Atradius
Managing risk, enabling trade

Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

Turkey

B2B sales on credit trend upward amid longer payment terms

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 Turkey.

The survey was conducted between the end of Q1 and mid Q2 2023, and findings should therefore be viewed with this in mind.

In this report

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B2B payment trends and cash flow

B2B sales on credit trend upward amid longer payment terms

A more dynamic approach to selling on credit was found among companies polled in Turkey. B2B sales on credit rose by 10% during the past year, and now average 46% of all B2B sales. This was particularly reported by the transport and storage sector, and is largely due to resilient domestic demand and a strong exports performance. It was also underpinned by a far more relaxed payments policy aimed at supporting sales, with payment terms now standing at a 55-day average from invoicing, up from 42 days a year ago. However, the electronics/ICT sector, an essential element of the Turkish economy, bucked the trend with more stringent payment terms.

Payments terms recorded in Turkey were the longest across our survey of Eastern Europe, and one consequence was that companies polled in Turkey also said they had a longer wait to collect payments from B2B customers. Late payments now affect an average 43% of all B2B invoiced sales, with the electronics/ICT sector less impacted due to the tightening of its payment policy. The main reason cited for late payments was temporary liquidity shortfalls among B2B customers. There was a decreasing trend for bad debts written off as uncollectable. These now affect an average 4% of all B2B invoiced sales, down from 6% last year.

Among the measures taken to avoid liquidity issues amid late or non-payment of B2B invoices, 48% of companies polled in Turkey said they slowed down payments to their own suppliers. This was reported especially in the textile/clothing sector, signalling financial temporary distress. The approach of keeping internal liquidity was complemented by spending extra time and resources on chasing unpaid invoices. When external finance was needed, 67% of businesses said they resorted to bank loans, while relatively fewer looked to trade credit. All these actions contributed to an overall improvement in Days-Sales-Outstanding (DSO) during the past year. An exception was the textile/clothing sector, another signal of financial distress.

In-house retention and management of customer credit risk was the preferred option during the past year of 66% of companies polled in Turkey. This was used to try to improve their cashflow and liquidity positions, although it gained lower attention among businesses in the textile/clothing sector. Another frequently used tool to manage the risk of payment default was letters of credit, mainly across the transport and storage sector. Some companies told us they took a more strategic approach to managing customer credit risk during the past 12 months by taking up credit insurance.

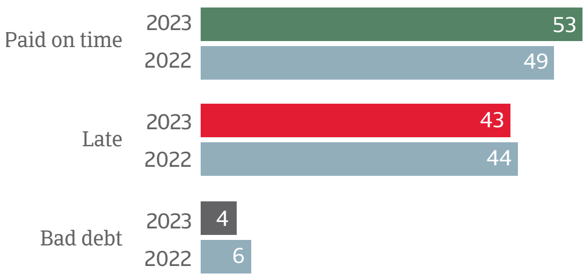
Key survey findings

- A sharp increase in selling on credit was reported by companies polled in Turkey. B2B sales transacted on credit rose by 10% during the past year and now average 46% of all B2B invoiced sales. This dynamic trend was particularly evident in the transport and storage sector.
- The change of approach was underpinned by a more relaxed payments policy, with payment terms granted to B2B customers increasing to an average 55 days from invoicing compared to 42 days last year. However, more stringent terms were reported in the electronics/ICT sector, an essential element of the Turkish economy.
- Longer payment terms had the effect of causing longer waits for payment from B2B customers. Late payments now affect an average 43% of all invoiced B2B sales. Bad debts decreased to affect 4% of all B2B sales on credit in Turkey, down from 6%.
- A range of actions were adopted in response to maintain cashflow. 48% of companies polled in Turkey slowed down payments to their suppliers, particularly in the textile/clothing sector, a signal of temporary financial distress. Businesses also spent extra time and resources chasing unpaid invoices.
- Many companies polled in Turkey also said they strengthened credit control procedures, and overall the actions contributed to an improvement in Days-Sales-Outstanding (DSO). An exception was the textile/clothing sector, in another sign of financial distress.
- 66% of businesses surveyed in Turkey told us that in-house retention and management of customer credit risk was their preferred option. Letters of credit were also reported to be a popular tool to manage the risk of customer payment default, while some companies took a strategic approach involving the use of credit insurance.

Key figures and charts on the following pages

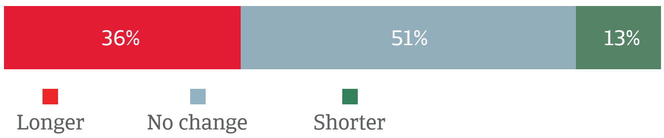
Turkey

Turkey
% 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 Turkey – 2023

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

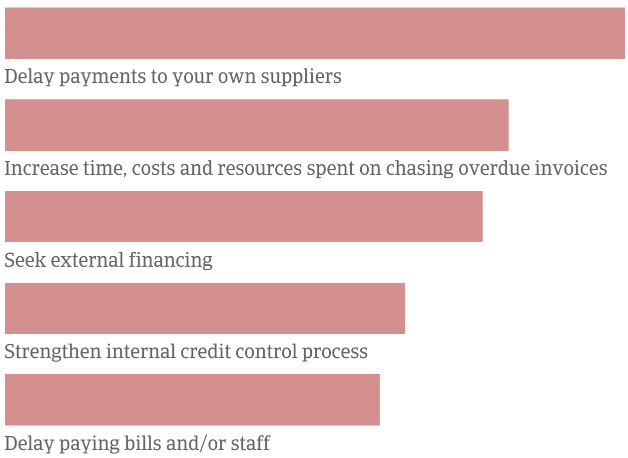


*average amount of time to get paid from B2B customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Turkey – 2023

Turkey
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 Turkey – 2023

Survey question

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

- 67% Bank loans
- 42% Trade credit
- 29% Internal funds
- 27% Equity capital

*multiple response question

Sample: all survey respondents (% of respondents)
Source: Atradius Payment Practices Barometer Turkey – 2023

Looking ahead

Moderate optimism amid concerns about inflation and energy costs

The consequences of persistent high inflation is the chief concern for the year ahead expressed by companies polled in Turkey. Even though the level of inflation is easing, businesses said they worry that it will continue to affect the domestic and global economies for a long period. This anxiety was particularly reported in the textile/clothing sector. Another concern is that it will prompt further monetary tightening by central banks and thus slow down recovery of the global economy. Fluctuating energy prices that affect production costs are also a worry for the year ahead among Turkish companies.

