72.0%

II.2 Socioeconomic Features of the Sample

This section will highlight the basic socioeconomic features of respondents in the national sample. In order to deepen the level of analysis, the features will be exposed by gender, governorate, urban-rural distribution, and business registration.

II.2.1 Gender Characteristics

- The proportion of male-run establishments which owns fixed assets is 42.2%. In the case of women, this proportion is significantly less (32.1%).
- Character reference is critically important for micro-lending. By far, suppliers are a more objective reference than relatives or friends. For men, suppliers can vouch for character in 42% of cases, while relatives and friends account for 58%. In the case of women, the situation is dramatically different: references on character are provided in 89% of cases by relatives or friends, whereas only 11% of respondents indicated that suppliers could vouch for their character.
- As regards education, 3.5% of respondents in the male sub-sample were illiterate, as compared to almost 13% in women. Men also edge women in basic education (40% in the former and 37% in the latter), completion of secondary school (29% against 23%), technical diploma (13.5% against 12%) and university degree (9% against 2%).
- Almost 54% of men-run establishments indicated that they had the capacity to self-fund business expenditures. In the case of women, this percentage is higher – almost 60%.
- With respect to business registration, a majority of men-run establishments indicated that their firms were formally registered (70%). In the case of women the situation is diametrically different: 90% of establishments are informal.
- As depicted in the Table II-6, the men sub-sample is almost evenly distributed by business activity. In the case of female-run establishments, there is a heavy concentration in production (60%). Within this activity, handicrafts (28.5% of women) are predominant, followed by garment manufacturing (19%) and food processing (12%). These productive businesses are not preferred by men, who are involved more in wood manufacturing and metal workshops (10.5% and 10.3% respectively of the male sub-sample).

Table II-6
Distribution of Men and Women Sub-Samples by Business Activity (%)

	Production (1)	Services (2)	Commerce (3)	Total
Men	34.6	32.3	33.1	100.0
Women	59.3	16.2	24.5	100.0

(1) It includes garment manufacturing, handicrafts, food processing, wood manufacturing and metal workshops

(2) It includes hairdressers, restaurants and other type of services

(3) It includes only trade activities.

II.2.2 Governorate Characteristics

Features on employment, business activity and education will be highlighted.

A. Employment

- With the exception of Zarqa, Al-Balqa and Madaba, all the governorates feature micro-enterprises with sole proprietors and no outside employees in more than 50% of cases. This percentage is significantly higher in Maan (77.5%) and Al-Karak (65.5%).
- Establishments with staff of 2 to 4 employees also constitute a sizeable proportion of respondents in all governorates, while micro-enterprises which employ 5 to 10 people are a small minority.

Table II-7
Employment by Governorate

	Sole* is it 0-2 please be specific	2-4 staff	5-10 staff	
Irbid	54.0%	40.5%	5.5%	100.0%
Al-Mafrak	55.6%	43.4%	1.0%	100.0%
Ajloun and Jerash	63.6%	36.4%		100.0%
Al-Zarqa	49.7%	47.0%	3.4%	100.0%
Al-Balqa	38.9%	57.1%	4.0%	100.0%
Amman	50.8%	45.1%	4.1%	100.0%
Madaba	46.4%	47.2%	6.4%	100.0%
Al-Karak	65.5%	34.5%		100.0%
Al-Tafileh	53.3%	46.7%		100.0%
Maan	77.5%	20.0%	2.5%	100.0%
Aqaba	51.2%	42.1%	6.7%	100.0%
National	51.2%	44.8%	4.1%	100.0%

* Run by owner solely, who is counted as one employee

B. Business Activity

The distribution of business activity by governorate is shown in Table II-8. Below we highlight some features pertaining to specific sectors within the activities:

- **Trade** (commerce) is predominant in Irbid (28%), Ajloun and Jerash (27%), Zarqa (35%), Amman (30%), Al-Karak (60%), and Al-Tafileh (31%).

- Almost half of respondents in Al-Mafraq are concentrated in **garment manufacturing** (22%) and **food processing** (25%). Ajloun and Jerash also show important concentrations in these two activities (15% in garment manufacturing and 18% in food processing).
- In both Madaba and Maan 20% of respondents are engaged in **food processing**.
- Because the size of their markets, the governorates of Amman and Zarqa show important concentrations of **handicraft production** (14% and 13% respectively). It is Maan however the governorate with the most important concentration of this business activity (32%).
- Irbid is the governorate which shows the most important concentration of **wood manufacturing** (12% of respondents). This governorate also shows an important concentration of establishments engaged in **metal workshops** (11%). However, as regards this last activity, Al-Tafileh (13%) and Aqaba (15%) are the governorates which show the highest relative concentrations.
- **Hairdresser** activity is high in Ajloun and Jerash (18%) and Maan (17%).
- Both Al-Balqa and Madaba show a remarkable diversification of business activities. In Al-Balqa, 12% of establishments are engaged in garment manufacturing, 11% in handicraft production, 13% in food processing, 12% are hairdressers, 12% are engaged in metal workshops and 13% in restaurants. In Madaba, the distribution is the following: 12% in garment manufacturing, 11% in handicraft production, 12% in restaurants, 21% in trade, 6% hairdressers and 6% metal workshops.

Table II-8
Distribution of the Governorate Sub-Sample by Business Activity

	Business Activity			Total
	Production	Services	Commercial	
Irbid	47.7%	24.0%	28.3%	100.0%
Al-Mafraq	60.6%	18.2%	21.2%	100.0%
Ajloun and Jerash	42.4%	30.3%	27.3%	100.0%
Al-Zarqa	42.9%	22.1%	34.9%	100.0%
Al-Balqa	50.8%	31.0%	18.3%	100.0%
Amman	39.6%	30.0%	30.4%	100.0%
Madaba	55.2%	24.0%	20.8%	100.0%
Al-Karak	29.1%	10.9%	60.0%	100.0%
Al-Tafileh	40.0%	28.9%	31.1%	100.0%
Maan	57.5%	22.5%	20.0%	100.0%
Aqaba	44.5%	31.1%	24.4%	100.0%
National	43.0%	26.8%	30.2%	100.0%

C. Education

- The highest proportion of micro-entrepreneurs who are illiterate is found in Maan. In this governorate, 30% of potential clients are illiterate. A distant second is found in Al-Mafraq and Madaba, each with 12% of illiterates.
- The governorates with the lowest percentage of illiterates are Amman (5%) and Al-Tafileh (2%). Important population centers such as Irbid and Zarqa feature degrees of illiteracy of 7.5% and 6.7% respectively.
- Two thirds of the national sample has completed either basic education or secondary school.
- Al-Balqa (21%) and Al-Karak (20%) are the governorates with the highest percentages of respondents who have completed a technical education.

II.2.3 Urban-Rural Characteristics

- The proportion of urban-based establishments which owns fixed assets is 38%. In the case of rural establishments, this proportion is higher (46%).
- In urban-based establishments, suppliers can vouch for character of micro-entrepreneurs in 33% of cases, while relatives and friends account for 67%. In the case of rural businesses, the situation does not vary much: references on character are provided in 75% of cases by relatives or friends, whereas only 25% of respondents indicated that suppliers could vouch for their character.
- As regards education, 6% of respondents in urban-based firms were illiterate, as compared to almost 10% of respondents in rural areas. Micro-entrepreneurs who run urban-based firms also edge those located in rural areas in basic education (39% in the former and 38% in the latter), completion of secondary school (27% against 26%) and technical diploma (13% against 12%).
- Almost 57% of urban-based establishments indicated that they had the capacity to self-fund business expenditures. In the case of rural firms, this percentage is 48%.
- 73% of respondents in urban areas did not report sources of income beyond the revenues generated by their businesses. In rural areas, the absence of other sources of income amounted to 70% of respondents.
- Almost half of business activities in rural areas correspond to production. They are almost evenly divided between food processing (15%), wood manufacturing (9%), metal workshops (8%), garment manufacturing (9%), and handicrafts (6%). In urban areas trade is the most important activity (31%) and, within production, handicrafts (14%).

