

Banking survey (Part IV): Lending

1% of the borrower base has 50% of loans

Lending and loan distribution

At the end of 2003, total lending in Lebanon reached LL 43,513 billion (\$28.9 billion), with 51.7% representing loans to the private sector (out of those, 84% were in foreign currency). Owing to the prevailing economic environment, private sector borrowing since last year has dropped by \$167 million, with the trade and services sector being the largest recipient of bank loans. The distribution of bank loans for the last year was as follows:

- Trade and services: 46%
- Construction and contracting: 18%
- Personal loans: 14%
- Manufacturing: 13.5%
- Financial intermediaries: 3%
- Agriculture: 1.5%
- Other: 4%

In **Table 1**, the distribution of private sector loans by size and number of borrowers (retail and corporate) shows that 800 borrowers, or 1% of the borrower base has 50% of loans.

Survey results

Part IV of *ii Monthly's* banking survey takes a look at some of the different types of bank loans and the profile of borrowers. According to the survey, 19.3% of bank customers have some kind of loan. Out of those, 67.7% have a personal loan, 24.6% have a housing loan, 10.8% have a car loan and 4.6% have a business loan.

The largest proportion of loan recipients fell into the 35-44 age bracket, which also saw the highest penetration levels. The next largest group of borrowers was composed of 25-34-year olds, followed by 45-54 year-olds.

In terms of income, the majority of borrowers fell into the \$501-\$1,000 bracket. However, a positive relationship was observed between income and acquiring a loan, with penetration levels going up in the higher income brackets.

Looking more specifically at the different types of loans, personal and car loan recipients tended to be in the younger age groups, compared with housing and business loan recipients.

It was clear from the survey that, in general, requirements to obtain the latter are much higher, including mortgaging a house/property in some cases, which makes younger age groups more able to acquire personal or car loans.

The 35-44-year age group made up 36.4% of personal loan holders, followed by 25-34-year olds. This is compared with those granted housing loans, who were mostly between 45-54. When it came to car loans, the survey showed that they mainly fell in the 35-44 year bracket and that the minor number of business loans was concentrated in the youngest age bracket of 22-24.

Acquiring a loan

In terms of the time it took to acquire a loan, 35.4% of borrowers stated that they got their loan quickly, compared with 6.2% who said it took a long time. However, in terms of difficulty, the general public felt that it was rather hard to get a loan in Lebanon. 55.3% of those polled believed it was very hard/hard to get a loan in the country, compared with 19.3% who thought it was very easy/easy, 24.7% who thought it was of relatively standard difficulty and 0.7% who did not specify an answer.

Main factors when applying for a loan

Borrowers considered the interest rate the most important factor when deciding where to apply for a loan. On a scale of 1 to 5, with 1 representing the least important and 5 the most important, the interest rate had a weighted average of 4.6, followed by the ease in acquiring a loan, at 4.53. The length of the process came next, at 4.52, and the fourth most important factor considered was the terms of repayment (or the repayment rate), at 4.5, while the fifth was the required guarantees, at 4.38. The size of the loan came last when choosing where to apply for a loan, at 4.37.

Please note that some percentages add up to more than 100% because respondents can give multiple answers. ■

Sample and methodology

The survey, conducted between August and September 2003, 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 $\pm 1.8\%$.

DISTRIBUTION OF PRIVATE SECTOR LOANS IN 2003 (RETAIL AND CORPORATE)

Table 1

Loan (LL million)	No. of borrowers	Total value (LL billion)	% of total lending
<LL 5	3,081	7	0.03%
LL5-25	30,408	425	1.87%
LL 25-100	31,724	1,531	6.73%
LL100-500	11,000	2,280	10.02%
LL500-1,000	2,150	1,481	6.51%
LL5,000-10,000	450	3,043	13.37%
LL 10,000 & above	359	8,500	37.35%

Source: Compiled by ii from the Association of Banks in Lebanon