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Advancements in digital technology have changed customary approaches of performing tasks. The world has undergone a fundamental transformation through the expansion of the internet. The banking sector is no exception to this digital deluge.

Financial institutions innovate continuously and update their marketing strategies in order to closely meet the desires and demands of their customers in a safe and confidential environment. Banks are turning to information technology to improve efficiency, service quality and attract new customers. More and more banks are adopting digital banking worldwide, with the number of users of mobile banking standing around 800M globally in 2015, and is predicted to reach 1.8B by 2019, according to "Mobile Banking 2015" report by KPMG.

Visits to branches are becoming outdated. According to JAVELIN, in 2015, mobile banking outpaced branch banking for the first time ever in the United States, where 30% of banked consumers were using mobile banking, while only 24% were using branch banking.

The rise in digital banking adoption results from the many advantages this technique owns over traditional banking.

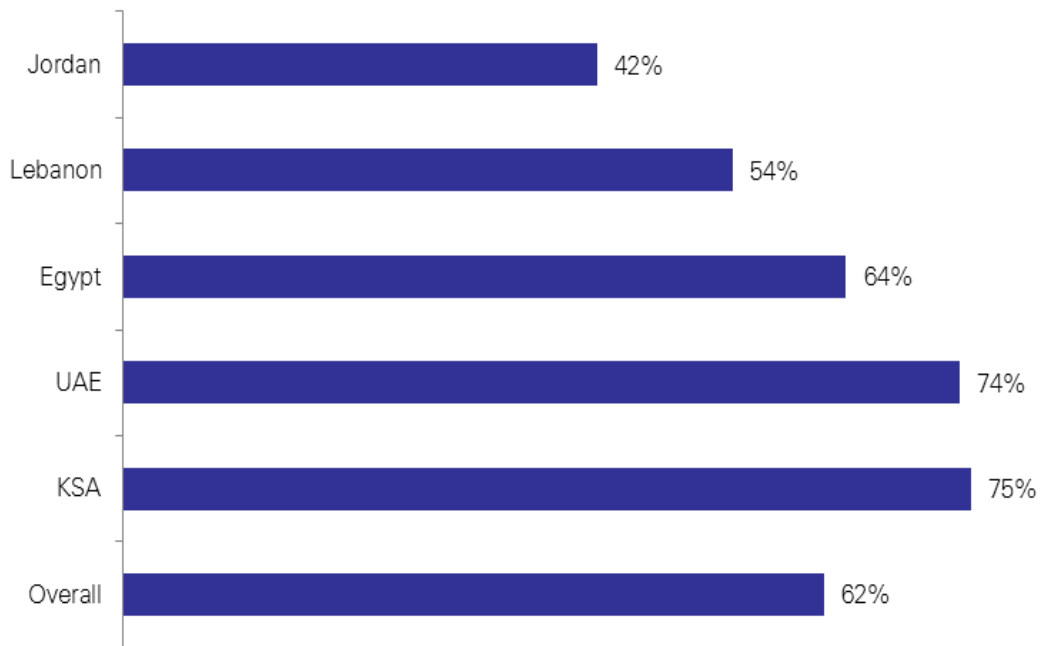
Digital banking provides clients with many benefits. Access is fast, convenient, and available around the clock. Digital banking is not constrained by time or place. Unlike person-to-person banking, online banking is available 24 hours a day, 7 days a week. The client does not have to wait a long time for his turn, and his transaction is executed faster. Thus the client reduces visits to the branch, leading him to save time and money. Moreover, online banking offers comfort and availability. Clients have easier access and follow-up on their transactions. Online banking offers customers easy means to keep track of their check-book, transfer money between accounts, and even pay bills online. Electronic banking also makes it easier for customers to compare banks' services and products, increasing competition among banks.

In addition, digital banking also profits the banks. The price of an online transaction is much lower than that of a face-to-face branch transaction. Banks achieve better efficiency and performance when using internet banking. Online banking helps banks offer flexibility and an opportunity for better service. Digital banking reduces paper work and human error. It permits banks to offer their customers with services through the internet to make them achieve their goal with minimal time.

Banks benefit from lower operating costs by providing online banking services that require fewer employees and fewer physical branches. Moreover, it eliminates the formation of queues.

According to a survey done by ArabNet, the MENA region also has high adoption rates of digital banking, with the overall rate standing at 62%. The highest digital banking adoption rates are seen in Saudi Arabia, with a rate of 75%, followed by 74% for the United Arab Emirates. On the other hand, Jordan has the lowest digital banking adoption rate of 42% among the surveyed country, while Lebanon stands at 54%.

