

● **INTERVIEW: PARAG RAO**, head, credit cards & payments business, HDFC Bank

‘We will launch virtual credit card on PayZapp’

HDFC Bank's PayZapp wallet will soon offer a virtual credit card and savings account-opening service to non-HDFC users, Parag Rao, group head for marketing, credit cards and payments business at the bank, told Shritama Bose. The bank is acquiring about 2.5 lakh credit card customers a month and plans to raise the tally by another 50%, Rao added.

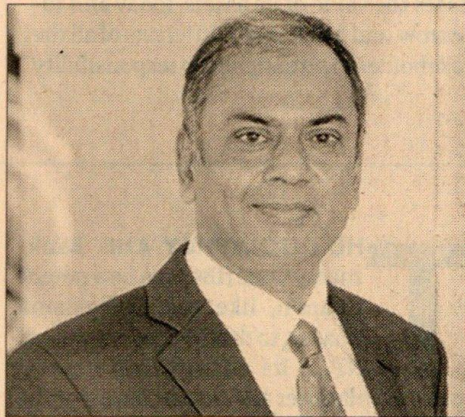
How have digital payments moved in the one year since demonetisation?

I think everyone knows the trends. Pre-demonetisation, if the levels of debit (card transactions) were at a monthly volume of x, then during demonetisation, it went up by almost 3x. Post-demonetisation, it settled down. It's now roughly around 2x. So, there has been a clear upside in terms of the number of customers taking on debit. Credit (cards) have seen a slightly different behaviour. If it was x, then it went up by about 1.3x — that's all. But, post-demonetisation, it did not drop. It continues to grow in a slow and steady manner.

Coupled with that — and this has nothing to do with demonetisation — the increase in credit cards across the industry, across geographies has happened for a couple of reasons. One, banks have got more aggressive. The credit appetite of people has gone up. Availability of data has helped. Also, credit card has emerged as a good, viable option for spending. Today, we are doing almost 2.5 lakh new credit cards a month and the idea is to take that up by another 50%.

How has the merchant acquisition grown?

On the merchant side, it's a similar phenomenon as debit. We saw a large number of merchants being acquired. In that period, the industry put in eight lakh PoS (point-of-sale) terminals, of which we did the highest number — around 2.2 lakh. Merchant volumes went up by almost 2.5x. Post-demonetisation, it came down a little and is now at 2x. This, too, I expect to continue growing. We continue to remain focused on expanding the merchant network. The nature of that expansion has changed. Earlier, we were doing



PoS machines, but now it's gone to digital also. We are trying to acquire merchants through our merchant app and DigiPoS.

Have you had to scale back any of the machines you put out during demonetisation?

I wouldn't call it 'scale back'; let me call it churn. During note ban, we put out some machines and we realised that for some merchants, the number of transactions is very low. We take them back and deploy them elsewhere. We constantly keep doing that. That's why we have a high active rate on our portfolio — 90% of our merchants being active.

New guidelines have come out for wallet issuers and some say that these will push non-bank wallets out. Do you agree?

The way we see it is that the prepaid wallet, as we know it, was just an interim measure. Prepaid wallets helped in expanding the market and getting lakhs of people to using the mobile as a mode of payment. Here on, we may see people trying to reduce the number of wallets they use or moving to bank wallets, where they also get an entire shopping experience. On PayZapp, we will soon launch a virtual credit card, where customers will get a credit line. Almost 50% of PayZapp customers are non-bank customers. For them, we will offer two digital products — online lending and savings accounts. We'll do an eKYC and make them our customers.