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*The graduate school
of global affairs
at Tufts University*

Digitalization of Government Payments in Jordan

FLPFI RESEARCH BRIEF



The Fletcher Leadership Program for Financial Inclusion (FLPFI) works with policymakers and regulators to design innovative and inclusive policies. The Research Brief Series is an integral part of the Eight Question Method for Policy Development (8QM), the core of the FLPFI curriculum.

EXECUTIVE SUMMARY

This brief presents the findings of a survey conducted with the financial and technical guidance of FLPFI. The research project designed and directed by Moayad Ghannam, Enas Halaqah, Nour Khammash, Nad Sarabi, and Leen Hashem, of the JoPACC, explored the state and stage of digitalization of Jordanian government payments. The research analyzed the data to answer the research question **“How can the digitalization of the Jordanian government’s payments lead to sustainable financial inclusion in Jordan, which empowers marginalized segments?”**.

This research project establishes the incontestable complexity of digitizing government payments. The process requires a coordinated approach with involvement from multiple stakeholders and entails multiple layers such as infrastructure, service development, user experience design, performance tracking, and handling disruptions. The journey would be way longer if it included the digitalization of the actual services, not just the payment processes for them.

Some of the key interesting multi-faceted insights from the research are summarized here:

- Jordan’s digital and financial infrastructure is well-developed and enabling of digitalization of payments.
- While receiving digital payments from the government is reported to be a seamless experience, there is still a strong preference for cash when making payments to the government.
- The adoption of digital payments by governmental entities varies in practice and pace from one entity to another.
- While financial exclusion is the main challenge to making digital payments to the government by end-users, the lack of usage by financially included individuals is another major challenge.
- There is significant resistance to digital financial services in Jordan, as cash is dominantly preferred.
- Digital payments for governmental services are not fully trusted due to their sometimes-unreliable performance.



BACKGROUND

The services industry across a wide range of sectors has undergone a significant shift, characterized by constant availability and real-time offerings, thereby transforming the supply chain, and reshaping the demand landscape. Financial markets have been no exception, with players worldwide capitalizing on emerging technologies to digitalize their services to boost competitiveness, promote user uptake of advanced solutions and services, and contribute to financial inclusion.

While the private sector has pioneered the digital transformation of financial services globally, governments have been key target consumers. Governments recognize the advantages of digital transformation in enhancing efficiency, transparency, and security, leading them to play a critical role in driving digital financial inclusion. By influencing user behavior and accelerating the adoption of digital financial services, governments seek to enhance residents' financial interactions, resulting in measurable improvements in their lives.

The Government of Jordan has set ambitious goals to achieve digital transformation in both its long-term and short-term plans, striving to build a digital economy. Jordan's digitalization efforts have been coupled with national strategies and enterprises to expand and diversify the offering of financial services, focusing on digital and tech-driven solutions and catering to the consumers' needs. While it is still considered modest, the financial inclusion rate in Jordan has been on the rise in recent years, responding to growth in the digitalization of both incoming and outgoing government payments.





RESEARCH QUESTION, DATA, AND METHODOLOGY

This analysis endeavors to answer the research question: **How digitalizing the Jordanian government’s payments can promote sustainable financial inclusion for marginalized segments?**

The research employs a three-pronged approach, combining secondary research, primary quantitative research, and primary qualitative research. The secondary research process involved a comprehensive review of existing literature, research, and publications related to inward and outward government payments, encompassing the government’s digitalization strategy, progress reports, service adoption, and related decisions made. This process served as the foundation for formulating several hypotheses that guided further primary research.

In the quantitative primary research process, two quantitative research methods were used: 1) system transaction and user behavior analysis which entailed quantitative analysis of digital government payments data from 2014 to - October 2022 to understand the user adoption trends, and 2) face-to-face Computer Assisted Personal Interviews (CAPI) with a controlled sample of 1,016 mixed-gender end consumers, (79% were

financially included, and 21% were financially excluded). A pilot interview phase was also undertaken to validate the questionnaire sequence and evaluate interviewer performance before the actual interviews.

In the qualitative primary research process, six face-to-face in-depth interviews were conducted with stakeholders such as government decision-makers responsible for digital transformation, customer-facing government entities, and a prominent business association. The interviews sought to examine several aspects of government payments digitalization, with the intention of better understanding each entity’s implementation strategies, progress, challenges, and needs. The inductive thematic content analysis method was used to analyze these interviews.





