

The micro credit sector in Lebanon: Al Majmoua experience

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Introduction

The microfinance sector in Lebanon, born in the late nineties, seems to be going through its first period of stalemate, despite its young age, relative to the more consolidated international experiences. In fact, the high market growth ran out only a in few years and since 2002 further improvement or significant changes have not been registered. This is essentially due to the very high market concentration in the hands of two big institutions –Al Majmoua and AMEEN (Access to Microfinance and Enhanced Enterprise Niches)– and to the insufficient attention of the local government in promoting and financing new micro credit initiatives¹.

Nevertheless, the static market condition could be more apparent than real: in fact, AMEEN, with its micro credit model that is not traditional but much more similar to the industrialised countries practices, has conquered the leadership and could set in motion a radical change of all the Arab micro credit industry. This innovation could be interesting not only for Lebanon, but also for the other Arab countries whose microfinance sectors need urgent measures if they are to revive and surge again.

1. The social and economic context

Lebanon, considered a medium developing country, is one of the richest countries of all the Arab world, with a GDP per capita of \$5,000. The reconstruction process, that followed the very long civil war (1975-1991), has rebuilt the economic infrastructure of the country, but it hasn't been able to give Lebanon the prestige and international importance it had in the pre-war years. The great impoverishment of the country, resulting from the civil war, and a limited economic growth at the end nineties have widened the huge gap between rich and poor. In 2005 one fourth of the population, around 1,330,000 people, is estimated to be in poverty: a large basin for the micro credit activity². Nevertheless, considering limitations due to the presence of minimal eligibility requirements, in 2004 only 18% of the potential market was served by the micro credit institutions (MFIs)³.

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¹ The two mentioned *mega players* have 94% of the total local market together with a third institution called Mu'assasat Bayt El-Mal and practising Islamic micro credit activity. The left percentage is managed by developing programs, promoted by NGOs, governments and international entities. This paper will analyse only Al Majmoua and AMEEN, because they cover almost the market, and also because of analysis homogeneity, as they are the only two independent micro credit institutions.

² See UNCDF, *Microfinance in the Arab States*, September 2004, p. 31-32.

³ In the paper mentioned in the previous note, the methodology used to measure the potential target market and its depth of outreach is articulated in the following steps: (1) estimate of the poor population (poverty line + 20%); (2) subdivision of the population in households (7 people on average per family) assuming that no more than one member per household should have a loan; (3) identification of the potential target made up by 40% of poor families, on the basis that not everyone is a good entrepreneur or has a good project to finance; (4) comparison between the number of potential and active clients. Following these steps, starting from an initial number of 1,332,300 poor people the potential target market is 76,131, of whom only 18% are clients of local micro credit institutions. It is clear the estimation is quite rough as it is founded on few realistic hypotheses. In

Despite the presence of a large poverty, the Lebanese population has one of the best average profiles of the North Africa and the Middle East: high education and life expectancy at birth, good sanitary conditions and generalised access to basic services (see chart 1).

The population is concentrated in urban areas (89%) and counts a relevant presence of Palestinian refugees and Syrian immigrants.

Chart 1: *social and economic characteristics of the population (data 2003)*

DATA	LEBANON
Population	4.5 million
GDP per capita (USD)	5.074
Human development Index ⁴	0.759
Annual population growth rate (2003-2015)	1%
Average life expectancy at birth	72
Adult literacy rate	86.5%
Young literacy rate	99%
Poverty (poverty line + 20%)	30%
Population with access to sanitary services (2002)	98%
Population with access to an improved water source (2002)	100%
Rural population	8%
Unemployment rate	32%

Source: data from UNDP, *Human Development Report 2005*.

