



Turkey: the country most affected by late payment

Atradius Payment Practices Barometer

GDP
(millions euro)

€ 686,213.38

GDP growth rate
(2018 est.)

4.0 %

Export annual growth rate
(2018 est.)

5.1 %

Imports annual growth rate
(2018 est.)

4.5 %

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Textiles
 Transportation
 Machinery/Electrical
 Stone/Glass
 Metals

export destinations

Top5

Germany
 United Kingdom
 Italy
 USA
 Iraq

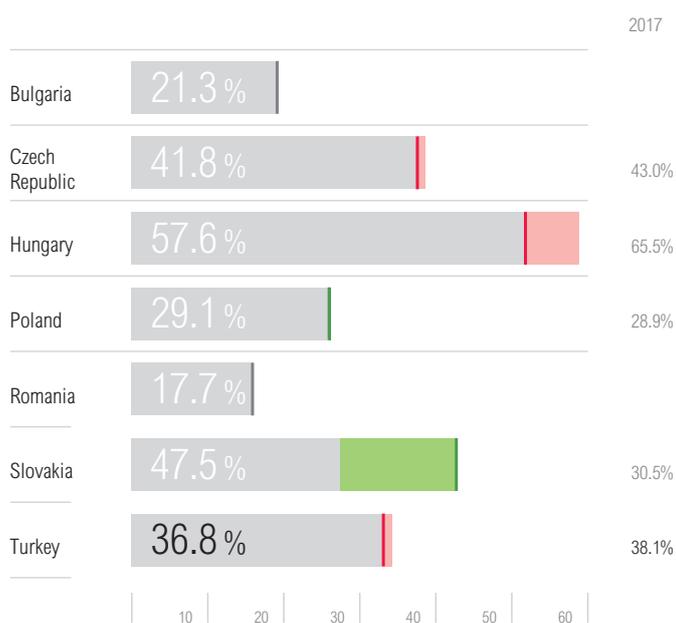
Based on the survey results, 2018 brought many changes for Turkey – more frequent payment delays, increases in the proportion of overdue B2B invoices and DSO, a longer invoice to cash turnaround. The impact of late payment is undeniable, with a notable 31.6% of respondents reporting revenue loss. Like in 2017, Turkey recorded the highest proportion of uncollectable B2B receivables in the region; bankruptcy and failure of collection attempts remain the main reasons for write-offs.

Winning new business by selling on credit terms

In 2018, there was a small decrease in the proportion of B2B sales on credit in Turkey. However, at 36.8%, the proportion of total B2B sales made on credit is in line with the regional average. Turkish respondents are clearly more comfortable selling on credit to domestic B2B customers, for which the proportion of total B2B sales made on credit is much higher than that registered with foreign B2B customers (45.4% versus 28.2%).

In Turkey, credit sales are considered to be a way to ensure cash flow and expand business domestically. This method of payment is seen as a sure way to gain new business and offer better service to clients. While very inclined to offer credit to domestic B2B customers, 20.0% of respondents in Turkey said that high economic or political risk would result in them refusing to grant credit terms.

Proportion of total B2B sales made on credit



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

» *Credit sales help us win new customers and brought our company a sales increase of 30%.«*

Survey respondent · Machines sector

Similarly to what was mentioned in regards to domestic B2B customers, Turkish respondents use credit sales with B2B customers abroad because they believe it is a good way to generate sales and expand their activity internationally. The primary reasons why respondents in Turkey would not sell on credit to their foreign B2B customers are high currency risk (mentioned by 40.7% of respondents) and if there is high economic and political risk in the customer's country (25.9% of respondents).

» *We sell on credit to our B2B customers abroad because we have overseas customers that we trust and we want to sell more products abroad.«*

Survey respondent · Agriculture sector



Frequent late payments and an increase in past due invoices

In 2018, Turkey is the country with the highest percentage of respondents reporting late payments by their B2B customers (91.7%). Like their Eastern European peers, the frequency of late payment is much higher with domestic B2B customers than with foreign B2B customers (94.4% versus 88.9%).

