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India's Most Overlooked Savings Instrument Is Already in Your Wallet

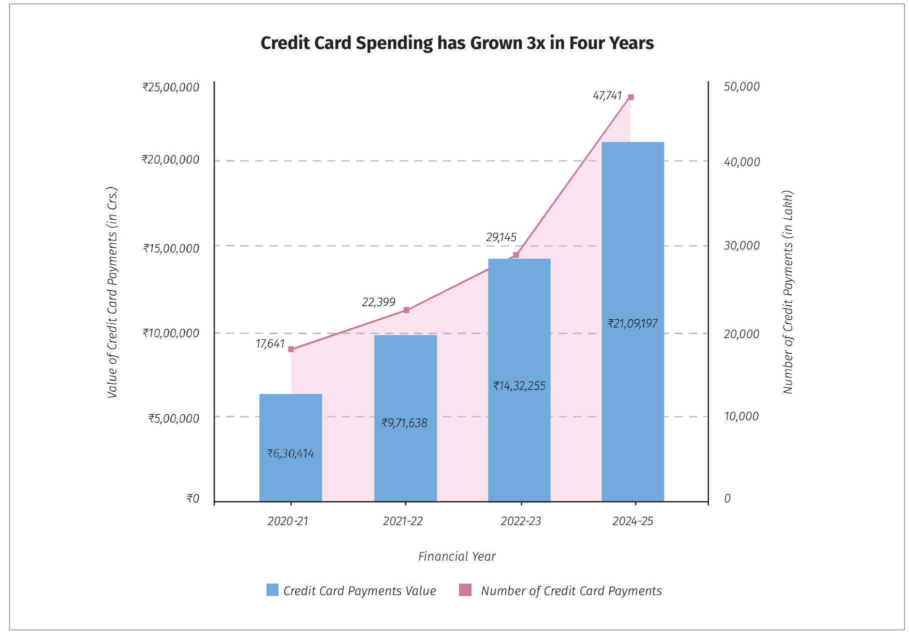
Credit cards have become one of the largest untapped savings instruments in Indian personal finance. A 1 Finance analysis of 129 individuals across income groups found that the average Indian credit card holder saves only about 4% of annual expenses through card benefits, less than half of the 10% they could realistically achieve with the right cards aligned to their actual spending.

At an annual spend of ₹8-15 lakh, the gap amounts to over ₹87,565 missed out on each year; above ₹15 lakh, that figure crosses ₹2 lakh.
For financial advisors, this represents a concrete, measurable opportunity embedded in nearly every client's income and expense plan, one that requires no change in lifestyle, only a more deliberate alignment between how clients spend and which card they use to do it.

India's Credit Card Adoption Has Outpaced Its Reward Literacy

Credit card adoption in India has grown at a pace few financial instruments can match. In FY2020-21, Indians used credit cards for transactions worth ₹6.3 lakh crore. By FY2024-25, that figure had risen to ₹21.1 lakh crore, more than three times in four years.

The number of credit card payments over the same period grew from 176.4 crore to 477.4 crore.



Source: 1 Finance Magazine, RBI, Payment System Indicators
Note: Data as of December 2025

The scale of usage, however, does not reflect a corresponding mastery of the product. Most cardholders treat credit cards as a payment mechanism rather than a savings instrument, and the financial consequences of that gap are substantial and consistent across income groups.

In practical terms, the credit card in a client's wallet is already generating value—the question is whether it is generating anywhere close to its potential.

How the Savings Gap Was Measured

To quantify the savings opportunity, 1 Finance studied the spending patterns of 129 individuals spanning annual income groups from under ₹5 lakh to over ₹1 crore. Each individual's actual bank and credit card statements were analysed, and spending was broken into seven categories over a 12-month period: shopping, food and dining, travel and leisure, grocery, utilities, fuel and transportation, and entertainment.

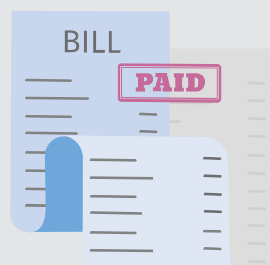
For each individual, actual spending was mapped to the most suitable credit cards available in the market by accounting for eligibility based on existing banking relationships, current card holdings, and salary, as well as rewards rates, cashback, milestone bonuses, and category-specific benefits. The card matching drew on publicly available reward structures from all major Indian issuers as of December 2025.

This exploratory study is not nationally representative, but the consistency of the savings gap across income groups, ranging from 7% potential at the lower end to 13.4% at the upper end, suggests the patterns are structural, not incidental.

Three assumptions underpin all projections in this article.

1

First, all savings figures assume full, on-time monthly bill payment. Revolving balances will incur interest charges that significantly erode or eliminate the benefits described.



