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Editorial/Subscription Office:

Azarieh Bldg, Riad El Solh Square, Beirut – Lebanon

Tel: (961-1) 983008/9, (961-3) 262376

Fax: (961-1) 980630

E-mail: liMonthly@information-international.com

Web: www.information-international.com

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Evolving patterns in banking

Retail banking survey (Part I)

In the retail banking industry, understanding customer habits, preferences and profitability potential requires gathering and analyzing large amounts of data on the profile and perceptions of existing and prospective bank clientele.

In Lebanon, competition has been growing tougher in retail banking, as financial institutions have tried to shift profitability from the easy source provided by government T-bills and move into alternate sources for a more balanced portfolio, namely retail banking.

Credit card services, savings schemes, housing and car loans and bancassurance are now widely available in most banks, and those who led the way early on have reaped the most benefits. In addition, online and phone banking services have been launched, although these products have yet to claim a significant place in the retail banking market. One of the indicators, according to *Information International's* recent banking survey, is a lack of awareness of the benefits, convenience and efficiency such services provide, while security concerns are another barrier.

Although the banks have become more aggressive and creative (offering delivery services for money withdrawal is one example), their efforts have been hampered by economic sluggishness and an overall decline in profits (from \$300 million in 2000 to \$262 million in 2001 to approximately \$245 million in 2002, although profits are expected to rise in 2003 to an estimated \$300 million). This has necessitated a better understanding of customer perceptions and enhanced marketing techniques.

Information International's banking survey, conducted between August and

September 2003, was designed to provide such data. The effort is certain to be worth the returns—from helping to optimize the banking industry's marketing efforts by understanding the perceptions of clients to bolstering customer loyalty and creating a greater market share and competitive edge for the banks.

Focus and methodology of the survey

The survey was based on a stratified random sample of 600 respondents derived from the number of residents across different areas of Greater Beirut. In each area, respondents were randomly selected in line with gender specifications and some age restrictions. In addition, the timing of interviews was administered in a way to avoid any bias that might occur in the sample selection. Respondents were interviewed in their homes and the survey's margin of error is $\pm 1.8\%$.

The different categories explored in the survey were:

- Bank accounts (savings, checking, term/fixed deposits)
- Bank loans
- Savings schemes
- Plastic cards
- ATM machines
- Online and phone banking
- Fee domiciliation
- Checks

A look at bank clientele

In general, a little under half of Greater Beirut residents do not have any dealings with a bank, according to the survey (see **Graph 1** on the following page). Out of those that deal with banks, the majority (73.5%) stick to one institution for all their transactions, while 18.5% deal with two banks and another 8% have dealings with three banks.

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