The Economic Times

For SBI Card, spends have grown as compared to de-growth in credit card industry: Rama Mohan Rao Amara

Date: 28/09/2022| Edition: Online| Page: NA| Source: ET Now

THE ECONOMIC TIMES | Markets
English Edition | Today's Paper

For SBI Card, spends have grown as compared to de-growth in credit card industry: Rama Mohan Rao Amara

ET NOW · Last Updated: Sep 28, 2022, 02:49 PM IST

SHARE FONT SIZE SAVE PRINT

Synopsis
"The contribution of corporate card spends for us has come down to around 15-16% in July and August which we want to take it back to the earlier levels or the BIU kind of levels of 22 to 25% over a period of time. We will keep a watch on the market share but we always aspire for sustainable and profitable growth."

"Both point of sale (POS) and online are doing well in a number of categories. For example, POS in categories like apparel, electronics, jewellery and furnishings are growing. Similarly, online, largely departmental stores. grocery, electronics, IRCTC NSE 0.51 % and even food ordering categories have contributed to growth," says Rama Mohan Rao Amara, MD & CEO, SBI Card.

"Both point of sale (POS) and online are doing well in a number of categories. For example, POS in categories like apparel, electronics, jewellery and furnishings are growing. Similarly, online, largely departmental stores, grocery, electronics, IRCTC, and even food ordering categories have contributed to growth," says Rama Mohan Rao Amara, MD & CEO, SBI Card.

While on a year-on-year basis we have seen a 45% growth in credit card spend, month-on-month, there has been a marginal decline of about 3%. How should we read this decline? Is it on account of corporate spend fluctuations or something else?

Industry spends constitute both retail and the corporate participants. While retail tends to be more stable as compared to corporate cards, corporate card spends are volatile and can change from player to player; even for a player, it can change in proportion.

We need not read much into this, particularly the movement of industry spending from July to August. It is only marginally 3% negative. But for SBI Card, spends have grown as compared to de-growth in the industry, largely led by higher transaction growth which attests to the fact that our growth is more on account of retail play rather than the corporate card spends.

Both point of sale (POS) and online are doing well in a number of categories. For example, POS in categories like apparel, electronics, jewellery and furnishings are growing. Similarly, online, largely departmental stores. grocery, electronics, IRCTC and even food ordering categories have contributed to growth.

We have heard a lot about new cards, offers etc. What is the trend that you are witnessing and what is the expectation for the festive season?

The festive season is definitely critical for the entire industry and SBI Card also positioned itself very well by offering. We rolled out around 1,600 plus offers by partnering with both online and offline merchants across tier-1, tier-2, tier-3 towns. The idea is to give a rewarding experience to the customers and enhance their shopping experience during the festive period.

We are quite optimistic that this year around during the festive season, the industry spends will be much better than last year and so will be the case with SBI Card. We are very hopeful.

You talked about the transaction market share gain for SBI Card. Do you think that the market share will continue to improve from here because of introduction of new cards like Cashback SBI Card? What kind of target market share are you focussing on?

Corporate card spends will be volatile. They are more of a top line game rather than adding anything meaningfully to the bottom line as compared to retail. As stated in our June quarter results, we would like to have a calibrated play in the corporate card spends.

The contribution of corporate card spends for us has come down to around 15-16% in July and August which we want to take it back to the earlier levels or the BIU kind of levels of 22 to 25% over a period of time.

We will keep a watch on the market share but we always aspire for sustainable and profitable growth. We will Definitely make all the efforts to leverage the opportunities, have partnerships with the right partners, so that we can give a rewarding experience to the customer.

How about the number of card additions? SBI Card market share increased by 100 bps month-on-month but analysts believe that this is temporary and will drop off because of new guidelines in September?

Keeping the market share movement aside, I will talk about what has been our view around the growth. We articulated in the past also that we are targeting to improve the net growth which was hovering around 200,000 on an average a few months back. We wanted to ramp it up to 300,000 and so August we were almost there.

This is a culmination of adding more products, strengthening our digital acquisition channels etc but of course when the market share movement comes like the industry base got corrected on account of RBI's master direction which states that any card which is inactive for more than 12 months, will have to be closed in a month's time, unless we get an explicit consent from the customer to keep the card.

Different players are acting and taking their inactive cards out of the base. So will be the case with SBI Card during September but our card model being largely a fee-based cards traditionally, our per month active record is much higher. It hovers around 95% and that means inactive card portfolio is only limited to around 5-6% at max.

So whatever needs to be taken out of this inactive base by September, we will do that action. So yes, for one or two months, the base may be volatile but we are focussing more on what is our aspiration for the net growth because market share is an output but the determining factor will be the net growth we are targeting.

Is the MDR risk is now completely over because it has been a key overhang? Do you think that investors now should assess that risk as behind us?

I think the discussion paper has been released by RBI and that talks about various scenarios for various payment instruments including credit card. The additional costs for a credit card issuer as compared to debit card has been clearly mentioned in the discussion paper. I read it as more like an open minded, encouraging kind of feedback from all the stakeholders. By October 3, all the stakeholders will be submitting their feedback through the industry forums.Based on that RBI will evaluate and their final outcome will be based on that.

And what about the trends that you are seeing in spending? The average value per transaction, e-commerce spends and online spending categories?

I would like to focus on point of sale and online separately as that may bring about more nuances. Point of sale spends have been increasing. It has been a continuing trend since Q1. It is for SBI Card categories like apparel, electronics, furnishings, etc. The jewellery category has contributed well to the growth of SBI Card in the point of sale category. All the key spend categories have witnessed a growth higher than the pre-Covid levels, including travel and entertainment.

We think that because of the festival season, there is a scope for good contribution from the point of sale category. Online spending continues to be robust. For SBI Card categories like electronics, departmental stores, grocery, railways and food ordering categories have contributed well. Here also in all the categories, it has crossed the pre-Covid levels barring international travel which is still slightly subdued but domestic travel, entertainment and hospitality have come back very strongly. These festive spends definitely add to the momentum. We are quite confident that the momentum will continue.

The new card tokenisation rules will also come into effect from October 1. What have been the big challenges for you and the industry at large? How is it likely to pan out?

We are prepared because we operate on four networks. All the technical integrations have been completed. We are ready. Our hunch is the entire ecosystem is also ready but with any significant change being introduced in the system, there can be some minor hiccups here and there. But this will catch up and it will stabilise, particularly when the major aim is enhancing the security or safety of the customer. We are prepared and it will be a smooth journey. That is our view.