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KEY FINDINGS

1. Demand-Side Analysis

1.1. P2G Payments

Behavior Analysis of Financially Included Individuals

Among the financially included respondents, 59% do not use digital payment channels at all, even though 16% own both bank accounts and mobile wallets. Looking at the demographics of the full sample, most non-users are above the age of 45, and fall into lower-income groups earning less than JOD 400 monthly.

When asked why they don't use digital payments, 36% cited a lack of knowledge, 33% preferred cash as a matter of convenience, and 22% cited trust issues. Additionally, in terms of incentives to use digital payment methods, 38% reported nothing would motivate them to use them, while 27% were enticed by promotions and discounts, and 23% by digital payment fee elimination.

Looking at the behavior of the financially included towards government payments, while 41% of individuals are digital payers, only 23% reported paying digitally in the past two years. Furthermore, 75% reported paying for government services on-site at government service locations in the past two years, regardless of the payment method used; cash or digital. Evidently, cash is still the preferred means of payment for 74% of them due to reasons such as the preference for paper receipts over digital alternatives, the lack of knowledge on using digital means, the desire for human interaction in the customer experience, the easiness of tracking spending when paying in cash, and reliability when technology fails (figure 1).

The main reasons for not using digital payments are lack of knowledge on how to pay digitally (36%), preference of paying in cash (33%) and lack of trust in digital payment services (22%).

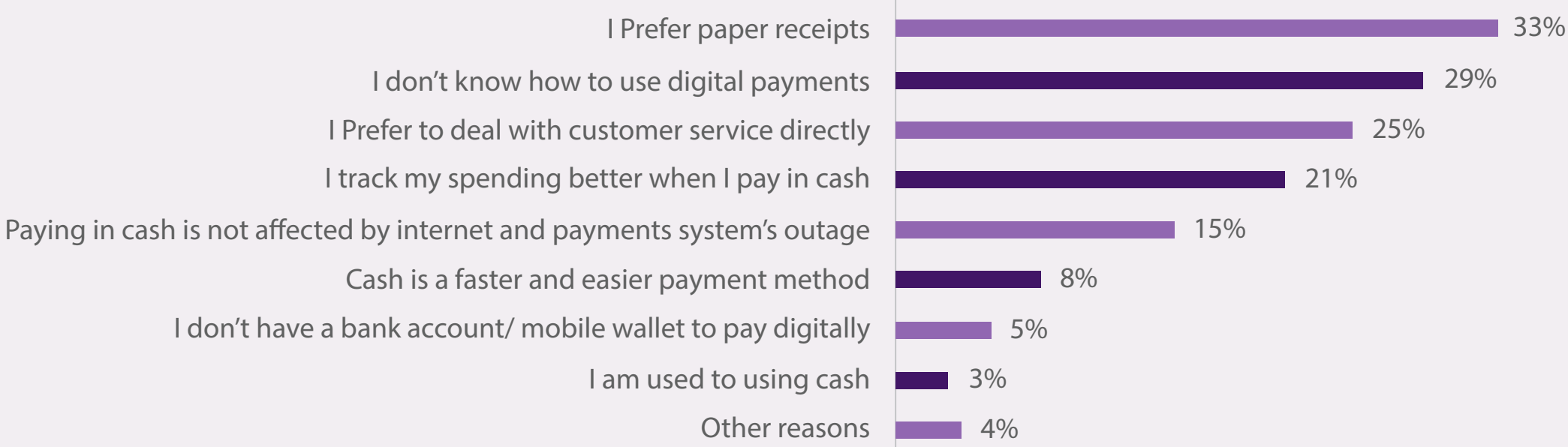


Figure 1: Why cash is preferred by financially included individuals at government locations

A significant barrier to digital government payments is the lack of knowledge about available options, with 70% of cash payers reporting being unaware of digital payment choices offered. Additionally, 13% of digital payers cited the absence of digital payment options, and 11% mentioned a lack of know-how as reasons for not using digital payments for government services, highlighting the importance of addressing these barriers to promote digital government payments (Figure 2).

