

Jordan

A developed market with few institutional constraints

In Jordan both domestic and foreign banks – mostly from France, the UK and the Arab world – operate along the Western economic and transport axis between Amman and the Red Sea port of Aqaba (Chart 1). Almost all of these banks lend to corporate, small and medium-sized enterprise (SME) and retail clients. Both domestic and foreign banks are perceived as serious competitors in all three of these client segments.

Compared to other EBRD countries, Jordanian banks appear to be more selective when screening potential SME and corporate clients. This is for a variety of reasons (Chart 2). One explanation is that loan applications have to pass through more hierarchical approval layers compared to other countries.

There are no indications that SME lending in Jordan is held back by a lack of bank funding (Chart 3). Access to liquidity and capital has even become less of a concern over the period 2007-11. Competitive pressures and limited skills of loan

officers do not appear to be a concern either. The most important constraint by far on SME lending is currently a lack of demand for credit. Jordanian banks noted a lack of credit-worthy customers more often than banks in other EBRD countries.

Jordanian banks are relatively positive about their institutional environment. Almost all banks judge the banking regulator to be fair, impartial and efficient. Banks do think, however, that direct instructions by the financial regulator (over and beyond published laws and regulations) have become more of a burden, contrary to an improving trend in the rest of SEMED (Chart 4).

While most Jordanian banks agree that pledge and mortgage laws allow for an efficient creation of security rights, many think that the practical enforcement of these rights leaves much to be desired. While the court system is fair and impartial, and able to ultimately enforce decisions, banks mention that the courts are too slow in resolving business disputes and enforcing securities.

Chart 1 Bank localities by ownership

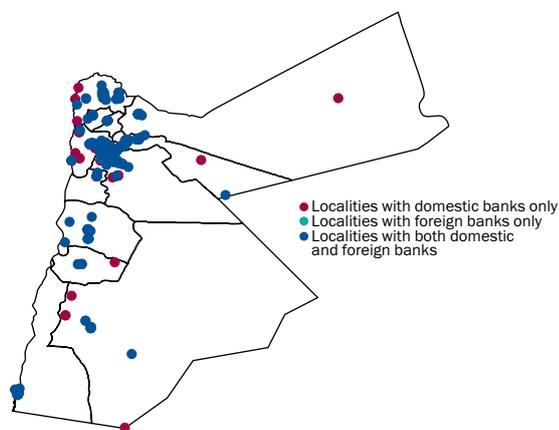


Chart 2 Frequency of loan rejection reasons

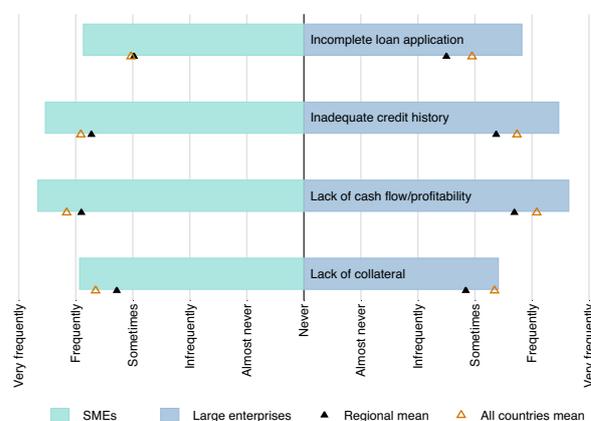
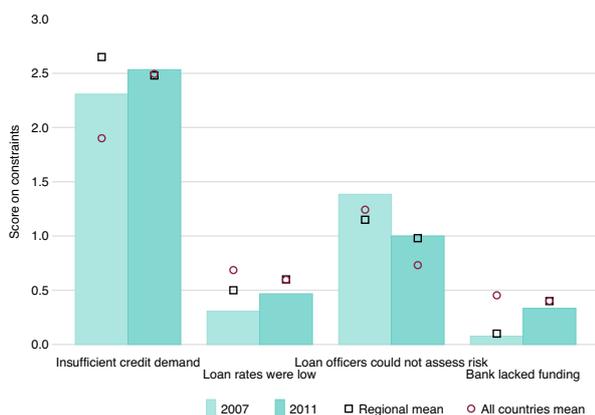


Chart 3 Main constraints on SME lending*



*The constraint score runs from 0 to 3 with 0 signifying no constraint and 3 signifying the main constraint

Chart 4 Regulatory instructions: a significant burden

