

Credit Card Spending Growth Normalises Amid Rising Balances

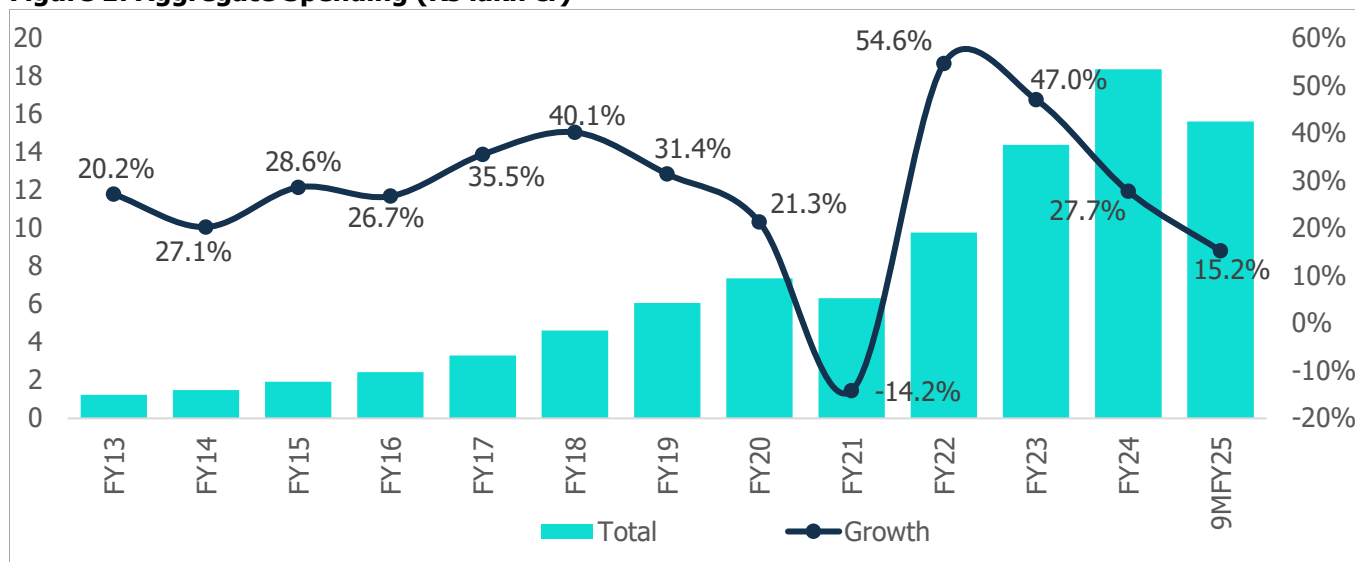
March 19, 2025 | BFSI Research

Synopsis

- Credit card spending has grown significantly from Rs 1.2 lakh crores in FY13 to Rs 15.6 lakh crores by 9MFY25 at a CAGR of 27.7%, reflecting a strong growth in consumer expenditure fueled by rising incomes, increasing credit card adoptions, growing digitalisation and economic expansion. This growth has been led by Private Sector Banks (PVBs). Meanwhile, the total number of outstanding cards also increased significantly from 2 lakh crore in FY13 to 10.8 lakh crore by 9MFY25, at a CAGR of 23.6%, with PVBs continuing to lead the way.
- The aggregate outstanding balance has expanded at a CAGR of 23.6% from FY13 till 9MFY25. The share of credit card outstanding balances has been consistently increasing over the years, rising from 2.8% in FY13 to 5.0% of the total personal loans/retail outstanding in 9MFY25, indicating the growing popularity of the mechanism and increasing reliance on unsecured credit.
- The asset quality of credit card portfolios has shown signs of strain, with GNPA's rising to 2.2% in Q2FY25 from 2.0% in Q2FY24. While overall stress remains below pandemic highs, mounting pressure in unsecured lending is evident, driven by increased spending, higher balances, and rising interest rates. PSBs continue to report significantly higher GNPA's at 12.7%, reflecting their broader credit distribution approach, whereas PVBs maintain stability at 2.1%, benefiting from a more selective customer base.