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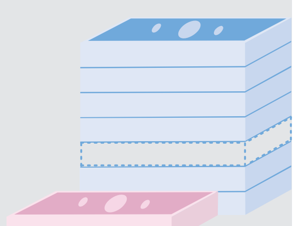
Second, savings are calculated at optimal redemption, i.e., travel bookings or select brand vouchers, not at catalogue rates, which deliver substantially less value per point.

3

Third, all savings figures are net of applicable annual and joining fees. Where a card carries an annual fee, it has been deducted from the projected savings.



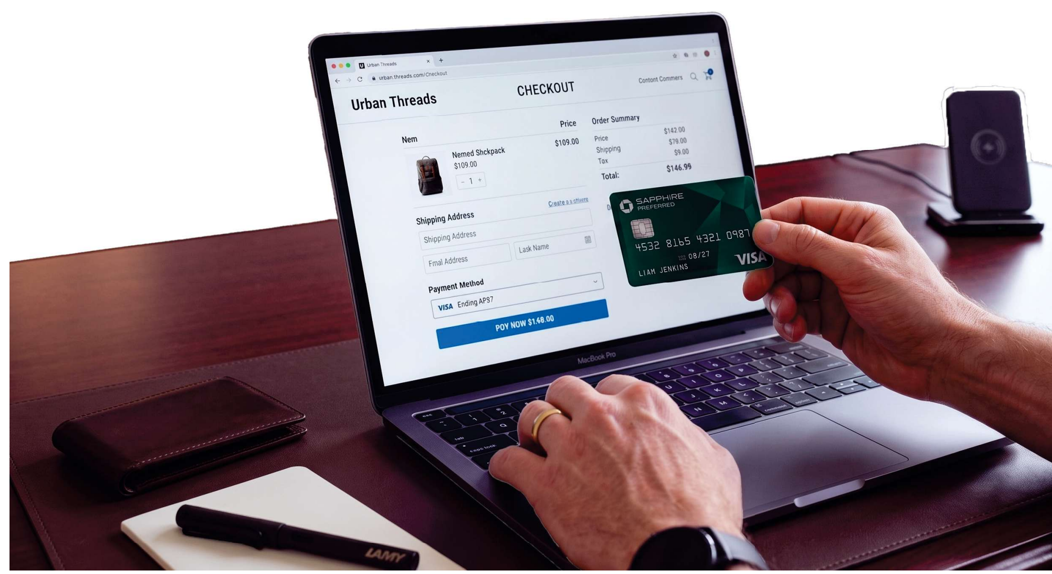
How Credit Card Rewards Actually Work

Before examining where the savings gap comes from, it helps to clear up a common source of confusion. Banks display reward rates in points: "10 reward points per ₹100 spent" or "20% reward points on dining". These are not rupee returns. The actual rupee value depends on the conversion rate: what 1 reward point is worth at redemption.

A card offering 10 points per ₹100 at a conversion rate of ₹0.25 per point delivers an effective return of 2.5%, not 10%. Across most Indian credit cards, the conversion rate ranges from ₹0.25 per point at the low end to approximately ₹1 per point at the high end. The effective rupee return on any card depends almost entirely on which redemption channel the cardholder uses. Statement credit redemptions sit at the lower end; travel bookings and partner transfers can reach the higher end. The savings figures in this study are calculated at optimal redemption, which is why the headline percentages are achievable, but only when points are exited through the right channel.

With that framing in place, most cards operate on two tiers. The base reward rate, typically 0.5% to 3.3% in effective rupee terms, applies to every transaction by default. Most everyday spending lands here, not because better rates are unavailable, but because the cardholder is not routing transactions through the channels that unlock the higher tier.

Accelerated reward rates are elevated rates, typically 2x to 10x the base, that activate when spending flows through specific categories, specific merchants, or the bank's own reward portals. A card might pay 1 reward point per ₹100 on general purchases, but 5 points per ₹100 on dining and 10 points per ₹100 on travel booked through the bank's portal. The effective reward rate on the same card can vary dramatically depending on whether the transaction is routed through a standard payment or an accelerated-reward channel. Identifying which spending categories qualify for these accelerated rates is the first step toward closing the savings gap.



A Simple Example That Shows the Difference

A cardholder uses their card to pay ₹1,000 at a grocery store directly. The transaction earns 2% reward points, a return of ₹20 on that spend.

However, if the same cardholder purchases a ₹1,000 grocery voucher through their bank's reward portal using the same card, the portal transaction earns 5x the points, a return of ₹100 on the same spend.

> *Same card. Same ₹1,000. Same groceries. Five times the return.*

Purely because of which channel was used. Portals such as HDFC SmartBuy, ICICI iShop and the American Express Shopwise portal extend this logic to shopping, dining, bill payments, and gift cards.

