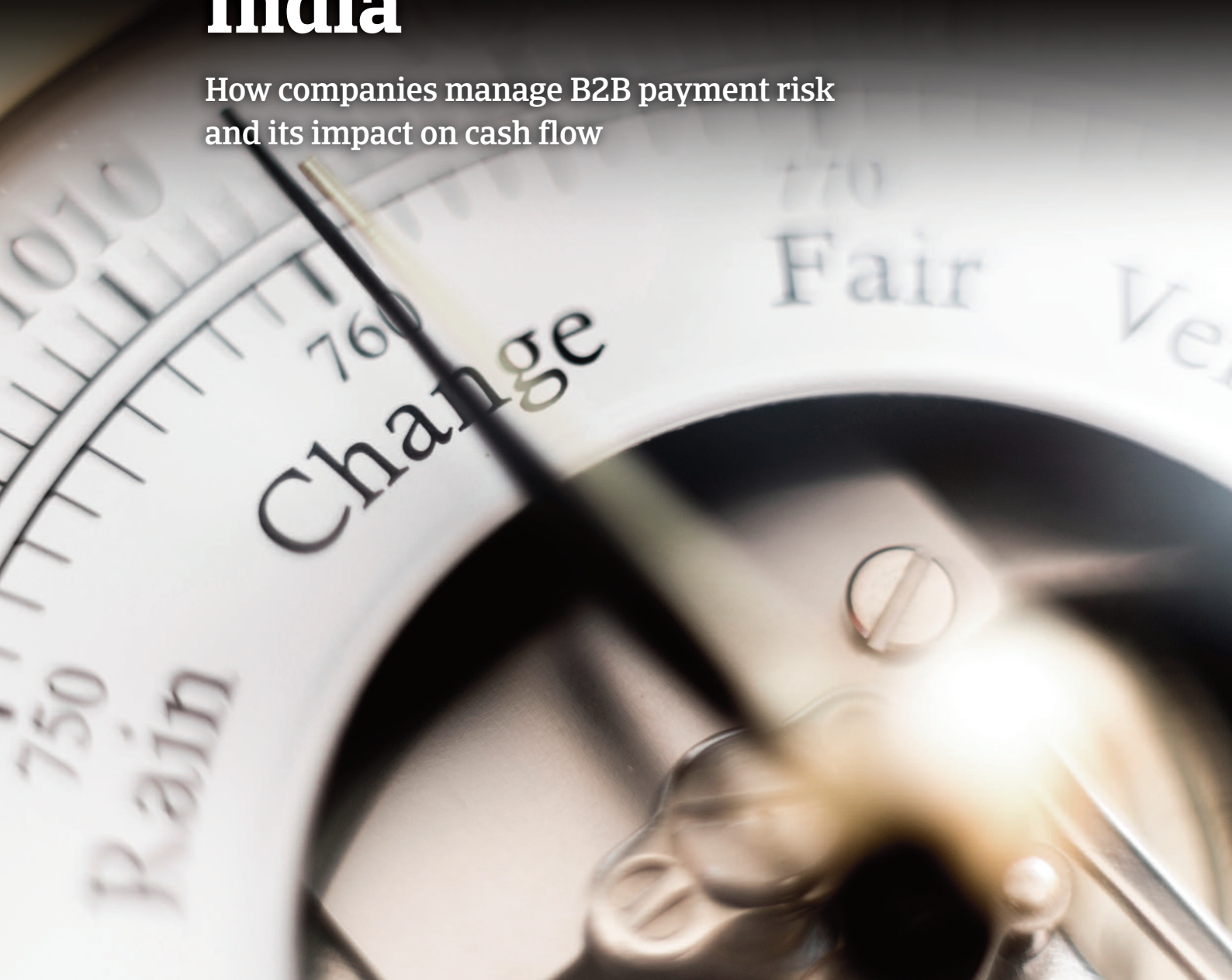




B2B payment practices trends India

How companies manage B2B payment risk
and its impact on cash flow



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 the 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.

