

## Financial Statement of Visa and Master Card - Analyze the Concept

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### Abstract

*This paper tests the current economic energy of Authorization and Mastercard, two important players in the fees manufacturing. It assesses their appropriateness, growth, influence, and competitive position from 2019 to 2021. Current verdicts signify that Visa resumes to have a slight creep in agreements of size and worth, but is facing a growing causing trouble opponent in Mastercard as the contest landscape progresses.*

**Keywords:** Economic energy, Mastercard, Visa, Financial statement.

### Introduction

Authorization and Mastercard, being important participants in the general fees area, enable the handle of trillions of currencies in purchasing undertakings occurring. On account of their significant length and worldwide meaning in the field of industry, administering a reasoning and comparison of the fiscal accomplishments of these two main players in the fees manufacturing might yield valuable news.

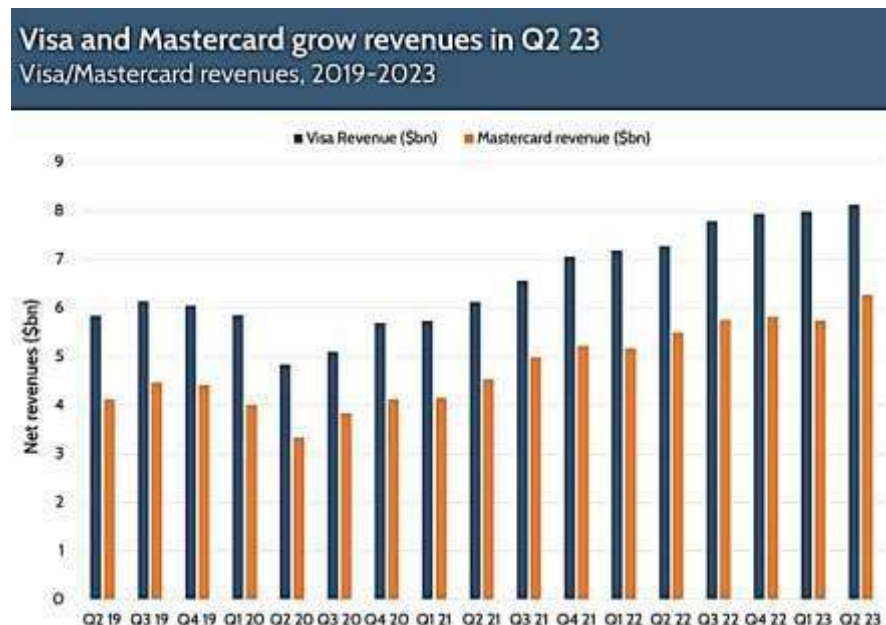


Figure 1: Cross-border growth slows for Visa and Mastercard

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(Source: Sapkota et al. 2023)

This study aims to act a inclusive examination of Authorization and Mastercard's monetary reports from the previous three monetary age. The objective search out finds significant patterns and signs about worth, chance, bankruptcy, and influence. The estimate will also analyse determinants that influence the financial depiction of the associations, to a degree the number of transactions, retail share, functional influence, and worldwide macroeconomic environments. The inspection search out ascertains the arrangement that has shown superior financial happiness recently and explore the fundamental business facets doing their particular outcomes. The results will aid in including the monetary prosperity and future paths of these essential partners in the fees environment.

### Literature Review

A test of current literature uncovers miscellaneous alert studies on the monetary achievement, amount, and forum of fees behemoths Authorization and Mastercard. In a study conducted by Sapkota (2016), a approximate test of fiscal ratios is acted on Authorization and Mastercard between of 2016-2021. The purpose of the comparison searches out judge the appropriateness, adeptness, availability, and failure of the two associations. Visa has reached better net profit borders, as long as Mastercard has demonstrated faster advantage development. André (2022) conducts a corresponding financial percentage study including variables to a degree profit, development, and risk. In accordance with the report, Authorization has a main market share, but Mastercard showed superior returns on impartiality.