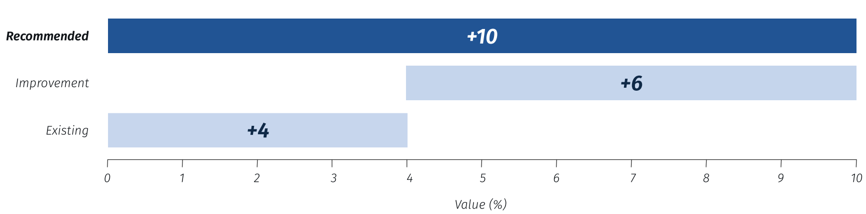
In each case, the card is the same instrument. The reward return is determined by how it is used. The question is not just which card a client holds; it is whether they are routing their spending through the channels that activate the card's accelerated reward rates.

The Savings Most People Are Missing

The findings show a consistent shortfall across nearly all income groups. On average, individuals in the study saved around 4% of annual expenses through existing credit card usage, with the majority of cardholders clustered in the 1–4% range. Only a few achieve the maximum savings rate their cards are capable of delivering.

When spending is matched to the right cards, the savings potential averages around 10%, while in some cases rising as high as 13-14%.

Savings More Than Double with The Right Credit Card



Source: 1 Finance Magazine

What Misalignment is Costing Clients Each Year

Savings potential is one way to frame the opportunity; the cost of inaction is often the more persuasive lens in a client conversation. The table below shows four representative annual spending levels. What clients are currently saving, what they could be saving, and the annual shortfall.

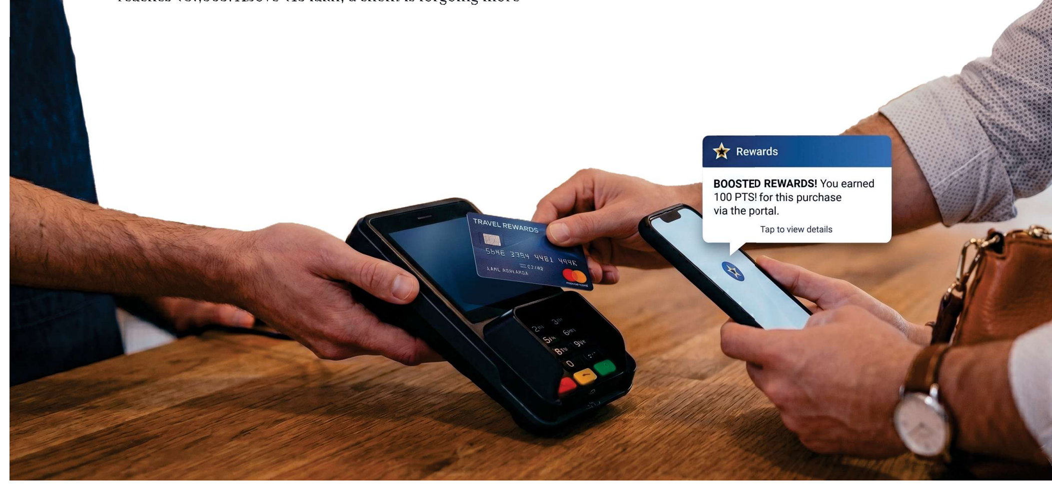
From our dataset, 92% of credit card holders are leaving substantial savings on the table mainly because their cards are not aligned with how they actually spend.

> *92% of credit card holders are leaving substantial savings on the table mainly because their cards are not aligned with how they actually spend*

ANNUAL EXPENSE BRACKET	POTENTIAL SAVINGS (%)	POTENTIAL SAVINGS	CURRENT SAVINGS (%)	CURRENT SAVINGS	SAVINGS LOST YEARLY
Under ₹5 lakh	7%	₹20k – ₹25k	4.7%	₹18k – ₹20k	₹4k – ₹5k
₹5 lakh – ₹8 lakh	10.6%	₹65k – ₹70k	4.1%	₹25k – ₹30k	₹38k – ₹42k
₹8 lakh – ₹15 lakh	12%	₹1.2L – ₹1.3L	3.5%	₹35k – ₹38k	₹85k – ₹90k
Above ₹15 lakh	13.4%	₹2.8L – ₹3.0L	4.2%	₹80k – ₹85k	₹2.0L – ₹2.1L

Source: 1 Finance Magazine

At up to ₹5 lakh in annual spend, the shortfall is around ₹4,540, noticeable but not alarming. For ₹8-₹15 lakh, it reaches ₹87,565. Above ₹15 lakh, a client is forgoing more than ₹2.06 lakh every year, simply because no one has mapped their credit card to their spending pattern.



