

Atradius Payment Practices Barometer
June 2022



**Indonesia: liquidity issues
spark payment default**

Table of contents

About the Atradius Payment Practices Barometer	3
Overview of key survey findings	4
Credit sales and payment terms (B2B)	5
Customer payment default (B2B)	6
Impact of customer payment default (B2B)	7
Management of customer payment default (B2B)	8
The business outlook (B2B)	9
Overview of key survey findings by industry	
Agri/Food	10
Chemicals	11
Electronics/ICT	12
Paper	13
Glossary	14
Survey design	15



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.

It contains direct feedback from businesses in a given market or region about how they manage payment default risks related to selling on credit to B2B customers. Topics covered include: payment terms, the time it takes to collect invoices, managing payment delays, the impact of payment delays on business, and expected business trends.

We believe these survey results will offer compelling insights into the markets and regions where you do business.

This is the report for Indonesia.

Indonesia: overview of key survey findings

7% write off

(up 40% from 2021 survey)

Payment defaults sparked by liquidity troubles, longer trade credit offered

- Liquidity issues were reported to be the main cause of B2B payment default in the Indonesian market, even though many businesses said they were trying to tackle the problem with more rigorous assessments of customer credit behaviour. Bad debts showed an upward trend across all surveyed industries, with businesses in the agri-food sector suffering in particular. There was a slight decrease reported for unpaid B2B trade debt overall. However, the paper industry in Indonesia appears to be the hardest hit by payment default from customers.
- Longer trade credit terms were offered to protect the competitive position of companies, a change of approach to setting payment terms that was reported across all industries surveyed in Indonesia. Another reason for longer payments terms was given by the businesses in the electronics/ICT sector, which said that profit margins on sales was the main factor. Nearly 40% of companies polled in the market also said they see the value of a credit insurance cover when considering decisions about payment terms.

Rising reliance on credit insurance as DSO swings expected in future

- Days Sales Outstanding (DSO) deteriorated for one third of companies polled across Indonesia during the past year. An increased use of external collection agencies and discounts for early payment were two of the most often used measures to stabilise the situation. Generally, there was a sharply rising awareness of the value of strategic credit risk management, with one quarter more Indonesian businesses saying they used credit insurance or purchased specific trade finance solutions.
- Looking ahead, the ongoing impact of the pandemic and safeguarding cash flow levels were cited as the primary concerns across all industries surveyed in the Indonesian market. Despite this, over two in five businesses polled anticipate an increase in B2B trading on credit and an improvement in B2B payment practices over the coming months. Apparently, the paper industry does not entirely share this view, expecting significant swings of DSO over the next months, which prompted businesses polled in the industry to say they would continue insuring their trade receivables.

Indonesia: credit sales and payment terms (B2B)

Sales growth main driving force behind B2B trade credit decisions

- Our survey of the Indonesia market reveals a slight drop in the average total value of B2B sales on credit, now at 48% compared to last survey 51%. Companies who rejected B2B trade credit requests during the past months, mainly from the agri-food sector, told us they did so for a variety of reasons. These included the expectation of an increased risk of customer payment default, higher financing or interest costs incurred while waiting to get paid, or simply lack of information on the customer's payment history.
- Companies who accepted B2B trade credit requests more often than previously did so mainly to retain B2B customers as well as generate new sales leads. This was most often reported by businesses in the electronics/ICT industry.

Trade credit periods lengthened to keep companies competitive

- Nearly half of businesses polled in Indonesia said they offered trade credit to customers for a longer period than previously. This change of approach means payment terms now average 54 days from invoicing compared to 43 days a year ago. The main reason for allowing customers longer time to pay was an internal push from within companies to protect their competitive position by offering attractive terms to customers. This was reported across all industries surveyed in the market.
- Other factors, such as the availability and cost of funds to meet their own obligations while awaiting payments from customers, were reported by businesses polled in Indonesia to be the main influence in their payment terms setting process. This most often reported by chemicals businesses. The verdict from electronics/ICT companies was that profit margins on sales most often dictated payment terms. An interesting finding of the survey was that two in five businesses, most often in these two Indonesian industries, told us they see the value of a credit insurance cover when considering decisions about payment terms.



