

2018

BDL Financial Inclusion Demand Side Survey Report

Implementation and Key Findings



EXECUTIVE SUMMARY

Financial inclusion has been a hot topic among Central Banks, policymakers and the private sector, making it an important policy goal for several reasons. Most empirical studies have shown that financial inclusion has a positive effect on economic growth. It is often considered as an effective tool that can help reduce poverty and enhance economic and social welfare.

As per the World Bank's definition, Financial Inclusion is the ability of individuals and businesses to have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

Financial inclusion is measured through two complementary approaches: a demand-side and a supply-side assessment. The demand-side assessment is based on Household/Individual Field Surveys whereas the supply-side analysis relies on the banking statistics of financial services providers.

The 2018 Financial Inclusion Survey is a nationally representative survey dedicated to the collection of financial inclusion statistics from the perspective of both users and non-users of financial services. Under the Financial Inclusion Initiative supervised by the Financial Inclusion Committee¹, the Statistics and Economic Research Department (SERD) was commissioned to conduct the demand-side survey in collaboration with Banque Du Liban (BDL) branches in order to build a comprehensive and robust database for Financial Inclusion statistics.

The main goal of this survey is to acquire a clear picture of the market's needs regarding financial services. Additionally, it constitutes a tool that complements the supply-side data, and underlines the major gaps in the market. It also provides an instrument for monetary authorities to draw appropriate policies to overcome disparities, wherever existing. Finally

¹ The Financial Inclusion Committee is headed by the First Vice-Governor and composed of several departments at the Central Bank.

it can be used by the financial services providers themselves to better tailor their products and cater the needs of their customers. This survey will serve as a benchmark to assess and monitor the progress of the state of financial inclusion in Lebanon over time².

Data collection was carried out through face-to-face interviews administered by the SERD and collaborators from BDL branches using a simple and well-designed questionnaire covering the following chapters: Payment, Borrowing, Saving and Insurance. The survey questionnaire was designed by the Arab Monetary Funds (A.M.F) and customized according to the relevant financial services and products available in Lebanon. The sample consisted of 1980 Lebanese adults (defined as individuals aged 18 years and above) covering all Lebanese territories (Governorates and Cazas). A Weighted Multistage Stratified Clustering methodology was employed in selecting the respondents and processing the results. Data collection, coding and processing were all done in-house. The survey was conducted from December 2018 to February 2019. The results from the survey could be broken down by gender, settlement type, socioeconomic classes, educational background, age group, marital status and employment.

This report constitutes a descriptive analysis of the Financial Inclusion Demand-side survey results and it is structured as follows: First, it discusses the survey design and implementation; second it explains the adopted methodology; then the main results and key findings of the survey are presented; finally some concluding remarks are stated.

² The World Bank has already measured financial inclusion in Lebanon using the global Findex survey (2011-2014-2017). However, this study excluded some territories which comprise approximately 13 percent of the total Lebanese population. Additionally, the Findex sample, which is composed of any resident above the age of 15 years, is not consistent with Lebanese legal age to open an account. The BDL Demand-survey is therefore considered the first official benchmark for Lebanon (ref. annex 1).

CONTENTS

| | |
|---|----|
| 1. Survey Design and Implementation | 4 |
| 1.1. Market Research..... | 4 |
| 1.2. Scope of the Survey | 4 |
| 1.3. Questionnaire Design | 5 |
| 1.4. Training and Pretest | 6 |
| 1.5. Data Collection and Processing | 7 |
| 2. Survey Methodology..... | 7 |
| 2.1. Sample Design | 7 |
| 2.2. Sample Size | 8 |
| 2.3. BDL Survey's characteristics vs. Findex..... | 9 |
| 3. Main Results..... | 10 |
| 3.1. PAYMENTS | 10 |
| 3.1.1. Account Ownership | 10 |
| 3.1.1.1. Debit and Credit Cards | 13 |
| 3.1.2. Mobile and Internet Banking..... | 15 |
| 3.2. BANK SAVINGS ACCOUNT..... | 18 |
| 3.3. BORROWING..... | 21 |
| 3.4. INFORMAL BORROWING | 24 |
| 4. Conclusion and findings summary..... | 27 |
| 5. Annex..... | 29 |
| 5.1. BDL vs. Findex indicators | 29 |
| 5.2. Questionnaire | 30 |
| 5.2.1. Sample Informed Consent | 30 |
| 5.2.2. Questionnaire Form..... | 30 |
| 5.3. Classification | 33 |

1. SURVEY DESIGN AND IMPLEMENTATION

The Demand-side survey was planned and implemented according to the following process model.



1.1. Market Research

In the first phase, a market research was conducted to review and examine all the financial products and services available on the market for personal and household use, including digital financial services and alternative sources of financing. Taking the AMF questionnaire as a starting point, questions specific to Lebanon, which take into account the national framework and range of financial products, were added. Irrelevant questions were excluded.

1.2. Scope of the Survey

Since the aim of the survey is to establish a national baseline for the level of inclusion of the population, BDL decided to set the scope of the survey to households rather than businesses.

Following Financial Inclusion Task Force' discussions and meetings at the Arab Monetary Fund in Abu Dhabi in November 2017, two questionnaires were proposed:

- 1- A Simple survey for individuals: a general survey on the use of financial services
- 2- A Full survey for individuals: a detailed in-depth survey on the usage of financial services and demand conditions.

The simple survey is the minimum required tool to measure financial inclusion in a country. It helps establishing the baseline for the access to financial services, comparing data over time, tracking the progress and identifying the gaps with supply of financial services. The

questionnaire contains multiple choice questions with close-ended answers. It is composed of five chapters (Payment, Borrowing, Saving, Insurance and Informal Borrowing). Additional questions on respondents' profiles are included for disaggregated analysis.

As for the full survey, it collects comprehensive and detailed data on the use as well as the barriers and quality of financial services. It takes into consideration individual's financial management practices, financial literacy levels, and other factors that influence the use of financial services. The detailed questionnaire is composed of 125 questions, divided into eight chapters (Payment, Saving, Credit, Financial Literacy, Trust, Financial Education, Financial Position and Insurance) covering three dimensions (Access, Usage and Quality). Conducting such a survey would be time-consuming, very costly and would lead to lower response rates.

Since BDL's goal is to establish a baseline for financial inclusion before engaging in a more detailed research to understand the reasons for the observed behavior, the simple questionnaire was chosen and approved by the Financial Inclusion Committee as the appropriate tool for this project.

1.3. Questionnaire Design

The adoption of the Simple Survey's questionnaire among all AMF member countries serves as a reference to compute harmonized and comparable financial inclusion indicators and monitor data over time at national and regional levels.

The following illustrates the structure of the used questionnaire: In the first section, the respondents are asked about their tenure of financial services. The second section, containing an identical set of questions, is addressed to the same respondent on behalf of all other members of the household. Each of section 1 and 2 is composed of 26 questions divided into four chapters: Payments (8 questions) – Borrowing (7 questions) - Saving and Investment (5 questions) – Insurance (6 questions).

A third section (10 questions) targeting borrowing from the informal sector (unregulated financial services providers) was added to explore the relevance of such a market. All questions are multiple choices and close-ended.

Through the survey, respondents are asked to answer questions about their current and recent use of formal financial services, from regulated banks and financial institutions focusing on the last 12 months from the date of interview. The questionnaire is translated in 3 languages (Arabic, English and French)³.

1.4. Training and Pretest

A pretest survey is a prerequisite and vital tool for a good implementation of the official survey. It provides estimation about the actual time and cost needed for the official study. Moreover, this experience would be an opportunity for the fieldworkers to get familiar with the questionnaire and its content. This leaves room for improvement in the questionnaire through respondents and interviewers' feedback to ensure it is easily and fully understood.

In May 2018, 138 interviews were collected for the pretest, spread over all governorates, in collaboration with 23 BDL interviewers.

A detailed summary of pretest findings, which included feedback from the interviewers, was provided to the Committee. As a result of the pretest, the time and cost needed for each household visit to fill the survey was augmented. The final draft of the questionnaire was revised accordingly, to improve respondent-comprehension of questions.

BDL interviewers received several training sessions for this project at the SERD⁴. Written materials and guidance were provided prior to both pretest and official surveys: an annotated AMF questionnaire (in 3 languages), a guidebook explaining the goals of the

³ Reference Annex 5.2 and 5.3.

⁴ SERD conducts Business Surveys covering the main economic sectors (Industry, Construction, Trade, and Tourism) in coordination with BDL branches since 1996.

survey along with detailed explanation of each question and a glossary of the meaning and definitions of key terms.

1.5.Data Collection and Processing

The fieldwork of this study was conducted from December 2018⁵ till February 2019. Data collection was done through face-to-face household visits using Pencil and Paper Interviews (PAPI). An excel data input form was designed, along with relevant scripts, for the injection of the answers into the database. A code was written to properly introduce the data while ensuring all answers were inserted in a coherent way. This database is a normalized relationally structured one allowing clear and easy handling and validation of the data with regards to the profiling characteristics, location and answers relative to each interview. The survey outcome is then transmitted to an R application specifically customized and designed to allow interactive extraction of all possible financial inclusion indicators and output.

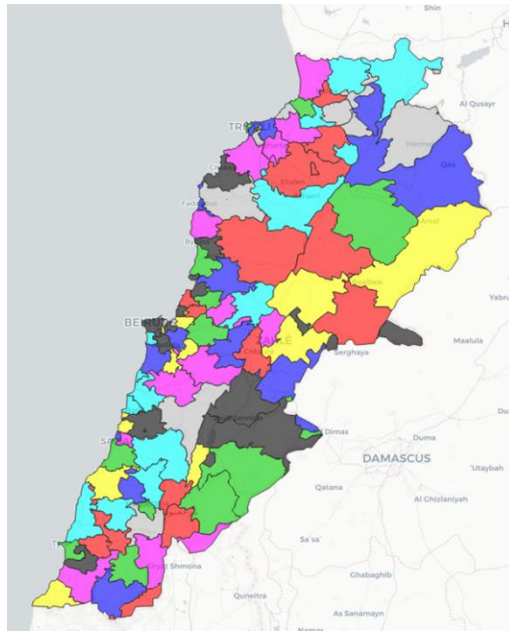
2. SURVEY METHODOLOGY

2.1.Sample Design

In order to ensure a more accurate representation of the population, taking into account differences across Lebanese governorates, the sample must be nationally representative in scope and coverage, rather than limited to big cities and urban regions where financial services are usually more accessible compared to far rural areas. The target population consists of the entire Lebanese resident citizens aged 18 years and above, resident in a household. Hence, a Weighted Multistage Stratified Clustering technique is used to conduct the survey.

