Business Standard

'Aiming for net growth of 300K cards per month'

Date: 02/09/2022| Edition: Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Ahmedabad, Hyderabad, Jaipur, Bhubaneshwar, Bhopal, Chandigarh, Kochi | Page: 06 | Source: Subrata Panda

---

Business Standard

'Aiming for net growth of 300K cards per month'

Credit card spends have topped ₹1 trillion for five consecutive months. The issuance of new cards has seen momentum of late. **RAMA MOHAN RAO AMARA**, managing director and chief executive officer, SBI Card, in conversation with **Subrata Panda** talks about the reasons behind record spends, the company's ideal run rate of credit card issuance, and the impact of the Reserve Bank of India's (RBI's) discussion paper on payment charges. Edited excerpts:

Credit card spends have seen momentum since October.
Core retail spends have been robust for all players. Per card spends have been rising. While growth in the number of cards is responsible somewhat, we have also seen discretionary spends returning.

Travel and hospitality, which were subdued till some time back, have come back strongly. June quarter onwards, they have surpassed pre-Covid levels. The inflation impact is yet to play out. With the onset of the festival season, we are bullish on the continuance of robust retail spends.

In commercial spending, we are recalibrating some segments where we had stayed back. Traditionally, corporations accounted for over 20 per cent of our overall spending. We want to keep it in that broad range of 20-25 per cent. We want to scale it up in a calibrated fashion.

Have the revolvers staged a comeback?
In a stable scenario, transactors, revolvers, and equated monthly instalments (EMIs) constitute one-third parts each. As of June, it was 26 per cent. During Covid-19, revolvers saw an increase. Subsequently, a large part of our revolver book opted for restructuring, and we have been able to recover a large part of it as well.

In the first year, we were circumspect in terms of allowing fresh inflow because the focus was more on tackling collection delinquencies. But from the second year onwards (2021-22), we started easing the credit filters after seeing a defined credit cost trajectory.

When you onboard a customer, it takes some time for them to start using the card for large-value ticket items, which have a better propensity to revolve. Now there is a culture of consumers moving to EMI-based payments and we are also playing in that space. Earlier it was 30 per cent, now it has moved to 35 per cent because we are tying up with merchants. While we patiently wait for the revolvers to come back, we are not losing any opportunity on the revenue side by focusing on EMIs too.

Are you being conservative in credit card issuance?
Over the past year, the overall industry volumes have improved. From below 1 million credit card issuances per month, they are touching 1.5–1.8 million per month. This is on account of the action by existing players, including SBI Card (we ramped up in the December and March quarters), and new players who have partnered fintechs, thus ramping up issuances.

Consequent to some directions from the RBI, some of the models adopted by the new players were found to be non-compliant with guidelines. Those volumes will vanish, and the volume of issuance may see some moderation.

Q&A

RAMA MOHAN RAO AMARA
MD & CEO, SBI Card

We are conscious of pursuing sustainable and profitable growth. We constantly assess market dynamics and create a holistic strategy based on our own strengths — the diversified channels we have, how much to source from the open market, how much to source from bancassurance, etc.

What is the ideal run rate for issuances?
We are aspiring to a net growth of 300,000 cards per month. It will not happen overnight.

Is there an aspiration to claim the top spot in the credit card business?
Our philosophy has always been sustainable profitable growth. We are in an unsecured industry. We look at all these market dynamics and create a holistic strategy. That strategy translates into numbers in terms of gross issuance and what channels to be used and what products to be offered. We will keep an eye on market share, but not at the cost of compromising on profitability sustainability.

More on business-standard.com