



Atradius Payment Practices Barometer June 2022



India: bad debt levels remain high

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About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

It contains direct feedback from businesses in a given market or region about how they manage payment default risks related to selling on credit to B2B customers. Topics covered include: payment terms, the time it takes to collect invoices, managing payment delays, the impact of payment delays on business, and expected business trends.

We believe these survey results will offer compelling insights into the markets and regions where you do business.

This is the report for India.

India: overview of key survey findings

9% write off

Alarming levels of B2B bad debts and customer payment default

- The level of bad debts written off as uncollectable and customer payment default remains high across all industries polled in the Indian market -- and these are both viewed as a major concern. In each case, the figures were particularly alarming in the consumer durables sector, which is suffering most from disruption to global supply chains. Our survey found a main factor for the problem is that many customers have liquidity problems.
- Companies in India adopted widespread measures to combat the issue of overdue B2B trade debt. Some insisted on cash payments for delivery of goods and services, while others preferred more rigorous credit checks on customers. Offering discounts for early payments was another method, while in the electronics/ICT sector they tried a more flexible approach to payment terms. Overall, the average total value of B2B sales on credit dropped slightly, but still represented half of B2B turnover.

Credit risk strategy crucial as DSO worsens

- Days-Sales-Outstanding (DSO) deteriorated for a staggering 60% more businesses polled in the Indian market than in our last survey. Companies also told us of the difficulty they found in collecting long unpaid trade debt. The clear consequence was that businesses were keenly aware of the vital need to strengthen their credit risk management. An increasing number of companies reported taking up credit insurance cover and the benefits of stability and access to finance which come with it.
- Optimism for the future was shown in our survey by Indian companies saying they anticipate an increase in trading on credit with B2B customers during the coming months and also expect payment practices to improve. Despite this, however, businesses polled also anticipate a period of perhaps severe DSO volatility. That is one of several concerns looking ahead. Another is a potential fall in demand for products and services, while there is also worry about continued disruption to domestic and global trading conditions due to the pandemic.

India: credit sales and payment terms (B2B)

Nearly half of B2B turnover sold on credit, focus on customer retention

- The average total value of B2B sales on credit in the Indian market has dropped slightly, now at 49% of all B2B sales compared to 52% in the previous survey. Companies who rejected B2B trade credit requests in recent months said they did so due to higher risk of payment default, lack of in-depth risk information on customers, or because of unsustainable credit management costs. Businesses that more frequently accepted requests of B2B trade credit, especially in the electronics/ICT sector, told us the prime motivation was to encourage repeat sales with existing customers.
- Although customer retention remains the main reason that companies in India trade on credit with B2B customers, there was a 25% increase from the last survey in businesses who said they offered trade credit to allow B2B customers longer time to pay. This was particularly noted in the chemicals industry. However, two in ten companies, particularly in the consumer durables sector, said a significant motivation for offering B2B trade credit was a desire to expand sales with new customers.

Payment terms in B2B trade hold steady, awareness of credit insurance grows

- Many companies in India told us they had made no significant change to payment terms offered to B2B customers since the previous survey, a finding noted particularly in the electronics/ICT sector. However, 20% of businesses across all industries polled said they needed to shorten payment terms for customers amid concern over higher risk of customer payment default. Chemicals companies took a different approach, allowing customers extra time to pay invoices. Overall, payment terms currently average 63 days from invoicing in the Indian market.
- Decisions made by India companies on payment terms for B2B customers are chiefly dependent on their own customary trade practices, particularly in the chemicals industry. However, our survey reveals that half of businesses polled set B2B payment terms depending on the cost of funds required while waiting for payments from customers. This trend sits alongside a reported increasing awareness of the benefits of having a credit insurance cover, such as easier access to external financing. Companies in the Indian electronics/ICT and consumer durables sectors appear to share this view.



50 days

(2021: 44 days)

of companies polled in India told us they set B2B payment terms depending on the cost of funds required while waiting for payments from customers.

