



Taiwan: payment duration increase in 2018

Atradius Payment Practices Barometer

GDP
(millions euro)

€ 493,165.27

GDP growth rate
(2018 est.)

2.6 %

Export annual growth rate
(2018 est.)

5.4 %

Imports annual growth rate
(2018 est.)

7.5 %

Sources: Oxford Economics, MIT OEC

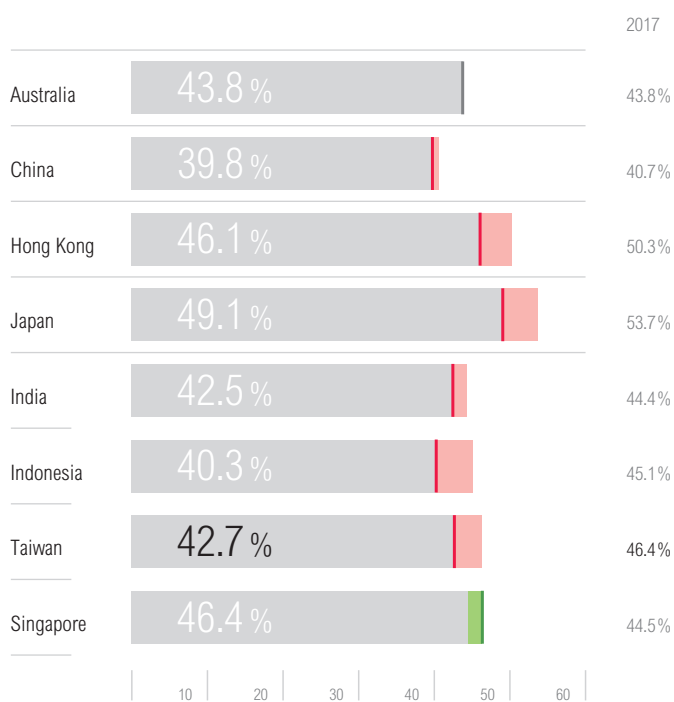
Despite a minor decrease in the proportion of overdue **B2B invoices**, 70.9% of respondents in Taiwan reported that their companies have been negatively affected by overdues. Changes in the average payment terms and payment delays brought an increase in Taiwan's average payment duration which is the second highest in the region. B2B receivables have been written off as uncollectable mostly because of insufficient availability of funds and the old age of the debt.

Convenience – a top reason for selling on credit

With an average of 42.7%, the proportion of total B2B sales on credit in Taiwan decreased by almost four percentage points in 2018. Similarly to what has been observed in the rest of the countries surveyed in Asia Pacific, the percentage of sales on credit to domestic B2B customers (47.5%) is higher than that of sales to foreign B2B customers (37.8%).

When asked about the main reasons for selling on credit to their domestic B2B customers, respondents in Taiwan mentioned convenience and trustworthy customers with whom they have long-term business relationships. Credit sales are perceived as a good way to expand business while at the same time increase the customer's trust. According to the survey findings, respondents are most likely to not offer credit because of the poor payment behaviour of their domestic B2B customers and due to a lack of information on the customer's business or payment performance (each reason cited by 66.7% 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 because it is more convenient and improves work efficiency.*«

Survey respondent · Agriculture sector

Convenience is also one of the top reasons mentioned by Taiwanese respondents in regards to their foreign B2B customers. However, credit seems to be offered to foreign customers most often to develop business on the international market. The main reasons for refusing to grant credit to foreign B2B customers are high economic or political risk in the customer's country (mentioned by 50% of respondents) and a lack of information on the customer's business or payment performance (37.5%).

» *We trade on credit to ensure long-term cooperation and to expand our market share.*«

Survey respondent · Machines sector



A steep increase in average DSO in Taiwan

In 2018, the average frequency of late payment has declined slightly in Taiwan. Despite minor improvements every year starting with 2016, the majority of respondents, 85.1%, have reported late payments by their domestic and foreign B2B customers.