38%
(2021: 30%)

of companies polled in Indonesia told us they see the value of a credit insurance cover when considering decisions about payment terms.

Indonesia: customer payment default (B2B)

Upward trend of write-offs prompts businesses to improve collections efficiency

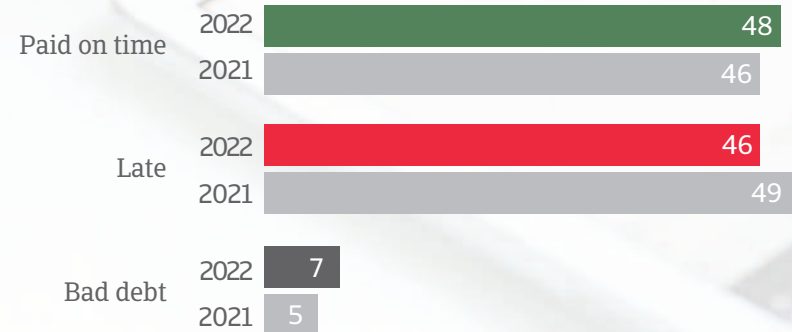
- There was a slight decrease in overdue B2B trade debt in the Indonesian market, now averaging 46% of the total value of B2B invoices compared to last survey's 49%. Indonesia's paper industry appears to be the hardest hit by B2B customer payment default, a result of challenging trading conditions in their sector. 70% of companies polled in this industry said they strengthened control on B2B credit customers and sent invoice payment reminders to defaulting customers – thus incurring higher administrative costs related to credit management.
- Bad debts written off as uncollectable show an upward trend in the Indonesian market despite strong efforts to recover them. These now average 7% of all B2B invoices, up from last survey's 5%. The agri-food industry shows the highest average of write-offs (9%) across all industries polled, even though this sector also reported the highest levels of time and resources dedicated to sending payment reminders and the use of external collection agencies.

Liquidity troubles prime trigger of payment default from B2B customers

- Two-thirds of companies polled in Indonesia said the main reason for payment default by B2B customers is liquidity problems. This was reported most often by chemicals businesses, who told us they tackled the issue with more regular reviews of customer credit behavior to spot warning signs of financial distress. Another factor causing payment default was reported to be administrative inefficiencies in the customer payment process, a particular issue in the electronics/ICT sector. For one quarter of businesses polled, chiefly in the paper industry, customers default on payment intentionally because they want to keep liquidity in-house.



Indonesia: % of the total value of B2B invoices paid on time, overdue and bad debt as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - June 2022

Indonesia: impact of customer payment default (B2B)

Good credit risk assessment key for mitigating impact on business

- Acknowledging that good quality assessment of customer creditworthiness is key to minimizing risk of customer payment default, 63% of businesses polled said they normally relied for this on external sources of information. Primary sources of credit assessment were customers' financial statements, as well as bank and trade references. The remaining companies told us they complemented these sources with direct information from customers.
- Other measures were also used for stronger credit control by Indonesian companies to cushion the impact of customer payment default. Sending more regular invoice payment reminders was a popular method, 65% of businesses reporting this choice. Nearly half of the companies polled said they focused on avoiding credit risk concentration on either a single customer or groups of customers with the same features – telling us this was a pivotal element to strengthening their credit management process.