⁵Fieldwork was interrupted during holidays.

We proceed as follows: in a first phase, Lebanon is stratified into eight governorates: Beirut, Mount Lebanon, North, Akkar, South, Nabatieh, Bekaa, Baalback-Hermel. Then, in the second phase, each governorate is divided into several clusters representing a set of neighboring villages with appropriate population size. A total of 110 clusters from all governorates are defined as per the map below. Then, the total population of all geographic units is divided by the number of clusters to define the appropriate population in each cluster.



In the third phase, households in each cluster are selected through a random walk process. Then, an adult within each household is selected in a way that reflects the gender balance of the Lebanese population. Lastly, questionnaires are given weights proportional to the cluster's population.

2.2. Sample Size

The factors that are generally taken into consideration in determining the sample size in any survey are the size of the total population, the level of precision required and the confidence level. For a maximum of representativeness of the survey at the national level, a sample size of 1980 interviews was chosen, hence 18 respondents in each cluster. This

number guarantees that the margin of error for the confidence interval at 95% is below 3%. For instance, at the national level, we are sure at 95% the account penetration is included in the following interval:

$$\left[\hat{p} - z_{\alpha/2} \sqrt{\frac{\hat{p}(1 - \hat{p})}{n}}; \hat{p} + z_{\alpha/2} \sqrt{\frac{\hat{p}(1 - \hat{p})}{n}} \right] = [56.8\%; 61.2\%]$$

Where \hat{p} is the account penetration percentage in the survey (59%), n is the sample size, and $z_{\alpha/2}$ is the upper critical value of the standard normal distribution for a 95% level of confidence.

2.3.BDL Survey’s characteristics vs. Findex

| | Findex (2011,2014, 2017) | BDL (2018) |
|----------------------------------|--|---|
| Target Population | Entire civilian, non-institutionalized population aged 15 and above | Lebanese resident population aged 18 and above, including all income tranches |
| Data Collection Period | 1 Month | 2 months |
| Number of Interviews | 1000 | 1980 |
| Identification of Sampling Units | Simple random sampling | Multistage Weighted Stratified Clustering |
| Coverage | Sample excludes towns of Baalbek, Bint Jbeil, and Hermel as well as the Beirut Suburbs of Dahiyeh, representing approximately 13% of the population. | All national territories |

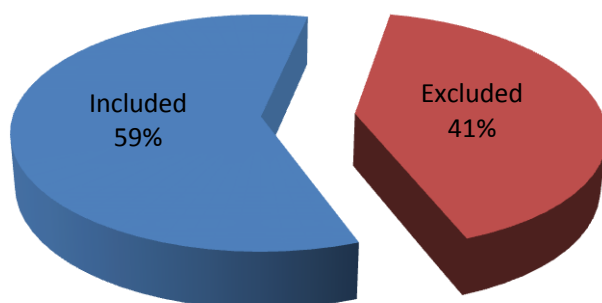
3. MAIN RESULTS

An expanded set of indicators covering the usage of financial products and services are selected and disaggregated by region, gender, age, employment status, education and income levels. Below are the highlighted results presented by chapters: Payments, Borrowing, Saving and Informal Borrowing.

3.1. PAYMENTS

3.1.1. Account Ownership

Account ownership, which can be used to save money, receive salary, send and receive remittances and withdraw money, is a basic indicator of Financial Inclusion. A Formal account refers to an account at a regulated financial institution.



Share of adults with an account

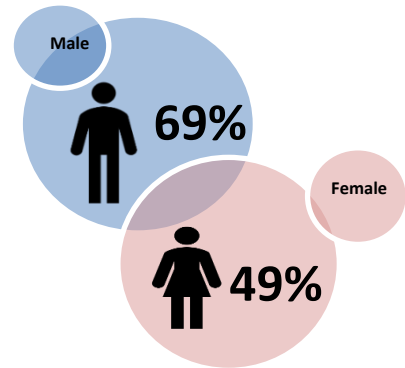
Financial access, measured by the share of Adults(+18) with a formal account reached 58.9% in 2018.

Characteristics of adults who have an account at a financial institution

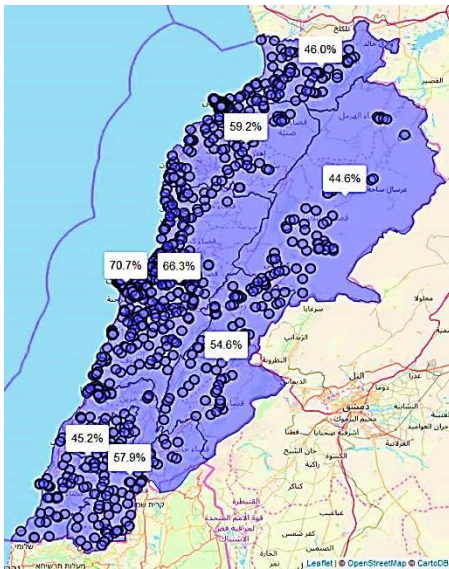
Data disaggregation by demographic characteristics revealed the fragments of the population that are more or less likely to have a formal account.

By Gender

Among men, 69% have a formal account, while 49% of women do. The gender gap of 18 percentage points is significant, favoring men.



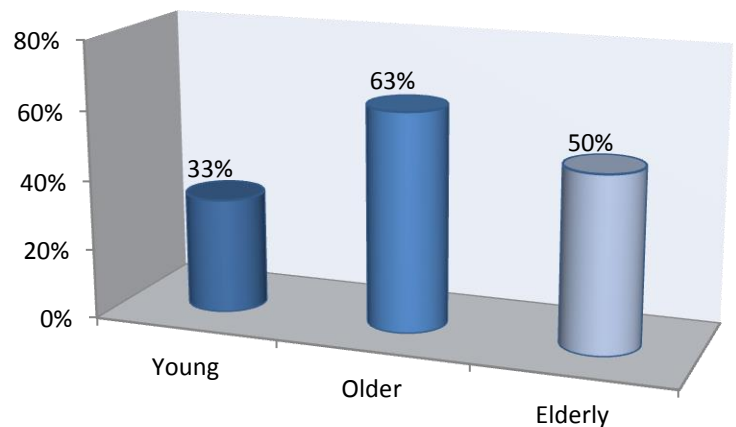
By Region



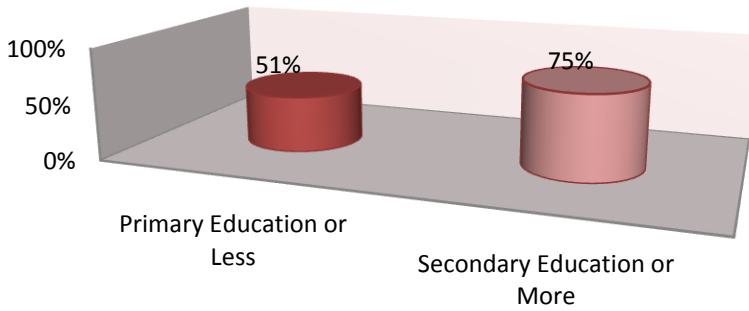
Discrepancies are noticed in account penetration across governorates. The highest penetration is found in urban areas, mainly in the capital and Mount Lebanon, as opposed to rural areas. Beirut, has the highest ownership account ratio (70.7%) while Baalback-El Hermel has the lowest one (44.6%).

By Age

The gap in account ownership is mostly pronounced between Young (18-24) and Older (25-64). Adults, between the age of 25 and 64, are the most included at 63%, about twice as much as the young.



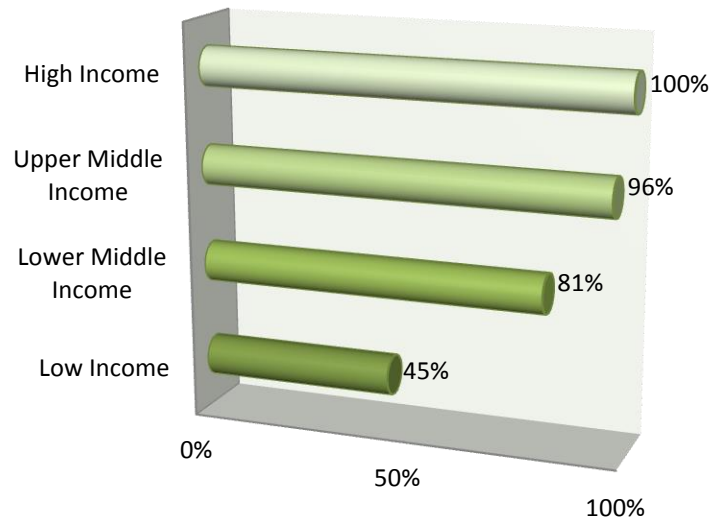
By Educational Level



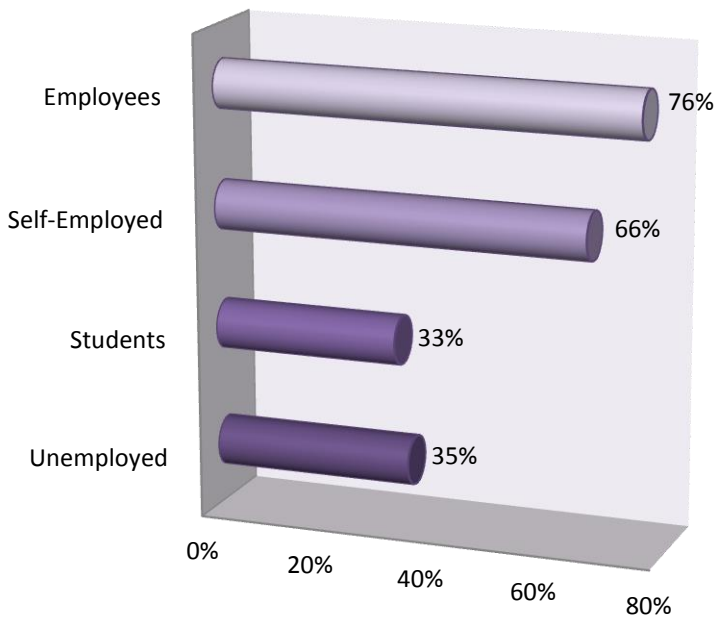
Incidence of formal account ownership increases with educational achievement. Those with secondary education or more are more likely to have an account than adults with primary education or less.