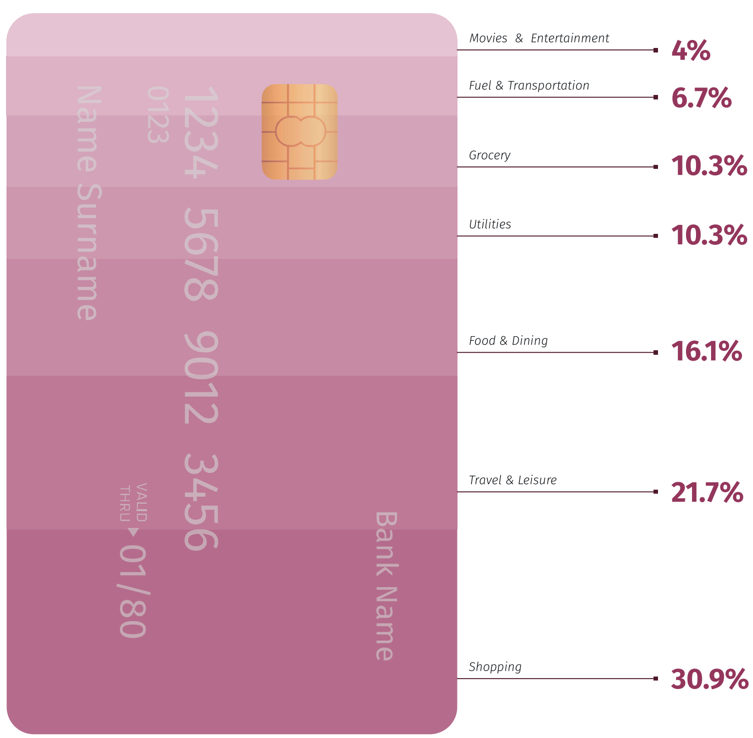
Where Spending Goes and Where the Rewards Follow

Data from the Household Consumption Expenditure Survey 2023–24 shows that non-food expenses account for 53% of total spending in rural areas and 60% in urban areas.

The 1 Finance spending analysis adds granularity to this picture: shopping accounts for 30.9% of total expenses, travel and leisure for 21.7%, food and dining for 16.1%, groceries for 10.3%, utilities for 10.3%, and fuel and transportation for 6.7%.

Shopping, travel, dining, and groceries are precisely the categories where credit cards typically offer accelerated rewards. Most individuals are already spending in the right areas. The opportunity lies in ensuring the right card is used for each category.

Note: It is important to note that this dataset represents urban individuals from an affluent middle-class background. As a result, spending on discretionary categories like shopping and travel is higher than the urban average reported in the Household Consumption Expenditure Survey.

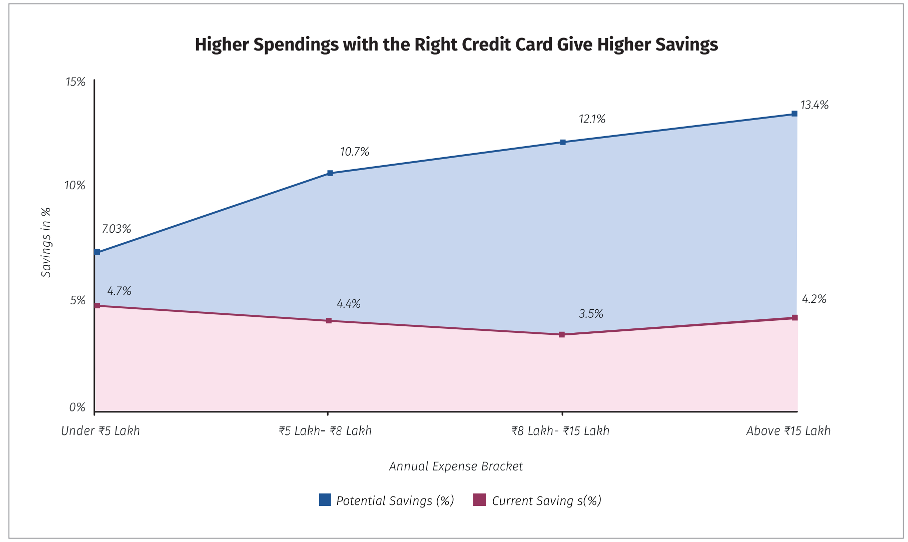


Source: 1 Finance

Why Higher Spenders Capture More Value

As annual expenditure rises, savings potential rises alongside it, driven by the milestone structure built into most premium credit cards. Milestone benefits are bonus rewards that a card unlocks once the cardholder crosses a predefined spending threshold in a predefined period. For example, bonus points worth ₹5,000 upon spending ₹5 lakh in a financial year. Many cards unlock their most valuable rewards only after such thresholds are met.

As spend increases, users begin crossing multiple milestones simultaneously, triggering bonus points, enhanced reward multipliers, and more valuable redemptions. The table below captures this across four spending brackets.



Source: 1 Finance Magazine

The jump is sharpest between the sub-₹5 lakh and ₹5–8 lakh brackets, where the average savings rate rises from 7.3% to 10.7%. Beyond ₹8 lakh, savings climb to 12.1% and above ₹15 lakh to 13.4%. The pattern reflects the milestone structure of premium cards alongside the broader range of categories in which higher-spending individuals qualify for accelerated rewards.

