

ASSESSING THE CONTEMPORARY LANDSCAPE OF CREDIT CARDS

Kaustubh Joshi | December 30, 2023

UPI, considered a groundbreaking innovation, facilitates seamless payments by scanning a code or entering a PIN on a mobile device. However, the notion that UPI will replace credit cards is flawed. UPI functions more akin to a **debit card** than a credit card. It simplifies payments by instantly debiting funds from the user's account, similar to debit card transactions. In contrast, **credit cards** involve borrowing money from banks to make purchases and require repayment after a specified period (typically a month to 45 days), unlike UPI or debit cards, where transactions deduct funds at the time of purchase.

Let's delve further into the world of credit cards and understand where we stand. With rising awareness and adoption of credit in general, credit cards have become a mainstream product for transacting. According to Paisabazaar's latest report, nearly **40%** of consumers took their first credit product before turning 25. This shows the successful and growing adoption of credit cards especially in the younger age group.

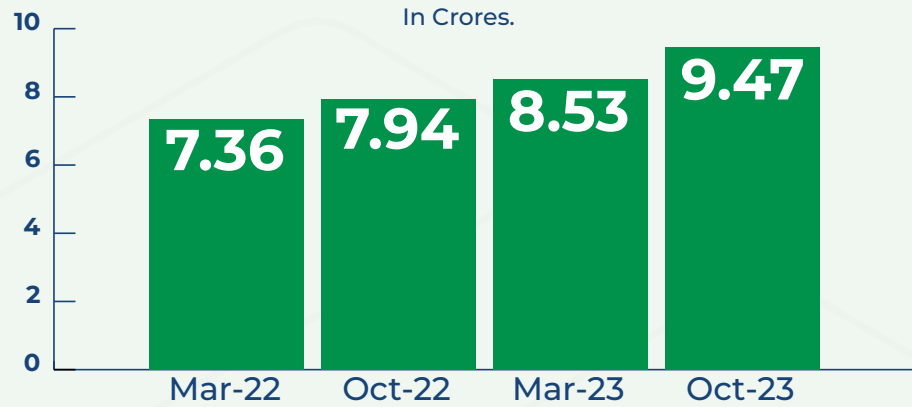
Age at which consumers take first credit product

Source: Paisabazaar



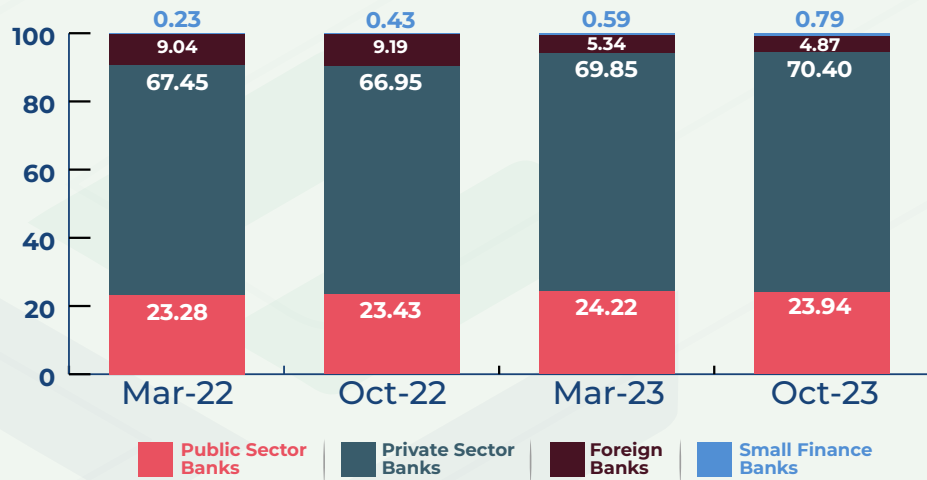
India is steadily progressing towards achieving a remarkable milestone of **100 million** credit cards in 2023. In April 2023, the count of **Credit Cards In Force (CIF)** soared to a record-breaking **86.5 million**, reflecting a significant increase in the number of cards circulating. As of Oct-23, the outstanding cards count **94.7 million**.

