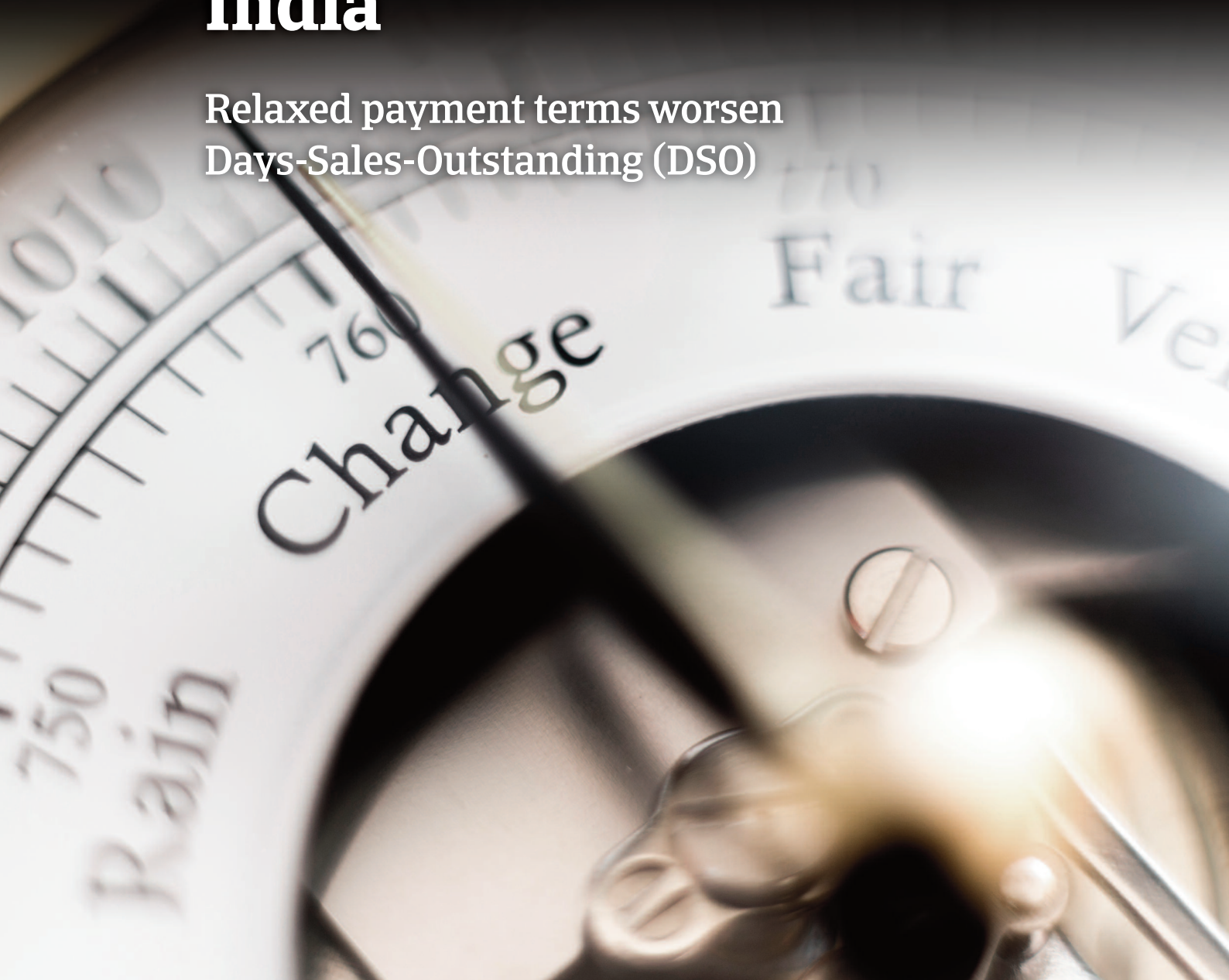




Key trends for B2B payments and cash flow

# India

Relaxed payment terms worsen  
Days-Sales-Outstanding (DSO)





Arun Soundarajan  
Country Head of India  
commented on the report

“ Although companies are generally bullish on their growth and sales prospects this has to be tempered with sticky inflation levels that continues to be an issue across India both in the consumer and industrial sector. This is in spite of the reserve bank increasing interest rates and pursuing a tight monetary policy.

The inflationary effect along with a below-than-normal monsoon will further add to food inflation in months to come leading to a reduction in real income and a consequent decrease in demand for goods and services. This will lead to more pressure on small and medium enterprises on their profit margins and growth prospects.

India is also due for general elections early next year and there will be a dampening of external investment till the time a new government is formed at the centre. These are some of the factors that will lead to companies extending their credit cycles and experiencing payment delays in days to come.

”

## 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.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for India. Sector focus: chemicals, consumer durables, electronics/ICT.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.





