

Lebanon's banking sector: Building trust

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Disadvantaged and marginalized groups often face many obstructions that prevent them from participating in their nation's political, economic and social developments. These groups are excluded through a number of practices robbing them of dignity, security and the chance of pursuing a better life.

Social and financial inclusion is one of the highest priorities for sustainable development and prosperity. According to the World Bank, 1.7 billion adults today remain financially excluded and unbanked around the world, most of them being women. According to The Wall Street Journal, around 60 percent of these people can be found in developing countries, while only 11 percent are located in developed ones. This implies that they do not have a safe place to save money nor have proper access to affordable loans. People who don't have bank accounts have limited ability to make larger purchases or invest in health care and education, and small businesses without access to formal credit have a hard time expanding.

Some 55 percent of the Lebanese population does not have a bank account, according to the latest data from Global Findex 2017 by the World Bank Group. Bringing those people out of exclusion cannot be done through governmental practices and aid alone. The banking sector is stepping in to address this challenge too. While the responsibility doesn't entirely fall on its shoulders, there is consensus that it needs to play a role in the solution toward addressing exclusion and boosting shared prosperity.

The World Bank Group defines social inclusion as "the process of improving the terms on which individuals and groups take part in society by improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity." However, social inclusion cannot be achieved without financial inclusion.

Addressing the social exclusion challenge is a moral imperative. It is a challenge that, if left unaddressed, could be costly on the social, political and economic fronts. Acknowledging this, the U.N. has dedicated its 2030 agenda toward "leaving no one behind" in an effort to help countries promote inclusive growth and achieve sustainable development.

The banking sector is the cornerstone of stability, social inclusion and cohesion in Lebanese society despite the domestic climate that has directly affected Lebanon's economic growth. It is a definitive insurance for resilience in the face of economic, political, national, regional and global turbulence. Its influence goes beyond the economic sphere to impact solidarity, social cohesion, the relationship between the individual and the state, the level of trust in the state and its institutions, the process of building society's resilience against threats of instability, and the national protection initiatives against political and social risks.

More than once in Lebanon's history, the banking sector has proved its ability to develop and adapt to the levels of social and financial integration, aiming to improve living standards and combat poverty and marginalization.

Financial inclusion is one of the components of economic growth in which the benefits of economic prosperity reach the largest proportion of citizens.

Many studies have shown that this type of growth enhances the social and economic integration of individuals while also reducing the likelihood of their dissociation from society and joining pathways that promote violence.

Today, the number of Lebanese banks is 66 in total, 16 of which are investment banks. According to the World Bank, these banks are spread through 1,078 branches across Lebanon, with an average of 22 banking units per 100,000 inhabitants. The Lebanese banking sector is also spread through 18 banks with 359 banking units in 32 countries and 90 cities around the world. The banking sector employs approximately 25,000 people, with women representing 47.4 percent of the total number of employees. This indicates an expanding capacity of social and financial inclusion leading into social stability and order.

The approach adopted by Lebanon's Central Bank in managing monetary policies is a method of crisis prevention by nature. It was successful in providing the Lebanese economy with a means of immunity in the face of local and global geopolitical and economic challenges, as well as during times of national political instability.

Bringing people into the financial system requires the formation of a high level of trust. Trust in financial and economic institutions comes with positive expectations of a financial or economic behavior that protects individuals against certain economic risks.

The principle of trust is directly linked to the elements of continuity of the relationship and honesty that are essential elements for the sustainability of financial and economic transactions.

The primary importance of economic trust is to deepen economic cooperation by providing a social environment that is inductive to cooperation, which increases the level of partnerships and their impact on the economy.

Financial inclusion is essential to making a transition toward sustainable market economies that ensure young people, women and people in developing countries can access economic opportunities.

Globally, financial inclusion is on the rise. It is a goal in itself; it has become more valuable as a means for achieving a diversity of welfare improvements that provide people with real opportunities to exercise their rights.

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