II.2.4 Formal-Informal Business Characteristics

- 61% of formal establishments employ between 2 to 4 staff, while 32% of them do not operate with outside employees. For informal businesses, the percentages are 29% and 70% respectively.
- Almost half of informal establishments are engaged in production activities, of which handicraft production (20%), garment manufacturing (13%) and food processing (11%) are predominant. Trade activities account for 34% and services for 18%. In the case of formal establishments, 39% are engaged in production, of which wood manufacturing (13%) and metal workshops (12%) are important.

- Trade accounts for 26% of formal businesses and the percentage in services is 35%.
- The proportion of formal establishments which owns fixed assets is 45.6%. In the case of the informal, this proportion is significantly less (32.2%).
 - Suppliers can vouch for character of formal establishments in 44% of cases. In the case of informal businesses, this percentage is dramatically less – 19%.
 - Only 18% of formal establishments reported the existence of other sources of income. In the case of informal businesses, this proportion is more than double – 37%.
 - 54% of formal businesses and 57% of the informal reported ability to self fund expenditures.

III. Loan Demand Analysis

The objective of this section is to estimate and analyze micro-credit demand. Two indicators are used. The first is the potential size of demand, determined by the *willingness of establishments to borrow*. The second is the effective market demand, which is determined by the monthly installment *micro-entrepreneurs can afford to pay*. The latter provides a more accurate approximation of actual market demand for micro-loans.

The section first discusses patterns of borrowing outside established financial entities – money lenders, informal loans and supplier credit and proceeds to analyze willingness to borrow as a first approximation to market demand. Terms of potential demand for loans and the data on past credit history is also analyzed. The section closes with estimates of potential and effective loan demand.

III.1 Informal Borrowing

Borrowing from money lenders, informal sources and suppliers provides a useful snapshot of market demand activity. In principle, MFIs could meet this demand for micro-loans, provided it is done in a timely manner, and at reasonable cost.

Access to Money Lenders

At the national level, just 11% of all respondents indicated that they had access to money lenders. Yet, only a handful of respondents – 109, which corresponds to 2.7% of the national sample – actually did receive loans from money lenders. For this group, the average loan amount was JD1132.

Analysis by gender, business registration, urban-rural location, and governorate reveals the following findings:

- Men do have significantly more access to money lenders than women. In the case of men, 13% of men reported having access, as opposed to 7% of women.
- Loans received by women are concentrated in the range of JD200 – JD650. In the case of men, they are concentrated in two ranges: JD200 – JD650 and JD4501 – JD7000.
- Loans according to business registration basically follow the same pattern of gender. Access to money lenders reported by registered establishments corresponds to 13.3% of this sub-sample, while that of the informal businesses is 8.7%.
- 11.5% of urban establishments and 8% of the rural report access to money lenders. But actual loan activity in rural areas is virtually non-existent.
- The governorates where access was reported to be above the average of the national sample were Zarqa (14%), Al-Balqa (17%) and Amman (14%). Yet, only a handful of these respondents *actually* did receive loans from money lenders

- 3%, 2% and 4% in Zarqa, Al-Balqa and Amman respectively – and for amounts that rarely exceeded JD1000.

Access to Informal Loans

At the national level, 37% of all respondents indicated that they had access to informal loans. The average informal loan received is JD847, but the median is significantly less – JD200.

Findings obtained from gender, business registration, urban-rural location and governorates are highlighted below:

- Women do have more access to informal loans than men – 48% in the case of the former and 40% in the case of men. In both, the predominant sources are family members, followed by friends and neighbors. And in both, women and men, informal loans received are predominantly concentrated in range below JD200 – JD650.
- The data on business registration correlates with data on gender.
- Urban firms do have slightly more access to informal loans than rural establishments – 43% in the case of the former and 41% in the case of the latter. Primary sources in both are also family and friends and neighbors.
- Governorates where access was reported to be high were Zarqa (44%), Al-Balqa (59%), Amman (45%) and Maan (60%).
- The relative importance of the sources of informal loans varies by governorate. For example, ROSCAS seems to be more important in governorates with small potential client base, such as Ajloun and Jerash (35%), Madaba (30%), Al-Karak (37%) and Maan (50%). As regards governorates with larger populations, Amman basically mirrors the national sample but in Irbid and Zarqa ROSCAS play a smaller role (10% and 9% respectively). In Irbid, almost half of the potential sources are provided by friends and neighbors while in Zarqa the sources are mainly concentrated in family members (60%).
- As opposed to loans from money lenders, potential customers do *exercise effective access* to informal loans. For example, in Amman, 39% of respondents *did obtain* informal loans, equally divided between solicitations for below JD200 and for a range between JD201 and JD650. This pattern was not significantly different neither in relatively large governorates like Irbid, Zarqa and Aqaba, where 32%, 35% and 35% respectively of the respondents have made use of informal loans, nor in smaller ones like Al-Mafrak, Al-Balqa and Madaba, where approximately the same percentages held. Not unlike Amman, the amounts of these loans in all of them rarely surpassed JD650.

Access to Supplier Loans

At the national level, 47% of all respondents indicated that they had access to supplier loans. When received, the average was JD1182 but the median, not unlike that for informal loans, was also significantly lower – JD200.

Access by men is significantly higher than women – 56% against 31% -- and this is also reflected in terms of business registration – 59% in case of formal businesses as opposed to 36% in the case of informal firms. In terms of urban-rural location, there are not significant gaps: in both, access to suppliers was reported by slightly less than half of respondents.

Access to supplier credit by governorates is illustrated in the Table III-1

Table III-1

Access to Supplier Credit by Governorate

		Access to supplier loans		Total
		Yes	No	
Irbid	Count	243	248	491
	% within Governorate	49.5%	50.5%	100.0%
Al-Mafraq	Count	35	64	99
	% within Governorate	35.4%	64.6%	100.0%
Ajloun and Jerash	Count	14	19	33
	% within Governorate	42.4%	57.6%	100.0%
Al-Zarqa	Count	452	438	890
	% within Governorate	50.8%	49.2%	100.0%
Al-Balqa	Count	77	49	126
	% within Governorate	61.1%	38.9%	100.0%
Amman	Count	869	1078	1947
	% within Governorate	44.6%	55.4%	100.0%
Madaba	Count	67	58	125
	% within Governorate	53.6%	46.4%	100.0%
Al-Karak	Count	27	28	55
	% within Governorate	49.1%	50.9%	100.0%
Al-Tafileh	Count	21	24	45
	% within Governorate	46.7%	53.3%	100.0%
Maan	Count	19	21	40
	% within Governorate	47.5%	52.5%	100.0%
Aqaba	Count	96	113	209
	% within Governorate	45.9%	54.1%	100.0%
Total	Count	1920	2140	4060
	% within Governorate	47.3%	52.7%	100.0%

In all governorates, the size of supplier loans actually received is predominantly concentrated in range below JD200 and JD650.

III.2 Willingness to Borrow

Loan demand analysis must start, first of all, with a review of the most basic, elementary data. This is nothing but the willingness to borrow of potential clients from banks, NGOs and MFIs. Willingness to borrow is a first approximation to actual market demand.

At the national level, 53.9% of the total sample, that is, 2,189 establishments reported willingness to borrow from commercial banks, NGOs and MFIs. But this potential demand for loans varies according to gender, business registration, geographic location and governorate. To wit:

- 60% of women are willing to borrow as opposed to 51% of men.
- 58% of informal establishments are willing to borrow. In the case of formal establishments, this percentage drops to 49%.
- In rural establishments rural establishments report a higher relative willingness to borrow (58%). than urban-based ones (53%).
- With respect to governorates, willingness to borrow was higher in Ajloun and Jerash (88%), Maan (82%), Al-Karak (73%) and Madaba (65%). Table III-2 illustrates this.