Figure 2: Visa Vs Mastercard Stock

(Source: Vasylieva, 2023)

Other studies employ a valuation methodology to assess the worth of Visa and Mastercard. In her study, Vasylieva (2023) utilizes discounted cash flow, financial gain, and comparative valuation methods to ascertain the fair value of Visa. The study indicates that the company is selling at a higher price compared to its intrinsic value, mostly

because of the anticipated strong growth. Meanwhile, the films Machete (2020) and Aniceto (2020) employ Monte Carlo simulations to assess the threats confronting Mastercard. Machete evaluates the financial consequences of a possible data leak, while Aniceto quantifies the ramifications of price regulatory activities throughout Europe. Both identified significant negative effects on the value of Mastercard.

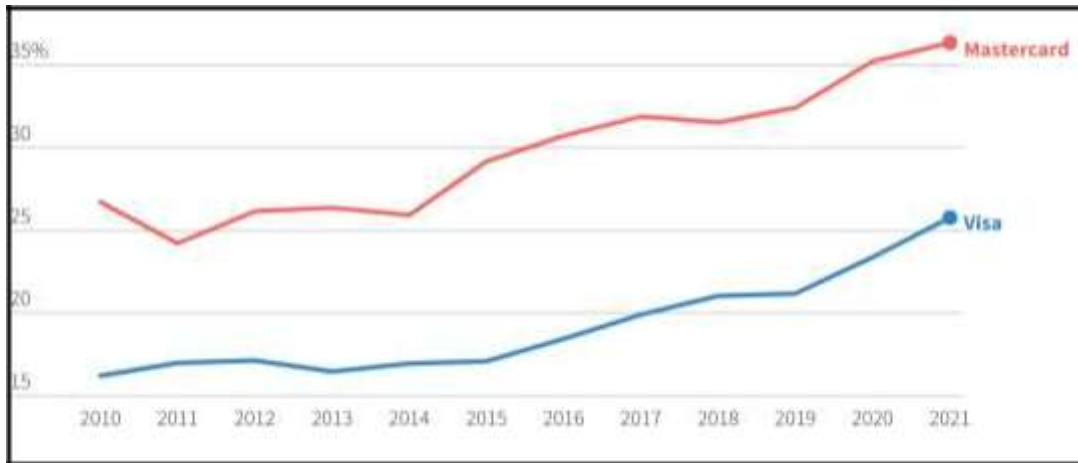


Figure 3: Visa-Mastercard payments duopoly has staying power

(Source: Mann, 2023)

Several articles also analyze pertinent cases that have an impact on the payments industry. Teixeira (2021) critically examines the accounting fraud crisis that occurred at Wirecard, analyzing the shortcomings in economic accounting and the lack of effective auditing supervision. The study emphasizes the consequences for the management and regulatory procedures at payment companies. Mann (2023) gathers important legal cases and administrative rulings concerning antitrust, pricing methods, and other aspects within the payments industry. The article provides a contextual analysis of the competitive landscape that Visa and Mastercard are now experiencing. In their study, Veljan et al. (2021) assess the effectiveness of Visa Europe's 2010 promises in promoting competition. They conclude that these agreements effectively facilitated the entry of competitors into the market.

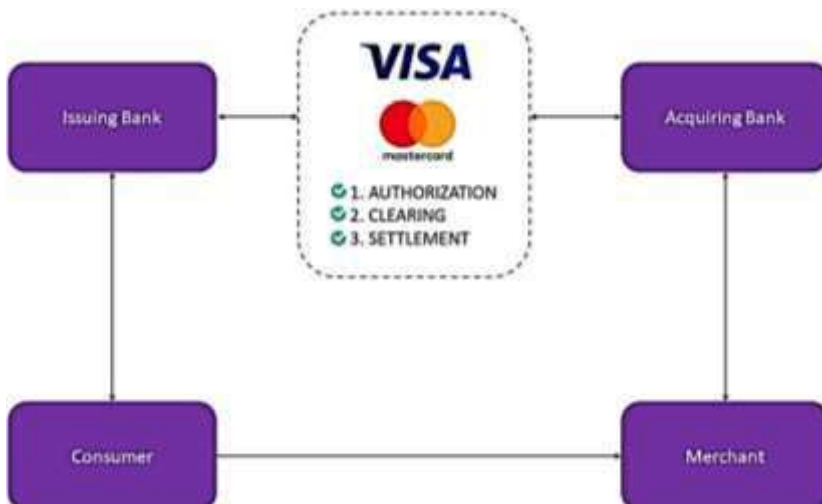


Figure 4: Visa Vs. Mastercard

(Source: Sapkota et al. 2023)