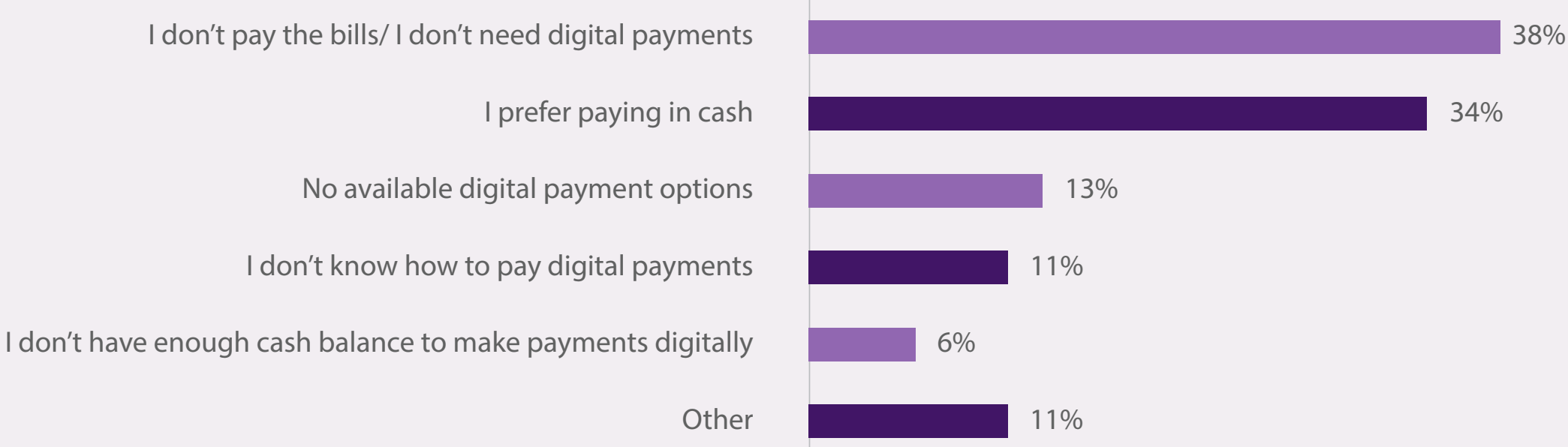


Figure 2: Reasons for not paying digitally for government services by digital payers

Behavior Analysis of Financially Excluded Individuals

The desire to use cash is more prevalent among this group, with 60% unwilling to open any form of financial account, primarily due to insufficient capital to open an account, or due to other reasons such as the convenience of using cash, lack of required documents, distrust in financial services, and not being in charge of budgeting and managing household finances (figure 3).