Credit Card Spending Grew Rapidly and is now Normalising

Figure 1: Aggregate Spending (Rs lakh cr)

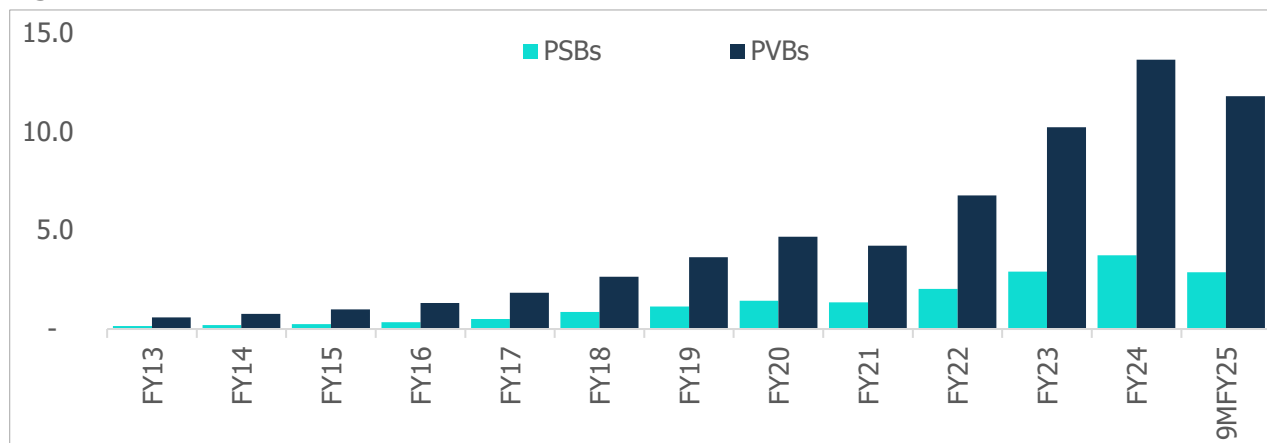


Source: RBI, CareEdge Calculations

- Total credit card spending has witnessed a significant uptick over the years, growing at a CAGR of 27.7% from FY13 to 9MFY25, fueled by rising incomes, increasing credit card adoption, rising digitalisation and economic expansion. The total spending has increased at a slower pace of 15.2% in 9MFY25 compared to

9MFY24. The outstanding balances have surged to Rs 2.9 lakh crore, reflecting higher transaction volumes and increasing credit usage.