Interview period: Q3 2024. The findings should therefore be viewed with this in mind.



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India

B2B payment risk management

Indian businesses focus on financial health as B2B late payments worsen

Inside a complex picture of current B2B payment trends there is concerning negative shift found in our survey of companies across India. 50% of businesses, particularly in the chemicals and textile/clothing sectors, say that the payment practices of their B2B customers has deteriorated during the past year. This is leading to cashflow disruptions and financial distress. The rest are almost evenly divided between companies who report on significant change in B2B customer payment behaviour and those who see an improvement. Although this consistency provides some cashflow stability it does not necessarily address the broader issue of late payments where problems can lurk beneath the surface.

This anxiety is reflected in our survey finding that just over half of sales invoiced by Indian companies to B2B credit customers currently remain outstanding at the due date. Additionally, an average 5% of all B2B invoices are ending up as bad debts written off as uncollectable. The agri-food sector in India is particularly hard hit by bad debts due to its vulnerability to unpredictable market conditions and fluctuating commodity prices. It now takes an average 34 days beyond due for companies to turn invoices into cash, causing significant financial problems. Customer cashflow issues and administrative inefficiencies are the main reasons cited for late payments.

To reduce the risk of a potential cash crunch caused by late payments, most companies across India use the strategy of slowing down payments to their own suppliers, even with the risk of a domino effect through industries. 74% of businesses tell us they rely on bank credit to bridge temporary liquidity gaps, while others look to invoice discounting. 43% of companies, mainly in the textile/clothing sector, use internal funds to address immediate cashflow needs. A long-term response by 51% of businesses is to focus on improved management of Days Sales Outstanding (DSO) as a means to prevent financial losses. However, debt collection efficiency has deteriorated in the agri-food sector.

Despite the widespread concern about late payments, Indian companies continue to see trading on credit as an important commercial strategy. About 50% of B2B sales are currently transacted on credit, unchanged from the previous year. Even though there are significant financial pressures many businesses have relaxed payment terms for B2B customers to encourage repeat transactions. This approach carries risks, and a notable finding of our survey is that many chemicals

Key survey findings

- A negative trend in B2B customer payment behaviour is reported by companies in our survey of India. 50% of businesses, especially in the chemicals and textile/clothing industries, say payments are slower compared to last year, leading to cashflow disruptions. 25% see no significant change in payment practices.
- Late payments currently affect just over half of all B2B sales on credit among companies in India, causing financial distress for many. Bad debts stand at an average 5% of all B2B invoices, with the agri-food sector particularly feeling the impact due to unpredictable market conditions.
- The main reason for late payments signalled in our survey is customer cashflow problems, notably in the Indian agri-food industry. Administrative inefficiencies are a clear issue in the chemicals sector. It takes an average 34 days beyond due to convert invoices into cash, leading to significant cashflow issues.
- Slowing down payments to suppliers is a widespread response among Indian companies to ease cashflow concerns. 74% of businesses look to bank credit for short-term finance, 43% use internal funds, while 51% focus on better management of Days Sales Outstanding (DSO) to address ongoing payment delays.
- Selling on credit remains a key part of the commercial strategy of Indian companies, with about 50% of B2B sales occurring on credit. Despite potential financial pressures, businesses in India have relaxed their payment policies, allowing customers longer periods to settle invoices.
- Most companies in our survey of India prefer in-house retention and management of customer credit risk. However, many businesses in the chemicals sector report adopting a more strategic approach involving the use of trade credit insurance. Letters of credit are commonly used for single transactions.

companies in India have switched to a more strategic approach to credit risk management, involving the use of trade credit insurance. Most businesses, however, continue to prefer in-house retention and managements of customer credit risk, even though it ties up funds that could be used for investment and growth.