Longer time to cash in overdue invoices severely impacts liquidity levels

- Our survey found there was a deterioration in Days Sales Outstanding (DSO), the average time to collect revenue after a credit sale, for over one third of Indonesian companies during the past months. This affected their liquidity position, risking a higher level of bad debts. This was most often reported by businesses in the agri-food industry, who attributed DSO worsening to a more liberal trade credit policy towards trusted customers who slowed down payments significantly as, through no fault of their own, they were affected by liquidity constraints.
- No significant change in DSO was reported by more than half of Indonesian businesses, who gave varying reasons for this outcome. 41% of companies, chiefly in the chemicals industry, tried to lower DSO by offering discounts for prompt payment of invoices. One quarter of businesses polled, mainly in the electronics/ICT sector, adopted a flexible approach to setting payment terms to help reduce the average number of days their credit sales remained unpaid.
- The agri-food industry told us that increased usage of external collection agencies to improve long unpaid trade debt collection largely contributed to some stabilisation of DSO. Another finding of the survey came from electronics/ICT companies, who told us that having a credit insurance cover helped them improve DSO and free up working capital.



Average time it takes to convert overdue B2B invoices into cash (year-on-year change)

(% of respondents)



Sample: all survey respondents - Source: Atradius Payment Practices Barometer - June 2022

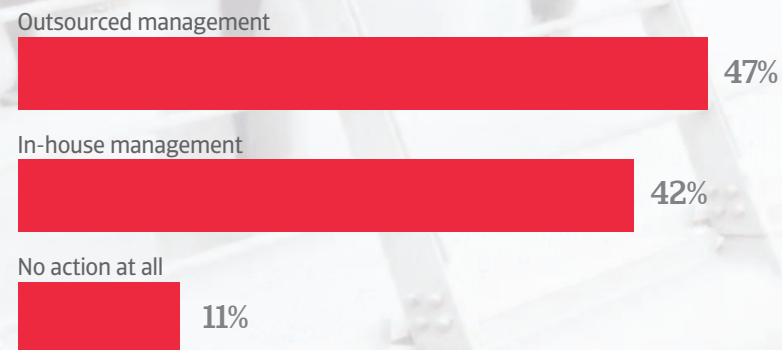
Indonesia: management of customer payment default (B2B)

Awareness of strategic credit risk management trends upward

- Fewer companies polled in Indonesia (42%, down from 49% last year) said they retained and managed customer credit risk in-house -- which for half of them involved setting aside funds to cover potential bad debts. The remaining businesses polled said they either outsourced the issue to a credit insurer or purchased specific trade finance solutions to complement in-house credit risk management or insurance. This clearly points to an increased awareness of the importance of strategic credit management in the challenging economic and trading conditions in which companies currently operate.
- More than half of the businesses that outsourced credit risk management to a credit insurer said they did so to enhance their credit management procedures, which helped to improve DSO and free up working capital. This was reported most often in the chemicals sector. Our survey also reveals that among the trade finance solutions purchased to complement in-house credit risk management or insurance, there was a wide use of letters of credit, particularly in the electronics/ICT businesses for exports.

Indonesia: over the past 12 months, how have you managed the risk of customer payment default?

(% of respondents)



Sample: all survey respondents (multiple choice survey question)
Source: Atradius Payment Practices Barometer - June 2022

Indonesia: the business outlook (B2B)

Businesses lean towards optimistic outlook for trading on credit

- More than 40% of companies across all industries in Indonesia told us they are optimistic about the outlook for trading on credit terms with B2B customers in coming months in the belief it will encourage repeat sales with existing customers. There is a similar positive verdict that payment practices of B2B customers will improve during the coming months. Businesses in the Indonesian paper industry had a different view, saying they do not anticipate significant changes in their current trade credit policy, nor improvement in their B2B customers' payment practices.

Upward trend of credit insurance take-up enables DSO stabilisation

- A knock-on effect of potential increase selling on credit is that almost 70% of companies across all industries polled in Indonesia anticipate significant swings of their DSO in the current challenging trading environment. This may explain why nearly 80% of the businesses polled, again across all industries, said they would continue using credit insurance during the coming months. An exception, once more, is the Indonesian paper sector, which does not anticipate changes in their trade credit policy.
- The ongoing impact of the pandemic represents the primary concern looking forward for 52% companies polled in Indonesia. This view was expressed strongly across all industries polled except for agri-food businesses, whose primary concern was a potential fall in demand, particularly from export customers. Keeping pace with rising demand for their products and services is considered the greatest challenge ahead in the electronics/ICT sector. Safeguarding cash flow levels represents a major concern across all industries polled in Indonesia, and particularly in the chemicals industry.