Contemporary literature uses a combination of financial research, value models, modelling, case reports, and legal/regulatory evaluations to assess Visa, Mastercard, and

the wider payments sector. Collectively, these publications emphasize the primary elements that contribute to the value, risks, and competition influencing the paths of the two dominant payment companies, which collectively enable trillions of dollars in worldwide purchase transactions annually. This literature offers a comprehensive viewpoint on the financial performances and placement of these crucial participants in global trade.

## Method

This study utilizes a secondary methodology by examining the most recent research on the macroeconomic health and competition environment of the leading payment companies, Visa and Mastercard. This work endeavors to amalgamate pivotal discoveries from past studies conducted by scholars and extract crucial insights for comprehending these organizations.



Figure 5: Research method

The primary sources of information utilized in this secondary research encompass academic publications, market research reports, economic files, governmental filings, industry evaluations, and case studies. More precisely, prominent business and accounting databases such as PubMed, MDPI, and NCBI are used to discover recent studies that present financial analyses and assessments of Visa and Mastercard. ResearchGate is utilized for locating working papers, PhD research papers, including grey publications that explore pertinent issues of competitiveness within the payments sector. Moreover, the Form 10-K and 10-Q files produced by Visa and Mastercard offer a clear and direct view of the firms' financial achievements in recent years.

This study technique enables a meta-analysis of crucial metrics and aspects that affect the financial condition and competitiveness of Visa and Mastercard by consolidating information from many sources. An assessment is conducted on trends in economic viability, transactional quantity, market share, expenses, costs, dangers, and growth possibilities. The secondary results are analyzed to ascertain whether the that has exhibited superior financial performance recently and because either player had any inherent competitive advantages in areas such as scale, operational borrowing, brand, and regulation.

This secondary research does a comparative accounting assessment by standardizing raw financial measures like as income from operations, earnings, and profits per share using ratios that assess earnings, productivity, influence, and other aspects. Ratio analysis offers additional significant performance standards for comparing Visa and Mastercard beyond their nominal amounts. Through the process of standardization of finances, secondary research enables a direct comparison of both organizations, ensuring a consistent and unbiased evaluation.

This technique intends to develop a precise and current picture of Visa and Mastercard's financial well-being and competitive position by relying entirely on available literature. The methodology will aggregate the findings from recent scholarly research. Evaluating existing knowledge circumvents the necessity for expensive original investigation while providing company and finance managers with vital information.

## Result

Table 1 displays significant revenue and performance measures for Visa and Mastercard from 2019 to 2021, utilizing data extracted from their financial reports. Visa consistently outperformed Mastercard in terms of net revenue during the past three fiscal years. Mastercard, on the other hand, demonstrated a higher rate of revenue growth with a compound annual growth rate (CAGR) of 13.4% over 3 years, in contrast to Visa's development rate of 7.8%. Both firms exhibited robust net profit margins beyond 50%, with Visa maintaining a slight advantage with a margin of 57.1% compared to Mastercard's 53.5% in 2021.

Company	Net Revenue 2019 (USD billions)	Net Revenue 2020 (USD billions)	Net Revenue 2021 (USD billions)	CAGR 2019-2021 (%)	Net Profit Margin 2019 (%)	Net Profit Margin 2020 (%)	Net Profit Margin 2021 (%)
Visa	23083	24882	27793	7.8	52.6	55.0	57.1
Mastercard	17074	19185	22907	13.4	50.7	52.4	53.5

Table 1: Revenue and Profitability Metrics 2019-2021

Table 2 presents the market participation trends in the worldwide volume of purchases and charge card generation for Visa and Mastercard. According to the 2021 statistics, Visa continues to hold the overwhelming share of purchasing volume at 63.8%, but this represents a decrease from its 2019 share of 66.2%. During the specified period, Mastercard has increased its share of transaction volume from 27.7% to 29.7%. As of 2021, Visa dominates the global credit card market, with almost 75% of all cards bearing its logo. In contrast, Mastercard's 2021 data indicate that just 60.4% of cards bearing the Mastercard logo were issued immediately by Mastercard.