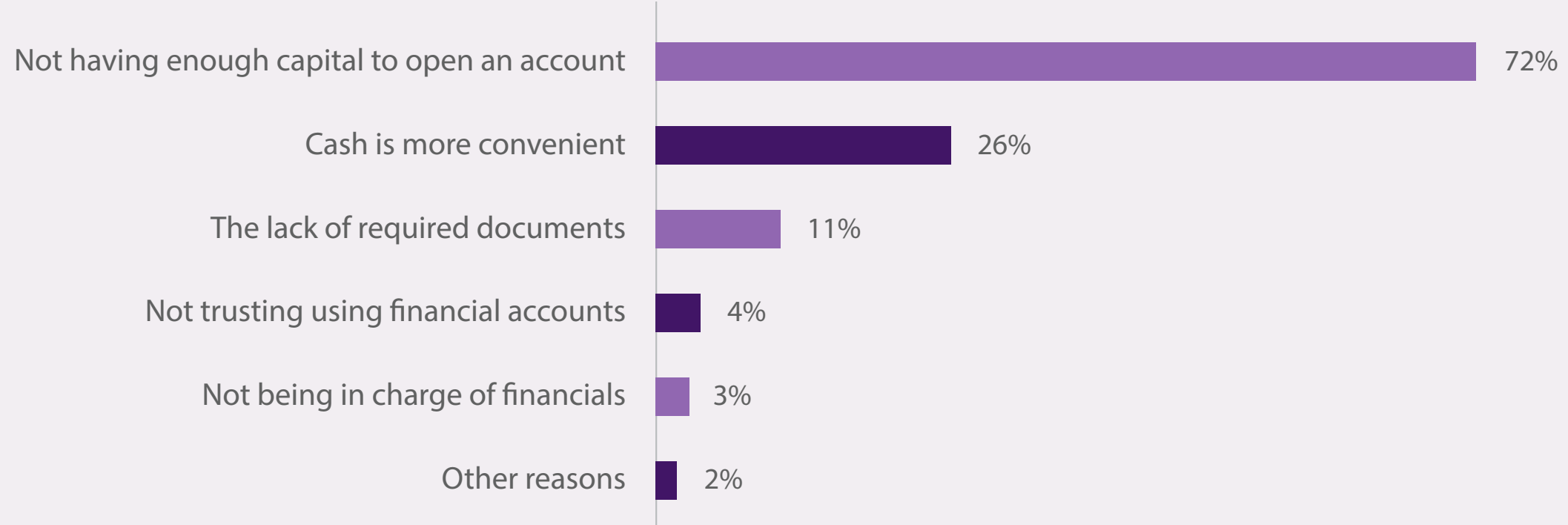


Figure 3: Reasons for not opening accounts by financially excluded individuals

Among financially included individuals who receive payments digitally, 41% regularly receive digital payments from the government, with 74 % of them having a monthly income of less than JOD 400. Such government payments include aid, bread subsidies, social security payments, and tax refunds, among others.

1.2. G2P Payments

Different approaches are used by people to address issues associated with digital payments, as depicted in figure 4. The figure indicates a greater tendency to experiment with digital payments when payments are delivered digitally, as evidenced by the fact that 56% of people were able to access their payments independently.

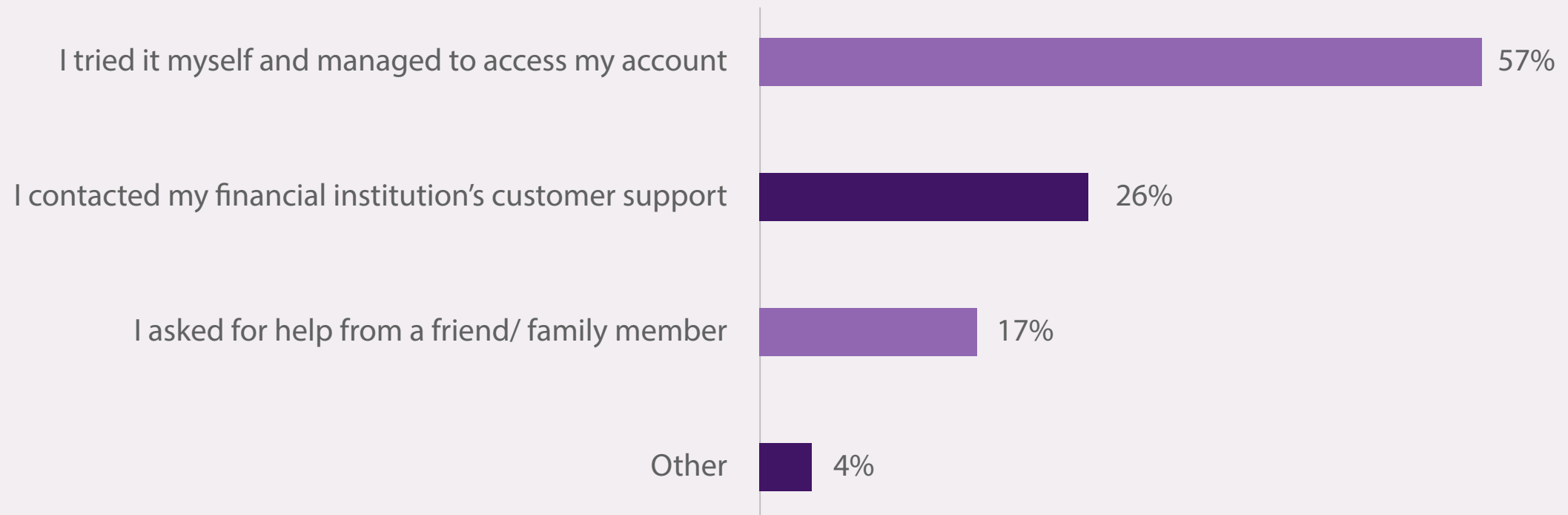


Figure 4: How financially included individuals manage to access the government payments they received when facing difficulties

A significant factor driving acceptance of digital payments is that 67% prefer receiving government payments digitally, motivated by their safety, ease, and speed, while 23% reported preference for cash, acknowledging the convenience, safety, and lack of fees. Figures (5) and (6) exhibit the primary reasons for consumer preferences for each method.

