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**SPECIAL REPORT**  
**TOWARDS A CONNECTED FUTURE**  
INNOVATION FUELING TRANSFORMATION

**EAST**  
**ARABIA**





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# TOWARDS A CONNECTED FUTURE

J.K. Khalil  
DIVISION PRESIDENT, EAST ARABIA,  
MASTERCARD

**J.K. Khalil, Division President, East Arabia, Mastercard, explores the ways technology is reshaping business and society.**

## BIO

J.K. Khalil is responsible for the UAE, Pakistan, Qatar, Kuwait and Oman markets at Mastercard. With almost 20 years of tech, banking, consulting and payments experience, he has held a number of roles across multinational banks, top-tier consulting firms and tech startups. In his previous role at Mastercard, he was the General Manager of MENA Central and, before that, he was the Mastercard Advisors Region Lead for MENA Central. Prior to Mastercard, he was a senior manager with Strategy& (formerly Booz & Company), where he was a principal in their financial services practice and focused on the wealth management, risk and digital verticals in particular. Before joining Booz & Company, he held a number of positions at Barclays Bank, including strategy and cross-asset derivatives sales. In 2021, he was recognized in the Arabian Business Young Achievers List (formerly known as 40 under 40), profiling young leaders who are making their mark in the GCC and the wider region. In 2024, he was included on Arabian Business's list of 100 Most Influential Arabs. He holds an MBA with distinction from the University of Chicago (Booth) and is the President of the GCC Alumni Club chapter. He also holds a computer systems and networks engineering degree from St. Joseph University in Beirut.

**WELCOME TO THIS SPECIAL EDITION** of The Business Year as we explore the ways innovation is fueling transformation across the financial services industry and beyond.

The gap between the present and the future is narrowing rapidly. Exponential leaps in technology are creating previously undreamt-of opportunities, and the resulting innovations are revolutionizing the way we connect with one another and the world around us.

The possibilities for collaboration and connection are limitless, and the potential for change is immense. But in an ever-evolving world, how do we ensure that we do not get left behind?

The future will be driven by value and opportunity. Whoever creates the most value gets to dictate the next chapter. Tomorrow's winners are those who write the next chapter today, because if you don't write it for yourself, someone else will write it for you.

Ultimately, I like to think we all want the same thing: a better, more inclusive, more connected world—one with equal opportunities underpinned by technology, where societies and individuals can achieve their full potential.

A rising tide raises all boats. In a world buoyed by innovation and technology, we can all rise and prosper.

In this report, my colleagues and I will explore the trends and

technologies that will help shape this future.

## INVESTING IN A DIGITAL FUTURE

Hundreds of millions of connected customers now have a “digital lifestyle” that requires ongoing connectivity. GSMA's latest Mobile Economy report shows that mobile penetration reached 54% of the MENA population by the end of 2022.

However, the speed at which these changes arrive can make it hard for providers to keep up with customers' ever-changing requirements. Digital transformation is the only way to embrace a connected future—and the only way to remain relevant and meet consumer needs.

Digital transformation investments in the Middle East, Türkiye and Africa (META) are set to more than double and hit USD76 billion by 2026\*. Digital transformation spending in the region is expected to accelerate at a compound annual growth rate of 16% during that period.

For many organizations, the digital and tech investments they made during the pandemic to build resilience are being put to test across key business dimensions, such as customer experience, operations and financial management.

## THE DIGITAL BUSINESS, THEREFORE, IS THRIVING

The implementation of further digitalization in critical areas and a more rapid shift to a holistic digital approach will be key to separating the thrivers from the survivors.

Organizations must not lose sight of their digital aspirations, no matter what the economy throws at them. The focus should be on enabling clear and measurable outcomes, and digital spending needs to transition from building to scaling.

At Mastercard, our leadership has kept its focus on scaling innovation and running a business that truly enforces a digital-first mindset across all our operations and offerings to our customers.

## A CONNECTED ECONOMY

A Harvard Business Review report beautifully captures the drivers of the connected economy: Value is created through the technology-enabled links between people, machines and organizations. Every organization now faces a challenging shift, as more

than half of the companies surveyed believe that a substantial part of their revenue is under threat from a new wave of digital disruption. Organizations have seen significantly stronger revenue growth over the previous two years than their less connected rivals due to their ability to leverage information at speed through their use of hardware, software and networking technologies.

The East Arabia Division that I lead for Mastercard is unique in the sense that we represent diverse markets, spanning the United Arab Emirates, Qatar, Kuwait, Oman and Pakistan. The creation of this division is a clear indication of the incredible growth of what used to be our MENA East cluster. Recognizing the region's immense potential, the move is part of our refreshed organizational design that focuses on fast-tracking growth, strengthening stakeholder engagement and enhancing our multi-rail capabilities in key markets.

With huge disparities in GDP, population and size (fun fact: Pakistan is about 69 times bigger than Qatar!), it could be easy to overlook the commonalities driving these markets.

The golden thread is an appetite for digital disruption driven by technology. These markets are all embracing a digital future, and a rise in fintechs, burgeoning SME landscapes and progressive governments are leading to a bright and connected tomorrow.

#### **AN EVOLVING PAYMENTS LANDSCAPE**

You may ask how such diverse topics are connected to each other, and what the role of the payments industry is in driving this connected future.

The SME sector is a great example. At Mastercard, we empower small and medium enterprises to fuel economic progress.

E-commerce in the UAE is projected to reach USD27 billion this year, partially fueled by the exponential growth in the SME sector. According to the Ministry of Economy, SMEs represent more than 94 percent of the total number of companies operating in the country and employ more than 86 percent of the private sector's workforce. These businesses provide a livelihood for many while advancing financial inclusion, reducing poverty and boosting prosperity. The latest Mastercard SME Confidence Index 2023 has revealed that 80% of SMEs in the UAE are confident about business growth, projecting similar or increased revenue compared to the past year.

At Mastercard, we continue to leverage our technology, insights, global expertise and partnership approach to empower every business everywhere to grow digitally, become stronger than before, and prosper in a more connected, equal and inclusive world.

So together with Aramex, we launched the ScaleUp platform in partnership with the UAE Ministry of Economy's The Entrepreneurial Nation with the aim of supporting SME growth in the country. ScaleUp presents an exciting opportunity for startups and SMEs to pitch innovative ideas for a chance to win AED250,000, meet with angel investors and several additional benefits, including marketing exposure. By partnering with the likes of Aramex to enable an inclusive and connected SME landscape, we ensure that the trajectory of e-commerce in the region continues to rise.

At Mastercard, we are committed to advancing digitization to simplify the way people pay. By harnessing the potential of tech-

nology and innovation, we continue to work with partners in the public and private sector to ensure a more connected future. A case in point is our partnership with e&, where we leverage our core payment products as well as value-added services to drive an ambitious digital future for e& consumers in 16 markets across the Middle East, Asia and Africa. Through this collaboration, we provide consumers with innovative alternatives to how they choose to pay for a variety of lifestyle activities, whether they are making purchases in-store or online. I call our collaboration with e& a complementary partnership because we have the innovation and technology, and they have the access and experience in engaging consumers, which creates a unique B2B2C model that works for all.

For many people, remittances are a vital way to stay connected to their communities. At Mastercard, we are providing communities with fast, convenient, secure and affordable ways to transfer funds internationally. Mastercard Cross-Border Services facilitates the movement of funds to any end point across over 140 countries through one secure connection, reaching 95% of bank accounts worldwide almost instantly. This solution is now available with several issuers in the UAE.

We also marked the debut of the Mastercard Installments program in the EEMEA region with the launch of the SlicePay card in collaboration with First Abu Dhabi Bank (FAB) under its Dubai First trademark. The buy now, pay later (BNPL) solution allows shoppers to convert their purchases into four interest-free installments at no extra cost, facilitating access to essential products and services for individuals and businesses.

In Pakistan, we joined forces with Euronet to bring Card-as-a-Service (CaaS) and Bank-as-a-Fintech (BaaS) solutions to the country, enabling banks, non-banking financial institutions and fintech companies to create and launch innovative products with scalability and quicker time to market.

And in collaboration with Ajman Bank in the UAE, we launched the world's first-ever Touch Card, an innovative solution that allows blind and partially sighted people to easily distinguish between their payment cards with just a touch. Since then, National Bank of Bahrain (NBB) followed suit, and the Touch Card is coming to Saudi Arabia soon.

#### **AND THE WINNERS ARE...**

In a rapidly changing and complex world, those who are proactive and agile will emerge as winners. At Mastercard, we are constantly developing our payments matrix across new rails and enabling new players. We are connecting our wider network of partners, FIs, governments, fintechs, merchants, retailers and e-tailers, exchange houses and telcos, empowering them with an ever-evolving suite of solutions and capabilities that will allow them to thrive. For more than 50 years, Mastercard has shaped the global payments landscape, powering economies and empowering people. I consider us the original fintech – bringing innovation and technology to our partners and using our scale and expertise to uplift communities across the globe. Over the following pages, we'll share our view of a bright and connected future, and how to harness the power of innovation to stay ahead of the pack.

