Credit Card Market in India

Introduction

Credit card is a financial instrument though which its customers can pay at merchants and withdraw cash up to a certain limit assigned to the customer for a given period of time.

Basically it's a loan which is interest free if paid in the due time. This interest free period can go up to 50 days depending upon the transaction date and billing date

Basic features
- Interest free credit period
- Joining & renewal charges
- Rewards/cashback on spends
- Quick EMI options
- Cash withdrawal

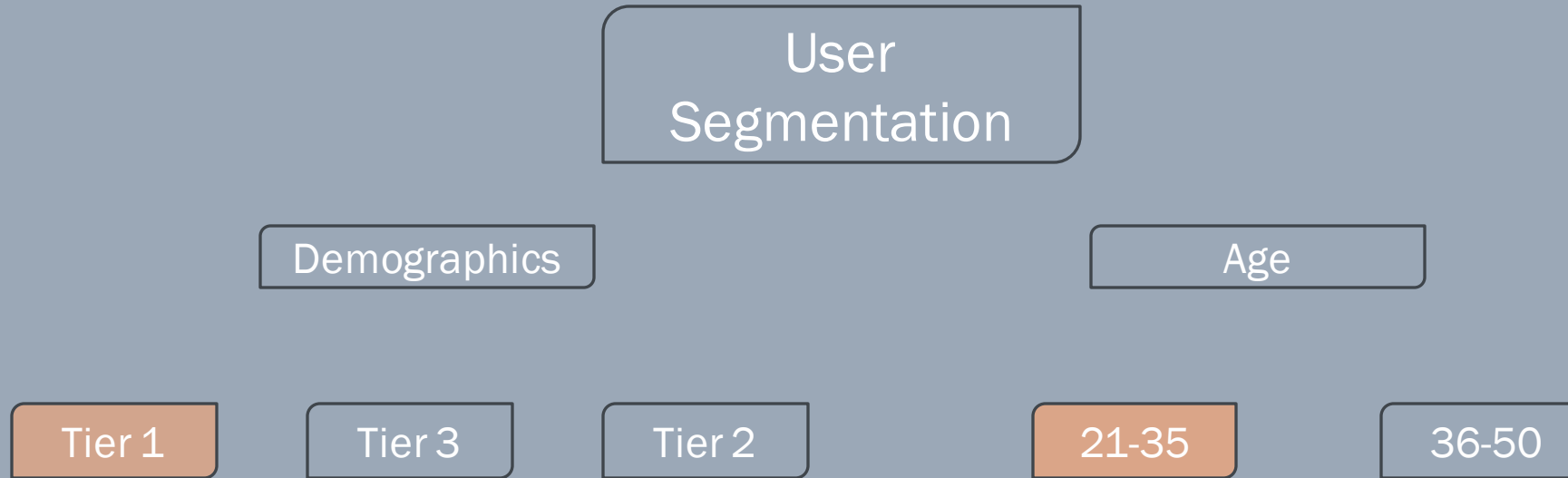History
- ➢ Frank McNamara, a New York business man was once dining but realised he had forgotten his wallet
- ➢ This led to the first credit card introduced by Diners Club in 1950
- ➢ India got its first card in 1980

Current Market Scenario

o India has about 5.5% population holding credit cards   - Forbes June 2023
o This is way lower than than many developing countries
o Benchmark set by World Bank is 30%

User Segmentation

Demographics   Age

Tier 1   Tier 3   Tier 2   21-35   36-50

- 18 below are not eligible for a credit card
- Most banks have an age eligibility criteria of above 21 or above
- More developed cities have higher credit card acceptance and high earning residents
- The millennials are more tech savvy and enthusiast about credit cards

Reasons for Slow Growth

The eligibility criteria and process to apply (though improved in recent years)

Most people don't get the maths of card charges and benefits

Prime focus on high earning individuals and negligence of tier 1 & 2 cities

Bank officials and third party agents often skip the usage terms and guidelines

Rapid growth of BNPL(buy now pay later) services

Internet growth was slow until JIO came up in 2016

Some merchants ask the customers to bear the MDR (1-4%)

Lack of awareness among people and bad experiences of other users

Possible Solutions

Why this problem now...refer tripadvisor ppt from nextleap

Education and Awareness

- Educate people about rewards and how can they optimise their spends

Focus on new market segments

- As per RBI data 65% credit card users come from tier 1 cities.
- Business credit cards

Tailored offering

- Personalised card looks and offers
- Spend based offers, festive bonus rewards and discounts

Collaboration

- Co-branded cards helps cater to the customer segment which might not be a credit card user but a regular customer of your partner company
- The marketing expenditures are bear by the partner company

Digital wallets

- Digital payment option using NFC through mobile wallets like Samsung pay, Apple pay, Gpay
- This attracts tech savvy and provides easy of leaving card at home

Transparency

- Bank officials or any agent processing the card application should clearly explain all the charges and terms of usage