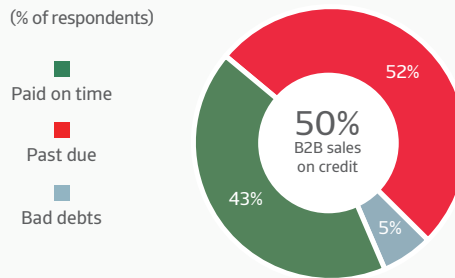
Key figures and charts on the following pages



India

B2B payment practices trends in India

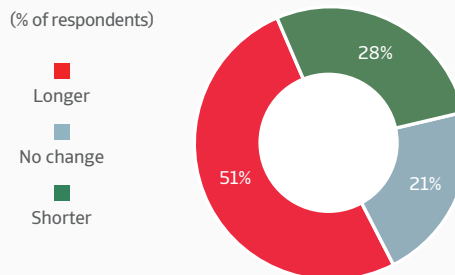
% of B2B invoices paid on time, past due and bad debts



Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

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

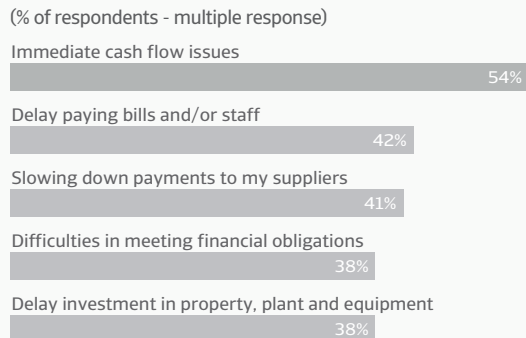


*average amount of time to get paid from B2B credit customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

Over the past 12 months, have late payments from your B2B customers led your company to experience any of the following situations?



Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

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

- 74% Bank loans
- 49% Invoice financing
- 43% Internal funds
- 40% Trade credit

(% of respondents - multiple response)

Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

India

Looking ahead

Mounting worry about insolvency risk among Indian companies

Optimism about the prospects for B2B customer payment behaviour is found in our survey of companies across India. 70% of businesses among the various industries tell us they expect payment practices to improve during the year ahead. The rest are evenly split between companies who believe there is unlikely to be any significant change and those who anticipate slower payments by B2B customers. There is similar positivity about Days Sales Outstanding (DSO), with 51% of companies foreseeing an improvement in debt collection efficiency in the coming months. In contrast, around 25% of companies expect a worsening of DSO, most acutely felt in the agri-food sector.

Our survey finds a very different mood concerning the outlook for insolvency risk. There is widespread anxiety that insolvencies among B2B credit customers may increase during the year ahead. This is anticipated by 71% of Indian companies, primarily in the chemicals industry, due to an uncertain economic landscape, cashflow problems, regulatory changes and supply chain disruptions. The remainder of the businesses surveyed were reticent about making predictions, adding to the cautious mood. Despite this, 89% of Indian companies say they anticipate a surge in demand for their output during the coming months, notably in the chemicals sector, and 76% express confidence about achieving higher profitability. There is pessimism about profits, however, in the agri-food industry.

The uncertain economic climate which is fuelling worries about insolvency risk is a major preoccupation looking ahead for Indian businesses. 51% of companies express significant apprehension for the both the short-term and long-term, particularly in the textile/clothing sector. There is also widespread anxiety about financial constraints, especially insufficient cashflow which not only hinders operational capability but heightens the risk of payment defaults. This demands careful financial management and proactive strategies to ensure stability. Environmental and sustainability issues pose further challenges, with higher upfront costs as investment is required to meet regulatory changes. This can also impact on cashflow and lead to severe financial strain.