India: customer payment default (B2B)

Bad debts and customer payment default levels remain high

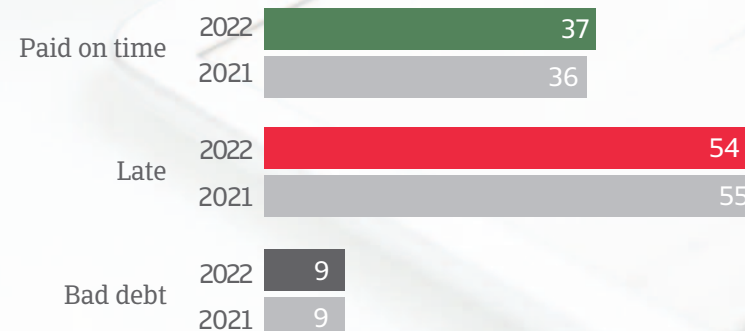
- Unpaid trade debt currently affects an average of 54% of the total value of B2B invoices, a level substantially unchanged from our previous survey. This reflects the ongoing volatility of the economic and geopolitical landscape which severely challenge Indian companies. The consumer durables sector appears hardest hit by customer payment default due to the disruptive impact of the pandemic on global supply chains. 60% of companies polled in this industry said they either sought external borrowing to meet obligations while waiting for payments from customers, or delayed payment to their suppliers to maintain liquidity in-house.
- Levels of bad debts written off as uncollectable also remained high in India. They currently average 9% of all B2B invoices, with no substantial change since the last survey. India's consumer durables sector again had the most alarming figures, with their level of bad debts standing at 12%. It explains why companies in this industry are very active in offering B2B customers discounts for early payment of invoices with the aim of reducing the volume of trade receivables.

Liquidity problems chief reason for customer payment defaults

- Companies in India used several proactive measures to deal with problems of overdue payments already highlighted. 72% of businesses polled said they spent more time and resources chasing unpaid B2B trade debt caused by customer liquidity problems. This was reported especially by consumer durables companies, who increased their frequency of customers' credit checks to spot warning signs. In contrast, businesses in both the electronics/ICT and chemicals industries told us payment default was most often due to administrative delays in the customer's payment process.



India: % of the total value of B2B invoices paid on time, overdue and bad debt as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - June 2022

India: impact of customer payment default (B2B)

Multifold strategy approach to customer credit risk

- Our survey reveals that Indian companies used a widespread range of measures to deal with customer credit risk. Nearly three in five businesses polled said they often requested cash payments from B2B customers, noted especially in the consumer durables sector. Along with increased frequency of customer credit checks, 45% of companies said they strengthened their credit management process by avoiding credit risk concentration on a single customer or groups of customers with the same features. This was most often reported by electronics/ICT industries.
- Another approach to credit risk management among Indian companies was taking more steps to recover unpaid B2B trade debt from defaulting customers, while a strategy reported across almost all the industries polled in our survey was adopting a flexible approach to offering payment terms according to need. This was among the most preferred options to promote improved cash flow and avoid severe repercussions on business operations, a concern particularly expressed in the electronics/ICT sector.

DSO worsens, avoidance of cash flow bottlenecks paramount

- Days-Sales-Outstanding (DSO), the length of time between invoicing and getting paid by customers, worsened for nearly 60% of Indian companies since our previous survey, while difficulty in collecting long unpaid trade debt was reported across all industries polled. Businesses who reported worsening of DSO all put this down to a policy of more liberal trade credit terms being offered to customers -- whose credit risk profile, through no fault of their own, then deteriorated and affected the ability to make payment on time. This emphasizes the importance of timely collection payment to avoid cash flow bottlenecks.
- Several proactive measures were used by Indian companies who reported DSO worsening, the strategy depending on the relationship with the customer. Many businesses said they offered discounts to encourage prompt payment by customers. 35% of companies polled said resorted to a credit insurance cover, which helped them to improve DSO and free up working capital.



