Forbes Middle East

The Digital Revolutionary

Even as Mastercard puts up an impressive performance at Wall Street, its President and CEO Ajay Banga is not resting on his laurels. He is steering the payments firm to invest in technologies such as biometrics, tokens, artificial intelligence and almost anything that could disrupt the payments ecosystem as he wages a war with cash payments.

Mastercard has had a positive year in terms of performance. Does that mean you are seeing a robust uptick in consumer spending across the geographies you operate in?

We are seeing generally positive trends in consumer spending across the globe. Of course, there are bright spots and weaker ones, but overall consumer spending and confidence are trending positive. We are also growing our share of payments through our core business of credit, debit, prepaid and commercial payments. And we are growing the services that provide additional value beyond the core payment - safety and security, loyalty and rewards, and insights and data analytics that support our customers' businesses. All these are helping our performance this year.

In 2018 and in the medium term, which would be the growth areas for Mastercard?

Today, more than 80% of the world's consumer payments are still made with cash. With the exception of a few markets like South Korea and the Nordics, cash continues to dominate retail transactions. That's our opportunity across the globe, converting them into electronic payments, with a card, a digital wallet or any other way that you might access a Mastercard account.

We're taking our learnings from many markets and combining them with local insights and experiences. This will help deliver new innovations that drive the conversion from cash. This opportunity exists beyond retail purchases. There's the commercial and B2B space, meeting the needs of global corporations and small and micro merchants. It's also P2P and B2C payments. We are building the tools and services to tap into this bigger opportunity. That's what we've been doing in diversifying our customer base and building new businesses.

How has Masterpass performed in the region since its launch? Has it fared well across other markets for you and how are you further developing it?

Masterpass has been live in the U.A.E. and across Africa for some time now. This year, we brought the Masterpass platform into Egypt and the Kingdom of Saudi Arabia and we are already seeing interest among both merchants and consumers Masterpass is relevant since consumers have said they prefer to continue to manage their payment accounts with the banks where they have the trusted relationship. With Masterpass, they don't need to update account details at multiple merchant sites or remembering separate wallet usernames and passwords. Merchants too like the proposition of an issuer-based wallet, as it can simplify the experience for them.

Many times, card users are charged a fee when swiping a card in markets that are yet to mature. What is your strategy in markets such as those?

A fee paid by consumers is unfortunate because it creates friction around electronic payments in favor of the alternative—cash. Using cash is expensive for consumers and for businesses. There are costs associated with printing, securing, distributing and handling cash. It can cost a nation as much as 1% of GDP. On the other hand, there's a great value in electronic payments. Merchants benefit by having lower costs associated with handling cash, while at the same time seeing a lift in the average ticket size. We're working to educate merchants, consumers and governments on why a checkout fee like this is a bad idea.

As transactions shift online, security is a valid concern among users. Is it a challenge for Mastercard to be airtight when it comes to payment security? How much do you invest in securing your platforms annually?

Security can't be an afterthought, but it also cannot be about creating an impenetrable wall. Trust is built by considering both security and convenience as equally important aspects of innovation. Technology can help deliver that trust.

At Mastercard, we are integrating security into all that we do. Security sits front-and-center in all of our payment solutions, connections and initiatives. We stay one step ahead by building multiple layers of security to protect every transaction.

We're playing a leadership role in developing standards, like EMV, QR, contactless and tokens, to make the payment experience fast, safe and easy. We are pioneering the use of biometrics, including building it into a card, because it's more secure and convenient than a password. We're embedding behavioral analytics, machine learning and artificial intelligence across our network to continually screen for risks and stop catastrophic fraud in its tracks. One of our more recent acquisitions—NuData Security—has some very cool technology that enables us to actually know that it's really you who are using the device, based on how you hold the phone or type on the screen. This is all helpful in authenticating the user or account holder. Our Brighterion business is leveraging artificial intelligence to deliver better insights for our customers and a better consumer experience.

Considering this is the age of disruption, has Mastercard ever been disrupted by smaller fintech companies? If no, how do you manage to not be disrupted?

Mastercard has a long history of supporting and enabling emerging industry players. We believe that our collaboration with both established digital players and startups allow us to stay ahead of the innovation curve, thanks to their unconventional approach to technological advancement. In fact, we have a dedicated Start Path Global program, which enables us to work very closely with innovative global start-ups across not only fintech, but also retail, security and Big Data sectors; with companies that are deeply passionate about building the technologies of the future.

