Cardmakers' order books swell on government, RBI push for debit and credit cards

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MUMBAI: The plastic cards industry, which for a long time was facing tough competition from mobile wallets and smartphonebased payments, is experiencing a resurgence of sorts on the back of government's crackdown on black money.

As the Reserve Bank of India along with the finance ministry encourage banks to go full throttle on disbursement of debit and credit cards along with terminalisation of merchant outlets to facilitate card transactions, orders are pouring in from all sectors of the industry for fresh set of smart cards.

"We have seen a trebling of demand for plastic smart cards to be used as debit and credit cards and we are also receiving orders from even smaller banks along with the bigger ones as they want to boost their debit card base as well," said Deven Mehta, managing director, Smart Card IT Solutions, which produces smart cards for banks and telecom companies.

While bigger banks are driving the major demand, even smaller cooperative banks such as Allahabad UP Grameen Bank, MP Rajya Sahakari Bank have placed orders for plastic cards. "Allahabad UP Grameen Bank has asked for 1million cards to be supplied within the next 3 months," said Mehta.

Another section that is driving demand for plastic cards is the prepaid cards industry and that is being driven mostly by prepaid payments instruments (PPI) licence holders who also operate in the mobile wallet space. Companies such as ItzCash, Oxigen and Transerv are seeing a huge spike in demand for prepaid cards, mostly from corporate entities which want to pay their employees through pre-loaded cards.

"We have received orders to the tune of 30 lakh prepaid cards from many small and medium enterprises to pay salaries to their employees along with individuals who are giving these cards to their family members for their use," said Anish Williams, chief executive officer of Transerv, which operates the Udio mobile wallet.

The plastic card industry had seen a surge in demand for debit cards over the past two years, driven mainly by the Pradhan Mantri Jan Dhan Yojana which not only mandated bank accounts for every Indian citizen but also tied up with National Payments Corporation of India for RuPay debit cards for those no-frills accounts.

As per RBI data, while the average number of cards being added to the system hovered around the 50-million mark for the years between 2007 and 2014, 2014-15 and 2015-16 saw around 160 million and 111 million cards being added respectively mainly for the Jan Dhan accounts.

"This surge had made us ramp up production capacity by over 200% over the past two years and hence we are in a position to meet the increased demand for plastc cards in the system," said Sanjeev Shriya, president of the smart card industry body, Smart Card Federation of India.

Even major banks such as State Bank of India are encouraging their corporate clients to pay their staff through prepaid cards instead of cash. SBI has received a request for more than 2.7 lakh such cards over the last month.

"Overall, the industry so far has more than 50 lakh of these prepaid cards that have already been sold in India, and around four crore more are expected to be sold through end of this fiscal," said Naveen Surya, MD, ItzCash.