

**PAYMENT SYSTEMS: INTERNATIONAL PAYMENT SYSTEM MASTERCARD AND MIR
(RUSSIA)**

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Annotation. At the present stage of development of the Russian economy one of its main tasks is to transition to an innovative model of development (Akhmetshina & Mustafin, 2015). Payment systems play a vital role in the economics of each country. Payment systems have evolved through the history of the human race, starting out at the most primitive level of a simple exchange of goods, or barter, resulting in credit and debit cards, with their internet payments and mobile banking. This article is devoted to the role of International Payment System MasterCard and Mir in the work of economics of USA and Russia. The relevance of research is to analyze the process of integration of payment systems MasterCard and Mir in international trade and its impact on the development of countries. The authors studied and analyzed economic trends for the business year 2017:

Analyzing the International Payment system MasterCard is important to note its rate of development. MasterCard took the first place by the number of card issued in the Russian Federation (on MasterCard accounted for 48,9 % of all issued plastic payment instruments in the country) (Mastercard, 2016): (i) Despite the high status of MasterCard in the world of payment systems, he is trying to protect himself. There is a noticeable increase in the number of secure digital transactions (the amount of spending on contactless transactions on MasterCard cards increased by 183%, the availability of MDES, SecureCode, MoneySend, MasterPass work towards this) (Mastercard, 2016) and (ii) Pursuing the Russian Payment System Mir, it can be noted that it has become a domestic alternative to the international services of MasterCard and Visa, «protection against sanctions». Thus, it is essential to say that in spite of a young age of Mir payment system there are large prospects for existence of this payment system in Russia. Nevertheless, MasterCard keeps a leading position. Based on the indicators of this research it is obvious that the article has a high practical significance and the possibility of applying the results in both scientific and practical activities.

Key words: payment systems, purchase transactions, credit card, banks, trade.

1. INTRODUCTION

Modernization and innovative development of economy are two interrelated sides of one fundamental process by which the state can optimize the accumulation, updating, distribution and use of tangible and intangible assets to increase capacities for sustainable development (Mustafin, 2016). For the last couple of decades' payment systems have undergone great changes all over the world. It is known that the first issuers of payment cards were American hotels, oil companies and shops. These commodity cards had some purposes: to be aware of account balance and to keep a list of purchases. All of these led to payment by installment.

The era of a modern credit card began since 1949 with the establishment of Diners Club. In 1958 the American Express, a great company of traveler's cheques, and the Carte Blanche entered a market of credit cards at the same time. Bank of America and Chase Manhattan Bank also began to deal with credit cards.

The Americard had changed the name to VISA in 1976 in order to gain international recognition.

For instance, MasterCard WorldWide, which is an International Payment, unites 22000 financial institutions in 210 countries. Everyday MasterCard uses its own experience and technologies in order to make the process of non-payment harmless, simple and convenient for each participant (Mastercard, 2017). Throughout the world, its principal business is to process payments between the banks of merchants and the card issuing banks or credit unions of the purchasers who use the Mastercard brand debit and credit cards to make purchases.

Mir, being a new domestic competitor to MasterCard, is a national payment system in Russia created with the support of our country's government. It has appeared after Russian banks facing US and European sanctions began experiencing concerns and problems with VISA and MasterCard under the threat for Russia to be cut off from the SWIFT system of payments. The Mir has been working since the 1st of April in 2015 when the 7 banks have announced the issue of the first cards. Russian government created the national system of payment cards (NSPK) and the national payment system Mir. NSPK provides processing of all national traffic no matter which payments systems card are used in transactions. Its main difference-it is not depend on foreign companies and investors. The

matter is to create a nationwide prototype to VISA and MasterCard (NSPK, 2015).

Due to the political events that has happened with our country, especially the entry of sanctions, led to the creation of new payment system Mir, so it is necessary to keep the stable situation in economic sphere. In confirmation of it, on the 27th of December in 2014 Visa Inc. and MasterCard suspended servicing some Russian banks in the Crimea: Rossiya Bank, Sobinbank, SMP Bank and Investcapitalbank, after the USA issued sanctions against the Russian government due to the 2014 Russian military intervention in Ukraine. It was reason of a rapid start-up of a nation system of payment cards the whole payment system as well (NSPK, 2015).

The main aim of this research-the rating of efficient working of payment cards on the example of two payment systems IPS MasterCard and Mir.

To achieve this goal, the author posed the following tasks:

- Consider payment systems: International Payment System MasterCard and Mir (Russia) and make a supposition about the role of payment systems' influence on the economy
- By results of investigation to propose own directions for the development of the considered payment systems

According to the research results payment systems: International Payment System MasterCard and Mir (Russia) the team of authors suggested a comparative table.

2. METHODS

For research of this question comparative analysis, statistics are chosen as core methods of the research. These methods are used because they can show the advantages and disadvantages from both positions. Besides, each member can demonstrate pluses and minuses in the scopes of the topic discussion.

3. RESULTS

The purpose of the study is to consider the importance of payment systems for the economies of different countries by the example of International Payment System MasterCard and Mir.