Based on the survey findings, there was also a minor decrease in the proportion of overdue B2B invoices in Taiwan; from an average of 45.0% in 2017 to 42.1% this year. This occurred mainly because of a drop of almost five percentage points in foreign past due B2B invoices.

The average Days Sales Outstanding (DSO) figure in Taiwan increased by six days in 2018 and stands at 48 days. Among the Asia Pacific countries surveyed, Taiwan recorded the second highest DSO figure after that of India (52 days). Asked about expected changes in their company's DSO over the coming 12 months, 47.9% of respondents said that they expect it to remain stable, 24.7% that they expect a slight increase and 18.4% that they foresee a slight decrease.

Overdue B2B invoices push Taiwanese respondents to correct cash flow

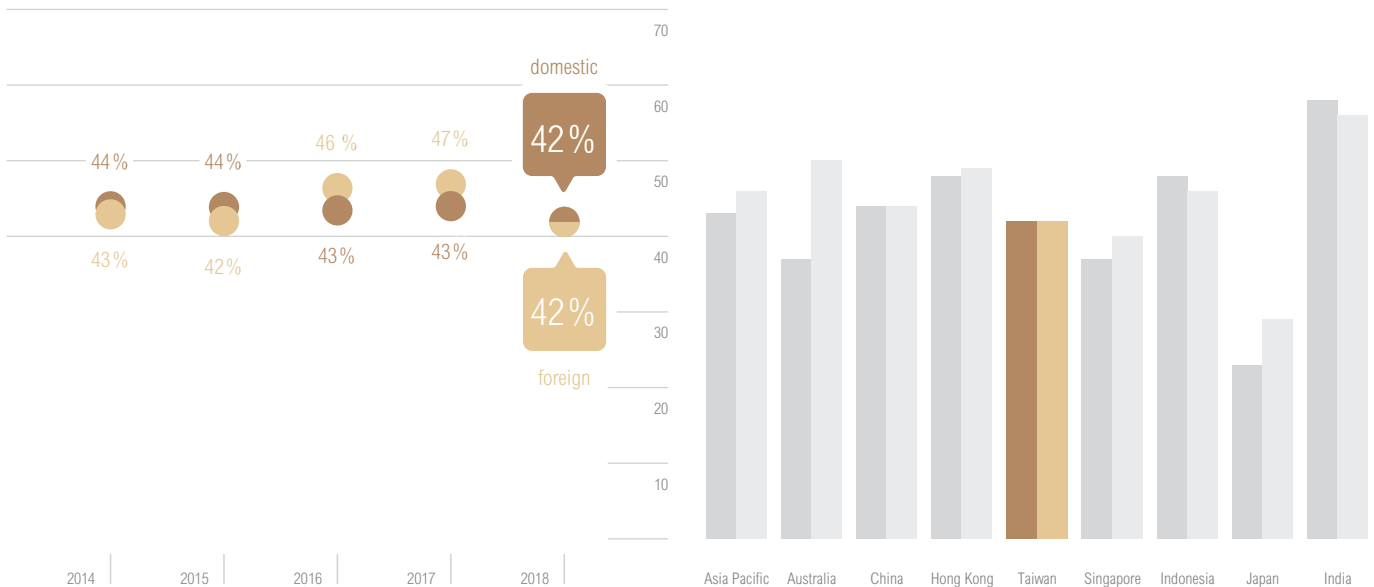
Next to their peers in Japan, respondents in Taiwan are setting the longest average payment terms for their B2B customers. Domestic B2B customers of respondents in Taiwan are given, on average, 42 days to settle their invoices. This is two days longer than in 2017. Foreign B2B customers are given, on average, 47 days to fulfil their payment obligations – one day longer than in 2017 and the longest average payment terms for foreign B2B customers in the Asia Pacific region.

Taiwan is one of the countries more likely to differentiate payment terms between domestic and foreign B2B customers. 47% of respondents said that they would give their domestic B2B customers a shorter time to fulfil their payment obligations. Reasons for differentiating payment terms in Taiwan are internal policies, industry practices and the financial risk related to the export transaction.

