



## Payment Practices Barometer

International survey  
of B2B payment behaviour

Core results Asia-Pacific

Copyright **Atradius N.V.** 2012

## Atradius Disclaimer

This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.

<b>1</b>	<b>Executive summary</b>	
1.1	Introduction . . . . .	4
1.2	Conclusions . . . . .	4
1.3	Core results Asia-Pacific . . . . .	5
<b>2</b>	<b>Use of trade credit</b>	
2.1	Sales on credit terms . . . . .	7
2.2	Trade credit supply determinants . . . . .	9
<b>3</b>	<b>Credit management practices</b>	
3.1	Average payment terms (domestic/foreign) . . . . .	11
3.2	Early payment discounts . . . . .	13
3.3	Trend in the use of credit management tools . . . . .	15
<b>4</b>	<b>Customers' payment behaviour</b>	
4.1	Overdue B2B invoices (domestic/foreign) – Payment timing . . . . .	16
4.2	Main reasons for payment delays from customers . . . . .	19
4.3	Uncollectable receivables (domestic/foreign) . . . . .	20
4.4	Trend of payment risk over the next six months . . . . .	21
<b>5</b>	<b>Cash inflow monitoring</b>	
5.1	Average Days Sales Outstanding (DSO) . . . . .	23
5.2	DSO trend over the past year . . . . .	24
<b>6</b>	<b>Survey design</b>	
6.1	Survey background . . . . .	25
6.2	Survey objectives . . . . .	25
6.3	Structure of the survey . . . . .	25
6.4	Survey scope . . . . .	25
6.5	Sample overview . . . . .	25

## 1.1 Introduction

This report is a part of the 11th edition of the Payment Practices Barometer. It focuses on Asia-Pacific, examining the primary aspects of the region's trade credit supply and management, as well as the payment behaviour of its international and domestic Business-to-Business (B2B) customers.

The objectives of this report are to provide companies doing or planning to do business in Asia-Pacific with an understanding of the trade dynamics of the region. Without an accurate understanding of the payment practices of both domestic and foreign customers, companies can encounter serious cash flow problems that set their businesses back.

## 1.2 Conclusions

While, in general, the Asia Pacific region continues to fare better than its North American and European counterparts, it is clear from the results identified in this edition of the Payment Practices Barometer, that the continued issues in the Euro-zone and the US are having an impact on Asian businesses and prosperity.

One key indicator has been the increase in the average level of uncollectible receivables across the region for both domestic and international trade, showing a rise of 1.3% for each, when compared to the figures for 2011. However, the scope of difference between the eight countries surveyed is quite wide, ranging from increases in domestic debt levels of 2.4% and 2.6% respectively for Japan to more than 7.0% for Singapore and India.

Interestingly, Australia recorded the third highest level of foreign uncollectible receivables of 6.8%, while its domestic performance was notably better at 4.5%, putting it second to Japan.

Payment delays also featured significantly in the PPB survey, with around 30% of all B2B invoices being paid beyond their due date and more than 10% remaining unpaid after 90 days. However, behind these figures, there was a slight improvement over 2011's findings with domestic delays falling by 0.9% and foreign by 1.4%, producing results of 29.5% and 30.8% respectively.

Within these figures, again, Japan was the best performing nation, with less than 20% of its domestic and foreign invoices unpaid past due date while at the other end of the scale Hong Kong recorded corresponding figures of 34.3% and 36.3%. These results are well above the regional averages for Asia-Pacific, Europe and North America and suggest that payment defaults could increase in the future.

The volume of outstanding invoices that are paid late has also influenced the average DSO level across the region, which at 44 days is considerably higher than the average payment term of just below 32 days. Within the various business sectors studied, manufacturing recorded the highest DSO of more than 51 days, while financial services was the lowest at just over 32 days.

The report therefore looks at a series of key areas of trade credit and credit management policy of companies in Asia-Pacific, including the extent to which trade credit is granted to customers, the payment terms set for customers, the resultant incidence of late or non-payment, and the actions taken to mitigate payment risks.

However, during the past year, an increase in DSO was reported by more than three times as many respondents than those that experienced a decrease, with medium sized enterprises being the most affected by the change.

All of this leads businesses in the region to hold a rather pessimistic view of the prospects for payment risk over the next six months, with most expecting it to worsen. With the exception of Indonesia, 29.6% of the region's respondents are expecting deterioration in trade credit risk while only 26.0% are anticipating an improvement.

This again underlines the uncertainty within Asian businesses concerning the future of its export trade, particularly in view of the continued issues present in key European and North American markets.

While the PPB study found that foreign payment delays were primarily caused by complex procedures and inefficiencies in the banking system, it is liquidity constraints and cash flow issues that predominantly cause domestic delays. Given the high levels of export trade generated by Asia-Pacific businesses, it is arguable that some of the foreign payment delays are having a 'knock-on' effect on domestic payments and cash flow.

This, in turn, could be a contributory factor behind the finding that more than half of respondents are expecting to increase their check on buyer creditworthiness and trading history more frequently during the next six months to help limit their exposure to payment delays, bad risk and potential default.

Also, as 47.7% of domestic trade and 42.4% of foreign trade across the region is undertaken on credit terms, the importance of good credit management is vital especially in a more challenging commercial environment. With a significant proportion of businesses expecting an increase in secured payments, cash transactions and the use of active credit management during the next six months, clearly credit management and cash flow will become a key focus for companies of all sizes throughout the region. ■

## 1.3 Core results Asia-Pacific

### Sales on credit terms (2.1)

- On average, more than 2 out of 5 survey respondents in Asia-Pacific used trade credit in B2B transactions (an average of 47.7% and 42.4% of the total value of the B2B sales to domestic and foreign customers respectively was made on credit)
- On a country basis, the highest rate of trade credit usage in domestic B2B transactions was recorded in Japan, while the most open stance to granting trade credit in foreign B2B transactions was recorded in Hong Kong and Singapore.
- The services sector was the most inclined to use trade credit in B2B transactions domestically, as was the manufacturing sector internationally.
- Large enterprises surveyed made the most use of trade credit internationally, as did small enterprises domestically.

### Trade credit supply determinants (2.2)

- Overall, long-term trade relationships exerted the greatest influence on domestic (49.1% of respondents) and foreign (43.0%) B2B trade credit decisions of survey respondents in Asia-Pacific.
- All the other trade credit supply determinants examined by our survey were given a far lower weighting by respondents.
- Around half of the survey respondents in the wholesale/retail/distribution sector prioritised trade credit supply mainly as a tool to establish long term trade relationships, both domestically and internationally.
- Small enterprises were the keenest to grant trade credit to establish long-term trade relationships domestically and internationally.

### Average payment terms - domestic/foreign (3.1)

- B2B customers of survey respondents in Asia-Pacific were given an average trade credit term of 31.6 days (the same survey period in 2011: 31.4 days) from the invoice date to pay for their purchases.
- Trade credit terms extended to respondents' domestic customers were slightly shorter (averaging 30.9 days) than those extended to foreign customers (33.9 days).
- The manufacturing sector granted the most relaxed credit terms to their B2B customers, both domestically and internationally.
- Medium-sized enterprises extended the longest trade credit terms to domestic and foreign B2B customers.

### Early payment discounts (3.2)

- More than 55% of survey respondents in Asia-Pacific offered discounts for early invoice payment.
- Domestically, discounts offered were most frequently taken advantage of by domestic B2B customers of survey respondents in Hong Kong, and internationally by foreign customers of Australian respondents.
- The financial services sector was the keenest to offer discounts for early invoice payment, and the most successful in getting B2B customers to take advantage of such discounts.
- Large enterprises were the most active in offering discounts for early invoice payment. The offer of discounts was taken advantage of most often by the domestic B2B customers of micro enterprises and by the foreign customers of small enterprises.

### Trend in the use of credit management tools (3.3)

- Over the next six months, more than half of the survey respondents in Asia-Pacific anticipate an increase in checks on both buyers' creditworthiness and track record.
- A sizeable proportion of respondents expect cash B2B transactions, requests for secured forms of payment and the use of active credit management all to increase over the next six months.
- The manufacturing sector is the most likely to increase checks on buyers' creditworthiness the next six months.
- Nearly 3 out of 5 respondents from large enterprises anticipate an increase in checks on buyers' creditworthiness over the next six months.

### Overdue B2B invoices (domestic/foreign) – Payment timing (4.1)

- Overall, around 30% of the total value of B2B invoices issued by respondents in Asia-Pacific was past due.
- More than 10% of the past due invoices were still unpaid more than three months after the due date.
- The financial services sector recorded the highest percentage of past due domestic and foreign B2B invoices, as well as the lowest percentage of overdue invoices paid within one month of the due date.
- Small enterprises recorded the highest percentage of B2B invoices paid after the due date, and the lowest proportion of past due invoices paid within one month of the due date.



## Main reasons for payment delays from customers (4.2)

- In Asia-Pacific, domestic B2B customers delayed payments most often due to liquidity constraints, while payments from foreign customers were mostly delayed because of the complexity of the payment procedure and the inefficiencies of the banking system.
- Compared to the same survey period last year, there was an increase in the frequency of payment delays by domestic B2B customers due to liquidity constraints.
- The wholesale/retail/distribution sector was the hardest hit by payment delays caused by their domestic B2B customers having insufficient funds available, while the manufacturing sector suffered the most from delays in foreign payments due to the complexity of the payment procedure.
- Large enterprises were overall impacted most by delays in payment from both domestic and foreign B2B customers.

## Uncollectable receivables - domestic/foreign (4.3)

- An average of 5.3% (domestic) and 5.4% (foreign) of the total value of B2B receivables was written off as uncollectable.
- Compared to one year ago, there was an overall increase in the average proportion of uncollectable B2B receivables, but a better chance of collecting long overdue receivables arising from international than from domestic trade.
- The financial services sector recorded the highest proportion of uncollectable B2B receivables arising from both domestic and foreign trade.
- Medium-sized enterprises recorded the highest proportion of domestic and foreign uncollectable B2B receivables.

## Trend of payment risk over the next six months (4.4)

- With the exception of Indonesia, the percentage of respondents in Asia-Pacific (29.6%) expecting deterioration of trade credit risk over the next six months is higher than that of respondents anticipating improvement (26.0%).
- More than 2 out 5 respondents expressed the opinion that trade credit risk will not change over the next six months.
- Of all the business sectors surveyed, the manufacturing and the wholesale/retail/distribution sectors expressed the most pessimistic outlook for trade credit risk.
- SMEs expressed the most pessimism about the deterioration of trade credit risk over the next six months.

## Average Days Sales Outstanding (DSO) - (5.1)

- Businesses surveyed in Asia-Pacific posted an average DSO of 44 days - notably higher than the average payment term recorded in the region (31.6 days) - reflecting the volume of invoices that are paid late (see 4.1).
- On a country basis, respondents in Indonesia posted the highest DSO and Australian respondents the lowest.
- From a business sector perspective, the manufacturing sector posted the longest average DSO.
- Of all the business groups surveyed, medium-sized enterprises posted the longest average DSO.