Turkey remains the country with the highest proportion of domestic and foreign past due B2B invoices. Moreover, respondents in the country reported an increase in overdue B2B invoices from an already high 55.9% in 2017 to 59.9% this year. This is due to a sharp increase in the proportion of foreign past due B2B invoices.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Turkey is 64 days, nine days shorter than in 2017. Most respondents in Turkey (35.2%) do not expect any changes in their company's DSO over the coming 12 months. However, a high 32.9% of respondents foresee a slight increase.

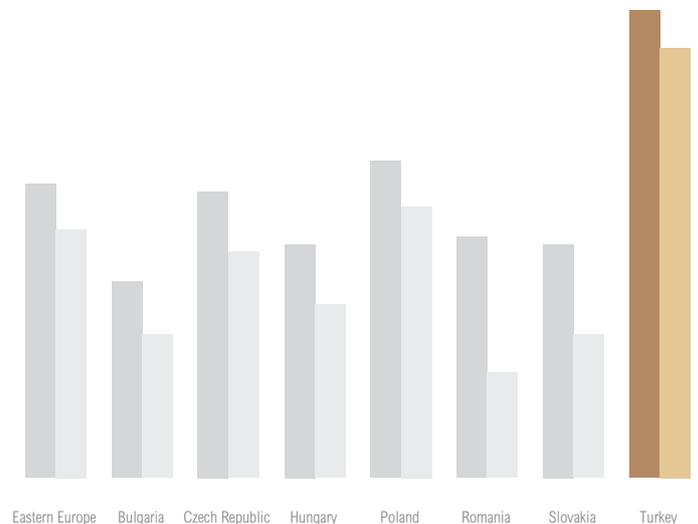
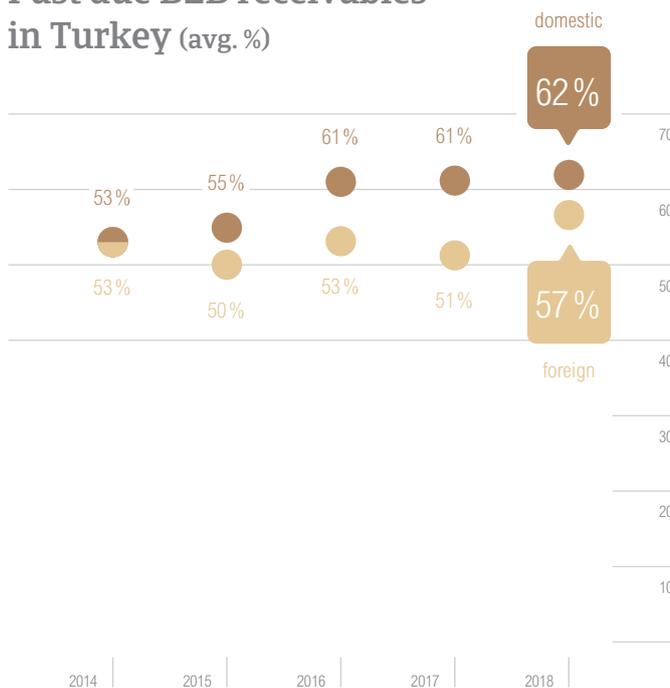
The longest average payment duration in Eastern Europe

Historically, respondents in Turkey have set the longest average payment terms of the Eastern European countries surveyed. In 2018, payment terms of respondents have changed slightly. The average payment terms given domestic B2B customers have decreased by one day to 54 days while the average foreign payment terms have increased to 44 days – four days longer than in 2017.

While most respondents in the region (56.2%) do not differentiate payment terms by customer type, in Turkey, domestic B2B customers are often given more time to settle their invoices. This was mentioned by 41.9% of respondents and compares to 25.1% of Turkish respondents who do not differentiate. The main reasons for differentiating payment terms in Turkey are internal policies, the economic situation in the export country and industry practices.

In 2018, Turkish respondents reported increases in payment delays by both their domestic and foreign B2B customers. Domestic B2B customers of respondents in Turkey delayed payments 43 days on average (four days longer than in 2017) while foreign B2B customers 40 days on average (six days longer than in 2017). Based on these findings, B2B customers of respondents in Turkey seem to delay payments the longest in the Eastern European region.

