

**BANKING**

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**Card spends back to pre-Covid levels; stress to gradually subside****Key takeaways from our interaction with an expert on the credit card industry:****Vikesh Mehta**

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- India's credit card industry is poised to clock a 20-25% CAGR over the next five years spurred by multiple factors ranging from the push for digital payments to new underwriting methods.
- The thrust on digital payments by the government as well as RBI is providing an impetus to the issuance and acceptance of cards.
- In Oct'20, non-metros and smaller towns registered 23% YoY growth in new card issuances as compared to a decline of 10% for metros.
- The rising proportion of millennials (18-25 years) is yet another factor that would contribute to growth. This age group accounted for 14% of all new card issuances in FY20 as compared to a mere 1.6% in FY16.
- New underwriting methods made possible via alternative scoring and behavioural insights adopted by fintechs are helping to widen the target customer base.
- Credit card spend per month per card has grown consistently MoM since Apr'20. It reached pre-Covid levels of ~Rs 11k in Oct'20, registering sharp MoM growth due to the festive season.
- In order to address infrastructure constraints for digital payments in cities beyond tier-2, RBI has created a Payments Infrastructure Development Fund (PIDF) that will subsidise deployment of payment acceptance infrastructure. This will encourage issuers to deploy infrastructure in tier-3 to tier-6 centres.
- Pre-pandemic, the average GNPA ratio was 4-4.5% for credit card players. There was a temporary spike to 11-14% in Q2FY21 due to the loan moratorium and subsequent non-payment of dues.
- Q4FY21 / Q1FY22 should see visible green shoots in terms of lower delinquencies and write-back of losses, but GNPA's are expected to settle 100-150bps higher than pre-Covid levels.



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