The driving sector of the local economy is the service sector (68% of GDP), in particular banking, tourism and commerce. Agriculture and industry contribute to create the internal domestic product respectively for 12% and 20%, while the informal sector, concentrated in retail production and commerce, forms 30% of GDP and employs 25% of the labour force. In fact, the Lebanese industrial structure is made up of mainly enterprises with less than 5 employees (90%), most of whom are not formally registered. The micro dimensions of the entrepreneurial activities, in Lebanon as in general all over the world, involve big difficulties in gaining access into the banking system, that seems to be specialized in macro financings. In fact, 1% of borrowers seem to benefit from more than 50% of the total loans. Capital funding is not the sole problem of Lebanese micro enterprises, which also suffer a low competitiveness of the market, due to insufficient infrastructures, that make transportation costs grow up, and due to production costs that are higher than those of neighbouring countries – Syria, Turkey, Egypt – from whom Lebanon imports raw materials.

In such a context, micro credit seems not only to have the chance of playing a fundamental role in the informal sector, to which it is usually addressed in developing countries, but also to become an alternative financing channel for micro and medium enterprises, insufficiently assisted by the banking system and the Government⁵.

fact, the percentage of eligible clients (40%) is not justified and, as it is the same for all the analysed Arab countries, probably it is not based on an empirical test of the social and economic conditions of the poor families, on their managerial skills and on their interest for micro credit. The informative validity of the market estimation can however be considered acceptable, if it is used as a starting point for more accurate measurements and considerations.

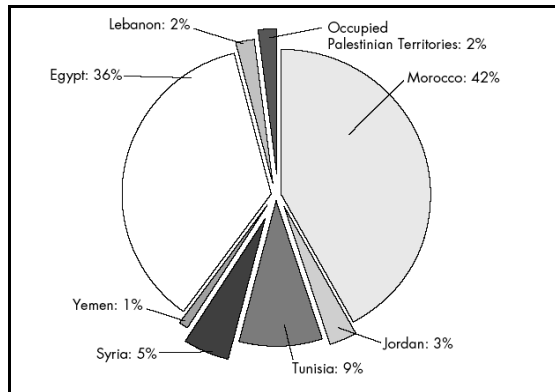
⁴ Human Development Index (HDI) is a composite index that measure the average achievements in a country in three basic dimensions of human development: health, education and standard of living. For more information about the composition and the calculation methodology of HDI, see UNDP, *Human Development Report 2005*, p. 341.

⁵ The main initiative of the Government to support the small and medium enterprises consists of the creation of a guarantee institution, called *Kafalat*. It covers 75% of loans disbursed by banks to enterprises that respect the following conditions: (1) number of employees less than forty; (2) submission of a business plan or feasibility study; (3) being part of specified sectors, i.e. industry, tourism, handicraft industry and high technology. Thus, it is evident that the exclusion of some sectors and the obligation of managing so complex enterprises with a

2. The micro credit sector in Lebanon

The micro credit industry in Lebanon, measured by the number of active clients, is one of the smallest of the Arab world: in fact, its 13,500 clients represent only 2% of the total market (see chart 2). Besides, its growth rate doesn't seem to be so positive as it registers a slow growth, involving mainly the sole market leaders.

Chart 2: micro credit market shares in the Arab World



Source: UNCDF, *Microfinance in the Arab States*, September 2004, p.30.

Another extremely significant data is associated to the **limited number of active clients**: the outreach of micro credit, i.e. its capability of reaching the most disadvantaged and poor borrowers⁶. The indicator used to measure the depth of outreach is given by the average loan divided by the GDP per capita. It estimates the poverty level of the client: the lower the loan related to the average income per capita, the poorer the borrower. As a consequence, the lower the indicator the deeper the outreach of micro credit activity in the social and economic context. Lebanon is one of the Arab countries with the **highest indicator of outreach**, coming only after Syria and Jordan.

Thus, if the trend is focusing on a medium target, between micro and poor entrepreneurs and those just below the “bankable” line, it is easy to comprehend and justify the other characteristics of micro credit in Lebanon, that are:

- **dominance of male clients**: women represent only 35% of the total clientele, exactly the contrary of what generally is found in developing countries, the Arab world included;
- **dominance of individual lending**: the group lending methodology is not so widespread, in fact less than 20% are group guarantee loans against more than 80% of bigger individual loans;
- **frequent use of collateral**: individual loans are obligatory assisted by a co-guarantor or sometimes, even if it is rare, by real assets like goods owned in the house or in the enterprise;
- **high concentration in urban areas**: micro credit is carried out for more than 80% in the cities and suburbs, where micro entrepreneurial activities are concentrated.