In order to compare the current payment systems, let us have a look at table 1, given below:

Table 1: MasterCard and Mir comparative overview

| № | Activities | Business year | |
|-----|------------------------------------|--|--|
| | | 2017 March | |
| | | MasterCard | Mir |
| 1. | appearance(year) | mid 1960 | 2015 |
| 2. | amount of cards now | 833mln | 3mln (20mln) |
| 3. | services provided | MasterPass,MDES, SecureCode MoneySend | e-commerce, fraud monitoring, 3D Secure, card-to-card transactions |
| 4. | regions covered | Worldwide | Russia |
| 5. | cost of equiring | 0,5%-2,1% | 0,03% |
| 6. | currency exchange rate | own | Own |
| 7. | amount of banks | 12500 | 247 |
| 8. | cash-back | have | Have |
| 9. | interbank trafic | 1040084302 | 8926244 |
| 10. | an amount of purchase transactions | 13 billion in a year | 80000 per a day |

As we can see from the table, Mir is a very young payment system. It has not got as many issued cards as MasterCard and it is not used internationally. Not so many banks use Mir. It should be noted that it is impossible to measure an amount of purchase transactions by Mir per year because of its recent cards launch. As for similarities, both systems have SecureCode or 3D Secure. MoneySend or stand- in processing. They both own exchange rate and cashback as well.

Analyzing the table on the key data of the payment systems “IPS MasterCard” and “Mir”, we can say that both payment systems has shown the best results.

It should be taken into consideration that during the research was defined that “Mir” is a Russian company, self-dependent from foreign states (that’s why the American penalties not so critical). The information about all transactions PS “Mir” is saved in the country. “Mir” is keen to provide a maximum loyal fee policy concerning participants. Even now, commission for transactions through the “Mir” much

less for participants instead if this transactions do by “IPS MasterCard”. Unfortunately, the “Mir” is served only in Russian Federation. The “Mir” has less technology. Well known opportunity as to pay with the help of mobile, when you connect your cash card is absent in the PS “Mir”, but “IPS MasterCard” has (NSPK, 2017).

It is better to judge the market share of a payment system by interbank traffic or the amount of purchase transactions, which reflects the frequency of using the card by client (1040084302-interbank traffic by MasterCard and 1154926; 8926244 On-Us transactions by Mir; 13 billion in a year- an amount of purchase transactions by MasterCard and 8000 per a day by Mir).

The market of payment systems is rather rich. The presence of additional competitors in the payments systems leads to rapid development and high quality of the equipment of payment systems. It is the most progressive segments of banking sphere. Nowadays competitors of International payment system MasterCard and Mir are: Union Pay, Visa, American Express, JCB, Diners Club International.

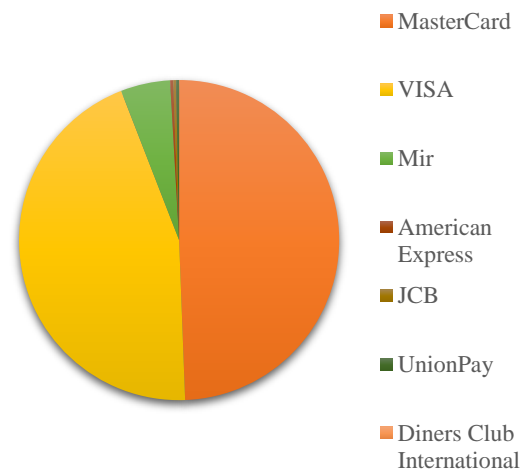


Figure 1. An amount of cards issued in Russia

According to the NSPK, MasterCard accounts for 49, 4% of all issued cards, and for Visa 44, 7%. Only 5% is occupied by payment system Mir. Another 0, 9% falls on American Express, JCB, UnionPay and Diners Club International (Frolov, 2016).

In spite of young age of PS “Mir” in the future it will enter to the international arena, there are large prospects in Russia for existence of this payment system. On the condition on the 13th of October in 2016 an amount of delivered cards of PS “Mir” goes beyond 1 million stuffs. It goes without saying that its fairly good advance take into account that it has begun working since 01.04.2015 and in December 2015 first cards were dropped out.

By the end of 2016, NSPK is planned to issue 16 million cards. Today the participants of PS “Mir” became 146 banks (Ministry of Economic Development of the Russian Federation, 2016). A new round of the development of the payment card market begins with the introduction of NSPK and the development of a national payment system in Russia. It is planned that the cash card “Mir” get a high popularity in Russia. Also, it’s expected the output of card abroad at the cost of program with International Payment Systems (TASS, 2017). The cards “Mir-Maestro” and “Mir-JCB” had issued yet, the “Mir”-AmEx and “Mir”-UnionPay agreements about output of cards had signed (RBC, 2016) (Basegarant, 2016) (Cirasino & Garcia, 2008).

4. RESUME

Nowadays, there is an increase in the issuance of payment cards and the volume of transactions and purchases on the international payment card market. The reason for this is a globalization and an innovative breakthrough in the banking sector. The development and the birth of new payment systems are aspects of this process. The system of interbank money transfer (payment system) ensures monetary circulation in the country. In the research are performed such indicators of the efficiency of payment systems as an amount of issued cards, an amount of purchase transactions, cost of transactions, cost of equiring, interbank traffic, services provided.

5. CONCLUSION

In the course of a research, we studied two payment systems: International Payment system MasterCard and Mir (Russia), made a supposition about the role of payment systems’ influence on the economy, studied potential competitors (Visa, UnionPay, American Express, JCB). In addition, identify the advantages and disadvantages of both payment systems. Based on our research work, we have come to several important conclusions that should be motives for encouraging the development and

improvement of payment systems. Moreover, the research gives an opportunity to predict future banking operations. Central bank do his best to control all transactions, cash flows, banking operations in order to avoid risks and failures in the work of funds transfer system. The actions of payment systems restrain the growth of non-cash payments due to the high cost of their services in comparison with cash turnover. Besides, should be created conditions for normal functioning of payment systems.

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