



# India: concern that customers' payment practices are worsening is growing

Atradius Payment Practices Barometer





exports

# Top 5

- Engineering goods
- Gems and jewelery
- Petroleum products
- Organic and inorganic chemicals
- Drugs and Pharmaceuticals

Source: Government of India  
Ministry of Commerce and Industry

trading partners

# Top 5

- US
- China
- UAE
- Hong Kong
- Saudi Arabia

Source: Atradius

imports

# Top 5

- Petroleum, crude and products
- Electronic goods
- Machinery
- Gold
- Pearls, precious and semi precious stones

Source: Government of India  
Ministry of Commerce and Industry

**India will remain on a high growth path this year. Export growth is expected to be in the region of 6.6%.**



**Arun Soundarajan,**  
Country Manager for India commented  
on the report

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*For many years, the emerging economies in Asia have been the main growth engine of the world economy. India is one of the primary drivers of this global GDP growth.*

*Despite this, concerns about the future trend of B2B payment practices appear to be putting a significant dent in business confidence in India, more than elsewhere in Asia Pacific. This is what survey findings reveal, reflecting the current weakening of the country's economy.*

*Regardless of the reasons for this, Indian businesses seem to be very receptive to taking a strategic approach to credit management, to efficiently protect their companies from the many downside risks that could impede growth.*

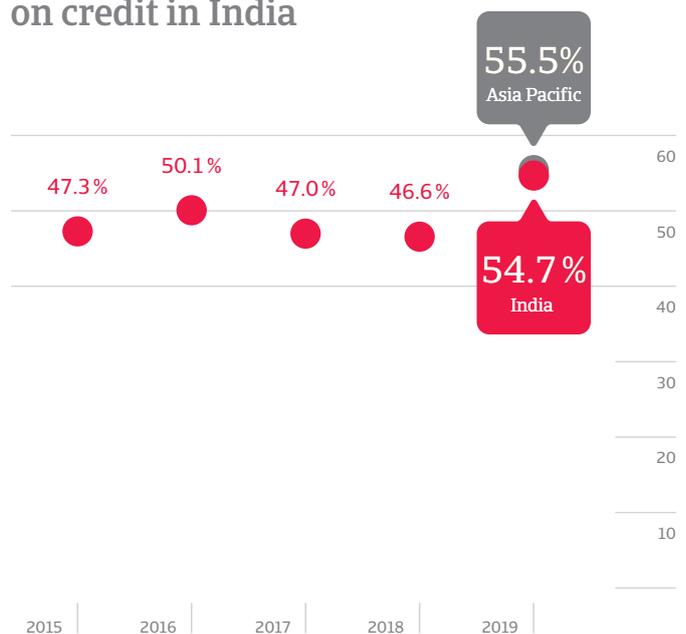
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## B2B credit sales on the rise, due to a pick up in internal demand and export growth

Real GDP growth is forecasted to reach a healthy 7.2%, mostly due to private consumption picking up. However optimistic this picture may seem, the recent downward revision of India's growth forecast points to strong headwinds in the short term.

In line with regional observations, survey respondents in India appear notably more likely than last year to sell on credit terms than on a cash basis to their B2B customers. Current survey data reveal that there was an increase of approximately 17% in the volume of B2B sales transacted on credit terms over the past year. 54.7% of the total value of Indian respondents' B2B sales was transacted on credit (up from 46.6% last year) while 45.3% was made on a cash basis (down from 53.4% one year ago). These figures suggest that Indian respondents are adopting a more liberal trade credit policy to protect their competitive position, both on the domestic and on export markets.

### Proportion of total B2B sales made on credit in India



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – May 2019



## Payment duration in India



d = average days

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

Source: Atradius Payment Practices Barometer – May 2019

### Invoice to cash turnaround significantly faster than one year ago

The increase in sales transacted on credit observed in India does not appear to be underpinned by the extension of more relaxed payment terms from respondents. On the contrary, as survey findings reveal, payment of invoices is requested, on average, 2 days faster than a year ago, namely within an average of 31 days from the invoice date. This is one day less than the average 32 days for the region. As observed across many of the countries surveyed in Asia Pacific, the shorter credit terms given to B2B customers are indicative of a stronger perception of the customers' payment default risk. This reflects the more uncertain trading environment. However, due to the interplay between more stringent credit terms and faster settlement of invoices from B2B customers, respondents in India are now able to turn past due invoices into cash on average in 55 days, approximately two weeks sooner than last year.