Average time it takes to convert overdue B2B invoices into cash (year-on-year change)

(% of respondents)



Sample: all survey respondents - Source: Atradius Payment Practices Barometer - June 2022

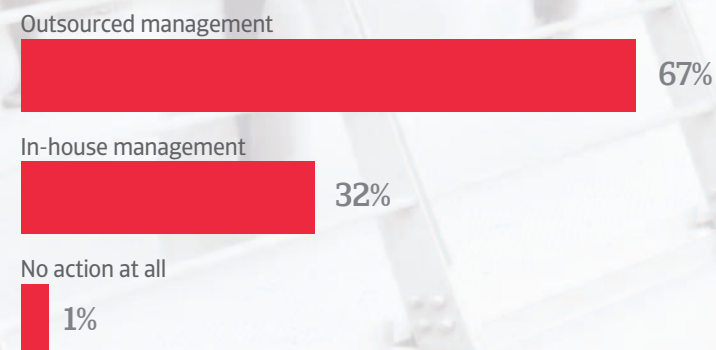
India: management of customer payment default (B2B)

Businesses seek strategic protection against customer credit risk

- Retaining and managing customer credit risk in-house was the option taken by 32% of companies polled in India. This mainly involved setting aside liquidity to cover potential bad debts which could otherwise be used in business operations. The remaining businesses polled said they outsourced the issue to a credit insurer -- or purchased specific trade finance solutions complementing in-house credit management or insurance. This reveals an increased awareness of the importance of strategic credit management in challenging economic and trading conditions.
- Outsourcing credit risk management to a credit insurer was reported by Indian companies to have significant benefits. One main factor is that it helps the business to compete effectively because more favourable payment terms to customers can be offered. Another clear benefit is an overall enhancement of credit management procedures, as well as having a disciplined approach to the trade credit decision-making process. Among trade finance solutions, our survey in India reveals a preference for the use of letters of credit, followed by trade receivables securitization and factoring.

India: over the past 12 months, how have you managed the risk of customer payment default?

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - June 2022

India: the business outlook (B2B)

Increase in B2B trading on credit expected, chiefly to grow sales

- Our survey reveals a positive outlook for business, with 85% of companies across all industries in the India market anticipating an increase in trading on credit terms with B2B customers. The main reason will be to expand sales with existing and new customers. Only 15% of businesses predict no significant change in their customary trade credit policy. There is also a strong belief that payment practices of B2B customers will improve during the coming months, an optimism reported by 93% of businesses polled in India, particularly in the consumer durables and electronics/ICT industries.

Concern about DSO volatility and falling demand for products and services

- Despite expecting an improvement in B2B payment practices, Indian companies also anticipate high volatility of their DSO due to the current challenging trading environment. This may explain why two in five businesses said they would continue using credit insurance during the coming months, a finding evident across all industries polled in our survey. An interesting detail is that companies who complement credit insurance by purchasing trade finance solutions told us they would prefer trade receivables securitization over factoring.
- The primary concern looking forward for most Indian companies is a potential fall in demand for their products and services. This concern is felt acutely across all industries surveyed, reported by 48% of businesses polled. In contrast, the worry for 34% of companies, especially in the chemicals sector, is the ability to keep pace with rising demand for products and services as the economy tries to rebound from the pandemic. A third of companies in India, particularly in the consumer durables industry, said their greatest fear was continuing disruption to the domestic and global trading environment.

