Business Standard

['We've been trying to shift firms to B2B payments']

Date: 26/09/2020| Edition: Mumbai, Kolkata, Bengaluru, Hyderabad, Ahmedabad, Pune, Bhubaneshwar

Page: 06| Source: Abhijeet Lele & Subrata Panda

Business Standard

'We've been trying to shift firms to B2B payments'

SBI Cards and Payment Services (SBI Card) is seeing discretionary spending coming back even as it is yet to reach pre-Covid-19 levels, according to its Managing Director & Chief Executive Officer **ASHWINI KUMAR TEWARI**, who is banking on the festival season. In an interview with **Subrata Panda & Abhijit Lele**, Tewari spoke about the trend in spending, recovery from accounts which were under moratorium, and the relevance of cards amid the exponential rise of Unified Payments Interface (UPI). Edited excerpts:

What kind of growth are you seeing in new accounts, and what is the strategy for the rest of the year?

We added 288,000 accounts in Q1, which is about 60-65 per cent of the pre-Covid-19 levels. This is largely a result of April being almost a complete washout. But, June was better as compared to April.

While the industry did not see a lot of growth, we gained market share both in terms of numbers and spends. Even as we were limited by the restrictions around movement and access to either malls or railway station or airports, some of the workforce started operating from fuel pumps because they were always open; we also shifted some people to grocery stores like Big Bazaar, and Apollo pharmacy.

Since June, we have been on an upward trajectory, however, we are still not at pre-Covid levels. But we are getting there.

Are you seeing a pick-up in card spending, which was down in Q1 due to Covid-19?

Recovery had reached around 80 per cent of pre-Covid levels. Online transactions contribute about 55-60 per cent to total spending. We tied up with online players and ran campaigns with Flipkart, Amazon, and all the major e-commerce firms as a result of which we are seeing good traction there.

In terms of the nature of spending, we saw a lot of changes. Immediately after the lockdown was lifted, groceries saw a lot of spend. It then shifted to utilities, which continues to be strong.

In August, we saw some pick-up in electronics demand, and our sense is that discretionary spending is coming back. A lot of focus now is on the festival season.

On the corporate side, the nature of spending has changed because the bulk of it was in travel and entertainment, which was affected because of the restrictions. Therefore, we have been trying to shift companies to a business-to-business (B2B) payment model. Among the many companies that have shifted to B2B, we are seeing good traction, for example, in tax payments, insurance payments. So B2B is going to be a positive trend going forward because once companies see the value in using a corporate card for such transactions, I think we will continue to see this trend sustain.

Q&A

ASHWINI KUMAR TEWARI
MD & CEO, SBI Card

What is the recovery trend like in accounts which were under moratorium till August? Are you expecting major defaults in that segment?

In the first moratorium, everybody was enrolled, unless they refused or started paying up. But when the second round started in June, we changed the model from "all in" to "opt in" and this saw a lot of customers choosing not to take it, bringing down our loans under moratorium to ₹1,500 crore by June, from the peak of ₹7,000 crore.

Then we started following up with them for payment and almost a third of them paid up. The rest were enrolled either into our in-house payment plan or the RBI scheme. We have seen very good traction in the RBI scheme, because we made it completely digital. Whether defaults will happen in this book of restructuring is a function of the economy.

"GROSS NPA IN Q1 WAS LOWER THAN IN Q4FY20 BECAUSE A SIGNIFICANT PORTION OF THE BOOK WAS UNDER MORATORIUM. NPAs IN Q2 WILL SURELY BE HIGHER THAN IN Q1"

Given that digital payments are seeing a huge rise, especially UPI, do you see the space for credit, debit cards shrinking?

UPI has been growing fast in the peer-to-peer (P2P) and person-to-merchant (P2M) segments, and these are all small-value transactions. In terms of numbers, UPI has grown fast but the transaction per value is still low.

Credit cards are still holding up in the higher-value segment. Also, in terms of where purchases are made, whether online, or, let's say, on a shop floor for a higher-value item, credit cards are still the preferred choice. Despite 880 million debit cards, spending was lower than in credit cards till sometime back. But the latest data shows spending in both types of cards is almost the same because many credit cards were under moratorium during the lockdown, and once the card is under moratorium, it gets blocked.

Therefore, a large part of the book for multiple players was blocked. So that portion, probably, has shifted to debit cards or to UPI. But once it reopens, I think credit cards' value will again outpace debit cards'. UPI will benefit because the P2P is a big segment of UPI. Having said that, we are also collaborating with many UPI players.

Do you see gross NPA inching up in Q2?

The Gross NPA number in Q1 was lower than Q4FY20. And, our traditional number has been around the March numbers, which is upwards of 2.5 per cent. Q1 numbers were down because a significant portion of the book was under moratorium. NPAs in Q2 will surely be higher than in Q1. But we will control this because it could have been much worse had it not been for these schemes, with which we have done a good job of limiting NPAs at 2.5 per cent.