Banking survey (Part V)

New retail banking technologies and services cater to limited customer base

Part V of *Information International*'s banking survey explores the use of more novel technologies in retail banking, including online and phone banking, as well as the more recent services offered, such as domiciliation of fees and savings schemes.

Results of the survey indicated that newly introduced technologies that don't involve personal (face-to-face) interaction are still less trusted by bank clients. Online banking services, for example, are used by only 3.9% of bank clients, while phone banking is used by 5.4%, according to the survey (see Graph 1).

Online banking

Out of those who use the online banking service, 84.6% were male, and education was found to be a highly significant factor, with university graduates making up over 90% of users.

In addition, a positive relationship between personal interaction and age was detected. Younger age groups gave less weight to face-to-face dealings, but this increased in importance with age.

Use

Over half of online banking users access the service to check their accounts (54.2%), while one quarter use it to review previous transactions. Another 20.8% transfer money and order checkbooks online.

Frequency of use was once a week, for half of online banking users, followed by two quarters who each use the service twice per month or once per month. The remaining percentages used their service more than once a week.

Online banking cuts visits to the bank by approximately 80-99% according to 30.8% of users, while 23% each say it cuts their visits by 20-29% and 50-59% (see Graph 2).

Surveyed respondents who don't use online banking services stated that it was unimportant to them (39.3%) and that they preferred personal interaction (35.3%). This is followed by 12.4% who noted security issues and 7.1% who were not aware of the service.

Phone banking

The profile of phone banking users according to the survey revealed that half were in the 25-34 age group, which also saw the highest penetration levels, followed by 35-44 year-olds. In addition, use was not gender-specific, and half of the users were university graduates.

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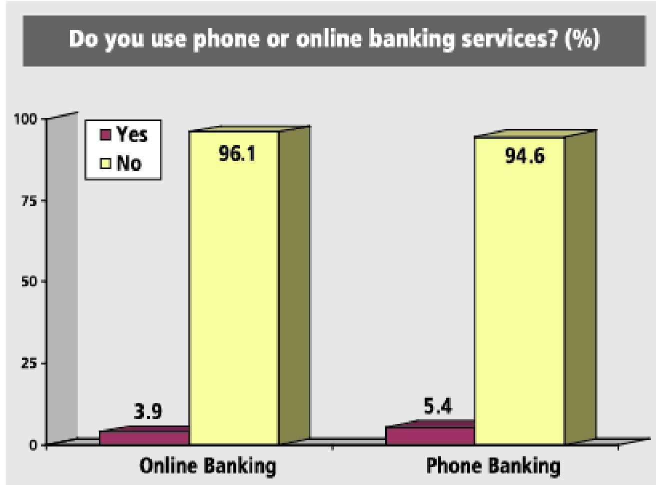

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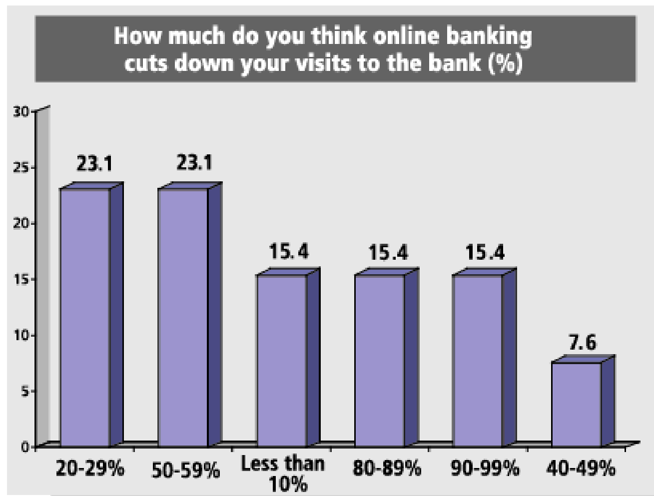