India: top 5 greatest challenges to business profitability in 2022

% of respondents

Falling demand for our products and services



Keeping pace with rising demand for our products and services



Ongoing impact of pandemic on our business



Maintaining adequate cash flow



Shrinking profit margins

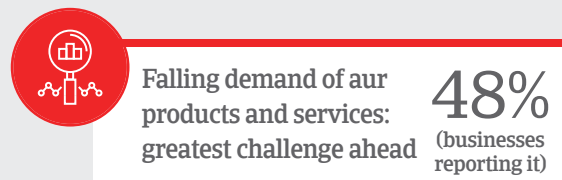
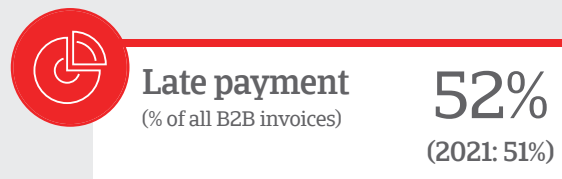
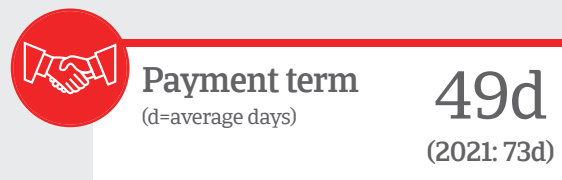
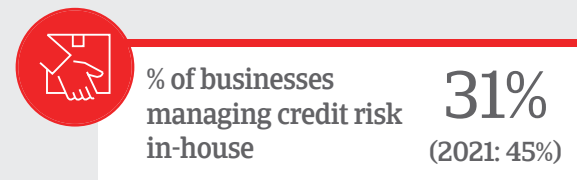
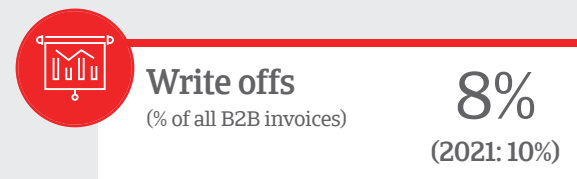
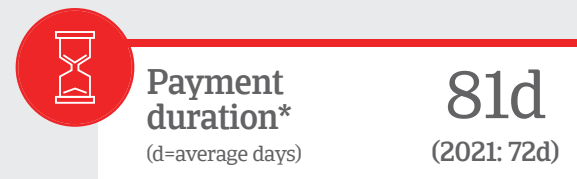
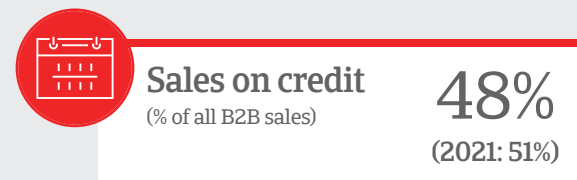


Sample: all survey respondents (multiple choice survey question)

Source: Atradius Payment Practices Barometer - June 2022

India: overview of key survey findings by industry

Chemicals



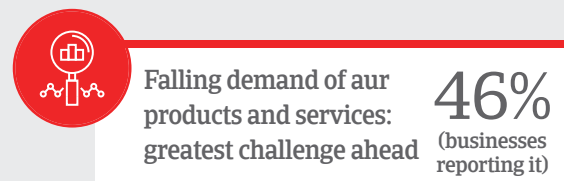
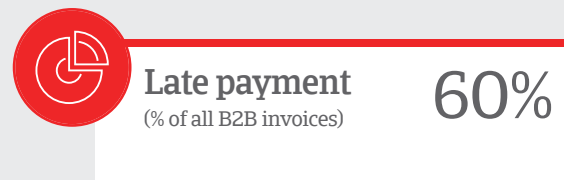
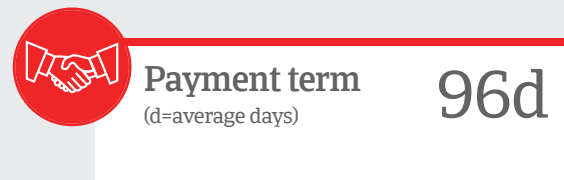
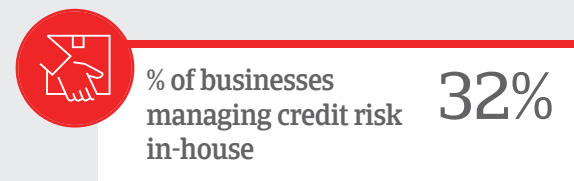
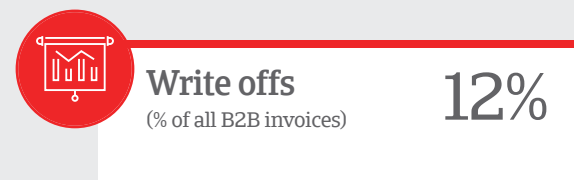
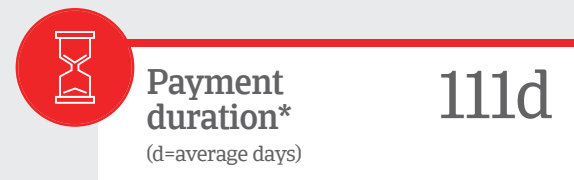
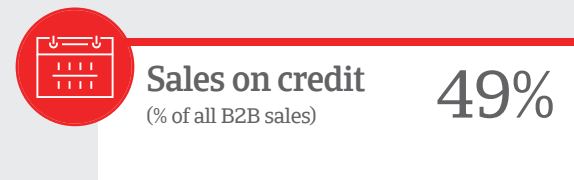
* payment term on the invoice plus any delay.



