

# Credit card usage shoots up in India; outstanding amount rises 24.4% in a year

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Credit card outstandings have spurted by 71 per cent in the last two years from Rs 57,100 crore in August 2017.



- **George Mathew**

Despite the slowdown in the economy and sluggish credit offtake, credit card outstandings have risen by 24.4 per cent to Rs 97,650 crore as on August 31, 2019, from Rs 78,499 crore a year ago. According to data available from the Reserve Bank of India, credit card outstandings have spurted by 71 per cent in the last two years from Rs 57,100 crore in August 2017. While credit card use has increased after the demonetisation in November 2016 and the thrust given to digital banking in the last two years, the growth has come down in the last five months, according to bankers.

During the five-month period ended August 31, 2019, of the current fiscal, card outstandings had risen 10.6 per cent while the gross bank credit had shown a decline of 0.9 per cent and credit offtake by industry plunged by 4.2 per cent, according to the [RBI](#) data.

However, the growth in outstanding has fallen from 37.4 per cent in the 12-month period ended August 2018 and 14.4 per cent in the five-month period of last year amid a demand slowdown in the economy. There were 5.17 crore outstanding cards in fiscal 2018-19, up from 4.70 crores in the same period of last year. The volume of business through credit cards was Rs 6.07 lakh crore in 2019-20 with 99 per cent of the business accounted by transactions on PoS (point of sale) terminals, the RBI data shows.

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“Credit cards are used by customers mostly in PoS terminals of shops and establishments. In the case of debit cards, customers use it for cash withdrawals from ATMs,” said an analyst with an investment bank. In the month of August 2019, credit card transactions at PoS terminals were worth Rs 59,601 crore while customers withdrew only Rs 410 crore from ATMs using credit cards.

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However, debit cards were used to withdraw Rs 287,452 crore cash from ATMs while PoS transactions using debit cards were only Rs 58,040 crore in August, according to the RBI data. If the slowdown in the economy persists, the growth in the card business is also expected to decline. Increasing acceptance of digital payments and the availability of better consumer credit data helped register 22 per cent annual growth in issuance over FY2015-19.

“Credit card loans and spends have grown at a robust pace of 30-35 per cent over the same period. We expect credit card issuance and spends to sustain the growth momentum given the low penetration levels (4 per cent) compared to debit cards (60 per cent) and savings accounts (120 per cent),” Kotak Research said in a report. Analysts say the card business is a highly profitable business with big margins as the interest rate can go up to 40 per cent per annum.

“It has healthy operating leverage but we acknowledge that it is a highly cyclical business. We are probably entering into a slowdown at this point and this could see an impact on growth or profitability. However, we don’t think these banks would want to change their strategies for this business given the scale at which they are operating,” Kotak said.

“The three frontline private banks (HDFC Bank, Axis Bank, and ICICI Bank) along with SBI Cards and Payments dominate this business with 70 per cent share between them. Despite strong growth in issuances, penetration is quite low at 4 per cent as compared to 60 per cent of the population for debit cards,” it said.

According to the Kotak report, HDFC Bank is the market leader with a 27 per cent share, followed by SBI Card (18 per cent), ICICI Bank (14 per cent) and Axis Bank (13 per cent). Foreign players including American Express and Citi have been losing market share (25 per cent in FY2014 to 13 per cent in FY2019) owing to aggressive growth at the frontline players.

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