Why Premium Cards Deliver More

Premium credit cards carry higher annual fees, a fact that leads many clients to dismiss them on first inspection as an unnecessary expense. For clients in higher spending brackets, the annual fee on a premium card is not a cost but a recoverable investment, offset several times over through category bonuses, milestone rewards, and travel and dining benefits.

The table below is drawn from an analysis of client spending and reward redemption data across card tiers, classified by annual fee bracket. Savings rates were calculated by mapping each individual's spending to the optimal card within their eligible tier. Those planning their spending to cross relevant thresholds capture more value than those who approach the card without a deliberate strategy.

CARD TIER	SAVINGS (MEAN)	FEE BRACKET
Entry-Level	4.2%	₹0 to ₹1,000
Mid-Tier	8.6%	₹1,000 to ₹5,000
Elite	11.4%	₹5,000 to ₹12,500
Elite Plus	14.3%	₹12,500+

Source: 1 Finance Magazine

For advisors, premium card recommendations should be led by the client's spending level, not their intuition about whether a fee is justified. For clients spending above ₹8–10 lakh annually, the data strongly supports an Elite or Elite Plus tier card as the primary instrument, provided the advisor also helps them reach the milestones that activate the card's highest-value benefits.

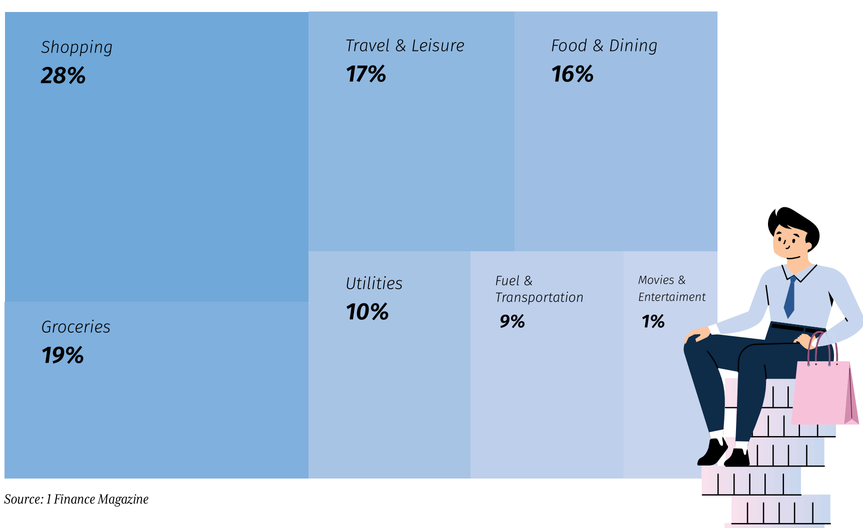
One Client, Twelve Months, One Lakh Saved

The following case illustrates how the analysis translates into a concrete, measurable outcome for a real client.

Ajay (the client's name has been changed for privacy) had annual expenses of ₹10.3 lakh, spread primarily across shopping, groceries, dining, and travel. He held two generic credit cards, and his effective savings rate was around 3-4% across the year.

When 12 months of transaction data were bucketed by category, the misalignment was clear: both cards offered flat or low reward rates across his highest-spending categories, and neither provided travel benefits despite travel representing a significant share of his annual outlay.

Ajay's Spending Distribution



Source: 1 Finance Magazine

A review of the spending pointed to a mid-tier rewards card, Card A, as the primary everyday card, selected specifically for its accelerated reward rate on shopping and its travel redemption multiplier.

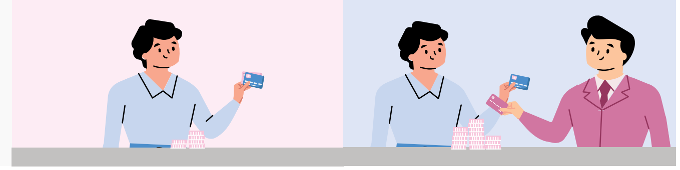
Aligned to Ajay's top spending categories, Card A alone was projected to deliver approximately ₹85,000-₹95,000 in annual savings, which is an 8.5% effective savings rate. Providing accelerated reward points for all major categories where Ajay spends (shopping, groceries and travel).

An existing Card X was retained for specific online purchases and can be used as a backup card where it offers an above-average return.

A second existing card, Card Y, returning an effective 1% across all categories, was recommended to be dropped entirely, as it was diluting the overall reward efficiency and increasing clutter.