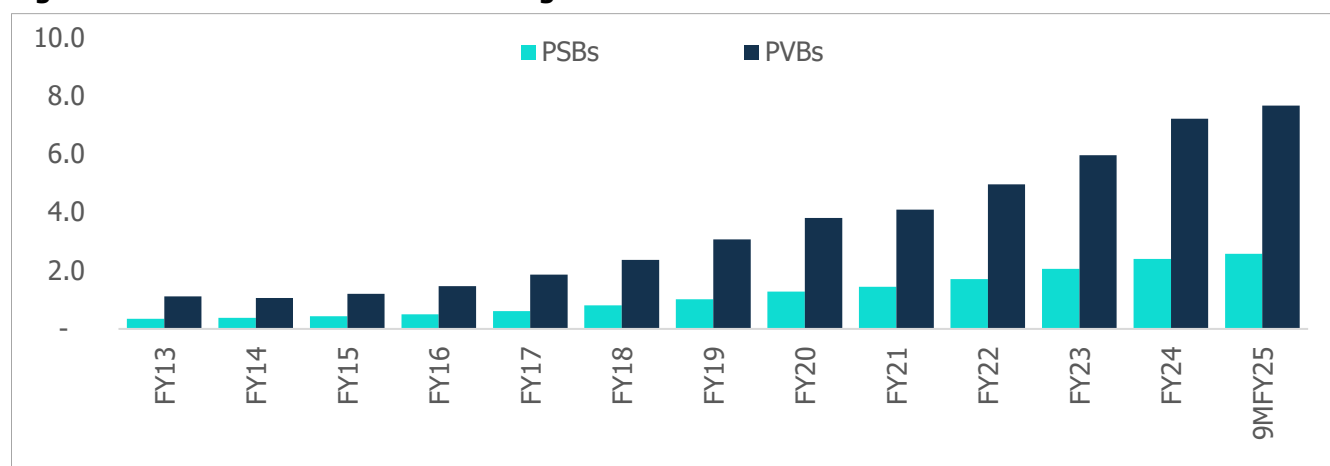
Figure 2: PVBs Hold a Dominant Share



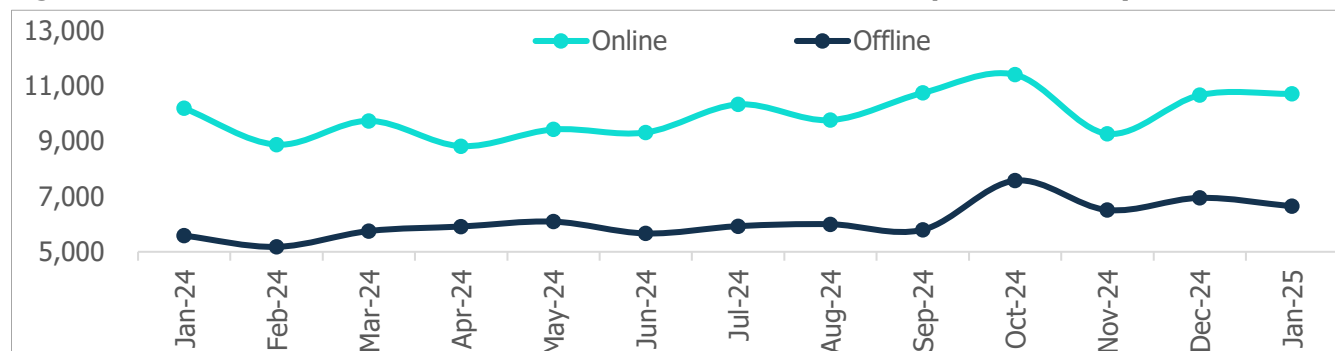
Source: RBI, CareEdge Calculations

- The outstanding number of credit cards increased from 9.8 crore in 9MFY24 to 10.8 crore in 9MFY25 (including foreign banks), reflecting a 10.4% year-on-year (y-o-y) growth, with PVBs leading the market at 7.7 crore and PSBs at 2.6 crore as of 9MFY25. While overall growth has moderated compared to the 20% expansion in FY24, PSBs registered a 10.6% growth rate, slightly outpacing PVBs, which grew at 10.7% (9MFY25 vs 9MFY24), despite PVBs maintaining a dominant market share.
- For PSBs, per-card spending dropped significantly by 16.0% to Rs 39,293 in 9MFY25 as compared to Rs 46,710 in 9MFY24, reflecting on a lower spending activity. However, issuances for PSBs increased from 2.2 lakh crore to 2.6 lakh crore, indicating a slight expansion in their customer base. On the other hand, for PVBs, the per-card spending increased marginally by 3.3% to Rs 55,400 in 9MFY25, compared to Rs 53,611 in 9MFY24, reflecting stable growth in their spending. PVBs have benefited from a stronger consumer base and seasonal trends, contributing to higher per-card spending. Additionally, the impact of portfolio acquisitions within the private banking sector has further supported this growth.