Several other future concerns are evident in our survey of companies across India, with the agri-food sector increasingly worried about customer acquisition challenges. Many businesses say they struggle with ineffective sales efforts, stifling growth putting strain on B2B customer relationships. There is also serious anxiety about cybersecurity risks, which can disrupt business operations, damage reputations, and lead to significant

Key survey findings

- Seven out of ten companies in India expect an improvement in B2B customer payment behaviour during the year ahead. The rest are almost evenly split between those foresee no significant change in payment practices and those who anticipate a deterioration.
- Similar optimism surrounds the outlook for Days Sales Outstanding (DSO). 51% of Indian companies across the various industries expect an improvement in debt collection efficiency, helping them reduce the risk of cash flow issues. The prospect of worsening DSO is most acutely felt in the agri-food sector.
- Despite this positivity, there is widespread concern that insolvency risk among B2B credit customers may increase during the coming months. 71% of Indian companies, primarily in the chemicals sector, expect a worsening of insolvency risk due to uncertain economic conditions and financial instability.
- 89% of Indian companies, chiefly in the chemicals industry, anticipate a surge in demand for their output in the year ahead. 76% of businesses express confidence in achieving higher profitability, although there is pessimism evident in the agri-food industry.
- The major worry looking ahead for Indian companies is the unpredictable business climate, especially in the textile/clothing industry. There is also widespread anxiety about financial constraints, particularly insufficient cashflow. Environmental and sustainability concerns pose another significant challenge.
- Additional anxieties reported by businesses include customer acquisition challenges, especially in the agri-food sector, and cybersecurity risks which pose threats to data integrity and confidentiality. Human resource limitations are a further concern as many organizations face a lack of skilled workforce.

financial losses. Human resource limitations are a further worry across all sectors as many companies face a lack of skilled workers as well as difficulty in attracting and retaining talent in a competitive jobs market. All these factors contribute to a precarious business environment and a threat of financial instability.

Key figures and charts on the following pages

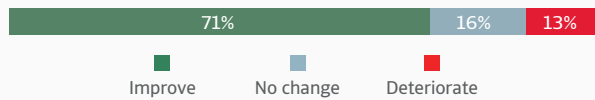


India

B2B payment practices trends in India

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

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

Do you see an increased insolvency risk for your customers in the next 12 months?

(% of respondents)

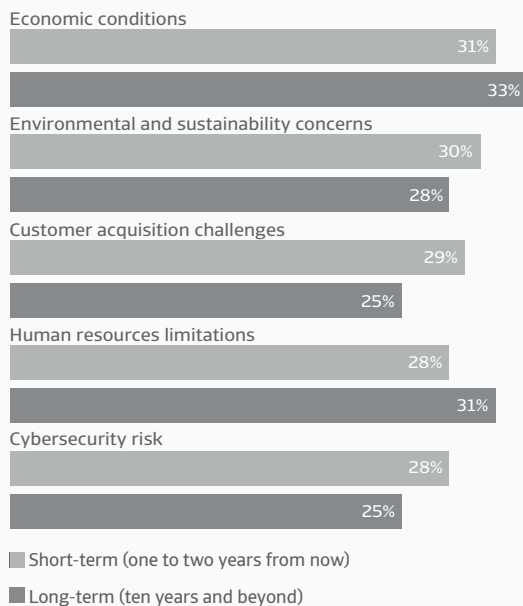


Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

Looking ahead: top 5 concerns expressed by businesses polled

(% of respondents - multiple response)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

B2B payment practices trends in India

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

- 51% Improve
- 24% No change
- 25% Deteriorate

(% of respondents)

Sample: all survey respondents
Source: Atradius Payment Practices Barometer India – 2024

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 2024 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 300 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:** 300 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: Q3 2024. The findings should therefore be viewed with this in mind.

Sample overview – Total interviews = 300

Business sector	Interviews	%
Manufacturing	120	40
Wholesale trade	60	20
Retail trade/Distribution	97	32
Services	23	8
TOTAL	300	100
Business size	Interviews	%
SME: Small enterprises	79	26
SME: Medium enterprises	104	35
Medium Large enterprises	110	37
Large enterprises	7	2
TOTAL	300	100
Industries	Interviews	%
Agriculture + Food	106	35
Chemicals	107	36
Textiles + Clothing	87	29
TOTAL	300	100

Methodological note

Last year different industries were included in the survey for India. This makes year-on-year comparisons unfeasible for certain topics for the current year. For a detailed overview of last year's survey results for India please refer to the specific report available on the [Atradius website](#).

Interested in finding out more?

Please visit the [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.

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