## DSO trend over the past year (5.2)

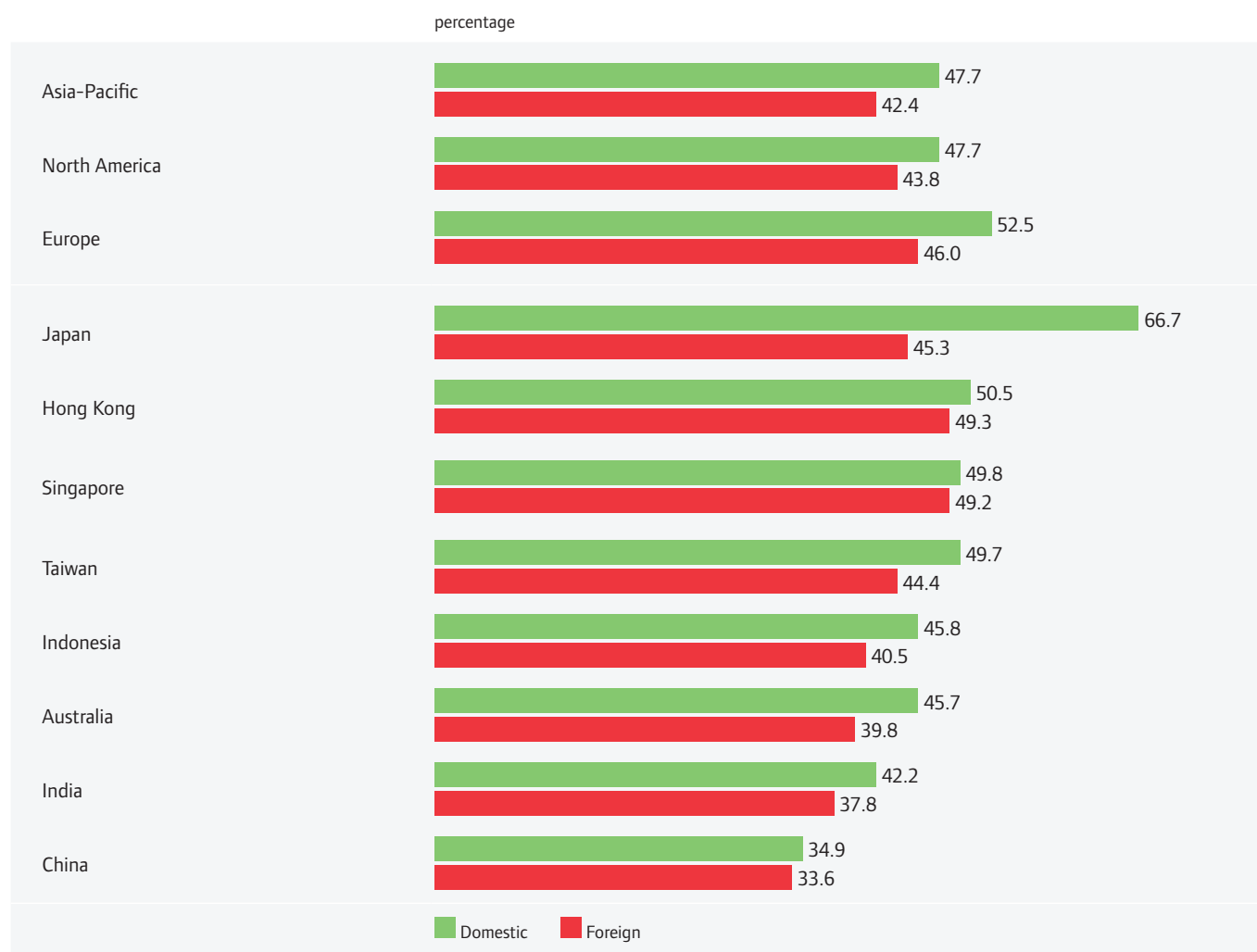
- Over the past year, nearly three times as many survey respondents in Asia-Pacific (29.2%) experienced an increase in DSO than saw a decrease.
- Around 3 out of 5 respondents reported no change in DSO over that same period of time.
- Both the manufacturing and the financial services sector were the most likely to experience an increase in DSO levels over the past year.
- Medium-sized enterprises were the impacted most by an increase in DSO levels over the past year. ■

## 2 Use of trade credit

- On average, more that 2 out of 5 survey respondents in Asia-Pacific used trade credit in B2B transactions with domestic and foreign customers
- Overall, long term trade relationships exerted the greatest influence on B2B trade credit decisions of the survey respondents

### 2.1 Sales on credit terms

#### B2B sales made on credit terms – averages (comparison by country)



Sample: companies interviewed (active in domestic and foreign markets)

Source: Payment Practices Barometer – November 2012

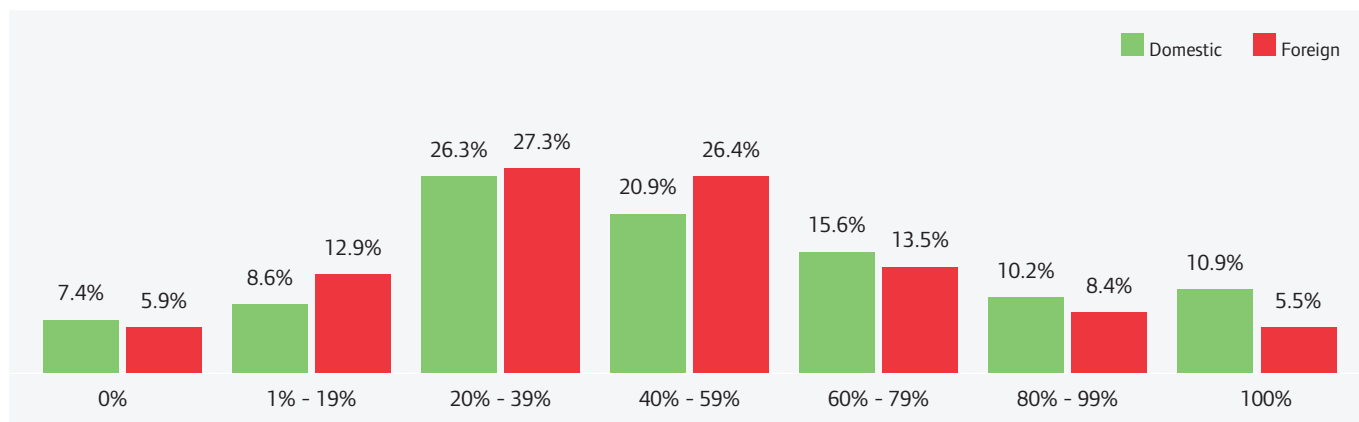
#### Overall

**On average, more that 2 out of 5 survey respondents in Asia-Pacific used trade credit in B2B transactions with domestic and foreign customers**

In their use of trade credit in B2B sales to their customers, survey respondents in Asia-Pacific were, on average, almost equally inclined to use trade credit domestically and internationally. This aligns fairly closely with our overall survey findings, in which 47.7% (domestic) and 42.4% (foreign) of the total value of the B2B sales was made on credit. The averages for North America

were 47.7% domestic and 43.8% foreign, and for Europe 53.9% domestic and 50.1% foreign. This suggests a relatively uniform perception of the trade credit risk of domestic and foreign B2B customers across the board. Some respondents in Asia-Pacific were completely credit averse: with 7.4% offering no credit to domestic B2B customers and 5.9% offering none to their foreign B2B customers respectively. In contrast, some respondents were completely 'trade credit-friendly', with 10.9% offering credit to all their domestic B2B customers and 5.5% offering credit to all

## Domestic/foreign B2B sales made on credit terms (by percentage of respondents)



Sample: companies interviewed in Asia-Pacific (active in domestic and foreign markets)

Source: Payment Practices Barometer – November 2012

their foreign B2B customers. Most survey respondents in Asia-Pacific fell in between the two and were very selective about which customers they extended trade credit to. 47.2% and 53.7% of respondents transacted 20% to 59% of their domestic and foreign B2B sales respectively on credit. On a country basis, the use of trade credit in transactions with B2B customers varied considerably. Consistent with the survey pattern, Chinese respondents treated their domestic and foreign customers fairly equally, with 34.9% of the total value of their domestic B2B sales and 33.6% of their foreign sales transacted on credit. However, China recorded the lowest rate of trade credit usage across all of the countries surveyed in Asia-Pacific. Singapore and Hong Kong too showed no clear-cut domestic vs. foreign preference for selling on credit (Singapore: 49.8% domestic and 49.2% foreign and Hong Kong: 50.5% domestic and 49.3% foreign). Hong Kong stands out among the Asia-Pacific countries surveyed with the most open stance toward the use of trade credit in foreign B2B transactions. All other surveyed countries in the region showed a preference for selling on credit terms to domestic rather than foreign B2B customers. The highest rate of trade credit usage in domestic B2B transactions was recorded in Japan, with 66.7% of the total value of domestic B2B sales made on credit, compared to 45.3% of foreign sales. It is worth noting that around 2 out of 5 respondents in Japan were completely trade credit-friendly, making all of their domestic B2B sales on credit.

### By business sector

**The services sector in Asia-Pacific was the most inclined to use trade credit in domestic B2B transactions, while the manufacturing sector was the most inclined to use trade credit internationally**

None of the business sectors surveyed in Asia-Pacific showed a strong preference for using trade credit more extensively in either their domestic or international trade - in line with the overall survey pattern. Survey respondents in the services sector made the most use of trade credit in domestic B2B sales, with 49.9% of the value of their sales to domestic B2B customers made on credit terms. The wholesale/retail/distribution and the financial services sectors follow, at around 47%. In foreign B2B sales, respondents in the manufacturing sector were the most willing to use trade credit internationally, with 43.3% of the total value of their foreign sales to B2B customers made on credit terms, followed by the services and the financial services sectors at around 42%.

### By business size

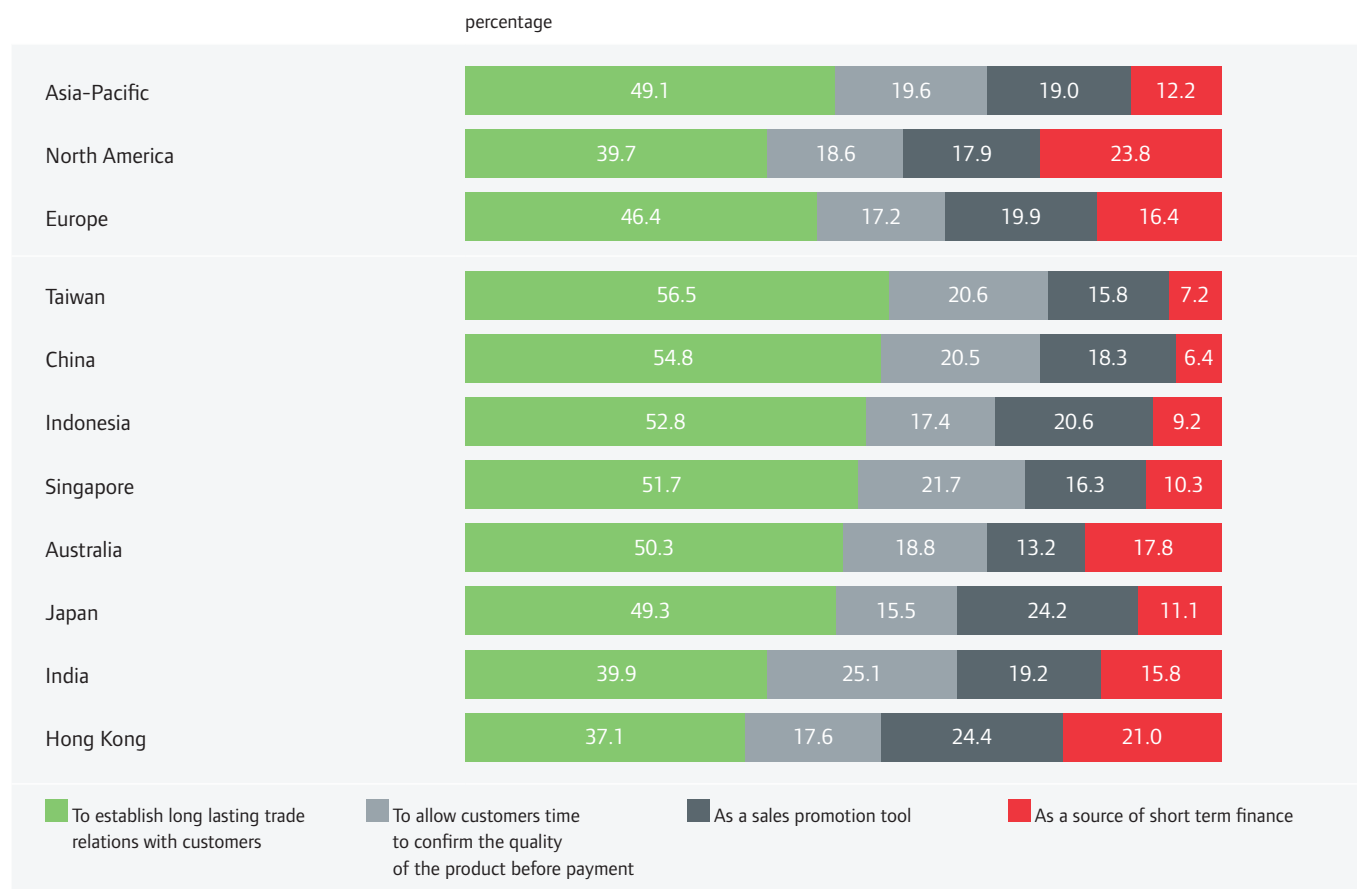
**Large enterprises surveyed in Asia-Pacific made the most use of trade credit internationally, as did small enterprises domestically**

Except for micro enterprises, for whom 46.7% of the value of domestic B2B sales was on credit, compared to 38.8% of their foreign sales, all business size groups surveyed in Asia-Pacific were almost equally likely to use trade credit in B2B transactions with domestic and foreign customers. This is particularly so for large enterprises, with 47.8% and 46.6% of the value of B2B sales to domestic and foreign customers respectively made on credit. This latter percentage represents the highest use of trade credit internationally of all the Asia-Pacific countries surveyed. The highest rate of trade credit use domestically – 48.9% – was recorded by small enterprises.



## 2.2 Trade credit supply determinants

What are the main reasons that your company grants trade credit to its domestic B2B customers?