Table III-2

Willingness to Borrow by Governorate (Absolute numbers and %)

	Willingness to borrow from banks, NGOs and MFIs		Total
	Yes	No	
Irbid	9,086 (54.4%)	7,616 (45.6%)	16,702 (100.0%)
Al-Mafraq	1,931 (56.6%)	1,481 (43.4%)	3,412 (100.0%)
Ajloun & Jerash	916 (87.9%)	126 (12.1%)	1,042 (100.0%)
Al-Zarqa	17,342 (57.4%)	12,870 (42.6%)	30,212 (100.0%)
Al-Balqa	1,945 (45.2%)	2,359 (54.8%)	4,304 (100.0%)
Amman	33,194 (49.9%)	33,328 (50.1%)	66,522 (100.0%)
Madaba	2,527 (64.8%)	1,373 (35.2%)	3,900 (100.0%)
Al-Karak	1,163 (72.7%)	437 (27.3%)	1,600 (100.0%)
Al-Tafileh	747 (55.6%)	597 (44.4%)	1,344 (100.0%)
Maan	1,031 (82.5%)	219 (17.5%)	1,250 (100.0%)
Aqaba	4,004 (56.5%)	3,082 (43.5%)	7,086 (100.0%)
Total Sample	73,886 (53.8%)	63,488 (46.2%)	137,374 (100.0%)

In this table please add absolute numbers

For the national sample, all those establishments willing to borrow (2189) exhibit interesting characteristics that are worth highlighting:

- Only 29% *do* report sources of income outside the normal revenues generated by the business.
- 52% do have the capacity to self fund business expenditures.
- Only 13% do have access to loans from money lenders
- 46% do have access to loans from informal sources – relatives, friends, neighbors
- 49% do have access to loans from suppliers.

Having stated all this, it is quite pertinent to ask the following question: why are people *unwilling* to borrow? The responses are very interesting. For the national sample, that is, for the 1869 respondents (46.1%) who are not reportedly interested in soliciting loans, the main reasons are the following: religious beliefs (31.5%), no need ((26%), fear of inability to repay loan (19.4%), and dislike to be in debt (14%). Interestingly, only 99 respondents, that is, 5.3% of those unwilling to borrow indicated as main reason high interest and fees.

The distribution of responses for *unwillingness to borrow*, at both business registration and urban – rural levels, basically follow the pattern of the national sample. But, when analyzed by gender and governorates, the *unwillingness* to borrow reveals significant differences. Accordingly, by gender:

- *Religious beliefs* are more important for men (34%) than for women (25%).
- *Fear of inability to repay loan*, on the other hand was cited more by women (28%) than by men (16%)
- Reasons of *dislike to be in debt* and *no need* are slightly higher in men (15% and 27% respectively) than in women (11% and 24% respectively).

And, by governorate:

- *Lack of collateral* is an important reason only in Ajloun and Jerash. In this governorate, 25% of respondents cited this fact as explaining their unwillingness to borrow.
- *High interest and fees* was also a predominant reason in Ajloun and Jerash (25%) and, to a lesser extent, in Al-Tafileh (15%) and Aqaba.
- *Religious beliefs* also feature predominantly in Ajloun and Jerash (50%), followed by Maan (43%), Madaba (41%) and Al-Karak (40%).
- *Fear of inability to repay the loan* is most important in Al-Mafrak (23%), Zarqa (22%) and Amman (20%) and least important in Al-Tafileh (5%).
- *No need* for further loans was predominantly cited in Al-Tafileh (45%), Maan (43%), and Al-Karak (40%).

III.3 Size, Preferred Terms and Use of Potential Loans

Size and Preferred Terms

For the total sample, of all those establishments willing to borrow (2189), the average loan that is in demand amounts to JD2975. The median however is calculated at JD2000. Almost a fourth (22%) demands loans within a range of JD651 and JD1000, while 28% would demand loans in the range of JD1501 and JD3000 and 14% in the range of JD4501 and JD7000.

As regards the preferred loan maturity, the average is 37 months (almost three years), and the median is 30 months (two and a half months).

The distribution of responses for arbitrarily selected frequencies is shown below in Tables III-3 and III-4.

Table III-3:

Willingness to Borrow – Loan Amount Distribution Total Sample

	Frequency	Valid Percent
<JD200	14	.6
JD200 – 650	352	16.1
JD651 -1000	481	22.0
JD1001 – 1500	123	5.6
JD1501 – 2000	352	16.1
JD2001- 3000	269	12.3
JD3001 – 4500	95	4.3
JD4501- 7000	309	14.1
JD7001 – 10,000	141	6.4
JD10,001- 15,000	26	1.2
JD15,001 - 20,000	9	.4
JD20,001- 25,000	4	.2
JD25,001 - 30,000	4	.2
JD30,001 - 50,000	5	.2
Above JD50,000	5	.2
Total	2189	100.0

Table III-4
Willingness to Borrow – Preferred Loan Maturity Distribution
Total Sample

Period	Frequency	Valid Percentage
3 months or less	7	.3
> 3 – 6 months	80	3.7
> 6 – 9 months	53	2.4
> 9 – 12 months	324	14.9
> 12 - 15 months	29	1.3
> 15 - 18 months	83	3.8
> 18 - 24 months	481	22.2
> 24 - 30 months	112	5.2
> 30 - 36 months	273	12.6
> 36 - 42 months	77	3.6
> 42 - 48 months	160	7.4
> 48 - 60 months	225	10.4
> 60 - 72 months	79	3.6
More than 72 months	185	8.5
Total	2168	100.0
Missing	21	
Total	2189	

Turning to gender and business registration analysis of preferred loan sizes we find interesting observations:

- More than two thirds of women (67.1%) would prefer loans within range of JD200 and JD1000. In the case of men, only 20% of responses is clustered in this range, as concentrations appear to be within higher ranges: 20% within range of JD4501 – JD7000; 36% within range of JD1501 – JD3000 and 14% above JD7000.
- Not surprisingly, distribution of potential loan sizes by gender correlates with business registration. Non-registered establishments, which are mainly run by women exhibit a preference for loans in range of JD200 – JD1000 (56% of respondents in this sub-sample). For registered businesses, 78% of responses indicated a preference for loans above JD1500.

The distribution of size of potential loan demand by location and by governorate is depicted in Tables III-5 and III-6. As can be seen, and unlike the distribution by gender and business registration, no significant differences are found between urban-based and

rural establishments. What can be highlighted in the distribution by governorate is that in most concentrations for loans above JD4501 exceed 20%.

Table III-5

**Willingness to Borrow – Loan Size Distribution
Urban and Rural Establishments**

	< JD200	JD200- JD650	JD651 - JD1000	JD1001 - JD1500	JD1501 - JD2000	JD2001 – JD3000	JD3001 - JD4500	JD4501 - JD7000	> JD7000
Urban	.7%	16.8%	21.5%	5.8%	16.3%	12.2%	4.4%	13.7%	8.8%
Rural	.3%	12.2%	24.9%	4.9%	14.6%	13.1%	4.0%	16.4%	9.7%
Total	.6%	16.1%	22.0%	5.6%	16.1%	12.3%	4.3%	14.1%	8.9%

Table III-6

**Willingness to Borrow – Loan Size Distribution
Governorates**

	< JD200	JD200- JD650	JD651 – JD1000	JD1001 - JD1500	JD1501 - JD2000	JD2001 – JD3000	JD3001 – JD4500	> JD4500	Total
Irbid	.4%	7.5%	15.7%	6.4%	18.7%	18.0%	7.5%	25.8%	100.0%
Mafrak	1.8%	17.9%	53.6%	12.5%	3.6%	7.1%		3.6%	100.0%
Ajolun & Jerash		17.2%	6.9%	6.9%	17.2%	37.9%		13.7%	100.0%
Zarqa	.2%	19.8%	22.1%	6.1%	17.6%	11.0%	4.5%	18.8%	100.0%
Balqa		10.5%	35.1%	3.5%	12.3%	12.3%		26.3%	100.0%
Amman	1.0%	17.3%	21.0%	5.5%	15.4%	10.9%	3.4%	25.5%	100.0%
Madaba		12.3%	23.5%	1.2%	18.5%	14.8%	8.6%	21.0%	100.0%
Karak		12.5%	17.5%	5.0%	12.5%	15.0%	12.5%	25.0%	100.0%
Tafileh		20.0%	12.0%	12.0%	12.0%	12.0%	4.0%	28.0%	100.0%
Maan		30.3%	57.6%		12.1%				100.0%
Aqaba	.8%	10.2%	18.6%	4.2%	17.8%	13.6%	5.1%	29.7%	100.0%
Total	.6%	16.1%	22.0%	5.6%	16.1%	12.3%	4.3%	23.0%	100.0%

At national level, the overwhelming majority (98%) of all those willing to borrow prefer monthly installments to repay loans. This percentage does not vary significantly neither by gender and business registration, nor by location or governorate.