Figure 4: No of Credit Cards Outstanding on The Rise

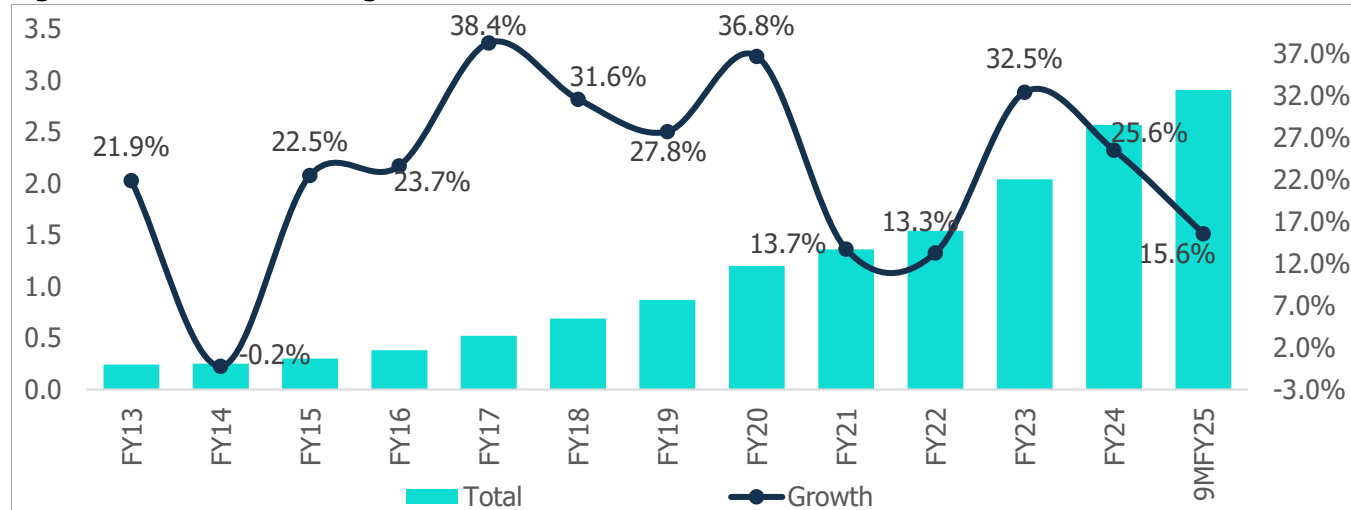


Source: RBI, CareEdge Calculation

Figure 5: Online vs Offline Transactions – Slowdown seen in Online Spends m-o-m (In Rs lakh crore)

Source: RBI, CareEdge Calculations

- The slowdown in online spending has been more pronounced compared to offline spending. Credit cards account for two-thirds of total online transactions, while debit cards make up the remaining one-third. Within the online transaction market, 85% of transactions are conducted via credit cards, whereas in offline transactions, credit cards contribute 65%.
- Online spending saw a 0.5% month-over-month (m-o-m) increase from Dec-24 to Jan-25, but this growth was notably lower compared to the 5.2% y-o-y increase from Jan-24. Offline transactions, although lower in volume, recorded a 2.0% m-o-m increase from Dec-24 to Jan-25 and a 19.0% y-o-y rise from Jan-24.

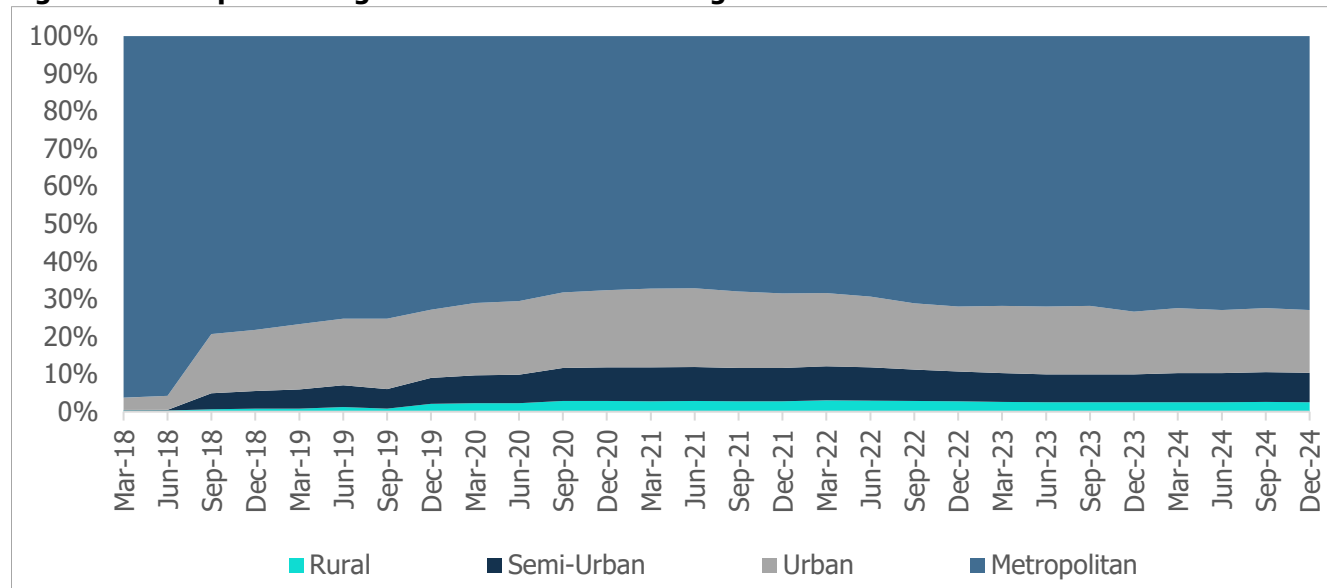
Outstanding Trends in Credit Cards**Figure 3: Total Outstanding Balances Rises**

Source: RBI, Total Excludes foreign Banks (FBs), CareEdge Calculations

- Total outstanding balances have witnessed a significant uptick over the years, growing at a CAGR of 23.6% from FY13 to 9MFY25. Overall outstanding credit card balances increased by 15.6% y-o-y and reached Rs 2.9 lakh crore in 9MFY25, which was slower than 32.5% in 9MFY24. This slowdown could be attributed to stricter lending policies by banks and delinquencies in the unsecured segments.