By Income

Account ownership increases with income levels. The gap between high and low income adults is substantial, with a 55 percentage points difference.



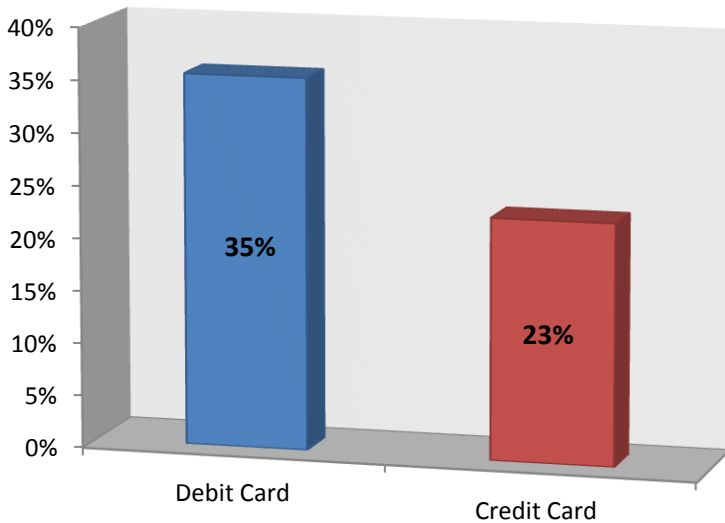
By Employment



Not surprisingly, being employed significantly increases the chance of being financially included. 76% of Employees (in both public and private sectors) reported having an account at a regulated bank in 2018. Students are the least included as only 33% of them have current accounts. The gap is noteworthy across employment sectors.

3.1.1.1. Debit and Credit Cards

A Debit card is an electronic payment allowing the holder to deposit or withdraw funds to or from a bank account. It may be used with an ATM or in retail stores for payments of goods and services, in conjunction with a POS device, whereas a credit card is used to pay for purchases on credit.



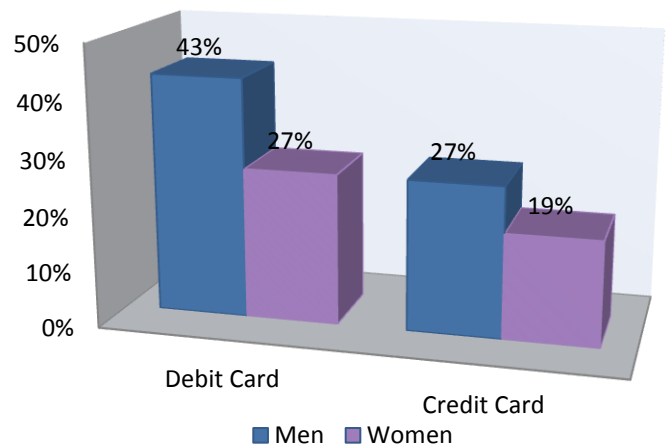
Share of Adults Owning a Debit / Credit Card

The share of adults with a debit card has been estimated at 35% in 2018. On the other hand, only 23% of the respondents have a credit card.

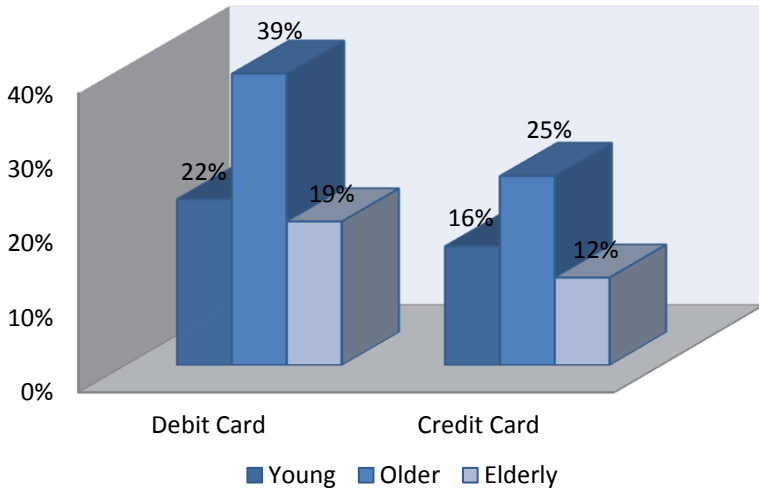
Characteristics of Adults who Have a Debit or Credit Card

By Gender

Among men, 43% possess at least a debit card, while only 27% of women do. As for credit cards, 27% of men own at least one compared to 19% of women. The gender gap is large, favoring men.



By Age

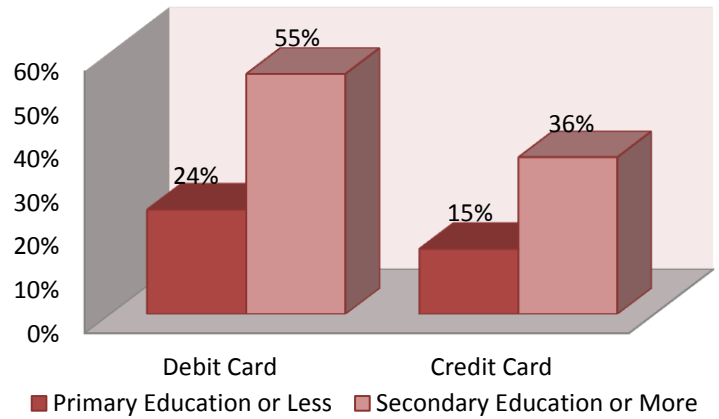


39% of adults, between the age of 25 and 64 years, have at least a debit card, the highest among age groups. The lowest rate is for elderly people that are above 64 with only 19% having a debit card.

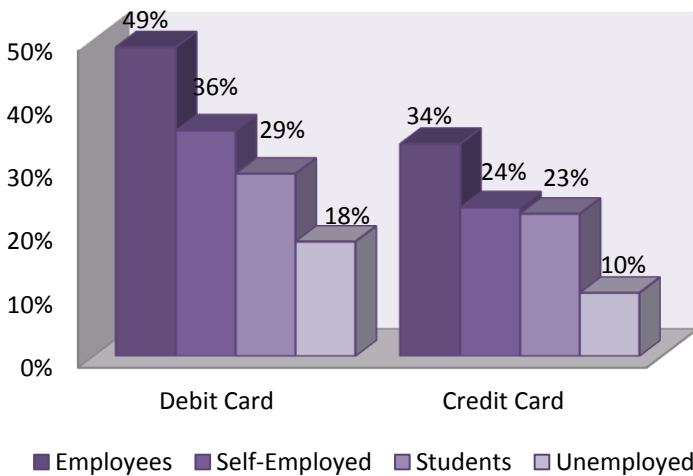
As for credit cards, the same pattern is existent. Among older adults, 25% have a credit card, with a 13 percentage points lead on Elderly people.

By Educational Level

The gap upon the educational level aspect is significant, with a 31 percentage points difference for debit cards and 21 percentage points difference for credit cards. Having a higher education level is associated with a higher level of inclusion, especially for payment cards.



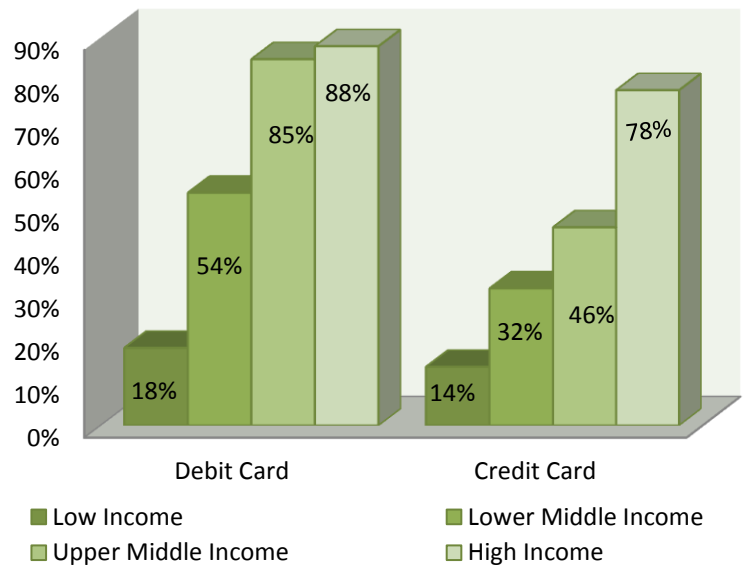
By Employment



Employees (both in the private and public sectors) are the most accustomed to cashless means of payment (debit and credit card). 49% of employees have a debit card, twice higher than the proportion among unemployed individuals.

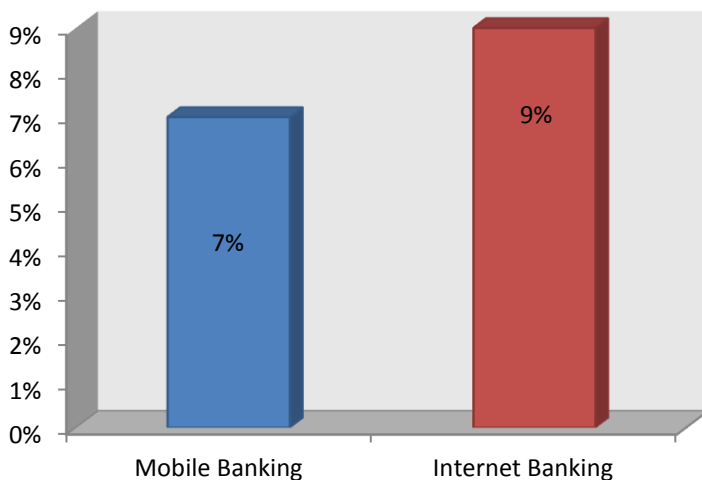
By Income

The gap of debit cards ownership between different income tranches is significant, except for high level incomes. As for credit cards, the gap between high income adults and all other income classes is important. These discrepancies may be in relation with the minimum financial requirements needed to get a Credit card.