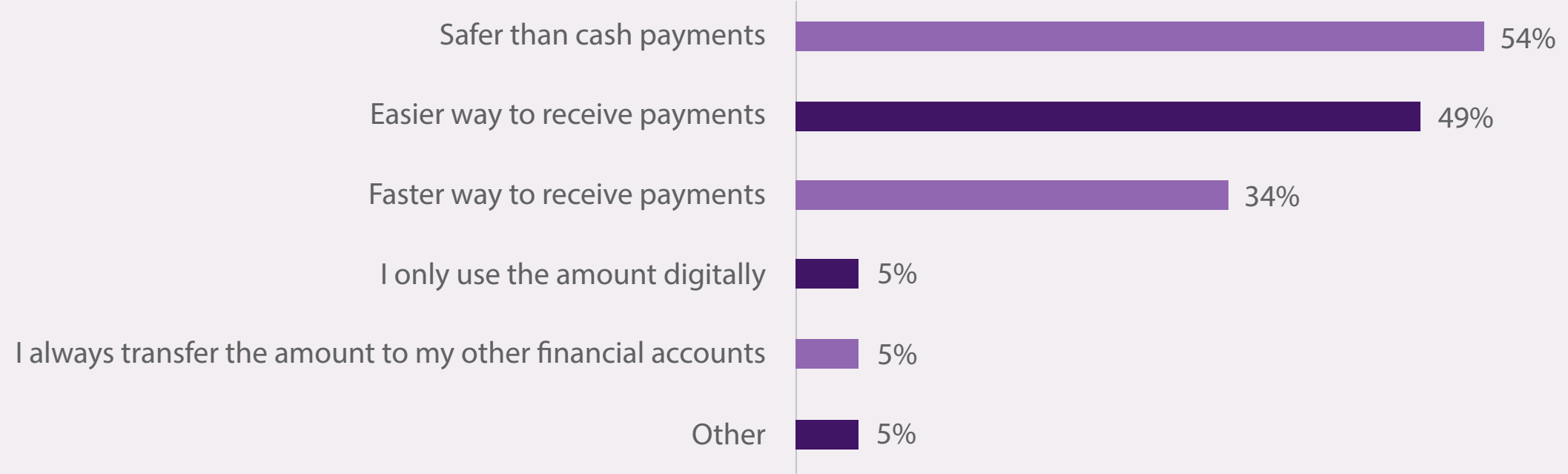


Figure 5: Reasons for preferring receiving government payments digitally

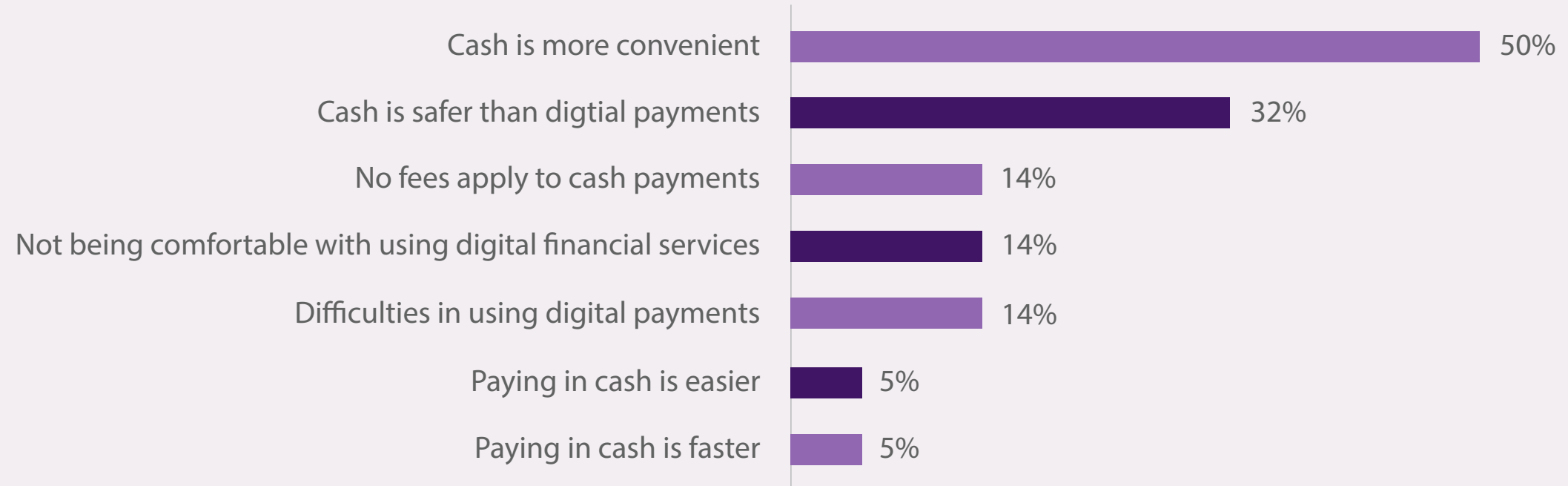


Figure 6: Reasons for preferring receiving government payments in cash



2. Supply Side Analysis – Stakeholders’ Feedback

2.1. Success and Achievements

Behavior Analysis of Financially Excluded Individuals

The speed of digitalizing government payments accelerated during the COVID-19 crisis, with a rising demand for both governmental and non-governmental digital financial services. This led to the development of the “Sanad” application, which serves as a single gateway to multiple fully digitized government services and documents, simplifying access with a single login.

Governance and Transparency

In customer-facing and serving government entities, respondents confirmed that their processes were much more efficient as a result of digitalizing services. Digital transformation also increased governance and transparency and limited corruption, theft, and money laundering attempts.