Together, we can embrace the future—today. ✖



## GCC: BUCKING TRENDS

The Gulf Cooperation Council (GCC) witnessed a sharp economic slowdown in 2023 as the oil sector contracted due to lower prices and production cuts. However, the headline numbers obscure the success the region continues to experience in the non-oil economy, which has been growing at an estimated 4% in UAE and at over 5% in Saudi Arabia. The non-oil economy is supported by procyclical fiscal policy that drives the diversification efforts, including high investment and, in turn, high employment and domestic consumption.

Natalia Lechmanova  
SENIOR ECONOMIST,  
MASTERCARD

### BIO

Prior to joining Mastercard, Natalia was the head of sovereign and economic risk for Europe, Middle East & Africa at Goldman Sachs in London. Previously, she was a senior economist at Standard Chartered Bank. She also spent several years as a senior consultant at NERA Economic Consulting in New York. She holds a degree in international economics and international affairs from the American University of Paris, a master's degree from the London School of Economics and Political Science and an MBA from INSEAD.

**IN 2024**, growth is set to accelerate as the oil sector recovers. With oil prices expected to average around fiscal breakevens in most GCC countries, together with proactive sovereign wealth funds, the non-oil economy will continue to benefit from diversification efforts. The UAE seeks to maintain its position as the regional trade and investment hub amid increased competition from its neighbors. Changes to the workweek to align with international markets as well as reforms to immigration rules have attracted large numbers of bankers, asset managers,

entrepreneurs and influencers, which will continue to drive domestic demand. In Saudi Arabia, within the framework of Vision 2030 and the long-term economic transformation plan, a significant investment drive is underway. Giga projects, such as NEOM, aim to mobilize USD3.3 trillion by 2030. Although slower project execution implies that only a part will materialize, it is also fueling domestic demand. The story is different for MENA oil importers. Since 2022, Egypt and Turkey have seen food and fuel bills rise and foreign capital flee. Recently, they significantly tightened their monetary policies to support exchange rates, fight inflation and reduce macroeconomic imbalances. Similar to the trend in the global economy, most MENA countries should see continued normalization in inflation rates in 2024. This is not only because the worst of currency depreciations are likely behind, as the US Fed is at the end of its tightening cycle and contemplating cuts, limiting the gains for the dollar, but also because commodity prices, including food and fuel, have stabilized, as have the pandemic-driven supply chain bottlenecks. However, a surge in oil prices due to, for instance, geopolitical risks remains a key risk to inflation.



### **TOURISM REMAINS A BRIGHT SPOT ACROSS THE REGION**

The GCC's strong push to grow its tourism sector has made the region one of the world's fastest-growing destinations, attracting visitors with diverse interests. These include arts and culture, cuisine, wellness, shopping, nature and family activities. By the end of 2023, the GCC is projected to have registered a 22% increase in inbound tourist spending compared to 2019, 26 percentage points higher than the global average. This inbound spending supports the local economy and is an increasingly important part of the tourism industry for the GCC. The UAE leads the region in terms of absolute increase in bookings since 2019. We expect this tourism boom to continue through 2024 and beyond as the pandemic structurally shifted spending away from things and toward experiences. In 2023, Turkey, Egypt, Tunisia and the UAE were in the top 10 fastest-growing destinations for Europeans compared to 2022, while bookings to Italy, Spain, Portugal and Greece contracted over the same time period. We anticipate this trend to become even more prominent in 2024 as more middle-class Europeans, who

are the group that travels the most, are forced to prioritize their mortgage payments. The quality of tourist offerings in leading GCC cities is at least comparable to leading global tourist destinations and sometimes better. Online reviews from tourists in 20 countries show that tourism offerings in Dubai and Abu Dhabi are on a par with those in London, Paris, New York and Singapore. The GCC region is well-known for its luxury hotels. This reputation for service excellence and high hospitality standards extends to budget-friendly hotels. The hotel satisfaction index, based on customer review data, shows that hotels in the GCC receive higher satisfaction scores than those in other prominent cities around the world. For higher-end stays, where the region's average spending is bolstered by luxury aficionados, five-star hotels in Dubai scored higher than their counterparts in international cities by a small margin, highlighting the competitiveness of the luxury hotel industry. Satisfaction scores for three-star hotels outperform by an even wider margin. Dubai scored 71, while Paris, London and New York trailed with 56, 42, and 30.

### THE SYMMETRIC AND ASYMMETRIC NATURE OF RISKS

In an uncertain world, there are several risks to the outlook. The first is heightened geopolitical risks in the Middle East that could undermine growth in the region, particularly in the tourism sector. Since the conflict in Gaza broke out, increased booking cancellations have been reported in Lebanon, Jordan and Egypt. The second is oil prices, which impact the region symmetrically. A fall in oil prices presents a downside risk to the outlook for the GCC. If the prices fell low enough, it would affect the magnitude of the pro-cyclical fiscal policy. It would, however, benefit oil importers, like Egypt and Turkey, helping reduce their macroeconomic imbalances and inflation. A further rise in oil prices would have the opposite effect. Finally, the non-GCC countries in the region are more vulnerable to changes in food prices, given that these represent a large proportion of their inflation basket. The El Niño weather phenomenon playing out in the coming months makes this risk more acute. Non-GCC countries are also at the risk of tightening of global financial conditions, given their large external re-financing requirements.

### EMPOWERED CONSUMERS TO BALANCE PRICES AND PRIORITIES

While elsewhere in the world, consumers and businesses face crucial decisions about spending and investing, with

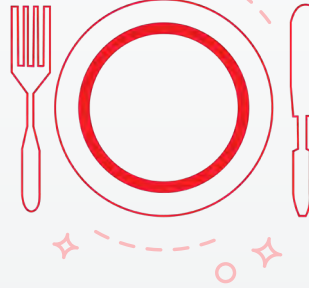
interest rates, wages and prices higher than before the pandemic, consumers in the GCC feel fewer constraints due to strong economic growth and labor markets. In the UAE, for example, real consumer spending is expected to increase year over year by 5% in 2024, one of the highest rates globally. The strong consumption is helping fuel e-commerce penetration that was already supercharged by the pandemic. This is good news for retailers who have expanded their volumes, but it also comes at a cost as consumers are firmly in charge, demanding quality and service at the right price. The rate of customer purchase returns for online transaction grew from 2.8% of sales in 2019 to 16% in 2023, or 13.2 percentage points, while it remained relatively unchanged for in-store purchases, increasing by one percentage point.

In sum, expansionary fiscal policy will continue to support growth in GCC countries. Furthermore, the UAE will seek to maintain its traditional position as the regional trade and investment hub. Tourism will likely remain a bright spot for many of the region's economies. A strong labor market will underpin consumer purchasing power, and the easing of monetary policy will help sustain consumer spend in interest-sensitive sectors. This will encourage empowered and resilient consumers to confidently take charge of their needs and wants within the constraints of available resources. ✖

# HOPEFUL TRENDS



Consumers and businesses in the region will face crucial decisions about spending and investing, where price differentials and interest rates have burrowed into budgets, informing the resources available with less wiggle room.

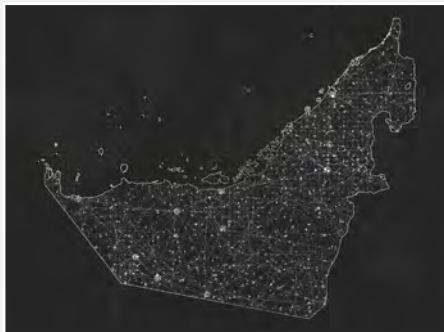


Even with inflation taking a larger chunk of spending on essentials, consumers will prioritize the discretionary spending that matters most, with travel, events, live concerts and movies remaining popular choices.



In 2024, real consumer spending in the UAE is expected to increase by 5% year over year.

## TOURISM AS A BRIGHT SPOT



Egypt and Tunisia were among the top five fastest-growing destinations for Europeans in 2023 compared to 2022. Meanwhile, the GCC's strong push to grow its tourism sector has made the region one of the world's fastest-growing destinations. In 2023, the region is estimated to have registered a 22% increase in inbound tourist spending compared to 2019, 26 percentage points higher than the global average.

## E-COMMERCE OUTPACES BRICK-AND-MORTAR STORES



With supply chains finally untangled, consumers can once again wait until the last minute for purchases with few constraints, and perhaps add more options to the cart to try on at home. Paired with the pandemic-fueled acceleration of businesses going online for the first time, higher returns may point to increased customer loyalty, where shoppers' growing comfort with e-commerce increases sales — and also repeat visits.

The rate of returns for online transactions grew from 2019 to 2023 but remained relatively unchanged in store. In the GCC, this was particularly pronounced, with the e-commerce rate of return increasing by 13.2% in the UAE.