3.1.2. Mobile and Internet Banking

Mobile Banking is the act of doing financial transactions on a mobile device (cell phone, tablet, etc.). Internet Banking implies a service that allows the customers to conduct the financial transactions electronically with the use of the Internet. Mobile phones and the Internet offer an alternative digital mean to debit and credit card holders allowing direct payments from an account.



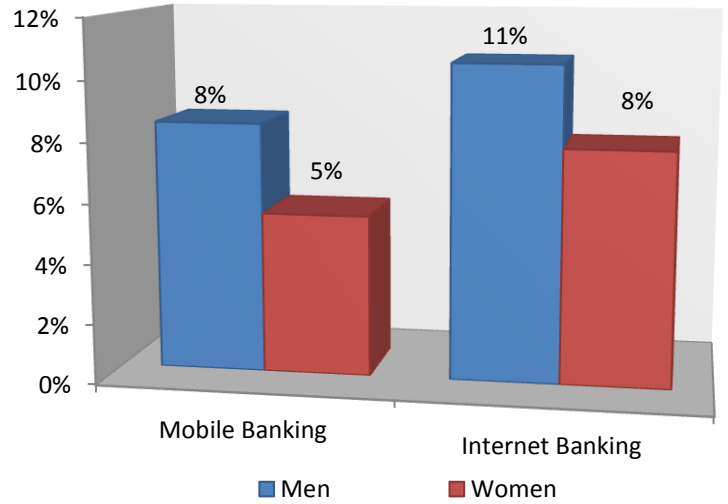
The Share of Adults Using Electronic Platforms

Out of the total respondents, 7% reported using mobile banking services in 2018. On the other hand, 9% of adults used internet banking.

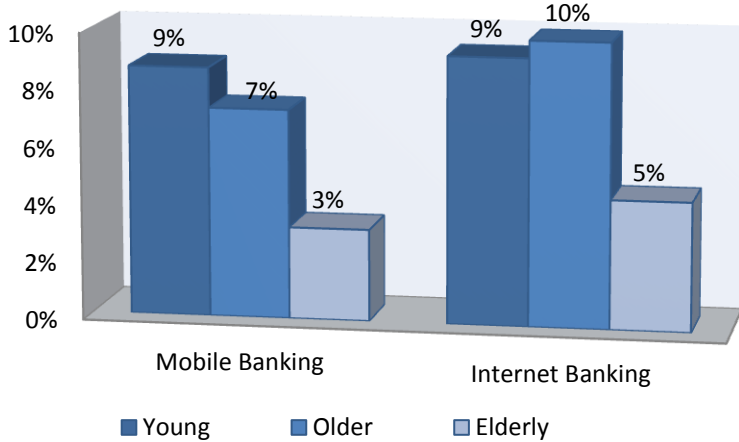
Characteristics of Adults who used Mobile - Internet Banking

By Gender

Women's behavior toward digital banking is softer than that of men's. The usage of electronic platforms is still restrained for both genders.



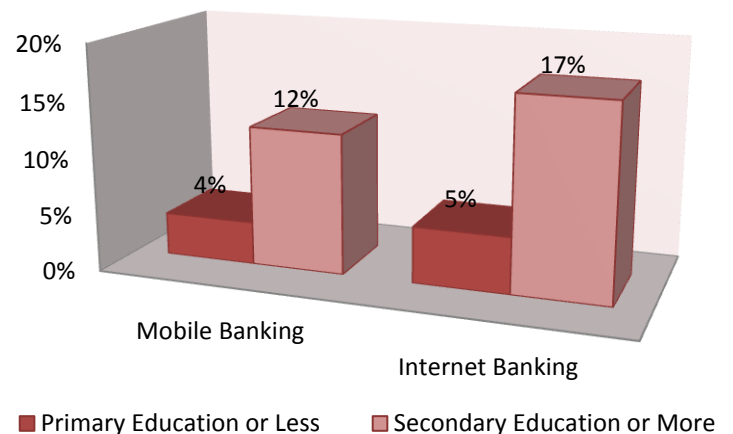
By Age



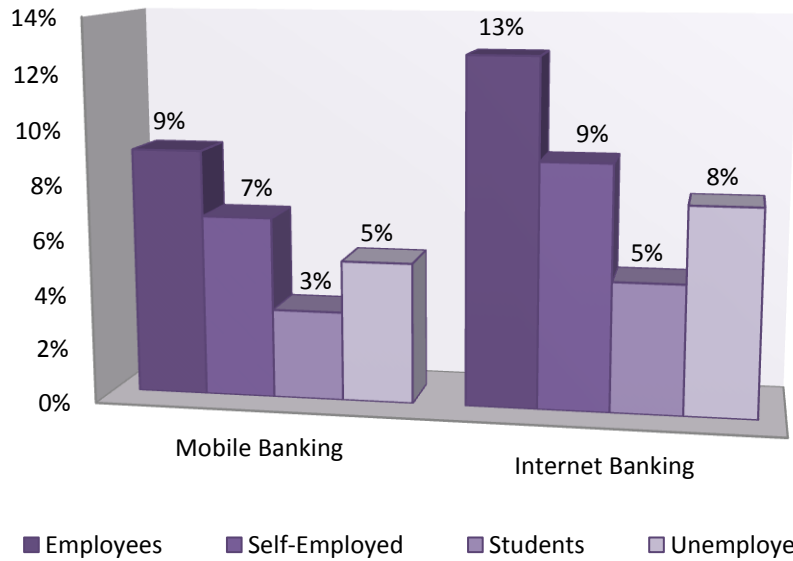
As expected, Elderly individuals are the least familiar with mobile or Internet Banking unlike youth and older ones. 9% of young adults use Mobile Banking, while only 3% of Elderly individuals do.

By Educational Level

Adults with higher Educational achievements have a significantly higher propensity to use Mobile and Internet Banking than adults with lower Educational achievements.



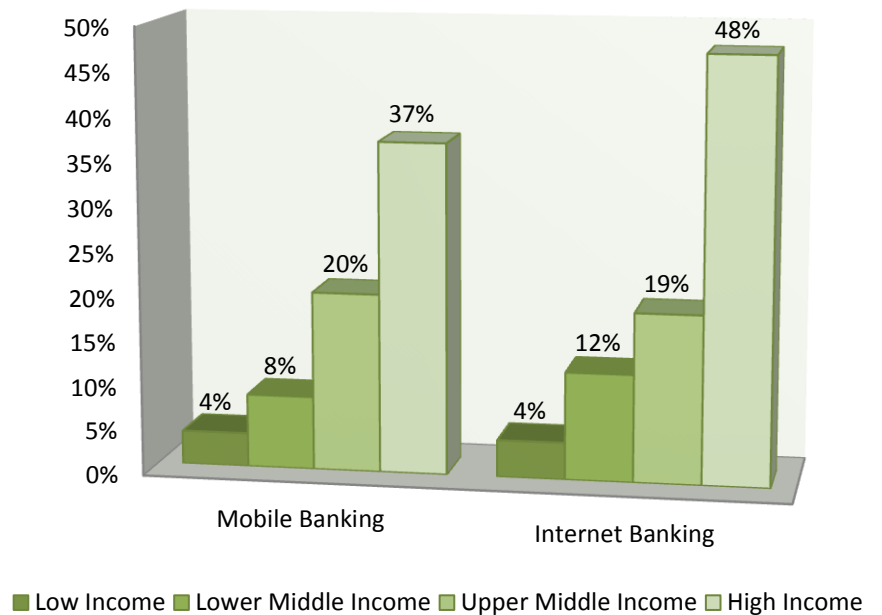
By Employment



Employees, both in private and public sectors, use Mobile Banking (9.1%) as well as Internet Banking (12.3%), the most compared to all other categories. On the other hand, Mobile and Internet usage is the lowest for students.

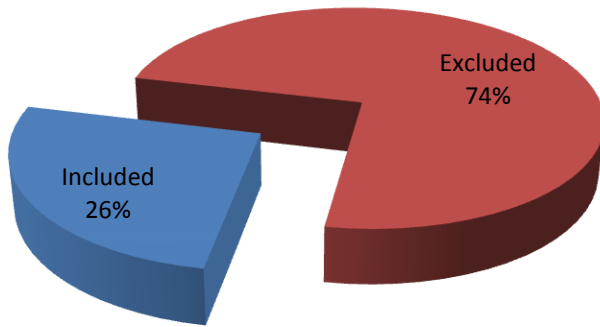
By Income

Usage of digital means of payment increases with the income level. The concentration of mobile and internet usage is within the income tranche exceeding 7.5 million LBP (high income). The gap between wealthier and poorer individuals is important for both Mobile and Internet Banking.



3.2.BANK SAVINGS ACCOUNT

A bank savings account refers to an interest-bearing deposit account held at a bank or another financial institution that provides an interest rate. Saving is mainly used to cover future expenses or to provision against possible emergencies. Saving behavior also varies by individual characteristics.



