



Indonesia: the highest increase in overdue B2B invoices

Atradius Payment Practices Barometer



Key figures

GDP
(billions euro)

€ 860.56

GDP growth rate
(2018 est.)

5.2%

Export annual growth rate
(2018 est.)

5.9%

Imports annual growth rate
(2018 est.)

6.1%

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Mineral Products
Vegetable Products
Machinery/
Electrical
Textiles
Miscellaneous

export destinations

Top5

China
USA
Japan
Singapore
India

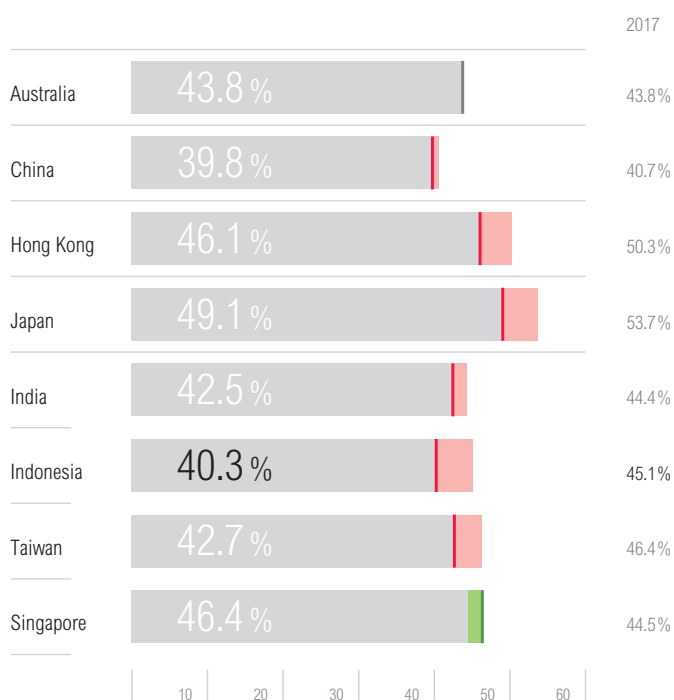
Among the Asia Pacific countries surveyed, respondents in Indonesia reported the most significant increase in overdue B2B invoices. Indonesia also had one of the highest percentages of past due B2B invoices registered in the region. Payment delays have been reported to occur slightly more frequently with domestic B2B customers than with customers abroad. What are the main reasons for payment delays, what was the impact of overdue B2B invoices on businesses in the country and what was reported about payment practices by industry?

A higher level of trust when dealing with compatriots

Among the Asia Pacific countries surveyed, respondents in Indonesia reduced their credit sales the most. The average proportion of total B2B sales made on credit declined from 45.1% in 2017 to 40.3% this year. With only 31.9% of foreign sales made on credit compared to 48.7% of domestic sales, Indonesian respondents are clearly less comfortable selling on credit to foreign B2B customers than to domestic B2B customers.

Respondents in Indonesia said that they usually sell on credit to their domestic B2B customers to reward long-term business relationships and to attract new customers. While not the main reason to grant credit – trust has also been frequently mentioned. Indonesia is the only country in Asia Pacific which had a high percentage of respondents (45.5%) who do not offer credit to their domestic B2B customers due to high economic or political risk. Another frequently mentioned reason for refusing credit terms is the poor payment behaviour of the customer (cited by 27.3% of respondents).

Proportion of total B2B sales made on credit (avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018

» *We trade on credit with our domestic B2B customers because we trust them and these are easy transactions.*«

Survey respondent - Electronics sector

The most frequent reasons for granting trade credit to foreign B2B buyers mirrors that of domestic customers - to reward loyal customers and to attract new business. However, trust rarely seems to influence the suppliers' decision to sell on credit. High economic and political risk in the customer's country and high currency risk would cause respondents in Indonesia to refrain from selling on credit to their foreign B2B customers (both of these reasons was mentioned by 52.6% of respondents).

» *Trade credit makes it easier to attract new foreign B2B customers.*«

Survey respondent - Chemicals sector



A significant increase in overdue B2B invoices

Next to their peers in India, respondents in Indonesia are the only ones in Asia Pacific to experience an increase in the frequency of late payment in 2018. 91% of respondents have reported frequent late payments (an increase of almost two percentage points compared to 2017), most of these by their domestic B2B customers (92.4%; compared to 89.5% by their B2B customers abroad).