Sample: all interviewed companies (active in domestic markets)

Source: Payment Practices Barometer – November 2012

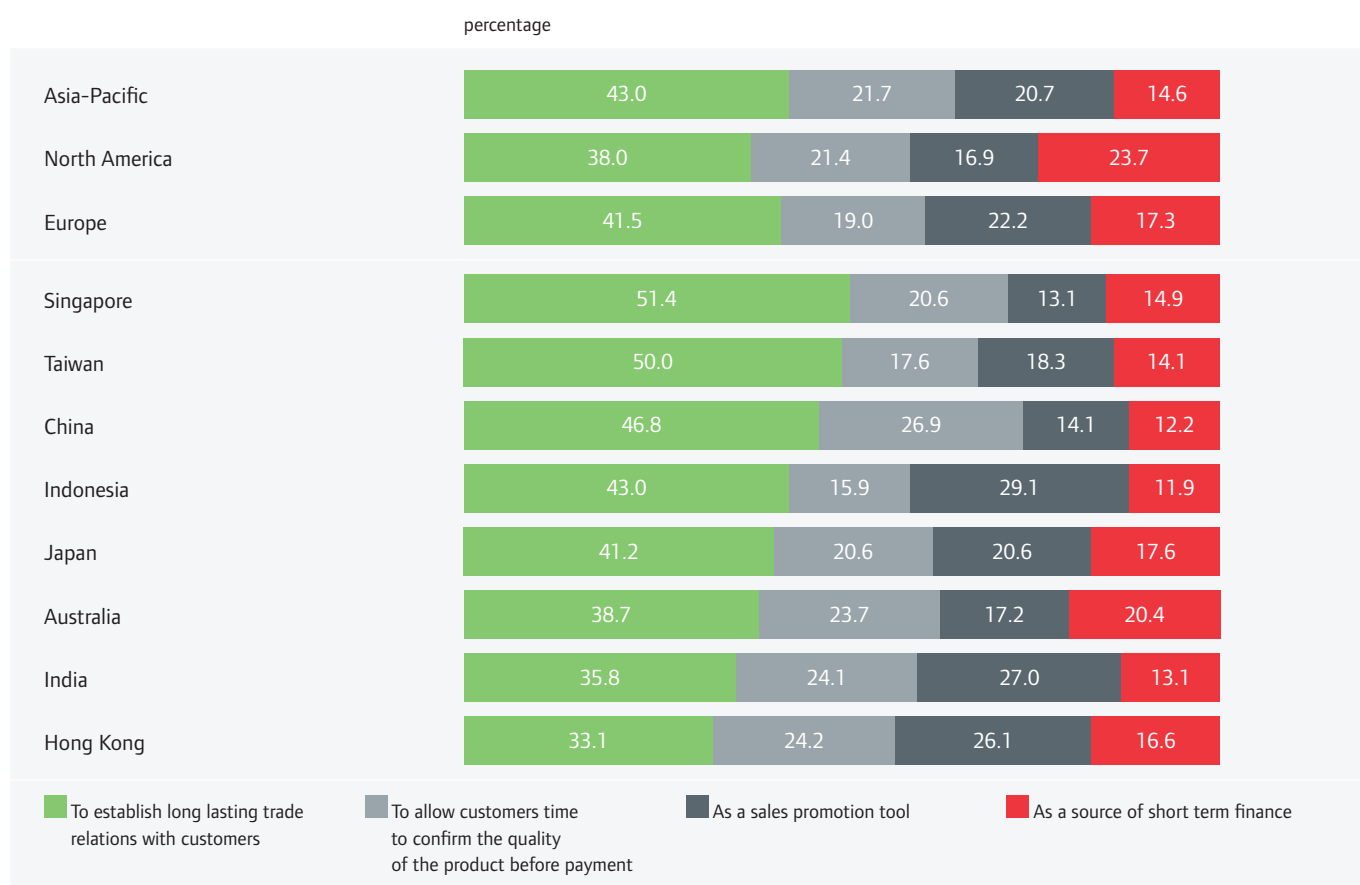
### Overall

**Overall, long-term trade relationships exerted the greatest influence on B2B trade credit decisions of survey respondents in Asia-Pacific**

Most respondents in Asia-Pacific granted trade credit mainly as a tool to establish long term trade relationships: with domestic B2B customers (49.1% of respondents) and foreign B2B customers (43.0% of respondents). This was also the most influential factor in B2B trade credit decisions of survey respondents in North America (39.7% in respect of domestic customers and 38.0% for foreign customers) and Europe (46.4% domestic and 41.5% foreign). Of all the countries surveyed in Asia-Pacific, Taiwan recorded the highest percentage of respondents (56.5%) who granted trade credit for this reason to B2B customers domestically, followed by China (54.8%). The highest percentage of Asia-Pacific respondents who granted trade credit to foreign B2B customers for this reason was recorded in Singapore (51.4%), followed by Taiwan (50.0%). All the other trade credit supply determinants examined in our survey - allowing customers time to confirm the quality of the product before payment, promotion of sales growth, and granting trade credit as a source of short term finance were given a far lower weighting by respondents in

Asia-Pacific. Allowing customers time to confirm the quality of the product before payment was the main reason that 19.6% and 21.7% of respondents in Asia-Pacific granted B2B trade credit to domestic and foreign customers respectively. The domestic percentage ranged from 25.1% of respondents in India to 15.5% of respondents in Japan, and the foreign percentage ranged from 26.9% of respondents in China to 15.9% of respondents in Indonesia. Promoting sales growth was the main reason for 19.0% and 20.7% of respondents to grant trade credit to domestic and foreign B2B customers respectively. The domestic percentage ranged from 24% of respondents in Hong Kong and Japan to 15.8% of respondents in Taiwan. The domestic percentage ranged from 29.1% in Indonesia to a low of 13.1% in Singapore. Trade credit offered mainly as a source of short-term finance both domestically and internationally was reported by 12.2% and 14.6% of respondents respectively. The domestic percentage ranged from 21% of respondents in Hong Kong to a low of only 7.2% of respondents in Taiwan. The foreign percentage ranged from 20.4% of respondents in Australia to 11.9% in Indonesia.

## What are the main reasons that your company grants trade credit to its foreign B2B customers?



Sample: all interviewed companies (active in foreign markets)

Source: Payment Practices Barometer – November 2012

### By business sector

**Around half of the survey respondents in the wholesale/retail/distribution sector in Asia-Pacific prioritised trade credit supply mainly as a tool to establish long term trade relationships, both domestically and internationally**

Respondents in the wholesale/retail/distribution sector in Asia-Pacific were the most active in granting trade credit to B2B customers mainly as a tool to establish long term trade relationships (51.9% of respondents in relation to domestic B2B customers and 49.0% in relation to foreign customers). 20.2% of respondents in the manufacturing sector granted trade credit mainly as a mean of allowing their domestic B2B customers time to confirm the quality of the product before payment: slightly more (25.9%) for foreign customers. The services sector (23.2% of respondents) was the most inclined to grant B2B trade credit to promote sales growth domestically, as were both the manufacturing and the financial services sectors (around 21% of respondents) internationally. Respondents in all the business sectors surveyed in Asia-Pacific were almost equally likely to grant B2B trade credit as financial support to domestic customers, whereas the wholesale/retail/distribution sector appeared to be the most likely (17.5% of respondents) to grant trade credit as a source of short-term finance to foreign B2B customers.

### By business size

**Small enterprises in Asia-Pacific were the keenest to grant trade credit to establish long term trade relationships domestically and internationally**

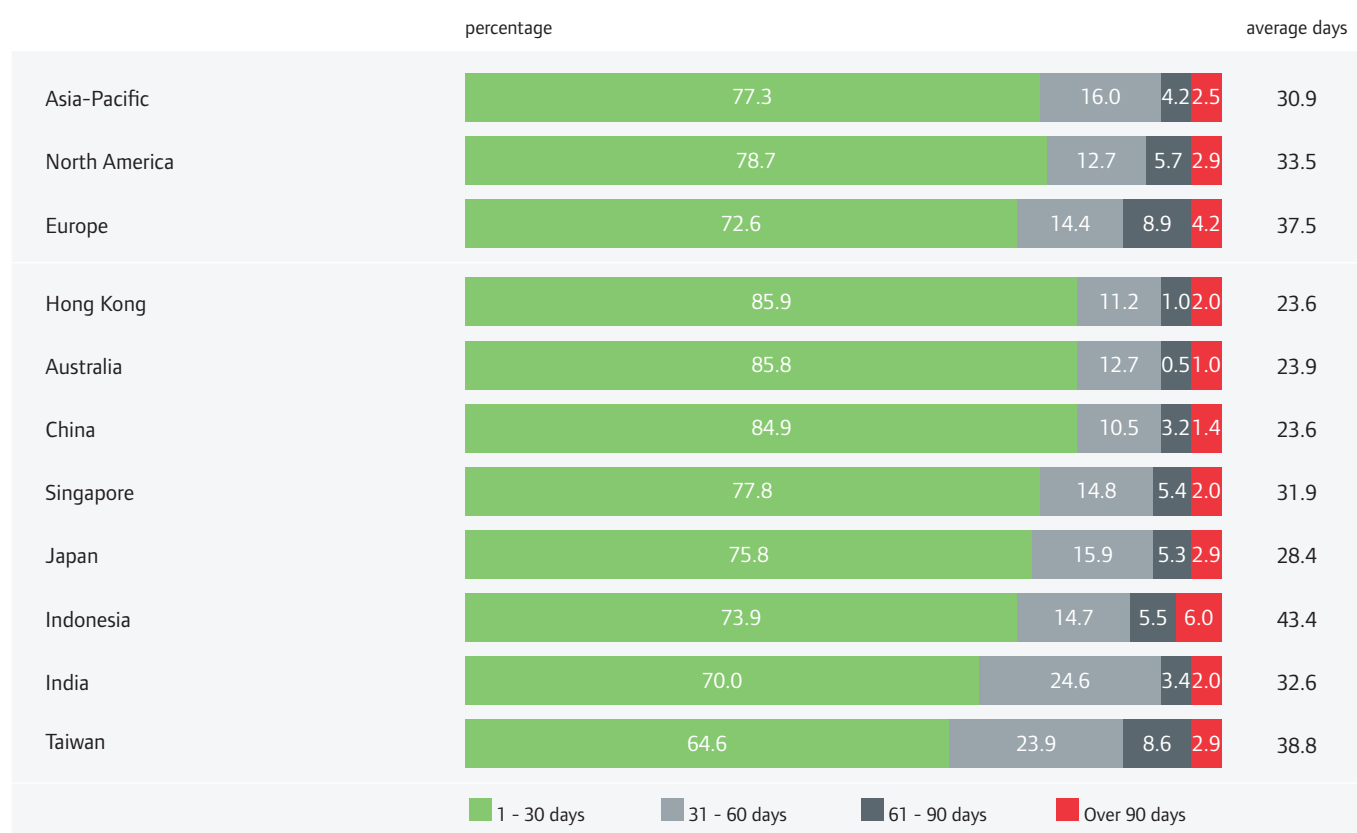
Small enterprises in Asia-Pacific (51.6% of respondents) assigned the highest priority to granting trade credit to domestic B2B customers mainly as a tool to establish long term trade relationships. Both small and large enterprises (45.8%) granted trade credit for this reason internationally. Small enterprises (21.7% of respondents) and micro enterprises (23.1%) were the most likely to grant trade credit to domestic and foreign B2B customers respectively mainly as tool to allow customers time to confirm the quality of the product before payment. Medium-sized enterprises (22.7% of respondents) were the most inclined to grant B2B trade credit to promote sales growth domestically, as were micro enterprises internationally (24.4%). Not unexpectedly, large Asian-Pacific companies were the most active in granting B2B trade credit as a financial support to domestic (14.8% of respondents) and foreign (16.6%) B2B customers.

## 3 Credit management practices

- On average, in Asia-Pacific, B2B trade credit terms extended to domestic customers by survey respondents were slightly shorter than those extended to foreign customers
- More than 55% of survey respondents in Asia-Pacific offered discounts for early invoice payment; domestically, discounts offered were most frequently taken advantage of by B2B customers of respondents in Hong Kong, and internationally by foreign customers of Australian respondents
- Over the next six months, more than half of the survey respondents in Asia-Pacific anticipate an increase in checks on both their buyers' creditworthiness and track record

### 3.1 Average payment terms\* (domestic/foreign)

What payment terms does your company set for its domestic B2B customers?