Image: xxxxx

## **GOVERNMENTS IN FOCUS**

# ENABLING TRUST & SUPPORTING INCLUSIVE DEVELOPMENT

**Governments are focused on building more inclusive, resilient, and sustainable economies. They are doing this in part by embracing digital technologies and leveraging strong public-private partnerships. Mastercard helps to forge highly productive partnerships across private and public sectors, focused on jointly solving important government challenges with the highest security standards to ensure citizen trust and confidence.**

**ECONOMIES IN THE MIDDLE EAST** and North Africa (MENA) face significant challenges as they grapple with the impact of past and present regional conflicts and intensifying climate change. Yet, these challenges present the opportunity to build new social contracts and transform existing economic models – creating more jobs, lifting growth and ensuring the benefits of economic development can be enjoyed by all across their societies.

## **OVERCOMING CHALLENGES, EXPLORING OPPORTUNITIES**

According to the International Monetary Fund (IMF), despite some pre-pandemic gains in poverty reduction, literacy and lifespans, many economies in MENA have struggled to ensure that the benefits of economic development and diversification accrue equitably to all segments of their populations.

In the wake of the pandemic, governments were faced with the most complex combination of challenges in living memory. While continuing to manage the impact on citizens' health, the severe economic implications and fiscal shock have mandated a renewed vigor to reconsider the infrastructure, services and support that are needed to drive recovery and growth.

Both energy and food prices remain high, exacerbated by con-

flict in the wider region. The former continue to hit energy importers in the region hard but swell the coffers of energy exporters; high food prices affect the whole region, yet states with ample financial resources should be able to manage and cushion those stresses, whereas resource-strapped countries are leaving their citizens increasingly food-insecure. For example, Morocco, as the one of the world's leading producers and exporters of fertilizer, might see some benefits from that increasingly valuable resource.

The recent challenges have put renewed focus on the digital economy's role in helping people and businesses stay connected, make safe payments for necessary products and services, and get paid to sustain livelihoods and economic activity. They have also highlighted the adverse effects of exclusion on the poorest and most remote communities, which is why digital inclusion and financial inclusion are more important now than ever before.

## **DIGITIZING ECONOMIES**

As governments look to electronic payments to increase efficiency, convenience, security and economic activity, they need a partner who can develop and implement solutions that can do all of this while helping to address the financial needs of citizens.

Mastercard has diligently built its secure technology and re-

liable network over more than 50 years, making it the trusted partner, technology provider and policy advisor that can help governments to tackle this immense challenge – but also this extraordinary opportunity.

The company's framework enables governments to develop a digitization strategy that benefits all stakeholders, including consumers, businesses, merchants and financial institutions. An example is its partnership with Saudi Arabia's government to support the Kingdom's cashless drive with a multi-layered security mobile payment solution mada Pay and later by also teaming up to offer Apple Pay in the country.

Increasingly, Mastercard helps governments to connect more people and businesses to the digital economy through digital partnerships with telcos, retailers, fintech and financial institutions that make safe, secure and convenient digital transactions, payments and disbursements more accessible and more prevalent. This, in turn, expands economic activity and enhances citizen welfare, leading to the development of sustainable communities and happier, smarter cities.

#### **SMARTER CITIES, FASTER URBANIZATION**

Urbanization is increasing at a pace never before experienced. By 2030, the world will have 43 megacities, each with more than 10 million inhabitants. Combined with the overall growth of the world's population, the shift to cities will add another 2.5 billion people to urban areas by 2050, increasing the proportion of urban population from the current 55% to 68%.

While this presents an evolving set of challenges, rather than reacting to emerging technologies, administrators of the modern city could proactively introduce innovations designed to increase the happiness quotient of its inhabitants by making each transaction and interaction more efficient.

Mastercard has a collaborative and connected approach to

#### **TRUSTED PARTNER TO GOVERNMENTS GLOBALLY**

At the heart of every thriving, inclusive economy are interactions between its people, government and businesses based on trusted identities, obligations and rights to use and receive services. Mastercard has built a globally trusted network that facilitates these exchanges swiftly, securely and transparently.

#### **INCLUSION**

Enabling small businesses and citizens to participate in economic activities that incorporate identity, payment, payroll, savings and access to credit.

#### **TRUST**

Delivering services, payments and other public entitlements with global security standards and identity services to increase citizen trust and prevent fraud.

#### **EFFICIENCY**

Digitizing vital services and operational processes to better serve communities, drive greater inclusion and realize operational efficiencies.

#### **ECONOMIC DEVELOPMENT**

Strengthening policymaking by grounding decisions in aggregated and anonymized data to understand economic and social impact.

urban development and is working with over 150 cities across the world. Through its global expertise, the company is the ideal technology partner, aiding optimization of government spending, funds allocation, budgeting and access to economic opportunities.

Mastercard has launched a unique Digital City Partnership with Dubai's Department of Economy and Tourism (DET). The initiative leverages the company's multi-rail payments network and data-driven digital commerce technology, which connects over 100 million merchants globally, to address key priorities of the Dubai Economic Agenda (D33).

In addition, Mastercard has served as an architect of pioneering smart city and urban mobility solutions for over a decade. During this time, it has worked on more than 300 trailblazing mass transit projects around the world. Prime examples include introducing open-loop transit payment ecosystems in Amman and Karachi that enable seamless digital transactions, ensuring a hassle-free commute for the cities' passengers.

### **YOUTH, THE FUTURE**

While cities grow rapidly and urbanization accelerates, unemployment is on the rise, especially among the youth. With high unemployment and the expected entry of 27 million young people into the labor force over the next 10 years, countries across the MENA region need to evolve their economic models to boost job creation and make sure that the benefits of economic development are shared more widely among all their citizens.

Mastercard's work in Africa is a great reference for the efforts in the MENA region among young people. The Mastercard Foundation, through its Youth Livelihoods portfolio, helped test and advance scalable models that provided access to financial services, skills and entrepreneurship training, job placement and mentoring for youth.

### **FORGING THE PATH AHEAD**

Countries and governments need to embrace global trade and technological advances and evolving demographics at home as an opportunity to successfully implement policies that foster higher and more inclusive growth.

Among the main issues that remain unresolved are the high share of unemployed youth; large gaps in economic opportunities for women; fragmented social protection systems; and underdeveloped private sectors with tight regulation, absence of a

### **UN CLIMATE CHANGE CONFERENCE: A CATALYST FOR CHANGE**

All climate policy roads in 2023 led to the UN Climate Change Conference (COP28), which the UAE hosted at the end of the year. The status of several climate obligations had considerable influence on the proceedings. COP28 saw the conclusion of the first global stocktake, a two-year process that started at COP26. The purpose of this exercise is to assess the progress that participating countries have made toward achieving the goals of the 2015 Paris Agreement. More importantly, based on these assessments, the stocktake provided direction on how parties should move forward, with the most direct implication being the countries' respective Nationally Determined Contributions (NDCs). Mastercard is committed to driving sustainability and climate action across its value chain, and is mobilizing the financial industry to reduce its environmental impact. In 2023, the company announced that from January 1, 2028, all its newly produced plastic payment cards will be made from more sustainable materials, including recycled or bio-sourced plastics. At COP28, Mastercard announced the UAE Sustainable Cards Pledge, which mobilizes the country's banks to switch to cards made from sustainable materials by 2025. This makes the UAE the first nation in the world to do so three years ahead of the company's global deadline. The initiative has witnessed a strong uptake among key industry players, which means that 80% of Mastercard cards issued in the local market from 2025 will be sustainable. As the world gears up for COP29, the role of the public and private sector remains more vital than ever.

level playing field and limited access to credit that stifle the creation of new firms and growth, employment and incomes.

In this context, Mastercard serves as a policy advisor that engages governments to shape a safe and balanced regulatory environment, which, in turn, ensures fair and healthy competition while promoting innovation and more citizen choice. ✖

# ENABLING TRUST AND SUPPORTING INCLUSIVE DEVELOPMENT



**Erdem Çakar**  
VP, COUNTRY MANAGER, QATAR AND  
KUWAIT, MASTERCARD

**Erdem Çakar, VP, Country Manager, Kuwait and Qatar, Mastercard, speaks to The Business Year about how governments shape the future of their residents through public-private partnerships (PPPs), and why today digital inclusion and financial inclusion are more important than ever before.**

## BIO

Erdem Çakar is the VP, Country Manager, Kuwait and Qatar, at Mastercard. He has over 20 years of banking and payments experience, having held a number of positions across multinational banks and payment firms. In his previous role at Mastercard, he was the head of sales for Türkiye as well as the country manager of Azerbaijan. During his 10+ years at Mastercard, he has worked closely with banks and fintechs, focusing on the expansion and digital transformation of the payment ecosystem. He holds an economics degree from Boğaziçi University in Istanbul.