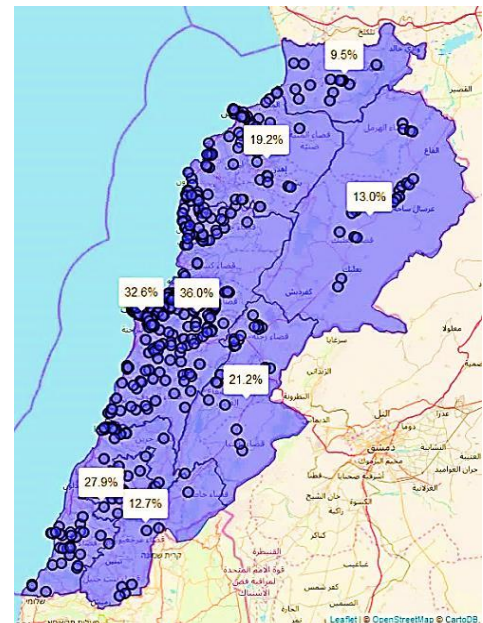
The Share of Adults (+18) with Bank Savings

26% of adults reported having saved formally in the past 12 months. This indicator does not reflect total savings behavior as it excludes alternatives channels to formal savings. Hence, the rate of formal savings is relatively low.

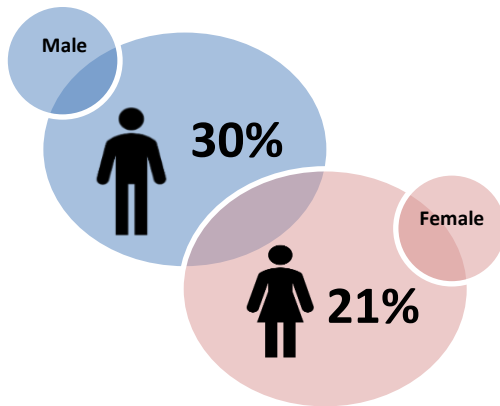
Characteristics of adults with Bank Savings Account

By Region

Ownership of bank savings account is significantly higher in Urban Areas (Beirut and Mount Lebanon) than rural areas. Akkar has the lowest rate of bank savings, at 9.5% compared to Mount Lebanon at 36%.



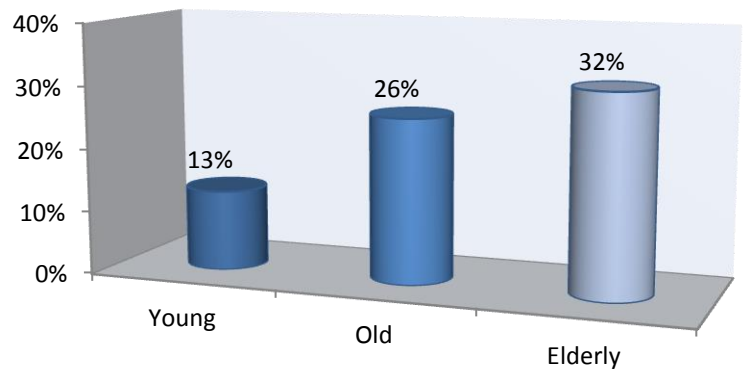
By Gender



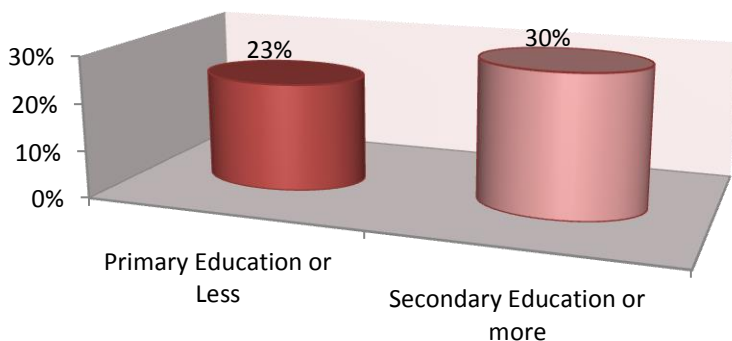
The gender gap in formal saving is evident as in account ownership, with 9 percentage points difference. Among Women, only 21.3% saved at a regulated bank compared to 30.3% of Men.

By Age

Clear patterns emerge in savings across age groups. As expected, Bank Savings is significantly higher among Elderly people who are likely to be retired. Nearly one third of Elderly individuals reported having saved formally, twice as much as young adults. The Elderly have a greater propensity to save formally.



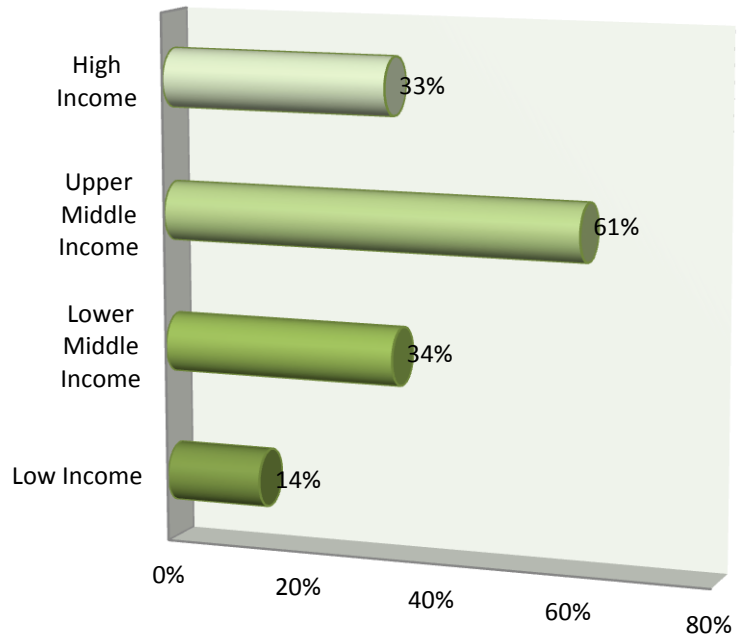
By Educational Level



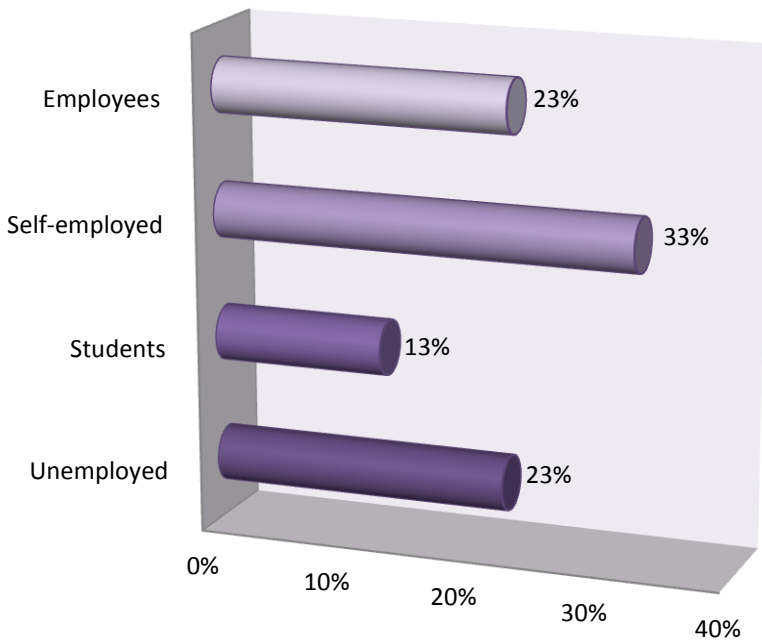
Occurrence of bank saving account increases with educational attainment. Adults with secondary education or more are 30% more likely to have a savings account.

By Income

Ownership of a Bank Savings is the highest for upper middle income adults, whom 61% reported having a bank saving account in 2018. Unsurprisingly, this social class has a greater propensity to formally save unlike other tranches.



By Employment



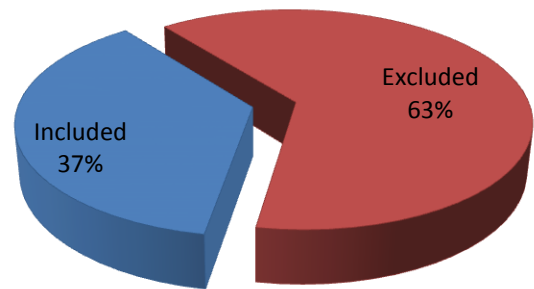
Formal saving is highest among individuals that are self-employed while it is lowest among students. The gap between these two categories is significant, with 20 percentage points difference. On the other hand, similar saving behavior is detected between employed and unemployed individuals.

3.3. BORROWING

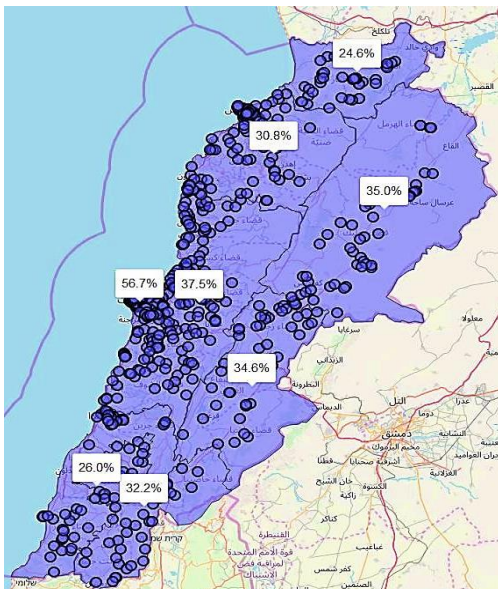
A loan refers to a finance agreement where individuals borrow money from a bank and pay it back in installments and interest within a specified period of time. The most common loans provided by the Lebanese banking sector are: Consumer loans, Housing loans, House Improvement loans, Vehicle loans, Educational loans and Agricultural loans.

Share of Adults Benefiting from at Least One Type of Loan

37% of total respondents have reported benefiting from at least one loan from the different types mentioned above.