Other typical features of the Lebanese MFIs (Micro Finance Institutions) can be added to those described above, i.e.:

business plan or a feasibility plan make micro and small business out of *Kafalat* guarantee, compromising their entrance into the formal banking system once more.

⁶ As mentioned above, only a relatively modest percentage (18%) of the potential target is nowadays served by the micro credit institutions in Lebanon.

- **focus mainly on credit** : credit is the sole financial instrument offered by local MFIs, almost solely to finance working capital and not consumptions⁷. In Lebanon, as well as in all the Arab world, the sector suffers a lack of diversification. The offer of saving, deposit and micro insurance is limited not only by regulation, that doesn't allow the MFIs to collect savings (this option is reserved to banks) , but also by the prevalent mentality, that is consumption and not capital accumulation oriented⁸;
- **application of the international “best practises”**: the recent development of micro credit in the Arab countries, compared to other advanced developing areas, makes the local institutions adopt advanced organisational models, that try to equilibrate sustainability and outreach. In fact, the two market leaders, Al Majmoua and AMEEN, have reached both operational and financial sustainability, have gained repayment rates of 94-98% and an efficiency in costs (measured by the number of clients per credit officer) that is the best after Morocco;
- **help by donors**: the Lebanese micro credit sector receives an important support by the international cooperation in particular by UNDP and USAID funds, by the Spanish Government and, more recently, by the European Union, through the creation of the EU-funded agency, the Economic and Social Fund for development (ESFD).The approach adopted by the European Union is particular, as it doesn't give subsidized loans to reduce poverty and create employment, but it wants to contribute to ameliorate the efficiency of the MFIs, which often apply very high interest rates, over 40%, to cover their internal inefficiency. Thus, the fund of about 1,2 million euros is given to those MFIs which offer the lowest interest rate, after covering all operative and financial costs.

3. Al Majmoua – Lebanese Association for Development

Al Majmoua was born in 1994 as a micro credit activity of a development program launched by Save the Children and became an independent non-governative organisation four years later. Its mission is to lend micro credit to Lebanese entrepreneurs who are excluded from the formal banking system. In other words, it finances the working capital of micro and small businesses that are informally organised and where the enterprise and the entrepreneur are one and the same.

The organisation believes in the social value of its activity: offering to more disadvantaged micro entrepreneurs the chance of accessing sustainable financial services permit them to generate more profit and, as a consequence, to have more resources to spend on their family (richer and a more diversified diet, better hygienic-sanitary conditions, more comfortable housing).

At the beginning, from 1994 to 1999, Al Majmoua offered women only solidarity group loans, in accordance with the parent-company direction. After having become independent and passing through a minimum period of time necessary to re-organise, the institution started changing its strategy from onwards and focused on individual lending, mainly for male micro entrepreneurs. At the end of 2004, its credit portfolio was made up of one quarter individual loans and three quarters group loans, a proportion that tends to progressively decrease.

⁷ Can consumption credit be considered a form of micro credit? The answer of the academic and operative world is not univocal, as the Grameen definition of micro credit is a little amount of money given to start or develop a micro entrepreneurial activity. Money must generate more money. However, a minority trend considers even consumption credit a form of micro credit, because it is finalised to ameliorate the social and economic status of borrowers, creating a necessary condition that gives them the chance of starting a micro business .

⁸ In 2003, even the ratio between the gross domestic saving and GDP was negative, equal to -9%.

What can the reasons for this change be? It seems logical to affirm that it is a natural development of the activity towards a larger target market. In fact, limiting the clientele to women involves a series of implicit and explicit costs: higher administrative costs of so many and little short time loans, difficulties in expanding more in that small niche of the market, obligatory abandonment of the best female clients, who have matured substantial financial needs over time, and the automatic exclusion of the male clientele interested in becoming clients of the institution.