In 2018, there is not much difference between payment delays by domestic and foreign B2B customers. Respondents in Taiwan reported an increase of three days in respect to domestic B2B customers (on average, 26 days) and a one day decrease in regards to foreign B2B customers (on average, 25 days).

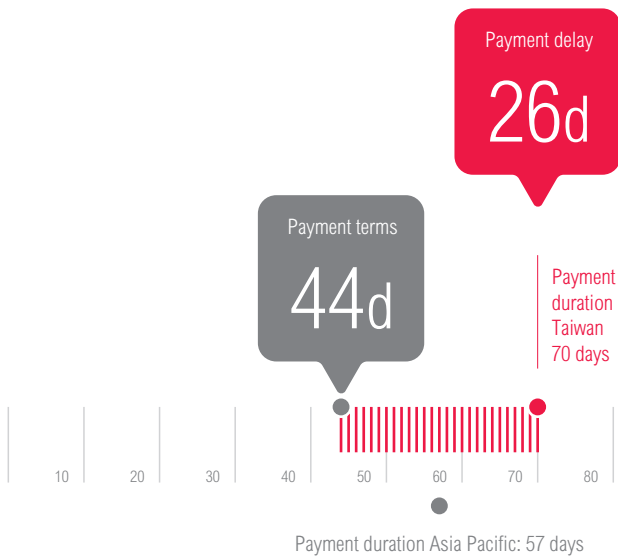
Past due B2B receivables in Taiwan

(avg. %)



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

Payment duration in Taiwan



d = average days

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

Source: Atradius Payment Practices Barometer – May 2018

Payment delays by domestic B2B customers occurred most often because of insufficient availability of funds, cited by 55% of respondents in Taiwan. The second most frequently mentioned reason for domestic payment delays is disputes over the quality of goods delivered and services provided (cited by 44% of respondents). This is the highest percentage of respondents, who cited disputes over the quality of goods delivered and services provided in the Asia Pacific region.

Payment delays by domestic B2B customers seem to occur most often because of insufficient availability of funds. This was stated by 42.4% of respondents. Respondents in China also cited disputes over the quality of goods and services provided (27.7%) and the complexity of the payment procedure (27.1%) as other reasons for domestic payment delays.

52.9% of respondents in Taiwan said that foreign B2B customers delayed payments most often because of the complexity of the payment procedure. While this was also the main reason for foreign payment delays in the region, the percentage of respondents who stated this in Taiwan is way above the regional average and the highest for the region. The second most frequently mentioned reason for payment delays by customers abroad was disputes over the quality of goods delivered and services provided, cited by 49.4% of respondents – again the highest percentage in the region. 29.1% of respondents in Taiwan said that over the past 12 months, overdue B2B invoices did not have a significant impact on their business. Of those who were impacted, 25.6% said that they needed to take specific measures to correct cash flow and 21.5% that they needed to postpone payments to their own suppliers. 18.6% of respondents said that due to payment delays they lost revenue.

Based on the changes in average payment terms and payment delays, the average payment duration in Taiwan increased from 68 days in 2017 to 70 days this year. This means that respondents in the country need a longer time to convert B2B invoices into cash, almost two weeks longer than the average for the region.

E-invoicing: effective but no noteworthy effect on payment duration

Most of the respondents in Taiwan, 63%, said that they are already invoicing their domestic and foreign B2B customers online and 13% of respondents expressed their wishes to adopt e-invoicing in 2018. In contrast, 20% of respondents said they are not using e-invoicing and 5% indicated that they have stopped using it.

Of the respondents already using e-invoicing, 58% said that after invoicing their B2B customers electronically, they received payments on their B2B invoices quicker. For a notable 37% of respondents online invoices did not have a noteworthy effect on payment while 5% of respondents noticed a slowdown in payment.



E-invoicing is used by the majority of respondents in Taiwan (63% of respondents).