Indonesia: top 5 greatest challenges to business profitability in 2022

% of respondents

Ongoing impact of pandemic on business



Keeping pace with rising demand for our products and services



Falling demand for our products and services



Maintaining adequate cash flow



Containment of costs

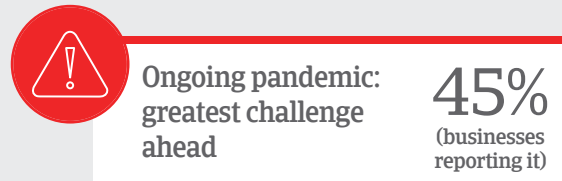
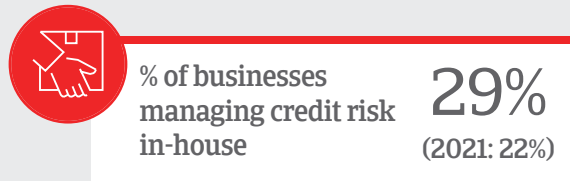
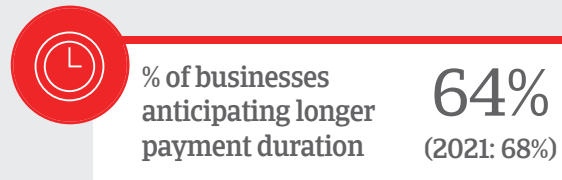
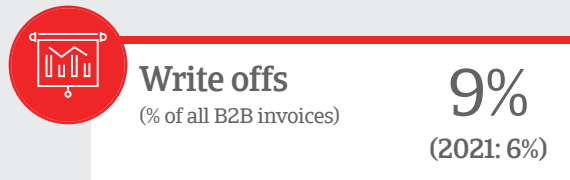
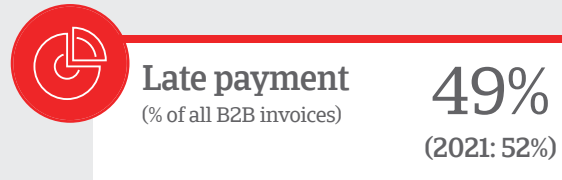
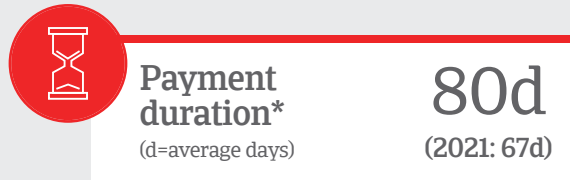
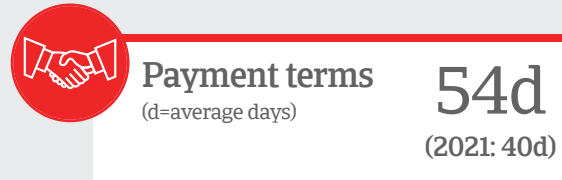
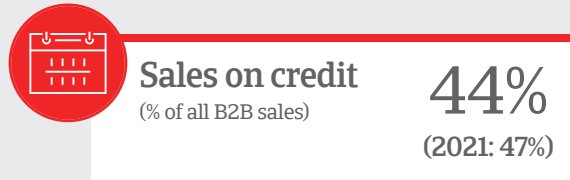


Sample: all survey respondents (multiple choice survey question)