**Mastercard has been closely associated with mega-events across the region, such as Expo 2020 Dubai, Gamers8 in Saudi Arabia, etc., which need to be underwritten by governments for their infrastructure and resources. How does Mastercard engage with governments in this context?**

Our engagements in the region are based on a single premise—to be a trusted partner that helps governments to develop and grow a safe, prosperous digital economy. And it's not just that; it needs to be an economy that benefits all stakeholders by harnessing the power of public-private partnerships to advance financial inclusion, sustainable economic growth and citizen wellbeing. Across the wider MENA region, we have helped governments to spur economic growth by enabling SMEs and micro merchants to take their businesses online and activate the potential of ecommerce. We continue to assist

governments in bridging the digital divide and enabling financial inclusion, which ultimately leads to financial security and long-term economic gain that will drive countries forward. And it is citizens and residents who benefit the most – from seamless payment flows to back-door APIs that aid secure and convenient payment methods. We partner with governments worldwide to meet digitization objectives and help implement them through a global network of specialized partners. We also offer a range of programs, products and services across healthcare, education, agriculture, financial inclusion and humanitarian response. Our collaborations with governments are driving inclusive growth by delivering initiatives and projects that help shape inclusive economies. Inclusive growth is the only sustainable growth that will enable everyone to have access to a better life.

**How can public-private partnerships help realize the region's priorities, such as digitization, inclusion, climate readiness and gender equality?**

For all countries and communities to benefit from future growth and opportunity, we must ensure everyone is included through easier access to digital financial services. We recognize the potential of public-private partnerships to achieve our ambitious global goal to connect 1 billion people and 50 million small businesses – with a direct focus on 25 million women entrepreneurs – to the digital economy by 2025. A key component of inclusive growth is financial inclusion, which connects people to secure ways of receiving, storing and man-



aging money. While financial inclusion is a point of entry to lift people and markets out of poverty, inclusive growth is the key to move them towards shared prosperity. The only sustainable growth is inclusive growth. When done right, public-private partnerships can overcome structural barriers in frontier and emerging economies and take on systemic challenges, such as migration, climate change and supply chain disruptions. The strategic MOU with Pakistan's Punjab Central Business District Development Authority (PCBDDA) to turn the community into a cashless economic zone and drive digital transformation in the country is a recent case study with lessons for similar economic growth efforts globally. The collaboration will see Mastercard deploy its innovative smart city solutions in the Central Business District as the Preferred Payments Partner. This will enable investors, businesses, residents and authorities to connect simply and seamlessly through digital channels. Citizens will be able to make everyday payments as well as pay bills and utility services through automated portals. Our Priceless Planet Coalition is another successful case study on how PPPs enable us to be climate-ready. The Coalition employs a forest restoration model dedicated not only to the planting of 100 million trees but also to the regrowing of forests in geographies that represent the greatest global need. Areas with the greatest potential for positive impacts on climate, community and biodiversity goals are prioritized as we restore forestland across the globe. We currently run 18 forest restoration projects on six continents. The Coalition unites companies, communities and

consumers in climate action and now includes more than 120 partners globally, including sustainably minded merchants, fintech and global banks. What a great example of how PPPs work effectively to achieve goals of governments around the world. Mastercard is taking the best of the private sector for the benefit of the public sector. We've launched over 1,000 programs with governments and contributed our expertise in over 60 countries, using many of our Mastercard Labs hubs for innovation. By partnering to grow a strong digital economy, we are innovatively securing solutions that can effect digital inclusion, enable welfare grants for pensioners, digital disbursements, seamless payments for government and municipal services, and a strong foundation for consumer spending that can support small businesses and livelihoods.

**How is Mastercard helping governments to bridge the digital divide and enable financial inclusion?**

The pandemic exposed the fractures across our societies, but from the standpoint of the financial services sector, really, nothing could have been truer. For people who find themselves on the wrong side of the digital divide, they typically lack access to the training and support they need, and as a result, their ability to weather future economic shocks will be affected. We need to ensure innovative solutions turn the digital divide into a digital bridge. In order to build an economy that works for everyone, we need innovative partnerships amongst public, private and civic organizations, digital solutions and

bold new commitments. At Mastercard, we recognize that no one organization can do it alone. I strongly believe that the government is where we should raise the stakes high. If we want to go deep, we should go with NGOs and academic institutions. If we want to go fast, then we need to go with the private sector. And if we want to go far, we all have to go together. We work with many companies and organizations around the world to really advance a model where we can help aggregate corporate assets, nonprofit assets — or whatever it is that organizations have — to bring to the table. We want to help them achieve their environmental, social and corporate governance (ESG) goals in a way that's authentic, unique and relevant to each individual organization. If each organization harnesses the power of their own assets to realize their potential around ESG, then collectively, I think that's the place where we'll start to see action that's going to impact at scale.

**Smart cities seem to be the way of the future. What is Mastercard doing to enable this?**

Cities are the beating hearts of nations. They are growing and require a shift in thinking to develop and grow sustainably. Sustainable development depends on the successful management of urban growth through innovation and technology that streamlines cashless payments. They are the places where people and cultures collide, expanding perspectives, powering creativity and generating new opportunities. Pre-pandemic

projections showed that two-thirds of the global population will be living in cities by 2050, up from 55% in 2018, according to the United Nations. And while that growth holds unlimited promise, it also comes with risk, especially in the post-pandemic world. Progress starts on the local level. Building a more inclusive digital economy involves partnering with all city stakeholders to drive growth and expand access to opportunity for all residents, paving the way for economic mobility and sustainable wealth creation. That means designing technological innovations that power our cities—from 5G to AI to digital identity—in a way that meets all residents' needs, regardless of socioeconomic class. A case in point is Mastercard's collaboration with Egypt's Administrative Capital for Urban Development to build efficient digital infrastructure that will enable the New Administrative Capital to become the first cashless city in the country. We are providing advanced electronic payment systems and developing the national mobile application City Key and payment card that will allow all services and payments within the city to be digitized. People are at the heart of every city, and any solution created should be made with the citizen at the center. If we leverage the superpower of collaboration, we can collectively ensure that no person is left behind. While the global pandemic has been a unique moment, it's not the first challenge most cities have faced. Cities always seem to find ways to come through these moments better and stronger. We're eager to reimagine what's possible. ✖





**EMERGING TECHNOLOGIES FUELING**  
THE FUTURE OF PAYMENTS

# THE PATH FORWARD

**IN TODAY'S RAPIDLY EVOLVING BUSINESS LANDSCAPE**, three basic ingredients drive economic growth: productivity, capital and labor. And all three are facing new challenges in a changing context, with the foremost driver of change being technology, spearheaded by digital transformation.

The dynamic nature of emerging markets has created challenges that the developed world has never seen before, but it also opens up new opportunities for innovation and growth. Commerce is one such aspect where this dynamism is already well-established.

Over the next 10 years and beyond, we're set to see even faster

changes in the payments landscape, building on the accelerating growth in electronic payments and the advent of new and disruptive market players.

As a global technology company in the payments industry, Mastercard has a mission to connect and power an inclusive digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. With the digital revolution continuing to alter every aspect of life as we once knew it, Mastercard is at the forefront with its technologies and innovation. ✖



# NATURAL EVOLUTION

Gina Petersen-Skyrme  
VP, COUNTRY MANAGER, UAE AND OMAN, MASTERCARD

**In recent years, the financial services, retail and tech sectors have reinvented the ways people pay and get paid for goods and services through innovative new channels. A plethora of options is driving consumer satisfaction, but equally presents opportunities for the public and private sector alike. While the range of payment options continues to evolve, Gina Petersen-Skyrme, VP, Country Manager, UAE and Oman, Mastercard, spoke to The Business Year about the emerging technologies reshaping the payments space and how Mastercard is reimagining the business and socio-economic landscape of the region.**

## BIO

Gina Petersen-Skyrme is VP, Country Manager, UAE and Oman, at Mastercard. Prior to joining Mastercard, she served as head of merchant business at American Express Middle East, where she doubled new business volume in two years. Previously, she co-founded the communications agency BRAVE and negotiated its successful buyout three years later. In her earlier stint with the Qatar government, she led commercial negotiations for the landmark 166-million-euro global partnership between FC Barcelona and Qatar, and was an executive member of Qatar's successful FIFA World Cup bid team. She also worked in-house for al khalfiji, Barclays, GE Money, and HSBC.

**What are the biggest technologies shaping the digital payments landscape, and how is Mastercard keeping up—or, indeed, staying ahead?**

It's fantastic to see the region, where immense diversity merges with an openness to innovation and eagerness to be connected to the benefits of the global digital economy, setting a fast pace for usage and adoption of emerging digital payment methods. This passion for trying new digital solutions is further supported by the strength of the region's mobile money landscape, which leapfrogged legacy institutions as technology companies innovated, fintech solved problems, and telcos offered scale.

Mastercard's New Payments Index 2022 found that 85% of people in MENA used at least one emerging payment method in the last year, including tappable smartphone mobile wallets, BNPL, biometrics and payment-enabled wearable tech devices. Consumers are also making purchases in increasingly diverse ways, such as through voice assistants and social media apps. The future of payments is already here. In addition to being aware of the emerging solutions, consumers in MENA are increasingly and actively using these solutions for various transactions throughout their everyday lives.