Outstanding Number of Credit Cards



Source: Indus Equity Advisors

Market Share % of Outstanding Credit Cards

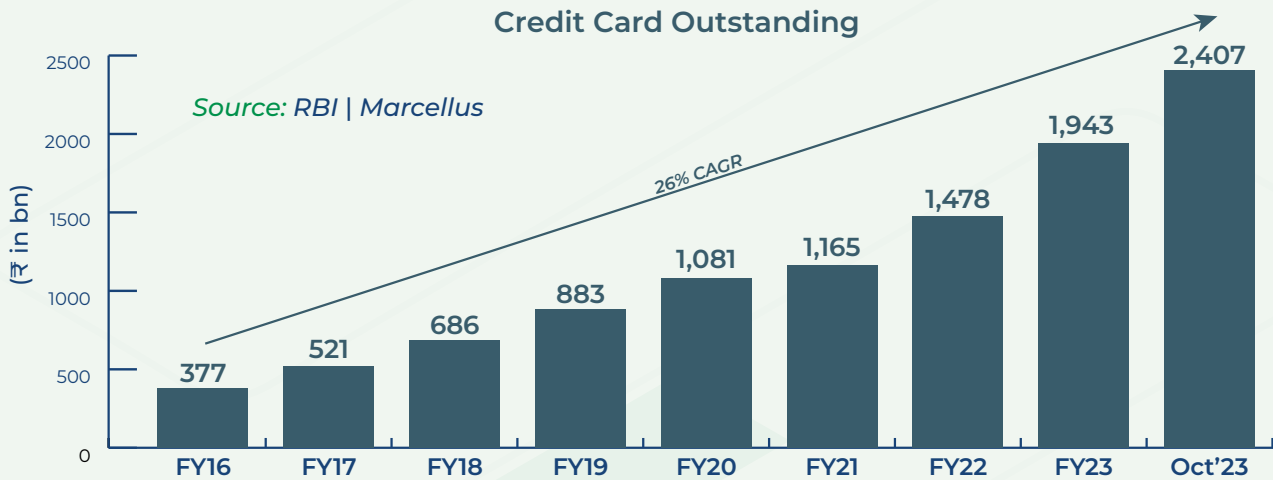


The dominance in credit card outstanding is led by **Private Sector Banks**, commanding a market share of over 70%. They are followed by **Public Sector Banks**, accounting for approximately 24% of the market. **Foreign Banks** hold around 5% of the market share, while **Small Finance Banks** represent approximately 1% of the credit card outstanding market.



The top five players with the highest market share in credit card outstanding in India are led by **HDFC Bank**, holding the largest share at 20.26%. **SBI Cards** follows closely behind with a share of 19.08%, while **ICICI Bank** accounts for 16.90%. Additionally, **Axis Bank** holds a notable share at 14.04%, and **Kotak Mahindra Bank** rounds off the top five with a share of 5.99%.

In India, the credit card outstanding has grown by over **26% CAGR** to ₹ **2,407 billion** over the last 8 years. This is another indicator of the popularity and wide acceptance of credit cards in India. Credit cards are one of the few lending products that have grown over **20% CAGR** consistently for the last 8+ years.



Market Share in Monthly Value of Transactions (%)

Total Credit Card Outstanding

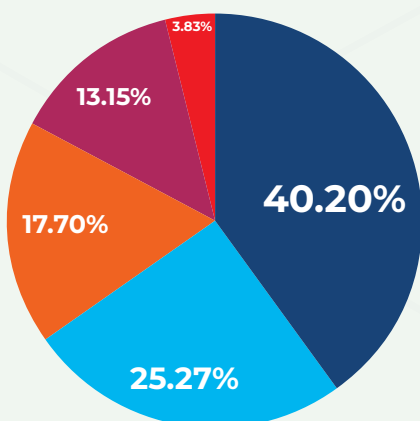
	Mar'20	Mar'21	Mar'22	Oct'22	Mar'23	Oct'23
HDFC BANK	29.72	29.08	26.60	29.09	27.42	25.31
SBI	18.77	18.26	19.04	18.04	17.92	19.81
ICICI Bank	13.15	16.47	19.32	16.76	17.43	19.10
AXIS BANK	9.77	9.12	8.75	8.76	11.97	12.16
kotak	2.85	2.27	2.68	3.22	3.66	4.01

Individual Player Market Share in TOP 5 Players

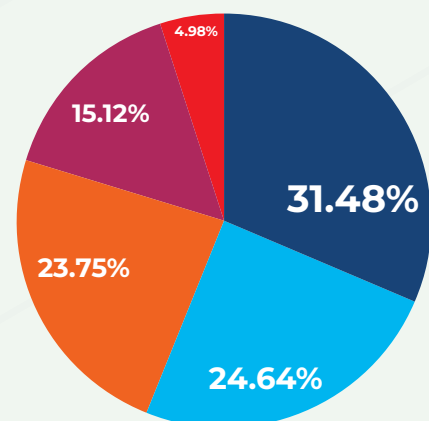
Monthly Value of Credit Card Transaction