Use of Potential Loans

At national level, almost 60% of all those willing to borrow reported that they would use their loans to finance the expansion of their businesses, 20% indicated that they would be destined for working capital, 12% to finance start-up costs of new businesses, and 6% to

finance consumption. This distribution closely follows that by gender and business registration. However, there are important variations as regards distributions by location and by governorates. In fact, use of potential loans to finance expansion of existing businesses seems to be more prevalent in urban (59.5%) than in rural (51%) areas. In the latter location, working capital finance seems to be more important (28%) than in urban-based establishments (18%). And with respect to governorates, it is worth citing the following facts:

- Use of potential loans to finance *consumption* represents a minority among respondents. In all governorates, this usage was reported by no more than 7% of respondents.
- Ajloun and Jerash (35%) and to a lesser extent Maan (21%) report an unusually high percentage of respondents willing to use the potential loans for financing *start-up costs of new businesses*.
- Loans to finance *expansion of existing businesses* is more pronounced in Al-Mafraq (70%), Amman (69%) and Al-Balqa (68%).

Guarantees

Those willing to borrow are able, in general terms, to offer some kind of guarantee. At the national sample, only 11% of respondents indicated no being able of providing any guarantee. Table III-7 shows the types and frequency distribution of guarantees.

Table III-6
Type of Guarantees and Distribution
National Sample

	Frequency	Valid Percent
Fixed Assets -- Machinery	444	20.3
Bank Accounts/ Pension Account	234	10.7
Guarantor	829	37.9
Real estate	357	16.3
Gold/Jewelry	17	.8
Vehicle	69	3.2
Nothing	237	10.8
Total	2187	100.0
Missing Cases	2	
Grand Total	2189	

About guarantees, the data shows important differences when this is analyzed by gender and location. For example, as regards gender and business registration:

- 21% of males and only 7% of women can offer *fixed assets or machinery*. When shown by business registration, these percentages are 23% (formal business) against 10% of informal firms.
- 8% of male respondents and only 3% of female respondents can offer *vehicles* as guarantee.
- *Personal guarantors* are more prevalent among women and non-registered businesses (48% and 44% respectively) than among men and formal establishments (31% and 30% respectively).
- The percentage of women respondents who have *nothing* to offer as guarantee (12%) is almost double that of men (7%). With respect to business registration, this gap increases significantly: 12.2% of informal establishments have nothing to offer, as opposed to 4.8% in the case of registered establishments.

The distribution of types of guarantees by location is shown in Table III-8.

Table III-8

**Distribution of Types of Guarantees
Urban – Rural Establishments**

	<i>Guarantees</i>							Total
	Fixed Assets – Machines	Bank Accounts/ Pension Account	Guarantor	Real estate	Gold/ Jewelry	Vehicle	Nothing	
Urban	16.1%	9.5%	38.5%	19.8%	1.4%	6.2%	8.6%	100.0%
Rural	17.5%	13.3%	31.0%	22.1%	.5%	6.5%	9.1%	100.0%
Total	16.3%	10.1%	37.3%	20.1%	1.2%	6.2%	8.7%	100.0%

As regards governorates:

- Irbid (27%) is the governorate which by far shows the highest percentage of respondents capable of offering *fixed assets and machinery*. The rest of the governorates do not even approach 20%. The governorate with the lowest percentage of respondents for this type of guarantee is Ajloun and Jerash (3%).
- Madaba (19%) and Al-Karak (17%) reported the highest percentage of respondents willing to offer *bank and pension accounts* as guarantee. The governorates with the least percentages were Al-Tafileh (3%) and Maan (6%).
- Willingness to resort to *personal guarantors* is more predominant in Al-Mafrak (57%) and, to a lesser extent, in Zarqa (44%), Al-Balqa (43%) and Al-Karak (42%). Among the lowest were Al-Tafileh (22%), Irbid (24%) and Ajloun and Jerash (28%).
- *Real estate* is most predominant in Al Tafileh (34%) and less prevalent in Irbid (14%).
- The percentage of respondents with *nothing* to offer as guarantees is highest in Ajloun and Jerash (28%) and Maan (22%).

III.4 Credit History

At national level, 1039 of the sample, that is, 25.6% of respondents reported having applied for a formal loan from bank, NGO or MFI.

The breakdown of all applicants that obtained loans in the past is the following: 469 from MFIs, 398 from commercial banks and 44 from NGOs, while only 128 applications were rejected. One can assume, by extrapolation, that NGO activity is insignificant, while less than 10% of potential borrowers have ever received a loan from a commercial bank.

As regards the applications rejected, the predominant reason cited was the lack of collateral. Time-consuming loan application requirements, and lack of financial documentation were cited as minor reasons.

For all those who obtained loans (911 respondents), analysis by gender, business registration, urban-rural location and governorate unveils important findings:

- In the gender sample, men predominantly obtained loans from commercial banks (80%) and a minority did get it from MFIs (15%). The case for women is diametrically different: the great majority (87%) reported having obtained a loan from an MFI, while only 9% did so from a commercial bank.
- Registered businesses obtained loans from commercial banks in 76% of cases and from MFIs in 20% of cases. As regards non-registered concerns, the source of loans is diametrically reverses: 18% obtained loans from banks and 79% from MFIs.
- Rural establishments obtained loans from commercial banks in 51% of cases and from MFIs in 38% of cases. For urban establishments almost a reverse proportion holds: 54% of them obtained loans from MFIs while 43% did so from commercial banks.

Table III-9 depicts the breakdown by governorate.

Table III-9
Loans Obtained – By Entity
Governorates

		Loans obtained from banks, NGOs, MFIs			Total
		Bank	NGO	MFI	
Irbid	Count	55	8	21	84
	% within Governorate	65.5%	9.5%	25.0%	100.0%
Al-Mafraq	Count	4	3	4	11
	% within Governorate	36.4%	27.3%	36.4%	100.0%
Ajloun and Jerash	Count	2	1	2	5
	% within Governorate	40.0%	20.0%	40.0%	100.0%
Al-Zarqa	Count	97	9	164	270
	% within Governorate	35.9%	3.3%	60.7%	100.0%
Al-Balqa	Count	12	1	11	24
	% within Governorate	50.0%	4.2%	45.8%	100.0%
Amman	Count	165	18	218	401
	% within Governorate	41.1%	4.5%	54.4%	100.0%
Madaba	Count	25		13	38
	% within Governorate	65.8%		34.2%	100.0%
Al-Karak	Count	5	2	3	10
	% within Governorate	50.0%	20.0%	30.0%	100.0%
Al-Tafileh	Count	6		6	12
	% within Governorate	50.0%		50.0%	100.0%
Maan	Count	1	2	11	14
	% within Governorate	7.1%	14.3%	78.6%	100.0%
Aqaba	Count	26		16	42
	% within Governorate	61.9%		38.1%	100.0%
Total	Count	398	44	469	911
	% within Governorate	43.7%	4.8%	51.5%	100.0%

As regards the characteristics of the loans received, the average was JD3211, but the median significantly lower – JD1000. 52% of loans were concentrated in range JD200 – JD1000 and 15% in range JD2501 – JD 5000. The average and median maturity were, respectively, 25 and 12 months, while the average and median of monthly installments were JD130 and JD64.

III.5 Estimates of Potential and Effective Demand.

The estimated number of MSE establishments is 137,374. Of these 53.9%, that is, 74,045 are reportedly willing to borrow.

Of the total MSE population, 117,324 are considered to be urban establishments and 20,054 rural. The percentage of establishments willing to borrow is 53.3% in urban areas (62,534) and 57.6% in rural locations (11,551).

The total MSE population was equally divided among formal (registered) and informal (non-registered) establishments. The percentage of informal establishments that are willing to borrow is higher (58.4%) than that of formal MSEs (49.3%).

Potential Demand Size:

It is estimated at JD220 million. The following facts are worth citing:

- Demand for loans below JD200 and above JD10,000 is insignificant
- 38% of MSEs willing to borrow (28,077 establishments) demand loans within range of JD201 and JD1000.
- 22% of MSEs willing to borrow (16,255 establishments) demand loans within range of JD1001 and JD2000
- 17% of MSEs willing to borrow (12,561 establishments) demand loans within range of JD2001 and JD4500
- 14% of MSEs willing to borrow (10,344 establishments) demand loans within range of JD4501 and JD7000.

