



# Atradius Payment Practices Barometer

Survey of Payment Behaviour of  
Companies in Central and Eastern Europe

May 2008

## Table of Contents

<b>Survey profile</b> . . . . .	<b>4</b>
Survey background . . . . .	4
Survey objectives . . . . .	5
Structure of the survey . . . . .	5
Perspectives evaluating payment practices . . . . .	6
Survey scope . . . . .	6
Sample overview: socio-demography . . . . .	7
<b>Core results in brief</b> . . . . .	<b>8</b>
Austria . . . . .	8
Czech Republic . . . . .	9
Hungary . . . . .	9
Poland . . . . .	10
Romania . . . . .	10
Slovakia . . . . .	11

Results in detail . . . . .	12
Credit management features . . . . .	12
Domestic payment practices . . . . .	16
Foreign payment practices. . . . .	25
Payment practices as evaluated by international business partners. . . . .	34
Protection against payment risks . . . . .	42
Effects of poor payment behaviour . . . . .	50
Conclusions . . . . .	57

# Survey profile

## Survey background

For internationally active companies, it is vital to have good knowledge of the payment practices of potential customers in countries they currently do or plan to do business with, as miscalculation may result in serious cash flow problems.

This applies to big as well as small companies:

- Big companies are particularly hit by poor payment behaviour due to the volume of their international transactions.
- Smaller companies often learn the hard way early in their international endeavours that they have incorrectly estimated the payment practices of their international business partners.

Since 2006 Atradius has conducted regular reviews of corporate payment practices in Europe through a survey called the "Atradius Payment Practices Barometer".

A special edition of the "Atradius Payment Practices Barometer" has now been conducted in six Central and Eastern European (CEE) countries. The results are presented in this report.

## Survey objectives

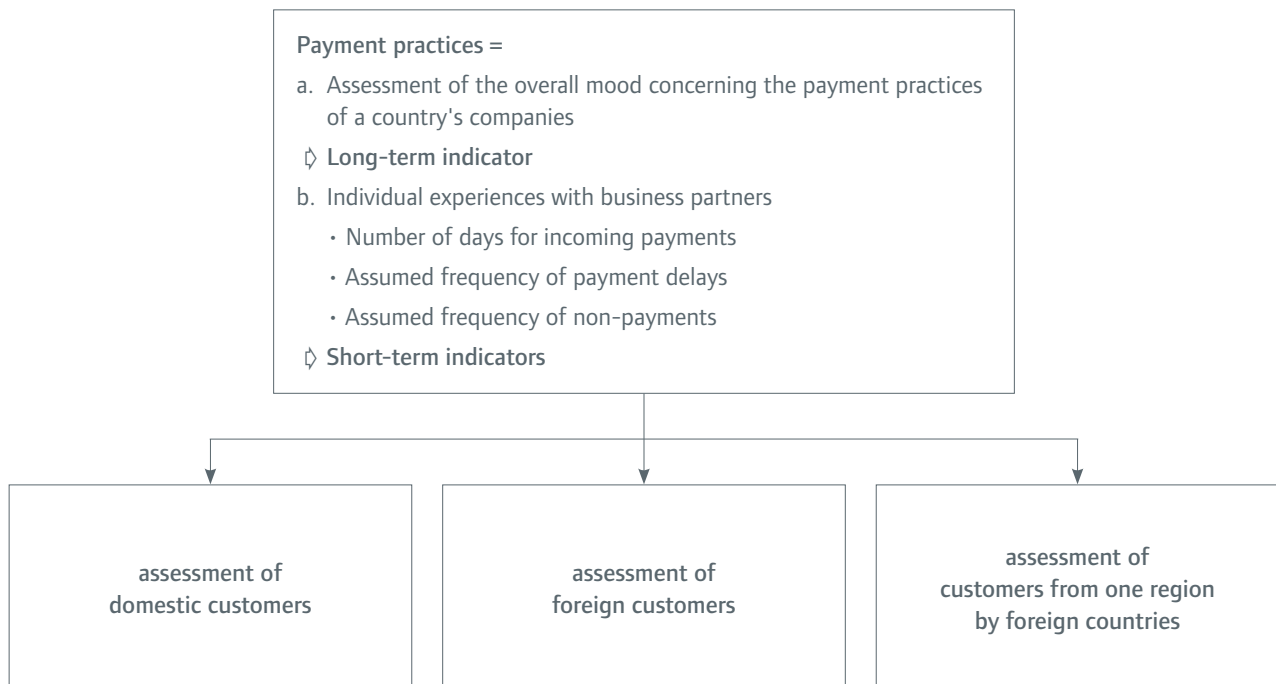
The "Atradius Payment Practices Barometer" follows the following objectives:

1. Determination of an objectively comparable index for payment practices: How many days does a business partner generally take to pay?
2. Determination of a psychological index for payment practices: What are expectations like across CEE countries and do they match the reality?
3. How frequently do critical events occur (e.g. payment delays, non-payment) with business partners across different countries?
4. Comparison of payment practices over specific periods: Overall, how are payment practices developing across different countries?
5. Credit Management in practice: How do companies protect themselves from payment risks?
6. Effects of poor payment behaviour: How do practitioners evaluate the risk?

## Structure of the survey

1. Determining the appropriate company contact for accounts receivable management.
2. Ascertaining the interviewed company's industry and size.
3. Ascertaining the industries and countries the company does business with.
4. Assessing general data on payment practices:
  - Established payment terms (days)
  - Differentiation of payment terms by business partner
5. Evaluation of domestic payment practices
  - Global assessment of domestic payment practices
  - Time span (days) within which invoices are being paid
  - Frequency of payment delays and non-payment
6. Evaluation of foreign business payment practices (for every country with business connections)
  - Global assessment of foreign payment practices
  - Time span (days) within which invoices are being paid
  - Frequency of payment delays and non-payment
7. Does the company take steps to protect itself from payment risks? If so, what are those steps?
8. Effects of poor payment behaviour: How would it affect the company if key customers practised poor payment behaviours?
9. Closing socio-demographic questions.

## Perspectives evaluating payment practices



## Survey scope

### Basic Population

Companies from following countries:

Czech Republic  
Slovakia  
Hungary  
Poland  
Romania  
Austria

### Selection process

Companies were selected at random from databases and contacted via telephone.  
At the beginning of the interview a screening for the appropriate contact and for quota control was conducted.

### Sample

n=1200 persons were interviewed in total  
(approx. n=200 persons per country)

In each country, a quota was maintained according to three rough industry categories and two classes of company size.