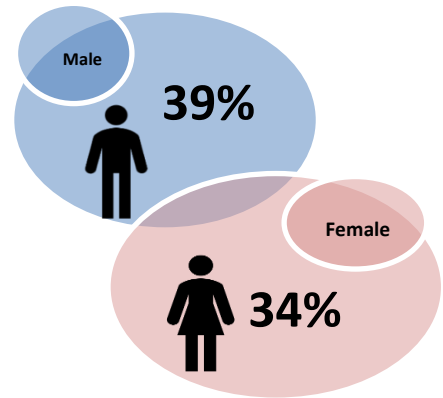
By Region



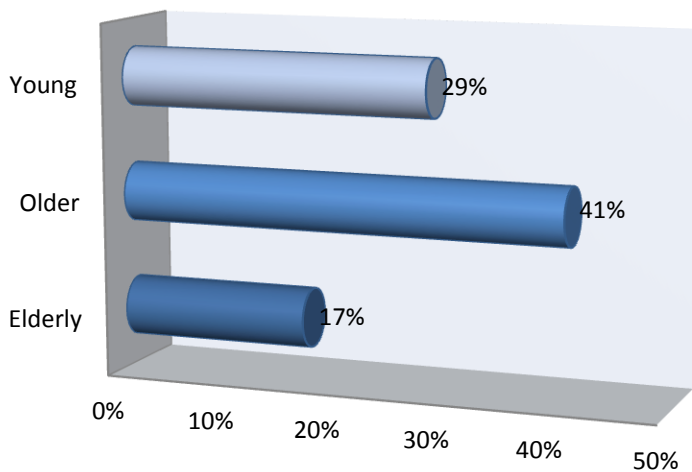
Among all governorates, adults living in Akkar reported the least proportion of reliance to borrowing; around 25% of them borrowed at least once in 2018, while more than 50% of adults living in Beirut did. Credit is concentrated mainly in the capital (57%), the main hub of economic and business activities. Discrepancies across other governorates are relatively minor.

By Gender

There is no discernible gender gap in borrowing as in previous Chapters. 34.2% of Women benefited from at least one loan compared to 39.4% of Men in 2018.



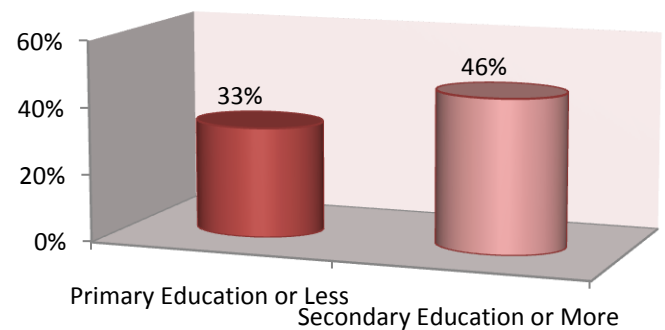
By Age



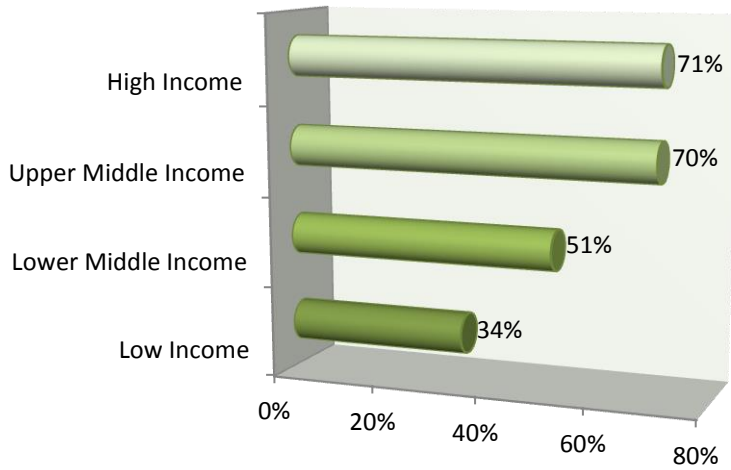
Among adults between the age of 25 and 64, 41% have benefited from at least one type of loan. Unlike saving, the elderly people use credit the least, as they can access funds from their savings. Besides, it is quite difficult for them to obtain a credit at their age.

By Educational Level

Higher educational attainment increases the propensity to benefit from a loan compared to adults with a lower educational level.



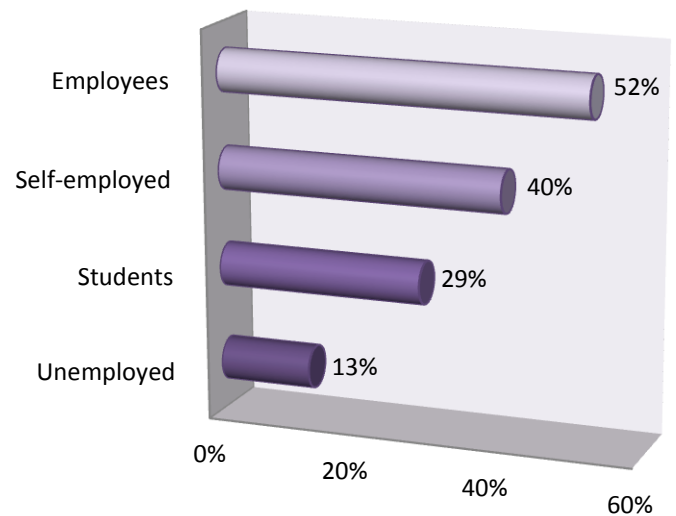
By Income



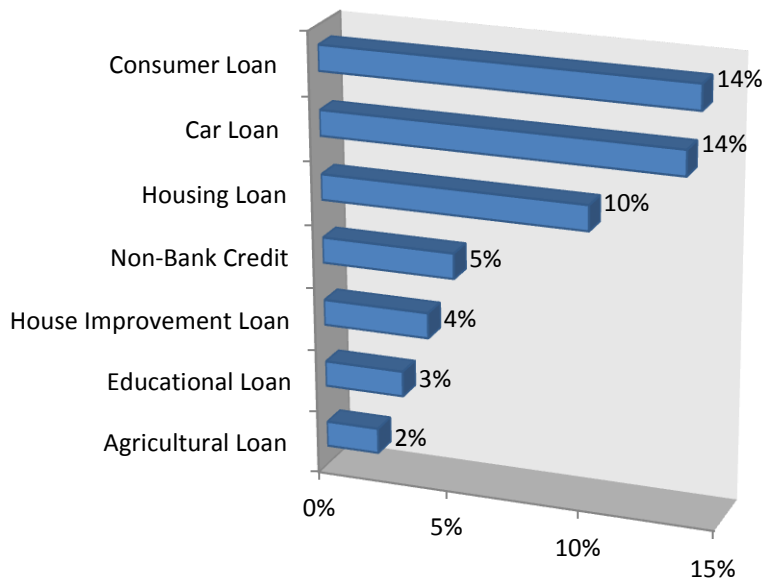
71% of high income individuals benefited from at least one type of loans in 2018. High Income adults are two times more likely to benefit from a loan than low income adults. This could be due to bank's preference to lend out to less risky customers.

By Employment

Among Employees (Public and Private), 52% reported borrowing at least once in 2018, while 40% of self-employed adults did. This might be explained by the bank's preference toward fixed-income adults.



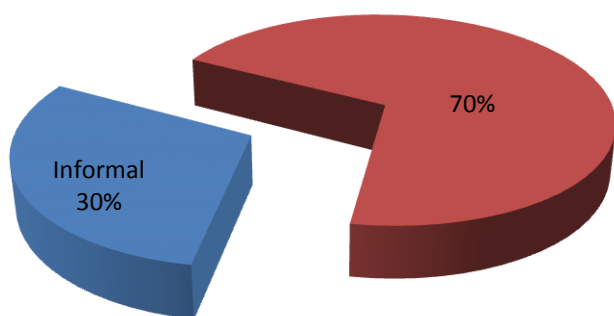
By Type of Loan



Adults benefited mostly from Consumer Loans, car loans and housing loans. Educational and agricultural loans are still limited and unexploited.

3.4. INFORMAL BORROWING

Informal borrowing refers to any lending that did not take place at regulated financial institutions. The main informal sources of finance are: money lender in community, savings group, pawn shop, employer, family and friends, good from farmer/someone else to sell, money/getting goods in advance from an agricultural buyer, religious institutions or other community organization, got goods in advance from a store to pay back later.



Share of Adults using Informal Borrowing/Finance

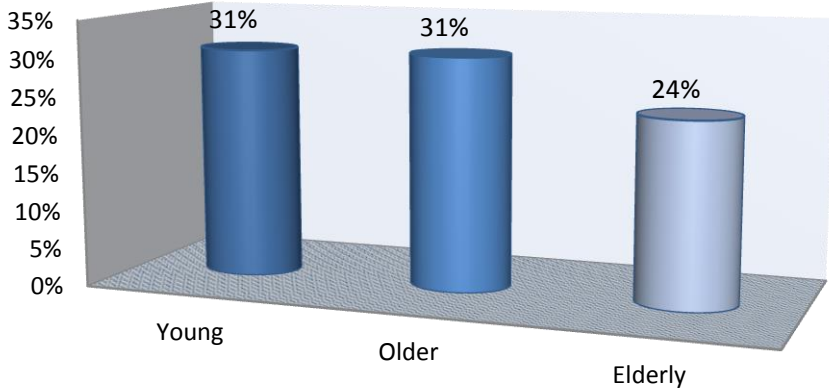
This indicator represents the share of adults that reported borrowing from at least one of the above informal sources. Around 30% of adults borrowed from at least one source of informal finance in 2018.