Again percentages and no numbers (Numbers now included and also for effective demand below)

Table III-10

Potential Demand – By Business Registration and Urban-Rural Location

	Formal Businesses	Informal Businesses	Urban Businesses	Rural Businesses
Estimated Demand (JD)	146 million	74 million	185 million	35 million

Effective Demand:

It is estimated at JD86 million. The following facts are worth citing:

- 13% of MSEs willing to borrow (9,605 establishments) can only make monthly payments below JD25
- 37% of MSEs willing to borrow (27,388 establishments) can make monthly payments within range of JD26 and JD50
- 31% of MSEs willing to borrow (22,905 establishments) can make monthly payments within range of JD51 and JD100
- 12% of MSEs willing to borrow (8,866 establishments) can make monthly payments within range of JD101 and JD200.

Table III-11**Effective Demand – By Business Registration and Urban-Rural Location**

	Formal Businesses	Informal Businesses	Urban Businesses	Rural Businesses
Estimated Demand (JD)	54 million	32 million	74 million	12 million

Potential and Effective Demand by Governorate

Table III-12 below summarizes potential and effective demand by governorate

Table III-12**Potential and Effective Demand
Governorates**

Governorate	MSE Population	MSEs Willing to Borrow	Potential Demand Size (in millions of JD)	Effective Demand (in millions of JD)
Irbid	16,702	9,130	31.6	10.1
Al-Mafrak	3,412	1,931	2.6	1.1
Ajloun & Jerash	1,042	916	0.7	0.5
Zarqa	30,212	17,387	45.3	18.4
Al-Balqa	4,304	1,945	5.6	2.1
Amman	66,522	33,264	107.0	44.9
Madaba	3,900	2,527	7.9	2.1
Al-Karak	1,600	1,163	3.6	1.4
Al-Tafileh	1,344	747	2.3	0.8
Maan	1,250	1,031	1.0	0.3
Aqaba	7,086	4004	12.4	4.3
Total	137,374	74,045	220	86

IV. Outlook for Business Growth and Expansion

This section will determine the potential of employment expansion and business growth in the micro-enterprise sector. The purpose is to identify geographical areas (governorates and urban-rural location) and borrower groups (gender and business registration) which offer the promise of excellent growth potential for micro-loans.

IV.1 Basic Business Features

Facts on seasonality of business activity, clientele, sales performance and market structure are presented below.

Seasonality of Business Activity

- For both the male and female sub-samples, 87% of respondents indicated that their business activity does not vary by season. It is thus uniform in the entire year. The same indicator applies to both formal and informal establishments.
- In urban-based establishments, seasonal activity was reported by 12% of respondents. For rural firms, not surprisingly, the percentage of respondents is higher – 21%
- When analyzed by governorate, the data shows that in Al-Zarqa (25%), Maan (22.5%), Al-Karak (18%) Ajloun and Jerash (15%) and Madaba (13%), firms report significantly high presence of seasonal activity. In the rest of the governorates, business activity influenced by seasonality did not reach 10% of respondents.

Clientele

- Over two thirds of the female sub-sample (67%) and 54% of the male sell to neighbors and proximate community. Private subcontractors are another important clientele – 9% for the men and 7% for women. “Other” type of clients reached one third of man-run firms and 19% of the women sub-sample.
- Not unlike seasonality of business activity, the same distribution of responses is reported by business registration, and also by urban-rural location.

Analysis by governorate yields interesting results:

- Neighbors and proximate community are the predominant clientele in Irbid (77%), Ajloun and Jerash (94%), Madaba (78%), Al-Tafileh (75%), Al-Karak (92%), Maan (73%) and Al-Mafraq (72%). In largely populated governorates, like Amman, Al-Zarqa and Aqaba, this type of clientele is not that relatively important – 54%, 50% and 52% respectively.
- In Madaba (19%), Al-Tafileh (22%), Maan (18%) and Aqaba (16%), private subcontractors are important source of clientele.
- The weight of middlemen and local NGOs as clients is insignificant.

Sales

- In urban-based establishments 82% of all sales are reported to be collected in immediate cash (no credit). In rural firms, this percentage is 73%.
- Credit sales are found highest in Al-Karak (37%), Al-Tafileh (38%), Aqaba (25%), Maan (26%) Madaba (26%), Al-Balqa (26%) and Ajloun and Jerash (39%). On the other hand, the governorates with the least sales on credit (higher cash sales) were Amman (15%), Irbid (19%), Al-Mafrak (20%) and Al-Zarqa (17%).
- Credit sales are found in 22% of registered businesses and 16% of non-registered firms.

In terms of performance (volume of sales with respect to the previous year): in almost two thirds of the woman sub-sample (65%) sales grew in comparison with last year. This was true in only one third (33%) of the men establishments. The performance by governorate is shown in Table IV-1.

Table IV-1

Have Sales Grown in Comparison with last Year? Governorates

	Governorate											Total
	Irbid	Al-Mafrak	Ajloun and Jerash	Al-Zarqa	Al-Balqa	Amman	Madaba	Al-Karak	Al-Tafileh	Maan	Aqaba	
Yes	32.6%	56.6%	54.5%	41.6%	33.3%	46.9%	40.0%	50.9%	44.4%	47.5%	46.9%	43.7%
No	67.4%	43.4%	45.5%	58.4%	66.7%	53.1%	60.0%	49.1%	55.6%	52.5%	53.1%	56.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Seen by business activity, volume of sales has not grown in the majority of firms engaged in wood-furniture manufacturing, metal workshops, general services and restaurants. Better performance is observed in hairdressers, handicraft production, garment manufacturing and food processing. This is illustrated in Table IV-2.

At national level, 2253 respondents (55% of the total sample) expect that sales will increase in the next year, thus betraying an optimistic outlook. The primary reasons cited by this group were expectations of increased demand (26%), overall development of the business (16%), expected improvement of economic conditions (11%), enhanced reputation of the business (11%) and better management experience (10%). For the 1767 respondents who are pessimistic about sales growth, the main reasons cited were bad economic and political conditions (50%), decreased demand for their products (20%), and keener competition (14%).

Table IV-2

Have Sales Grown in Comparison with last Year? (% of respondents)
Business Activity

Activity/Answer	Yes	No	Total
Garment Mfg	52.4	47.6	100.0
Handicraft	57.1	42.9	100.0
Food Processing	55.6	44.4	100.0
Hairdressers	57.1	42.9	100.0
Wood Mfg	31.3	68.7	100.0
Metal Wkshops	29.6	70.4	100.0
Retail/Wholesale Trade	41.9	58.1	100.0
Restaurants	34.9	65.1	100.0
General Services	30.4	69.6	100.0

Market Structure

Women-run establishments face far less competition than men. In fact, 52% of women respondents indicated that they faced either no competitors or, at most, one or two. In the case of men, this percentage is 31%. Coincidentally, 31% of men-owned firms face more than 11 competitors, whereas the percentage for women is just 10%.

In close connection with the distribution by gender, informal establishments generally operate within less competitive market structures than formal establishments.

When analyzed by governorate, firms in Irbid, Madaba, Zarqa, Amman and Aqaba seem to face more competitive pressures, while those in Maan, Al-Mafraq, Ajloun and Jerash, confront less number of competitors. This is better illustrated in Table IV-3. Seen by business activity, competition seems to be keener in wood-furniture manufacturing and metal workshops, while garment manufacturing and handicraft activities face less pressure from competitors. Table IV-4 illustrates this.