- Industry sector: 1/3 manufacturing, 1/3 trades/sales/distribution, 1/3 services
- Company size: 40% smaller and 60% larger companies (according to their turnover),
  - 1-3 million Euros of turnover for smaller companies
  - above 3 million Euro for larger companies (Czech Republic, Hungary, Poland, Romania, Slovakia)
- 1-10 million Euros of turnover for smaller companies, over 10 million Euros for larger companies (Austria)

### Interview

CATI - Computer Assisted Telephone Interviews (approx. 12 minutes)  
Interview period: 14/11/2007 - 03/12/2007

## Sample overview: socio-demography

<b>Gender (n = 1,204)</b>	<b>n</b>	<b>%</b>
Male	464	38.5
Female	740	61.5
<b>Age (n = 1,176)</b>	<b>n</b>	<b>%</b>
< 25 years	39	3.2
26-35 years	302	25.1
36-45 years	361	30.0
46-55 years	365	30.3
> 55 years	109	9.1
<b>Position in company (n = 1,201)</b>	<b>n</b>	<b>%</b>
Owner/ partner	146	12.1
CEO / CFO / Managing Director	261	21.7
Senior manager / division director	253	21.0
Project manager / project employee	507	42.1
Other	34	2.8
Don't know / no information given	3	0.2
<b>Economic sector (n = 1,204)</b>	<b>n</b>	<b>%</b>
Manufacturing	404	33.6
Trade / sales / distribution	394	32.7
Services	406	33.7
<b>Turnover (n = 1,204)</b>	<b>n</b>	<b>%</b>
1-3 million Euro	468	38.9
3-10 million Euro	363	30.1
Over 10 million Euro	373	31.0
<b>Industry (n = 1,199)</b>	<b>n</b>	<b>%</b>
Plant construction / building	137	11.4
Chemical / pharmaceutical	43	3.6
Steel- / metal-working	85	7.1
Food / drinks / agricultural products	136	11.3
Technology / science / electronics	77	6.4
Transport	74	6.1
Energy	25	2.1
Textiles / footwear / clothing / fabrics	51	4.2
Finance	14	1.2
Services sector	153	12.7
Plastics processing or fabrication	26	2.2
Trade (in general)	125	10.4
Printing	18	1.5
Cars / automotive	64	5.3
Paper industry / packaging	21	1.7
Health Care	19	1.6
Furniture industry / facilities	28	2.3
Telecommunications	10	0.8
Media / advertising / PR	23	1.9
Raw materials / oil and gas	14	1.2
Wood-working	7	0.6
Other	49	4.1

# Core results in brief

## Core results Austria

- Payment terms in Austria are average within CEE countries. 15 to 30 days is the most frequent payment term provided by Austrian companies. Austria is among countries where the country of origin and economic sector of a business partner often plays a key part in setting payment terms.
- The proportion debts outstanding as a part of total assets in the case of Austrian companies is quite low (14 %).
- Austrian companies assess their local business partners reasonably positively. This may stem from the fact that the time lapse between date of maturity and actual payment date is amongst the shortest. With regard to the frequency of unpaid debts by local clients, Austrian companies are average amongst the countries surveyed. Austrian companies are most sceptical about the future improvements in the payment behaviour of local companies.
- Of all of the countries in the region, Austrian companies are the most critical in their assessment of foreign business partners. This seems to be due to the fact that Austrian companies have the biggest issues getting paid by their foreign clients. They are also the most likely to experience complete non-payment of outstanding debts by partners from abroad. For these reasons Austrian companies are most sceptical about future developments.
- Conversely, Austrians are the most highly rated by their foreign counterparts in this region. This is evident from the evaluation of Austrian countries by domestic and foreign business partners. The higher standards of Austrian companies are apparent here.
- With the exception of Hungary, companies in Austria are the ones most likely to protect themselves against poor payment behaviour. Although despite this, over 20 % of them are not protected. Austrian companies are most likely to use credit insurance as a means of protection.
- The non-payment of debt by a key customer was least likely to affect an Austrian business. This is likely to be due to the high levels of protection that they invest in.

## Core results Czech Republic

- The Czech Republic experiences average payment terms amongst CEE countries. Czech companies usually offer a 2-week payment term. Country of origin and economic sector of their business partners have only moderate impact when setting payment terms.
- The proportion of debts outstanding as a share of total assets was lowest (10 %) of all monitored countries in the case of Czech companies.
- Czech companies evaluate their domestic business partners fairly negatively. Nonetheless within the surveyed countries they oscillated around the average mark. Differences between the date of debt maturity and actual payment date are also roughly average amongst the countries surveyed. With regard to the frequency of unpaid debts, or payment delays by domestic customers, Czech companies were rated the worst by their domestic partners. Czech companies like some others, were rather sceptical about the future development of payment behaviour of domestic companies.
- Czech companies tend to experience similar problems as most of their foreign counterparts when it comes to getting paid on time. Like their foreign counterparts, Czech companies also experience some occurrences of complete non-payment of outstanding debts by partners from abroad. Although these occurrences were comparable to other countries, Czech companies are more sceptical that improvements are on the horizon.
- Conversely, with the exception of Austrian businesses, Czech companies are those most positively regarded when compared with their counterparts across the CEE region. When Czech businesses are evaluated by domestic and foreign business partners, foreign companies evaluate Czech companies more positively.
- Czech companies tend to have average levels of protection against bad debts. It means that 30 % of them are not protected. Advance payment is the most favoured means of protection amongst Czech companies.
- Where Czech companies stood out was the impact of non-payment by a key customer – Czech companies were the most likely to cite this as something that would bring them serious reputational damage.

## Core results Hungary

- Hungary has one of the longest payment terms amongst CEE countries. 15 to 30 days was the most frequent payment term cited by Hungarian companies. Country of origin and economic sector of a business partner play a very small role in determining payment terms when compared to other countries.
- The proportion of outstanding debts as a share of total assets is amongst the lowest of the CEE countries at 13 %.
- Hungarian companies evaluate their domestic business partners negatively. They were the most self-critical of all the countries surveyed. This may result from the fact that the time lag between the date of maturity of a debt and actual payment amongst domestic businesses were among the longest. In terms of frequency of unpaid or of outstanding debts by domestic customers, Hungarian companies were also rated amongst the worst amongst CEE countries. Hungarian firms are also amongst those who feel sceptical about future developments in the payment behaviour of domestic companies.
- Hungarian companies have problems with payment delays by their foreign customers not dissimilar to those of companies in other CEE countries. Although the time lag between the due date and actual date of payment is slightly longer than average amongst the countries monitored. Hungarian businesses experience total non-payment of debts by foreign partners slightly less frequently than companies from the majority of other countries. Hungarian firms are still considerably sceptical about future improvements in this.
- Although Hungarian companies received an average rating by foreign counterparts, domestic sellers rated them less positively.
- Hungarian firms are amongst the best in terms of bad debt protection, but over 20 % of them are still not protected. Hungarian firms are most likely to use cash on delivery as protection.
- Non-payment of debt by a key customer would usually cause no serious problems, according to Hungarian companies.

## Core results Poland

- Poland has the shortest payment terms amongst CEE countries. Polish companies usually offer payment terms up to 2 weeks. Polish businesses use country of origin and the economic sector of their business partner to determine payment terms to a moderate degree.
- The proportion of debts outstanding as a part of total assets in Polish firms is ranked second highest at 36 %.
- Polish companies evaluate their domestic business partners fairly negatively. When compared with their peers in the region they also evaluate themselves rather poorly. This may reflect the fact that the time lags between due payment day and receipt of payment are amongst the greatest. In terms of frequency of delayed payments, Polish firms evaluate their domestic partners more positively than their foreign counterparts do. They are also amongst the most optimistic about the future development of payment behaviour of domestic companies.
- Polish firms evaluate foreign business partners fairly positively. They also have minimal difficulties with payment delays from foreign customers. On a further positive note, complete non-payment of debts by foreign partners is a rarer occurrence for Polish firms than for businesses from most other countries. Taking these positives into account, they are quite optimistic about the future developments in payment practices.
- With the exception of Romanian businesses, Polish firms are rated worst of the CEE region countries by their foreign partners. When the domestic and foreign evaluation of Polish firms is compared, foreign firms evaluate them less positively than is the case with other countries.
- Polish firms are weakest in terms of protecting themselves against bad debts. Almost half of them are not protected in any way. If they do protect themselves, then they use advance payment most frequently as a means of protection.
- This is particularly surprising since many Polish firms asked stated that non-payment by a key customer would cause them serious damage.