By Region and Gender

68% of adults living in remote rural areas borrowed from at least one source of informal finance. The lowest rate is found in the capital Beirut where 18% of adults reported borrowing informally. At a national level, no significant gap is found in informal borrowing between men and women. Both genders have borrowed approximately 30% in 2018.

| | Governorate | Female | Male | Total |
|---|------------------|--------|-------|-------|
| 1 | Akkar | 65.5% | 69.8% | 67.6% |
| 2 | Baalbak - Hermel | 49.0% | 30.8% | 39.4% |
| 3 | Beirut | 21.9% | 13.6% | 17.7% |
| 4 | Bekaa | 19.9% | 21.8% | 20.9% |
| 5 | Mount Lebanon | 17.4% | 22.5% | 19.8% |
| 6 | Nabatiyeh | 21.3% | 17.3% | 19.3% |
| 7 | North | 45.3% | 47.0% | 46.2% |
| 8 | South | 30.9% | 26.2% | 28.6% |
| 9 | Lebanon | 29.6% | 29.9% | 29.8% |

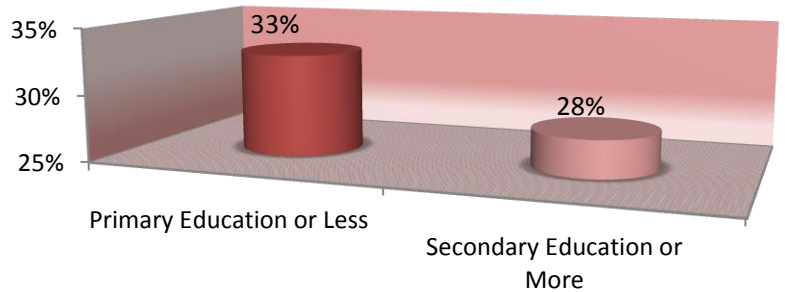
By Age



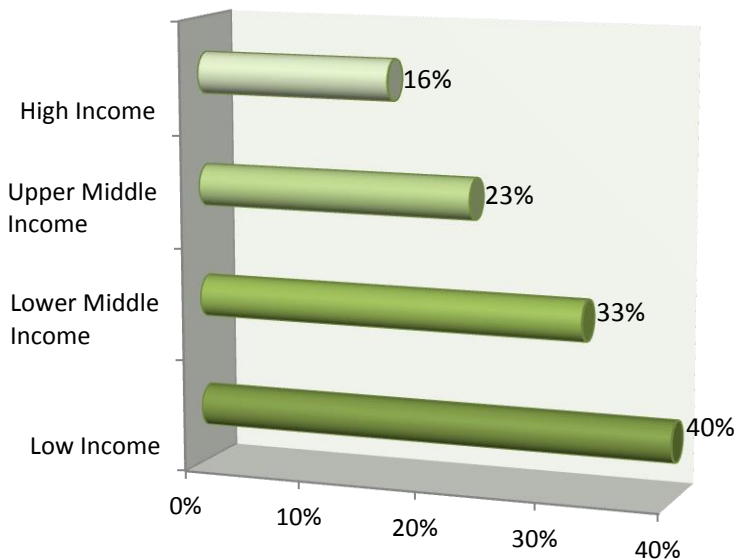
Elderly individuals borrowed the least from informal sources. No major difference between young and older adults.

By Educational Level

Adults with lower Educational achievement are relatively more likely to borrow from informal sources.

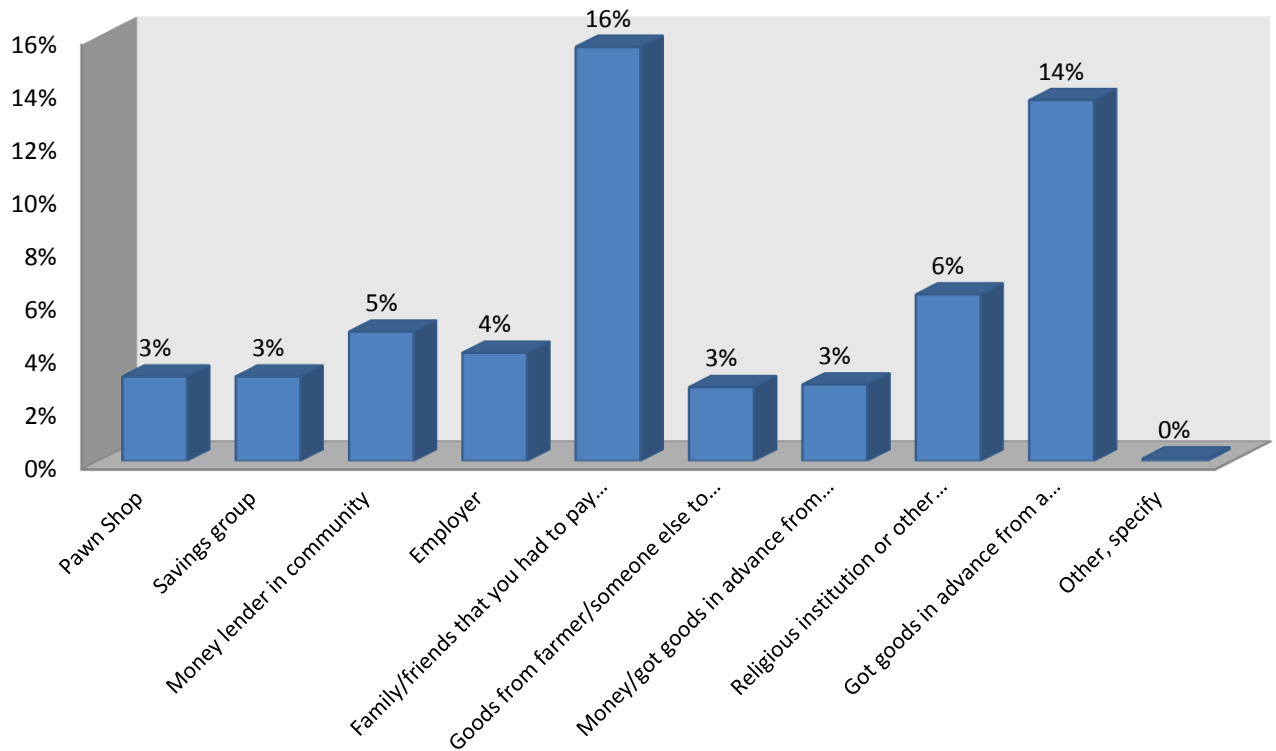


By Income



Informal borrowing is mainly concentrated within the low income and the lower middle income tranches. As income level increases among adults, the propensity to borrow from informal sources drops, enlarging the gap between high and low income adults to 24 percentage points.

By Source of Informal Finance



The most frequent source of informal finance is family and friends at 15.6%. As expected, this channel is the most popular as it is the least costly and culturally acceptable with no collateral, followed by store credit and religious institutions.

4. CONCLUSION AND FINDINGS SUMMARY

A closer analysis of the survey data and indicators obtained shows that:

- ❑ Adults with bank accounts reached 58.9% in 2018, surpassing peer countries. 41% of adults remain financially excluded.
- ❑ Gender gap is substantial for all chapters except for borrowing. This suggests that the demand for borrowing amongst women exists and denotes a niche market for greater financial inclusion.
- ❑ The level of inclusion varies greatly between regions. While 70.7% of adults owned an account in Beirut, only 44.6% of them did in remote rural areas.
- ❑ Adults with low income or low educational levels are more likely to be financially excluded.
- ❑ Concerning formal saving, only 9.0% saved money at a formal financial institution in remote rural areas while 36% did in Mont Lebanon. Rural financial inclusion faces many challenging obstacles. A major impediment is lacking availability and accessibility of basic financial services in some rural areas with low population density. Another obstacle is the lack of basic infrastructure which is a prerequisite to set up a financial services touch point as well as unavailability and high cost of financing for micro-enterprises.
- ❑ Digital Banking (Mobile and Internet) is still relatively low in Lebanon (below 10% of adult population use mobile and internet banking) for several reasons. First, communication costs remain high; therefore, greater competition is needed to bring down consumers' costs to improve mobile and internet banking. Second, many users are still skeptical of the security of online and mobile transactions, making traditional transactions via branches and ATMs a preferred method. An improvement in the regulatory framework and infrastructure is needed to increase the user's confidence in

digital finance. As expected, the results show that young customers are the most accustomed to digital means of payment.

- ❑ According to the interviewers, low levels of financial literacy have been detected especially in remote rural areas. Financial literacy initiatives need to be large and scalable. Schools, workplaces, and community platforms should provide unique opportunities to deliver financial education to large and various segments of the population. Furthermore, vulnerabilities across regions and specific subgroups, such as women and youth, are ideal targets for financial literacy programs.
- ❑ Around 30% of respondents reported having borrowed from informal financial services providers, while 37% did from a formal source. The common reasons of shadow banking are high costs, too much debt, strict collateral requirements, or excessive documentation requirements. A shift from informal finance to formal finance could better protect the financially marginalized segments of the population and improve financial inclusion. Such a shift, however, requires some amendment in the regulatory framework and infrastructure to make formal financial services more conveniently accessible.

To conclude, this survey represents a benchmark for financial inclusion in Lebanon and should be conducted every two years in order to track its evolution. Additional dimensions covering access and financial literacy could be added in the next iteration in order to measure the access to finance, main barriers, as well as financial literacy levels. However, it should be noted that although the scope of above indicators is comprehensive enough to provide a holistic assessment, more indicators may be extracted and further studies could be conducted to test the relationship between the various dimensions as well as the impact of each one on financial inclusion.

5. ANNEX

5.1. BDL vs. Findex indicators

| | Findex (2011) | Findex (2014) | Findex (2017) | BDL (2018) |
|--|------------------|------------------|------------------|---------------|
| Account At A Financial Institution | 37% | 47% | 45% | 58.9% |
| Female | 26% | 33% | 33% | 49% |
| Male | 49% | 62% | 57% | 69% |
| Borrowed From A Financial Institution (Consumer Loans) | 11% | 16% | 17% | 14% |
| Female | 8% | 11% | 13% | 14% |
| Male | 14% | 21% | 20% | 14% |
| Saved At A Financial Institution (Bank Savings Account) | 17% | 17% | 21% | 26% |
| Female | 10% | 12% | 16% | 21% |
| Male | 25% | 23% | 26% | 30% |
| Credit Card | 11% | 11% | 15% | 23% |
| Female | 4% | 7% | 11% | 19% |
| Male | 19% | 15% | 19% | 27% |
| Debit Card | 21% | 33% | 35% | 35% |
| Female | 13% | 20% | 26% | 27% |
| Male | 30% | 48% | 44% | 43% |
| Borrowed from a Private Informal Lender (Money Lender in Community) | n.a. | 4% | n.a. | 5% |
| Female | n.a. | 4% | n.a. | 5% |
| Male | n.a. | 5% | n.a. | 4% |
| Mobile Account Usage | n.a. | 4% | n.a. | 7% |
| | | | | |

5.2. Questionnaire

5.2.1. Sample Informed Consent

Good Morning/Afternoon, this is from [Banque du Liban]. We are conducting a national survey to understand how people in Lebanon use financial services such as savings and bank accounts. The data that you will share will be confidential and only used for the purpose of scientific research. Would you agree to allow us 15 minutes of your time?