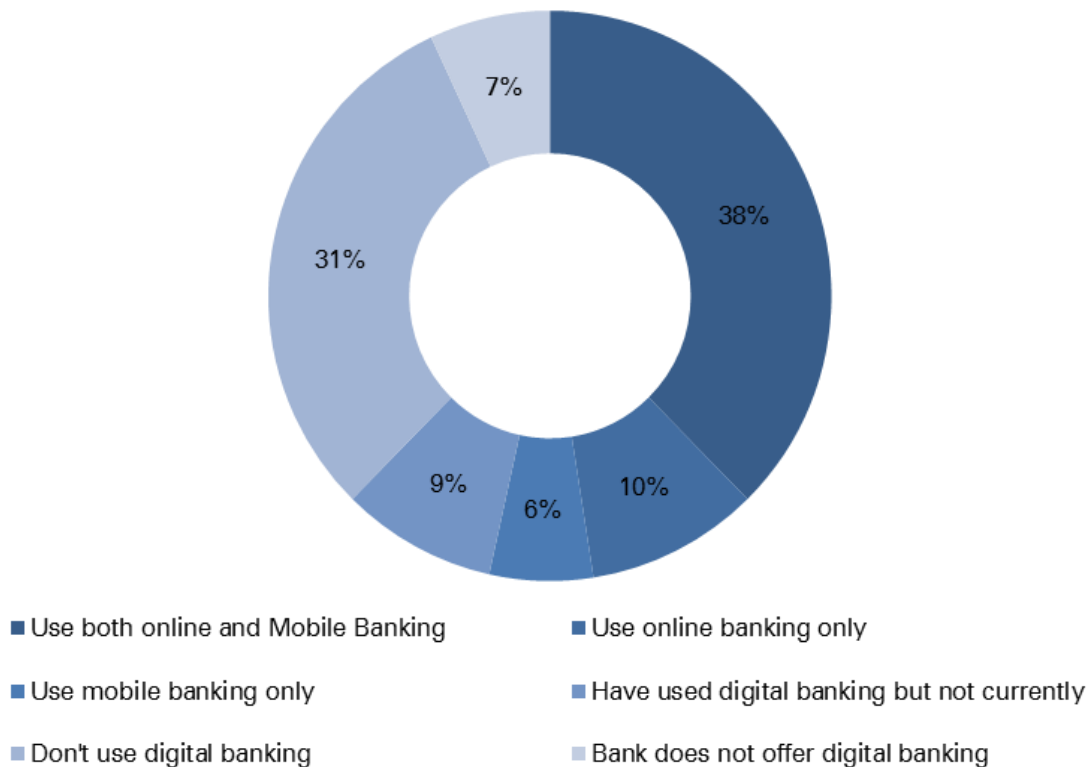
Adopters of Digital Banking in the MENA



Source: ArabNet

Most of Lebanese banks, such as Bank Audi, BLOM Bank, and Byblos Bank provide online services. These internet and mobile services allow the clients to execute banking transactions, view their account balances, transfer funds within their account or from an account to another, get an online statement for the account, settle payments, and view loan simulator without entering a branch.

Digital Banking Adopters in Lebanon



Source: ArabNet

Despite the advantages stated above and the innovation undergone in Lebanese banks, Lebanon has one of the lowest digital banking adoption rates in the MENA.

Trust, security, and accessibility are among the factors that trigger the slow pace of digital banking adoption in Lebanon.

First and foremost, trust has a striking influence on users' willingness to engage in internet exchange of money and sensitive personal information. Customers are certainly concerned of giving their bank account number online or paying an invoice through the internet. Security of transactions over the internet is a burning issue and it is an important factor that clients consider before adopting internet banking. Some customers avoid electronic banking as they perceive it as being easily susceptible to fraud. Concerns about security and safety of the transactions over the internet, instigates the hesitation of using digital banking services. Customers are reluctant to use digital banking due to hacking of important personal information. Hence 47% of the Lebanese surveyed prefer dealing directly with the bank instead.

For example, hackers in Bangladesh sent 35 fake orders, totaling \$951M, from Bangladesh Bank to the central bank's account at the Federal Reserve in New York, making \$81M. This led Swift, which has about 11,000 bank members, to order banks to install an urgent software upgrade to preserve security and eliminate cybercrimes.

Additionally, ease of use and client's acceptance is another hurdle. Customers with little knowledge about dealing with technology may find digital banking hard and favor the traditional method. For instance, only 52% of the Lebanese population uses the internet (UNCTAD, Information Economy Report 2015). However, this stumbling block would not last for long, as technology is being more and more integrated in everyday activities.

Moreover, an adequate level of infrastructure is required before adopting digital banking. This includes issues such as mobile and internet coverage. Internet in Lebanon is slow. Internet and mobile tariffs are high. This dissuades people from using digital banking.

Other impediments may include application issues such its incompatibility with the mobile, poor user experience, lack of sufficient instruction, the app does not add value or it does not have enough relevant features.

In spite of the mentioned barriers, a study done by Ernst & Young revealed that 97% of Lebanese customers who used digital banking services will continue implementing this type of action, as they view it as an efficient, fast, and less expensive way of performing their transactions.

Thus, it is the duty of banks to inform their clients about the advantages of online banking and face the obstacles.

To enhance the security of digital banking, several policies or plans can be implemented for protecting customers' private information and money that will motivate and increase the trust of clients to use online banking. Bank regulators also have a supervising role to ensure that banks have appropriate practices in place to guarantee the confidentiality of data, as well as the integrity of the system and the data. After all security practices are put in place, banks can alert their customers about the adopted protection policies and security measures through all available media, to build trust relationship between the bank and the client.

To instruct clients on the digital services provided, banks could launch training and education programs that will help clients overcome the difficulty of using online banking. They could also distribute brochures and promotional campaigns to enlighten their customers on the digital services provided.

In setting up their digital services, banks must make sure that the systems are well integrated and are convenient to the customer.

While electronic banking can provide a number of benefits for customers and new business opportunities for banks, it exacerbates security risks. Continuous supervision and vigilance are essential as the scope of digital banking broadens.

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