Customer support and Banking Apps

- Banks have been constantly negligent of the support team they are employing.
- Providing a seamless banking application with most banking features will reduce the customer pain point of going to a bank branch
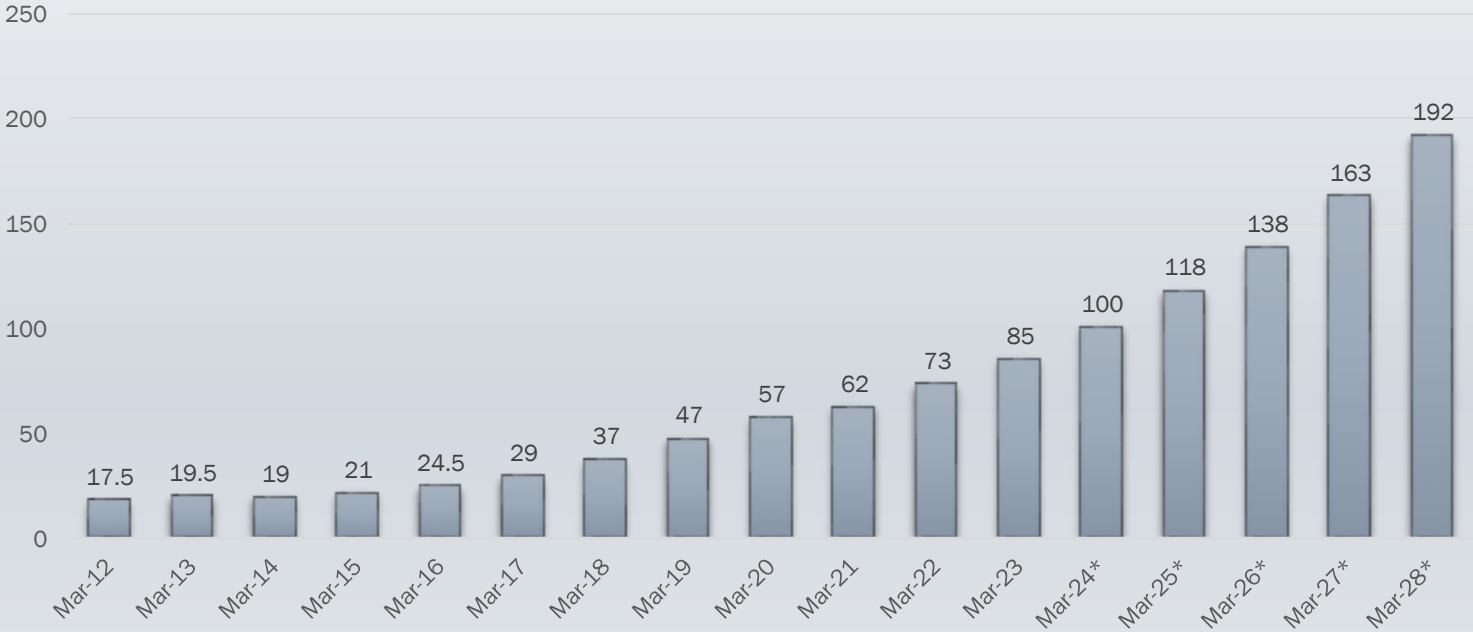
Forecasting

5 year forecasting (2024-2028) based on previous
12 year (2012-2023) data using weighted average

Weighted Average											
Periods	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11
Weightage %	1%	2%	3%	4%	5%	8%	11%	13%	15%	18%	20%

Years (2012-2028)	Active Credit Cards (in millions)	Growth % (YoY)
Mar-12	17.5	
Mar-13	19.5	11.43%
Mar-14	19	-2.56%
Mar-15	21	10.53%
Mar-16	24.5	16.67%
Mar-17	29	18.37%
Mar-18	37	27.59%
Mar-19	47	27.03%
Mar-20	57	21.28%
Mar-21	62	8.77%
Mar-22	73	17.74%
Mar-23	85	16.44%
Mar-24*	100	17.71%
Mar-25*	118	17.60%
Mar-26*	138	17.59%
Mar-27*	163	17.64%
Mar-28*	192	17.70%

Active Credit Cards (in millions)

Bar chart values: Mar-12: 17.5, Mar-13: 19.5, Mar-14: 19, Mar-15: 21, Mar-16: 24.5, Mar-17: 29, Mar-18: 37, Mar-19: 47, Mar-20: 57, Mar-21: 62, Mar-22: 73, Mar-23: 85, Mar-24*: 100, Mar-25*: 118, Mar-26*: 138, Mar-27*: 163, Mar-28*: 192

Volume of transactions

Weighted Average

Periods	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11
Weightage %	1%	2%	3%	4%	5%	8%	11%	13%	15%	18%	20%