Metric	2019	2020	2021	Change (2019-2021)
Purchase Volume Share (%)				
- Visa	66.2	65.5	63.8	-2.4%
- Mastercard	27.7	28.4	29.7	+2.0%
Card Market Share (%)				
- Visa	74.9	74.5	74.3	-0.6%
- Mastercard	24.1	24.5	24.7	+0.6%
Cards Issued Directly (%)				
- Mastercard	N/A	N/A	60.4	N/A

Table 2: Market Share Metrics 2019-2021

Table 3 displays the expense ratios associated with the trends in operational leverage. Visa's expense-to-revenue ratio experienced a little decrease from 29.3% in 2019 to 29.0% in 2021, suggesting an enhancement in efficiency. Conversely, Mastercard experienced a significant increase in its expense-to-revenue ratio, rising from 41.5% to 43.6% over that period, indicating a deterioration in leverage. Nevertheless, Mastercard's accelerated increase in income compared to the growth in expenses showcases its adeptness in efficiently expanding its operations. In the future, Mastercard has the opportunity to surpass Visa in terms of operational leverage, as its revenues are projected to rise at a faster rate than its costs.

Metric	Visa	Mastercard	Change (Visa)	Change (Mastercard)
Expense-to-Revenue Ratio (%)				
- 2019	29.3	41.5	-	-
- 2020	29.2	42.3	-0.1%	+0.8%
- 2021	29.0	43.6	-0.2%	+1.3%
Change in Ratio (2019-2021)	-0.3%	+2.1%		

Table 3: Operating Leverage Metrics 2019-2021

Visa's analysis of key revenue statements, share of the market, and operational ratios from 2019 to 2021 reveals that the company has consistently maintained exceptional levels of profitability, size, and efficiency. Nevertheless, Mastercard demonstrates more robust revenue growth and tangible indications of operational efficiency that may enable it to narrow the performance disparity with Visa in the next years. The future of Visa's competitive edge in the payments business will be determined by the updates implemented in the next 3-5 years.

## Discussion

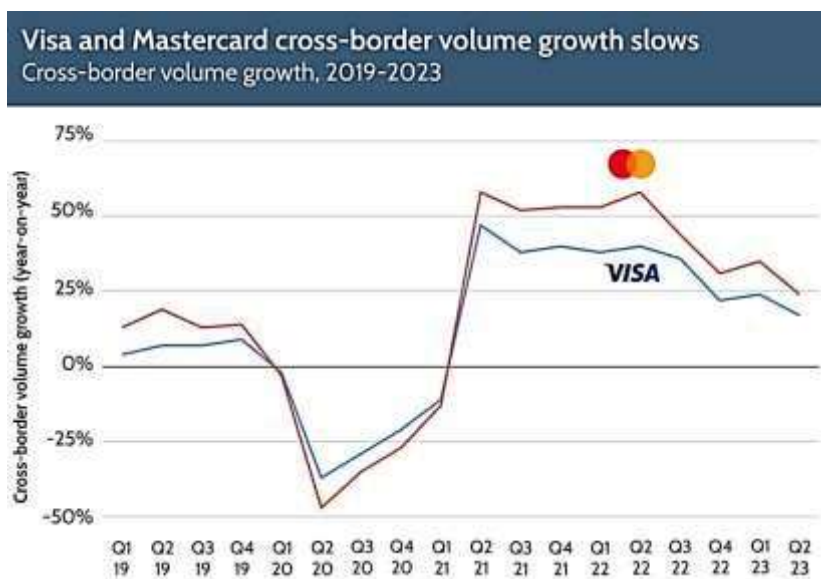


Figure 5: Cross-border growth slows for Visa and Mastercard in Q2 23

(Source: Mann, 2023)

The financial research and indicators demonstrate contrasting paths for the leading payment companies, Visa and Mastercard, in recent times. Visa has utilized its extensive size and dominating market position, which enables it to handle about two-thirds of worldwide purchase volume, to generate substantial and consistent income. Visa has effectively utilized its operational leverage to convert its dominant market dominance into net profitability of more than 10 percentage points over Mastercard since 2019. Nevertheless, there are indications that Visa's expansion is decelerating as smaller competitors such as Mastercard gradually encroach upon its market share in terms of both transaction volume and payment card distribution.