The companies who will thrive in today's digital age will be shaped by three dominant forces, namely a growing global middle class that is financially able to transact, improved experiences brought about through connected devices, analytics and personalization and increased complexity in delivering services like security that require new partners and perspectives. Each of these forces will require a new appreciation and prioritization—on partnership. And that's something deeply embedded in our DNA.

The Middle East market has traditionally been lenient to cash rather than cards but there has been commendable effort from the governments to ensure a transition to a cashless society. In that light, is the Middle East a promising market for you?

I think of the Middle East and Africa as a market of extreme interest and intelligence in the government, in terms of technocrats coming into power and applying business logic to get scalable solutions to uplift people's lives. I do see that. I also see that these economies have large populations—I mean Africa alone is a billion people—and how can you hold that back from where it needs to go? There is a right kind of government thinking, and there is the energy of a very young population that is looking for ways to connect in a technically enabled way. This region also has people who have more phones than bank accounts, and everybody uses technology like a tech native. This indicates a growing opportunity here. Just in MENA, we have double the number of locations that we operate in since I became CEO. We've tripled the number of employees, we've doubled the number of acceptance locations where electronic payments can go, and in fact, I've been discussing with the regional head an opportunity to double that again in the next few years.

You have, at various instances, extolled the importance of a cashless society. How does it help in financial inclusion and what are some of the steps that Mastercard have taken to decrease the unbanked population?

Financial inclusion is a very misunderstood term. People think you open a bank account, and you're included. It isn't really like that, unless you do something with that bank account, meaning money's going to come in, money's going to go out, you're going to save something, you're going to get access to credit at a reasonable price, and you're going to be able to get insurance. The real inclusion comes from the pathway to regular income and prosperity and credit and insurance, and dignity, which comes with all this. So that's what inclusion is. Now, my belief is that the way you've got to go about this is you've got to get people to have access to some way of receiving and spending and saving money. So what we're doing around the world is we work with governments, with NGOs, and others, to try and find a way to get these people out of the system, get them an identity, and then get them access to some form of receiving money.

For example, in South Africa, the social security agency delivers benefits to 13 to 14 million South Africans. It previously used to be distributed via an agent network where a truck would come with cash, and you'd have to go there and prove who you are. Then you would take the cash and walk home through a shanty town with everyone knowing that you're carrying the cash back to your place. This has all been changed to a biometric enabled identity system on one side of a card, so you can prove your identity with a fingerprint. The other side of the card has a payment functionality, allowing you to go to an ATM to spend or save on the card. This helps the consumer, and it helps the government find people who were wrongly claiming the money. In South Africa between 10-13% of people were fraudulent claims—people who had died, people who did not exist, etc. all had others claiming their money. All of these people were taken out, and that efficiency allows the government to reach more people, or frankly to save the money, depending on what your priorities are.

Users today are shifting from physical plastic money to virtual money such as

Bitcoin and Ethereum. How are you dealing with such seismic changes and will such factors disrupt you going forward?

I’m not sure that cryptocurrency is growing. The price is growing but the price will grow today and drop tomorrow. That’s currency, and bubbles, and investments. If you want to invest in them and if you think you’re a sophisticated investor, you should. But to think that you can use those for a payment methodology, where you’re buying a bottle of water for one Bitcoin today and tomorrow its worth eight bottles of water and the day after that its two, and the day after that its 10, you’ll be confused as a retailer and consumer. We talk about hyperinflation and hyper deflation—this is hyperinflation on steroids if it goes back and forth like that. You need stability and transparency.

Blockchain, on the other hand, or government mandated cryptocurrencies, are different. If there’s a sovereign entity backing a cryptocurrency, it’s the same as a sovereign entity backing a regular currency. I see value there. The blockchain is interesting and though the case for it is not proven yet but the idea has. So, what we’re doing as a company is we’re investing in blockchains to learn how they work, find patterns, and then work with patterns. I think the blockchain needs to be thought through and constructed in a way that will enable the unlocking of its power in a way that works for society in a sensible pattern. I’m quite interested in blockchain and I think there’s something there, so we’ve been investing large sums of money and effort into it.

https://forbesmiddleeast.com/the-digital-revolutionary