Years (2012-2028)	Volume of tansactions (in millions)	Growth % (YoY)
Mar-12	29	
Mar-13	36	24.14%
Mar-14	46	27.78%
Mar-15	57	23.91%
Mar-16	73	28.07%
Mar-17	141	93.15%
Mar-18	176	24.82%
Mar-19	218	23.86%
Mar-20	165	-24.31%
Mar-21	189	14.55%
Mar-22	224	18.52%
Mar-23	264	17.86%
Mar-24*	311	17.83%
Mar-25*	365	17.25%
Mar-26*	427	17.18%
Mar-27*	502	17.37%
Mar-28*	586	16.82%

Volume of tansactions
(in millions)
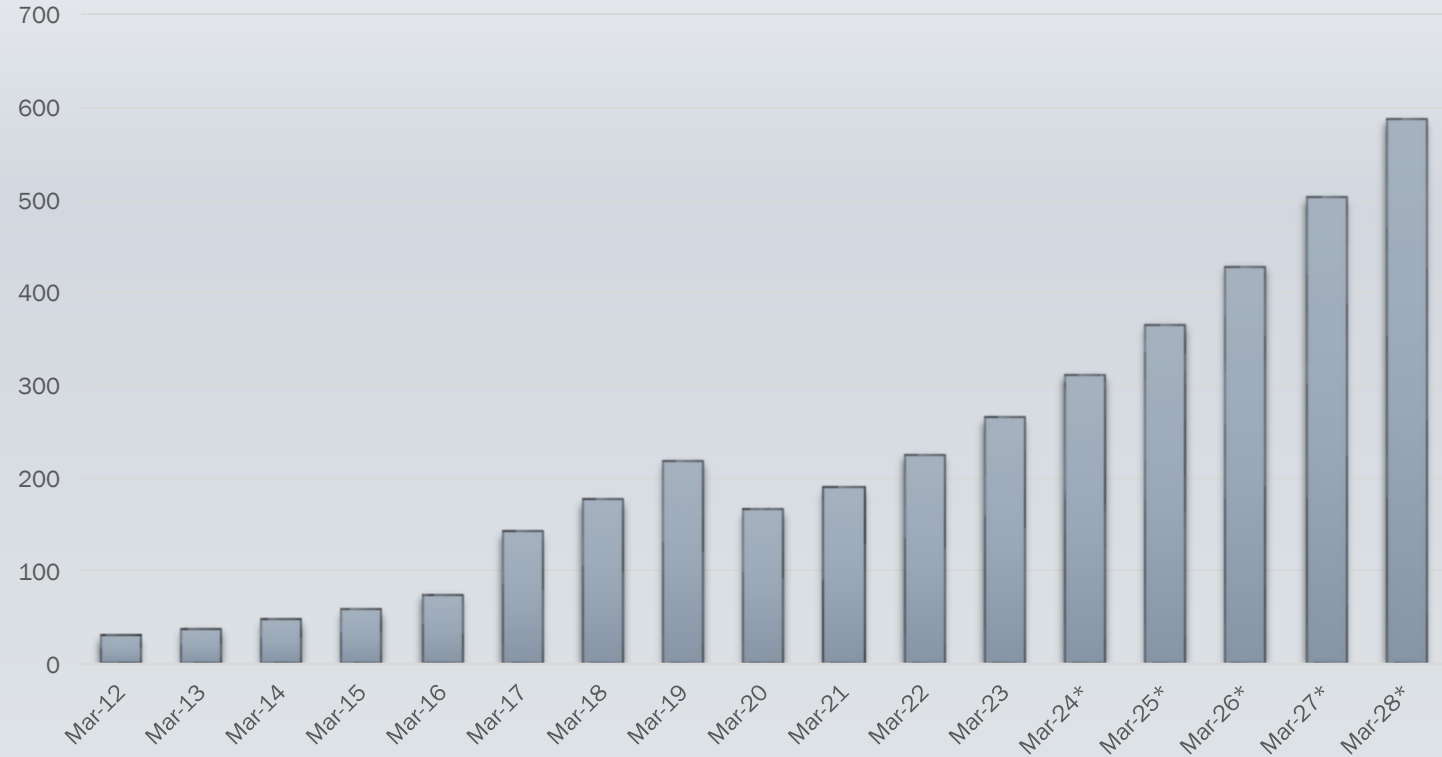
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Weightage %	1%	2%	3%	4%	5%	8%	11%	13%	15%	18%	20%

Years (2012-2028)	Values of transactions (in billions)	Growth % (YoY)
Mar-12	89.5	
Mar-13	112	25.14%
Mar-14	147	31.25%
Mar-15	181	23.13%
Mar-16	230	27.07%
Mar-17	459	99.57%
Mar-18	603	31.37%
Mar-19	731	21.23%
Mar-20	626	-14.36%
Mar-21	726	15.97%
Mar-22	1070	47.38%
Mar-23	1377	28.69%
Mar-24*	1753	27.27%
Mar-25*	2227	27.06%
Mar-26*	2838	27.47%
Mar-27*	3633	28.01%
Mar-28*	4636	27.58%

Values of transactions (in billions)