Looking at the average proportion of overdue B2B invoices, respondents in Indonesia reported the biggest year-on-year increase across the region (almost four percentage points). More specifically, the average proportion of domestic and foreign past due B2B receivables increased from 45.1% and 41.2% in 2017 to 47.7% and 46.4% respectively.

After reporting no changes in the Days Sales Outstanding (DSO) figure for two consecutive years, Indonesian respondents cited a steep decrease in 2018. The average DSO in Indonesia dropped from 46 days in 2017 to 38 days this year. Asked about the expected changes in the coming 12 months, 32% of respondents said that they foresee a significant increase in their company's DSO. 29.4% said that they expect a slight increase and 23.9% that they do not expect any changes.

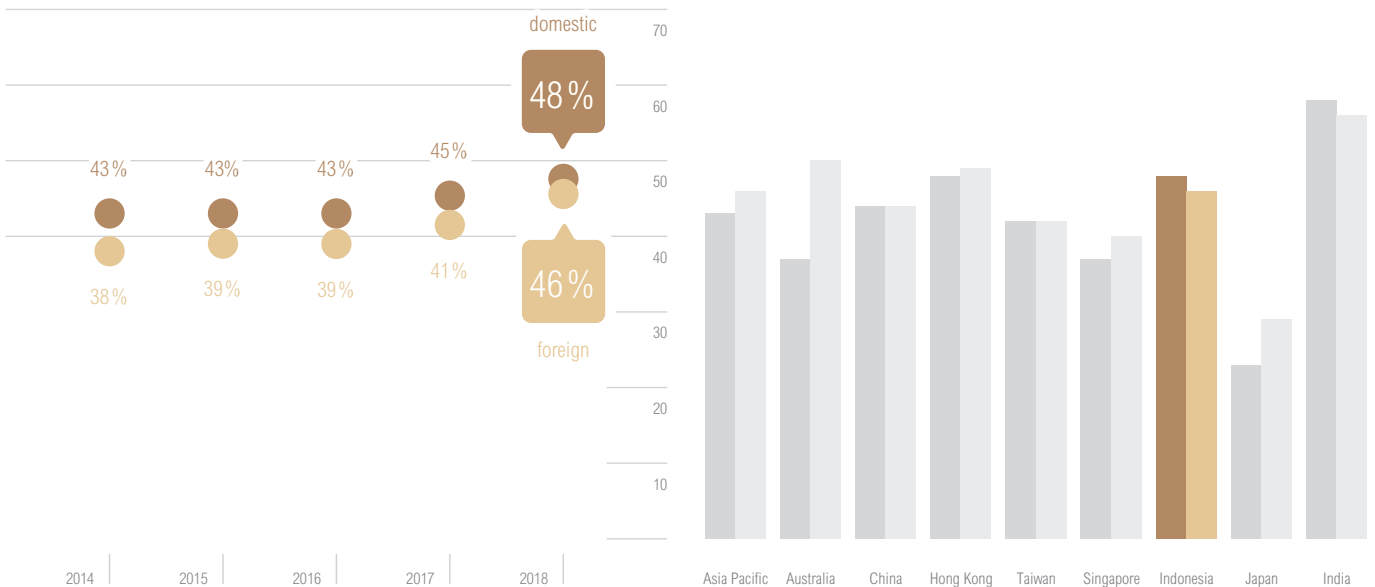
The shortest average payment terms in Asia Pacific

Historically, the average payment terms of respondents in Indonesia are some of the shortest in the Asia Pacific region. This again holds true in 2018. Payment terms this year for both domestic and foreign B2B customers have changed only slightly and are the shortest in the region. Domestic B2B customers are given, on average, 25 days to settle their invoices; one day longer than in 2017. Foreign B2B customers are given, on average, 20 days to fulfil their payment obligations; one day shorter than in 2017.

31% of respondents in Indonesia stated that they are not likely to differentiate payment terms between domestic and foreign B2B customers. Of those who mentioned a differentiation, 30% said that they are likely to give their domestic B2B customers shorter payment terms and 39% that they are likely to give their foreign B2B customers shorter payment terms. The main reasons for differentiating payment terms in Indonesia are internal policies, industry practices and the financial risk related to the export transaction.

