

Credit card attraction goes beyond big cities; loan growth remains flat

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Even as overall loan growth remains flat for most banks, online sales are driving credit card spending.

While most sectors saw negative growth in loan dues, it grew 31 per cent year over year as on end-March, at Rs 686 billion against Rs 521 billion a year before, according to Reserve Bank of India (RBI) data.

At BankBazaar.com, an online marketplace for financial products, the number of credit card application rose more than twofold in the past year, says Navin Chandani, its chief business development officer. The site saw nearly 57 million searches for credit cards in 2017-18, almost double those in the previous year.

For HDFC Bank, largest in the card segment, the number of it had issued as on March 31 had risen about 25 per cent to about 11 million over the year, according to the RBI data. For SBI Card, the rise was around 40 per cent; average monthly spending increased from Rs 4,000 to Rs 7,000, according to Hardayal Prasad, its managing director.

“Availability of easy EMI (equated monthly

instalment) facilities on cards has emerged as a big driver. We have observed that a large part of the purchases on our cards are subsequently

converted to EMI products. E-commerce is a significant spends driver as well. Ease of online shopping, along with our cash-back programmes, rewards and discounts on leading e-commerce partners and platforms, has driven up card usage,” explained Prasad.

Customer addition included people from tier-II and tier-III cities, and lower to middle income group segments. With e-commerce companies linking specific credit cards with steep discounts, a lot of the young middle and lower middle income salaried class are opting for credit instead of debit cards. “While numbers of merchants in not only tier-I but tier-II and III cities are now accepting credit cards, the availability of credit card scores have also led to an increase in issuance. There is also higher interest in credit cards among people whom banks are not serving, from the self-employed and young salaried class, with monthly income of Rs 15,000-20,000,” said Chandani.

“E-commerce has opened the gates to premium brand shopping in even tier-II and tier-III cities, where people have money and aspirations but lack access to physical stores and malls. Online spends constitute 45-50 per cent of the total spends on credit cards and is growing at a rapid rate,” says Prasad. The rate of delinquencies for the sector is around two per cent.