

Lebanon's Digital Transformation: A Double-Edged Sword for the Banking Sector?



September 9, 2026

Contact Information

Wissam Toubaily

Research@blom.com.lb

In January 2026, the World Bank approved a 350 million dollar financing package to Lebanon, including a 150 million dollar loan dedicated to the Lebanon Digital Acceleration Project (LDAP). The agreement was signed on 10 August 2026 in cooperation with the Office of the Minister of State for Administrative Reform (OMSAR), which will implement the project. It aims to make public services available online, create a national digital ID system, strengthen national cybersecurity, and launch digital skills training. In parallel, on 14 July 2026, OMSAR launched the DAWLATI 2026 Platform to centralize access to public sector services, covering 2,700 public services. Before that, on 8 December 2025, Lebanon, through the Ministry of State for Technology and Artificial Intelligence (MITAI), partnered with Oracle, the American tech giant, to train 50,000 Lebanese participants for free in cloud computing, AI, and machine learning .¹

Although these initiatives are dedicated to Lebanon's public sector, they represent a major push toward the digitalization of the banking sector by creating a strong foundation for digital finance through modernizing public infrastructure, improving customer verification, and absorbing the cash-based economy. This significant opportunity, however, is challenged by the crisis of distrust in Lebanese banks following the financial crisis and people's resort to cash. This paved the way for the rise of non-bank financial institutions (NBFI), exposing banks to fierce competition. Lebanon's digitalization project therefore represents both a great opportunity and a dilemma for the banking sector. Developing the Lebanese banking sector is crucial for economic recovery, as banks represent

¹ The Training Program: The free initiative aims to upskill students and public employees. Courses will run in cooperation with four major universities: the Lebanese University (LU), the American University of Beirut (AUB), the Lebanese American University (LAU), and Université Saint-Joseph (USJ).

the core payment system and are essential for supplying stable, low-cost credit that supports the health of the economy. So, how can the advantages and disadvantages of this situation for the Lebanese banking sector be measured?

Prior to the 2019 financial crisis, commercial banks in Lebanon led efforts to expand electronic transaction channels. Many banks launched partnerships, created digital arms, and encouraged their clients through various means to shift toward digital banking. Then, in 2022, the Council of Ministers approved the Digital Transformation Strategy 2020-2030, which formed the foundation for the later digital projects and initiatives previously mentioned².

However, in a country suffering from a banking crisis, distrust in banking institutions pushes people toward cash, and the cash economy acts as a major barrier to digitalization. Lebanon's parallel cash economy peaked at 2.8 billion dollars, or 5.6% of GDP, in 2015 and remained in the single-digit percentage range of GDP prior to the 2019 collapse. It then surged to 4.5 billion dollars, or 14.20% of GDP, in 2020; 6.05 billion dollars, or 26.2% of GDP, in 2021; and 9.86 billion dollars, or 45.7% of GDP, in 2022³. This hit digital banking and undermined what commercial banks had worked hard to build in the pre-crisis era. People viewed physical money as safer and more practical, creating a heavy cash economy and reinforcing a behavioral barrier that stalled the transition toward a digital financial sector.

Meanwhile, during this "debanking" occurrence, non-bank financial providers, Payment Service Providers (PSPs), and electronic money transfer companies, stepped into the vacuum, seeking to replace the banking system in daily financial transactions. Their expansion was supported by the sharp drop in adult bank account ownership in Lebanon amid the crisis. They came to handle a massive volume of transactions, from merchant checkouts to corporate payrolls, largely through digital wallets. This led the Central Bank of Lebanon to officially legalize digital wallets in January 2020 and issue regulatory updates in April 2023⁴. This authorization sharply accelerated the expansion of non-bank institutions in Lebanon, allowing them to compete fiercely with commercial banks.

² OSMAR, Lebanon Digital Transformation Strategy 2020-2030.

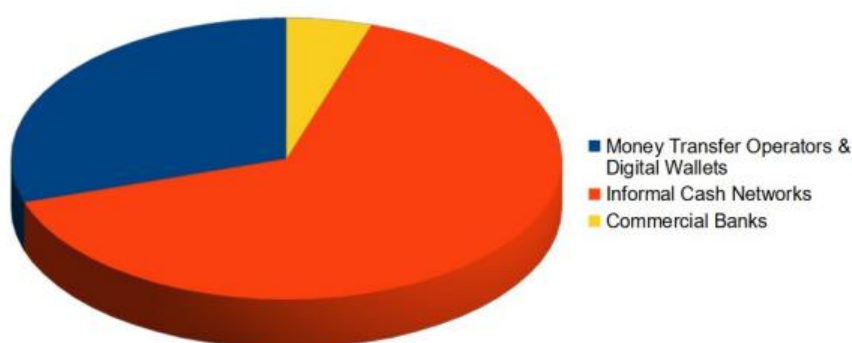
³ World Bank, Lebanon Economic Monitor, Spring 2023.

⁴ Banque du Liban, Basic Circular No.69 and related intermediate circulars.

Money transfer operators such as BoB Finance, Whish, and OMT handled remittances that previously ran through bank accounts. As banks stopped issuing new credit, non-bank finance companies stepped in to provide micro-lending. In addition, non-bank institutions allowed customers to pay utility bills and receive cash disbursements, while offering POS and e-commerce systems that process card payments outside bank branches. The most widely used e-wallets in Lebanon also became powered by non-bank institutions. OMT claims that it commands more than 80% of the market for electronic money transfers and domestic remittances in Lebanon.