### Indian businesses more likely to hedge against exchange rate risk than businesses in other Asia Pacific countries

Connected with the markedly more extensive use of trade credit in B2B transactions domestically and abroad, there is strong awareness among Indian respondents of the risk of payment default arising from trading on credit in a challenging business environment. This is reflected in the balanced

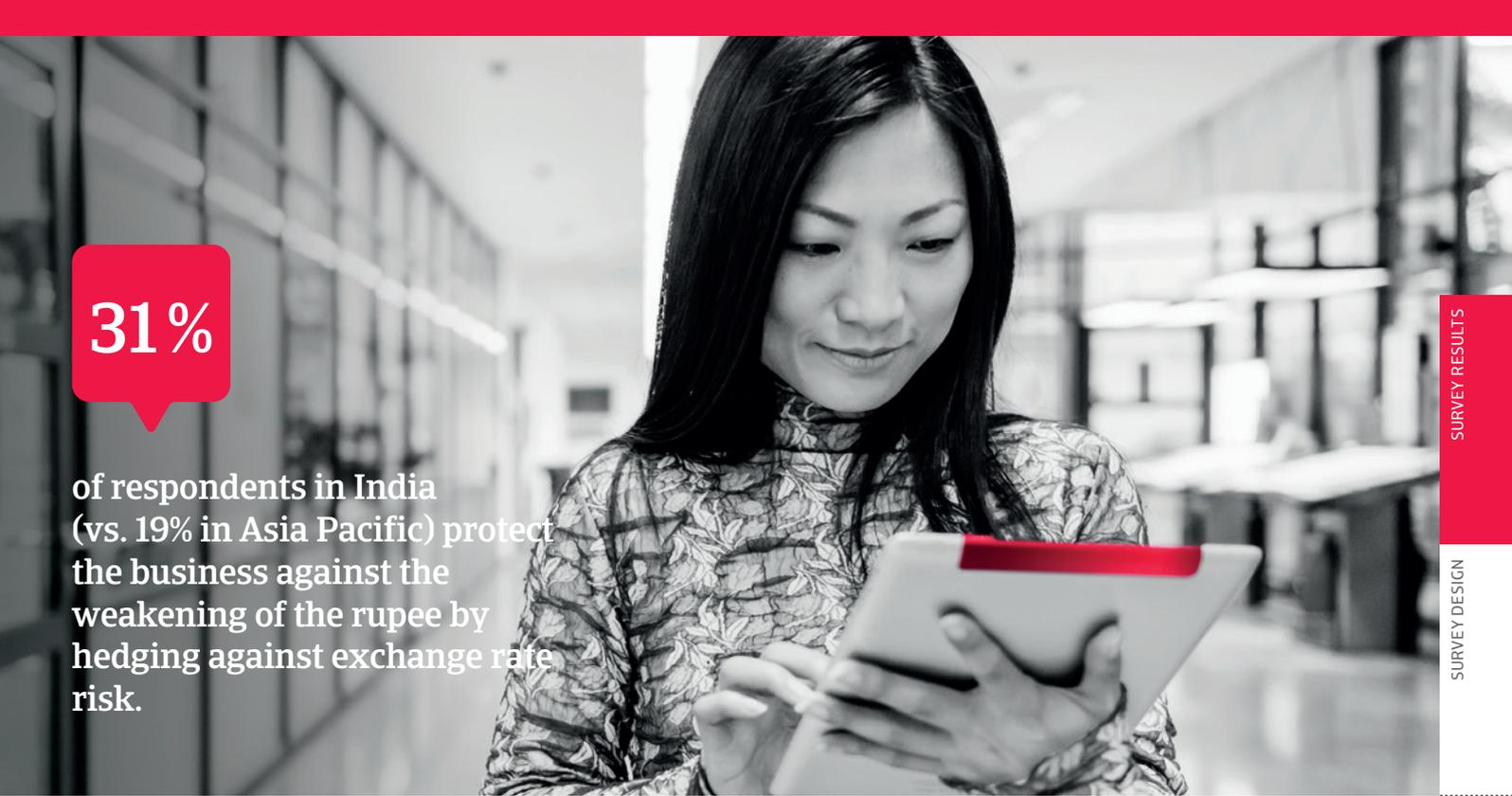
mix of credit management practices many Indian respondents (on average 35%) reported they employ in their common business practices. These practices range from the assessment of the prospective buyer's financial profile prior to any trade credit decision, to the offering of discounts for earlier payment of invoices. It is worth noting that hedging against exchange rate risk (to protect the business against the weakening of the rupee) as well as using specific credit management software are done markedly more often in India (31% of respondents) than in the region overall (19%).