## Core results Romania

- Romania has the longest payment terms within CEE countries. Typical payment terms run from 15-30 days. In Romania it is common to take country of origin and economic sector into account when determining credit terms for a business partner.
- The proportion of outstanding debts as a share of total assets is by far the highest amongst Romanian firms, sitting at 76 %. This could reflect the actual state of payment practices in Romania more accurately than some other countries studied.
- Romanian firms evaluate their domestic business partners quite positively. This stems from the fact that the time lag between the due payment date and actual payment date is one of the shortest amongst the countries studied. Complete non-payment of outstanding debts by domestic customers is evaluated better when compared with other countries. Romanian firms are also the most optimistic about the future development in payment behaviours of domestic companies.
- Romanian firms evaluate foreign business partners more positively than those of other countries do. This is due, amongst other things, to few problems with payment delays from foreign customers. Complete non-payment of outstanding debt by foreign partners is experienced by Romanian firms at about the same frequency as by companies from most other countries.
- Romanian firms are the most poorly rated by their foreign partners. When the domestic and foreign evaluations of Romanian businesses were compared, Romanian companies were the only ones to be rated more negatively by foreign companies than domestic ones. Although the domestic view is overwhelmingly positive, payment practices in Romania are not yet meeting international expectations.
- Romanian firms protect themselves against bad debt moderately amongst the countries in the region. Almost one in four of them, however, are unprotected. Guarantees are most frequently used as a means of protection.
- This is surprising since Romanian firms claimed that non-payment by key customers would cause them serious damage.

## Core results Slovakia

- Slovakia has one of the shortest payment terms amongst countries surveyed with payment terms usually up to 2 weeks. In Slovakia they are most likely to take country of origin and economic sector into account when determining the payment terms of a business partner.
- The proportion of outstanding debt as a share of total assets is rather low, sitting at 13%.
- Slovak firms are the most positive in their evaluation of their domestic business partners. The time lag from due date for debt payment and actual payment is average amongst countries surveyed. Payment delays by domestic customers were also averagely rated by Slovak firms. Slovak companies fell into the more optimistic half of those surveyed with regard to the future development of payment behaviour of domestic companies.
- Complete non-payment of outstanding debt by foreign partners occurred with similar frequency as to most of the other countries surveyed.
- Slovak firms were averagely rated by their peers from other countries. In the case of Slovakia the evaluations by domestic and foreign partners showed them to be the only nation where the two results proved similar.
- Slovak firms are the least protected against bad debt. More than one in three of them are unprotected. Where protection is in place it tends to be advance payment which is used most frequently.
- In view of the fact that Slovak firms state that non-payment by a key customer would cause serious damage to their business, this is a surprisingly low instance of debt protection.

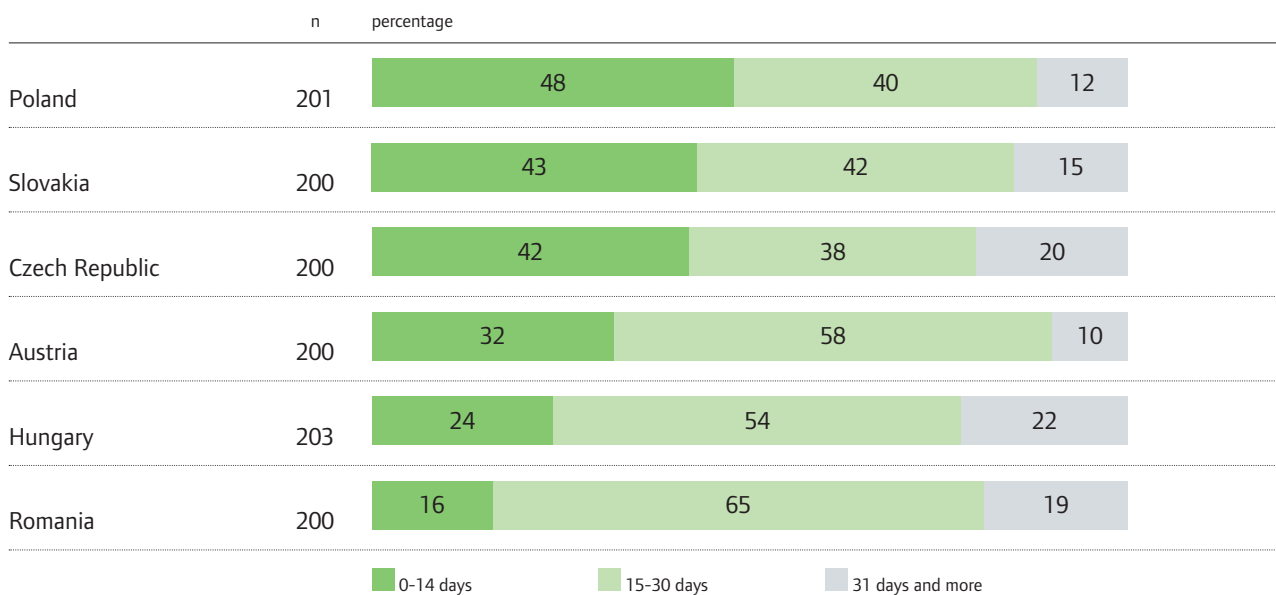
# Results in detail

## Credit management features

### Established term of payment

Shortest payment terms are in Polish companies, longest in Romanian ones

What term of payment (in days) does your company set for its customers?



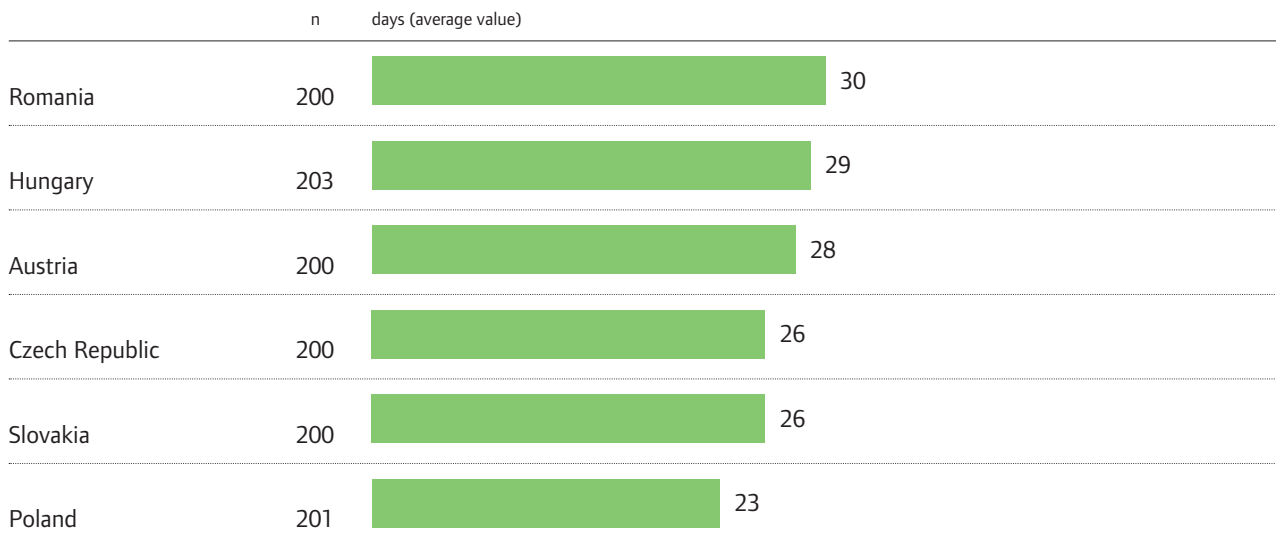
Basis: interviewed companies from respective countries

Polish, Slovak and Czech companies offer 2-week payment terms most typically. On the contrary, Romanian, Hungarian and Austrian firms provide 30 day payment terms most frequently.