Leadership and Initiative

“Leadership is everything” surfaced multiple times from various respondents, and rightly so because perhaps one of the most impressive findings from the dialogues was the vital role leadership and taking initiative played in making real strides toward digital transformation in government payments.





2.2. Challenges and Pain Points

Orchestration and Interconnectivity

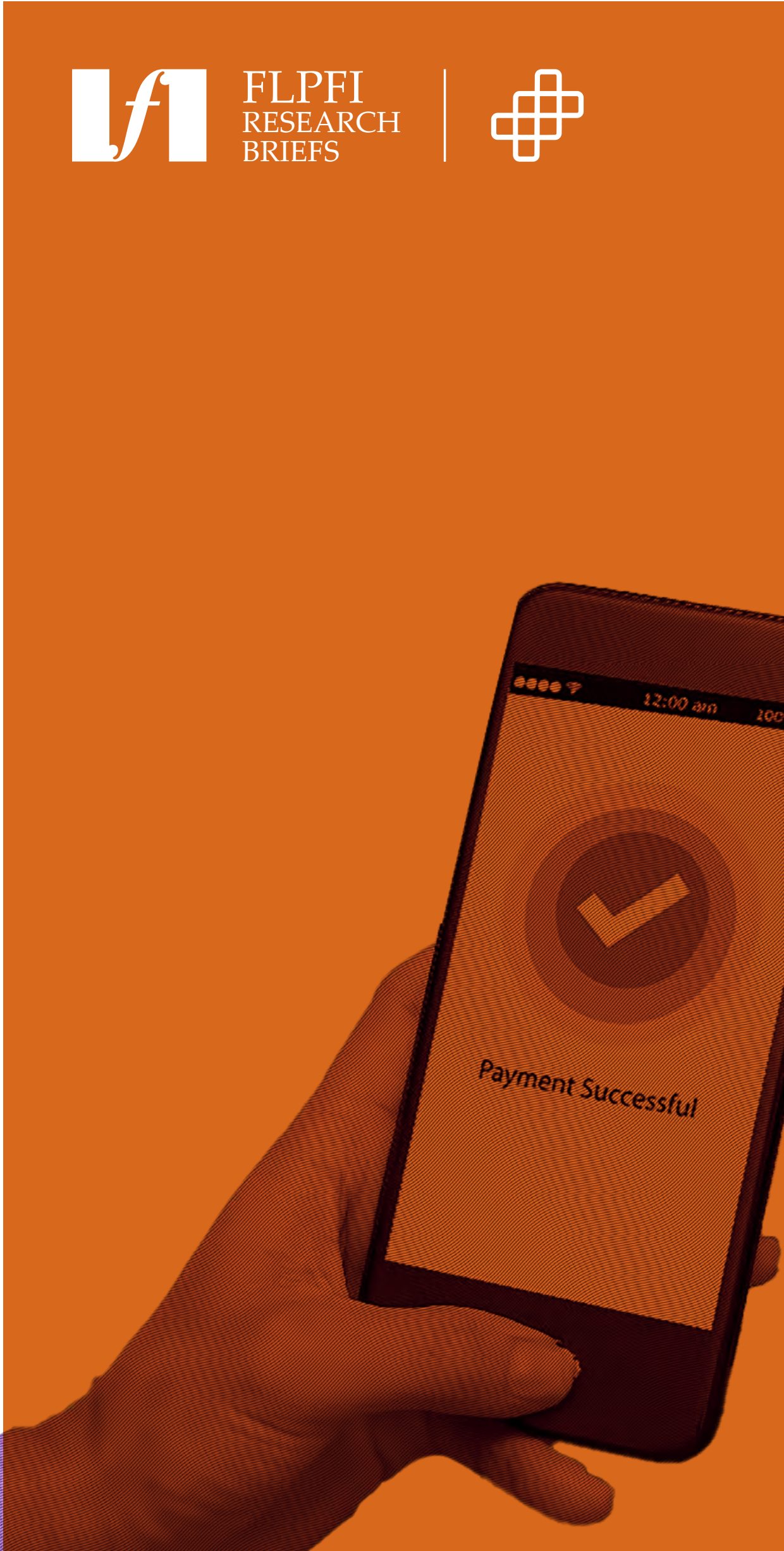
A challenge highlighted during the interviews was the complexity of re-engineering services, especially when multiple governmental entities were involved, necessitating collaborative efforts. In addition, with each new government elected, plans and directions changed, leading to delays and disruptions in decision-making and policy implementation.