Globally, Mastercard continues to pilot new technologies. The company launched a program for retailers to offer biometric payment methods, like facial recognition and fingerprint scanning. At checkout, users can authenticate their payment by showing their face or the palm of their hand instead of swiping

their card, getting ever closer to a world where you can leave your wallet, card and even your mobile device at home while still being able to seamlessly make transactions.

While traditional payment methods still have traction, one in five (19%) consumers in MENA indicated they used less cash in the past year. By contrast, 64% of MENA users (compared to 61% globally) increased their use of at least one digital payment method in the same year, including digital cards, SMS payments, digital money transfer apps and instant payment services. These behaviors are expected to continue, with comfort and security key to growing adoption.

Let's look at what some of the key findings have to say. First, the majority of MENA consumers have heard of buy now, pay later—or BNPL—with 79% saying they are familiar with the concept, and almost half (45%) already comfortable using it today. Consumers want the flexibility and convenience of BNPL, but with the sense of security associated with a trusted provider, like a bank or payment network. Those that have used BNPL find it useful for emergency and big-ticket purchases, as well as increased purchasing power. Consumers also find BNPL useful for unique use cases, including as a budgeting and financial planning tool.

Second, consumers are relying on digital options for their everyday financial tasks and are willing to participate in an increasingly open and connected world. About three-quarters (73%) know about open banking, and are using it to pay their bills, do their banking, secure or refinance loans and make BNPL payments. Six in ten (59%) MENA consumers feel safe using apps to send money to people or businesses from their phone. Four in ten are willing to share financial data information with apps to have access to payment tools that help them manage their money.

Third, consumers recognize the convenience that biometrics can offer, with 64% finding it easier to make payments using biometrics than a card or device. The potential for security optimization is also evident, with two-thirds agreeing biometric tech for payments is more secure than two-factor authentica-

tion. While consumers do have some concerns about what entities have access to their biometric data, they are still open to using it given the time it saves, and nearly two-thirds (62%) used biometrics for at least one purchase in the last year. Five in six (84%) consumers used or plan to use their fingerprint to make a payment, which was followed by other biometric methods, like facial recognition, palm or hand, retina scans and voice recognition.

Fourth, the majority of consumers are seeking greater agility to optimize bill payments, prioritizing control, flexibility, convenience and integrated payment technologies. Most consumers are open to direct account-to-account payment options by linking their account to a merchant site for future purchases. 81% of MENA consumers using account-to-account payments maintained or increased their usage in the last year. In fact, two-thirds (68%) are interested in a bill payment option that allows them to change the date they pay their monthly bills, mostly due to an irregular income. Bill payment options that enable them to pay over a period using a BNPL (67%) were also of interest, as well as automatic payments for their household bills (68%).

#### **What are some of the factors driving the trend of digital payments?**

The pandemic accelerated certain behaviors, habits and lifestyles, and, as a result, digital transformation and contactless transactions also gathered enormous pace. More people discovered the convenience, safety and speed of secure digital payments. The pandemic also galvanized people to try flexible new payment options to get what they want, when they want it. Contactless technology was the digital catalyst to explore new payment options because of its fast, secure and touch-free experience, while innovation helped many businesses navigate through unprecedented times and offered consumers new touch-free ways to pay across different channels. That includes services like Tap on Phone, allowing small business owners to accept contactless payments via their smartphone, or Click to Pay, offering faster, more secure and convenient guest checkout experience online.

As more businesses started to accept digital payments, and more people started to use them and discover their frictionless, seamless benefits, it is creating a space where more and more people find that it's so much easier than cash. Through programs such as Start Path and Fintech Express in the Mastercard Accelerate portfolio, we are partnering with emerging innovators to help connect 1 billion people to the digital economy by 2025.

#### **Do you think digitally native generations have a stronger affinity towards emerging payments?**

The New Payments Index found that younger generations have gone more digital in their purchasing and payments behavior, and their engagement in and usage of emerging digital payments is accelerating at a faster rate than among older audiences. While security and data privacy remain a concern for them, it is less heightened than for older audiences, and they are more likely to perceive digital tools as secure. Across the MENA region, Gen Z is less likely than Millennials or Gen X to use cash or make in-person purchases and payments. They are proactively seeking out new digital payment alternatives.

#### **Artificial intelligence (AI) holds the promise to transform commerce, financial services and more. While there's a lot of work ahead, what is Mastercard doing to make this future possible?**

AI has become a hot topic that companies can no longer afford to ignore if they don't want to miss out on a whole new world of opportunities in the digital economy. At Mastercard, we have been using AI for 10 years, and today, it is critical to the solutions we provide to our customers. For example, it allows us to protect the over 125 billion transactions that we process on our network every year at speed and scale. In fact, our AI-powered solutions have saved \$35 billion in fraud in the past three years.

In addition, we use AI to provide better insights — from helping banks decide on the best actions for their cardholders and supporting retailers with real-time personalized offers for their customers to creating better predictions and finetuning metrics

by removing bias. We embed AI features and capabilities into our Data & Services offerings. We use AI in predicting cardholder behavior and forecasting spend to recommend and prioritize best actions. AI technology also allows us to drive efficiencies and identify risks in third-party contracts. We use generative AI in our Dynamic Yield platform to generate marketing copy and test messaging. The solution helps us ensure that a digital marketing offer goes to the right channel at the right time to the right person with the right content. In addition, generative AI produces marketing materials for our Priceless campaign, and not only that – it also designs actual Priceless Experiences that enable us to connect people to their passions better than before.

We employ hundreds of data scientists and AI technologists who are dedicated to developing and applying effective and responsible AI. To enhance AI capabilities and readiness in the region, we launched the Center for Advanced AI and Cyber Technology in Dubai in collaboration with the UAE Prime Minister's Office in August 2023. Drawing on our technical knowledge and expertise, the initiative supports the UAE National Strategy for Artificial Intelligence 2031 that seeks to position the country as a global leader in AI.

**The business opportunities of the metaverse are still coming into focus—but the scope is undeniable, especially in the Middle East. The metaverse could change the nature of value exchange, spawn new business models and expand opportunities to more people. What is Mastercard doing to accelerate this?**

The digital economy is moving toward the metaverse, and the metaverse is the natural evolution of the internet. We expect to see 5 billion people in the metaverse by 2030—more than half the current global population.

New economies are going to build up, with new ways of working, creating value for products in the new shift of the digital economy into the metaverse. We see this impacting every vertical, every industry—how we work, how we play, how we purchase goods. Emerging worlds present limitless possibilities, and while we don't have all the answers, Mastercard is proud to drive the acceleration of these technologies as we support Dubai's ambi-

tions to become one of the world's top 10 metaverse economies. Today's metaverse offerings, such as Sandbox, Horizon Worlds and Fortnite, primarily use a combination of existing technologies with some additions and variations. They are created with a combination of 3D environments—in some cases AR or VR technology, low-cost VR headsets, blockchain and AI—using cloud computing and today's always-on networks. In the end-state vision of a metaverse, however, a lot more is envisaged that will require significant development to become mainstream.

This will include desirable, cost-effective AR glasses—these will be a tipping point for adoption, in my opinion—as well as bodysuits, holo-screens, omnidirectional treadmills and other accessories to improve metaverse navigation. But now we're starting to stray into a certain movie that paints a compelling picture of the metaverse future!

**What game-changing solutions is Mastercard developing for the E-gaming world?**

Mastercard has been a strong supporter of the gaming community for many years. As mobile devices increase the accessibility of video games, a rewarding, best-in-class digital experience is essential to fostering a loyal gaming community and building a payments ecosystem that provides choice across platforms and dimensions.

Earlier this year, Mastercard and global video game commerce company Xsolla announced plans to collaborate on frictionless, secure and rewarding payments for gamers—from enhanced checkout experiences using credit card loyalty points to simple in-game currency gifting to improved creator payout processes and more. This is just an example of how we lead the way in the Mastercard world of innovation. Mobile devices have been fueling gaming growth among all demographics and regions, with almost 3.2 billion people—nearly half the world's population—estimated to have played games in 2022. But the digital commerce experiences that fuel developers' innovation in gaming have not kept pace with the growth. More than 40% of consumers say they need help to buy in-game currency, and more than 30% think it takes too many steps to make online



gaming purchases. Nearly 30% feel the gifting process could be more efficient, according to Mastercard research.

Last year, Mastercard signed a three-year partnership agreement with the Saudi Esports Federation as an official sponsor of Gamers8, the largest gaming and esports event worldwide. Catering to Saudi Arabia's thriving gaming community, Mastercard curated a diverse range of Priceless experiences for gamers and fans. This year, Saudi National Bank joined the alliance to help develop innovative financial solutions that create added value for gamers—from augmented reality activations to loyalty schemes. The collaboration aims to support Saudi Arabia's billion-dollar gaming industry.