Region-wise Analysis

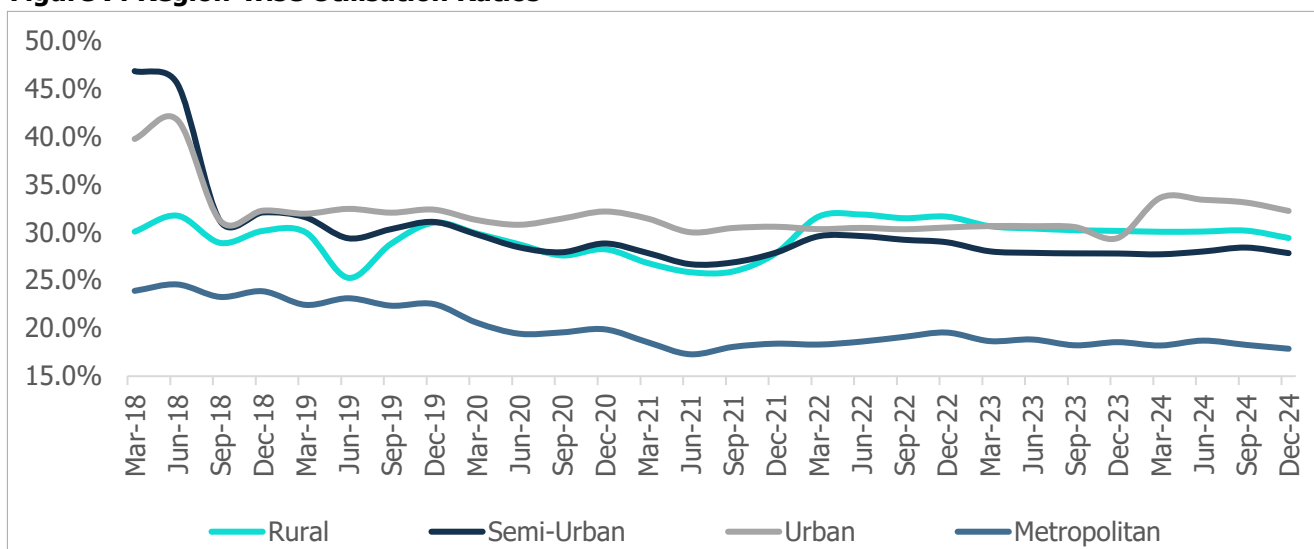
Figure 6: Metropolitan Region Continues to Hold Largest Share with Stable Utilisation Ratios



