

What New Challenges are Facing the Local Banks in Lebanon?

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Abstract: *This paper reports on university students' perceptions of online bank training in Lebanon by answering the main question: What barriers do we need to start paying attention to in implementing e-learning in the banking industry in Lebanon? Infrastructure, benefits, self motivation, speaking foreign language, age and the ability of employees to access e-training are the barriers that get in the way of putting e-training into practice in Lebanon.*

Keywords: *ATM, telephone multi-channel strategy, competitive advantage, cost-efficiency, e-learning, training strategy.*

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1. Introduction

To understand any complex phenomena such as the threats and opportunities facing local Lebanese commercial banks we must understand the language and approach of the future banking industry in Lebanon. So it is with understanding the changing environment, one must understand the banking language of the future and what influences Lebanese choice of technique for accessing certain banking services and why. There are good reasons for this argument, which will become evident later in this paper. Suffice it to say, for the time being, that we must understand and learn the language of the future banking industry.

2. The Language of the Future Banking Industry

If an expert tells us that traditional over-the-counter banking is being strongly challenged by self-service techniques then, we must understand what is meant by e-environment and how to transfer the banking industry in Lebanon from e-business to electronic Customer Relationship Management (eCRM) [10]. Correspondingly, if somebody speaks of customers interacting with commercial banks through remote technological channels then we must explore why banks adopt the internet and understand if internet is considered as an additional channel or if internet is thought of as the end of branch banking. We must understand how to make from the internet, branch, ATM, and telephone a multi-channel strategy [3]. Similarly, when experts discuss the importance of service delivery then we must understand how to make of customer service a key strategic component in Lebanese banks' profitability [11]. Likewise, if someone talks about creating customer loyalty then, we

must understand what is meant by customer tracking, analysis, segmentation and how to create new customers and improve customer continued existence.

To sustain a competitive advantage, the Lebanon banking industry needs to gather information, ascertain customer value, determine the best means to implement e-learning and consider what other developing countries did to successfully promote e-learning [20, 23]. We must also learn the difference between social and corporate values and how to build corporate values. We must understand concepts such as woman empowerment and generation gap [9]. In the same way, if professionals talk about enhancing business-community relations, then, it becomes imperative to understand the importance of forming strategic long-term partnership with various stakeholders.

If someone claims that e-training can enhance employee loyalty, then, commercial banks in Lebanon should explore if e-learning can eliminate the barriers of time and distance within a Lebanese culture. They have to relate Lebanese reality to the possibility of providing e-learning on a 24/7 basis. Lebanese commercial banks have to investigate the feasibility of providing their employees with the needed skills that enable each one of them during e-learning to speed up or slow down learning according to individual needs and how to enable employees to evaluate and monitor their progress. They must investigate how to combine sound, image, text etc., to make e-learning an exciting experience for employees and for customers when they interact with the bank's system.

If somebody talks about bridging the gap between university and market, then, commercial banks in Lebanon should understand how to offer summer internship that provide university students with the basic ingredient (training) for future employment

success. They have to partner with universities to create a sustainable banking future by creating a highly sustainable university culture? If somebody claims that merging commercial banks in Lebanon go well with future terms such as globalization, technology and profitability. Then, we must investigate whether it is better or worse for the commercial banks in Lebanon to merge vertically or horizontally and more important we must understand why and how did the mega banks of the west reach their exceptional levels of prosperity and stability by learning the language and approach of the future banking industry.

3. Need for the Study

E-learning can be taken to employees wherever they are, could be tailored to employee needs, capable of being constantly updated, can be used to complement the existing training approaches and leads to cost-efficiency. Then, "Why isn't e-learning already implemented in the most successful sector in Lebanon? Why is e-training not given the same importance as traditional methods of instruction in the banking industry? The need for this study stems from the fact that e-learning is a new phenomena and not well understood in the Lebanese market. Lebanese organizations and individuals are not fully aware of the great advantages the e-learning can provide them!

4. The Research Question

This study attempts to answer the main question: What barriers prevent Lebanon from implementing e-learning in the banking industry?

5. Purpose of this Paper

The purpose of this paper is to understand the barriers that are facing the local banks in Lebanon, and to understand the language and approach of the future banking industry. Rapid technological advances are expected to have significant changes in the banking environment in Lebanon. In this regard, all banks in Lebanon will in a way or another be affected by the technological advancement. One of the most significant implications of technology will be the possibility of delivering training through electronic channels. Banks and people will be operating in Lebanon in a global environment where the e-challenge is high. It is no longer a question whether online training can be the same as face training. Rather, commercial banks in Lebanon should learn the new instructive methods that answer the emerging instructional challenges posed by Internet.