### Knock-on effect of late payment in India stronger than in other Asia Pacific countries

An average 39.0% of the total value of B2B invoices issued by Indian respondents remained unpaid at the due date. This is well above the 29.8% average for Asia Pacific. In order to remain financially flexible, and to alleviate the financial pressure on the business, more respondents in India (51%) than in Asia Pacific overall (41%) reported they needed to delay payment of invoices to their own suppliers. 49% of respondents in India, compared to 39% in the region, said they had to stabilize cash flow. 47% (versus 29% at regional level) had to pursue additional financing from external sources such as banks or factors. Despite the balanced mix of credit management techniques used, the proportion of bad debts written off as uncollectable (2.7%) increased compared to last year's 2.5%. This compares to a 2.1% regional average.

### Respondents in India the most pessimistic in Asia Pacific about the trend of customers' payment practices over the next 12 months

Respondents in India appear to be the most pessimistic in Asia Pacific about the future trend of customers' payment practices. 53% of Indian respondents (compared to 30% at regional level) anticipate deterioration in their B2B customers' payment practices over the coming months. An improvement is expected by 27% of respondents (compared with 22% in Asia Pacific overall), while 20% (47% in the region) do not foresee any variation in the short-term. Given this pessimistic view, 43% of respondents plan on taking more action to limit the impact of deteriorating payment behaviour. These actions include, amongst others, reserving against bad debts (44% of respondents), reducing reliance on a single buyer (42%), more active dunning (outstanding invoice reminders) and beginning to use credit insurance (in both cases 24% of respondents).



31%

of respondents in India (vs. 19% in Asia Pacific) protect the business against the weakening of the rupee by hedging against exchange rate risk.

## Overview of payment practices in India

By business sector

**Average payment terms longest in the services, consumer durables and construction sectors. Shortest in the wholesale/retail/distribution, agri-food and ICT/electronics sectors**

Respondents from the services, the consumer durables and construction sectors extended the longest average payment terms to their B2B customers (each averaging 35 days from the invoice date). Respondents in the wholesale/retail/distribution, agri-food and ICT/electronics sectors extended the shortest average payment terms (averaging 22 days each).

**Financial impact of late payments most acutely felt in both the services and ICT/electronics sectors**

The services and ICT/electronics sectors are the most impacted by late payments from B2B customers. The value of overdue invoices in both sectors averages 42% of the total value of respondents' B2B invoices. This compares to an average of 38% for both the manufacturing and the wholesale/retail/distribution sectors. At 35%, both the consumer durables and the chemicals sectors recorded the lowest average value.

**Highest percentage of bad debts written off as uncollectable in the services and the ICT/electronics sectors**

With an average of 3.3% of B2B receivables written off as uncollectable, both the services and ICT/electronics sectors appear to be the most impacted by bad debts. The average in both the manufacturing and the wholesale/retail/distribution sectors is 2.6%. The 2.7% average in the machines sector matched that of the country overall. The 2.1% average in the metals sector reported the lowest of the business sectors surveyed in India.

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*Growing companies are undoubtedly some of the businesses that can benefit most from the protection credit insurance offers.*

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**Credit manager - SME  
Consumer durables sector**



# Overview of payment practices in India

## By business size

### SMEs on average extended the most relaxed payment terms to B2B customers

Respondents from SMEs in India extended the longest and from large enterprises the shortest average payment terms to B2B customers (averaging 35 days and 17 days from the invoice date respectively).