## Established terms of payment – mean values

Average shortest payment terms are in Poland, longest in Romania

What term of payment (in days) does your company set for its customers?



Basis: interviewed companies from respective countries

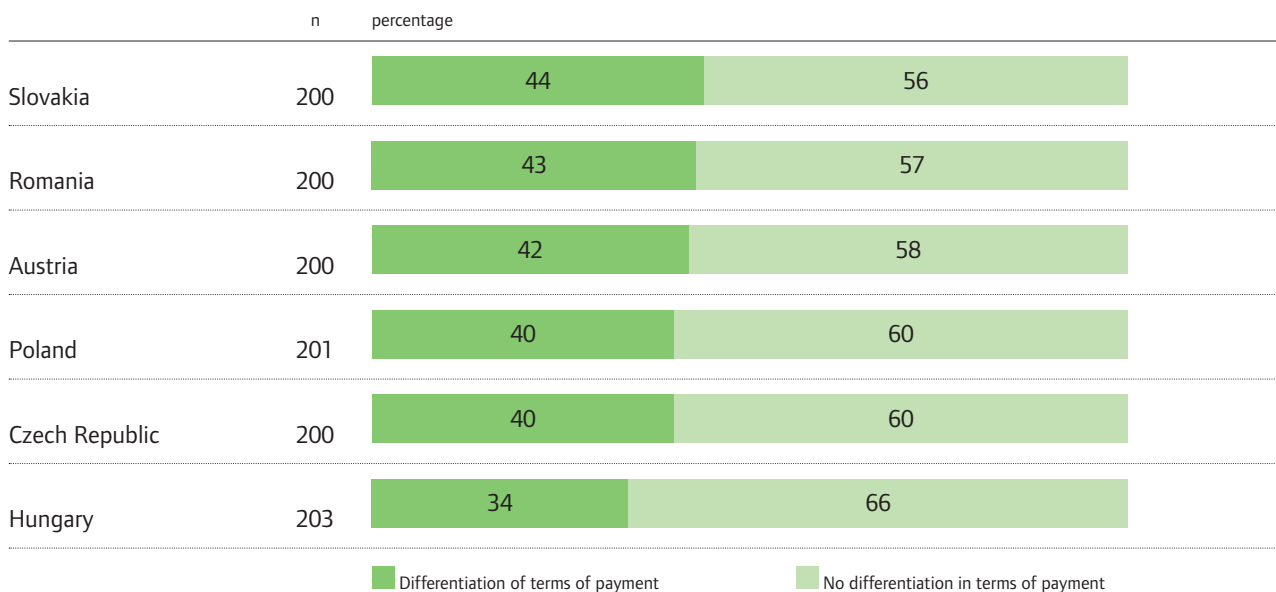
Polish firms offer the shortest average payment terms - 23 days. Conversely the longest are seen in Romania - 30 days. The difference between the longest and the shortest payment

terms within the surveyed countries is 7 days. The average payment terms of Hungarian, Austrian, Czech and Slovak firms oscillate between 29 and 26 days.

## Differentiation of terms of payment per country or sector of business partner

Least frequent in Hungary; other countries on a par with one another

Do terms of payment differ depending on which country and/or industry your buyer belongs to?



Basis: interviewed companies from respective countries

All countries, with the possible exception of Hungary, vary credit terms depending on the sector and nationality of their customer to about

the same degree, between 40 % and 44 %. Hungarian businesses provide varied payment terms in only about one third of cases (34 %).

## Debts outstanding as proportional share of total assets

Romanian businesses have by far the highest share of debts outstanding as share of total assets

As a percentage of your total assets, how big is the share of outstanding receivables?

	n	percentage
Romania	182	76
Poland	100	36
Austria	147	14
Slovakia	200	13
Hungary	203	13
Czech Republic	200	10

Basis: interviewed companies from respective countries

Clearly the worst situation is found in Romania where outstanding debts cover up to three quarters of total assets. Poland also rates rather poorly where, on average, outstanding debts cover over one third of total assets. Firms in the Czech Republic do best

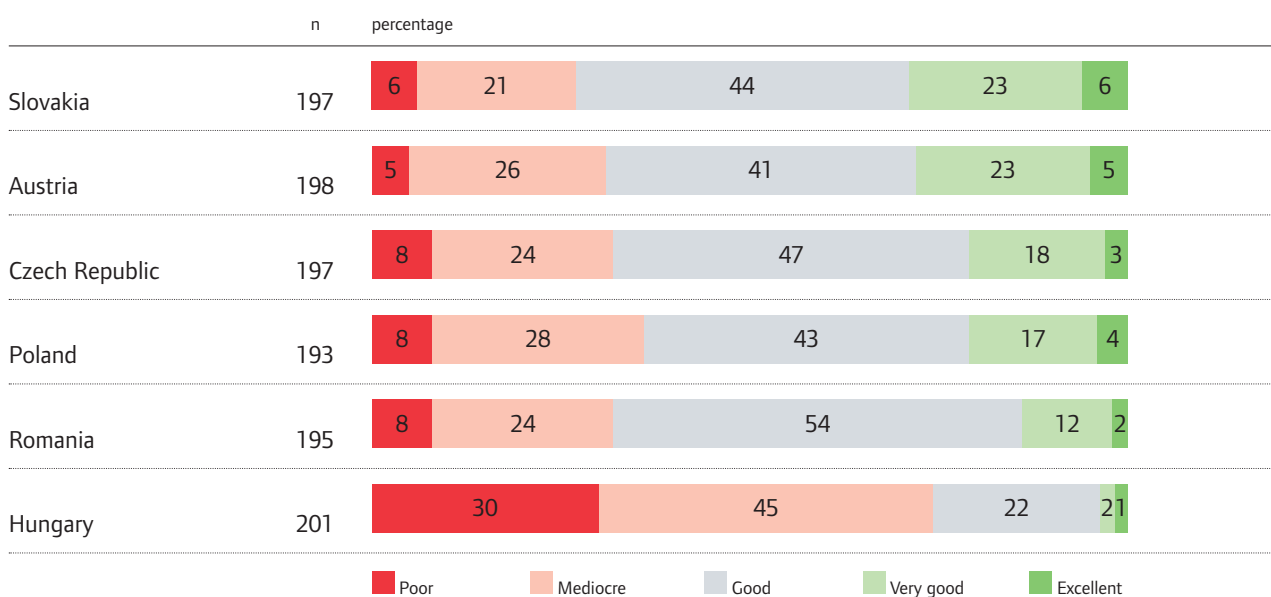
here, with outstanding debts sitting at 10 % of total assets. As we will see later on, (i.e. page 20), the current economic climate in Romania does not seem to explain why this is the case which implies that much of the outstanding debt could be historical.