Ajay's Savings Before vs. After Credit Card Optimisation

SETUP	BEFORE ADVISORY	AFTER ADVISORY
Cards	Card X + Card Y	Card A + Card Y
Estimated Annual Benefits	₹30,000 to ₹40,000	₹85,000 to ₹95,000
Net Savings %	3-4%	8.5-9%



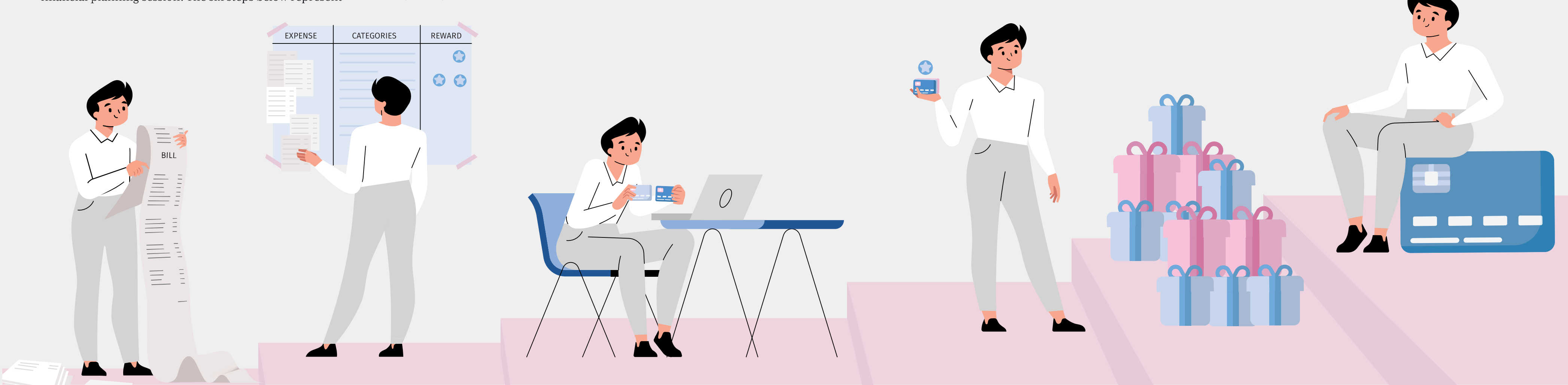
Source: 1 Finance Magazine

This was a structural fix that mapped Ajay's spending with optimal credit cards and eliminated cards doing the most damage. Ajay's savings rate doubled, not because he spent more, but because the same spending was routed through the right instruments.

The advisor's role throughout was mapping the spending, modelling the options, recommending the stack, and tracking the outcome.

How to Conduct a Credit Card Review

The opportunity is clear. The question is how an advisor actually conducts a credit card review within a standard financial planning session. The six steps below represent a repeatable process, which can be completed by reading the spending data and applying it to publicly available card information.



1

Review 6 to 12 Months of Spending Before Recommending

Advisors should request at least 6 to 12 months of transaction history before any card conversation begins. What matters is not just where the client spends the most but also which categories are consistent month to month versus seasonal. A client who books international travel twice a year has a very different card profile than one who travels domestically every month.

2

Categorise Expenses and Map Them to Reward Structures

Advisors should group spending into the seven primary categories and rank them by annual share. For most clients, two or three categories account for 60–70% of total spend and those alone should drive primary card selection. Advisors should also flag categories where the current card is underperforming relative to its own reward structure and identify value leaks where spend earns only base rewards and could be redirected to a higher-rate channel.

3

Build a One-to-Two Card Stack, Not a Collection

The first priority is a strong primary card aligned to the client's top two or three spending categories with a milestone structure they can realistically reach. Until that card is identified and approved, clients should continue using the card they already hold. A second card serves as both a backup in case the primary card is declined or temporarily unavailable, and for specific categories the primary card does not cover well. Clients should hold no more than one to two active cards. A larger collection fragments spending, delays milestone attainment, and creates unnecessary complexity.

4

Help Clients Reach Milestones Efficiently

Milestone bonuses are often a big component of annual card value on premium cards. Advisors can help clients reach thresholds without increasing budgets, often just by consolidating spend from debit cards or UPI onto the credit card. Bank reward portals (HDFC SmartBuy, ICICI iShop, and American Express Shopwise) offer 2x to 12x the base reward rate across shopping, dining, travel, and gift cards. A flight booked through a card's travel portal can earn five to ten times more points than the same booking made directly.

5

Guide Clients Towards High-Value Redemptions

Points redeemed for travel bookings or select brand vouchers return approximately ₹1 per point. The same points redeemed against product catalogues or statement credits return ₹0.15–0.20. Advisors should set the default to high-value redemptions at the point of card recommendation, not after. Point expiry dates should also be tracked; a reminder six weeks before expiry in the client's annual calendar is typically sufficient.

6

Position Credit Card Advisory Within the Broader Financial Plan

Credit card optimisation is most effective when framed as a cash-flow efficiency tool within the client's overall financial plan, one that lowers effective living costs and funds lifestyle goals through rewards. Clients who see their card stack as part of a deliberate strategy use it more intentionally. The advisor's framing should be simple: the spending is already happening. The question is whether it is generating the highest possible return.

The spending data, reward structures, and advisory framework mapped above form the factual foundation. But data alone does not settle every judgement call an advisor faces—whether a multi-card setup outperforms a single all-rounder, how to handle the risk that optimisation subtly encourages overspending, or where the redemption game truly breaks down for most clients. For those practitioner-level questions, we spoke with two experts.