Despite the volatility surrounding economic growth in Turkey during the past few years there is optimism about the coming months for both demand and profit margins. 64% of companies polled said they expect an increase in demand and therefore sales, particularly expressed by businesses in the transport and storage sector. Anxiety about inflation and production input costs is probably why slightly fewer companies, 54% of those polled, said they believe profit margins will increase during the coming months. The most negative verdict on the trend of future profitability was reported by companies in the electronics/ICT sector.

Our survey found a mixed mood regarding the outlook for payment behaviour of B2B customers during the year ahead. 52% of companies polled anticipate no change or even a deterioration of payment behaviour, while 48% of businesses told us they expect an improvement. However, the verdicts were markedly different across sectors, with most pessimism, for example, found in the textile/clothing sector. There was more positivity about the prospects for Days-Sales-Outstanding (DSO) in the year ahead. 57% of companies polled anticipate improvement in DSO, probably due to take actions taken to minimise the impact of customer credit risk.

A diverse approach looking ahead to the management of customer credit risk was reported by companies polled in Turkey. 48% of businesses told us they anticipate retaining and managing the issue in-house, particularly so in the transport and storage sector. Within this framework, a more frequent use of factoring will be contemplated. Our survey found that letters of credit will continue to be widely used, chiefly by textile/clothing exporters. 42% of companies polled in the electronics/ICT sector said they would outsource customer credit risk management to a credit insurer. They told us this would ensure competitiveness as they offer more relaxed terms to B2B customers.

Key figures and charts on the following pages

Key survey findings

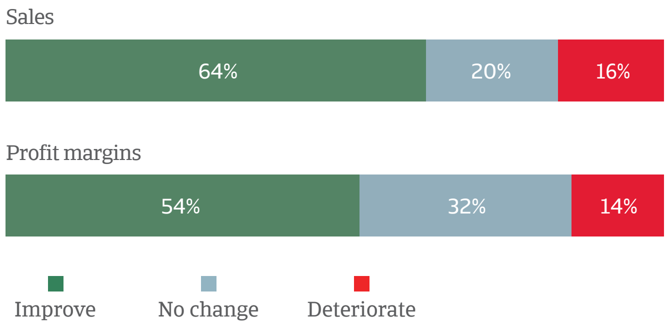
- The main concern looking ahead to the next 12 months for companies polled in Turkey is persistent high inflation, particularly in the textile/clothing sector. A slowdown of the global economic recovery and volatile energy costs are also widespread worries.
- Strong confidence about prospects for demand in the year ahead was found among businesses surveyed in Turkey. 64% of companies polled, especially in the transport and storage sector, said demand will increase, while 36% expect no change or a deterioration.
- Slightly more pessimism was expressed concerning the outlook for profit margins. 54% of businesses polled in Turkey told us they anticipate an increase during the coming months. However, 46% were more negative, particularly in the electronics/ICT sector.
- An improvement in the behaviour of B2B customers is expected by 48% of companies polled in Turkey, while 52% said they believe there will be no change or a worsening. There was a degree of pessimism about future payment behaviour reported especially in the textile/clothing sector.
- Our survey found a cautious mood of optimism concerning the prospects for Days-Sales-Outstanding (DSO) among Turkish businesses. 57% of companies polled said they expect an improvement in DSO during the coming year.
- 48% of businesses polled in Turkey said that in-house retention and management of customer credit risk will be their preferred option in the year ahead. Factoring and letters of credit will also be used, while 42% of companies in the electronics/ICT sector will consider switching to credit insurance.

Turkey

Turkey

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

(% of respondents)

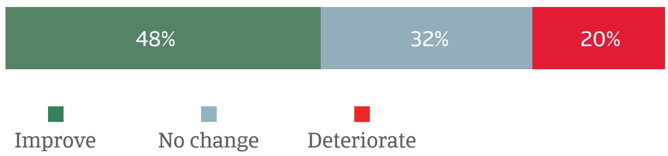


Sample: all survey respondents
Source: Atradius Payment Practices Barometer Turkey - 2023

Turkey

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 Turkey - 2023

Turkey

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

(% of respondents - multiple response question)

* Due to the interplay among higher energy and commodity prices, persistent inflation and ongoing geopolitical tensions

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

Survey question

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

(% of respondents)

57% Improve
33% No change
10% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Turkey 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 210 interviews in total.
All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Turkey 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=210 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 Q1 and mid Q2 2023.

Sample overview – Total interviews = 210

Business sector	Interviews	%
Manufacturing	115	54
Wholesale trade	39	19
Retail trade/Distribution	16	8
Services	40	19
TOTAL	**210**	**100**
Business size	**Interviews**	**%**
SME: Small enterprises	42	20
SME: Medium enterprises	70	34
Medium Large enterprises	68	32
Large enterprises	30	14
TOTAL	**210**	**100**
Electronics/ICT	72	34
Textiles/clothing	68	33
Transport (automotive)	70	33
TOTAL	**210**	**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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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.

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