Table IV-3

Competition in Governorates (% of respondents)

Gov/Number	No Competitors	1 – 2	3 – 5	6 – 10	11 +
Irbid	19.1	14.1	16.9	13.6	36.3
Al-Mafraq	40.2	18.6	17.5	14.4	9.3
Ajloun and Jerash	48.5	9.1	27.3	9.1	6.1
Al-Zarqa	28.2	15.5	20.3	13.3	22.7
Al-Balqa	27.0	21.4	21.4	15.1	15.1
Amman	22.5	19.1	21.0	14.5	22.8
Madaba	19.2	18.4	15.2	6.4	40.8
Al-Karak	29.6	20.4	25.9	14.8	9.3
Al-Tafileh	17.8	22.2	24.4	17.8	17.8
Maan	52.5	15.0	10.0	10.0	12.5
Aqaba	21.3	19.8	20.8	14.0	24.2

Table IV-4

Competition by Business Activity (% of respondents)

Activity/Number	No Competitors	1 - 2	3 – 5	6 – 10	11 +
Garment Mfg	34.1	23.8	21.8	12.1	8.2
Handicraft	35.4	18.7	16.7	14.0	15.2
Food Processing	36.6	22.4	22.4	10.6	8.2
Hairdressers	19.0	24.2	21.0	14.6	21.3
Wood Mfg	11.3	6.0	15.2	15.2	52.1
Metal Wkshops	10.1	9.4	19.2	14.1	47.1
Retail/Wholesale Trade	24.4	16.9	19.5	14.2	24.9
Restaurants	16.2	20.8	29.0	16.2	17.8
General Services	20.7	16.4	20.7	13.3	28.9

IV.2 Employment

At the national level, 95% of all respondents reported being the sole operator of their concerns or employing 2 to 4 outside laborers. Women-run establishments predominantly operate with no outside help (72% of respondents in this sub-sample) while 54% of men respondents indicated they operate with 2 to 4 employees. As regards to business activity, 60% of commercial establishments operate with no outside help, higher than establishments engaged in production (49%) and in services (43%). Establishments with up to 10 staff were found in production activities (6% of all respondents) and in services (5%).

Only 476 firms in the total sample, that is, 12% of the sampled firms, reported having plans to employ new staff. These plans are higher among men (13%) than women (9%). Of the non-registered businesses only 9% plan to do so, and of the registered firms the percentage is higher – 14%. And seen by urban-rural location, 11% of the urban firms are planning to hire additional staff. The indicator in rural firms is slightly higher – 12%.

Governorates where the proportion of firms planning to hire additional staff is highest include Maan (25% of respondents), Ajloun and Jerash (24%), Al-Karak (20%) and Al-Tafileh (18%). The governorate which reports the lowest percentage of firms willing to do so is Al-Balqa (6%).

IV.3 Potential for Business Growth and Constraints

In the national sample, 39% of all respondents (1599 firms) do plan to expand their business, while 61% do not. The proportion of those willing to do so is higher among women (42%) than men (38%). It is also higher among non-registered businesses (41%) than among registered establishments (37.7), while for urban and rural firms the proportion is the same – 39%.

Seen by governorate, Maan, Al-Mafrak and Al-Karak exhibit relatively higher of respondents willing to expand their businesses, Irbid, Al-Tafileh and Aqaba stand out for the opposite. This is captured in Table IV-5

Table IV-5

Are you planning to expand your Business? (% of respondents)
Governorates

Gov/Answer	Yes	No
Irbid	29.7	70.3
Al-Mafrak	54.5	45.5
Ajloun and Jerash	39.4	60.6
Al-Zarqa	43.9	56.1
Al-Balqa	32.5	67.5
Amman	41.4	58.6
Madaba	28.8	71.2
Al-Karak	45.5	54.5
Al-Tafileh	24.4	75.6
Maan	60.0	40.0
Aqaba	24.9	75.1

Expansion must be financed and the choices are various: self funds (cash, retained earnings, sales of assets), a commercial bank loan, an NGO loan, informal loans (family, friends, colleagues, neighbors or moneylender), suppliers, and an MFI. For the 1599

firms willing to expand, self funds are definitively the first choice of financing, followed by loans from commercial banks.. *Loans from MFIs do not figure predominantly.*

With respect to **constraints** to business growth, a third of the national sample indicated that there were none. Weak demand (16.6%) and problems with customers (14%) were cited as main impediments for business growth. Interestingly, for the nation at large, unavailability of financing sources was cited only by 8% of respondents.

Sector type analyses yield interesting findings:

- 45% of women find that there are no constraints to business growth, as opposed to 28% of men. For the latter, the presence of weak demand seems to be a more important problem (20% of male respondents) than for women (11%).
- Unavailability of financing sources seems to concentrate in particular governorates – Al Mafrak (18%), Ajloun and Jerash (36%), Madaba (17%), and Aqaba (11%). This constraint is virtually non-existent in Amman (5%). Urban-based firms face lesser problems in this regard (8%) than rural-based establishments (12%). Approximately the same distribution applies to business registration: for registered businesses, unavailability of financing sources was cited in 6% of cases, whereas for informal firms this problem was cited by 10% of respondents.
- Costly financing appears in Irbid (6% of respondents), Al-Karak (5.5%), and Madaba (4.5%).

Conclusions

Main conclusions of this survey are the following:

1. With respect to previous surveys, customers with high risk profiles seem to have increased significantly. A 25% of potential customers profiled as high risks is an unusually high number. Interestingly, men are potentially more risky than women – almost 30% of all men respondents were categorized as high risk, as opposed to 16% for women, while potential clients in urban areas are slightly more risky than those located in rural areas.

The above suggests that market conditions have probably worsened, especially in governorates with large population centers – Amman, Irbid, Zarqa. It therefore behooves MFIs to improve on techniques for better screening of prospective clients and to process more reliable information on borrowers' capacity and willingness to repay loans.

2. Still, the moderate market typology nationwide is one of moderate risk coupled with a moderate willingness to demand loans. What is of particular concern however is that, in comparison with the last two years, the willingness to borrow, an indicator which can be taken as proxy for potential demand, has in effect declined. In fact, whereas in the Amman, Irbid and Zarqa surveys that were conducted in 1999 and 2000 the willingness to borrow reached over 70% of clients sampled, in this survey this indicator barely surpasses the 50%.

The above suggests more reluctance on part of prospective clients to demand loans. This seems to be more acute among men than women, and among urban-based establishments than among those located in rural areas. As seen by governorates, it is interesting to point out that Amman stands among the governorates with least willingness to borrow. In the capital, less than 50% of respondents were reportedly willing to borrow. Nationwide, Amman is only edged by Al-Balqa.

It should be pointed out that Jordanians have traditionally shown much caution to incur in debt. This trait may have become more pronounced in the last couple of years. For this reason, it is imperative that MFIs improve on their marketing techniques to woo undecided prospective borrowers.

3. Prospective clients do not make much use of loans from moneylenders, but they resort more frequently to informal loans (borrowing from family members, friends, neighbors) and to supplier credit. MFIs stand to gain handsomely if they tap these market niches. Learning on the characteristics of supplier credit is, in particular, very important, for it provides a more accurate approximation on actual micro-credit demand. In addition, a better acquaintance with their terms provides MFIs additional information on willingness to pay by borrowers.

4. Women predominantly prefer loans of small size and men of larger size, but there are not significant differences between urban and rural-based establishments. In all, potential demand for loans below JD200 is insignificant. Across governorates, prospective clients prefer monthly installments to repay loans. Destiny of loans is predominantly for expansion of existing businesses and not for working capital or consumption, although working capital finance needs are more prevalent in rural than in urban areas.

As regards guarantees the data yields interesting results. Only a minority of respondents have nothing to show as collateral. While men can offer more fixed assets and machinery as collateral, women depend more on personal guarantors. There are no appreciable differences among urban and rural-based establishments.

Equally significant is the fact that firms willing to expand operations predominantly prefer to finance expansion from cash or retained earnings. This fact supports the important finding that micro-entrepreneurs exhibit a certain degree of reluctance to borrow. And, when they acquiesce to do so, they reveal preference from commercial banks. At the moment, MFIs do not figure predominantly in their plans.

5. The survey purports to answer varied questions such as: (a) actual and projected market for microfinance; (b) governorates, rural and areas with sufficient micro and small business activities to warrant MFI expansion; (c) size of rural market in comparison with urban market; (d) approximate size of formal and informal markets in monetary value and number of clients; (e) market demand by gender. As regards the actual and projected market for microfinance, the survey's nationwide estimates of potential and effective demand for micro-loans amount respectively to JD220 million and JD86 million. Taking into account the fact that, based on credit history, commercial banks have been able to capture, at most, only 10% of prospective customers, the market segment that can be captured by MFIs is of considerable size. But this conclusion must be tempered by the fact that 90% of effective demand is concentrated in just four governorates – Amman, Irbid, Zarqa and Aqaba. The rest of the governorates do not exhibit a critical population mass which would enable MFIs to operate with large volumes of loans and, consequently, with significantly lower operating costs. In fact, outside the four largest cities, the rest of the governorates report only 10,260 establishments which are willing to borrow, slightly above of what Irbid alone reports. In addition to JDs you should include numbers
6. Of these four governorates, Irbid and Aqaba feature markets with scant expectations for expansion. In Irbid, only 30% of respondents indicated that they were willing to expand their businesses, while in Aqaba 25% reported so. These proportions are way below the national average – 40%. For these reasons, this survey concludes that Amman and Zarqa are the governorates that show best prospects for MFI market expansion. They have the advantage of featuring high

population densities and better than average economic infrastructure. The disadvantage is that competition is keener in these governorates.