6. General Background

Lebanon is a republic with a small, services-based, economy. According to the Economist Intelligence Unit (EIU), the modest domestic industrial sector in Lebanon is comprised almost entirely of small-owned ventures employing less than ten people [19]. Lebanon, however; has a strong interest in technology and its population is characterized by having multilingual skills. The EIU, reports that Lebanon has one of the most built-up internet market in the Arab World [19]. People depend heavily on email in their daily communication but unfortunately, there is a scarcity of applied research into risk-taking and willingness to accept internet banking in Lebanon. There are no applied researches that show how do Lebanese entrepreneurs think about internet banking. Based on review of literature, it is found that risk taking is not a static personality trait but it seems to reflect learning in a business context [14]. Kimberly and Miles believe that risk taking propensity changes over time [12], but there is rarely any applied research that relates online banking to risk and security in Lebanon.

In sum, even though there exists a plenty of research in finance and management that discusses risk [18], but there is no applied research that discuss how do people in Lebanon react to internet banking. How many are aware of online banking? How do Lebanese people feel about Internet banking and risk-taking? *The writer was unable to find any empirical evidence* an empirical evidence on the effects of personality and risk-taking behavior on the likelihood to accept to pay in Lebanon on the web with a personal e-card.

7. The Potential Competitive Advantage of the Internet for the Local Banks in Lebanon

Based on review of literature one may conclude that the banking industry has undergone a fundamental transformation through the expansion of the internet. Accordingly, e-banking is a growing phenomenon and is expected to revolutionize the traditional banking industry [5, 15, 16, 23]. *Gerrard and Conningham report that adopters of internet banking* perceive the service to be more convenient, less complex, more compatible to them and more suited to those who are PC proficient [7]. However, Bradley and Stewart believe that "The banking sector can hardly be regarded as a model of innovation. Indeed, its tradition, goodness and established ways of doing business have been a source of pride to the sector" [3]. Wang et al., in 2003 consider traditional branch-based retail banking as the most common method of banking transaction in the world [21]. With all of this background I do believe that for the Lebanese banks that have begun to introduce e-banking services as most international banks have done, it becomes imperative for them to

understand the banking language of the future. They must understand both, the supply and demand side factors that affect the spread of internet banking in Lebanon.

8. The Supply Side

It is safe to say that e-business has entered the Lebanese market. Some Lebanese banks have their own websites and they offer around the clock the most up-to-date e-banking service. Fredi Baz report that BBAC and Audi offer ATM, Internet, and Phone banking. BLOM and Credit Libanais offer ATM, Internet, Phone and Mobile Banking. Byblos and Fransabank offer ATM, and Phone banking [1]. The installment of customer friendly technology as a means of delivering traditional banking services has become common place in recent years as a way of maintaining customer loyalty and increasing market share [10]. The question that arises, then; is how can the Lebanese commercial banks go from e-business to eCRM. At the basis of this is the concept of human empowerment.

9. Key Issues Facing the HRD

A lot of people, even in the banking industry, may think that eCRM is a software that they can plug-in their computers to automate bank's transactions. Again, it becomes imperative to mention here that for those banks that are planning to expand their implementation of internet banking it turn out to be vital for them to understand the banking language of the future. They have to understand that eCRM cannot be purchased because it is a combination of philosophy, technology and human ability to interact with Web in determining basis of segmentation, creating lifestyle profiles and improve decision making by using the "what if" analysis of consumer behavior in the e-environment. Internet banking is nothing more than traditional banking services but in an electronic form [3]. It has the advantage of cost reduction. Yakhelefe reports that a traditional banking transaction costs \$ 1.08, while it costs less than 14 cents on the internet [23]. Internet banking increase the bank's ability to provide end users with the needed information security to help them in their banking transaction [20]. What I want to emphasize here is the fact that if Lebanese banks are planning to expand the use of internet banking within a Lebanese culture then, it becomes imperative for them to understand the future changes in information, training and development that suits the global environment. This signifies the fact that knowledge development, flexi-time and/or e-learning could be one of the banking languages of the future in Lebanon and may create a need for e-learning awareness and familiarity among management, employees and end users, especially if we know that cost-efficiency was one of the key

reasons for implementing e-learning [24]. Lebanese commercial banks have to enhance their operation management. Boon and Lee believe that there will be an increasing need for technical support staff and development of technology to provide a variety of online services to satisfy the need of internal and external customers [2].

10. Internet Banking is not the End of Branch Banking

Internet banking has arrived in Lebanese and the computerized banking transactions are moving up from ATM to personal eCard. Today, if Lebanese become aware and familiar and if they are willing to use internet banking, then they can sit at home and enjoy browsing the existing new banking services. Table 1 compares the number of branches for the Lebanese banks that provide an electronic marketplace whereby customers can conduct their banking transactions on virtual level.

Table 1 shows that generally speaking, the number of branches did not really change in the last few years in the local banks that offer online banking in Lebanon. This could be due to the fact that internet banking presented a fraction of activities conducted through branches. It is evident that changing level of banking transactions in Lebanon was matched by a very little change in the number of branches and this is consistent with the findings of previous research that made it clear the Internet banking could be well thought-out as an additional channel of distribution. Internet banking does not mean the end of branch banking [3]. This signifies the need for continuous employees' training.

Table 1. The number of branches for the Lebanese commercial banks that provide an electronic marketplace.

