

Lebanon's payment gateway curse

Lebanese merchants find temporary fix, no solution

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Typically, when a customer buys a product online through a payment gateway, the cardholder's information goes through a long chain of servers and processors that link the cardholder, the merchant and the payment association before arriving to the credit card's issuing bank. The bank then does an automated check before it gives its authorization, which is sent down in reverse order until it reaches the merchant and cardholder. The entire process takes approximately 2–3 seconds.

While the technical dimension is quite complex, from a merchant perspective either the payment goes through, or it doesn't. Unfortunately for Lebanese merchants, the local payment gateways have a high refusal rate on foreign cards. [Karim Saikali](#), a veteran of Lebanese e-commerce who founded [BuyLebanese.com](#) explains that many American banks will routinely block transactions that are done on a Middle Eastern payment gateway for "security reasons."

Such blocking is a huge hindrance to Lebanese online businesses who depend greatly on international sales. With [PayPal](#) renegeing on its promise to come to Lebanon, local businesses have had to make do with alternatives to the largest and most trusted payment gateway globally. [PayPal](#)

is widely cited among Lebanese entrepreneurs to be a better functioning, faster online payment system than the alternatives. Many merchants have opted for a combination of both smaller foreign gateways and local gateways. However, neither of these perfectly fits their needs.

Good enough for Lebanon

For Lebanese companies which exclusively do business inside Lebanon, local payment gateways such as Bank Audi's E-payment gateway and Netcommerce, supported by Crédit Libanais and Fransabank, are not bad options. The local payment gateways have merits in terms of proximity, convenience and merchant support, as well as avoiding the fees that would be incurred on money transfers from a foreign bank account. Fadi Sabbagha, CEO of new media design and consultancy company **Born Interactive** says he always encourages his customers who only do business in Lebanon to use a local payment gateway. Unfortunately, Lebanese online businesses that only sell inside the country are quite rare due to the slow adoption of e-commerce among the Lebanese population.

These payment gateways have other drawbacks. Lebanese entrepreneurs have complained that the Lebanese payment gateways are cursed with long setup times. In Lebanon, to be able to sell through the payment gateways requires a lengthy approval process from the banks. "As a merchant, to start being able to accept cards is not an overnight thing. You need to get approval first," says Sabbagha. According to Piotr Yordanov, founder of social network organizer Beepl, setting up online payment is a large time and resource commitment, as a company would "have to spend a whole week having a full-time CTO working on it." Half-jokingly, he adds, "I even considered [virtual currency] Bitcoin" as an alternative, where the setup would only take a couple of hours.

Crowdfunding

In addition, Lebanese payment gateways are not specialized to cater to every business need. With the multitude of businesses possible through the online realm, some are too unconventional for Lebanese payment gateways' expertise. Abdallah Absi, founder of online crowdfunding platform **Zoomaal**, was forced to resort to a US payment gateway when he first realized that local payment gateways had no experience in carrying out the due diligence on third parties to verify the credibility of those raising funds. "They didn't know what kind of process needs to be put in place, and neither did we," he says.

Foreign payment gateways, however, are not a perfect solution, and fail to meet the specific needs of Lebanese businesses. Zoomaal faced obstacles with these gateways' reluctance to deploy the money raised for certain projects in Lebanon even after Zoomaal had already raised the funds. "And we want these kind of projects," says Absi. Now that they are armed with the know-how to do due diligence themselves, they are incorporating a Lebanese payment gateway into their system, in addition to several foreign ones they will continue to use. "We hope they will give us that freedom," he says.

The use of multiple payment gateways provides a temporary fix to Lebanese merchants. But until a payment gateway that targets their technical and specific needs presents itself, Lebanese entrepreneurs will continue to spend time and money disproportionately trying to figure out a service that many businesses around the world take for granted.



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