

Master Of Innovation

In Dubai, a city enamored with tech and innovation, Mastercard's president for the Middle East and Africa Raghu Malhotra often hears people sing the praises of companies such as Apple, Google and Facebook. As for Mastercard, a payments technology firm, it mostly summons up a picture of a credit card to the minds of consumers, not a picture of innovation. "I think we're kind of subtle at times," says Malhotra, who is working to transform this very image of the company whose technology is helping to underpin a global shift away from cash-based transactions.

Headquartered in Purchase, New York, Mastercard connects more than 25,000 financial institutions to merchants and consumers in 210 countries. On average, it processes more than 178 million transactions globally each day. "You don't think that's cutting-edge technology?" says Malhotra, speaking with *Forbes Middle East* at Mastercard's regional headquarters in Dubai. "Just think of what we do, how we enable commerce."

Looking the part of a contemporary tech executive, he's dressed casually in jeans and a dark grey button-up shirt, occasionally sipping from a takeaway cup of coffee as he intently explains how Mastercard is introducing new products and services in the Middle East and Africa. Across the 69 markets he oversees, Malhotra is rolling out everything from biometric cards to mobile wallets, with the goal of using technology to convert consumers from cash to electronic payments. "That's our core bread and butter," he says.

One reason many consumers in the Middle East may not think of Mastercard as a trendy tech firm is that retail transactions continue to be dominated by cash. At last check, only 14% of adults in the Middle East had a bank account—one of the lowest in the world, according to the World Bank. The situation is similar in Africa too.

Mastercard doesn't break down numbers for the Middle East and Africa. They're lumped in with Asia and the Pacific region, where altogether growth in gross dollar volume of products that carry its brand was 9% in 2017, two percentage points higher than 2016. Last year, the company generated revenues of \$12.5 billion, a 16% increase from the year prior.

The region offers massive opportunity for Mastercard. Malhotra oversees a region with a population of 1.4 billion, roughly equal to the populations of North America and Europe combined. Financial inclusion varies between markets. Wealthy Gulf nations enjoy higher rates of credit card usage, but the use of mobile phones is widespread. Cashless transactions with mobile money services would allow unbanked users to store, send and receive money with their phones.

Signs point to a clear shift away from cash. The total transaction value of digital payments in the Middle East and Africa is expected to rise 63.4% over the next four years to \$67

billion by 2022—up from an estimated \$41 billion in 2018, according to market research firm Statista.

Meanwhile, e-commerce is growing, highlighted by Amazon's acquisition of Dubai's Souq.com last year. Payments firm Payfort reported that online transactions rose 22% in 2016 across Egypt, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia and the U.A.E., with more than \$30 billion worth of goods and services purchased online. Still, cash-on-delivery remains the more popular option.

Against that backdrop, Mastercard has dramatically expanded its footprint in the region over the last eight years. Since 2010, it has doubled the number of places where its cards are accepted, and the number of employees in the region has grown fivefold.

Last year, Malhotra opened an office in Bahrain and new headquarters in Amman to oversee Lebanon, Iraq, Palestine and Jordan. The company continues to ink partnerships with banks, as it did in September 2018 by signing a new seven-year deal with Lebanon's Blom Bank to roll out products and services around risk management, digital payments and loyalty programs. "We like to operate as close to the ground as possible," says Malhotra.

Perhaps most significantly, Mastercard partnered this year with the Saudi Arabian Monetary Authority (SAMA) to introduce its online payment gateway technology to the kingdom's domestic payment network, called mada. That will enable online payments through mada, which already connects ATMs and point-of-sale terminals throughout Saudi Arabia to merchants' banks and card issuers, and last year recorded 1.5 billion transactions. Mastercard also worked with mada to launch a digital wallet, allowing consumers to pay with their phones.

Although the returns on his drive to transform the region into a completely cashless society may be years away, Malhotra continues to position Mastercard for a future where cash is no longer king in the Middle East. "You need to invest and build your businesses out now," says Malhotra, who was promoted to his current role in 2016.

Originally from Delhi, he got his start at Citicorp after earning a degree in commerce from the University of Delhi in 1991. He worked briefly as an analyst with American Express, before pursuing an MBA at the University of Melbourne. He joined ANZ Grindlays Bank in India, specializing in credit and risk management.

He moved to Mastercard in 2000, and worked from its Delhi office as a business manager overseeing South Asia. Within five years, he managed business development and marketing for South Asia, the Middle East and Africa.

But despite having a presence in the Middle East and Africa since 1986, it ran a limited business. "I have to admit, we were late entrants," says Malhotra. It only operated in the U.A.E. and South Africa, and had a couple of small offices here and there, with roughly 30 employees in Dubai. Today its Dubai office is home to 300.

Following Mastercard's IPO in 2006, the company began investing more in global

markets. That expansion accelerated after 2010, when Mastercard appointed Ajay Banga as CEO. The firm faced disruptors, such as PayPal, and Banga turned the company towards new technologies. As general manager for the Middle East at the time, Malhotra played a key role in leading the charge for the region.

He pursued opportunities to build new products and services. In 2014, Mastercard launched its digital wallet Masterpass in the U.A.E., in partnership with RAK Bank, Mashreq Bank and Emirates NBD and later inked a partnership with Beam Wallet in the U.A.E. The service is designed to make shopping simpler at participating merchants by allowing users to store their payment details securely in one place, so they can make online purchases faster. Regional locations where Masterpass is available include Egypt, Saudi Arabia, Kuwait and South Africa, among others. The company also opened a new payments processing center in the U.A.E., which serves customers across the region.

In Egypt, Malhotra found a market ripe for new technologies. Although it has 100% mobile penetration, the Arab world's most populous nation is 85% unbanked, according to official estimates. In 2014, Mastercard partnered with local telecoms and banks to launch a mobile money payment service. The following year, it worked with the Egyptian government to introduce a digital ID program designed to extend financial services to 54 million Egyptians. The system allows the government to issue digital ID cards linked to a mobile money platform, which is used to pay government fees, mobile bills and domestic remittances.

After a financial institution it worked with experienced a security breach, Mastercard launched a first-of-its-kind fraud detection service in Egypt that evaluates transactions in real-time. "Once we brought it in, we realized there was global applicability for it," says Malhotra. The service is now used in multiple markets in the Middle East, Africa and Asia. "There are a few products and technologies that were born here that we've exported," says Malhotra.

Mastercard's efforts to launch new electronic payments and services come as it faces disruptors, including blockchain and peer-to-peer payments. Fintech startups are popping up across the Middle East and Africa. "People think fintech will disrupt everything," says Malhotra. "I feel fintechs will work with industry players."

To that end, Mastercard runs Start Path, a global program accelerating startups in fintech, retail, security and big data. One of the first regional companies to join the program was Jaib, a Jordanian startup making cash-on-delivery payments easier to process. "Cash on delivery accounts for 85% of e-commerce but also accounts for up to 30% of order failure," says co-founder Fouad Jeryes, because a customer is unable to pay. Jaib developed a credit score for unbanked users. Qualified customers have two weeks to settle their payment after placing an order, while the merchant gets paid immediately through Jaib.

Looking ahead, Mastercard signed on as the official payments technology partner for Dubai's Expo 2020, which is expected to attract 25 million visits. At a mega-event dedicated to the latest innovations, the company will integrate payments technologies that

will include everything from virtual reality to biometrics—an occasion for Malhotra to show that Mastercard is more than just a logo on a credit card.

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