Source: Atradius Payment Practices Barometer - June 2022

Indonesia: overview of key survey findings by industry

Agri/Food

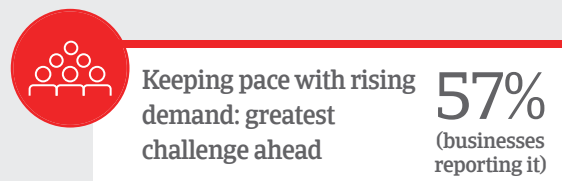
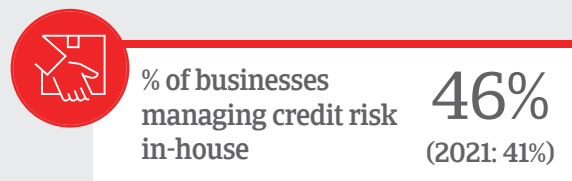
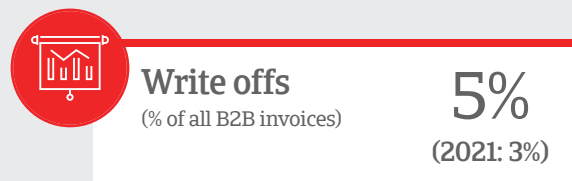
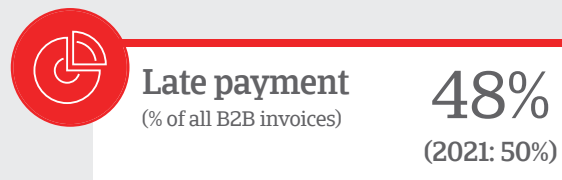
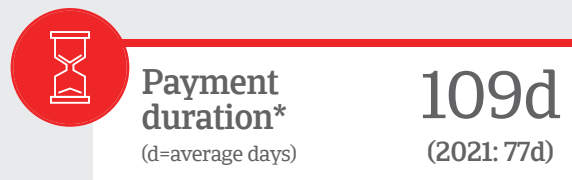
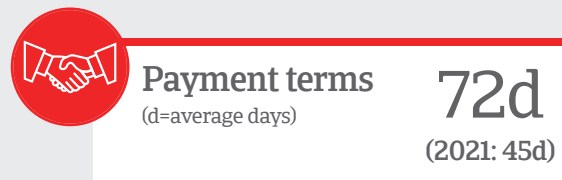
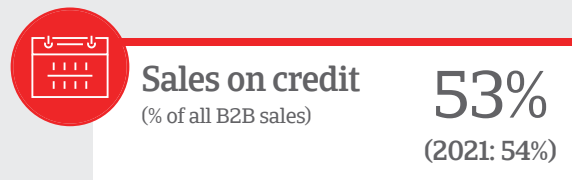


* payment term on the invoice plus any delay.



Indonesia: overview of key survey findings by industry

Chemicals



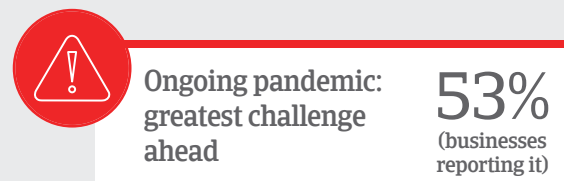
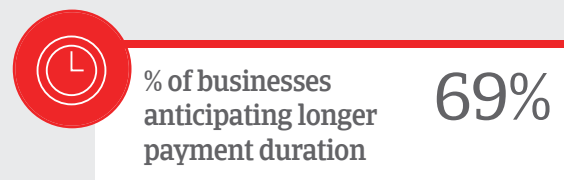
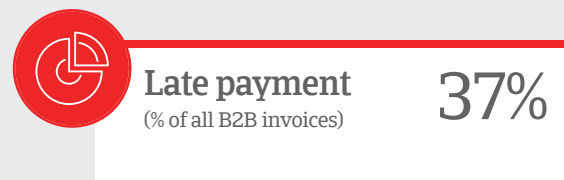
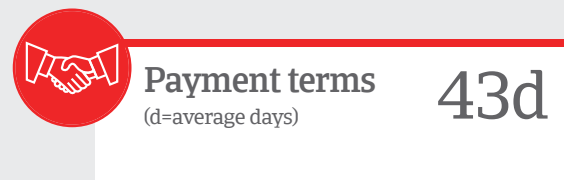
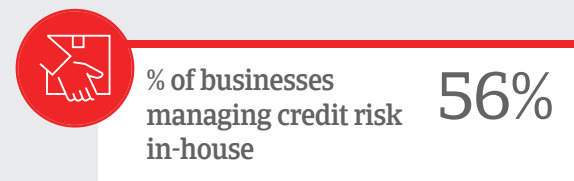
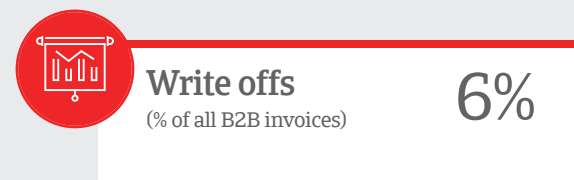
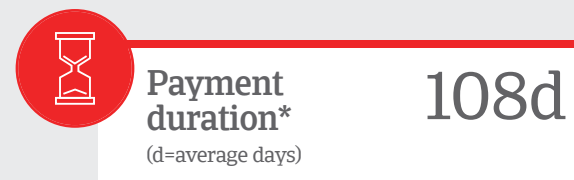
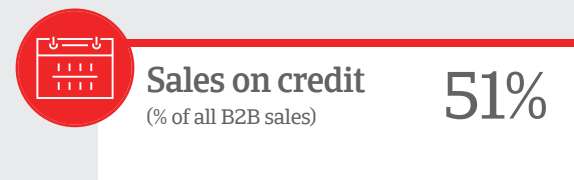
* payment term on the invoice plus any delay.