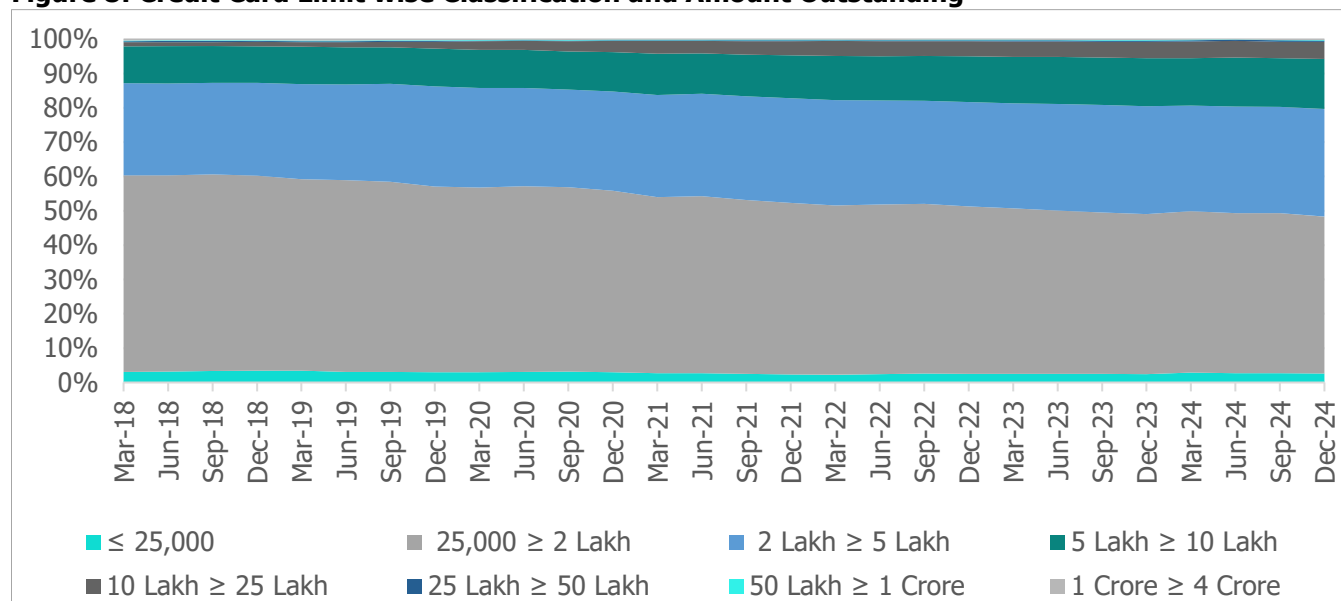
Source: RBI, CareEdge Calculations

- The limit utilisation of credit stands comfortably at ~20%. Metropolitan regions continue to dominate, yet their utilisation ratio remains relatively stable, likely due to their high credit limits. A slowdown in growth is evident in metro regions, which account for 80% of loans. Conversely, urban areas have seen a noticeable spike in their utilisation ratios (from 29.4% in December 2023 to 32.2% in December 2024), indicating a rise in credit dependence. The rising utilisation in semi-urban and rural areas signals deeper financial penetration, albeit with more variability in credit dependence.

