



Key trends for B2B payments and cash flow

Indonesia

Rise in late payments prompts
risk mitigation measures





Harris Yanto
Country Manager Indonesia - Atradius
commented on the report

“*In the latest survey, the proactive credit risk management emerges as a significant factor influencing cash flow of companies.*

As we look forward, businesses maintain an optimistic outlook despite concerns related to inflation.

Notably, the Electronics and ICT sectors stand out with their positive expectation, while global economic uncertainty looms as a prominent concern.

”

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 Indonesia. Sector focus: agri-food, chemicals and 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.



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B2B payment trends and cash flow

Rise in late payments prompts risk mitigation measures

The use of trade credit in B2B transactions remained steady at an average of 49% of all B2B sales among companies polled in Indonesia. In contrast, businesses surveyed told us they tightened the length of payment terms offered to B2B customers. These now average 46 days from invoicing, one week shorter than last year, reflecting a desire to accelerate cash inflow and mitigate liquidity risks. The primary driver for this change was the chemicals sector, which set its terms in line with industry-standards while factoring in the influence of credit insurance policies. Other reasons behind setting terms included the availability and cost of capital and the creditworthiness of B2B customers.

Our survey found that late payments increased during the past year and now affect an average 48% of all B2B invoiced sales among companies in Indonesia. The chemicals sector had the largest rise in overdue invoices, and perhaps explains their tighter payment policy. Bad debts were relatively stable, now impacting an average 7% of all B2B invoiced sales, although in the agri-food sector this rises to a figure of 9%. The main reasons for late payments cited by businesses polled in Indonesia were insolvencies among B2B customers along with invoice disputes and temporary liquidity shortfalls.

A range of strategies were adopted by businesses polled across Indonesia in response to the challenges posed by late payments and the need to mitigate the impact of customer credit risk. 55% of companies allocated extra time and resources on chasing unpaid invoices, although there was concern expressed across all sectors about the extra costs involved in this approach. Another prevalent strategy was to seek external short-term finance to boost resilience. 59% of businesses polled said they favoured bank loans, while requesting trade credit was popular in the electronics and ICT sectors. Some companies, particularly in the chemicals sector chose to delay investment plans as a measure to mitigate liquidity risk.

These measures proved beneficial in stabilising swings of Days-Sales-Outstanding (DSO), which now stand at an average 67 days from invoicing. 48% of companies polled across Indonesia reported an improvement in DSO during the past year, particularly among businesses in the electronics and ICT sectors. These industries successfully implemented strategies, also involving credit insurance, that resulted in a more efficient cashflow management system.

It was notable that although in-house retention and management of customer credit risk was widely popular, it was reinforced with the use of credit insurance to add an extra layer of protection. The findings of our survey highlight the significance of proactive credit risk management.

Key figures and charts on the following pages

Key survey findings

- Selling on credit remained stable among companies polled in Indonesia, and an average 49% of all B2B sales are now made on credit. However, the chemicals sector showed a slight decrease in transactions on credit. Payment terms offered to B2B customers were tightened, now averaging 46 days from invoicing, one week shorter than last year.
- The length of payment terms were determined by various factors. The chemicals sector in Indonesia favoured industry-standard terms while considering the influence of credit insurance policies. Other factors included the availability and cost of capital and the creditworthiness of B2B customers.
- Late payments increased to an average 48% of all B2B invoiced sales among companies surveyed in Indonesia. Bad debts were relatively stable at 7% of all B2B sales, although the figure was 9% in the agri-food sector. Invoice disputes, insolvencies and temporary liquidity shortfalls among B2B customers were the main reasons for late payments.
- Companies polled in Indonesia responded with a range of measures to mitigate customer credit risk. 55% of businesses spent extra time and resources chasing unpaid invoices, while many others sought external finance through bank loans, equity capital and supplier credit.
- The measures showed some success with 41% of companies polled saying they curbed substantial swings in Days-Sales-Outstanding (DSO), which now averages 67 days from invoicing. DSO deteriorated in the agri-food sector, but was improved in the electronics and ICT sectors which implemented a strategy involving credit insurance.
- In-house retention and management of customer credit risk was the preferred option of most businesses polled across Indonesia.