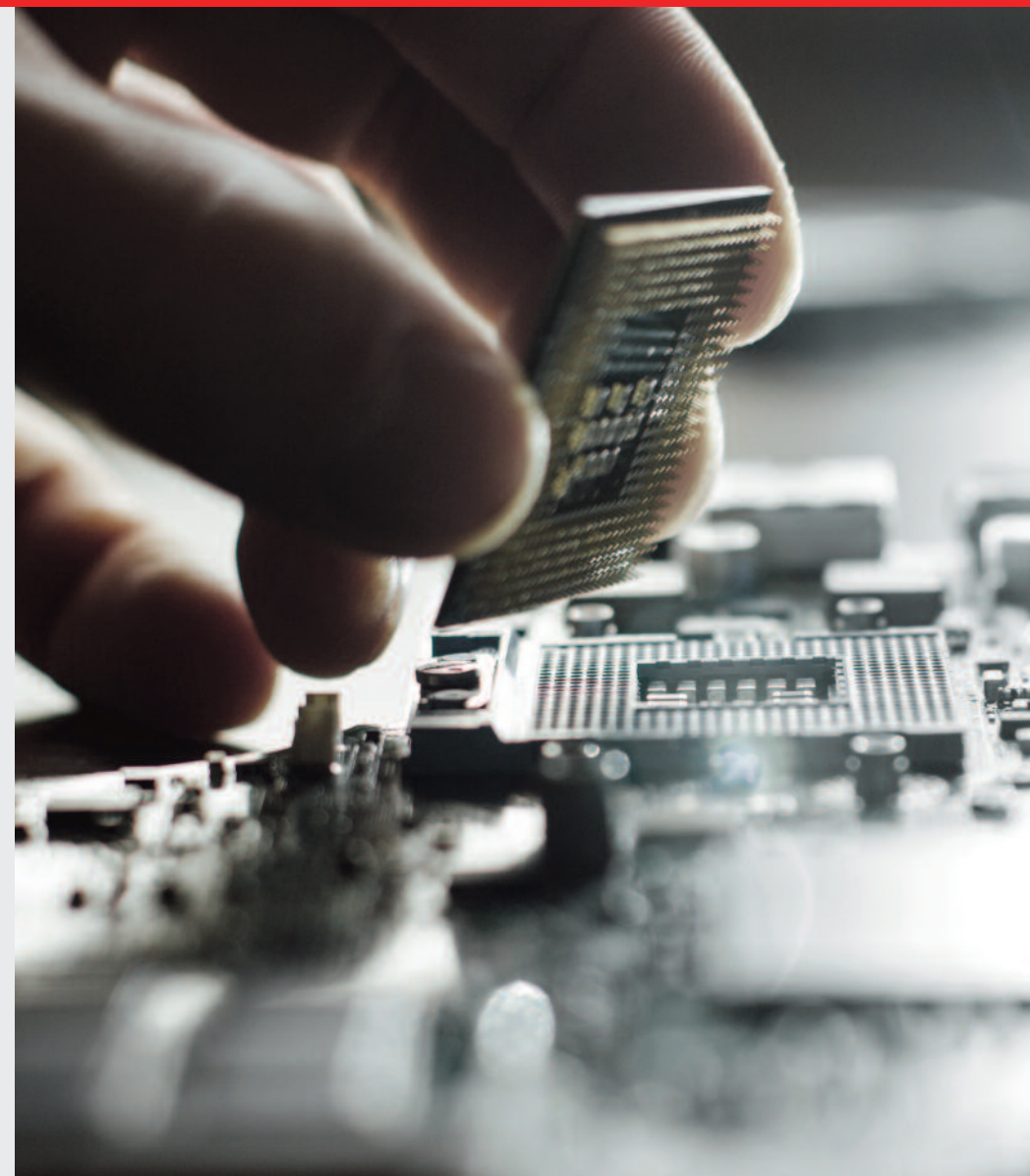
Indonesia: overview of key survey findings by industry