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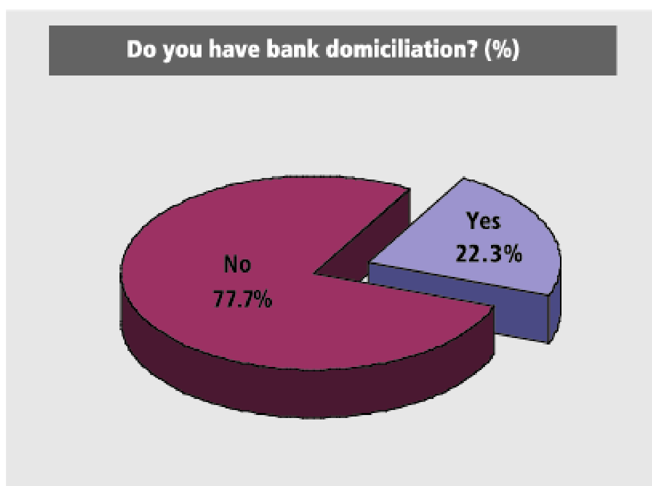

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Phone banking services are mainly utilized for checking account balances (according to over 88% of users) and reviewing previous transactions (according to 38.9%).

Frequency of use ranged mostly from once a week (one third of users) to twice a month for a little over one quarter, with remaining percentages distributed differently.

The largest proportion of users (44%), felt that phone banking reduced their visits to the bank by less than 10%, while 22.3% felt it reduced visits by 50-69%.

Out of those who don't use phone banking services, the majority (41.6%), stated that it was simply unimportant to them, while 38.7% preferred personal interaction. Another 11.9% replied that security was an issue and 6.9% were not aware of the service.

In terms of awareness of fees for both services, results were similar to those of credit cards (see Issue 21 for details), with a large proportion of users being unaware of the relevant fees.

Fee domiciliation

Approximately 22.3% of bank customers utilize the fee domiciliation service for settling electricity, telephone and other bills, according to the survey.

The 45-54 year age bracket were the biggest users (30.7%), followed by both 35-44 year-olds and 25-34-year olds.

The service was most popular among the $501-$1,000 personal income bracket, but penetration increased at higher income levels.

Savings schemes

A mere 2.3% of Greater Beirut residents have some kind of savings scheme according to the survey. In terms of bank clients, this figure reaches 4.2%.

Out of those who have savings schemes, the most popular were those for children. The highest proportions of those with such schemes were evenly distributed among 35-44 year-olds and 45-54-year olds, but greater penetration was detected in the former age group.

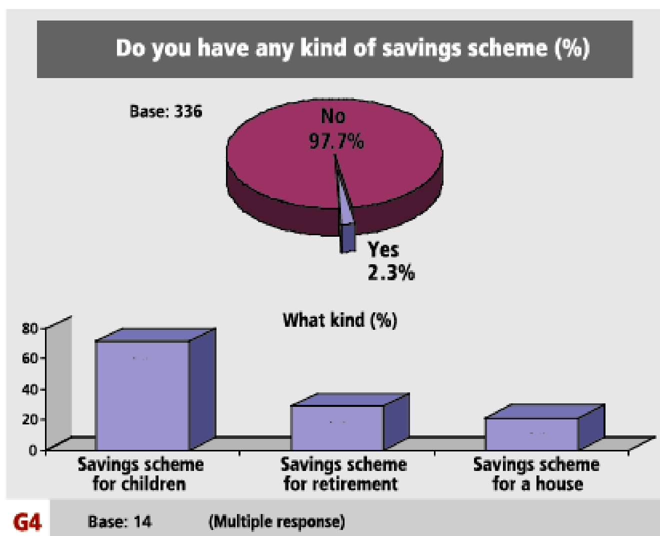
The majority of respondents who do not have saving schemes stated that it is unimportant to them (54%), followed by 20.5% who felt the periodic payments were too high. The income profiles of those who felt it was too much of a burden were 23.9% of those making $200-$500, followed by 16.2% in the $500-$1000 income bracket and typically dropping at higher incomes.

Penetration of savings schemes in Lebanon is low when compared to other retail banking products. This is mainly due to two reasons:

- A lack of awareness of the importance of such schemes for future security, whether for retirement or children's education.

- The segmentation of society and the small size of the middle class, whereby lower income brackets cannot afford to invest in savings schemes and high income brackets do not believe they need to.

While the more recent services being offered to bank clients, as discussed above, do not have a strong customer base, banks should work on educating their clients on the benefits of such services. For example, savings schemes offered by banks in US dollars could offer retirees protection in the event of a currency devaluation, in which case end-of-service indemnities would no longer provide for their security. At the same time, banks should focus more on building the trust of their clientele in their services. Once established, services like phone and online banking will become more popular. ■



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%.