Industry Perspectives

Tejas Ghongadi
Co-founder The Points Code

Q. Given that many people believe they can manage credit cards on their own, how do you justify the value of your service and bring clients on board for a paid credit card advisory?

A. We offer different services for different types of clients:

- For those who know how to earn credit card rewards but don't know how to redeem them, we offer a redemption assistance service.
- For those who understand the basics of credit cards but haven't explored high-reward options and don't know where to start, we offer personal consultation.
- For those who have access to top credit cards but have never explored them and want a consultant to manage everything, we offer credit card portfolio management services.

Across all these services, our goal is to ensure clients get 8–10x returns on the fee they pay us. We have been consistently delivering this for many years.

Q. Between earning more points, knowing which card to use, and knowing how to redeem accumulated points. Where do most of your clients fall short?

A. Without a doubt, redeeming accumulated points. The Points Code has given presentations across various forums showcasing the ideal way to earn and redeem points. During Q&A sessions, many participants shared that they redeemed their credit card reward points for statement credit, which is generally the lowest value redemption.

For example, someone redeemed 5 lakh American Express points for ₹1.25 lakh as statement credit (which also counts as taxable cashback when filing ITR). These points could have instead been used for a 5-night stay at a luxury resort in the Maldives or Dubai, worth ₹5–7 lakh. There are many possibilities with credit card reward points, including transfers to hotel loyalty programmes and airline frequent flyer programmes.

Q. Is one strong all-rounder card usually the right answer, or does a well-managed multi-card setup perform better?

A. Over the years, we have seen that there is no one-size-fits-all approach to credit cards, just like in personal finance. It is important that people start considering credit cards as part of their overall financial planning, as they can help save a significant amount of money over time.

Coming to the key question: a single well-chosen primary card is not always the best approach. We always advise against putting all your eggs in one basket. Card issuers are making terms and conditions more complex with multipliers and exclusions. It is important to understand the strengths and weaknesses of the credit cards you use.

An ideal setup would be 2–4 credit cards, depending on the amount and type of spending.

> *Unless a person has very high spending in that specific category or with that brand, a co-branded card is often not the best choice.*

Q. What is the actual test you apply to decide whether a co-branded card genuinely delivers for the cardholder?

A. Co-branded cards usually offer high rewards on one type of spending (often associated with the co-brand partner) and very average rewards on other categories.

Unless a person has very high spending in that specific category or with that brand, a co-branded card is often not the best choice.

Our approach is to keep reward points as flexible as possible. Many people do not realise that some premium cards offer similar or even better returns than co-branded cards for the same partners.

For example, the HDFC Infinia card can deliver 16%+ returns (in terms of flights and hotels) on Swiggy or Instamart, which is higher than the 10% rewards offered by the HDFC Swiggy co-branded card.

Q. A common concern financial advisors have about recommending credit cards is that it may encourage overspending or lead clients into debt. How do you address this, and where is the line between using a credit card well and using it badly?

A. As a financial advisor, you can usually assess a person's financial discipline. Someone who is financially disciplined will not overspend, regardless of the financial instrument they use.

The goal is to spend what you would already spend as part of your lifestyle, but to do so through the right credit cards and maximise rewards, such as funding your next vacation.

Note: This is an edited excerpt from our interview with Mr. Tejas Ghongadi.

Industry Perspectives

Kashif Ansari
Assistant Professor of Finance O. P. Jindal Global University

Q. The real value in premium credit cards often lies in transferring points to airline frequent flyer programmes or hotel loyalty schemes. For someone new to credit cards, how do you approach finding the best redemption, and where do most people go wrong?

A. The instinct to chase maximum value per point is understandable, but it is the wrong place to start. If points are dictating where you travel, you have stopped using the card and started being used by it.

The right approach is to decide where you want to go first, then work out how points can offset part of the cost. Fix a destination, plan a year ahead, and accumulate with that in mind. Burn it within the year — hoarding invites devaluation, and the value you saved for can disappear without notice. Early bookings also secure availability, which matters more than marginal point optimisation.

For those not interested in points and miles at all, high-cashback cards are the cleaner choice. The priority should be covering your highest-spend categories at the best available cashback rate, without the complexity of a redemption strategy. As spending grows and travel becomes more frequent, the case for points and miles can be revisited. Until then, the best credit card setup is the one you can manage without it becoming a second job.

Q. Reward points credited with a delay, accelerated earn rates that apply only on select platforms, milestone benefits that are easy to miss, terms that change without notice — what is your system for tracking all of this?

A. There are two honest answers: one for someone who does this professionally, and one for everyone else.

For a practitioner, much of it becomes second nature over time. Beyond that, a Notion file or Excel sheet tracking point balances, expiry dates, milestone progress, and delayed credit timelines is sufficient. The discipline is not in the tool — it is in remembering the provisions, which are genuinely the hard part.