# Domestic payment practices

## Evaluation of domestic payment practices

Worst assessment in Hungary, best in Slovakia

If you think back over the past six months, how do you evaluate the payment practices of your domestic business partners?



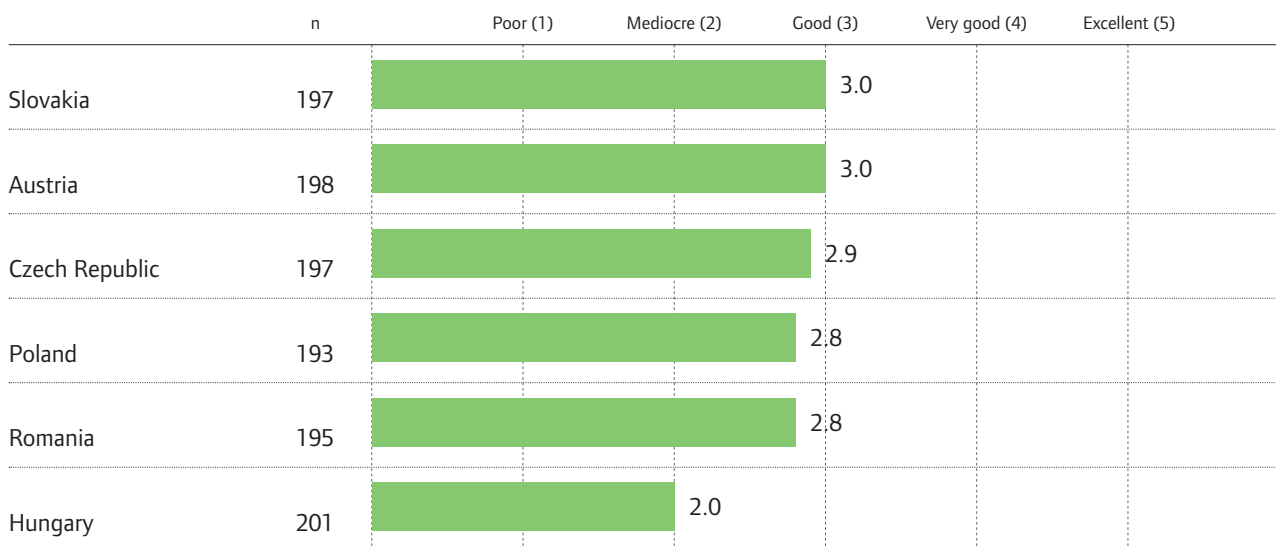
Basis: interviewed companies from respective countries

Companies in Slovakia and Austria evaluate their domestic business partners most positively, while in Hungary almost one in three firms rate the payment behaviour of their domestic customers as bad.

## Evaluation of domestic payment practices – mean values

Worst in Hungary, other countries on a par with one another

If you think back over the past six months, how do you evaluate the payment practices of your domestic business partners?



Basis: interviewed companies from respective countries

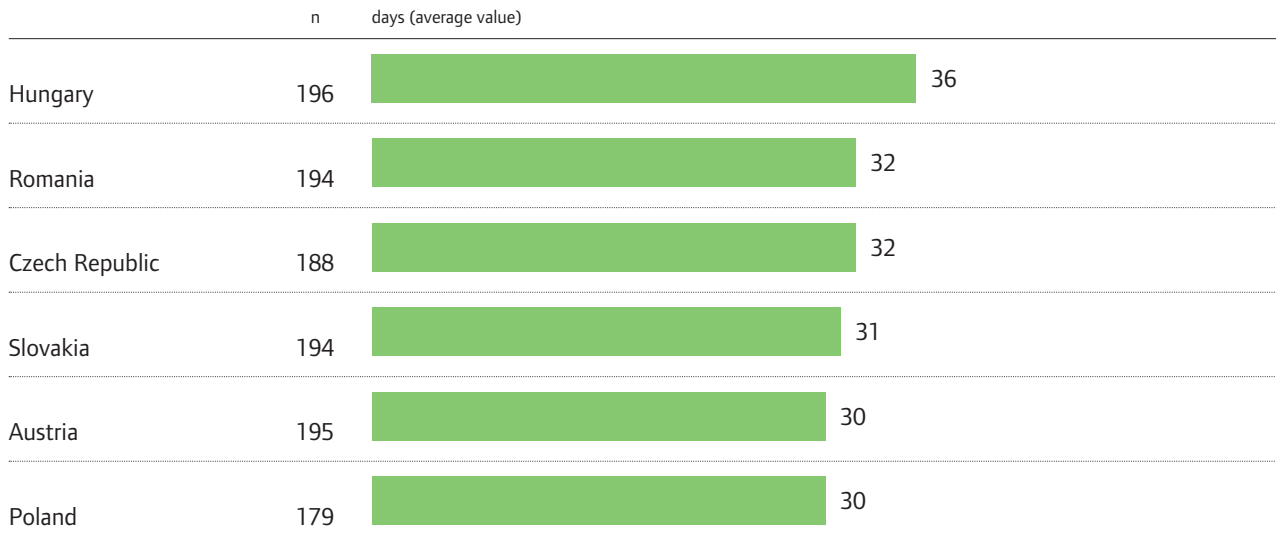
Companies from the majority of the countries included in the survey, evaluate their business partners with an average assessment “good”, which is the middle grade on the scale.

Hungarian firms prove the exception, as they evaluate their domestic customers with the assessment “mediocre” on average, which is more negative (grade 2).

## Payment duration: evaluation of domestic business partners

Longest in Hungary, others on a par with one another

How many days does it take, on average, for your domestic business partners to settle their debts?