Sample: all interviewed companies (active in domestic markets)

Source: Payment Practices Barometer – November 2012

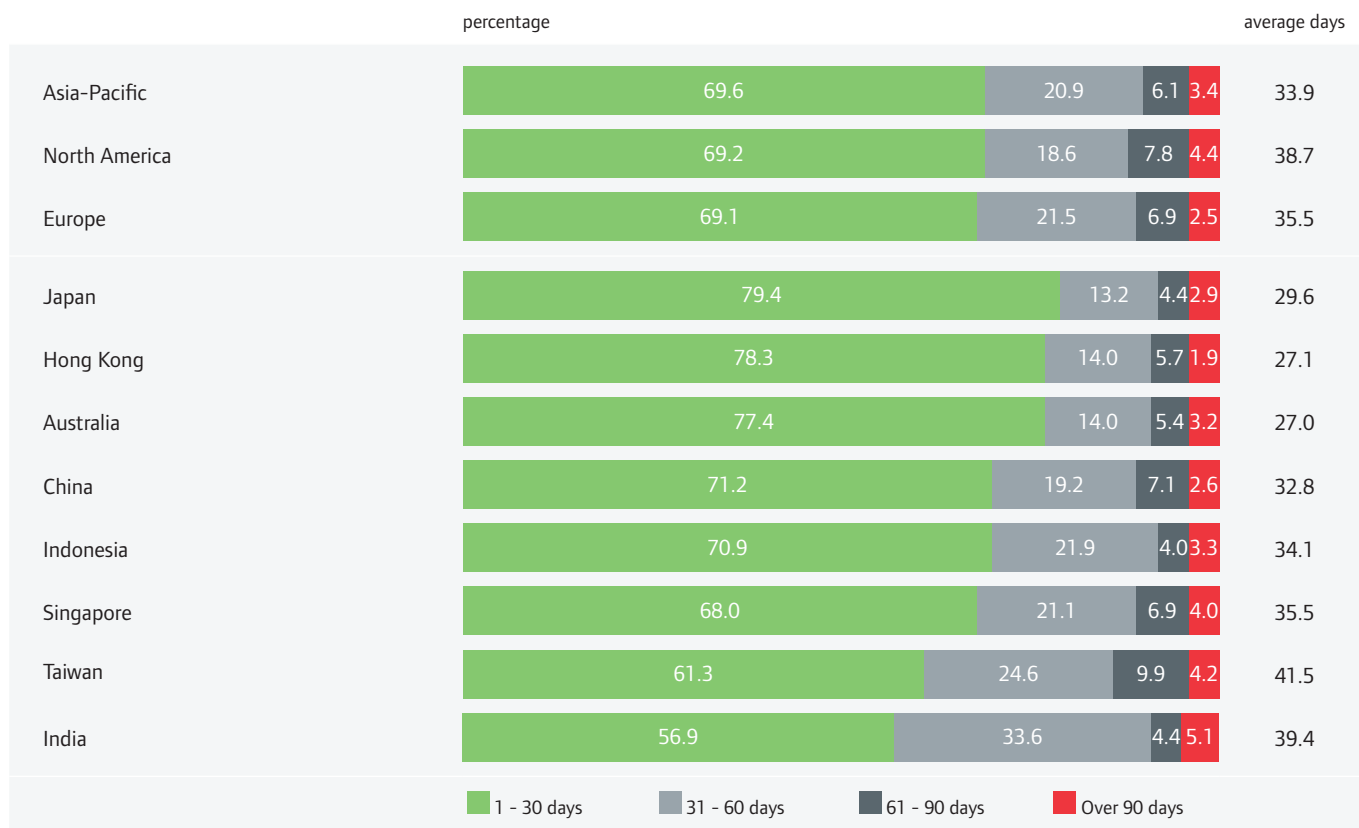
#### Overall

**On average, in Asia-Pacific, B2B trade credit terms extended to domestic customers by survey respondents were slightly shorter than those extended to foreign customers**

B2B customers of survey respondents in Asia-Pacific were extended an overall average trade credit term of 31.6 days from the invoice date for paying for their purchases on credit (in the same survey period in 2011 the figure was 31.4 days). This compared to an average trade credit term of 34.3 days in North America (2011: 36.5 days) and 36.6 days in Europe (2011: 35.4 days). Indonesia recorded the longest overall trade credit term extended to B2B customers, averaging 42.2 days. The shortest average trade credit term, or around 24 days, was seen in both Hong Kong and Australia. Comparing domestic and foreign sales, average credit terms extended to domestic customers by survey respondents in Asia-Pacific were slightly shorter, at 30.9 days, than the 33.9 days extended to foreign customers. The trade credit terms seen in almost all the Asia-Pacific countries surveyed were consistent with the overall survey pattern, except for Indonesia, where domestic terms were markedly longer than foreign (averaging 43.4 days and 34.1 days respectively). Of respondents in all the Asia-Pacific countries surveyed, those in Taiwan gave the longest average trade credit terms.

\* Average payment terms = average length of time that a company gives its customers to pay invoices from the invoice date

## What payment terms does your company set for its foreign B2B customers?



Sample: all interviewed companies (active in foreign markets)

Source: Payment Practices Barometer – November 2012

### By business sector

**The manufacturing sector in Asia-Pacific granted the most relaxed credit terms to their B2B customers, both domestically and internationally**

Compared to the other business sectors surveyed in Asia-Pacific, survey respondents in the manufacturing sector extended the longest overall average trade credit terms to their B2B customers (averaging 34.5 days domestically and 39.1 days internationally). The shortest domestic trade credit terms were extended by respondents in the services sector (averaging 27.6 days), while the shortest foreign terms were extended by those in the wholesale/retail/distribution sector (an average of 28.8 days).

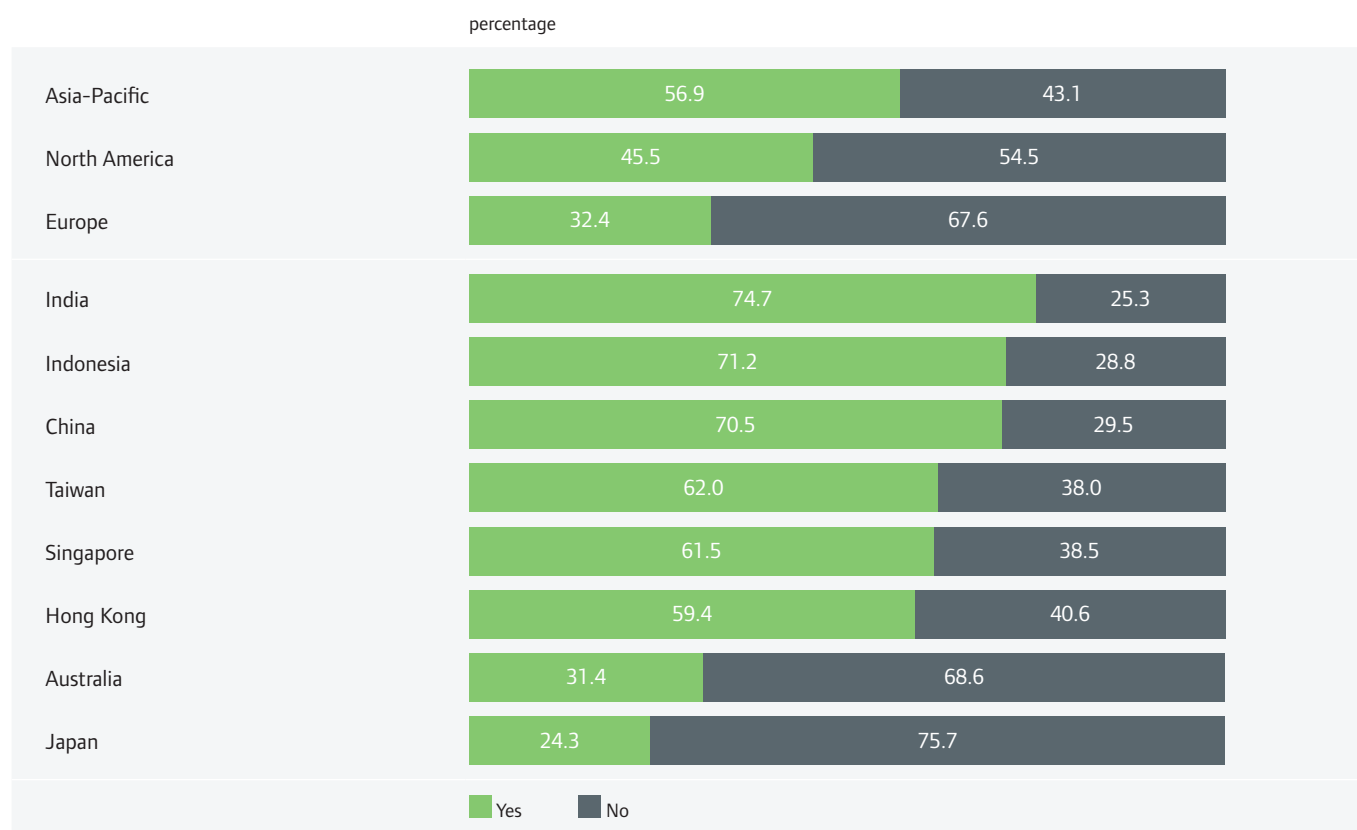
### By business size

**Medium-sized enterprises in Asia-Pacific extended the longest trade credit terms to domestic and foreign B2B customers**

Medium-sized enterprises in Asia-Pacific extended the longest trade credit terms to domestic (averaging 35.3 days) and foreign (38.3 days) B2B customers. The shortest average domestic credit terms (averaging 28.8 days) were stipulated by respondents in both small and micro enterprises, with the latter also affording the shortest foreign payment terms (29.8 days).

## 3.2 Early payment discounts

### Does your company discount early payment of B2B invoices?



Sample: all interviewed companies

Source: Payment Practices Barometer – November 2012

### Overall

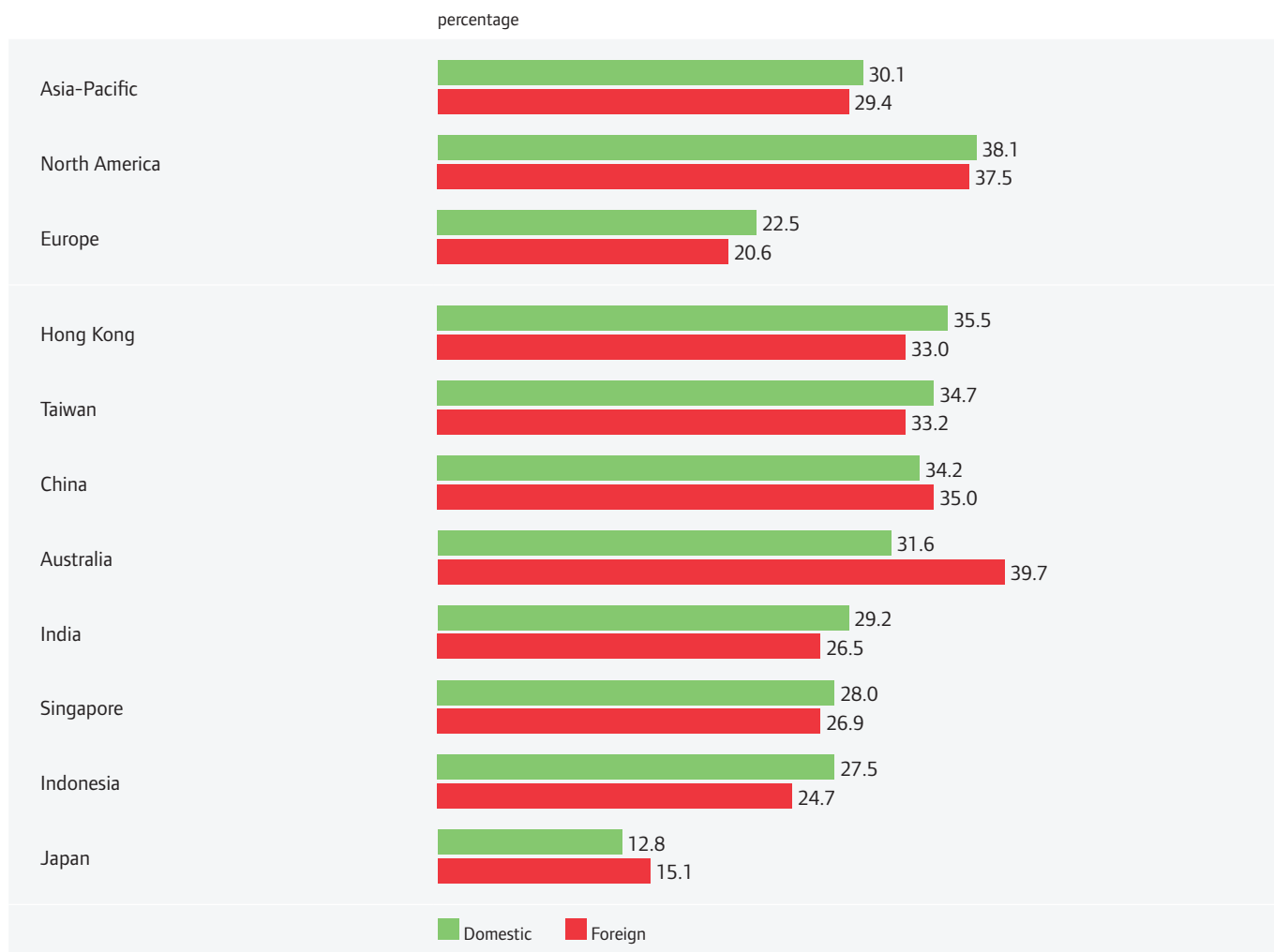
**More than 55% of survey respondents in Asia-Pacific offered discounts for early invoice payment. Domestically, discounts were most frequently taken advantage of by B2B customers of respondents in Hong Kong and internationally, by foreign customers of Australian respondents**

An average of 56.9% of survey respondents in Asia-Pacific offered discounts to entice their B2B customers to pay invoices earlier, compared to 45.5% in North America and 32.4% in Europe. In the same survey period one year ago, the percentage of survey respondents in Asia-Pacific offering discounts was 48.1% (North America: 43.4% Europe: 36.6%). By country, early payment discounts were offered most often by respondents in India (74.7%), followed by Indonesia (71.2%) and China (70.5%). Japanese respondents were the least active in offering discounts (24.3%).

