

Credit card issuance by banks set to rise on strong festival demand

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Despite concerns over economic slowdown, banks and NBFCs remain upbeat about consumer spending in the upcoming festival season with a number of new credit offerings lined up by them.

Data with the Reserve Bank of India reveal that the total number of credit cards in the country jumped to 5.02 crore by July this year against 4.01 crore a year ago. In contrast, outstanding debit cards fell to 84.06 crore by July 2019 from 96.2 crore a year ago.

Over the last few months, banks have been actively launching credit cards with enhanced features and also allowing EMI provisions on debit cards.

Some of these are exclusively targeted at millennials, who are being considered the new spending segment.

Debit card EMIs

Just this week, Federal Bank announced a tie-up with Pine Labs to offer equated monthly instalments (EMIs) on debit card-based offline transactions for the bank's customers.

Similarly, HDFC Bank and IndianOil have also just launched a co-branded fuel credit card for users from non-metro cities and towns with rewards and benefits on fuel consumption.

Earlier this month, Standard Chartered Bank launched a 'DigiSmart' credit card focussed on millennials.

Last month, Freecharge launched a Digital credit card with Axis Bank, while HDFC Bank had also launched its Millennia range of cards.

"Consumer demand is very much there and, as such, we are not seeing signs of stress in the book.

"People are deferring big purchases to some extent. Credit cards come in useful in such a scenario," noted an executive with a private sector bank.

Parag Rao, Country Head, Payments Business, Marketing, HDFC Bank, had told BusinessLine in a recent interview that the lender is seeing robust growth in consumer finance and that expects it to grow further in the festival season.

According to analysts, credit card business has also been seeing good growth for banks and is bringing in revenue. HDFC Bank, Axis Bank and ICICI Bank, along with SBI Cards and Payments, are estimated to dominate nearly 70 per cent of the business.

A report by Kotak Institutional Equities notes that card issuances in the first quarter of the fiscal remained strong at 25 per cent growth year-on-year, a trend that has been broadly maintained since demonetisation.

"Increasing acceptance of digital payments and availability of better consumer credit data helped register nearly 22 per cent CAGR in issuance over the fiscal years 2015-19.

“Credit card loans and spends have grown at a robust pace of nearly 30 to 35 per cent over the same period,” it said.

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credit cards and debit cards

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