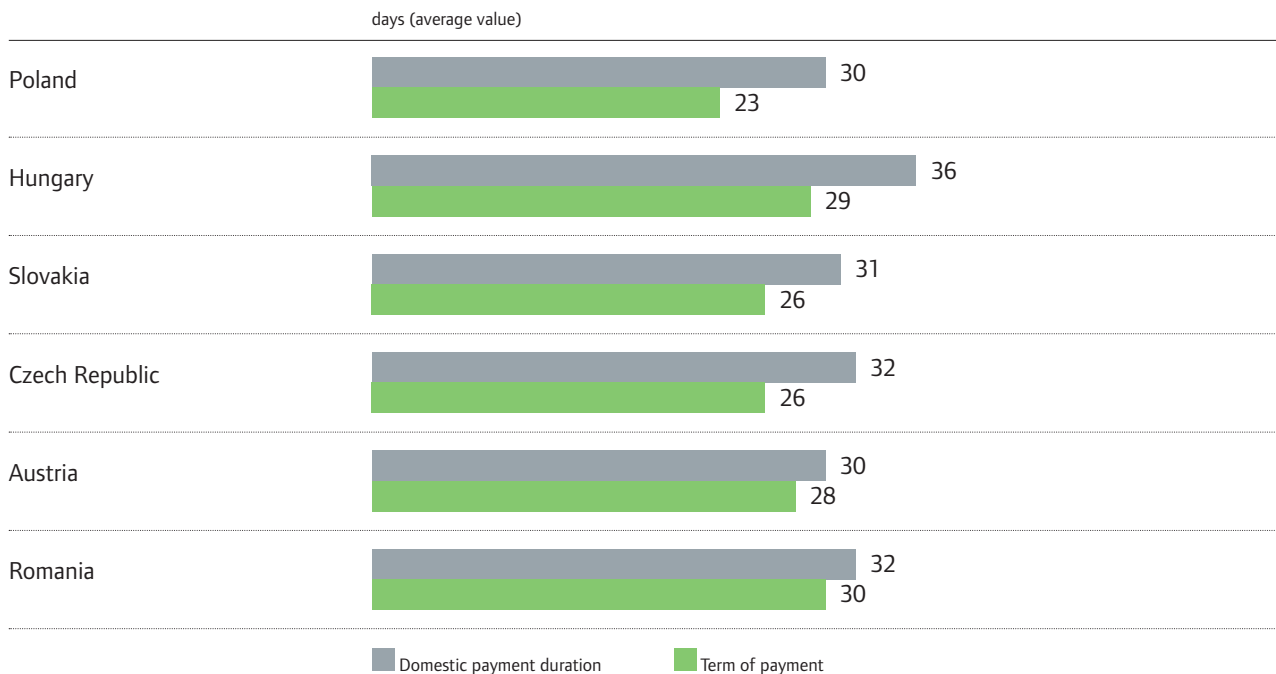


Basis: interviewed companies from respective countries

Longest average payment time for outstanding debts was found in Hungary, 36 days on average. Average time of payment in other countries ranges from 30 to 32 days.

## Payment duration: terms of payment vs. actual domestic payment

Biggest differences are in Poland and Hungary



Basis: interviewed companies from respective countries

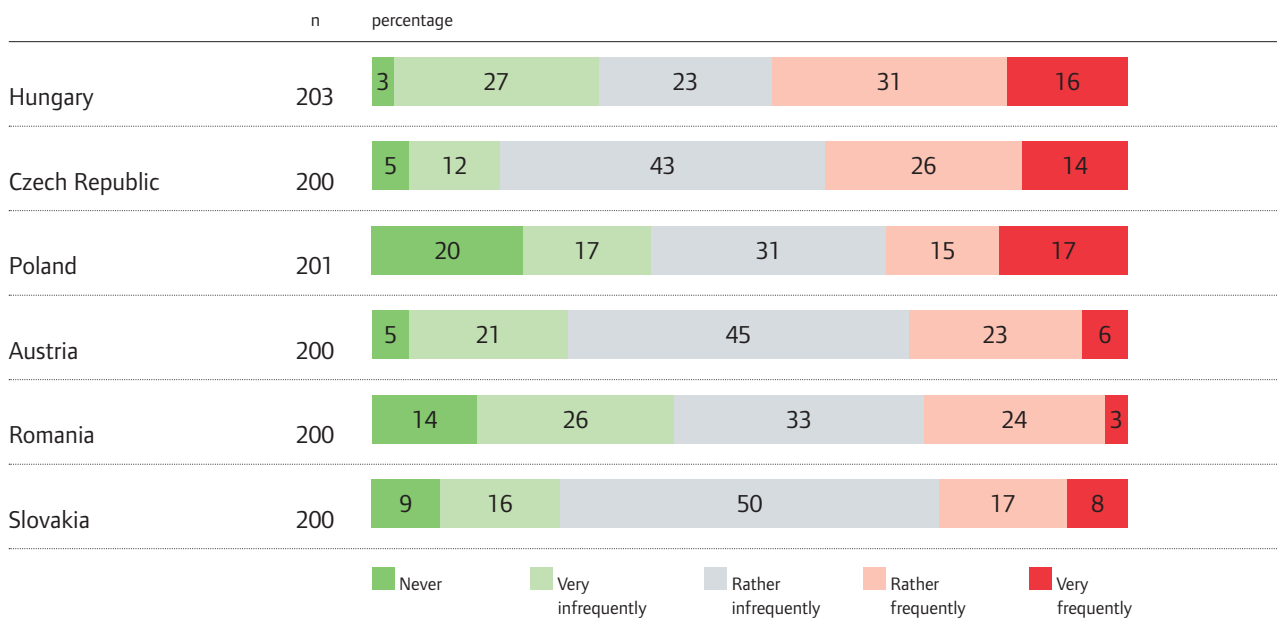
The worst payment behaviour, i.e. the biggest difference between average payment term and average payment date, appear to be in Poland and Hungary.

Based on the previous, subjective assessment, payment behaviour of domestic business partners reveals that while Polish firms seem unperturbed by this, Hungarian firms are rather dissatisfied with it.

## Delays of payment: evaluation of domestic business partners

Worst assessment is in Hungary

How often in the past six months were outstanding debts only paid after some delay?



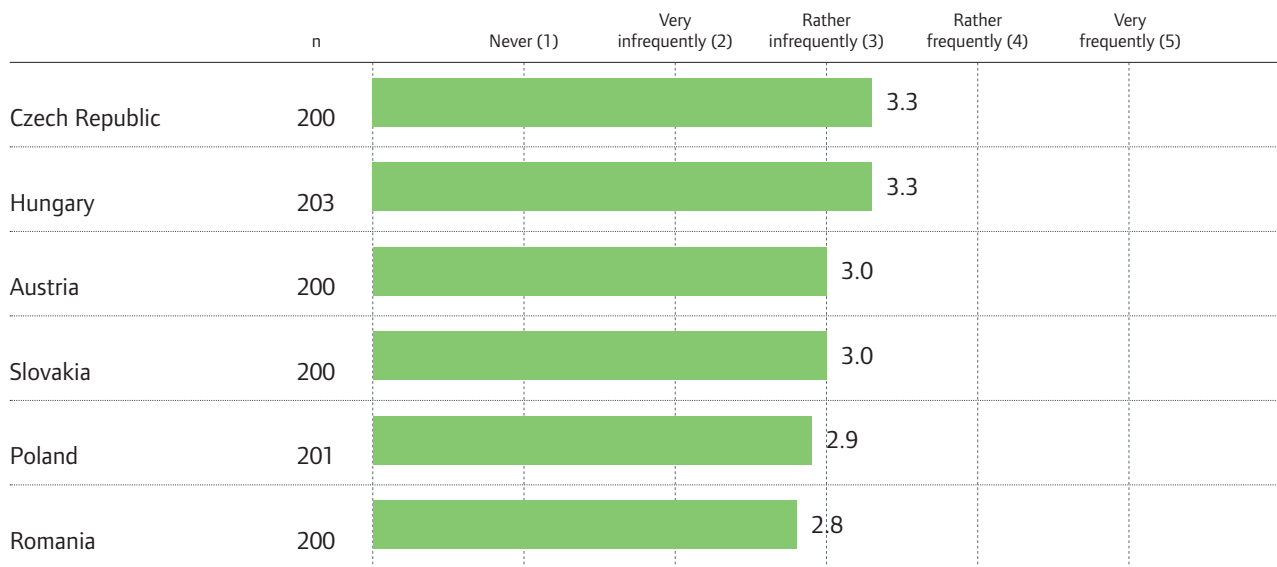
Basis: interviewed companies from respective countries

Payment behaviour of Hungarian firms is evaluated worst, with almost half of them delaying the settling of debts. Slovak companies have lowest share of “rather/very frequent” delays in payment.