As to the success of discounting, an average of 30.1% of domestic and 29.4% of foreign B2B customers took advantage of this financial incentive. Hong Kong stands out with the highest percentage (35.5%) of domestic B2B customers taking advantage of discounts. The highest percentage of foreign customers making use of the discounts (39.7%) was recorded in Australia, although it also recorded the second lowest rate of discounting after Japan. Japan had the least successful results from discounting of all the Asia-Pacific countries surveyed, with just 12.8% of its domestic and 15.1% of its foreign B2B customers taking advantage of the discounts offered.



## What percentage of your domestic/foreign B2B customers take advantage of early payment discounts?



Sample: all interviewed companies that discount early payment of invoices (active in domestic and foreign markets)

Source: Payment Practices Barometer - November 2012

### By business sector

**The financial services sector in Asia-Pacific was the keenest to offer discounts for early invoice payment and achieved the most success in customers taking advantage the discounts offered**

The financial services sector in Asia-Pacific was the keenest to offer discounts for early invoice payment (72.4% of respondents). The least active in this respect was the services sector (46.8%). Across the business sectors surveyed, domestic B2B customers taking advantage of the discounts ranged from 34.2% in the financial services sector to 28.6% in the services sector. Foreign B2B customers taking advantage of discounts offered arranged from 32.8% in the financial services sector to 26.7% in the wholesale/retail/distribution sector.

### By business size

**Large enterprises were the most active in offering discounts for early invoice payment. Discounts offered were most often taken advantage of by domestic B2B customers of micro enterprises and by foreign customers of small enterprises**

66.1% of respondents from large enterprises in Asia-Pacific offered discounts for early invoice payment to their B2B customers. The least active in offering discounts were respondents from micro enterprises (46.4%). Across the business size group surveyed, domestic B2B customers taking advantage of the discounts ranged from 34.2% in micro enterprises to 27.8% in medium-sized enterprises. Internationally, foreign B2B customers taking advantage of discounts ranged from 31.4% in small enterprises to 27.7% in large enterprises. ■

## 3.3 Trend in the use of credit management tools

### Overall

**Over the next six months, more than half of the survey respondents in Asia-Pacific anticipate an increase in checks on both buyers' creditworthiness and track record**

When asked about the credit management tools they anticipate using to protect their business from payment delays and defaults over the next six months, the highest percentage (53.0%) of survey respondents in Asia-Pacific said that they will increase buyers' creditworthiness checks. Respondents in Singapore (68.0%) and China (64.5%) will be the most active in this respect. Checks on buyers' track records will increase for 52.4% of respondents in Asia-Pacific with the highest percentage of such respondents - 62.5% - in Singapore. Over the next six months, 49.2% of respondents in Asia-Pacific also anticipate an increase in the use of cash in B2B transactions. Respondents in Taiwan will be the most active in this respect (61.8% of respondents). 48.2% of Asia-Pacific respondents expect the number of requests for secured forms of payment to increase, while in Singapore the figure is 64.6%. Overall, 47.2% of respondents said that they would increase their active credit management over the next six months, with respondents in Taiwan (59.3%) the most active in this respect.

### By business sector

**The manufacturing sector will be the most likely to increase checks on buyers' creditworthiness over the next six months**

The highest percentage of survey respondents in Asia-Pacific who will increase their checks on buyers' creditworthiness over the next six months was recorded in the manufacturing sector (57.7%), followed by the financial services sector (55.8% of respondents). The services sector will be the most active in increasing checks on buyers' track record (58.0% of respondents). Both the wholesale/retail/distribution and the services sectors (around half of respondents in each case) anticipate an increase in the use of cash in B2B transactions over the next six months.

### By business size

**Nearly 3 out of 5 respondents in large enterprises anticipate an increase in checks on buyers' creditworthiness over the next six months**

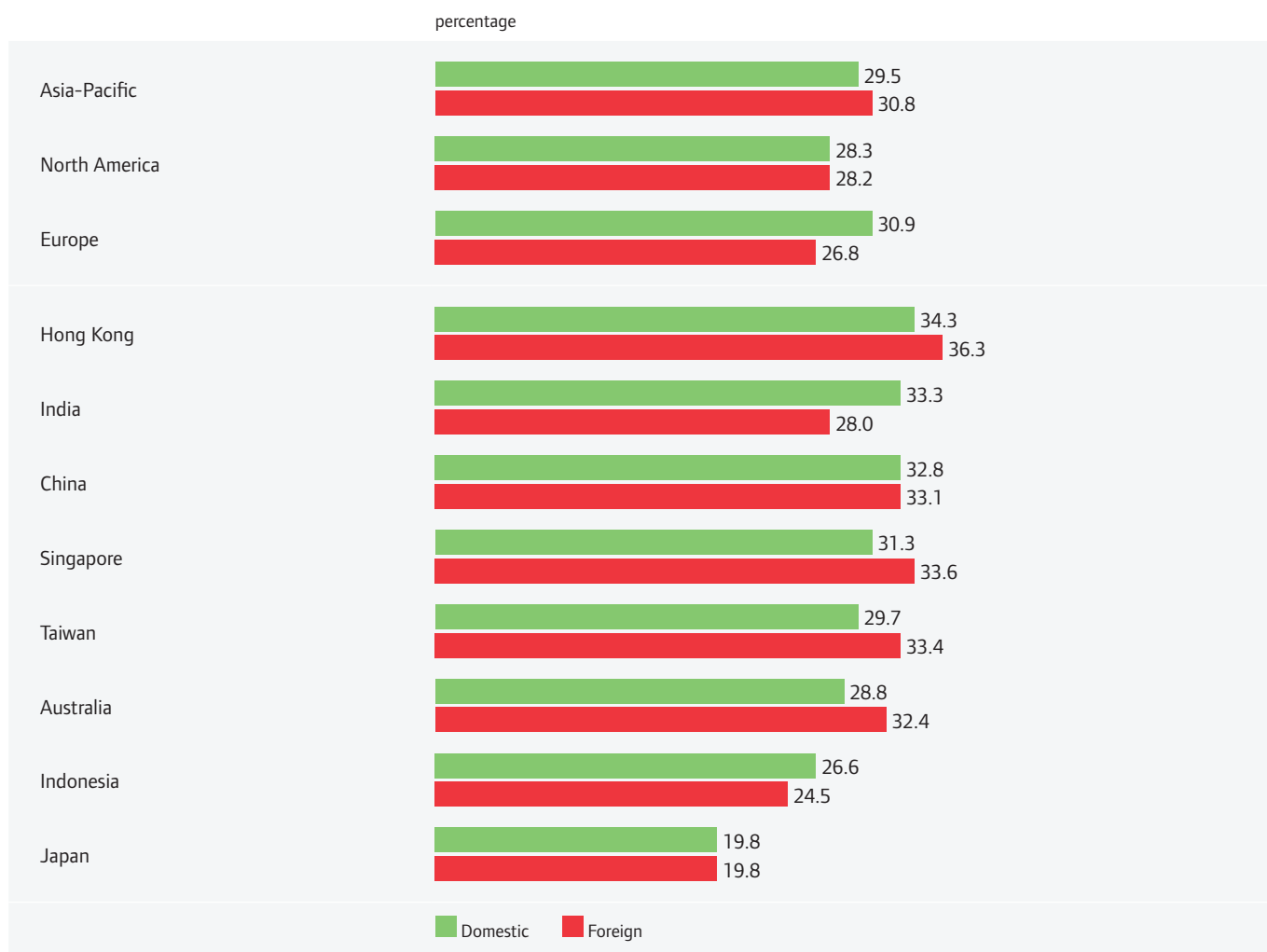
Nearly 3 out of 5 survey respondents (54.4%) in large Asia-Pacific enterprises anticipate an increase in checks on buyers' creditworthiness and track record over the next six months. More than 15% of respondents from micro enterprises in Asia-Pacific will begin checking their buyers' track record over the next six months and will also be the most active in increasing the use of cash in B2B transactions over the next six months (55.0% of respondents). ■

## 4 Customers' payment behaviour

- Overall, around 30% of the total value of B2B invoices issued by respondents in Asia-Pacific were past due; more than 10% of these were still unpaid more than 90 days after the due date
- Domestic B2B customers in Asia-Pacific delayed payments most often because of liquidity constraints, while foreign customers delayed because of the complexity of the payment procedure and inefficiencies of the banking system
- An overall increase in the average proportion of uncollectable B2B receivables was seen in Asia-Pacific compared to one year ago; there is a higher probability of collecting long overdue receivables arising from international trade than from domestic trade
- With the exception of Indonesia, the percentage of respondents expecting a worsening of trade credit risk over the next six months is higher than that of respondents anticipating improvement

### 4.1 Overdue B2B invoices (domestic/foreign) – Payment timing

What percentage of the total value of your domestic/foreign B2B invoices are overdue?

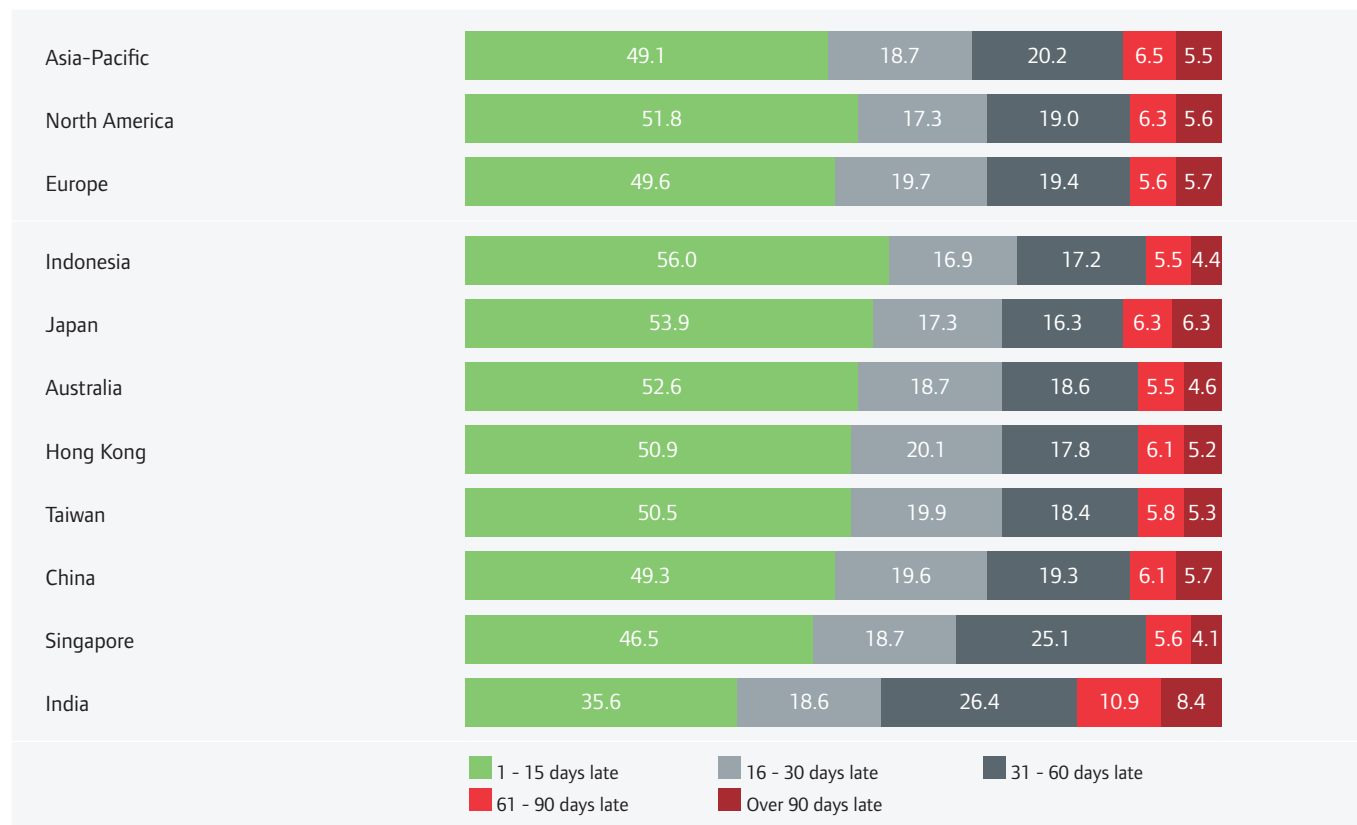


Sample: all interviewed companies (active in domestic and foreign markets)