## In this report

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# B2B payment trends and cash flow

## Relaxed payment terms worsen Days-Sales-Outstanding (DSO)

The key role trade credit plays for companies polled in India is illustrated by a 6% rise in sales transacted on credit during the past year, now averaging 52% of all B2B sales. This upward trend was particularly reported in the consumer durables sector, which was also the driving force for a notable relaxation of payment terms offered to B2B customers. Our survey found a 60% increase in Indian companies granting payment terms longer than 90 days from invoicing. Payment terms were influenced by various factors, including internal company standards, alignment with terms received from suppliers, customer creditworthiness and the cost and availability of capital.

Cashflow challenges faced by companies polled in India are highlighted by 4% year-on-year increase in the level of late payments affecting B2B transactions. A substantial 56% of all B2B invoiced sales are now affected by payment delays, with the consumer durables sector especially impacted. The level of bad debts also remained persistently high at 7% of all B2B invoiced sales, with the electronics/ICT sector hardest hit. Businesses polled across India said the primary cause of payment defaults was liquidity issues among B2B customers, while a widespread reason for late payments was invoice disputes, particularly prevalent in the consumer durables sector.

Our survey found that the more relaxed trade credit policy introduced by Indian businesses had a negative impact on Day-Sales-Outstanding (DSO). 46% of companies polled said DSO either deteriorated during the past year or showed no alteration from an already high level. The consequent pressure on cashflow prompted a range of risk mitigation measures. Many companies dedicated more time and resources to chasing unpaid invoices, while 55% of businesses polled said they delayed payments to their own suppliers to maintain liquidity, a popular strategy in the consumer durables sector. Seeking short-term finance was another tactic, either through bank loans or requesting trade credit from suppliers.

A flexible approach to the management of customer credit risk was taken by companies polled in India. Businesses in the chemicals sector told us they combined internal retention and management of the issue with seeking the external expertise and back-up of credit insurance. This enabled them to strike a balance between control and risk transfer, often relying on credit insurance to cover larger or more unpredictable risks. Companies in the consumer durables sector said they commonly turned to factoring to optimise cashflow while still retaining control over credit risk. Our survey also found a frequent use of letters of credit to mitigate risk.

**Key figures and charts on the following pages**

## Key survey findings

- Sales transacted on credit rose by 6% among companies polled across India during the past year, and now average 52% of all B2B sales. This upward trend was accompanied by a relaxation of payment terms offered to B2B customers, with a 60% increase in businesses polled who granted terms of more than 90 days.
- Various factors were cited by companies polled in India for setting the length of payment terms. These included internal company standards, aligning terms with those offered by suppliers, creditworthiness of B2B customers, as well as the availability of cost and capital.
- A substantial 56% of all B2B invoiced sales are now impacted by late payments among businesses surveyed across India, up 4% from last year. Bad debts affect an average 7% of all B2B invoiced sales, with the electronics/ICT sector hardest hit.
- Our survey found the main reason for late payments reported by companies in India is liquidity issues suffered by B2B customers. Invoice disputes with customers was another prime factor, particularly in the consumer durables sector.
- The relaxed trade credit policy had an impact on Days-Sales-Outstanding (DSO), with 46% of Indian businesses polled saying that DSO either deteriorated or showed no change from an already high level. Companies responded with measures to mitigate risk, with 55% of businesses delaying payments to their own suppliers.
- These measures were taken within a flexible approach to the management of customer credit risk. Companies polled in the chemicals sector told us they complemented internal retention of the issue with credit insurance to strike a balance between control and risk transfer. The use of factoring and letters of credit was also popular.

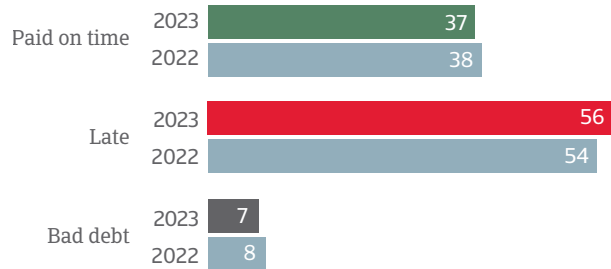




# India

## India

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer India – 2023

## India

% of respondents reporting changes in payment duration\* over the past 12 months



\*average amount of time to get paid from B2B customers

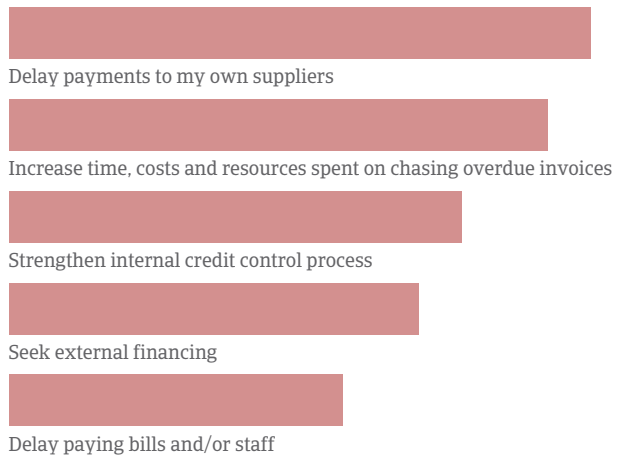
Sample: all survey respondents

Source: Atradius Payment Practices Barometer India – 2023

## India

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer India – 2023

### Survey question

What are the main sources of financing that your company used during the past 12 months?

