National Microfinance Bank

Impact Management Case Study

Location: Jordan
Sector: Agriculture & Education

Business Model

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

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

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

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

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

1 This new economic situation poses a significant risk to Jordan in the short term. With an unemployment rate of 19% at the end of 2019 and a slowdown of business-as-usual economic activity, families and small business will struggle.
According to a study done by the ILO, the pandemic has been particularly harmful to micro and small businesses in Jordan; 98% of the surveyed enterprises confirmed that they were negatively impacted in one way or another. National GDP is estimated to have fallen by 23% during lockdown periods, a 30% drop in the services sector with 20% total employment losses, mainly driven by job losses in the service sector, followed by agriculture. At the same time, household income fell on average by one-fifth due to the lockdown, driven by contraction in service sector activities, a slowdown in manufacturing activity and lower remittances coming from abroad.

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

Key Stakeholders

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

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

1. Planning For Impact

Impact Value Chain

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

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

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

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

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

NMB – Agriculture Sector Value chain

<table>
<thead>
<tr>
<th>Problems &amp; Opportunities</th>
<th>Inputs/Activities</th>
<th>Outputs</th>
<th>Outcomes</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers lack access to economic resources and financial support</td>
<td>Provide responsible financial solutions; agriculture loans</td>
<td>Increase farmers’ access to responsible finance through formal channels</td>
<td>Reduce default rates of financial loans</td>
<td>Encourage sustainable and responsible local food production</td>
</tr>
<tr>
<td>Low investment in infrastructure &amp; technology to improve agriculture productivity</td>
<td>Provide financial literacy awareness sessions targeting farmers &amp; food producers</td>
<td>Small farmers are financially literate and aware</td>
<td>Variation in agricultural projects (food production and animal production)</td>
<td>Enhance living standards of local small farmers and income</td>
</tr>
<tr>
<td>High demand on local agriculture production due to the COVID-19 pandemic</td>
<td>Launch a new product (Bithar) to ensure higher production and better quality</td>
<td>Increase number of agricultural projects (homebased and land based)</td>
<td>Reduce unemployment rates</td>
<td>Reduce hunger by increasing amount of local products which reduces cost of food products</td>
</tr>
<tr>
<td></td>
<td>Provide networking services to connect farmers with food producers and new markets</td>
<td>Increase number of job opportunities created</td>
<td>Reduce amount of agricultural import from international markets</td>
<td>Reduce poverty by creating job opportunities in the agricultural field and increase agricultural production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase amount of agricultural production yield</td>
<td>Increased sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improved access to local markets and suppliers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SDGs

1. No Poverty
2. Zero Hunger
3. Sustainable Cities and Communities
4. Responsible Consumption and Production

National Microfinance Bank Impact Management Case Study
2. Monitoring Performance

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

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

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

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

**NMB Contribution**

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

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

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

The main impact of this project is increase in income, as stated by 93% of farmers, thus improving the quality of their lives. Moreover, 28% of the clients reported creating additional job opportunities, while 51% stated that the variety and quality of their products has been enhanced.
<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline Value (2015)</th>
<th>Actual for 30/6/21</th>
<th>Target End of 2021</th>
<th>Stakeholders</th>
<th>Data Collection Method</th>
<th>Data Source</th>
<th>Linked SDG Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of total clients in the agricultural sector from all NMB clients</td>
<td>903</td>
<td>826</td>
<td>800</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
<td>826</td>
</tr>
<tr>
<td>Number of loan female agriculture</td>
<td>587</td>
<td>508</td>
<td>500</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Number of loan male agriculture</td>
<td>316</td>
<td>318</td>
<td>300</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Amount of loan disbursed for agriculture purpose</td>
<td>USD 863,150</td>
<td>USD 480,890</td>
<td>USD 423,729</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Average number of jobs created</td>
<td>1.3</td>
<td>1.2</td>
<td>1.5</td>
<td>Farmers, their families</td>
<td>Primary</td>
<td>Database</td>
<td>1-11</td>
</tr>
<tr>
<td>Percentage of defaulted agriculture loans for female</td>
<td>0.789%</td>
<td>2.6%</td>
<td>1.5%</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>11-12</td>
</tr>
<tr>
<td>Percentage of defaulted agriculture loans for male</td>
<td>1.640%</td>
<td>4.5%</td>
<td>2.5%</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>11-12</td>
</tr>
<tr>
<td>Average increase in income for small farmers</td>
<td>USD 550</td>
<td>USD 424</td>
<td>USD 424</td>
<td>Small Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-11</td>
</tr>
<tr>
<td>Percentage of loans by female agriculture</td>
<td>65%</td>
<td>61%</td>
<td>60%</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Percentage of loans by male agriculture</td>
<td>35%</td>
<td>39%</td>
<td>40%</td>
<td>Farmers</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Percentage clients who said that new projects were created / found new job</td>
<td>0</td>
<td>28%</td>
<td>30%</td>
<td>Clients</td>
<td>Secondary</td>
<td>Survey</td>
<td>1-2-11-12</td>
</tr>
<tr>
<td>Number of clients who got loans for the Seed Project</td>
<td>0</td>
<td>260</td>
<td>350</td>
<td>Clients</td>
<td>Primary</td>
<td>Database</td>
<td>1-2-11-12</td>
</tr>
</tbody>
</table>