### Micro-enterprises wait the longest to turn overdue invoices into cash

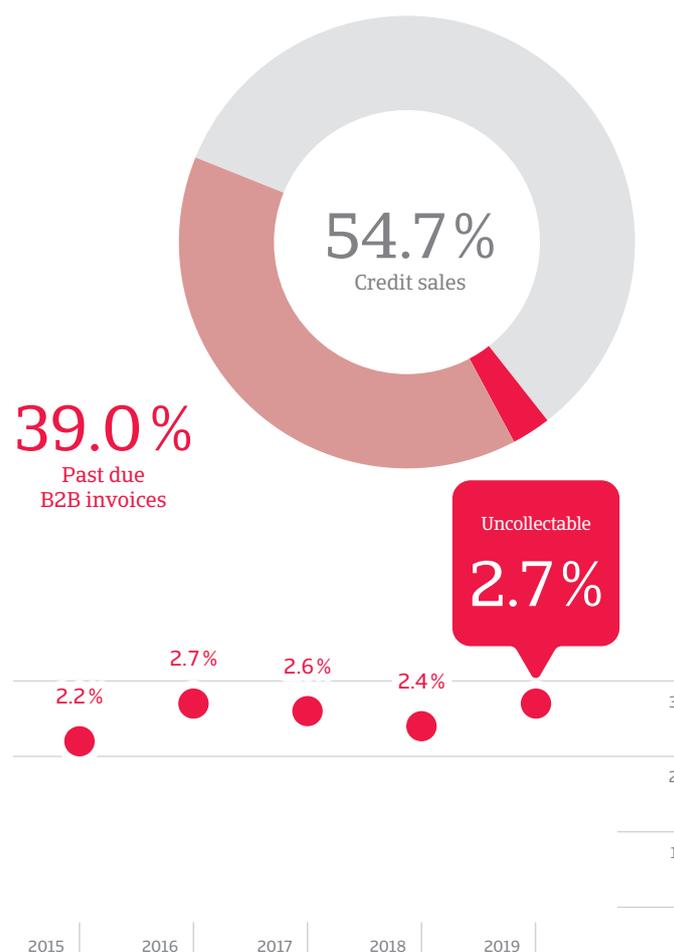
Over the past year, SMEs in India recorded the most significant improvement in B2B customers payment timings (20% increase in invoices paid on time). Due to this improvement, overdue invoices in Indian SMEs now account for 37.6% of the total value of B2B invoices. This compares to an average 43.4 reported by respondents from micro-enterprises and to 36.2% reported by respondents from large enterprises. The average time it takes to convert invoices into cash is 59 days from the invoice date for micro-enterprises, 57 days for SMEs and 47 days for large-enterprises.

### Bad debts written off at highest rate in large enterprises

Large enterprises in India recorded the highest proportion of B2B receivables written off as uncollectable (2.8%). The average for both micro-enterprises and SMEs is 2.6%.

## Uncollectable B2B receivables in India

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – May 2019

**Atradius · Key Findings**

**53%**  
of respondents in India (vs. 30% In Asia Pacific) anticipate deterioration in their B2B customers' payment practices over the coming months.

Atradius Payment Practices Barometer – May 2019

# Survey design for Asia Pacific

## Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Asia Pacific, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) have been surveyed. Due to a change in research methodology for this survey, for some of the presents results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 1,718 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

## Survey scope

- Basic population: companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- Sample: N=1,718 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q1 of 2019.

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## Sample overview – Total interviews = 1,718

Country	n	%
Australia	219	12.7
China	218	12.7
Hong Kong	209	12.2
India	219	12.7
Indonesia	219	12.7
Japan	212	12.3
Singapore	210	12.4
Taiwan	212	12.3

Industry	n	%
Manufacturing	539	31.4
Wholesale trade/ Retail trade / Distribution	872	50.8
Services	307	17.8

Business size	n	%
Micro enterprises	701	40.8
SME (Small/Medium enterprises)	550	32.0
Large enterprises	467	27.2

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.



## Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia Pacific. This is part of the May 2019 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications)

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For more **insights into the B2B receivables collection practices in India** and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on [www.atradiuscollections.com](http://www.atradiuscollections.com)

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**Atradius N.V.**

David Ricardostraat 1 · 1066 JS Amsterdam

Postbus 8982 · 1006 JD Amsterdam

The Netherlands

Phone: +31 20 553 9111

[info@atradius.com](mailto:info@atradius.com)

[www.atradius.com](http://www.atradius.com)