## Delays of payment: evaluation of domestic business partners – mean values

Czech Republic and Hungary come out worst

How often in the past six months were outstanding debts only paid after some delay?



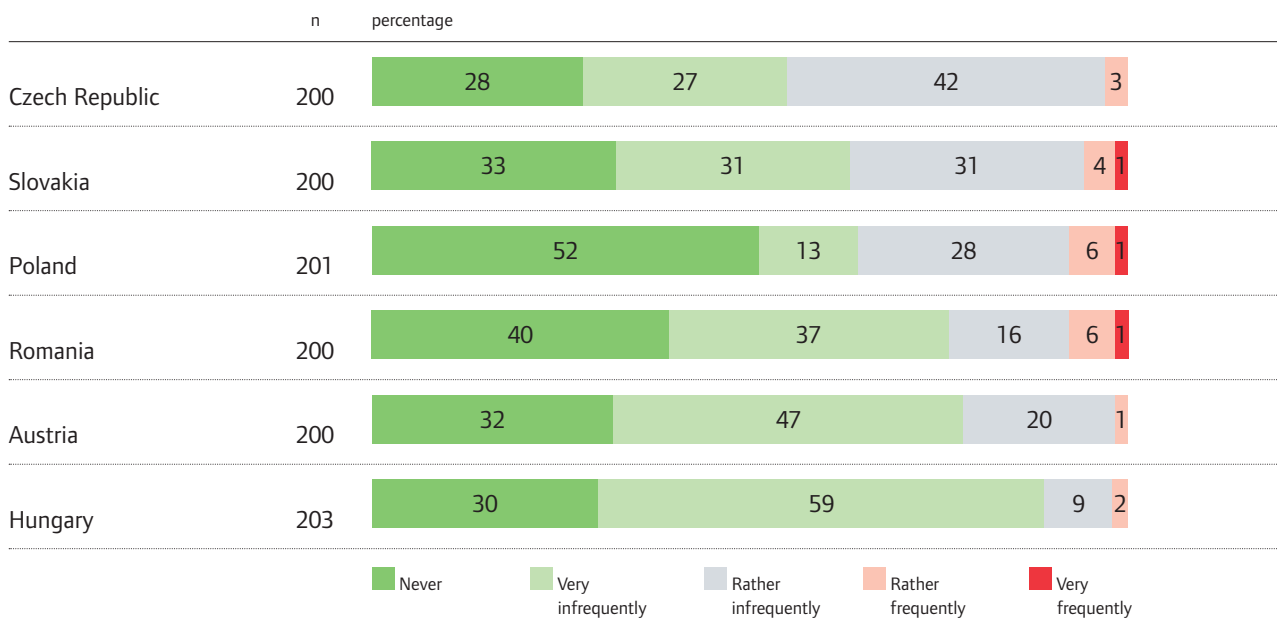
Basis: interviewed companies from respective countries

Delayed payment amongst the companies surveyed was experienced only sporadically rather than regularly. The situation was worst in the Czech Republic and Hungary. Poland and Romania came out best.

## Payment default: Non-payments of domestic receivables

Worst record in the Czech Republic

How often in the past six months were outstanding debts not paid at all?



Basis: interviewed companies from respective countries

All surveyed countries experienced non-payments from customers in the last 6 months. Firms in the Czech Republic were the most frequently affected.

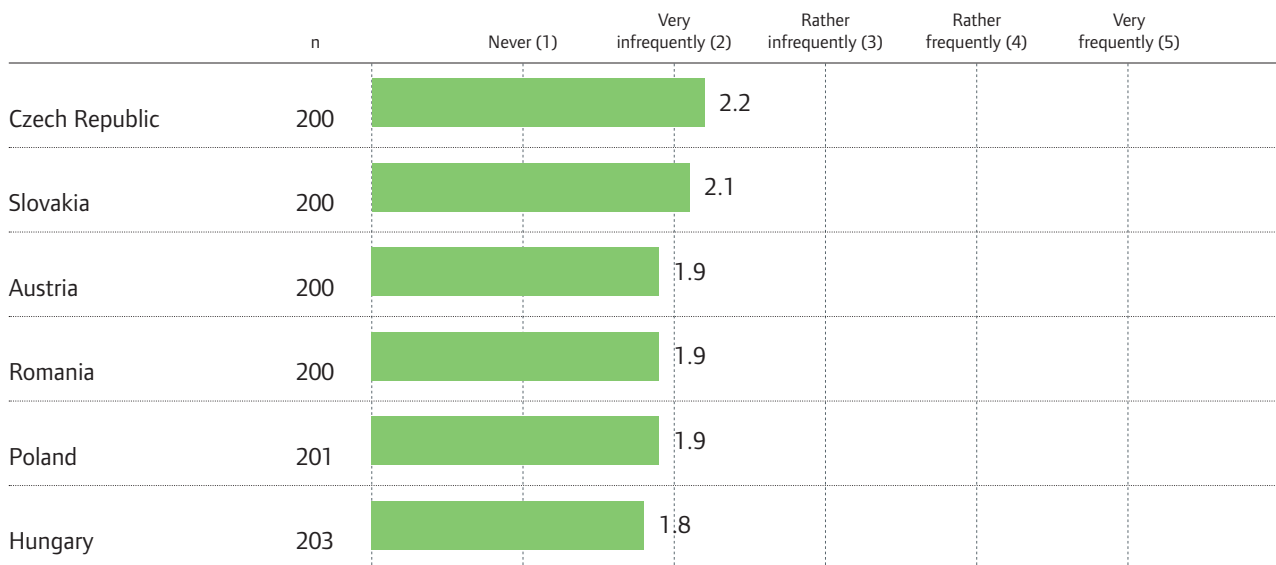
pattern. The only countries to describe it as a more regular occurrence were Romania, Slovakia and Poland where 5-7% of cases remained unpaid.

Everywhere surveyed, however, described this as being one-off situations rather than a regular

## Payment default: Non-payments of domestic receivables

Worst situation is in the Czech Republic

How often in the past six months were outstanding debts not paid at all?



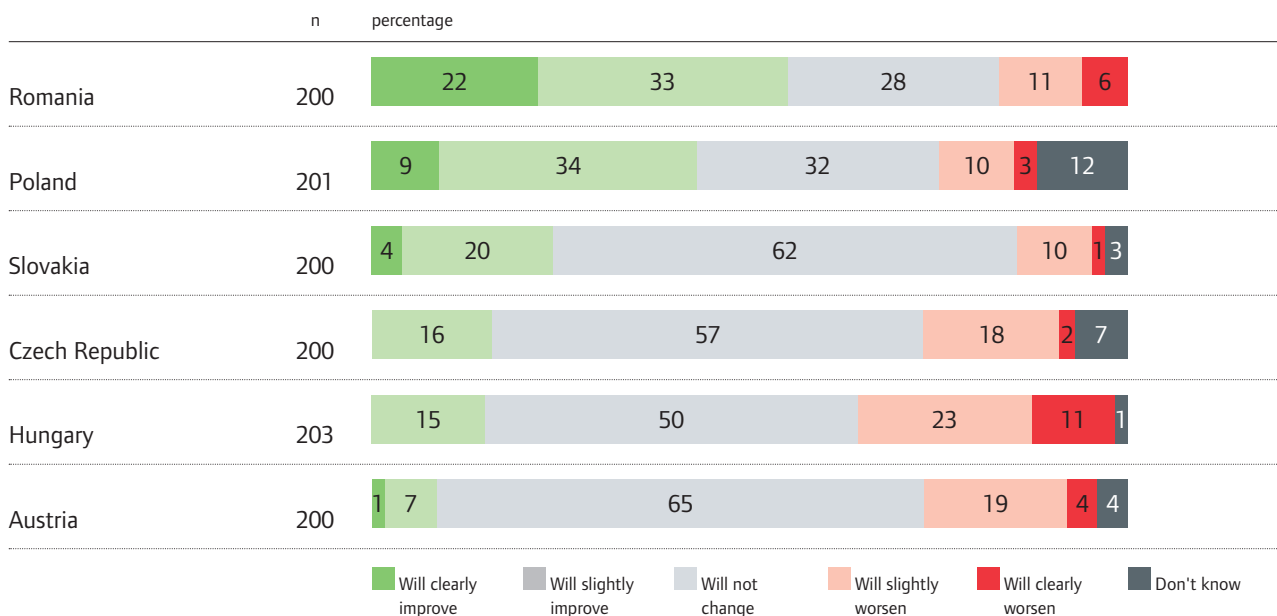
Basis: interviewed companies from respective countries