Group and individual lending methodologies follow different logics and procedures.

Group guarantee loans require the creation of a group with minimum five people, in accordance with the usual principle of self-selection, in order to reinforce the solidarity guarantee mechanism. The micro entrepreneurs must be engaged in different businesses and have started the activity for almost a year, even if the institution flexibility permits that one enterprise of the group can eventually be a start-up. Eligibility, disbursement and reimbursement procedures are quite similar to those of other Arab micro credit institutions, in particular to the Jordanian Microfund for Women, which shares with Al Majmoua the same birth within Save the Children. After the creditworthiness evaluation, based not on the micro enterprise profit and losses account and cash flow data, but on the good reputation and the capability of each single member, the group elects a president with control functions, a treasury whom the delicate cash management is given and a secretary who is in charge of drawing up the minutes of meetings. Solidarity requires both extreme order and clarity. Loan disbursement (the total amount has to be shared between the group members) consists of issuing a cheque that is converted into cash by the treasury in one of the partner banks. In the same way, periodic instalments are deposited into the bank account of the institution. Even if Al Majmoua has drawn up agreements with all the principal banks of the country, it prefers to collaborate with Audi bank, the sole financial institution that operates on line and makes a real time instalment repayment punctuality control possible. However, solidarity loans boast a very high repayment rate, around 98%. In case of default of one member, the solidarity guarantee is immediately applied and the group pays for her, even if the institution can decide not to penalize all the women, putting out of the group only the “guilty” one and writing her outstanding loan on the balance sheet credit losses⁹.

On the contrary, no flexibility is used in defining the solidarity group loans technical characteristics, that are the following:

- loan period: 4-8 months (first loan \leq 6 months);
- loan size: 200-1300 USD ((first loan \leq 300 USD);
- instalments: monthly (no grace period);
- interest rate: 2% monthly (about 25% annual);
- collateral: solidarity guarantee.

At the end of 2004, group loan clients were almost all women: in fact, there were only five or six groups made up of men who are instead concentrated in the request for individual financings.

Individual loans are structured following the same logic of the traditional banking technique. The eligibility process is articulated in two different steps: first, a financial and economic analysis of the business and second, a careful examination of client reputation of suppliers, buyers, neighbours and acquaintances.

⁹ Default is really felt like a social dishonour, not only because the woman proves not to be worthy of trust and respect, but also because she obliges her colleagues, often friends or neighbours, to bear an additional cost that is really significant in a fragile context like the one in which solidarity group women live.

The entrepreneur must have real or personal guarantees without which he can not be eligible, exactly the same as it happens in the banking system. However, Al Majmoua differs from a bank because it believes collateral is an element of a secondary importance compared to the evaluation of the entrepreneur and his business.

Besides, the institution not only accepts not legal valid collateral, but also defines its value differently in accordance with the credit history and the creditworthiness of the client. The applied interest rate is nominally a bit higher than the market one (that ranges from 15% to 18%), but in practice it is adjusted to the current market interest rate, as we consider banks charge commission of 3-4% and often impose obligatory insurance.

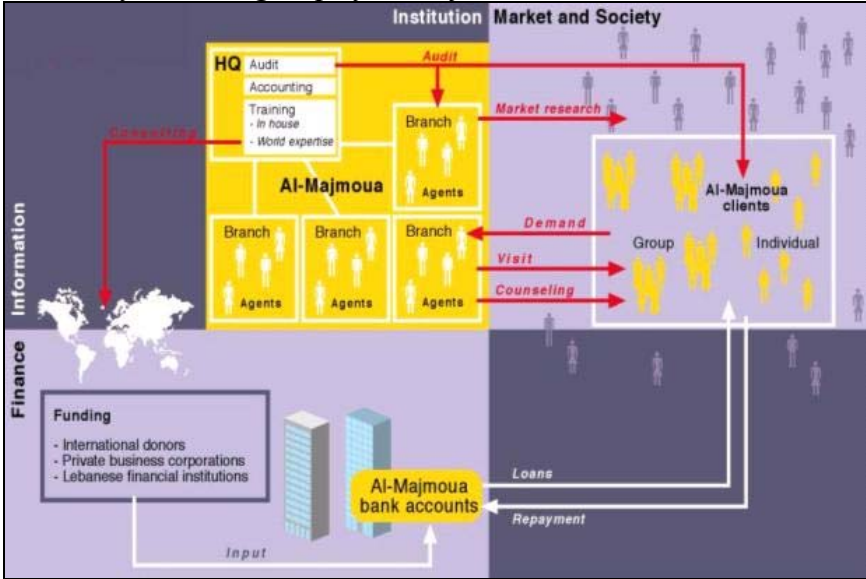
The technical elements of individual loans are defined as follows:

