

Money Today
Customer profiling crucial in credit card business

Date: 7/06/2018 | Edition: National | Page: 26 | Source: Naveen Kumar

INTERVIEW > HARDAYAL PRASAD

“CUSTOMER PROFILING CRUCIAL IN CREDIT CARD BUSINESS”

Hardayal Prasad, MD and CEO, SBI Card, talks to Naveen Kumar on a range of issues affecting the credit card industry and how SBI Card, one of the leading players in the segment, is responding to those challenges.



Q: What is the growth rate in number of cards and overall outstanding?

A: SBI Card has seen consistent growth over the past four-five years. We are the second largest card issuer in India with 16 per cent market share in number of cards and spends. Our customer base crossed four million in October 2016 and currently, it is over six million. Last year, our market share in number of cards has grown from 15 per cent to 16 per cent-plus. The market share in spends has also gone up from 12 per cent to 16 per cent-plus during this period. Average monthly card spends have increased to ₹6,500 crore-plus from ₹3,500 crore in a little over one year. The outstanding portfolio is now ₹14,000 crore-plus. It has gone up by more than 50 per cent between December 2016 and February 2018.

Q: What has triggered the recent growth? Has demonetisation helped?

A: Acceptance of plastic money has certainly increased, even in Tier II and Tier III cities. Consumers continue to use credit cards for everyday spends. We were adding 50,000-60,000 customers a month before demonetisation, but the number shot up to one lakh-plus a month post demonetisation. Now we are adding two lakh-plus cards per month. According to RBI, the number



PHOTOGRAPH BY SHEKHAR GHOSH

of credit cards has increased sharply, from 26.8 million in September 2016 to 36.9 million in February 2018.

Q: What about the default rate?

A: We have been able to build our portfolio keeping credit quality in mind. The delinquency rate is around 2 per cent, which is the industry norm. We are a 20-year-old organisation, and we have learnt and built our business intelligence, analytics and wisdom, and used

these very aggressively in profiling customers. Anybody who can profile a customer very well can take quick and intelligent decisions.

Q: EMI cards are becoming popular as people find it easy to understand. Do you plan to launch a similar feature?

A: EMI cards and personal loans fall into the same segment where we do our job pretty well. So, it was necessary to see what we could do other than pure vanilla credit cards. It was amazing to find people leaping on to the features we brought on the EMI front. If you are at a PoS machine or on an e-commerce platform, we are there with our EMI options.

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Q: Do you think too much reliance on credit bureaus makes lenders wary of acquiring new customers without credit history?

A: Apart from credit scores, we also work on internal risk metrics. About 10-15 per cent of the people coming on board do not have any credit history. So, we give them a small credit limit to help build credit history slowly and steadily. Social media activity is another indicator of a person's lifestyle and spending patterns. Coupled with traditional methods, social media analysis can provide a more comprehensive assessment tool. We are now generating social credit scores, especially for those new to the credit segment.

Q: P2P lenders offer speedy, unsecured credit options to customers with no credit history and the cost is lower. How will you respond to that challenge?

A: It is a process of overall improvement in the financial system and it will continue to happen. There is space for everybody and we will remain strong in our space. For a customer with a good credit score, financial institutions like us already provide a very good interest rate. As for marginal customers, we are not very sure how these (P2P) lenders will fare when there are defaults.

Q: If physical cards become obsolete, how will you deal with it?

A: We think credit cards will remain relevant. Of course, we have moved on a great deal and now you have Host Card Emulation (HCE). With HCE, you can easily issue a token and transfer your card data to your phone, which will become your NFC-enabled card so that you can tap and go. Out of three million PoS machines in India, 1.5 million are already NFC-enabled. Going forward, all new machines will have this feature. Also, 40-45 per cent of spends on SBI cards are done at e-commerce sites. That clearly indicates we are moving towards digitisation. We will tap many other opportunities arising in the digital space. **MT**

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