Source: Payment Practices Barometer - November 2012

## Domestic B2B overdue invoices - Payment is made between ....

percentage



Sample: all interviewed companies with overdue invoices (active in domestic markets)

Source: Payment Practices Barometer – November 2012

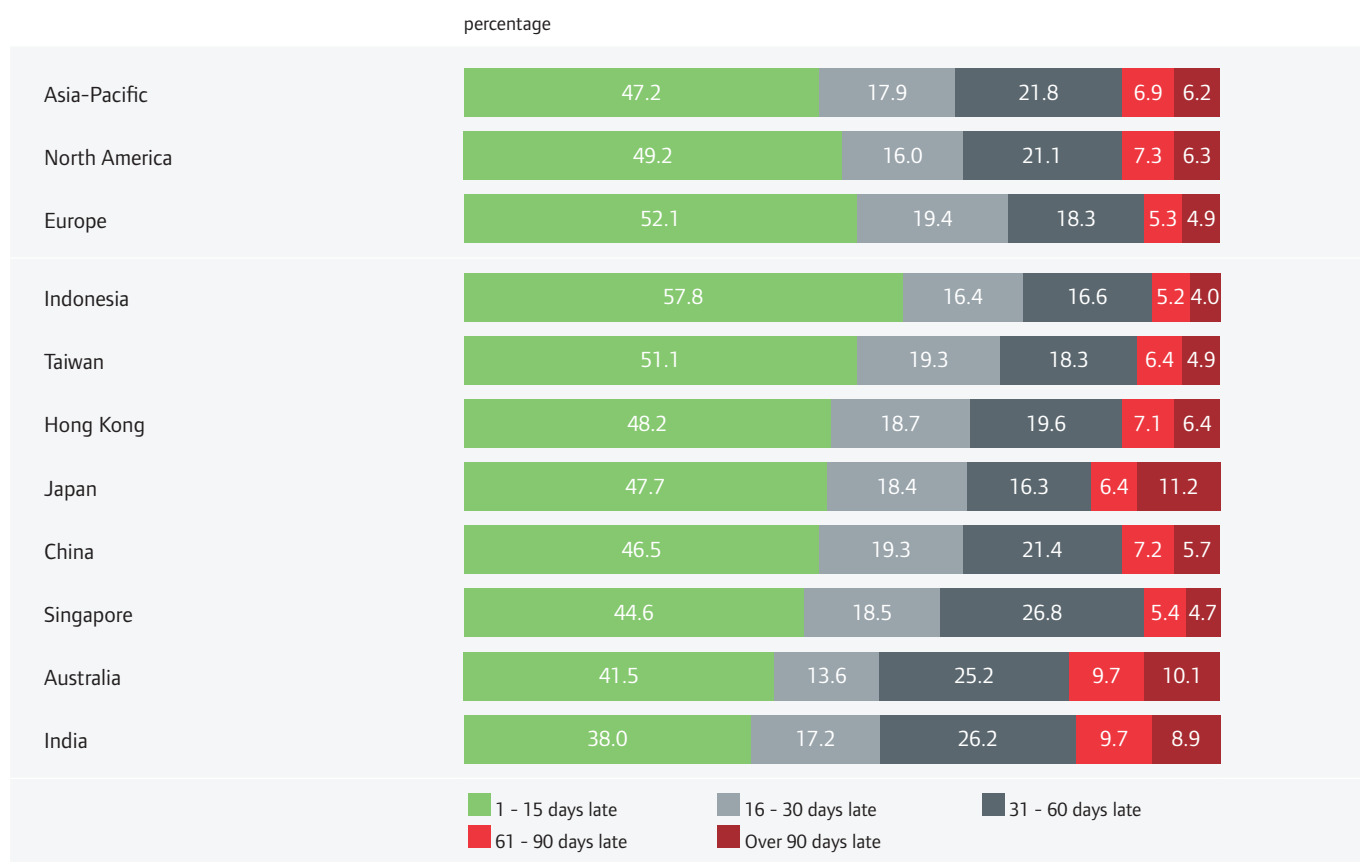
## Overall

**Overall, around 30% of the total value of B2B invoices issued by respondents in Asia-Pacific were past due; more than 10% of these were still unpaid more than 90 days after the due date**

B2B invoices issued by survey respondents in Asia-Pacific were almost equally likely to be paid late by domestic and foreign customers. An average of 29.5% (domestic) and 30.8% (foreign) of the total value of B2B invoices issued were paid after the due date (in the same survey period in 2011 the results were: 30.4% domestic and 32.2% foreign). This compared to an overall average for North America of around 28% and to the averages for Europe of 30.9% domestic and 26.8% foreign. Of all the countries surveyed in Asia-Pacific, Hong Kong stands out with the highest percentage of the total value of domestic (34.3%) and foreign (36.3%) B2B invoices unpaid after the due date. At the other end of the scale, Japan, had less than 20% of the total value of both domestic and foreign B2B invoices past due. 67.8% of the domestic and 65.1% of the foreign B2B customers of the survey

respondents in Asia-Pacific paid within one month of due date. Indonesia stands out with the highest percentage of the total value of domestic (72.9%) and foreign (74.2%) past due invoices paid within one month of the invoice due date. The lowest percentage was recorded in India (54.2% domestic and around 55% foreign). According to respondents in Asia-Pacific, an average of 5.5% of the total value of domestic and 6.2% of foreign past due receivables were still unpaid after more than 90 days after due date. By country, this domestic percentage climbs to 8.4% in India, followed by 6.3% in Japan. The foreign percentage rises to 11.2% in Japan, followed by Australia (10.1%) and India (8.9%).

## Foreign B2B overdue invoices - Payment is made between ....



Sample: all interviewed companies with overdue invoices (active in foreign markets)

Source: Payment Practices Barometer – November 2012

### By business sector

The financial services sector in Asia-Pacific recorded the highest percentage of past due domestic and foreign B2B invoices, as well as the lowest percentage of overdue invoices paid within one month of the due date

The financial services sector recorded the highest percentage of domestic and foreign past due B2B invoices (averaging 32.4% and 33.8% of the total value of all B2B invoices issued in the sector). The percentage of domestic past due invoices paid within one month of due date ranges from around 71% in both the wholesale/retail/distribution and the services sectors to 59.9% in the financial services sector. The percentage of past due foreign invoices paid within one month of due date ranged from 70.3% in the wholesale/retail/distribution sector to 57.2% in the financial services sector. The highest percentage of domestic B2B receivables overdue by more than 90 days was recorded in the financial services sector (averaging 6.4% of the total value of domestic B2B invoices). The highest percentage of foreign B2B receivables more than 90 days overdue was recorded in the services sector (7%).

### By business size

Small enterprises surveyed in Asia-Pacific recorded the highest percentage of B2B invoices paid after the due date, and the lowest proportion of past due invoices paid within one month of the due date

Small enterprises in Asia-Pacific recorded the highest percentage of domestic and foreign B2B invoices paid after the due date (averaging 32.4% and 33.7% of the total value of domestic and foreign B2B invoices). The percentage of domestic past due invoices paid within one month of due date ranges from 72.1% in micro enterprises to 65.1% in small enterprises. The percentage of past due foreign B2B invoices ranged from 66.4%, in both medium-sized and large enterprises, to 63.4% in small enterprises. The highest percentage of domestic (6.1%) and foreign (7%) B2B receivables overdue by more than 90 days was recorded by micro enterprises. ■



## 4.2 Main reasons for payment delays from customers

### Overall

**Domestic B2B customers in Asia-Pacific delayed payments most often because of liquidity constraints. Foreign customers delayed payments most often because of the complexity of the payment procedure and the inefficiencies of the banking system**

Domestic B2B invoices in Asia-Pacific were more likely to be paid late due to customers' liquidity constraints, according to 53.5% of respondents (compared to 47.7% in the same period in 2011), whereas foreign B2B customers were more likely to delay payments because of the complexity of the payment procedure and the inefficiencies of the banking system (around 45% in both cases compared to the 2011 results of 45.2% payment procedure and 43.9% banking system). Indonesia recorded the highest percentage of respondents (69.1%) citing liquidity constraints as the reason for domestic payment delays, followed by India with 66.5%. The lowest percentage of respondents citing this reason was seen in Hong Kong (37.9%). 61.2% of respondents in India said that payments by foreign B2B customers were delayed most often because of the complexity of the payment procedure, while 63% if Indonesian respondents cited the inefficiencies of the banking system. Overall, respondents in Asia-Pacific assigned lower weightings to all other reasons for domestic and foreign B2B payment delays investigated in the survey. One finding worthy of comment is that 36.6% of respondents in Asia-Pacific cited disputes over quality of goods delivered or service provided as the main reason for payment delays from foreign B2B customers. This percentage climbed to 45% in China, followed by Indonesia, at 41.1%.

### By business sector

**The wholesale/retail/distribution sector was the hardest hit by payment delays from domestic B2B customers due to insufficient availability of funds, while the manufacturing sector found foreign payment delays due to the complexity of the payment procedure to be of most concern**

Respondents from the Asia-Pacific wholesale/retail/distribution sector were the hardest hit by payment delays resulting from their domestic B2B customers' liquidity constraints (55.9% of respondents). The manufacturing sector was the most impacted by payment delays from foreign B2B customers due to the complexity of the payment procedure (around half of the survey respondents), while the wholesale/retail/distribution sector found foreign payment delays due to the inefficiencies of the banking system to be the main concern (48.6% of respondents). Both the manufacturing and the wholesale/retail/distribution sectors (around 38% of respondents in each case) felt the impact of foreign payment delays due to disputes over the quality of the goods or of the services provided more than the other sectors surveyed.