#### **What is Mastercard doing in the Web3 technology space?**

Last year, Mastercard extended its growing music footprint with the launch of the Web3-based Mastercard Artist Accelerator program. Web3's capabilities have the potential to open a new dimension for music content creation, collaboration and ownership; however, this nascent space has yet to fully deliver—particularly for emerging artists. The Mastercard Artist Accelerator connects selected artists from around the world with notable mentors and a dynamic fanbase as they learn and create in Web3. The program culminated with a livestreamed artist showcase that has been recorded and is available for viewing online.

#### **How is Mastercard supporting its clients and the wider payments ecosystem as this new digital offering continues to evolve?**

Technological advancement and innovation are steering the digital financial services industry, where an influx of fintech players competes with large traditional players. In this rapidly changing landscape, many markets in this region are ready to embrace its digital revolution and realize its true digital potential.

Globally, 71% of users increased the use of at least one emerging digital payment method in 2022, and these behaviors are expected to continue in the future, with an overwhelming 95% indicating that they were likely to use a digital payment method in 2023. As consumers shop, bank and transact digitally more

than ever before, Mastercard continues to strengthen its digital payment capabilities in the MENA region. Our trusted technology solutions are being used for new use cases, brought to market through various partnerships with fintech, governments, financial institutions, digital giants and telecom operators. Some of our recent collaborations reflect how consumers crave new ways to pay. Last year, we partnered with Checkout.com to enable Careem Pay customers in the UAE to access real-time payments. This makes it easier and more convenient to use the Careem app to transfer money and access day-to-day services. Through the Mastercard Send platform, we are providing innovative payment flows, such as fast refunds for marketplaces, disbursements for retail and delivery industries, and new peer-to-peer (P2P) and international money transfer experiences.

To drive financial inclusion among individuals and small businesses, we joined forces with digital wallet provider JazzCash to bring affordable digital payment solutions to more than seven million consumers and merchants in Pakistan. The partnership enables merchants across the country to accept digital payments from customers, digitize their supply chain and move to cashless operations. Now look at some of the things you can do with digital wallets: transfer money from one person to another (P2P payments); purchase in-store items with your phone; claim rewards, cashback; safely store your card details, gift vouchers, coupons, loyalty cards; and get instant credit through BNPL.

We also teamed up with Foloosi in the UAE and One Global in Kuwait to launch Click to Pay – the next generation of e-commerce technology that enables an easy, secure and fast checkout without the need to enter card credentials. The local payment service providers have rolled out the innovative method across their entire merchant base. Most recently, we collaborated with Astra Tech, the leading consumer technology holding group in the MENA region, to integrate Apple Pay within its Botim Prepaid Card.

The opportunities to support our clients are immense, and we continue to drive innovation by actively expanding our capabilities with a multitude of differentiated services to power new ways to pay and enhance the customer experience. ✖

# THE DIGITAL PAYMENTS REVOLUTION



Consumers are making purchases in diverse ways—while in-person is common, a range of digital purchasing activities are also in play

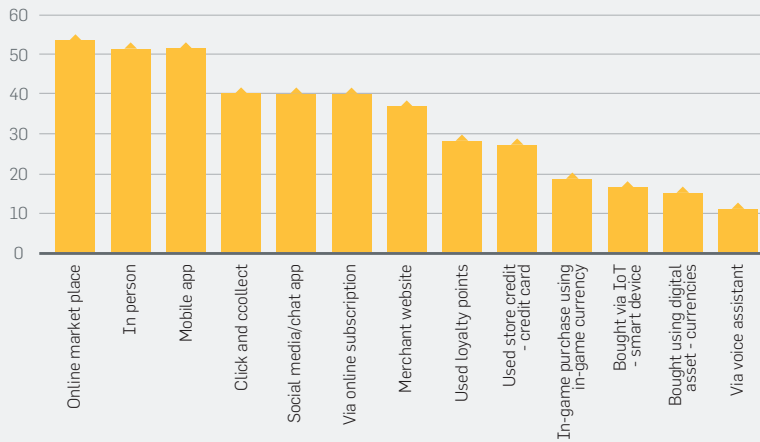


Emerging digital payment methods are being used more, while there is some decline in cash use

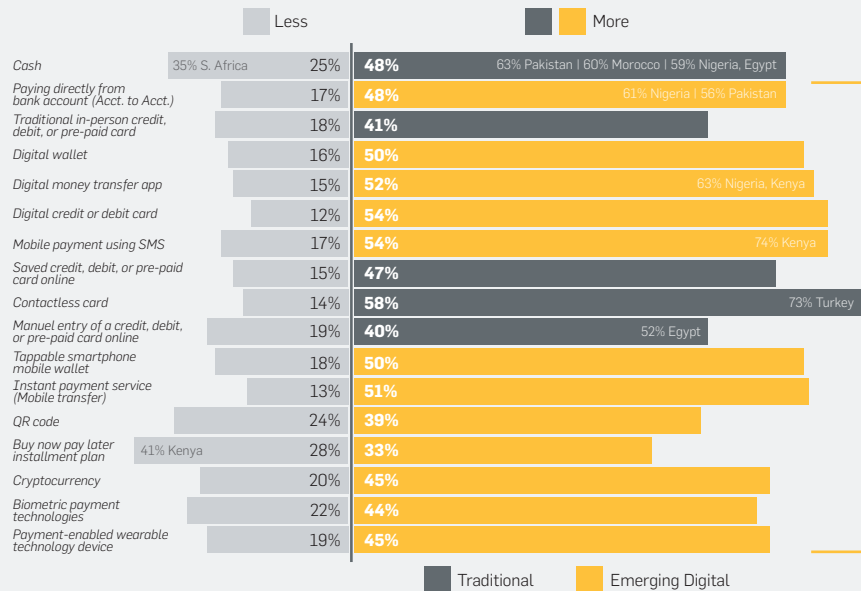


The majority of EEMEA consumers are optimistic about the value of cryptocurrency and blockchain assets as investments

## PAYMENT ACTIVITIES DONE IN PREVIOUS 6 MONTHS (AMONG ALL CONSUMERS, % SELECTING)



## INCREASED USAGE OF PAYMENT METHODS IN THE PREVIOUS YEAR (AMONG USERS, % SELECTING RANKED BY USAGE)



**71%** of users increased use of at least 1 digital payment method in the past year.

89% Kenya, 85% Nigeria, 77% Affluent, 74% Banked

### OPTIMISM ABOUT VALUE

**63%** of consumers are optimistic about the monetary value of digital assets like cryptocurrency, stablecoins, CBDCs and non-fungible tokens.