Looking deeper into the figures, there are nearly 680,000 active e-wallets issued by 15 or more non-bank financial institutions, moving around \$300 million monthly⁵. Non-bank financial institutions effectively run the vast majority, estimated at over 80% to 90%, of active digital wallet and electronic money transaction volume in Lebanon. More importantly, according to Central Bank of Lebanon and UNDP data, and as shown in Figure 1 below, money transfer operators and digital wallets account for 30% of total inflows, with regulated non-bank networks handling the overwhelming majority of electronic retail transfers. Meanwhile, 65% to 70% arrives as cash physically carried in luggage by travelers and Lebanese expatriates or through unrecorded couriers, while only 5% or less of personal remittances arrive through commercial banks as people avoid using formal bank accounts.

Figure 1: Remittance Channels in Lebanon



Source: Data collected from BDL, UNDP

⁵ The Fintech Times.

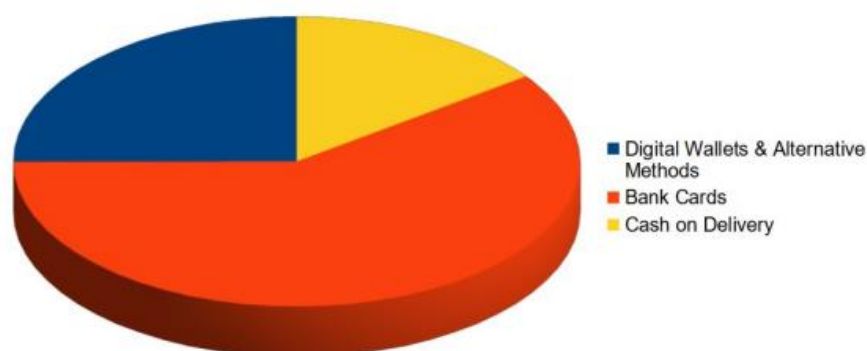
As a result of capital controls and the lack of public trust, banks have lost almost their entire share of total cross-border personal money transfers reaching the country. As for retail transactions, nearly 70% are cash transactions or Cash on Delivery (COD), while 30% are electronic transactions and digital payments, including online and point-of-sale card transactions. Non-bank platforms such as Whish Money and OMT Pay have encompassed this electronic market, leaving traditional retail bank accounts with a minimal share.

In a previous report⁶, we mentioned that traditional banks globally are facing growing competition from fintech companies, payment firms, and private credit funds. However, the global situation presents a very different picture from the Lebanese one. Looking at Gulf Cooperation Council (GCC) countries, for example, non-bank financial institutions have indeed grown widely, but transactions have remained linked to the banking system. GCC countries have established bank-led central payment switches, such as mada in KSA, to handle domestic and online transactions. Moreover, some of the most prominent non-bank financial institutions, such as STC Pay, have acquired full licenses to become digital banks, moving back into the banking sector.

More importantly, according to IMF data and as shown in Figure 2 below, the share of online retail transactions processed by non-bank financial institutions in GCC countries stands at 20% to 25% of total e-spending. Bank cards hold a 50% to 60% share, while roughly 20% or less is held by Cash on Delivery, which has recently declined due to aggressive government initiatives encouraging consumer adoption of cashless commerce.

⁶ BlomInvest, Research Department, *Financial Stability and Banking Transformation amid a Changing Global Monetary System*, August 12, 2026.

Figure 2: GCC Online Payment Landscape Breakdown



Source: Data collected from IMF

By comparison, we can clearly see the significant difference between a market structure tethered to the banking system and a dollarized cash economy triggered by a financial vacuum that non-bank financial institution capitalized on. Lebanon today is one of the most cash-dependent nations in the world. The country has rapidly transformed into a cash-and-wallet economy, with traditional banks kept largely on the sidelines. NBFIs dominance is a symptom of Lebanon's banking crisis. While these institutions have indeed kept retail activity alive in Lebanon, they remain separated from the global banking network and are unable to generate macroeconomic growth and wealth creation. They also carry high compliance risks that could cause further financial isolation for Lebanon.

The parallel cash economy has left only a minimal role for the banking sector. This drove the Central Bank to step in and attempt to bring the cash economy under regulatory oversight through Intermediate Circular 13718, which regulated the massive volume of e-wallets operated by non-bank financial institutions by requiring them to keep 100% of customer e-wallet funds deposited in bank accounts at all times, completely separated from the companies' operational funds.⁷

However, the financial collapse and the population's debanking spree continue to work against the orderly functioning of the Lebanese banking sector. This serves as a constant reminder that restructuring and reviving the traditional banking sector, resolving the deposit crisis in a comprehensive and fair manner, and restoring, first and foremost, the trust of the public and

⁷ Banque du Liban, Intermediate Circular No.735, Decision 13718, May 23, 2025

depositors, as well as that of investors and the international community, are the essential entry point to any project, vision, or development the Lebanese state intends to implement. Otherwise, the global trend and push toward digitalization will remain a missed opportunity for the Lebanese banking sector, which will remain held back by the financial crisis, and public distrust.

For your Queries:

BLOM BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Research Department

Tel: +961 1 991 784

research@blom.com.lb

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.