Figure 7: Region-wise Utilisation Ratios

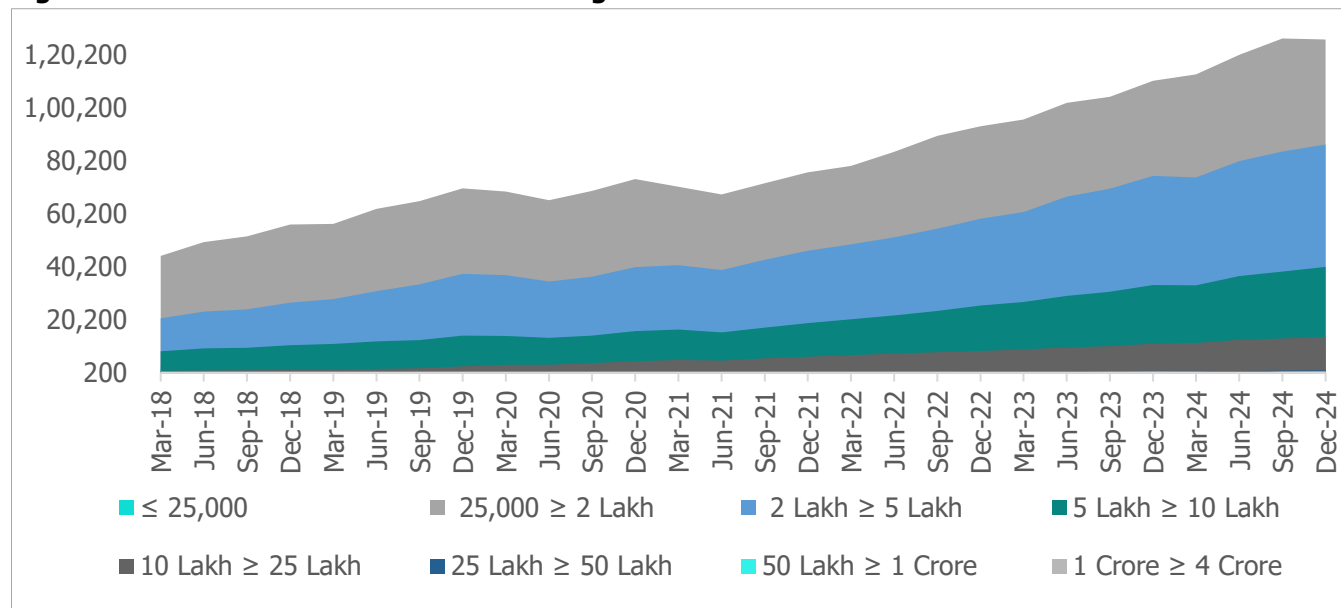


Source: RBI, CareEdge Calculations

Figure 8: Credit Card Limit wise Classification and Amount Outstanding

Source: RBI, CareEdge Calculations

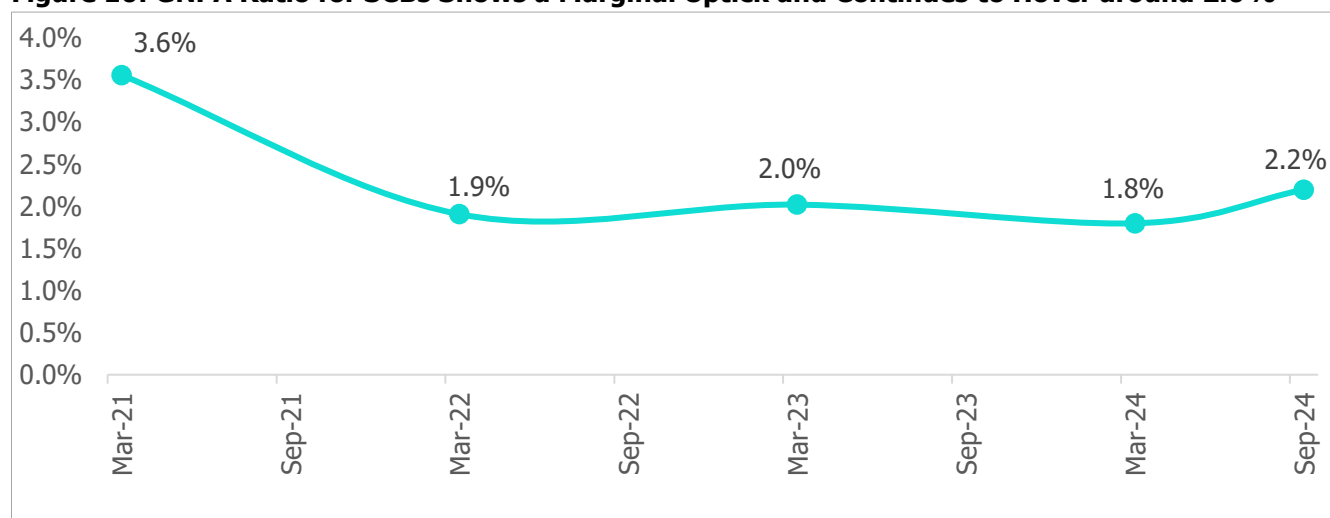
- Credit limits above Rs 25,000 up to Rs 2 Lakh constitute more than 50% of the market, holding the highest share of both credit limits and outstanding balances. As of December 24, the credit limit in this bracket had reached Rs 1.25 lakh crore, a 14.1% y-o-y increase, while outstanding balances had grown 15.8% y-o-y to Rs 0.86 lakh crore. Overall, credit card usage has expanded across all segments, with mid-to-premium categories driving the most significant growth.
- The distribution of credit cards by ticket size indicates that issuers are more inclined to provide cards with higher limits. Around 20% of outstanding credit cards account for 50% of total receivables. Meanwhile, 60% of all credit cards have limits ranging from Rs 0.025 to Rs 0.20 million, contributing 45% to the receivables book.
- The rise in credit limits across all regions suggests a steady increase in credit card issuance over the years. Metropolitan areas lead in both credit limits and utilisation (the lower, the better), indicating a larger number of cards and higher spending per card. Meanwhile, Rural and Semi-Urban areas show lower credit expansion, implying either a lower adoption rate of credit cards or more conservative spending habits. Overall, the correlation between increasing credit limits and utilisation trends confirms the expanding cardholder base and higher reliance on credit spending, particularly in Metropolitan and urban regions.

Figure 9: Credit Card Limit wise Outstanding No of Cards

Source: RBI, CareEdge Calculations

- The Rs 25,000 – 2 Lakh segment holds the largest share, indicating strong issuance in the mid-tier range. However, outstanding balances are disproportionately concentrated in higher-limit categories (above Rs 10 Lakh), suggesting that premium cardholders contribute significantly to receivables despite being fewer in number.