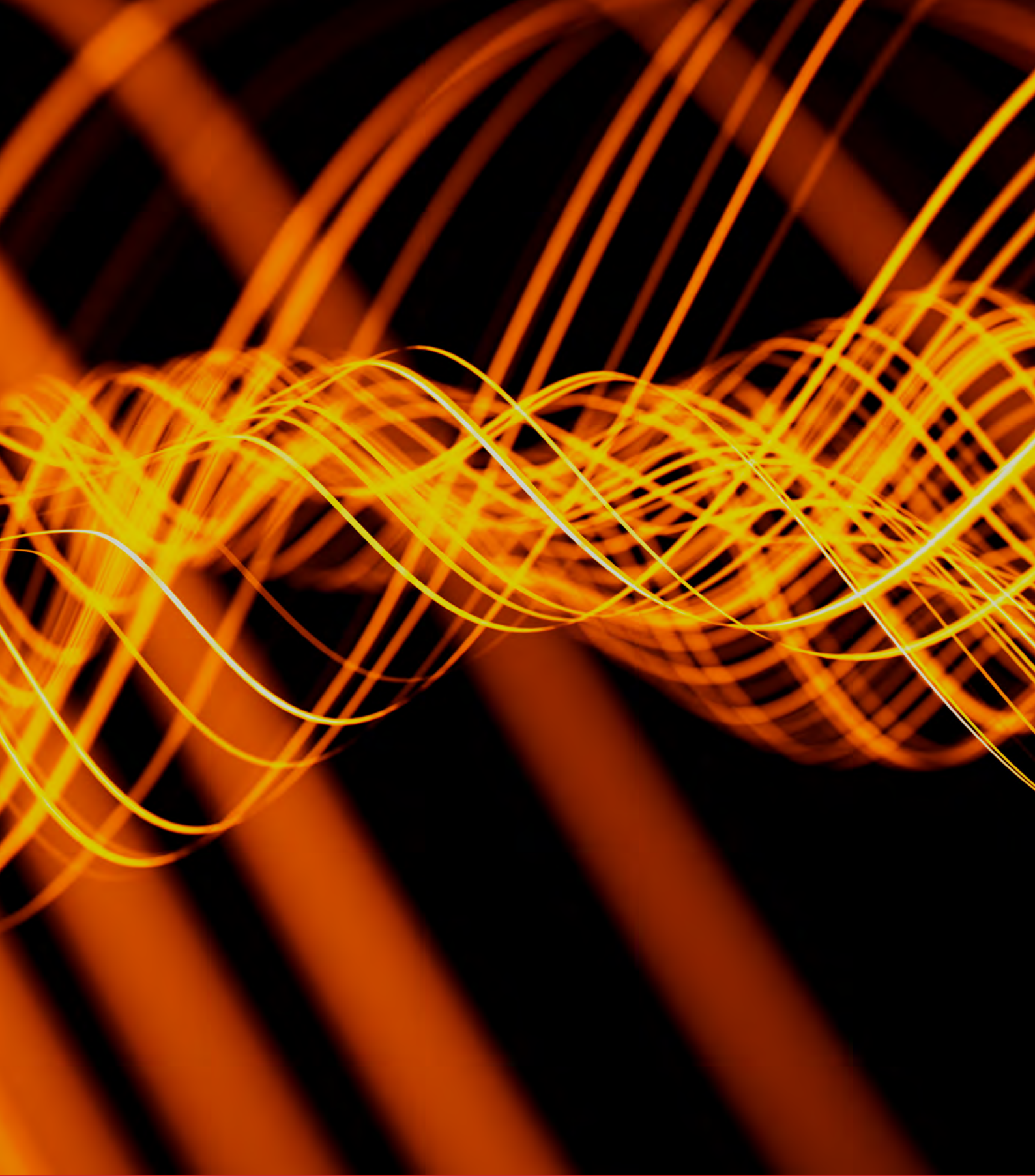


### INVESTMENT OPPORTUNITY

**74%** of consumers agree that NFTs and other digital assets can be good investments. 76% of Millennials







# **FINTECH** RISING

# CO-CREATING TO BUILD THE FUTURE OF COMMERCE

The fintech startup and venture capital scene is booming. Fintech revenues in MENA are expected to increase from USD1.5 billion in 2022 to USD3.5–4.5 billion by 2025. Hubs have emerged across the region and are channeling significant funds to dynamic startups. In particular, the Gulf Cooperation Council (GCC) countries have moved decisively into fintech. Mastercard has always taken a collaborative approach to co-innovation with fintech companies. From bridging the digital divide for the next billion mobile users to addressing the needs of the underbanked and beyond, Mastercard helps fintech amplify the way they change the world.

**THE DEVELOPMENT OF THE FINTECH LANDSCAPE** is accelerating at an unprecedented speed to bring more people into the digital economy. Mastercard is helping to fuel this acceleration by co-creating solutions and offering access to its partners, expertise, technologies, markets and customers so fintech companies can build, launch and grow. From its best-in-class APIs and data assets to its trusted ecosystem of partners, Mastercard provides the services and tools fintech innovators need to iterate at each stage of their journey and achieve scale at pace.

## DISRUPTORS FOR A BETTER TOMORROW

Fintech companies are disruptors of the status quo in the pursuit of a better tomorrow. They are agile and able to identify opportunities – often during times of upheaval, such as the 2008 financial crisis and the COVID-19 pandemic, when the need for innovation is heightened.

New players are continuously emerging, their scaling strategies are maturing, and investments are accelerated. Yet, the core mission of fintech companies remains the same — they

strive to empower consumers, increase financial access and help connect the un- and underbanked to the digital economy.

Fintech disruptors are not afraid of a challenge. They are unrelenting in their pursuit of innovation. No matter what obstacles are in the way, they are tenacious enough to fight for the company's vision. They are also constantly innovating and bringing new ideas to the table, not being content with the status quo, but always looking for ways to improve their products and services.

Fintech companies indeed revolutionized the way people do business, make payments and manage their finances. They also have the power to significantly impact the world, improving efficiency and bringing more people into the financial system.

Mastercard is helping to fuel fintech acceleration by offering access to its expertise, network and technology. The company provides a portfolio of technology solutions, APIs, developer tools, partner network, startup programs and a community experience for every fintech company and payments developer, helping turn their bold ideas into reality (see separate section on Mastercard Accelerate).

## DIGITAL FIRST

Digital payment and banking solutions as well as personal finance tools are revolutionizing how we transact and manage our finances, while solutions geared toward the financial sector are drastically enhancing how financial institutions operate.

While much of fintech's growth is coming from its transformative impact in developed markets, an even larger piece of this growth, and a key area of future growth, is the formative nature of fintech for developing economies.

Whether it's China or India, the Middle East or Africa, a legacy of financial infrastructure does not exist in these markets. Therefore, solutions such as mobile payments do not have a credit or debit card infrastructure to displace. The foundation of this new financial infrastructure in emerging economies is therefore being built digitally, allowing technologies to leapfrog opportunities for developing nations and for the 1.7 billion people in the world without access to bank accounts, credit and other essential financial services.

With digital adoption set to continue around the world, from the transformative to the formative, we expect that future fintech could be more pervasive, benefiting related companies as a result. Fintech's impact extends beyond the financial system, serving as both a core component and catalyst of digitalization. E-commerce, the gig economy, consumer finance, retail invest-

ing and countless other disruptive innovations can attribute their rapid and recent growth to the fintech enablers that power them.

## A DIGITAL PARTNERSHIP APPROACH

Mastercard collaborates with both end-user fintech and fintech enablers.

- End-user fintech companies are B2B and B2C brands looking to embed financial services, including challenger banks, digital wallets, super apps, alternative lenders, wealth management apps, crypto wallets, brokerages and other brands stepping into financial services.
- Fintech enablers are intermediaries that build connectivity, infrastructure and aggregation for end-user fintech companies. They include data aggregators, BaaS providers, issuer processors, systems integrators, credit scoring providers, digital onboarding providers, loyalty providers and other tech companies providing infrastructure.

As part of its digital partnership strategy, Mastercard looks at supporting fintech companies in four sub-segments, including fintech enablers, payment service providers (PSPs) and gateways, eWallets and startups scaling paytech.

### HELPING DIGITIZE ECONOMIES

Mastercard's services and tools help fintech innovators at any stage build, launch and grow with agility and speed. Its technology-led approach to supporting fintech is underpinned by a shared mission of inclusive growth and doing well by doing good.

The company has a three-pronged approach towards helping fintech.

First is to build by transforming bold ideas into reality with their tools, APIs and extensive range of solutions; second is to launch by taking new products to market, implementing with partners and introducing features for an enhanced user journey; and lastly to grow by achieving scale at pace through new customer acquisition, expanding into new markets and working with Mastercard as a partner who is with them for the long haul.

Many fintech services and products create enhanced competitiveness and have a real impact on consumers and small businesses, and this fintech innovation is bringing Mastercard and its partner ecosystem closer to financial inclusion.

Mastercard is powering innovation and delivering seamless experiences through fintech partnerships in 172 countries, which accelerates its multi-rail strategy to enable a more financially inclusive future for all. ✖

### WHAT IS MASTERCARD ACCELERATE?

As the "original fintech", Mastercard is excited about partnering with emerging innovators on disruptive solutions. Like fintech, we are also fast and agile, with growth-focused digital expertise, but in addition, we have the global reach, network of partners and local knowledge to support fintech companies at every stage of their growth journey, from market entry to global expansion.

To simplify how we work with fintech, we launched Mastercard Accelerate in 2019. It is a global single-entry point to Mastercard's wide portfolio of specialized programs, supporting startups through their growth and transformation.

- Mastercard Developers – a simple gateway to easily access Mastercard products and services by seamlessly integrating Mastercard APIs across payments, data, loyalty and security into their applications to be used by customers, regardless of industry or size, anywhere the internet exists.
- Mastercard Engage – a free global program that identifies qualified technology partners to help build and deploy solutions for fintech, making it quicker and easier to work together.
- Mastercard Fintech Express – a program designed for both established fintech companies wanting a direct license from Mastercard, as well as fintech companies with the ambition to innovate through collaborating with ready-to-go Mastercard Engage partners. The program is split into three core modules: Access, Build, Connect. Tech-savvy startups can be connected with traditional players, such as banks. It also supports digital payment innovators by making it simple to collaborate with Mastercard and its partners to launch new products, add payment solutions, embed fraud tools, access consulting services and innovate.
- Mastercard Start Path – a global startup engagement program, which provides later-stage fintech startups with access to Mastercard's global network of innovators that enables companies to scale, building the future of commerce. It's a simple, single-entry point to Mastercard's wide fintech portfolio and everything startups need to grow quickly. Since founding Start Path in 2014, Mastercard has uncovered co-innovation opportunities and provided mentorship to over 300 startups that have gone on to collectively raise over USD5 billion in capital. In 2022, the company announced Start Path Ukraine, a dedicated initiative for Ukrainian fintech companies and entrepreneurs to enable the country's startups to accelerate growth and contribute to the rebuilding of the national economy.

# MASTERCARD

## FUELING THE FINTECH LANDSCAPE



Arslan Khan  
VP, COUNTRY MANAGER, PAKISTAN,  
MASTERCARD

**The Business Year caught up with Arslan Khan, VP, Country Manager, Pakistan, at Mastercard, to further understand how technology alone is not enough to fuel the growth of fintech.**

### BIO

Arslan Khan is VP, Country Manager, Pakistan, at Mastercard. He has more than 20 years of leadership experience in digital financial services and telcos across Pakistan, the GCC/Middle East, Africa and Central America. He has actively led commercial startups, business transformation initiatives as well as digital payments and financial services in Bahrain and Africa. Prior to joining Mastercard, he was the Chief Growth Officer for a leading agritech in Pakistan. He holds an MBA in marketing from Pakistan.