The rural-urban dimension shows interesting results. Measured by effective demand, the size of the rural market is definitively smaller than the urban market. In fact, the survey's estimates are JD12 million for rural areas and JD74 million for urban centers. But a governorate-level analysis yields important results. Al-Karak and Mafrak feature predominantly rural economies, both with two thirds of their respective populations living in rural areas. Maan is another governorate with a sizeable population living in rural areas (57%). What is interesting is that in these governorates, there is a high percentage of MSEs which are willing to borrow – 57% in Mafrak, 73% in Al-Karak and 83% in Maan. Presumably, consequently, MFIs could expand operations in these areas, providing micro-loans to rural entrepreneurs. However, not only would this be more risky. A more important constraint is the small size of the market in these governorates. In fact, the number of registered MSEs is 1,706 in Mafrak, 800 in Al-Karak and 625 in Maan.

As regards the formal and informal markets, the survey's estimates of effective demand is JD54 million in formal establishments and JD32 in informal establishments. As indicated in this survey, there is a total of 68,687 registered (formal) firms nationwide. The underlying premise that the survey used was that the number of informal firms would be equal to 100% of this total. In all, the total number of MSEs would amount therefore to 137,374.

7. It should be indicated that women seem to be better prospects than men. In general, and since women entrepreneurs manage mainly informal businesses, the size of credit demand is definitively smaller than that providing from men. However, the demand profile of women presents interesting advantages. Not only are they more willing to borrow and are, on the whole, safer risks than men. Significantly, they are more optimistic about the future. In fact, close to half of the sampled women indicated that there were no constraints to business expansion (for men this percentage is 28%). The significance of this finding should not be lost in MFIs.
8. A final conclusion should emphasize the following: while the microfinance market in Jordan exhibits potential profitable opportunities, it features more high risks and less willingness to borrow among prospective clients. For this very important reasons, MFIs should exhaust efforts to improve both selection and marketing techniques. The latter implies the identification of market niches. As stated above, targeting MSEs which exhibit borrowing from informal sources and, more importantly, from suppliers, will be an excellent strategy for sustained expansion.

Annex A:

Questionnaire for Micro-Finance Market Demand in Jordan

Serial Number: _____

Date : __ / __ / 2002

Name of Enumerator: _____

Name of Supervisor: _____

General Information

A. Are you the business decision-maker?

(1) Yes (2) No

If NO, Stop the interview.

B1. Number of employees : (_____) Full & Part time Staff

Stop interview if more than 10 employees.

B2. How many of your employees are women? (_____)

B3. How many years have you been operating the business? (specify _____ and then circle below)

If less than 3 months stop the interview

(1) < 3 years (2) > 3 years

C. Governorate:

- | | | |
|-----------------|---------------|--------------|
| (1) Irbid | (2) Al-Mafrak | (3) Ajloun |
| (4) Jerash | (5) Al-Zarqa | (6) Al-Balqa |
| (7) Amman | (8) Madaba | (9) Al-Karak |
| (10) Al-Tafileh | (11) Ma'an | (12) Aqaba |

D. Type of Area:

- 1) Urban 2) Rural (less than 5000 inhabitants)

E. City/Village: _____

F. Business activity (please specify nature of business) : _____

1- Garment Manufacturing _____

2- Handicraft Production _____

3- Food Processing _____

4- Hairdressers _____

5- Wood-Furniture Manufacturing _____

- 6- Metal Workshops _____
- 7- Retail/Wholesale Trade _____
- 8- Restaurants _____
- 9- General Services _____
- F4. Other (specify) _____
-

Personal Information and Borrowing Profile

- (Q1) Sex: (1) Male (2) Female
- (Q2) Age (years) ? (specify _____ and then circle below)
 (1) < 35 (2) > 35
- (Q3) Do you have any dependents attending school?
 (1) Yes (2) No
- (Q4) Do you own any fixed assets such as Building, Land, Car ... ?
 (1) Yes (2) No
- (Q5) Who can vouch for your good character and goodwill?
 (1) Relative/Friend (2) Supplier
- (Q6) Do you have any other source of income?
 (1) Yes (2) No
- (Q7) 1- What was the number of employees (excluding owners) at start-up ? (_____)
 2- How many of these were women? (_____)
- (Q8) Education
 1- Illiterate 2- Numerate 3- Read 4- Read & Write
 5- Basic education 6- Secondary school 7-Technical
 Education/Diploma
 8- University undergraduate & higher education
- (Q9) Can you self-fund (in total) your present business operations?
 (1) Yes (2) No
- (Q10) Do you have access to loans from a money lender to cover your present business needs?
 (1) Yes (2) No

- (Q11) If you have received loans from moneylenders, what was the usual amount in cash? (JD _____)
- (Q12) Do you have access to informal loans to cover your present financial needs?
(1) Yes (2) No
- (Q13) **If Q12 Yes** , What are the sources of your informal loans that you can borrow from in most cases?
(1) Colleagues (2) Friends/Neighbors
(3) Family (4) ROSCAs (5) Other (specify _____)
- (Q14) If you have received informal loan, what was the usual amount in cash?
(JD_____)
- (Q15) Do you have access to trade loans from your suppliers?
(1) Yes (2) No
- (Q16) If you have received trade loans, what was the average value of the credit?
(JD_____)
- (Q17) Would you borrow from bank, NGO or MFI if loans were available to you at favorable conditions?
(1) Yes (2) No

If Yes go to Q(19)

- (Q18) **IF No**, What is the reason: (do not read reasons to borrower. Let him tell reason and circle below) – **one answer only**
- 1- Lack of collateral 2- Lack of financial documents
3- High interest and fees 4- Difficult and lengthy procedures
5- Satisfaction with current sources of finance (informal and trade loans).
6- Lack of previous borrowing experience
7- Religious beliefs 8- Fear of inability to repay the loan
9- Do not trust banks 10- Do not like to be in debt 11- No need
12- Other (specify _____)

go to Q(25)

(Q19) If you were to take out a loan, what is the estimated loan amount you would need?
(JD _____)

- | | |
|--------------------|--------------------|
| 1- < JD200 | 2- JD200- JD650 |
| 3- JD651 - JD1000 | 4- JD1001 - JD1500 |
| 5- JD1501 - JD2000 | 6- JD2001 - JD3000 |
| 7- JD3001 – JD4500 | 8- JD4501 - JD7000 |
| 9- > JD7000 | |

(Q20) What would you mainly use the loan for?

- (1) Buy fixed assets for business (2) Consumer Loan
(3) Start up of new business
(4) Expansion of this business (fixed assets + working capital)
(5) Working capital.

(Q21) Can you provide any of the following as a guarantee for this loan when needed?

More than one answer

- | | |
|--------------------------------|------------------------------------|
| (1) Fixed Assets, machinery... | (2) Bank Accounts/ Pension Account |
| (3) Guarantor | (4) Real estate |
| (5) Gold/jewelry | (6) Vehicle |
| (7) Nothing | (8) Other (specify _____) |

(Q22) For how long would you need the loan _____?

- (_____) days or (_____) weeks
or (_____) months or (_____) years

(Q23) How often would you be able to make your payments?

- | | | |
|-------------|--------------------------|------------------|
| 1- Monthly | 2- Bi-monthly | 3- Semi-annually |
| 4- Annually | 5- Other , specify _____ | |

(Q24) What is the monthly amount of installment you can afford to repay the loan?
(JD _____)

(Q25) Have you ever applied for a formal loan from a Bank, NGO or MFI)?

- (1) Yes (2) No

If No please go to (Q28)

(Q26) **If Yes** and application was rejected, What was the reason? (please do not read reason to client, let him give reason and circle below)

- | | |
|------------------------------|------------------------------------|
| 1- Lack of collateral | 2- Lack of financial documents |
| 3- Lack of credit experience | 4- Business not registered |
| 5- Bad credit history | 6- Bad credit history of guarantor |
| 7- Other (specify _____) | |

go to Q28

(Q27) **If Yes** and you obtained the loan – for last loan obtained:

(Q27.1) Please indicate lender type:

(1) Bank (2) NGO (3) MFI

(Q27.2) What were the terms?