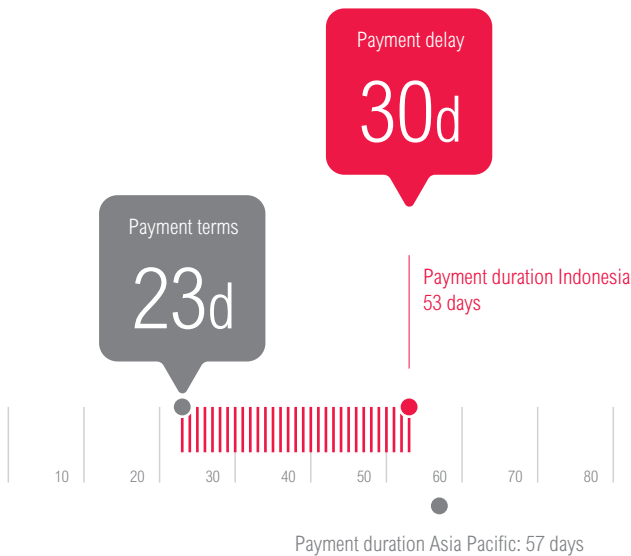
Past due B2B receivables in Indonesia

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018

Payment duration in Indonesia



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – May 2018

In 2018, the average payment delay by domestic B2B customers increased by one day (29 days) and by three days by foreign B2B customers (on average, 32 days). Based on the minor increases in payment delays and the changes in average payment terms, the average payment duration in Indonesia increased from 51 days in 2017 to 53 days this year.

Domestic payment delays occurred mainly because of insufficient availability of funds (reported by 64.8% of Indonesian respondents). This is the highest percentage of respondents stating this key payment delay factor in the region and much higher than the Asia Pacific average overall (49.8%). The second most frequently cited reason for domestic payment delays in 2018 was the complexity of the payment procedure, cited by 33.6% of respondents.

Looking at the main reasons for payment delays by foreign B2B customers, 51.7% of Indonesian respondents reported the complexity of the payment procedure and 37.4% insufficient availability of funds. Both these percentages are significantly higher than what was reported at regional level (40.7% and 31.3% respectively).

Among the Asia Pacific countries surveyed, Indonesia had one of the highest percentage of respondents (17.2%) who stated that payment delays led to revenue loss. 30.7% of respondents said that due to payment delays they needed to take specific measures to correct cash flow and 25.5% of respondents said that they needed to postpone payments to their own suppliers. 32.8% of respondents in the country said that over the past 12 months, overdue B2B invoices did not have a significant impact on business.

Respondents in Indonesia invoice mostly electronically

The majority of respondents in Indonesia (62%) said that they are invoicing their B2B customers electronically. Additionally, 20% said that they are not yet invoicing electronically but they intend to start doing so in 2018. A lack of interest in e-invoicing was expressed by 17% of respondents who said that they are not using electronic invoices and 1% that are no longer sending invoices online.

Asked about the effect of e-invoicing on payment duration, 74% of Indonesian respondents said that after invoicing their B2B customers electronically, they received payments quicker. In contrast, 9% cited slower payments of invoices and 17% no noteworthy effect on payment duration.



62% of respondents in Indonesia are already invoicing their domestic and foreign B2B customers electronically.