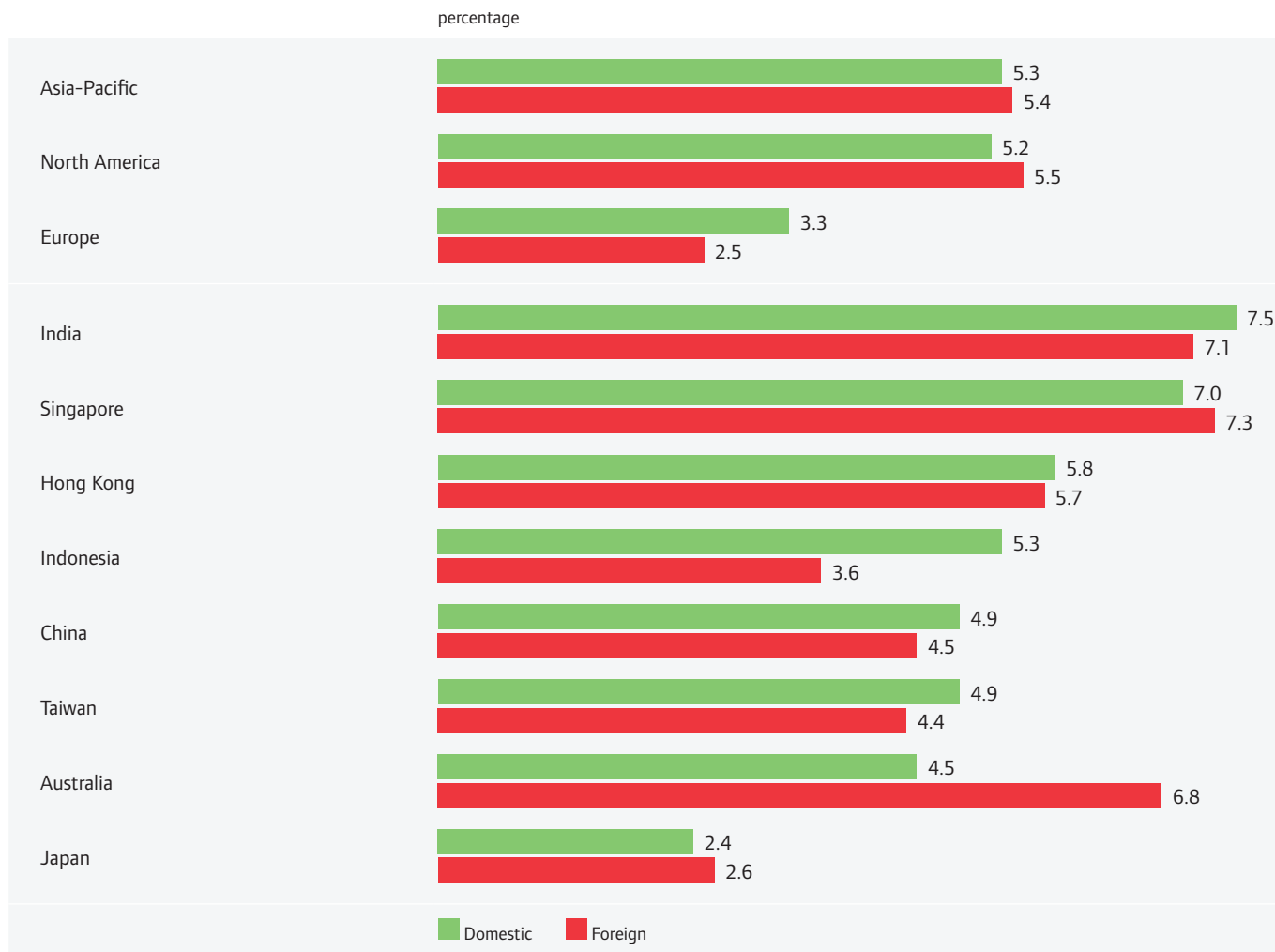
### By business size

**Large enterprises were the hardest hit by payment delays from domestic and foreign B2B customers due to a number of reasons**

57.2% of respondents from large enterprises in Asia-Pacific were the most impacted by late payments from their domestic B2B customers caused by insufficient availability of funds. Around 54% of respondents in this business size group cited complexity of the payment procedure and inefficiencies of the banking system as the main reason that foreign B2B customers delayed payments. Large enterprises (42.7% of respondents) also appeared to be the hardest hit by foreign payment delays due to disputes over the quality of the goods or of the services provided. ■

## 4.3 Uncollectable receivables (domestic/foreign)

Over the last six months, what percentage of the total value of your B2B receivables (domestic and foreign) were uncollectable?



Sample: all interviewed companies (active in domestic and foreign markets)

Source: Payment Practices Barometer - November 2012

### Overall

**The Asia-Pacific region saw an overall increase in the average size of uncollectable B2B receivables, compared to one year ago. However, there is now a higher probability of collecting long overdue foreign trade debts than domestic trade debts**

In Asia-Pacific, survey respondents reported that an average of 5.3% (the same survey period in 2011: 4.0%) of the total value of domestic B2B receivables was written off as uncollectable (compared to the average for North America of 5.2% and, for Europe, 3.3%). Within the region, the highest percentage (7.5%) of domestic uncollectable B2B receivables was recorded in India. Singapore followed, at 7%: a marked rise since its 4.4% recorded one year ago. Measured against the average percentage of domestic B2B invoices that were still outstanding more than 90 days past due date (5.5%), the percentage of domestic uncollectable re-

ceivables suggests that there is a very limited chance of collecting very long outstanding receivables arising from domestic trade. In the case of foreign B2B sales, an average of 5.4% (the same survey period in 2011: 4.1%) of the total value of foreign B2B receivables was said to be written off as uncollectable (compared to the average for North America of 5.5% and, for Europe, 2.5%). This percentage rises to around 7% in Singapore and India, followed by Australia (6.8%). Compared to the percentage of the total value of foreign receivables (6.2%) that were more than 90 days past due, this finding suggests a higher probability of collecting long overdue foreign trade debts than domestic trade debts.

## By business sector

The financial services sector in Asia-Pacific recorded the highest proportion of uncollectable B2B receivables arising from both domestic and foreign trade

In Asia-Pacific, the highest percentage of B2B uncollectable receivables arising from both domestic and international trade was recorded in the financial services sector (with an average of 7.5% and 7.7% respectively of the total value of those receivables written off as uncollectable). In the other business sectors surveyed, the domestic percentage ranged from 5.5% in the manufacturing sector to 4.8% in both the wholesale/retail/distribution and services sectors. The foreign percentage ranged from 5.3% in the services sector to 4.5% in the wholesale/retail/distribution sector.

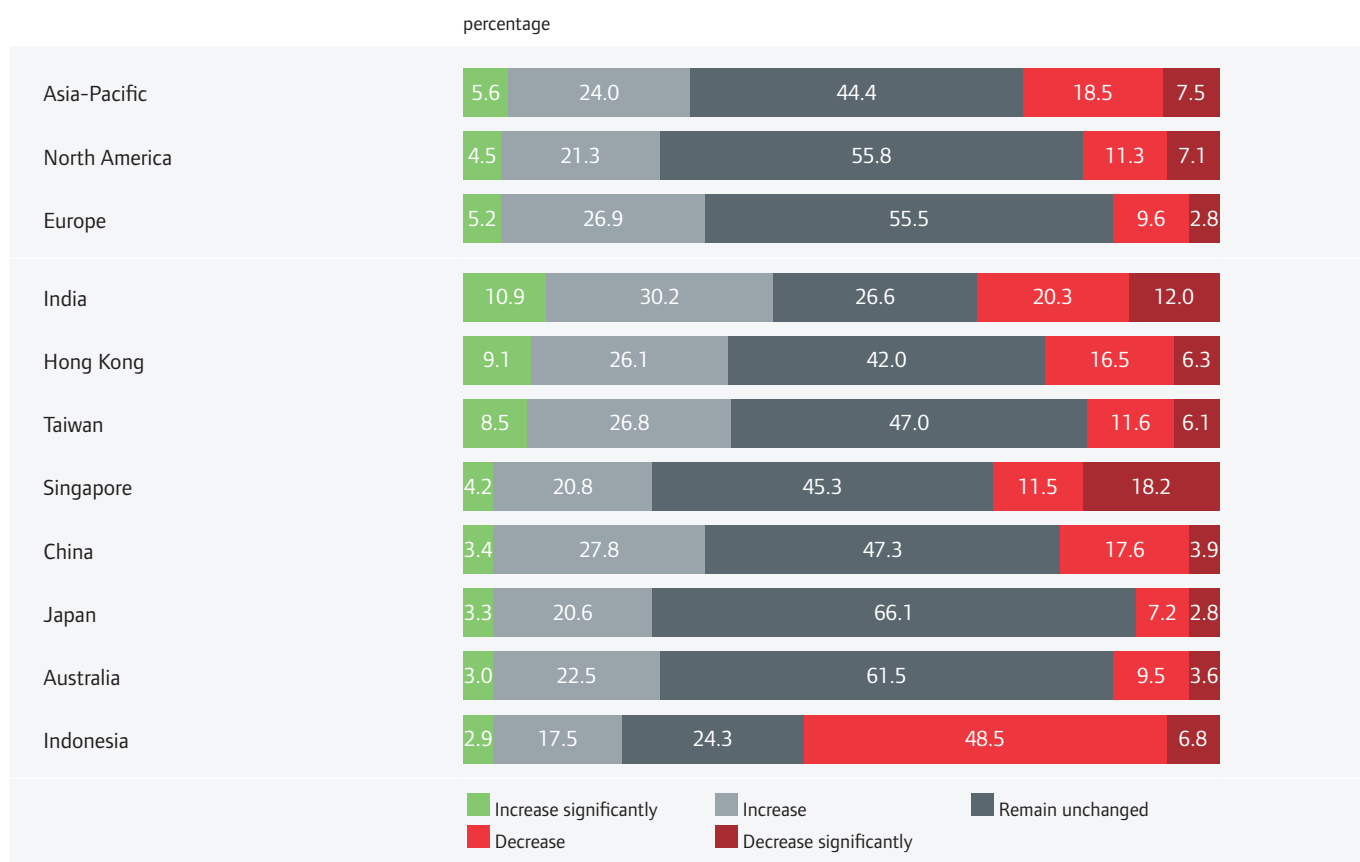
## By business size

Medium-sized enterprises recorded the highest proportion of domestic and foreign uncollectable B2B receivables

Medium-sized enterprises in Asia-Pacific recorded the highest proportion of domestic B2B receivables that were written off as uncollectable (averaging 5.8% of the total value of domestic B2B receivables). The highest proportion of uncollectable foreign B2B receivables was recorded by small enterprises (5.8%). In the other business size groups surveyed, the proportion of uncollectable domestic B2B receivables ranged from 5.7% in small enterprises to 4.5% in micro enterprises. The proportion of uncollectable foreign B2B receivables ranged from 5.6% in large enterprises to 5.0% in medium-sized enterprises.

## 4.4 Trend of payment risk over the next six months

How will the risk of payment delays and payment defaults from your customers develop over the next six months?



Sample: all interviewed companies

Source: Payment Practices Barometer – November 2012

## Overall

**In Asia-Pacific, with the exception of Indonesia, the percentage of respondents expecting trade credit risk to worsen over the next six months is higher than that of respondents who expect an improvement**

The percentage of respondents in Asia-Pacific expecting trade credit risk to worsen over the next six months is higher than that of respondents anticipating improvement. Almost 30% of respondents expect trade credit risk to increase (significantly for 5.6% of respondents) and 26.0% believe that it will decrease (significantly for 7.5% of respondents). This tallies with the trend in the use of credit management tools in Asia-Pacific, where more than half of the survey respondents anticipate an increase in checks on both buyers' creditworthiness and track record over the next six months (see 3.3). The percentage of respondents expecting a worsening of trade credit risk over the next six months ranges from 41.1% in India, where 10.9% of respondents believe the increase will be significant, to 20.4% in Indonesia. Of the surveyed countries in the Asia-Pacific region, Indonesia represented the most optimistic expectation of the evolution of trade credit risk over the next six months, with 55.3% of respondents anticipating an improvement in trade credit risk: almost three times higher than those anticipating trade credit risk to worsen. Across Asia-Pacific, 44.4% of respondents expressed the opinion that trade credit risk will not change over the next six months. This was the view of 66.1% of Japanese and 61.5% of Australian respondents, but just 24.3% of Indonesian respondents.

## By business sector

**Both the manufacturing and the wholesale/retail/distribution sectors held the most pessimistic outlook for trade credit risk of all the business sectors surveyed in Asia-Pacific**

Nearly half of the survey respondents in the services sector in Asia-Pacific were of the opinion that trade credit risk will not change over the next six months. Consistent with the survey pattern, in both the manufacturing and the wholesale/retail/distribution sectors the percentage of respondents expecting a worsening of trade credit risk over the next six months (30.5% and 31.2% of respondents respectively) was higher than that of respondents anticipating an improvement (24.7% and 26.2% respectively). Respondents from the financial services sector expressed the most optimistic outlook for trade credit risk, with 36.8% of respondents expecting an improvement in trade credit risk compared to 30.5% who expect it to worsen.