1. Loan amount received (JD _____)
2. For how long? (_____ months)
3. Amount of Installment (JD _____ per month)

Business Information and Growth Potential

(Q28) Is your business registered or licensed ?

(1) Yes (2) No

(Q29) What is the estimated present market value of your business assets? (JD _____)
(excluding land and building but including merchandise. i.e. if you were to buy this operation now, in its current condition, how much would the value be or how much would you pay)

(Q30) To whom do you sell? (type of client) - more than one answer - Please suggest when necessary

(1) Neighbors and proximate community (2) Middlemen
(3) Local NGO (4) Private subcontractor (5) other (specify _____)

(Q31) How many competitors share with you the market you sell in?

(1) No competitors (2) 1-2 (3) 3-5
(4) 6-10 (5) 11+

(Q32) What was your total value of input purchases last year? (JD _____)

(Q33) Are you planning on employing new staff to help you in your business?

(1) Yes (2) No

If No, please go to (Q35)

(Q34) **If Yes,**

(1) please indicate how many new employees _____
(2) how many of the new employees will be women? _____

(Q35) Do you plan to expand your business?

(1) Yes (2) No

If No please go to (Q37)

(Q36) **If Yes,** how would you finance your business expansion? (Have the client rank his/her preference (1...) – at least two choices

1- Self funds (Cash/Profit/Sales of assets) (_____)

- 2- Bank loan ()
 3- NGO Loan ()
 4- Family, friends, colleagues, neighbor, moneylender ()
 5- Supplier ()
 6- Lending Institution (MFI) ()
 7- Other (specify _____) ()

(Q37) What percentage of your sales were in cash? (___ %)

(Q38) Have your sales grown in comparison with the past year (%): ()
 (1) Yes (2) No

(Q39) Do you expect your sales to grow over the next year (%): ()
 (1) Yes (2) No

Why? _____

(Q40) For the most important project that brings in the highest income, do you work all year or seasonal ?
 (1) Non-seasonal (All year) (2) Seasonal

(Q41) What is the average monthly value of your business operating expenses (*e.g* utilities, transportation, etc.. **Including Labor but Excluding merchandise?** (JD _____)

(Q42) What is the most significant constraint you are facing in the business now? (please do not read reason. Let the client tell reason and circle below).

- | | |
|---|--|
| 1. Weak Demand | 2. Marketing and Distribution |
| 3. Labor Problems | 4. Scarcity of raw materials |
| 5. Infrastructure (water, electricity, etc..) | 6. Costly Financing |
| 7. Unavailability of Financing Sources | 8. Domestic Competition |
| 9. Imported Goods - competitive prices | 10. Taxes |
| 11. Government Procedures | 12. Customer Problems |
| 13. Supplier Problems | 14. Lack of access to Technology and Equipment |
| 15. Lack of training in business management. | 16. Other (specify _____) |

(Q43) What are your average monthly sales (of highest season months)? (JD _____)
 - Highest monthly value: (JD _____)
 - Lowest monthly value: (JD _____)

Annex B

Distribution of Sample

Visited Areas (Divided into the 12 governorates and their districts)

The Capital

Amman district

Abdali: Sports City (54)
Yarmouk: Ashrafieh, Wehdat and Jofeh (1)
Bader: Hay Nazal, Thera', Al-Akhdar (1)
Ras Al-Ein: Ras Al-Ein, Al-Natheef and Al-Zuhour (1)
Zahran: Jabal Amman (60)

Marka district

Marka: Marka AL-Shamalieh, Marka Al-Janoubieh (59)
Al-Naser: Prince Hassan Camp, Al-Naser, Al-Mahata, Jabal Al-Taj and Al-Manara (1)
Basman: Al-Nuzha, Al-Hashmi Al-Shamali, Al-Hashmi Al-Janoubi, Al-Qusour, Hussein Camp, Raghdan (1).

Qweismeh district

Qweismeh: Qwiesmeh (4), Abu Alanda (17), Jwaydeh (72)
Khreibet El-Souq and Jawa: Khreibet El-Souq (67), Taybeh (78)
Um Qseir and Al-Muqabalain: Al Muqabalain and Um Qsair (66).

University district

Sweileh: Sweileh (8)
Shafa Badran: Shafa Badran, Marj Al-Faras, Tab Kra'(7)
Abu Nseir: Abu Nseir (6)

Wadi El-Sir district

Wadi El-Sir: Wadi El-Sir (77), Hay Al-Sena'a (9) and Marj El-Hamam (65)

Sahab district

Sahab: Sahab (12)

Al-Jizeh district

Al-Jizeh area: Al-Jizeh (42), Talbieh/Zizia Camp (41).

Naur district

Naur area: Naur (34)

Of the nine districts of the capital, eight of them were visited. The one exception was Mwarar, due to the fact that all the areas in this district are made up of rural locations. The share of rural concerns was covered in other districts. In addition, Mwarar businesses with more than 10 employees are prevalent.

Al-Balqa Governorate

Salt (13), Zay (14), Alan (15), Deir Alla (18), Ein Basha (23), Baq'a Camp (22).

Zarqa Governorate

Zarqa (11), Azraq Shamali (30), Azraq Janoubi (36), Rusaifeh (29), Hittien/Shniller Camp (28).

Madaba Governorate

Madaba (27), Syagha (32), Hisban (31), Mleih (33).

Irbid Governorate

Irbid Camp, Azmi Al-Mufti Camp (5), Eidoun (10), Deir Abu Sa'eed (16), Husun (19), Ramtha (20), Amrawa (2), Thneiba (3), Harima (21), Sama Al-Rousan (24), Kufur Jayez (25), Al-Mansoura (26), Yubla (55). By visiting the above-mentioned areas, Irbid was fully covered in the sample, considering the available business activities and rural/urban areas.

Mafraq Governorate

Mafraq (73), Khalidieh (69), Mabroukeh (52), Misherfeh (53), Sama Sarhan (70), Thughrat El-Jub (71). The fieldwork in Mafraq was limited to those areas where the cooperation of some women associations provided surveyors with female-owned businesses.

Jerash Governorate

Jerash (49). Jerash area was enough for the sample size required from Jerash governorate.

Ajloun Governorate

Ajloun (48), Ebbien (50). Ebbien (51). The field was limited to these areas because of the cooperation of women associations in the governorate and also due to the small sample size required from it.

Karak Governorate

Kathraba (35), That Ras (37), Iraq (38), Msheirfeh (39), Um Hmat (40), Gour Safi (43), Gour Haditheh (44).

Ma'an Governorate

Ma'an (74), Husaynieah (75), Wadi Mousa/Taybeh (68). Princess Basma Centers cooperated in providing female-owned businesses.

Tafileh Governorate

Tafileh (45), Eis (46), Jurf Al-Daraweesh (47).

Aqaba Governorate

Aqaba (62), Qweira (61), Rashdieh (63), Rum (64), Hmaymeh Jadideh (76).

Numbers of received questionnaires filled in specifically required areas are listed below:

- Deir Abu Sa'eed 28 Questionnaires
- Qweira/Aqaba 30 Questionnaires
- Deir Alla/Balqa 29 Questionnaires
- Azraq Shamali/Zarqa 60 Questionnaires
- Gour Safi/Karak 24 Questionnaires

II. Questionnaires by Business Sectors

- Garment 340 questionnaires
- Handicrafts 511 questionnaires
- Food 332 questionnaires
- Hairdresser 343 questionnaires
- Wood 284 questionnaires
- Metal 277 questionnaires
- Trade 1226 questionnaires
- Restaurant 259 questionnaires
- Services 488 questionnaires

III. Questionnaires by Governorate

- Irbid 491 questionnaires
- Mafraq 99 questionnaires
- Jerash and Ajloun 33 questionnaires
- Zarqa 890 questionnaires
- Balqa 126 questionnaires
- Capital 1947 questionnaires
- Madaba 125 questionnaires
- Karak 55 questionnaires
- Tafileh 45 questionnaires
- Ma'an 40 questionnaires
- Aqaba 209 questionnaires