### NMB IVC – SDG Wheel

![SDG Contribution Diagram](image-url)
Way Forward

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

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

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

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

1. Planning For Impact

Impact Value Chain

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

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

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

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

- Improving the quality and accessibility of vocational education
- Enhancing living standards and reducing poverty
- Encouraging innovation and widening the scope of talents
- Encouraging entrepreneurship and job creation equally for males and females

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

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

### Problems & Opportunities

- Lack of awareness on vocational trainings and the real market needs for vocational skilled/trained students
- Difficulty in enrolling into higher education for a major segment of the community due to the high cost of universities’ fees, vocational trainings’ fees and schools supplies
- Lack of financial resources for the educational facilities establishment and improvement including nurseries, schools & special needs centers
- Increase in unemployment rates among youth due to the saturation of the market with academic graduates/students
- Variation in the quality of education provided between public and private schools

### Inputs/Activities

- Provide necessary guidance and awareness workshops regarding the available options when considering vocational education
- Provide financial literacy awareness sessions targeting students, parents, & academics business owners
- Provide financial solutions (business loan products) for educational institutions (renovation or building new establishments)
- Provide joint workshops or skill exchange between Jordanians and Syrian refugees
- Provide educational loan products targeting schools & university students

### Outputs

- Increase number of graduates from vocational education
- Spread knowledge on the available financial resources to cover educational fees
- Increase number of educational institutions capable to provide sustainable and high quality education
- More skilled and equipped workforce for the market
- Better integration of refugees in the community
- Increase number of students getting good quality academic education (schools & universities)

### Outcomes

- Improve the quality and accessibility of vocational education
- Encourage innovation and entrepreneurship equally for males and females through vocational education
- Increase number of academic literacy among the different segments of the community
- Widen the types of the different sectors available in the market
- Achieve social cohesion in the community

### Impact

- Increase number of jobs created and business owners (entrepreneurs)
- Enhance living standards and reduce poverty by increasing talented and vocationally trained and skilled employees

### SDGs

1. **No Poverty**
2. **Quality Education**

### 2. Monitoring Performance

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

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

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

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

### NMB Contribution

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

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline Value (30/6/2021)</th>
<th>Target for (2021)</th>
<th>Stakeholders</th>
<th>Data Collection Method</th>
<th>Data Source</th>
<th>Linked SDG Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of active beneficiaries for education loans for females</td>
<td>975</td>
<td>1,200</td>
<td>Students</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8</td>
</tr>
<tr>
<td>Number of active beneficiaries for education loans for males</td>
<td>388</td>
<td>500</td>
<td>Students</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8</td>
</tr>
<tr>
<td>Total value of loans disbursed for educational loans (students)</td>
<td>USD 436,480</td>
<td>USD 958,970</td>
<td>Students</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8</td>
</tr>
<tr>
<td>Total number of disbursed benefits from business loans educational purpose</td>
<td>20</td>
<td>30</td>
<td>Business owners</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8</td>
</tr>
<tr>
<td>Value of loans disbursed for educational business purposes</td>
<td>USD 54,869</td>
<td>USD 82,290</td>
<td>Business owners</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8</td>
</tr>
<tr>
<td>Number of active loans provided for business purposes (for schools, universities)</td>
<td>13,367</td>
<td>13,635</td>
<td>Business owners</td>
<td>Primary</td>
<td>NMB database</td>
<td>1-8-8-9</td>
</tr>
<tr>
<td>Total number of loans</td>
<td>67,089</td>
<td>68,727</td>
<td>Clients</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
</tr>
</tbody>
</table>

### Number of loans per sector:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Baseline</th>
<th>Target</th>
<th>Stakeholders</th>
<th>Data Collection Method</th>
<th>Data Source</th>
<th>SDG Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive</td>
<td>2,132</td>
<td>2,175</td>
<td>Clients</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
</tr>
<tr>
<td>Insurance and health care</td>
<td>2,390</td>
<td>2,438</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>25,124</td>
<td>25,626</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Educational</td>
<td>1,363</td>
<td>1,700</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>6,077</td>
<td>6,199</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td>826</td>
<td>843</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Tourist</td>
<td>32</td>
<td>33</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>215</td>
<td>219</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Energy and environment</td>
<td>13,041</td>
<td>13,343</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
<tr>
<td>Consumer</td>
<td>15,849</td>
<td>16,166</td>
<td>Primary</td>
<td>NMB database</td>
<td>4-8-9</td>
<td></td>
</tr>
</tbody>
</table>

### Way Forward

In the near future, NMB will provide the necessary guidance and awareness workshops regarding the available options when considering vocational education targeting educational loan beneficiaries and potential clients. These awareness workshops will increase the number of graduates from vocational education and number of jobs created and business owners (entrepreneurs) and enhance living standards and reduce poverty by increasing talented and vocationally trained and skilled employees.
Challenges & lesson learned

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

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

Empowered lives. Resilient nations.