Asset Quality Declines but Stays Below Pandemic Highs; Trends Vary by Bank Type

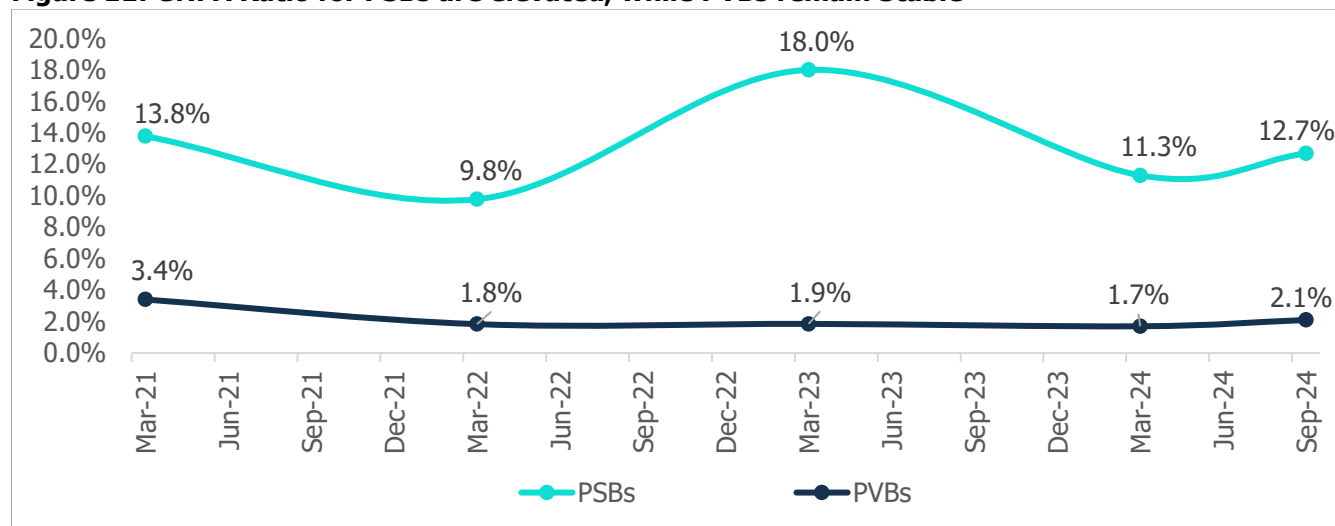
Figure 10: GNPA Ratio for SCBs Shows a Marginal Uptick and Continues to Hover around 2.0%

Source: RBI, CareEdge Calculations

- As of Q2FY25, GNPA in the credit card segments for SCBs stood at 2.2%, up from 2.0% in Q2FY24, reflecting a moderate rise in delinquencies, which remains below the pandemic level high of 3.6%. While overall GNPA levels for SCBs have remained stable at around the 2%-mark, recent trends indicate mounting stress in the

unsecured lending segment, particularly in the credit card sector. The increase in spending, higher outstanding balances, and rising interest rates have contributed to this pressure.

Figure 11: GNPA Ratio for PSBs are elevated, while PVBs remain Stable



Source: RBI, CareEdge Calculations

- As of Q2FY25, PSBs continue to exhibit a significantly higher credit card GNPA ratio at 12.7%, compared to PVBs, despite lower credit card issuance and spending trends. In contrast, PVBs have managed to maintain substantially lower GNPA ratios at 2.1%.
- The higher GNPA ratios in PSBs could be attributed to the more aggressive distribution of credit cards. Additionally, PSBs often aim to promote financial inclusion by extending credit to a broader segment of the population with limited credit histories. Meanwhile, PVBs typically target consumers with stronger credit profiles, contributing to their lower GNPA ratios.

Conclusion

The credit card segment has experienced significant growth over the years, driven by rising digital transactions, economic expansion, and increasing demand for consumer credit. While spending surged post-pandemic, the recent slowdown in total card spending and circulation reflects the impact of monetary tightening, elevated interest rates, and stricter lending policies. Despite this, outstanding balances have continued to rise, indicating an increase in consumer borrowing. PVBs have maintained a dominant position in the market, outpacing PSBs in both card issuance and spending while also exhibiting stronger asset quality. In contrast, PSBs continue to face higher delinquency rates. While online transactions continue to dominate, offline spending has shown resilience with steady growth. Overall, while credit cards remain a key component of retail lending, the rising delinquencies and slowing growth trends highlight the need for prudent credit expansion and effective risk mitigation strategies to ensure sustainable growth in the sector.

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