- loan period: 6-12 months;
- loan size: 500-5000 USD (first loan ≤ 300 USD);
- instalments: monthly (no grace period);
- interest rate: 1,65% monthly (about 20% annual);
- collateral: real or personal,
 - loan ≤ 2000 USD:
 - real guarantee (i.e. television, refrigerator, table)
 - guarantee value = 2 × loan amount
 - first loan and loan > 2000 USD:
 - personal guarantee (co-signer with fixed salary);
- eligibility condition : one year running business .

At the end of 2004, individual loans were given mainly to men working in the commerce and services sector and present a high repayment rate, equal to the one of group guarantee loans.

Both individual and group loans are offered by all the branches of the institution. In effect, these represent the “heart” of the structure, where information is collected, documents are compiled, analyses conducted and contracts written (see chart 3). All the employees, even and especially those at the top level, have to know directly the clients and their living and working environment, in order to plan and conduct the management of the institution with the awareness of the clients’ needs and the daily operative problems of the branches.

Chart 3: functioning map of Al Majmoua



Source: www.almajmoua.com

In each branch, every Monday, a credit commission, made up of two regional supervisors and a credit officer, meet to examine applications and give an initial evaluation of the client eligibility. The involved credit officer is not always the same and there is no relation between the employee and the application under examination: every ten cases, the credit officer is changed, applying strictly the universal principle of “*learning by doing*”. All dossiers prepared by the commission are later submitted to the Accounting staff, whose approval determines the loan disbursement and the relative issue of the cheque. The time between the loan application and disbursement is only one week, ten days at maximum.

The tendency of the institution to specialise in individual lending is confirmed by the data of chart 4, that shows a progressive increase of the average loan size and, as a consequence, a gradual abandonment of the poorer and female clientele. In fact, the appreciable growth of the credit portfolio is due, in the first years of the activity, to the conquest of the solidarity loan market leadership, whereas from 2001 onwards to the expansion in the individual loan market. These movements are confirmed by numbers, i.e. by the recent lower increase of the number of the total clients in comparison with the credit portfolio growth and by the inversion of the trend in focusing female-male clientele.

The new positioning and the matured experience seem to benefit the institution which, since 2003, has showed positive indicators of profitability and a **full, operative and financial sustainability**, thanks also to several cuts in the operating expenses and to a reduction of the credit risk. At the beginning, when the institution offered only group loans, PAR > 30 (portfolio at risk, that measures the risk exposure due to loans with overdue payments of more than 30 days) was at such a so low level as to be in practice negligible, while it rose suddenly with the introduction of the individual loans. However, the good portfolio management in a few years made it return to absolutely ordinary levels.

Al Majmoua finances its micro credit activity almost exclusively with its capital made up of inherited Save the Children funds, USAID contributions, donations of the Spanish Government and retained earnings. The only debt source of funds consists of the subsidised financing at 4%, given by the EU-funded Agency in 2003 and guaranteed by a letter of credit of a local bank. Besides, the institution considers this source to be too expensive and has no intention of renewing it.