Electronics/ICT

Data not available for 2021



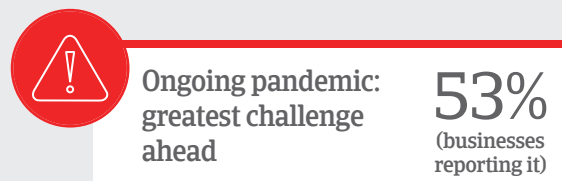
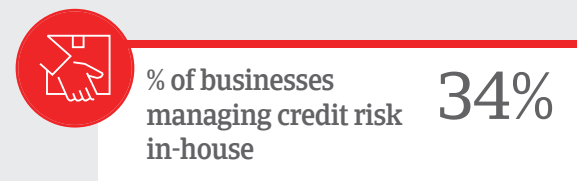
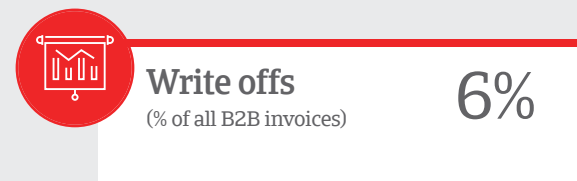
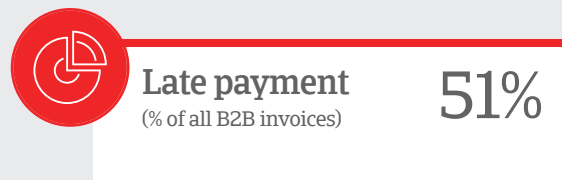
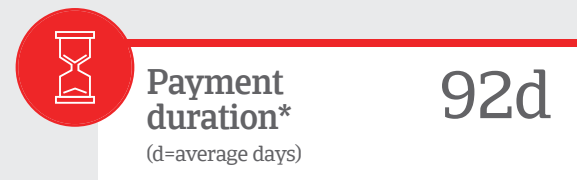
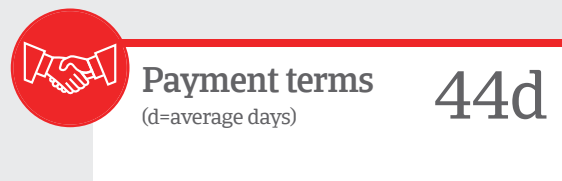
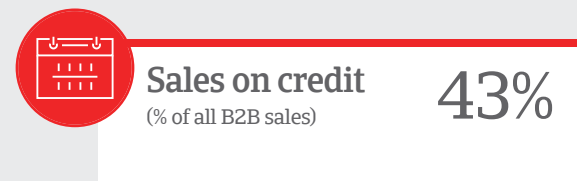
* payment term on the invoice plus any delay.