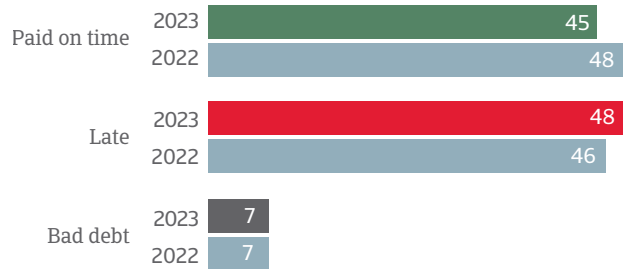




Indonesia

Indonesia

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

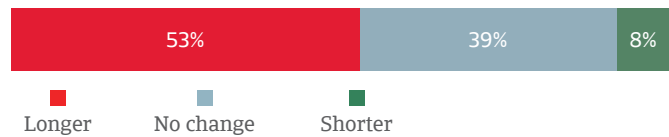


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Indonesia – 2023

Indonesia

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



*average amount of time to get paid from B2B customers

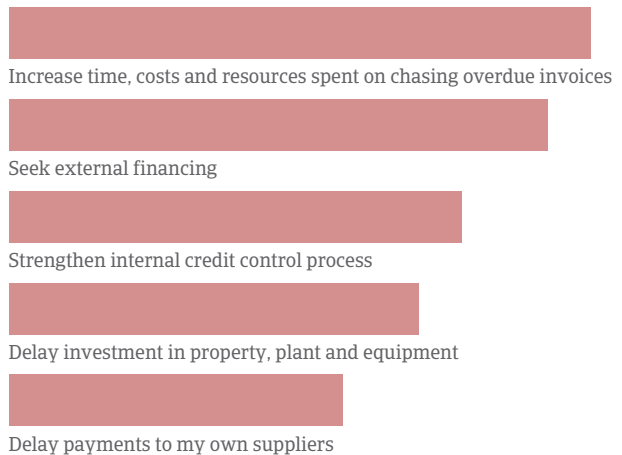
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Indonesia – 2023

Indonesia

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 Indonesia – 2023

Survey question

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

- 59% Bank loans
- 56% Equity capital
- 55% Trade credit
- 44% Internal funds

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Indonesia – 2023

Looking ahead

Despite inflation worries businesses stay cautiously upbeat

A generally optimistic outlook for the year ahead was found among companies polled across Indonesia. 67% of businesses told us they expect to see an increase in demand and therefore sales for their products and services. This positive mood was consistent in all sectors except the chemicals industry, which reported a slightly more pessimistic stance. 62% of companies polled said they anticipate an expansion in profit margins during the coming months, with the electronics and ICT sectors particularly buoyant about future profitability. The remainder of businesses in Indonesia expect no change or a decline in profits.

Our survey found a similar mood about the prospects for both Days-Sales-Outstanding (DSO) and B2B payment behaviour in the year ahead among businesses across Indonesia. 64% of companies polled anticipate an improvement in DSO, while 29% believe it will remain unchanged. Only a small percentage of companies expect a deterioration in DSO. This aligns with the anticipated trend for B2B payment behaviour, with 57% of businesses polled saying they think it will improve during the coming months, particularly in the electronics and ICT sectors. 31% of companies foresee no change, and again only a small percentage expect a worsening of payment behaviour.

Various approaches to managing customer credit risk will be explored in the year ahead by companies polled across Indonesia. 48% of businesses told us they will be inclined to address potential liquidity concerns with a policy of in-house retention and management of customer credit risk. However a substantial number of companies surveyed, particularly in the electronics and ICT sectors, expressed interest in enhancing their risk mitigation strategies with the use of credit insurance. They said this would provide an additional safeguard for the impact of customer credit risk on their operations, and it highlights a proactive and forward-thinking approach to the issue.

The spectre of persistent inflation is the main concern looking ahead for companies polled across Indonesia. This was particularly expressed by the electronics and ICT sectors, perhaps because even marginal increases in production costs or input prices can have significant ramifications on profitability and pricing strategies in technology-driven industries. Volatile commodity prices are another major worry that could affect companies in all sectors. Apprehension was also reported by businesses in Indonesia about the potential negative impact of a prolonged global economic downturn. Uncertainty surrounding geopolitical factors and supply chain disruptions is also causing concern about the possibility of an extended period of economic instability.

Key figures and charts on the following pages

Key survey findings

- An increase in demand and therefore sales during the year ahead is expected by 67% of businesses polled across Indonesia. The positive mood was expressed across all sectors, although there was slightly more pessimism among chemicals companies.
- Profit margins are anticipated to increase in the coming months by 62% of companies surveyed in Indonesia. The remainder expect no change or a decline in profitability. The electronics and ICT sectors reported the most optimism.
- A similar positive outlook was found about Days-Sales-Outstanding (DSO). 64% of companies polled across Indonesia believe DSO will improve during the coming year, while 29% anticipate no change. Only a small percentage expect deterioration of DSO.
- 57% of businesses surveyed in Indonesia said they believe B2B payment behaviour will improve in the months ahead, while 31% expect no change in this indicator. Particular optimism was expressed in the electronics and ICT sectors.
- In-house retention and management of customer credit risk will remain the preferred option of 48% of companies polled across Indonesia.
- The negative impact of persistent inflation is the major concern for the year ahead expressed by companies in Indonesia, particularly in the electronics and ICT sectors. Volatility of commodity prices is another worry, along with anxiety the effects of a continuing global economic downturn.





Indonesia

Indonesia

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 Indonesia - 2023

Indonesia

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 Indonesia - 2023

Indonesia

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

(% of respondents - multiple response question)



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

Survey question

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

(% of respondents)

64% Improve
29% No change
7% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Indonesia 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 266 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Indonesia 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=266 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 = 266

Business sector	Interviews	%
Manufacturing	80	30
Wholesale trade	83	31
Retail trade/Distribution	50	19
Services	53	20
TOTAL	266	100

Business size	Interviews	%
SME: Small enterprises	40	15
SME: Medium enterprises	119	45
Medium Large enterprises	70	26
Large enterprises	37	14
TOTAL	266	100

Industry	Interviews	%
Agri-Food	89	33
Chemicals	85	32
Electronics/ICT	92	35
TOTAL	266	100

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 [Download in PDF format](#) (English only).

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