India: overview of key survey findings by industry

Consumer Durables

Data not available for 2021

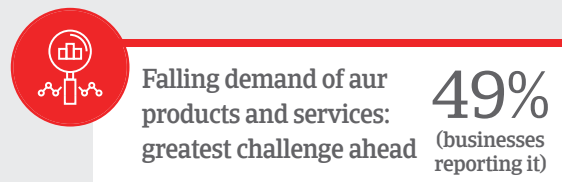
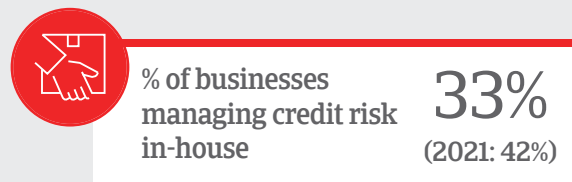
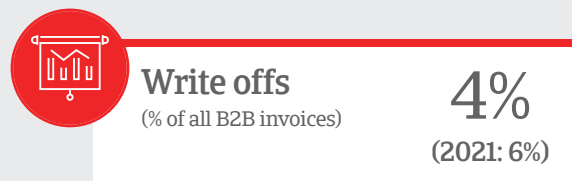
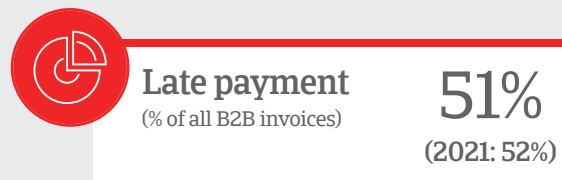
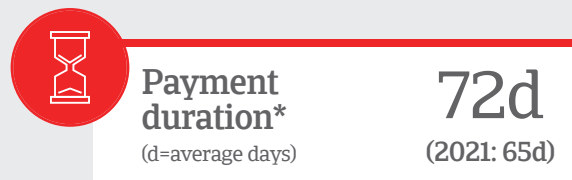
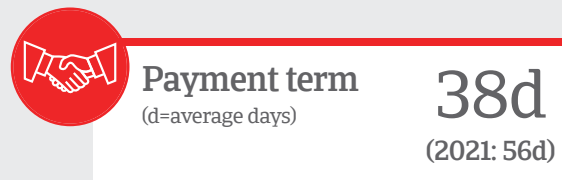
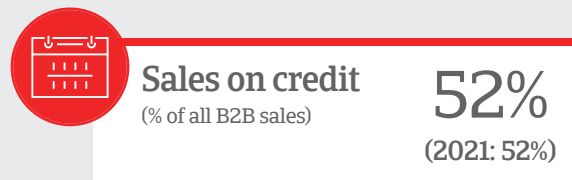


* payment term on the invoice plus any delay.