- 64% Bank loans
- 53% Equity capital
- 50% Trade credit
- 39% Internal funds

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer India – 2023



# Looking ahead

## Widespread concerns over inflation and climate change impact

Optimism about prospects for the year ahead were clearly evident among companies polled across India. A remarkable 83% of businesses said they expect demand for their products and services to increase, a positive mood found in all sectors. The only note of caution came from some companies in the chemicals sector, perhaps reflecting concern about the impact of domestic and global headwinds on India's economy later in the year. 62% of businesses anticipate an increase in profit margins during the coming months, although pessimism was expressed in the consumer durables sector due to worries about cost pressures.

Our survey found that 63% of companies polled across India believe their Days-Sales-Outstanding (DSO) will improve during the year ahead. This optimism was particularly reported in the chemicals sector, showcasing a proactive and forward-thinking approach to strategic credit management as they try to strike a balance between control and risk transfer. 37% of businesses said they expect either no significant change in DSO or a potential deterioration. A similar picture was painted about the prospects for B2B payment behaviour. 55% of companies polled anticipate an improvement during coming months, while the remainder expect minimal changes in payment behaviour.

In-house retention and management of customer credit risk will remain the primary approach during the year ahead for 79% of businesses surveyed across India. They will leverage their internal expertise and resources to address potential liquidity concerns arising from customer credit risk. Another notable finding of our survey is that 46% of companies polled in the consumer durables sector told us they are actively considering outsourcing the issue to credit insurance providers, a process that will be complemented by factoring. The electronics/ICT sector also reported interest in exploring the use of securitization as an alternative risk mitigation tool.

A variety of concerns about the outlook for the coming months were expressed by companies polled across India. Substantial anxiety was found in all sectors about the upward trend of inflationary pressures and the potential impact on cost structures. There was particular worry that adverse weather patterns could exacerbate the risks of supply-driven inflation. Many businesses voiced also concern about the threats posed by climate change, underscoring the growing importance of environmental factors in shaping their strategic decisions. Another worry, especially reported by the consumer durables sector, was adapting to the evolving market dynamics and challenges posed by the growth of e-commerce.

**Key figures and charts on the following pages**

## Key survey findings

- Substantial optimism about the prospects for demand were found among businesses polled in India. 83% of companies expect an increase in demand for products and services in the year ahead, although there was more caution in the chemicals sector.
- 62% of companies surveyed across India anticipate a rise in profitability during the coming months. The remainder foresee no change or a decrease in profit margins, with the consumer durables sector especially pessimistic.
- Day-Sales-Outstanding (DSO) is expected to improve by 63% of businesses polled in India. The chemicals sector is particularly optimistic due to a forward-thinking approach to strategic credit management.
- A similar positive mood was reported by companies polled across India about the outlook for B2B payment behaviour during the year ahead. 55% of businesses anticipate improvement, while the rest expect minimal change.
- Our survey found that in-house retention and management of customer credit risk will remain the preferred option for 79% of businesses polled in India. 46% of companies in the consumer durables sector said they are actively considering turning to credit insurance, complemented by factoring.
- Various concerns for the year ahead were expressed by companies surveyed across India. These included the impact of expanded e-commerce as well as inflationary pressures. Another widespread anxiety is the effects of climate change, with worries about its impact on supply chains.





# India

## India

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve   ■ No change   ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer India - 2023

## India

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve   ■ No change   ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer India - 2023

## India

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Inflationary pressure



Adverse weather patterns



Evolving market dynamics and related challenges

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer India - 2023

### Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

**63%** Improve  
**21%** No change  
**15%** Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer India - 2023

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in India are the focus of this report, which forms part of the 2023 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 213 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=213 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

### Sample overview – Total interviews = 213

Business sector	Interviews	%
Manufacturing	100	49
Wholesale trade	38	17
Retail trade/Distribution	40	18
Services	35	16
<b>TOTAL</b>	<b>213</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	38	18
SME: Medium enterprises	88	41
Medium Large enterprises	58	27
Large enterprises	29	14
<b>TOTAL</b>	<b>213</b>	<b>100</b>

Industry	Interviews	%
Chemicals	27	13
Consumer Durables	83	39
Electronics/ICT	103	48
<b>TOTAL</b>	<b>213</b>	<b>100</b>

## Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **India and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

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