Resistance

Interviews highlighted resistance as a common challenge, referring to both employee and customer resistance. Customers were initially skeptical due to limited knowledge, lack of trust in digital processes, and being predominantly from the older generation, known for slower tech adoption. Similarly, the employees were hesitant due to reasons like discomfort with change and fear of job loss.

Trust and Cash Culture

A recurring pain point was the lack of trust in government entities as perceived by customers. Respondents were often reluctant to try digital services due to doubts about government efficiency and past negative experiences. Jordanians also tend to rely heavily on cash transactions due to religious reasons and a lack of trust in the banking system.





KEY TAKEAWAYS

The Jordanian government's rapid transition to digital payments during COVID-19 showcases its capability to promote digital transformation. This swift shift has led to a significant increase in financial account ownership and digital transactions, which ultimately accelerates financial inclusion. The report illustrates how the adoption of digital payments by government institutions and their exclusive use through digital channels contribute to boosting digital financial services adoption and driving financial inclusion.

1. Digitalization is prominent in the government's strategies and plans. However, there is no comprehensive or regular reporting of progress and impact.
2. Jordan's digital and financial infrastructure is well-developed and enabling of digitalization of payments.
3. Receiving digital payments from the government has been reported by recipients to be a seamless experience. This indicates that the service offering is solid and reliable and thus has resulted in a smooth user experience. Nonetheless, there is still a strong preference for cash when making payments to the government.
4. Governmental entities' adoption of digital payments varies in practice and speed, leading to a fragmented user experience. Leadership within governmental institutions is crucial in driving and accelerating this transformation, but changes in leadership can impact the direction and continuity of the process.
5. The digitalization of government payments requires well-led coordination and alignment. The process needs an orchestrator that can stimulate and track progress, facilitate the exchange of experience, and document and build on lessons learned.



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- 6. Despite owning and using financial accounts, many users either do not trust digital payments in their interaction with government services or aren't familiar with using them. Growth in account ownership doesn't necessarily mean growth in digital financial literacy.
- 7. Tellers of consumer-facing governmental entities play a key role in driving digital payment acceptance. They should be diligently trained and incentivized to promote digital payments when both digital and cash payment options are offered.
- 8. The exclusive offering of payments for governmental services through digital channels only can drive and sustain the adoption of DFS, compared to a multi-channel offering. While it is perceived as controversial to impose digital methods on users, it certainly accelerates the uptake of DFS and can only bear fruit if combined with comprehensive onboarding to services.