Past due B2B receivables in Turkey (avg. %)



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

Payment duration in Turkey



d = average days

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

Source: Atradius Payment Practices Barometer – September 2018

As a result of the changes in payment terms and payment delays, the average payment duration in Turkey increased from 84 days in 2017 to 91 days this year. This was the only country in the region to report an increase and respondents here take the longest time to convert B2B invoices into cash.

In Turkey, domestic payment delays occurred mainly because of insufficient availability of funds and buyers using outstanding invoices as a form of financing (mentioned by 67.2% and 32.2% of respondents respectively). The percentages of respondents who stated these reasons for delays by their domestic B2B customers increased significantly compared to last year.

Looking at the main reasons for payment delays by foreign B2B customers, most respondents in Turkey (49.6%) mentioned the complexity of the payment procedure. This was also the highest percentage of respondents who stated this in Eastern Europe. The second most frequently mentioned reason for payment delays by foreign B2B customers is the inefficiencies of the banking system (mentioned by 39.3% of respondents), again the highest percentage in the region.

Among the Eastern European countries surveyed, Turkey had the highest percentage of respondents (31.6%) who stated that payment delays led to revenue loss. Due to overdue B2B invoices, respondents in Turkey also needed to take specific measures to correct cash flow (38.8% of respondents) and to postpone payments to their own suppliers (38.3% of respondents). Only 18.9% of Turkish respondents said that past due B2B invoices did not affect their businesses significantly.

Open to the use of electronic invoicing

Compared to the rest of the Eastern European countries surveyed, Turkey had a low percentage of respondents (64.3%) who said that they are invoicing their domestic and foreign B2B customers electronically. However, 12.2% of respondents said that while they are currently not invoicing their B2B customers electronically, they intend to start doing so in 2018. Only 22.6% of respondents in the country mentioned that they still rely on traditional invoices.

Asked about the effect of e-invoicing on payment duration, the majority of respondents in Turkey (70.5%) said that after invoicing their B2B customers electronically, they received payments quicker. 23.7% of respondents have seen no noteworthy effect and 5.8% noticed a slowdown in payment.



Turkey had the highest percentage of respondents (31.6%) who stated that payment delays led to revenue loss.



import sectors

Top5

Machinery/Electrical
Transportation
Metals
Chemicals
Mineral Products

Fear that US protectionism will hamper global growth most pronounced in Turkey

Like their peers in Eastern Europe, respondents in Turkey perceive US protectionism turning into a trade war as the most significant potential risk to global development (more significant than misguided Fed policy, China's 'hard' landing and geopolitical risk). The 53.1% of respondents in Turkey citing this as the main threat to global growth is by far the highest percentage in the region. Another 16.5% of respondents in the country agree that – while US protectionism may not be hampering global growth the most – it is definitely a significant risk. Only 14.7% of Turkish respondents perceive US protectionism as the least significant risk to global development.