Indonesia: overview of key survey findings by industry

Paper

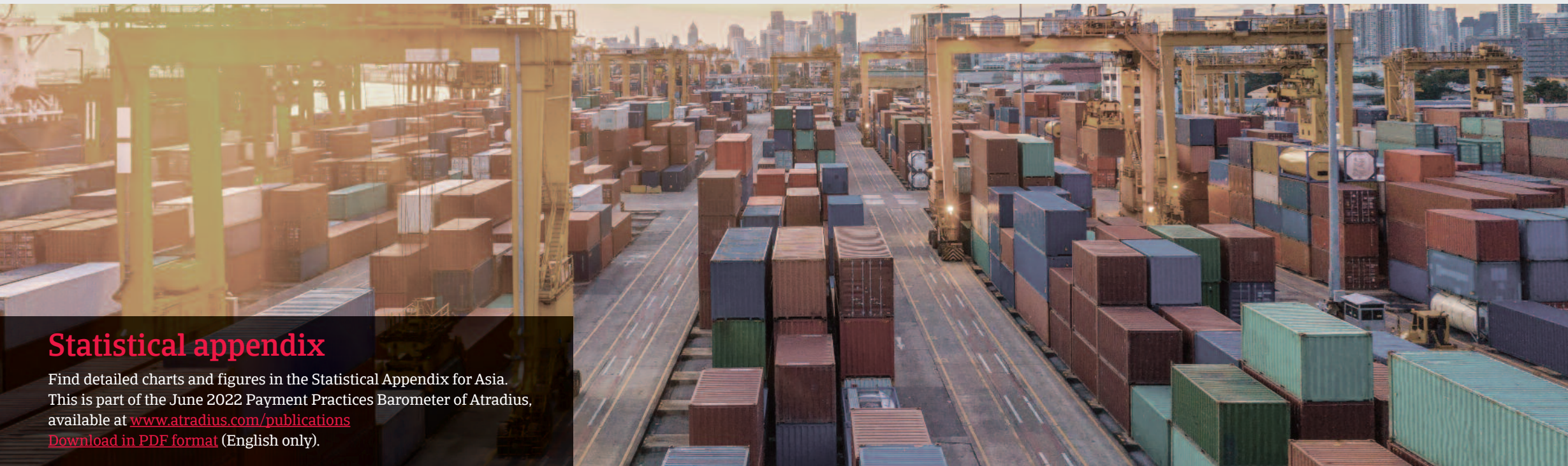
Data not available for 2021



* payment term on the invoice plus any delay.



Glossary



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia. This is part of the June 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications.
[Download in PDF format](#) (English only).

Payment term (credit period, credit term)

The period after delivery or shipment of goods or after rendering of services at the expiry of which invoices are due to be paid.

Overdue invoice (past due invoice, defaulted invoice)

A customer's obligation that has not been paid by its due date.

Write-offs

Overdue invoices that cannot be collected and therefore are treated as bad debts and written off as uncollectable.

Days Sales Outstanding (DSO)

Average time (days) a company takes to convert its credit sales into cash or cash in the outstanding payments from its customers.

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Indonesia companies are the focus of this report, which forms part of the 2022 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 200 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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q2 2022.

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If after reading this report you would like more information about protecting your receivables against payment default by your customers you can visit the Atradius website or if you have more specific questions, please leave a message and a product specialist will call you back. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

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For more insights into the B2B receivables collection practices in Indonesia and worldwide, please go to www.atradiuscollections.com

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Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	84	42
Wholesale	27	14
Retail trade / Distribution	51	26
Services	38	18
TOTAL	200	100

Business size	Interviews	%
Micro enterprises	40	20
SME - Small enterprises	42	21
SME - Medium enterprises	89	44
Large enterprises	29	15
TOTAL	200	100

Industry	Interviews	%
Chemicals	53	26
Consumer Durables	51	25
Electronics/ICT	51	25
Construction materials	45	24
TOTAL	200	100

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