Bank's Name	Number of Local Branches	
	2001	2002
BBAC SAL	32	32
Banque Audi SAL	66	69
Societe Generale de Banque au Liban (SGBL) SAL	59	57
Credit Libanais SAL	54	54
BLOM Bank SAL	51	51
Bank of Beirut SAL	32	42
Arab Bank PLC	12	12
Banque Saradar SAL	9	8
HSBC Bank Middle East	5	5

11. Research Design

Since e-training is a new phenomena and not well understood by employees in the Lebanese market and since students at different universities are expected to be the potential users of such training methods, therefore a cross-section of the Lebanese business university students became the sample for this study. The current study was conducted to investigate the barriers that we need to start paying attention to in

implementing e-learning in the banking industry by involving 319 business students from various universities in Lebanon. Of the 319 business students studied, (74%) expressed concern over the ability of commercial banks in Lebanon to provide the infrastructure needed for e-training, and (68.7%) believe that employees in our culture lack self motivation. Two thirds of the business students (64.5%) think that e-training should be restricted to managers. Fifty three percent suppose that employees lack e-skills. More than two thirds (71.8) said they are willing to accept e-training on the job.

12. Findings of the Study

The researcher in this study ran factor analysis as a measure of construct validity then used multiple regression analysis in determining the relative importance of the independent variables. Table 2 shows the results of factor analysis using SPSS.

Table 2. KMO and Bartlett's test.

Kaiser-Meyer-Olkin measure of sampling adequacy		0.703
Bartlett's Test of Sphericity	Approx. Chi-Square	308.309
	df	21
	Sig.	0.000

The factor analysis was ran on 319 valid cases. It is noted that both the KMO measure of sampling adequacy (KMO = 0.703) and the Bartlett test of sphericity (B = 308.309, p = 0.000) suggest that the data is suitable for factor analysis.

The PA (Principal Axis factoring) method of factor extraction using oblique rotation return a three -factor solution accounting for 63.812% of variance among the original seven variables. The seven items allow us to uncover underlying traits. Factor 1 accounts for 32.6924% of the variance and measures barriers that hinder the implementation of e-training in local banks. Factor 2 accounts for 16.089% of the variance and measure benefits of e-training. Factor 3 accounts for 14.76% of the variance and seems to account likelihood of using e-training. Table 3 shows the oblique factor loadings.

Table 4 shows the results of multiple regression analysis which is highly significant (p = 0.000) and the R² is 0.306, indicating that 30.6% all of the variance in the barriers is accounted for by the model. The value of F statistic = 79.090 is highly significant (p = 0.000).

Business students in this study believe that barriers hindering the implementation of e-training in local banks will be determined by the benefits of e-training, age of employee, the ability of employees to speak foreign language and the ability of employees to access training via Internet.

Table 3. Structure matrix.

	Component		
	1	2	3
Q13 employees lack e-skills	0.798	-0.157	-0.089
Q11 organizations lacks infrastructure	0.793	-0.207	-0.221
Q12 employees lack self motivation	0.743	0.122	0.125
Q8 training over internet should be restricted to managers	-0.534	0.378	0.405
Q10 e-training will be secure	0.030	0.753	-0.286
Q9 training over Internet is fast	-0.314	0.693	0.489
Likelihood that you would use e-learning	-0.004	-0.065	0.797

Table 4. Model summary.

Modl *	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.447 (1)	0.200	0.197	0.53986
2	0.532 (2)	0.283	0.278	0.51182
3	0.544 (3)	0.296	0.289	0.50803
4	0.554 (4)	0.306	0.298	0.50497

* Predictors 1: (Constant), Age.

Predictors 2: (Constant), Age, benefits.

Predictors 3: (Constant), Age, benefits, access e-training is a challenge facing employees.

Predictors 4: (Constant), Age, benefits, access e-training is a challenge facing employees, speak foreign language.

13. Conclusion

I attempted in this paper to provide a brief overview of what I think are the key challenges and opportunities that will be faced by local banks in Lebanon. The banking industry in Lebanon is going to have future language which we must learn and understand. I did not point out in this paper to the traditional risks that the banking industry had and still have around from the past such as fraud, returned checks, money laundry and rapid entry into new and unfamiliar activities. History has made known that entry into new business lines without the experience, tools, and controls to do the job right most often leads to losses and failure. History has shown that external borrowing put institution under stressful conditions and they have to do their best to maintain adequate liquidity. Globalization will oblige the local banks to face fierce competition from international banks as well as from nonbanks. In the past, Lebanese banks have successfully copied cooperative alliances with insurance and other firms and this have allowed them in the past and will allow them in the future to provide Lebanese and others with diversity of financial tools and products that satisfy their needs. All of the past strategies for product diversification that were implemented by local Lebanese banks were successful. Away from

traditional risks, this paper investigated how the e-global environment is going to pose new significant challenges to employees regarding training. Infrastructure, benefits, self motivation, speaking foreign language, age and the ability of employees to access e-training are the factors that get in the way of implementing e-training in the local banks. The limitation of this paper lies in the fact that this paper did not distinguish between larger, more complex banking organizations on the one hand and the smaller banks on the other.

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