**With so much in technology and digital systems changing, improving and expanding on a daily basis, how do you stay at the forefront of innovation, and how do you collaborate with fintech companies?**

Technology alone is not enough to fuel fintech companies. You need more than just tech. You need an ecosystem. And I can proudly say Mastercard has that. We're a technology company that will continue to harness innovation, and we will do that in a way that powers economies and empowers people. Payments, I believe, is a dynamic space. While some fintech companies will be competitors, they are also partners – in fact, most are. We love the competition and energy in our market. Looking at the proliferation of new tech in almost all spheres of life, payments have never been more relevant. The competition is good for customers, as it makes for better services and more choices. We're also finding great partners in fintech as we help them grow and we learn from them. Mastercard is the partner of choice for top fintech brands worldwide, and we embrace every opportunity to collaborate across formal lines. In fact, 70% of those working with a network choose Mastercard. Fintech companies are contributing to the rapid digital transformation that makes consumers' lives more convenient, simpler and rewarding. And as an experience-centric compa-

ny, we're supporting this creative disruption.

The key to making fintech collaboration successful is ensuring we deliver with a Developer First mindset. That means setting out to provide a best-in-class developer platform, ensuring all APIs are published to a high standard for easy integration into our partner solutions and enabling more consumer choice. We're facilitating interoperability between our products and rails in a way that is inclusive, sustainable and digital – providing one point of connectivity for multiple applications.

**How is your partnership with fintech, especially startups, providing greater consumer choice and enabling wider financial inclusion across the region?**

Startups are forming diverse collaborations with traditional financial institutions, and in the process manage to enhance competitiveness while also bringing services and products to market that can have a real impact on consumers.

Through fintech partnerships, Mastercard continues to effect financial inclusion through a broad range of efforts. Take, for example, our work with Fintech Saudi to accelerate the development of the thriving fintech industry in the Kingdom. The collaboration allows innovative fintech players across the country to leverage our expertise, advisory services and solutions to grow and pursue new opportunities. Another example is our partnership with Jingle Pay, a UAE-based financial super-app, to provide innovative digital payment solutions that drive financial inclusion. Jingle Pay users can now access the power and scale of the Mastercard network, which includes over 90 million merchants across the globe. And this collaboration enables Jingle Pay to launch physical and virtual cards to facilitate everyday transactions for people, whether or not they



have a bank account. What a great financial inclusion tool!

Meanwhile, our partnership with tmam, the leading multi-currency corporate card and spend management platform in the MENA region, helps SMEs across GCC markets digitize their corporate expenses and allows them to better control and manage their spend across departments. Together, we developed an innovative financial solution that streamlines all recurring expenditure into one platform and helps improve expense tracking, monitor the spend of remotely located workers, contractors and freelancers, and reduce the cost of doing business in multiple currencies.

**How does Mastercard approach investments in the startup ecosystem?**

It all starts with our strategy. All of our investment activity occurs through the lens of how it will accelerate our overall corporate strategy or one of our business unit's key strategic imperatives.

Let me explain further—we analyze market trends against our corporate strategy pillars to define clear product and market strategies. We then undertake thoughtful assessment on key priority themes for how to best deliver against determined priorities. This strategy-led approach means we will make investments to enable our product or distribution strategy, to support partners in the fintech and payment ecosystem that are driving penetration of e-commerce or creating financial inclusion and enabling an ecosystem that is vibrant and safe for consumers and businesses. Our investments are coupled with commercial partnership and enhanced terms or rights. With earlier-stage companies, we're more generally focused on a "partner and grow" approach. Our six-month startup engagement program is designed to provide value to the participating companies, supporting their growth and scale. The program

seeks to identify collaborative commercial opportunities between Mastercard and the startups. Therefore, it enables us to understand when an investment makes sense. We also ask participating startups to allow us to consider investing in the next round of investment they are raising, which tends to be something that later-stage startups appreciate. In addition, we selectively invest in companies, either when we have partnered or engaged with the company and identified ways in which we could jointly bring innovation at scale to our customers, or if a company is in a young, innovative and emerging space.

**How do fintech partnerships help small businesses and people?**

Many fintech services and products create enhanced competitiveness and have a real impact on consumers and small businesses, and this fintech innovation is creating more connections and better user experiences. Mastercard is playing a central role in making fintech partnerships a reality as a single technology provider.

Our latest initiative in this space is our strategic partnership with Pemo, a UAE-based fintech startup that supports businesses across the Middle East, North Africa and Pakistan, to promote cashless, flexible expense management for SMEs in the UAE. Small businesses can benefit from one-click invoice payments and real-time cash flow monitoring for full visibility over spending habits. The collaboration supports the country's ambition to strengthen its thriving SME sector.

Promising new fintech partnerships are embedding financial services into experience-centric, innovative solutions across the financial services ecosystem and entering new markets. Fintech is a strategic partnership opportunity, not a threat, enabling digital players to control more of the customer journey. ✖

# MENA SMES OPTIMISTIC: 72% EXPECT REVENUE BOOST

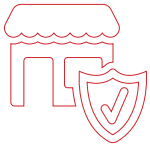
From surviving to thriving in the post-COVID world, small and medium enterprises (SMEs) in the Middle East and North Africa (MENA) are optimistic about revenue projections. These are the findings of the Mastercard Eastern Europe, Middle East, and Africa (EEMEA) SME Confidence Index 2023.

## HIGHLIGHTS

- Future growth will be driven by digitizing businesses, omnichannel payments, and training and upskilling



- 80% of SMEs in the UAE, 85% in Saudi Arabia, and 88% in Qatar expected revenues in 2023 to hold steady or grow compared to 2022



- 92% of SMEs in Egypt see growth potential from easier access to funding



- More than half of SMEs surveyed in MENA were concerned about the rising cost of doing business, and 46% were unsure about retaining staff



THE INAUGURAL SME CONFIDENCE INDEX, issued in 2021, delved into the impact of the pandemic on SMEs across sectors, products and services, and how they are embracing a digital future. As a continuation, the second edition of the survey reveals that while SMEs across the EEMEA region are confident about business growth, digitization remains the biggest opportunity.

AS COMPANIES RECOVER from the pandemic and return to the normalization and growth phase, the research shows that 72% of SMEs in MENA projected similar or increased revenue in 2023 compared to 2022. This trend was the strongest in Qatar, with 88% of SMEs expecting revenues to either grow or hold steady, followed by 85% in Saudi Arabia and 80% in the UAE.

SMEs IN SAUDI ARABIA were the most optimistic in MENA about 2023.

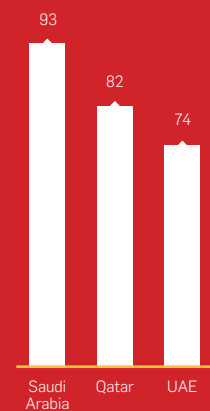
IN MENA, over seven out of 10 SMEs were confident about business growth.

The survey highlights top three areas for support required by SMEs in MENA—regulatory support from governments (94%), training and upskilling staff (93%), and better telecom infrastructure (91%).

Adoption of digital payment solutions is on the rise in MENA, with 85% of consumers in the region having used at least one emerging payment method in the last year. Mastercard works as a trusted partner of governments to establish much-needed regulatory frameworks for SMEs and new fintech that enable small businesses everywhere to go digital, driving economic equality and inclusive prosperity. The company has pledged to connect 50 million SMEs worldwide to the digital economy by 2025.

Other areas of support that SMEs indicated include access to better data and insights, mentoring by industry experts, and access to a wider range of financial services.

## OPTIMISM AMONG SMES, TOP-3 MENA COUNTRIES (%)



## ACCESS TO OMNICHANNEL PAYMENT SERVICES AMONG TOP DRIVERS OF GROWTH

SMEs in MENA have identified accepting omnichannel digital payments (92%), digitizing business operations (91%), and training and upskilling staff (90%) as the main drivers of growth.

## MORE THAN HALF OF SMES IN MENA ARE UNANIMOUS ABOUT THE RISING COST OF DOING BUSINESS

As markets navigate an increasingly dynamic economic landscape, SMEs continue to face a multitude of challenges. These include inflation (32%), staff retention issues (46%), steep incline in the cost of goods and services (57%), and the lingering fallout of the COVID-19 pandemic in some countries (64%). All these factors have contributed to the rising cost of doing business (53%).

Mastercard leverages its extensive network, state-of-the-art technology and global partnerships to help SMEs to adapt to changing commercial environments and new spending patterns. The company works with governments and the private sector to build synergies that advance financial inclusion, and motivates consumers and merchants to support small businesses.