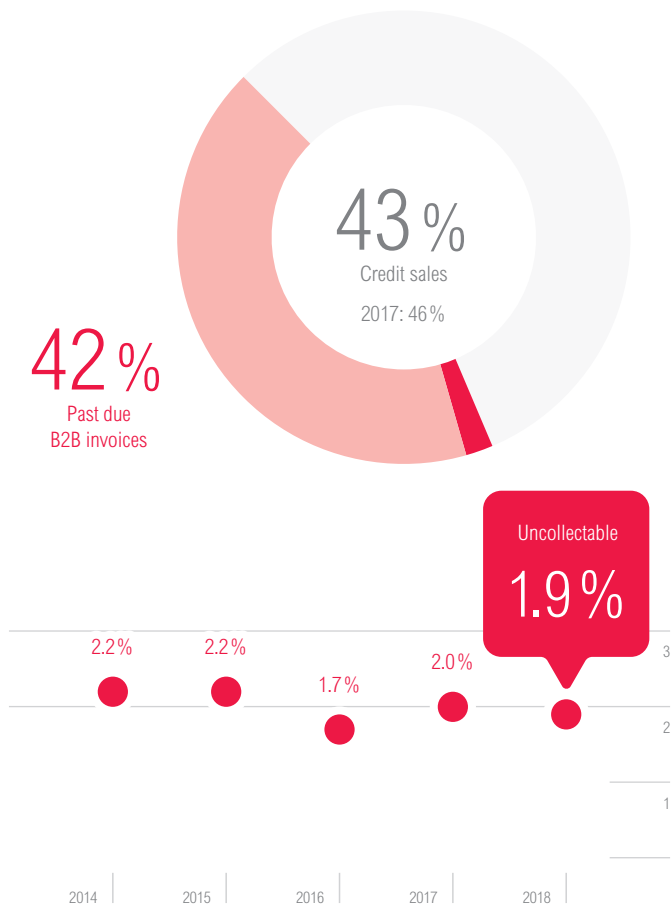
A negative effect of up to 10%

65% of respondents in Taiwan expect the global economic situation – more specifically, protectionist measures – to impact their business over the coming 12 months. A low 4% of respondents – probably focusing primarily on domestic B2B sales – expect to see improvements based on the changes occurring around the world.

Like most of their peers in Asia Pacific, respondents in Taiwan stated that global protectionist measures will most likely have an effect on their company's turnover. When asked about the magnitude of the impact, 25% of Taiwanese respondents said that they believe it will have as much as a 10% negative impact. For 18% the negative effect is expected to be somewhere between 20% and 30%, while 10% of respondents expect to see a negative impact of up to 30%.

Uncollectable B2B receivables in Taiwan

(% of total value of B2B receivables)



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

Old debt – often uncollectable debt

The average proportion of uncollectable B2B receivables in Taiwan is stable at 1.9% after 2.0% in 2017. Similarly to what has been reported in previous surveys, B2B receivables here were written off as uncollectable more frequently with domestic B2B customers than with customers abroad.

Uncollectable receivables in Taiwan originated most often from B2B customers in these sectors: electronics, services, business services and consumer durables. The main reasons for writing off B2B receivables as uncollectable are the customer going bankrupt or out of business (reported by 52.7% of respondents) and the old age of the debt (cited by 40.2% of respondents).

Construction materials – remains a sector with slow paying B2B customers

As mentioned above, B2B customers of respondents in Taiwan enjoy some of the longest average payment terms in the region and are asked to fulfil their payment obligations, on average, after 45 days. By sector, B2B customers in construction materials are given some of the longest payment terms (on average, 62 days) while those in the food sector have the shortest time to settle payments (on average, 23 days).

Similarly to what was observed in 2017, B2B customers in construction materials and those in electronics remain some of the slowest payers. Respondents in Taiwan received payments from B2B customers in construction materials, on average, 52 days late and from B2B customers in the electronics sector, on average, 24 days late.

Looking at the coming 12 months, most respondents in Taiwan do not expect changes in the payment behaviour of their B2B customers in the above-mentioned sectors. Should a change occur in the construction materials sector, 33% of respondents expect this to be for the worst. In contrast, 34% of respondents expect the payment behaviour of their B2B customers in the electronics sector to improve over the same time frame.



Like in 2017, B2B customers in the construction materials sector remained some of the slowest payers.

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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