Source: Indus Equity Advisors

March 2020

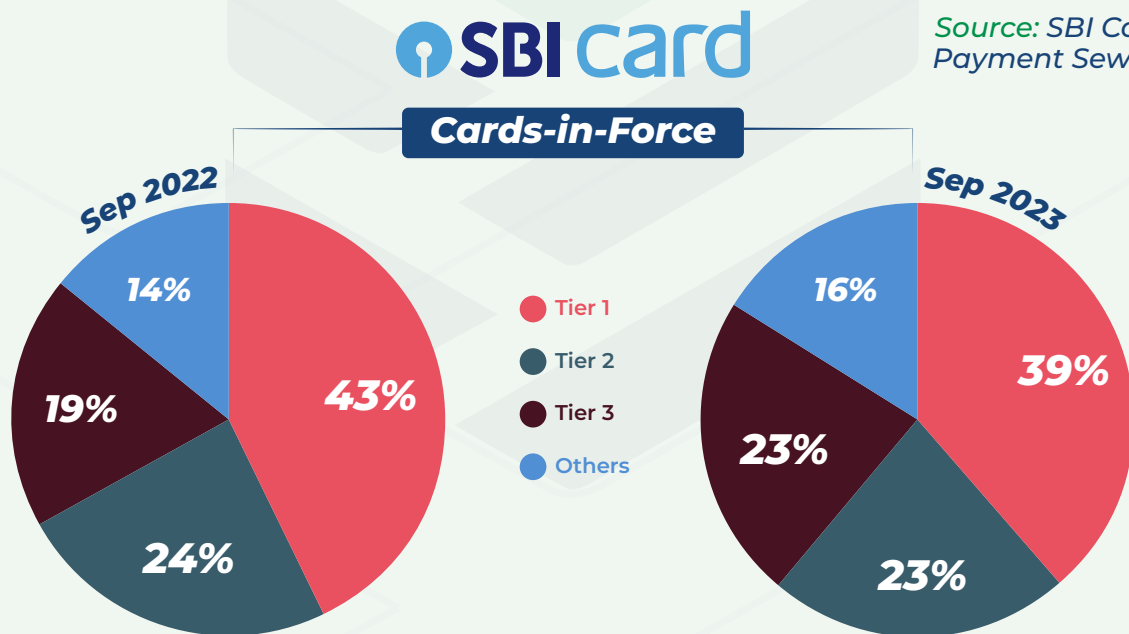


October 2023

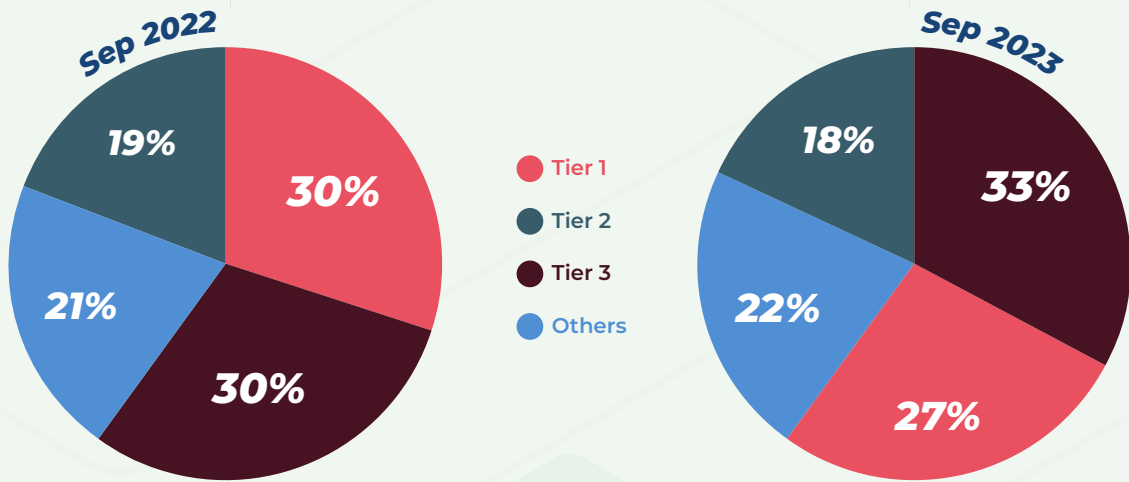


For credit card users who follow industry news, it's apparent that banks are aggressively vying to **capture market share**. Interestingly, the industry leader has witnessed a decline in its market share of **monthly spending**, dropping from around 30% to approximately 25%. Meanwhile, banks like **Axis** and **Kotak** have been consistently gaining ground, steadily increasing their market share. The market share of **ICICI Bank, Axis Bank, Kotak Bank** among the top 5 players in monthly spending has risen, contrasting with **HDFC Bank**, the leader, which decreased from 40.02% to 31.48%. Similarly, **SBI Cards** holding the second-place, also experienced a decline, dropping from 25.27% to 24.64%.

The data from September 2023 presented in the chart reveals an **upward trajectory** in the market share of **Tier 3 cities**. **SBI Cards**, the industry's second-largest player, witnessed a decrease in **Cards In Force** within **Tier 1 cities** from 43% to 39%, while experiencing a rise in market share for Tier 3 cities, which increased from 19% to 23%. This trend persists in the **New Sourcing** of credit cards, with Tier 1 cities' market share decreasing from 30% to 27%, while Tier 3 cities' share increased from 30% to 33%. These figures indicate a **notable shift** in focus by the company towards cities beyond Tier 1, **mirroring** a broader industry-wide trend.



New Sourcing



In conclusion, the credit card industry has experienced significant growth in the past and is **poised to sustain this momentum** in the future. This growth is fuelled by factors like **rising disposable income, urbanization trends, and the increasing consumer awareness** of financial products. Together, these elements play a pivotal role in the continual **expansion and advancement** of the credit card market.

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