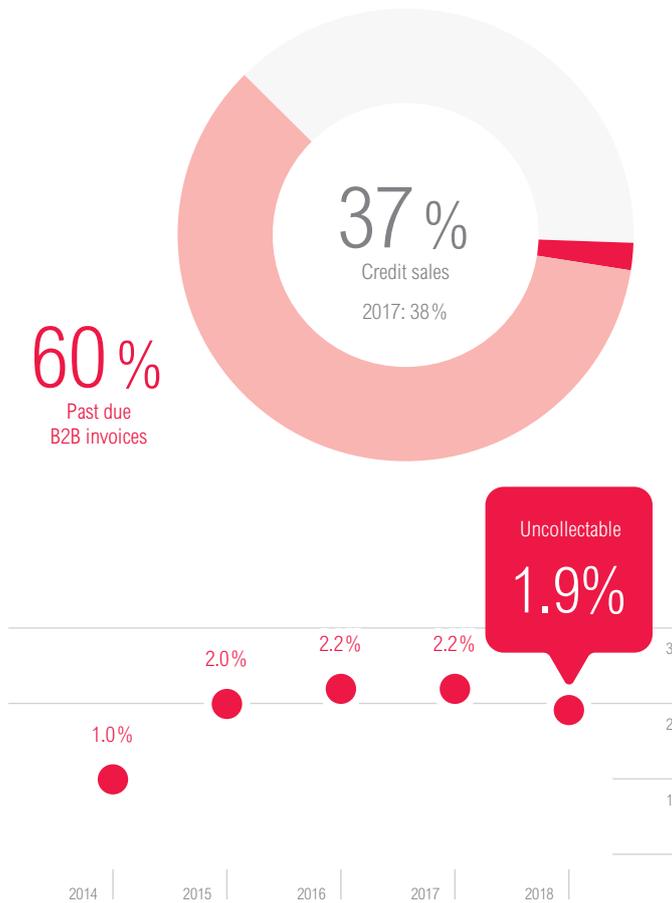
import destinations

Top5

China
Germany
Russia
Italy
USA

Uncollectable B2B receivables in Turkey

(% of total value of B2B receivables)



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

Failure of collection attempts – a top reason for write-offs next to bankruptcy

In 2018, Turkey remains the country with the highest average proportion of uncollectable receivables in Eastern Europe. There was however a small improvement in the percentage of the total value of uncollectable B2B receivables, which declined from 2.2% in 2017 to 1.9% this year. Domestic B2B receivables were written off more often than foreign ones.

Uncollectable receivables originated most often from B2B customers in these sectors: construction, consumer durables, food, business services and services. A common problem in the entire region – the customer going bankrupt or out of business – was also the main reason for write-offs in Turkey (mentioned by 54.8% of respondents). A slightly lower percentage of respond-

ents (51.2%) mentioned the failure of collection attempts. This reason for write-offs was reported by a significantly higher percentage than in the rest of the Eastern European countries surveyed and is also much higher than in 2017 (46.2%).

B2B customers in consumer durables are some of the slowest payers

As mentioned previously, B2B customers in Turkey have an average of 49 days to fulfil their payment obligations. B2B customers in the paper and transport sectors are given the longest average payment terms (105 days and 91 days respectively). In contrast, B2B customers in the chemicals industry are being asked to pay the fastest (on average, within 38 days).

Suppliers in Turkey reported that B2B customers in the consumer durables and construction sectors have been some of the slowest payers. B2B customers in these sectors, paid on average 37 and 41 days after the due date. The main reasons behind the payment delays in the consumer durables sector are the inefficiencies of the banking system (reported by 54.0% of respondents) and the complexity of the payment procedure (mentioned by 46.0% of Turkish respondents). Suppliers in the construction sector reported insufficient availability of funds and the buyers using outstanding invoices as a form of financing as top reasons for payment delays (mentioned by 61.0% and 46.0% of respondents respectively). Looking ahead, 34.0% of respondents in the consumer durables sector and 30.0% of respondents in the construction sector expect deterioration in the payment behaviour of their B2B customers.



B2B customers in the consumer durables sector have generated some of the longest payment delays; the main reason behind these seems to be insufficient availability of funds.

Survey design for Eastern Europe

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 Eastern Europe, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) have been surveyed.

Using a questionnaire, Ilisia Research conducted a net of 1,447 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) 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=1,447 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2018.

Sample overview – Total interviews = 1,447

Country	n	%
Bulgaria	200	13.8%
Czech Republic	202	14.0%
Hungary	203	14.0%
Poland	216	14.9%
Romania	201	13.9%
Slovakia	201	13.9%
Turkey	224	15.5%

Industry	n	%
Manufacturing	463	32.0%
Wholesale trade/ Retail trade / Distribution	435	30.1%
Services	549	37.9%

Business size	n	%
Micro enterprise	560	38.7%
SME (Small/Medium enterprise)	788	54.5%
Large enterprise	99	6.8%

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 Eastern Europe. This is part of the September 2018 Payment Practices Barometer of Atradius, available at

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SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

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