import sectors

Top5

Machinery/Electrical
 Mineral Products
 Metals
 Chemicals
 Transportation

import destinations

Top5

China
 Singapore
 Japan
 Thailand
 USA

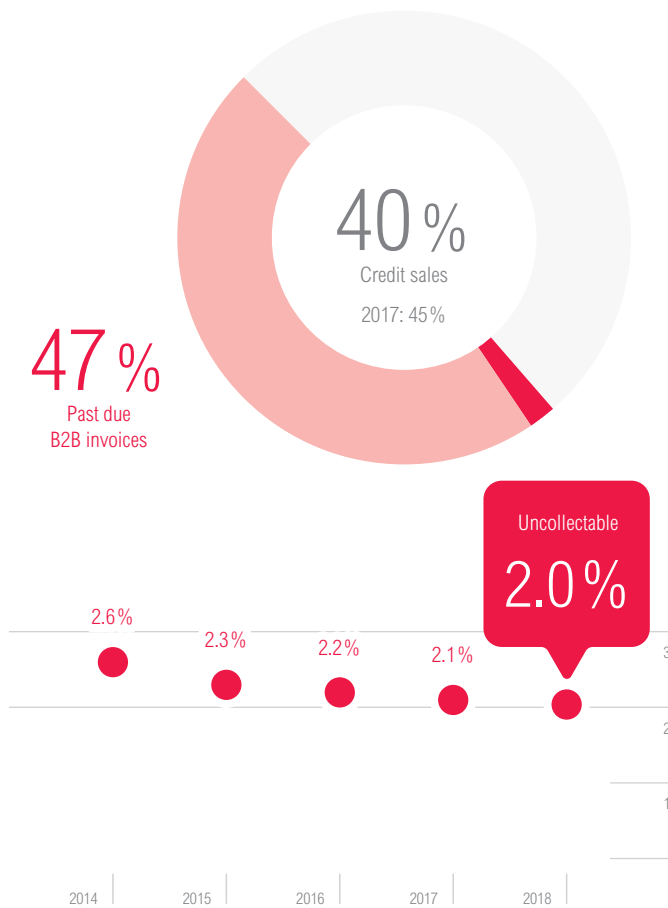
Most impacted by protectionist measures

Among the Asia Pacific countries surveyed, Indonesia had the highest percentage of respondents (91%) who believe that they will be impacted by trade uncertainty and protectionist measures. Asked about the extent of the impact, 33% of respondents said that they expect a negative effect of less than 10% and 13% expect a negative effect ranging between 10% and 20%. A slightly lower percentage (8%) expect turnover losses of up to 30%.

Not all Indonesian respondents believe in the negative impact associated with global developments. In fact, Indonesia also had the highest percentage of respondents (29%) who stated that they expect to be positively impacted by protectionism around the globe. This may be because of the predominance of domestic B2B sales in the country.

Uncollectable B2B receivables in Indonesia

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018

Indonesian respondents struggling with bankruptcy the most

In 2018, the average proportion of uncollectable receivables in Indonesia remained stable at 2.0% after 2.1% in 2017. Domestic B2B receivables were written off significantly more often than foreign B2B receivables.

Uncollectable receivables originated most often from B2B customers in the construction, consumer durables and services sectors. The main reason for write-offs was the customer going bankrupt or out of business. In 2018, this was reported by 57.7% of respondents and – among the Asia Pacific countries surveyed – this was the highest percentage of respondents reporting write-offs because of this reason. An increased percentage of Indonesian respondents reported failure of collection attempts (33.9%) and the old age of the debt (43.2%).

Slow payment by B2B customers in the construction and metals sectors

As mentioned previously, Indonesian respondents give their B2B customers 23 days, on average, to fulfil their payment obligations. In 2018, B2B customers in the transport and textiles sectors enjoyed longer average payment terms (30 days and 31 days respectively). In contrast, B2B customers in the consumer durables and electronics sectors are being asked to pay much faster (on average, within 16 days).

Suppliers in Indonesia reported that B2B customers in the construction and metals sectors are some of the slowest payers. B2B customers in these sectors, paid on average 42 and 38 days after the due date. The main reasons behind payment delays in the construction sector are the inefficiencies of the banking system (reported by 52% of respondents) and disputes over the quality of goods delivered and services provided (mentioned by 40% of Indonesian respondents). The majority of respondents in the metals sector (73%) said that payment delays occurred mainly because of the complexity of the payment procedure. The second most frequently mentioned reason for delays in this sector is insufficient availability of funds (mentioned by 45% of respondents).

Looking ahead, most respondents in Indonesia (65% and 70% respectively) expect the payment behaviour of their B2B customers in the construction and metals sectors to improve in the coming 12 months.



B2B customers in the metals sector generated some of the longest payment delays. The main reason behind these is the complexity of the payment procedure.

Survey design for Asia Pacific

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Asia Pacific, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) have been surveyed.

Using a questionnaire, Conclusr Research conducted a net of 1,697 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: 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=1,697 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q1 of 2018.

Sample overview – Total interviews = 1,697

Country	n	%
Australia	205	12.1
China	224	13.2
Hong Kong	210	12.4
India	212	12.5
Indonesia	213	12.6
Japan	212	12.5
Singapore	210	12.4
Taiwan	211	12.4
Industry	n	%
Manufacturing	661	38.9
Wholesale trade/ Retail trade / Distribution	499	29.4
Services	537	31.6
Business size	n	%
Micro enterprises	568	33.5
SME (Small/Medium enterprises)	824	48.6
Large enterprises	305	18.0

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia Pacific. This is part of the May 2018 Payment Practices Barometer of Atradius, available at

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SURVEY RESULTS

SURVEY

STATISTICAL APPENDIX

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