## By business size

**SMEs in Asia-Pacific were the most pessimistic about the worsening of trade credit risk over the next six months**

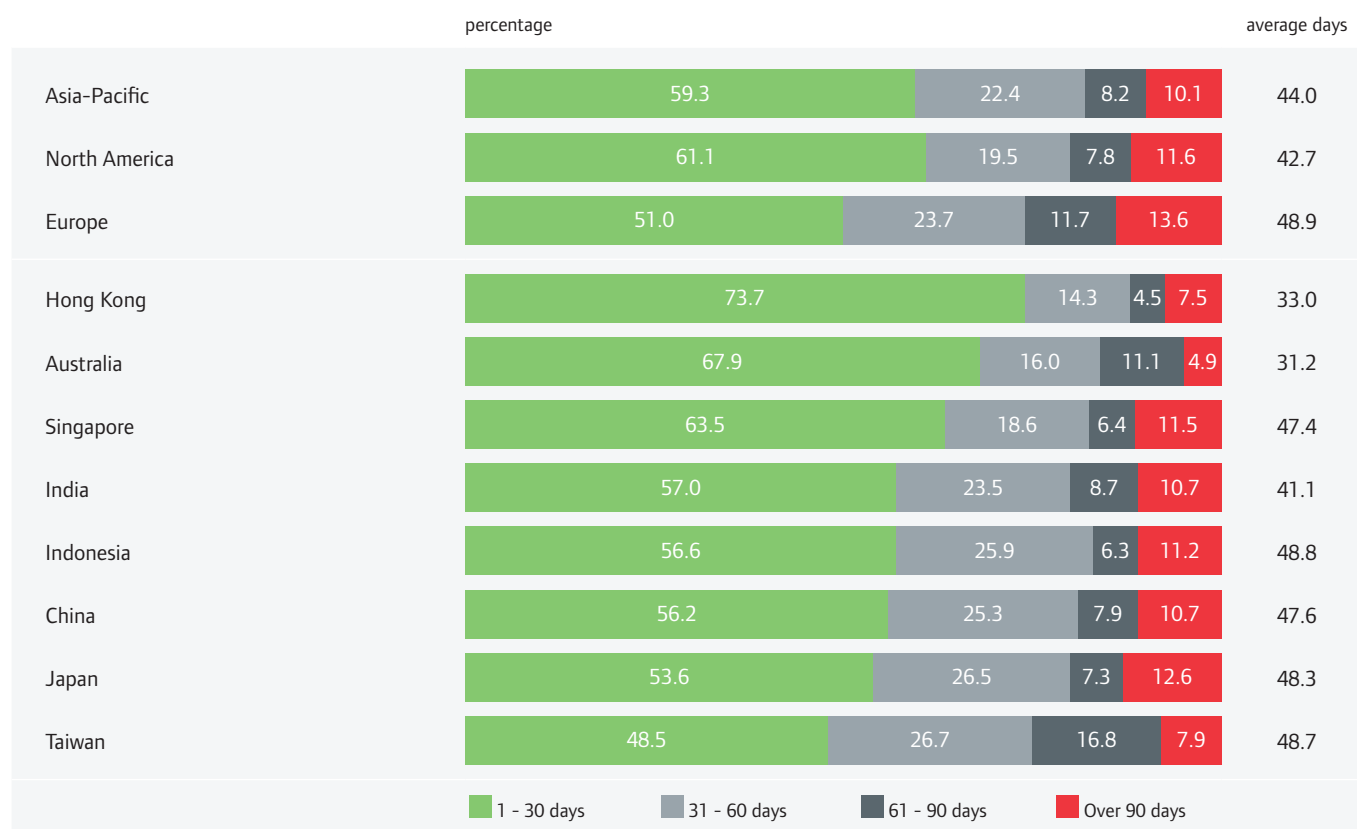
Micro enterprises in Asia-Pacific (half of the survey respondents) expressed the opinion that trade credit risk will not change over the next six months and there is no clear cut majority view within this business size group as to whether trade credit risk will either worsen or improve. Consistent with the overall survey pattern, in both small and medium-sized enterprises the percentage of respondents expecting trade credit risk to worsen over the next six months (33.6% and 32.2% of respondents respectively) was higher than that of respondents anticipating improvement (26.5% and 23.1% respectively). However, the view of large enterprises contrasted with the overall survey results, with 28.3% expecting trade credit risk to worsen compared to 31.9% expecting it to improve. ■

## 5 Cash inflow monitoring

- In Asia-Pacific, survey respondents in Indonesia posted the highest DSO and Australian respondents the lowest
- Over the past year, nearly three times as many survey respondents in Asia-Pacific experienced an increase in DSO than did a decrease

### 5.1 Average Days Sales Outstanding (DSO\*)

#### What was your company's average DSO?



Sample: all interviewed companies

Source: Payment Practices Barometer – November 2012

#### Overall

**In Asia-Pacific, survey respondents in Indonesia posted the highest DSO, and Australian respondents the lowest**

Businesses surveyed in Asia-Pacific posted an average DSO of 44 days: notably higher than the average payment term recorded in the region (31.6 days) and reflecting the volume of invoices that are paid late (see 4.1). Around 4 out of 5 survey respondents reported a DSO in the range from 1-30 days, 8.2% of respondents reported a DSO in the range from 31-90 days and 10.1% of respondents posted a DSO exceeding 90 days. Average DSO varies considerably from country to country. Only Hong Kong (33 days) and Australia (31.2 days) recorded DSO figures below the average for the region. The highest DSO was seen in Indonesia (48.8 days) followed by Taiwan (48.7 days) and Japan (48.3 days).

#### By business sector

**The manufacturing sector posted the longest average DSO**

The longest average DSO was reported by survey respondents in the manufacturing sector (51.2 days), followed by the whole-sale/retail/ distribution sector (40.4 days). In the other business sectors surveyed, the average DSO ranged from 44.5 days in the services sector to 32.2 days in the financial services sector.

#### By business size

**Medium-sized enterprises posted the longest average DSO**

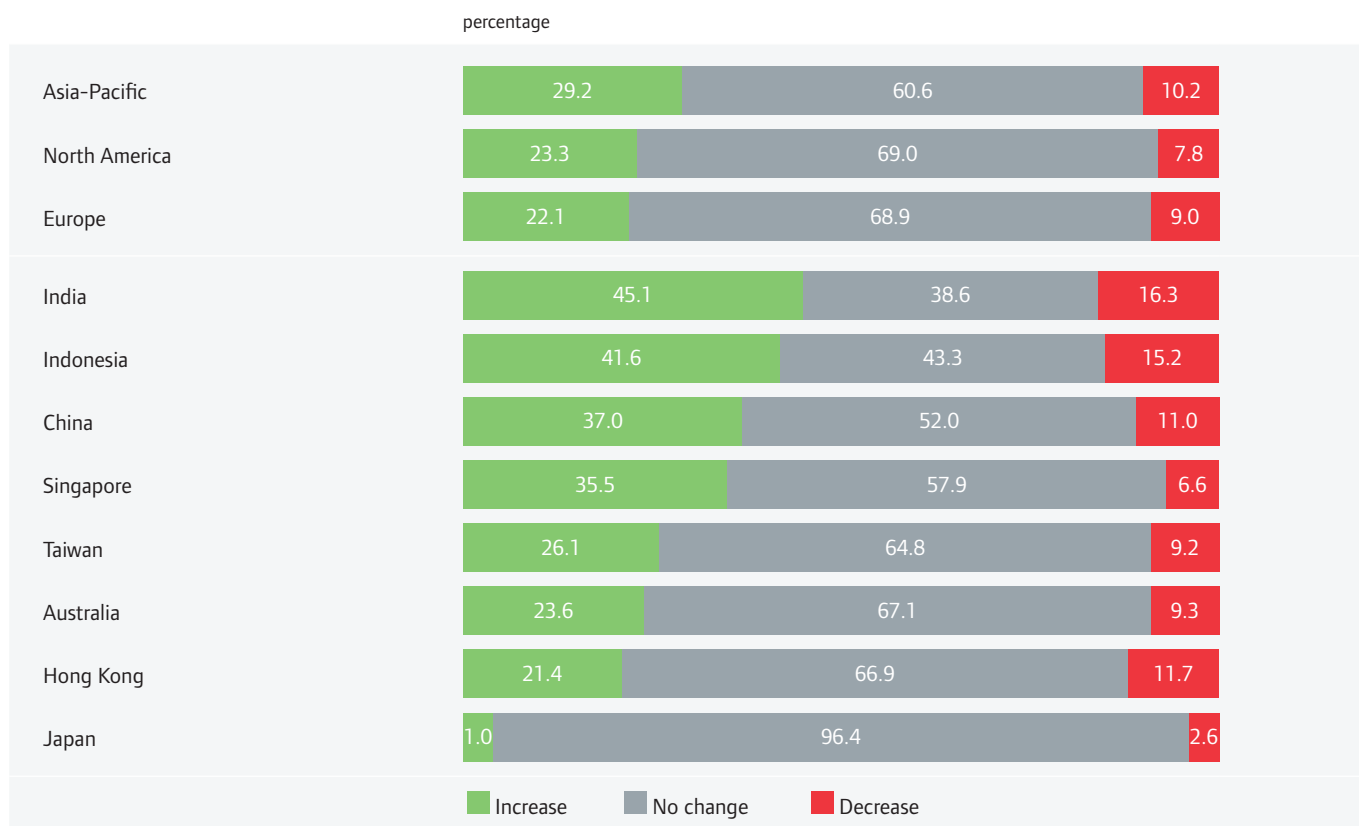
Survey respondents from large enterprises in Asia-Pacific posted the longest DSO (averaging 50.8 days). Across all of the business size groups surveyed, both small and medium-sized enterprises posted an average DSO of around 43 days each. At the lower end of the scale, micro enterprises recorded a DSO averaging 41.2 days.

\* DSO is calculated by using the basic formula (average receivables for the period/ total sales for the period) \* 365



## 5.2 DSO trend over the past year

Has your company's average DSO changed compared to the same period a year ago?



Sample: all interviewed companies

Source: Payment Practices Barometer – November 2012

### Overall

Over the past year, nearly three times as many survey respondents in Asia-Pacific experienced an increase in DSO than did a decrease

Over the past year, nearly three times as many survey respondents in Asia-Pacific (29.2%) experienced an increase in DSO than did a decrease, while around 3 out of 5 respondents reported no change in DSO over the time frame. 96.4% of Japanese respondents reported no change in DSO compared to 38.6% in India, where around three times as many survey respondents (45.1%) experienced an increase in DSO than did a decrease. Overall, the increase in the average time taken to collect receivables is likely to have been the result of a number of factors including payment terms, offers of early payment discount, receivables management techniques, customers' payment patterns and the timing of collection.

### By business sector

Both the manufacturing and the financial services sector were the most likely to experience an increase in DSO levels over the past year

Survey respondents in both the manufacturing and financial services sectors in Asia-Pacific were the most likely to experience an increase in DSO over the past year (around 33.0% of respondents in each case). The DSO of respondents from the other business sectors surveyed was relatively more stable over the same timeframe: especially in the case of 65.3% of respondents in the services sector.

### By business size

Medium-sized enterprises were the most affected by an increase in DSO over the past year

Over the past year, survey respondents from medium-sized enterprises in Asia-Pacific (34.2%) were the most impacted by an increase in DSO. The other business size groups in the region saw a more stable DSO: notably 72.0% of respondents from micro enterprises.

## 6.1 Survey background

Atradius conducts regular surveys of corporate payment behaviour across a range of countries; the findings are published in the Payment Practices Barometer. This report focuses on Asia-Pacific, examining the primary aspects of the region's trade credit supply and management, as well as the payment behaviour of its international and domestic Business-to-Business (B2B) customers. The results highlighted in this report are based on feedback from 1,661 companies in the following eight countries in Asia-Pacific: Australia, China, Hong Kong, India, Indonesia, Japan, Singapore, Taiwan. For further insight, the results for Asia-Pacific have also been compared to those of Payment Practice Barometer (May and June 2012 editions) covering 3,706 companies from 18 countries in Europe (Austria, Belgium, Czech Republic, Denmark, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, the Netherlands, Poland Spain, Slovakia, Sweden, Switzerland and Turkey) and of the September 2012 edition of the Barometer covering 614 companies in four countries in North America (Canada, Mexico, the U.S.).

## 6.2 Survey objectives

The 11th edition of the Payment Practices Barometer addresses the following research areas:

- Use of trade credit
- Credit management practices
- Customers' payment behaviour
- Cash inflow monitoring and DSO

## 6.3 Structure of the survey

- Determining the appropriate company contact for accounts receivable management
- Ascertaining the interviewed company's industry and size
- Ascertaining the industries and countries the company does business with
- Assessing the extent to which survey respondents use trade credit in their B2B transactions
- Focusing on the main credit management practices in each country surveyed
- Focusing on the research areas mentioned in 6.2 Survey objectives

## 6.4 Survey scope

Basic population: see 6.1 Survey background.

- Selection process: companies were selected and contacted by use of an international internet panel. At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted.
- Sample: n = 1,661 persons were interviewed in total (approx. n = 200 per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web assisted personal interviews (WAPI) of approximately 10 minutes duration

## 6.5 Sample overview

Sample overview for Asia-Pacific

Country (n = 1,661)	n	%
Australia	197	11.9%
China	219	13.2%
Hong Kong	205	12.3%
India	203	12.2%
Indonesia	218	13.1%
Japan	207	12.5%
Singapore	203	12.2%
Taiwan	209	12.6%
Business sector (n = 1,661)	n	%
Manufacturing	491	29.6%
Wholesale / Retail / Distribution	337	20.3%
Services	628	37.8%
Financial services	205	12.3%
Business size (n = 1,661)	n	%
Micro enterprise	573	34.5%
Small enterprise	457	27.5%
Medium-sized enterprise	348	21.0%
Large enterprise	283	17.0%

Where a single answer is possible, it may occur that the results are a percent more or less than 100% when adding the results up. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to 100%, with the purpose of representing the individual results as precisely as possible.

## Notes

## Notes



**Crédito y Caución**  
**Paseo de la Castellana, 4**  
**28046 Madrid**  
**Spain**

[creditoycaucion.es](http://creditoycaucion.es)