For everyone else, platforms such as Magnifi and Safesage now handle a significant portion of this tracking and are worth considering if privacy is not a concern. A well-maintained spreadsheet works equally well if you prefer to keep it in-house. The deeper point is this: if the tracking overhead feels disproportionate to your goals, that is a signal to delegate the optimisation decisions to a consultant and focus your attention on the tracking side alone. The two are separable.

Q. The pursuit of reward points or milestone bonuses can subtly encourage spending beyond what a person would otherwise do. Where does smart optimisation end and counterproductive behaviour begin?

A. Credit cards are not suitable for everyone, and advisors are often well-placed to recognise this early. Two profiles should avoid them entirely: people who treat a credit limit as supplementary income and impulsive buyers susceptible to bank-promoted discounts on things they do not actually need.

Even for disciplined cardholders, lifestyle inflation is a real risk. As reward-earning becomes habitual, spending tends to follow. Manufactured spending — transactions structured to earn points rather than to meet genuine needs — is the extreme version of this. Indian banks have so far treated it leniently, with clawbacks as the typical consequence. That will change. Some issuers have already closed entire banking relationships when the behaviour was identified, and the regulatory direction is toward stricter enforcement.

The simplest safeguard is a moment's pause before any transaction: is this something you actually need? If yes, use the right card to maximise the return. If no, no discount changes the arithmetic – spending 30% less is always better than earning points on the full amount. Optimisation should follow spending, not drive it.

Q. You started with a single SBI SimplySAVE card, cancelled an HDFC Regalia over a ₹3,000 annual fee, and eventually held over 30 cards. What was the inflection point, the moment the logic of the system clicked and why do most people never reach it?

A. The inflection point was the COVID lockdown of 2022. With time on my hands and personal finance already figured out, I turned to credit cards as the next frontier. Within five days I had gone through over 200 videos and 50 articles. What became clear was that for my spending profile, a well-managed card stack could deliver 5–7% in savings. From there, the progression to 30-plus cards was driven by research, not lifestyle — holding a card is the only way to understand it from the inside, in the same way a phone reviewer holds 200 devices without using all of them daily.

Most people do not need to reach that point, and they should not try to. In practice, three to four cards cover 95% of spending for almost any profile at any income level. The goal is not the number of cards — it is identifying your spending profile, understanding which segment you fall into, and selecting the stack that matches it. That is where the value is, and it requires none of the complexity that comes with holding 30 cards

Q. A significant portion of India lives in Tier 2 and Tier 3 cities, where offline acceptance is thinner and voucher options are more limited. Does credit card optimisation still make a compelling case?

A. For Tier 2 and Tier 3 clients who do not travel frequently, cashback cards are the right answer. The earning mechanism is straightforward, the value does not depend on redemption strategy, and the infrastructure gap matters less.

The redemption concern is also less significant than it appears. Amazon and Flipkart are near-universal redemption partners and available in virtually every market. Where the gap shows up is in niche or brand-specific vouchers — those are genuinely less accessible outside metros.

For Tier 2 and Tier 3 clients who do travel regularly, points and miles remain entirely viable. The earning side may look different — more dependent on online categories and portals — but the redemption side is largely the same regardless of where the cardholder lives. The segmentation that matters is travel frequency, not city tier.

Note: This is an edited excerpt from our interview with Mr. Kashif Ansari.

Closing Note

Credit card optimisation is one of the easiest and most overlooked interventions available to financial advisors. A client spending ₹10 lakh a year who has never had their card stack reviewed is almost certainly forgoing more than ₹80,000 annually. The benefits exist. The gap is alignment.

The data in this study makes the scale of that gap visible: 92% of cardholders are underutilising their cards, and the shortfall rises sharply with income, reaching over ₹2 lakh per year for those spending above ₹15 lakh. The six-step review framework gives advisors a repeatable, evidence-based process to close it.

But as both practitioners we spoke with emphasised, the numbers alone do not capture the full picture. Redemption, not earning, is where most clients lose the most value. The moment a client begins spending to earn points rather than earning points on spending they would already do, the exercise becomes counterproductive.

The broader consensus is that a focused stack of two to three cards, aligned to a client's top spending categories and managed with discipline around milestones and redemption channels, captures the overwhelming majority of available value. The advisor's role is to build that alignment, track it, and ensure the client exits their points through the highest-value channels, not to turn credit card management into a second job.

Closing this gap is precisely the kind of specific, measurable value that distinguishes a comprehensive financial plan from a collection of product recommendations.

> *92% of cardholders are underutilising their cards, and the shortfall rises sharply with income, reaching over ₹2 lakh per year for those spending above ₹15 lakh.*

Disclaimer: Only a Qualified Financial Advisor can provide a comprehensive assessment tailored to an individual's specific circumstances. This is not an endorsement of any specific credit card or financial institution.