5.2.2. Questionnaire Form



Code of Respondent
Name of Interviewer
Date
Time

Governorate
Caza
Location

TOTAL FINANCIAL INCLUSION INDEX QUESTIONNAIRE INDIVIDUALS AND HOUSEHOLDS

1 Do you currently have or had in the last 12 months any of the following:

| | | YES | NO | DONT KNOW | NO ANSWER | |
|------|--------------------------|-------------------------------|----|-----------|-----------|----|
| A.1. | A. Payments | Current account | 1 | 2 | 95 | 99 |
| A.2. | | Debit card | 1 | 2 | 95 | 99 |
| A.3. | | Credit card | 1 | 2 | 95 | 99 |
| A.4. | | Internet banking | 1 | 2 | 95 | 99 |
| A.5. | | Mobile banking | 1 | 2 | 95 | 99 |
| A.6. | | Overdraft | 1 | 2 | 95 | 99 |
| A.7. | | International money transfers | 1 | 2 | 95 | 99 |
| | | Domestic money transfers | 1 | 2 | 95 | 99 |
| B.1. | B. Borrowing | Consumer loan | 1 | 2 | 95 | 99 |
| B.2. | | Housing loan | 1 | 2 | 95 | 99 |
| B.3. | | House improvement loan | 1 | 2 | 95 | 99 |
| B.4. | | Vehicle loan | 1 | 2 | 95 | 99 |
| B.5. | | Educational loan | 1 | 2 | 95 | 99 |
| B.6. | | Agricultural loan | 1 | 2 | 95 | 99 |
| B.7. | | Non-bank credit | 1 | 2 | 95 | 99 |
| C.1. | C. Saving and investment | Bank savings account | 1 | 2 | 95 | 99 |
| C.2. | | Time deposit | 1 | 2 | 95 | 99 |
| C.3. | | Certificate of deposit | 1 | 2 | 95 | 99 |
| C.4. | | Pension fund | 1 | 2 | 95 | 99 |
| C.5. | | Shares | 1 | 2 | 95 | 99 |
| D.1. | D. Insurance | Life insurance | 1 | 2 | 95 | 99 |
| D.2. | | Auto insurance | 1 | 2 | 95 | 99 |
| D.3. | | Property insurance | 1 | 2 | 95 | 99 |
| D.4. | | Private health insurance | 1 | 2 | 95 | 99 |
| D.5. | | Travel insurance | 1 | 2 | 95 | 99 |
| D.6. | | Other | 1 | 2 | 95 | 99 |

2 Does anyone else in the household currently have or had in the last 12 months any of the following:

| | | YES | NO | DONT KNOW | NO ANSWER | |
|-------|--------------------------|-------------------------------|----|-----------|-----------|----|
| A.101 | A. Banking | Current account | 1 | 2 | 95 | 99 |
| A.102 | | Debit card | 1 | 2 | 95 | 99 |
| A.103 | | Credit card | 1 | 2 | 95 | 99 |
| A.104 | | Internet banking | 1 | 2 | 95 | 99 |
| A.104 | | Mobile banking | 1 | 2 | 95 | 99 |
| A.105 | | Overdraft | 1 | 2 | 95 | 99 |
| A.106 | | International money transfers | 1 | 2 | 95 | 99 |
| A.107 | Domestic money transfers | 1 | 2 | 95 | 99 | |
| B.101 | B. Borrowing | Consumer loan | 1 | 2 | 95 | 99 |
| B.102 | | Housing loan | 1 | 2 | 95 | 99 |
| B.103 | | House improvement loan | 1 | 2 | 95 | 99 |
| B.104 | | Vehicle loan | 1 | 2 | 95 | 99 |
| B.105 | | Educational loan | 1 | 2 | 95 | 99 |
| B.106 | | Agricultural loan | 1 | 2 | 95 | 99 |
| B.107 | | Non-bank credit | 1 | 2 | 95 | 99 |
| C.101 | C. Saving and investment | Bank savings account | 1 | 2 | 95 | 99 |
| C.102 | | Time deposit | 1 | 2 | 95 | 99 |
| C.103 | | Certificate of deposit | 1 | 2 | 95 | 99 |
| C.104 | | Pension fund | 1 | 2 | 95 | 99 |
| C.105 | | Shares | 1 | 2 | 95 | 99 |
| D.101 | D. Insurance | Life insurance | 1 | 2 | 95 | 99 |
| D.102 | | Auto insurance | 1 | 2 | 95 | 99 |
| D.103 | | Property insurance | 1 | 2 | 95 | 99 |
| D.104 | | Health insurance | 1 | 2 | 95 | 99 |
| D.105 | | Travel insurance | 1 | 2 | 95 | 99 |
| D.106 | | Other | 1 | 2 | 95 | 99 |

3 Now let me ask you about informal finances. Do you borrow money from informal sources or use other informal services outside of the formal financial institutions?

| | | YES | NO | DON'T KNOW | NO ANSWER | |
|------|-----------------------------|--|----|------------|-----------|----|
| E.1 | Informal Financial Services | Pawn Shop | 1 | 2 | 95 | 99 |
| E.2 | | Savings group | 1 | 2 | 95 | 99 |
| E.3 | | Money lender in community | 1 | 2 | 95 | 99 |
| E.4 | | Employer | 1 | 2 | 95 | 99 |
| E.5 | | Family/friends that you had to pay back | 1 | 2 | 95 | 99 |
| E.6 | | Goods from farmer/someone else to sell | 1 | 2 | 95 | 99 |
| E.7 | | Money/got goods in advance from an agricultural buyer | 1 | 2 | 95 | 99 |
| E.8 | | Religious institution or other community organization | 1 | 2 | 95 | 99 |
| E.9 | | Got goods in advance from a shop/store to pay back later | 1 | 2 | 95 | 99 |
| E.10 | | Other, specify | 1 | 2 | 95 | 99 |

| | | | |
|----|---|----|---|
| 4 | Gender | 1 | Male |
| | | 2 | Female |
| | | 99 | NO ANSWER |
| 5 | Age | 1 | 18-25 |
| | | 2 | 26-35 |
| | | 3 | 36-45 |
| | | 4 | 46-64 |
| | | 5 | 64+ |
| | | 99 | NO ANSWER |
| 6 | Educational achievement | 1 | High School Education or less |
| | | 2 | Undergraduate |
| | | 3 | Postgraduate |
| | | 4 | Technical Education |
| | | 99 | No Answer |
| 7 | Marital status | 1 | Single |
| | | 2 | Married |
| | | 3 | Widowed |
| | | 4 | Divorced |
| | | 99 | NO ANSWER |
| 8 | Profession | 1 | Manager of highest level (director, chairman, etc.) |
| | | 2 | Manager of middle level (head of department , division, etc.) |
| | | 3 | Manager of lowest level (master, head of shift, etc.) |
| | | 4 | Entrepreneur, self-employed |
| | | 5 | Office worker, specialist of productive sphere (engineer, technologist, etc.) |
| | | 6 | Office worker, specialist of non-productive sphere (teacher, doctor, etc.) |
| | | 7 | Office worker without special education (secretary, registrar, etc.) |
| | | 8 | Worker (in industry, transport, construction, etc.) |
| | | 9 | Agricultural worker, peasant |
| | | 10 | Military man |
| | | 11 | Unemployed |
| | | 12 | Housewife (occupied with household) |
| | | 13 | Pupil, student |
| | | 14 | Pensioner |
| | | 15 | Other (please, describe) |
| 99 | NO ANSWER | | |
| 9 | Place of living | 1 | Beirut |
| | | 2 | Mount Lebanon |
| | | 3 | South |
| | | 4 | North |
| | | 5 | Beqaa |
| | | 6 | Nabatieh |
| | | 7 | Akkar |
| | | 8 | Baalbek-Hermel |
| | | 99 | NO ANSWER |
| 10 | Settlement type | 1 | City |
| | | 2 | Settlement of city type |
| | | 3 | Rural settlement |
| | | 99 | NO ANSWER |
| 11 | Employment status | 1 | Unemployed |
| | | 2 | Full-time employment |
| | | 3 | Part-time employment |
| | | 4 | Self-employed |
| | | 5 | Farmer |
| | | 99 | NO ANSWER |
| 12 | Employment Sector | 1 | Private Sector Employee |
| | | 2 | Public Sector Employee |
| | | 3 | Self-employed |
| | | 4 | Unemployed |
| | | 5 | Students |
| | | 99 | No Answer |
| 13 | Average monthly income of the Individual in quintiles | 1 | < 675,000 |
| | | 2 |] 675,000-1500,000] |
| | | 3 | [1,500,000- 3,000,000 [|
| | | 4 | [3,000,000- 4,500,000[|
| | | 5 | [4,500,000-6,000,000[|
| | | 6 | [6,000,000-7,500,000[|
| | | 7 | > 7,500,000 |
| | | 99 | NO ANSWER |
| 14 | Number of people in the household | 1 | Children below 18 years old (____ number) |
| | | 1 | Adults, incl. older 18 children (____ number) |
| | | 99 | NO ANSWER |

5.3. Classification

➤ Age

Young: Adults between the age of 18 and 25 years old [18-25].

Older: Adults between the age of 25 and 64 years old [25-64].

Elderly: Adults above 64 years old [+64].

➤ Education

Primary Education: Adults with high school education or less, or Technical Education.

Secondary Education: Adults with a university degree (bachelor) or a postgraduate degree (Masters or Doctorate...)

➤ Income Tranches

Low Income: Adults with monthly income between LBP 675,000 (Minimum wage) and LBP 1,500,000.

Lower middle Income: Adults with monthly income between LBP 1,500,000 and LBP 4,500,000.

Upper Middle Income: Adults with monthly income between LBP 4, 500,000 and LBP 7,500,000.

High income: Adults with monthly income that exceeds LBP 7,500,000.