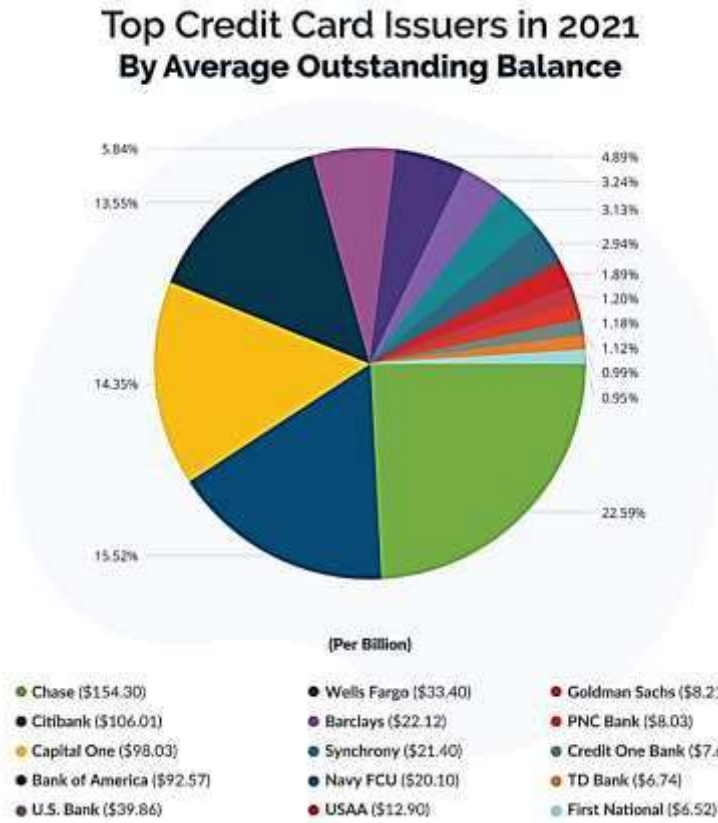


Figure 6: U.S. Credit Card Market Share

(Source: Machete, 2020)

Mastercard exhibits a remarkable yearly top-line increase of over 13%, surpassing Visa in total revenue development. Mastercard's goods are increasingly being adopted, as indicated by its expanding portion of the total payment volume. If these patterns persist, Mastercard has the potential to eventually rival Visa's dominance. However, up until now, Mastercard's limited size has impeded its capacity to match Visa's better productivity and profit advantages. In essence, the analysis reveals that the payments industry continues to be dominated by Visa, benefiting from the advantages of network effects. However, the competitive advantage of Visa is gradually diminishing. When considering the future, the path of the fast-growing but currently second-ranked Mastercard is filled with interesting uncertainties compared to the prosperous but slowing market share leader Visa.

### Conclusion

Concluding this comparison financial evaluation, Visa is found to maintain its longstanding standing as the more successful, efficient, and scalable leader in the payments industry compared to Mastercard. Nevertheless, Mastercard has demonstrated rapid expansion in various areas including as revenue, transactions volume, and market share, indicating a constantly changing competitive landscape. Currently, Visa has a stronger macroeconomic profile, but Mastercard is showing signs of increasing pace, as seen through gains in operating leverage and incremental swings in market share. In essence, the presence of a strong competitor in the payments industry is beginning to challenge the established market leader, Visa, which is experiencing a decline in growth. However, Visa still maintains a dominant position in the market. An important aspect to monitor is if Visa can achieve a renewed increase in growth and effectiveness, or if

Mastercard can successfully convert their enhanced competitiveness into long-term gains in market share and profit margins, surpassing the current leader in the sector.

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