Chart 4: Al Majmoua in numbers

INDICATORS	2004	2001	1998
OUTREACH			
N° active clients	6.000	5.800	3.500
Credit portfolio (thousand USD)	5.150	3.020	840
Average loan size (USD)	855	523	244
Loan ≤ 300 USD	8%	29%	47%
Clients under the poverty line	10%	11%	18%
Female clients	45%	61%	100%
FINANCIAL PERFORMACES - SUSTAINABILITY			
Total active (thousand USD)	6.930	5.710	3.440
Share capital (thousand USD)	6.360	5.220	3.410
ROA (Return on assets)	5.77%	-1.33%	-
ROE (Return on equity)	6.08%	-1.43%	-
Operative sustainability	121%	81%	71%
Financial sustainability	119%	80%	54%
OPERATIVE EFFICIENCY			
Operative expenses/loan portfolio	27.60%	41.70%	53.40%
Cost per client (USD)	224	218	-
N° clients per credit officer	97	96	115

DELINQUENCY RISK			
PAR (portfolio at risk) > 30 days	2.29%	4.94%	0.29%
Written off credits	1.81%	2.02%	0.30%

Source: personal processing of data from Al Majmoua and www.mixmarket.org

To conclude, which are the **current problems and development plans for the future?**

Moving towards an upgraded market, Al Majmoua has entered in a more direct competition with the second institution AMEEN, which snatched the leadership. In this new and more competitive context, the main problem that hovers over the institution is the very high abandonment rate of the clientele, equal to 28% in 2004. The alleged but never really investigated reasons are various: no more credit need, preference for the competitor, deterioration of the general economic conditions and the presence of a huge number of immigrants who send money to their families, to the detriment of their business development.

To face this situation, between 2001 and 2004 Al Majmoua opened six new branches to ensure herself a larger coverage of the territory. Then, starting from 2005 until the present, it has been trying to reduce interest rates and diversify the product range, offering seasonal individual loans for tourism activities, micro insurances and business training services. In this way it might gain a competitive advantage, being the first and sole micro credit institution in Lebanon selling financial products alternative to credit and non financial services, that are essential to create a class of micro entrepreneurs prepared to realize a more efficient, professional and stable management of their business. This could also contribute to reach the social mission of the institution: to transfer capital and knowledge to the micro and small enterprises as a lasting instrument of development and social-economic redemption.

4. AMEEN – Access to Microfinance and Enhanced Niches

AMEEN¹⁰ started its activity in 1998 as a project funded in Lebanon by the Cooperative Housing Foundation (CHF), an international organisation engaged in the field of promoting human development and microfinance. AMEEN proposes a non conventional micro credit model in the developing countries: in fact, it is not a real micro credit institution, but a **company offering financial services to banks which lend credit of very small amount**. Thus, AMEEN doesn't side with the micro credit institutions as an alternative of the traditional banking system, but is an important partner of banks to operate in the semi-informal context.

Agreements between AMEEN and all the most important local banks provide a clear separation of rules, even in a very strong collaborative and synergic view:

- the bank puts its branch network at AMEEN's disposal to facilitate contacts with clients and manages all the technical aspects of the lending process, from the contract underwriting, to the loan disbursement, to the instalment collection and finally to the credit recovery;
- AMEEN takes care of the client management, from the micro credit working explanation, to the application filling, to the eligibility evaluation and finally to the monitoring until the end of the contract.

Once a week two representatives of both the institutions meet to approve the loan applications, whose *iter* is quite similar to that of retail banking (disbursement and successive reimbursement consist in fact in banking operations). However AMEEN, differently from a bank, sometimes and without notice, visits the enterprise and the house of its client, just to verify the business and family health status and guarantee the regular instalment repayment.

¹⁰ See ASSRAWI F., *Microfinance in Lebanon*, September 2005, <http://www.saa.unito.it/meda/cases.htm>

Respecting the distribution of tasks described above, AMEEN offers, as well as client management, also financial services. These differ in accordance with the partner bank agreement, but can be classified into two principal categories:

- **co-financing:** AMEEN brings the liquidity for micro credit together with the bank and is reimbursed by the periodic instalments, in proportion to the lent capital. This form of collaboration was the first experimented in 1998 with Jamal Trust Bank, which bore 25% of the loans and their relative delinquency risks. The lack of experience and the traditional banking system conviction that a profitable lending activity to poor borrowers without guarantee was not possible, made partner banks very cautious. However, positive outcomes and very high repayment boosted confidence and opened the doors to such and so interesting new business that, since June 2000, Jamal Trust Bank has augmented its participation share to 50%;
- **guarantee:** the bank is the sole financier, while AMEEN offers only the collateral service in a predefined percentage of the disbursed loan. This is for example the case of the 2001 agreement with Credit Libanais and the 2004 with Libanese Canadian Bank which both receive only 10% of the total loan AMEEN guarantee. Thus, AMEEN's involvement in the micro lending activity is in effect radically reduced, making the most of its adherence and knowledge of the new social context.

AMEEN, as a partner of the banking system in this phase of downgrading, addresses itself to the micro and small entrepreneurs with difficult access to credit, giving them only individual loans. In order to apply for the loan, it is indispensable to be a Lebanese citizen or to have permanent residence in Lebanon, to own a business or to have been an employee for more than one year and to find a co-guarantor.

Thus, the target market is partly coincident with the Al Majmoua one in the individual lending sector. Chart 5, that compares the two competitors, shows AMEEN and Al Majmoua offer loans with almost the same characteristics, but AMEEN, even charging a considerably higher interest rate, has an activity volume five times bigger and a number of clients that is more than the total clientele, group and individual, of Al Majmoua.

A structure with bigger dimensions and especially the precious bank partner collaboration (fifty branches in all the territory) are the strengths of AMEEN. In fact, thanks to that, AMEEN has become the market leader and is still nowadays expanding, without handling the price lever.

Chart 5: individual loans of AMEEN and Al Majmoua (2004)

CHARACTERISTIC / DATA	AMEEN	AL MAJMOUA
Credit portfolio volume (thousands USD)	6.700	1.290
N° active clients	7.886	-
Percentage of male clients	79%	90%
Loan period	4-18 months	6-12 months
Loan size	300-5.000 USD	500-5.000 USD
Instalment	monthly	monthly
Interest rate	22-28%	20%
Collateral	1 co-signer	1 co-signer o real guarantee
Repayment rate	100%	89%

The success of the institution leads to the question whether **AMEEN is proposing a sustainable and replicable model.**

While it has to be said that the institution has reached the full operational and financial sustainability, it is wondered how long this profitable partnership with the banking system can last. In time banks could, in fact, get the necessary experience, professionalism and closeness to the target clientele to be able to do without AMEEN's intermediation and services.

Nevertheless, this hypothesis is only suitable when the bank considers micro credit as a prior objective of its strategic plans. This objective is moreover not reachable in a short time, because it means changing the current image of the bank as a bank for the rich into a bank that supports the poor, adapting traditional mentality and internal procedures to the language and needs of micro and small entrepreneurs. This process requires huge investments in human capital and time. More realistically, in presence of banks wishing only to diversify their business without distorting them, AMEEN model works perfectly: the bank earns profits from an activity that it could never manage alone and AMEEN takes advantage of the bank infrastructure to reach a larger number of clients and economies of scale.

This model is, in effect, interesting and easy to replicate in those contexts where traditional banks intend to approach the micro finance world, without becoming micro credit institutions. In fact, in industrialised countries, the banking system have often adopted forms of cooperation similar to that of AMEEN, in order to expand it business into more weaker sectors of the population which would be impenetrable directly by the traditional financial intermediaries.

5. Final considerations

As emerges from the previous pages, the micro credit market in Lebanon presents two dominant characteristics, one positive and one negative.

Its **main weakness** is the very high concentration that means low competitiveness and, in general, operative inefficiency and lack of incentive to innovation. The entrance of new players is made difficult not only by the market conditions, but also by the government's indifference in supporting micro credit development.

On the contrary, the winning AMEEN model is the **main strength** of the sector. In fact, if the road to outreach expansion seems to be excessively impassable, the banking sector involvement in the financing of micro and small traditionally excluded enterprises could become an excellent instrument of economic and social development of the country, given the very high number of micro entrepreneurial activities and the significant role of the informal sector.

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