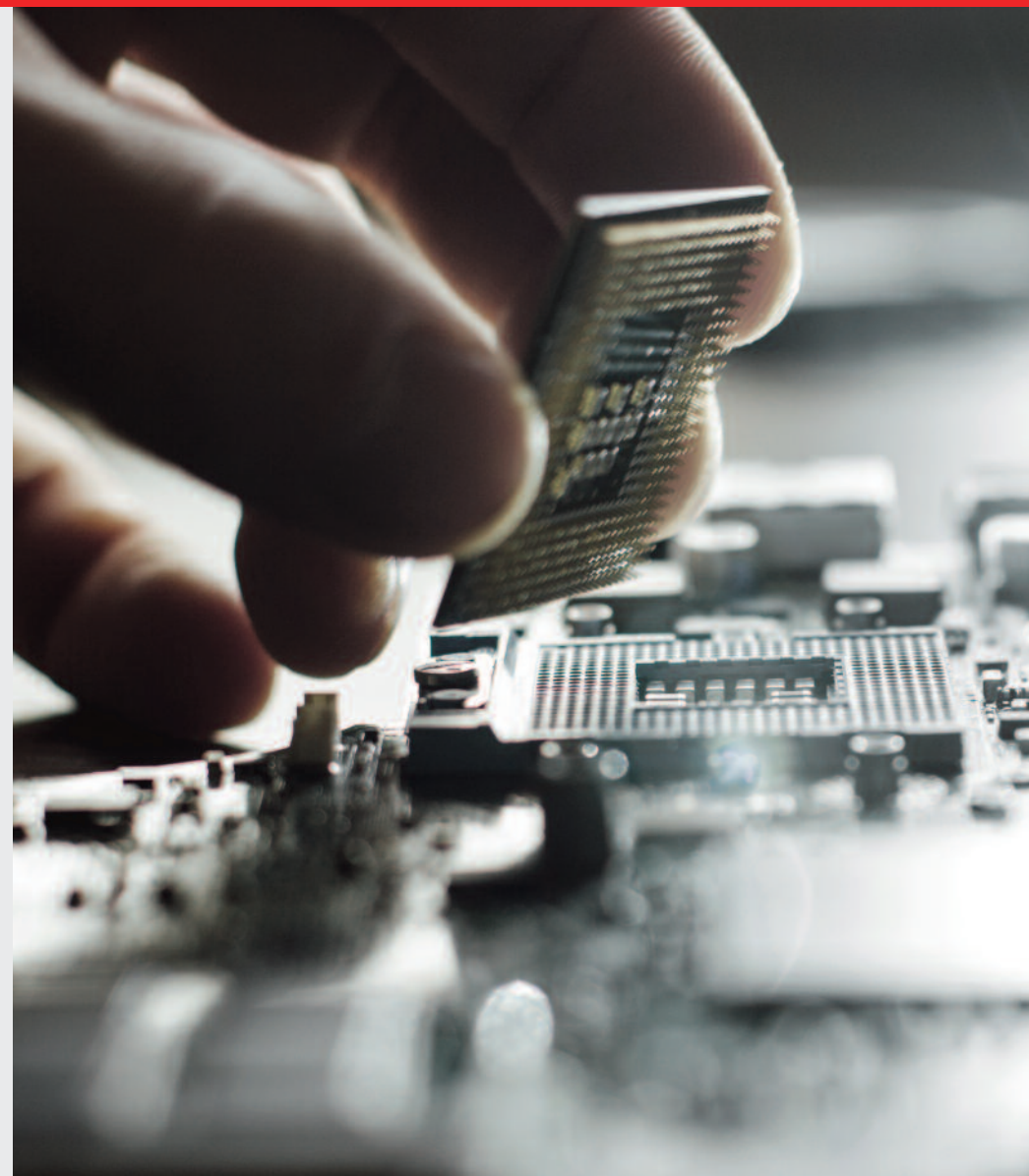


India: overview of key survey findings by industry

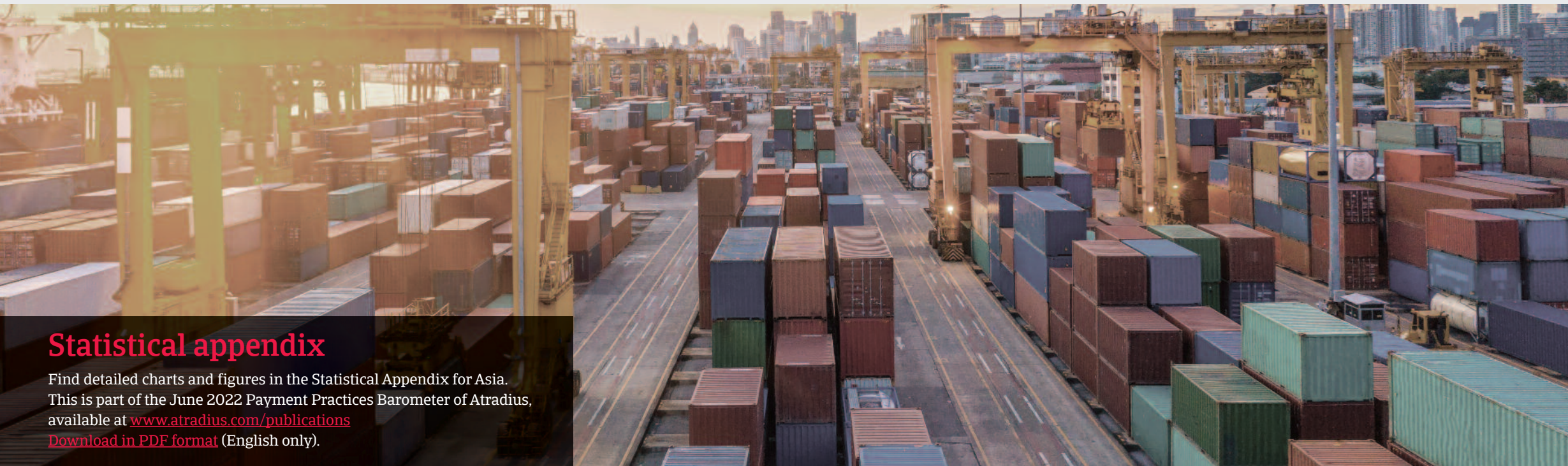
Electronics/ICT



* payment term on the invoice plus any delay.



Glossary



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia. This is part of the June 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications
[Download in PDF format](#) (English only).

Payment term (credit period, credit term)

The period after delivery or shipment of goods or after rendering of services at the expiry of which invoices are due to be paid.

Overdue invoice (past due invoice, defaulted invoice)

A customer's obligation that has not been paid by its due date.

Write-offs

Overdue invoices that cannot be collected and therefore are treated as bad debts and written off as uncollectable.

Days Sales Outstanding (DSO)

Average time (days) a company takes to convert its credit sales into cash or cash in the outstanding payments from its customers.

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. India companies are the focus of this report, which forms part of the 2022 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 200 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from India were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q2 2022.

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If after reading this report you would like more information about protecting your receivables against payment default by your customers you can visit the Atradius website or if you have more specific questions, please leave a message and a product specialist will call you back. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

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For more insights into the B2B receivables collection practices in India and worldwide, please go to www.atradiuscollections.com

For India www.atradius.sg

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Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	78	39
Wholesale	16	8
Retail trade / Distribution	41	20
Services	65	33
TOTAL	200	100
Business size	Interviews	%
Micro enterprises	32	16
SME - Small enterprises	41	21
SME - Medium enterprises	100	50
Large enterprises	27	13
TOTAL	200	100
Industry	Interviews	%
Chemicals	75	38
Consumer Durables	56	28
Electronics/ICT	69	34
TOTAL	200	100

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