The Czech Republic comes out worst, Hungary best. Average assessment takes into account not only whether non-payment of outstanding debts occurs or not, but also how frequently this happens and what is the share of firms involved.

## Future expectations about domestic payment practices

### Romanians most optimistic

If you think into the future, do you think that the payment practices in your country will improve or worsen in the coming six months?



Basis: interviewed companies from respective countries

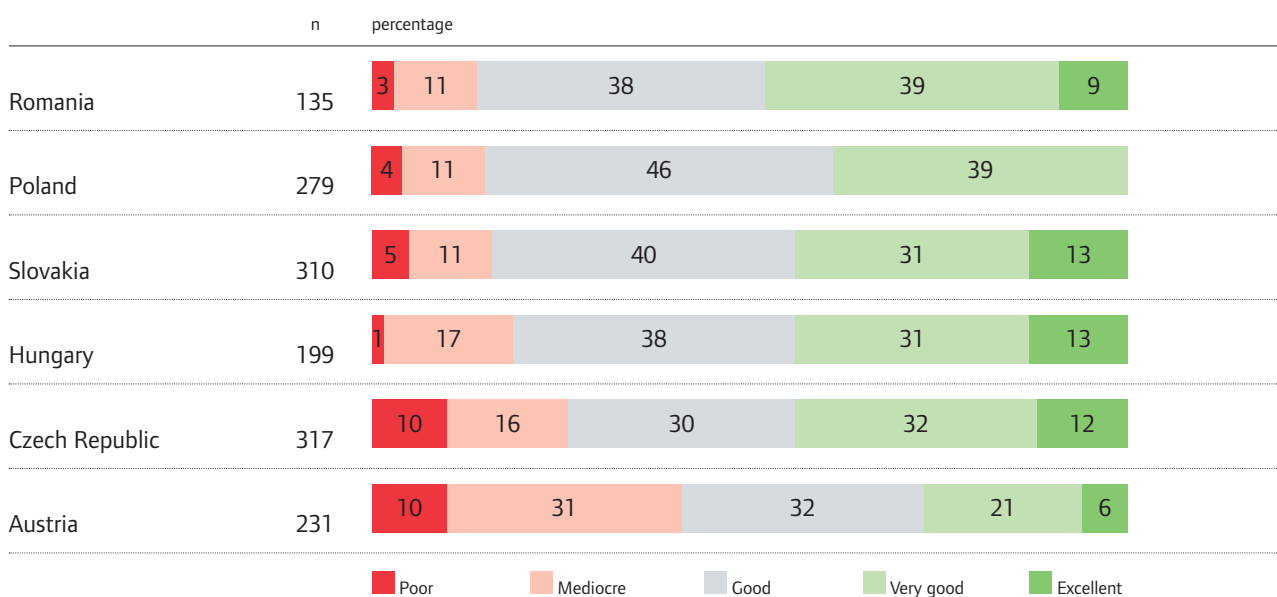
Despite payment practices being worst in Romania, companies located there were the most optimistic about future payment practice culture – possibly because they have the most scope for improvement. Companies from the Czech Republic, Hungary and Austria are anticipating a decline in payment behaviours over the next six months.

# Foreign payment practices

## Evaluation of foreign payment practices

Austrian companies least satisfied; Romanians most satisfied

If you think back over the past six months, how do you evaluate the payment practices of your foreign business partners?



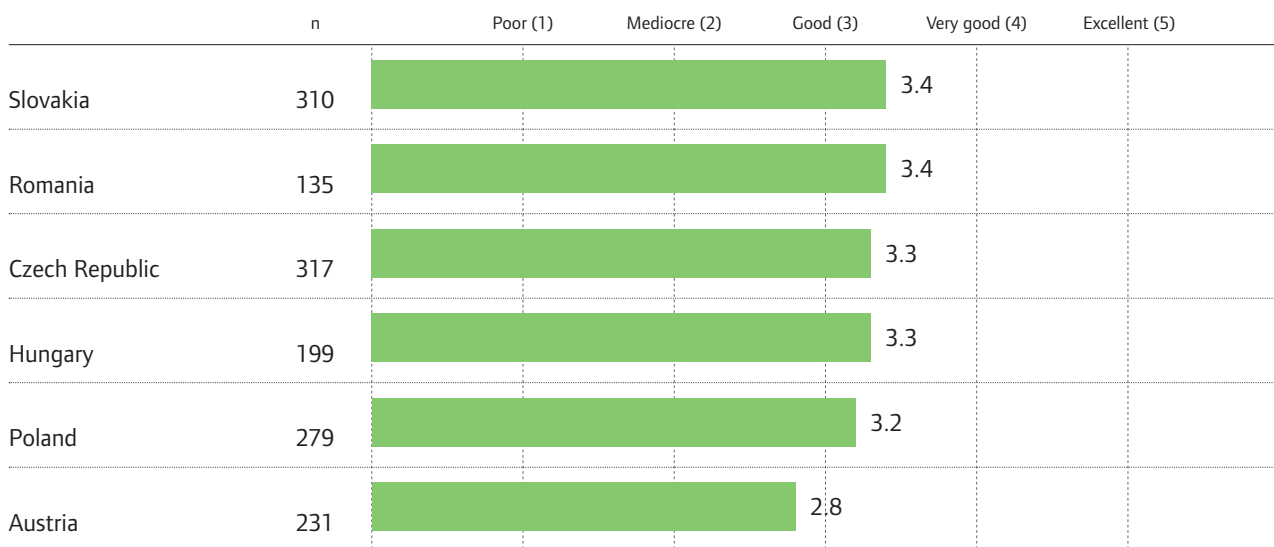
Basis: evaluation of foreign business partners by companies from the respective countries

Companies in Austria are least satisfied with the payment practices of their foreign partners – two in five of them rate payment behaviour of their foreign partners poorly. Companies in Romania and Slovakia are, on average, happiest with the payment behaviours of their foreign partners.

## Evaluation of foreign payment practices

Companies from Austria rate their partners low on the scale

If you think back over the past six months, how do you evaluate the payment practices of your foreign business partners?



Basis: evaluation of foreign business partners by companies from the respective countries

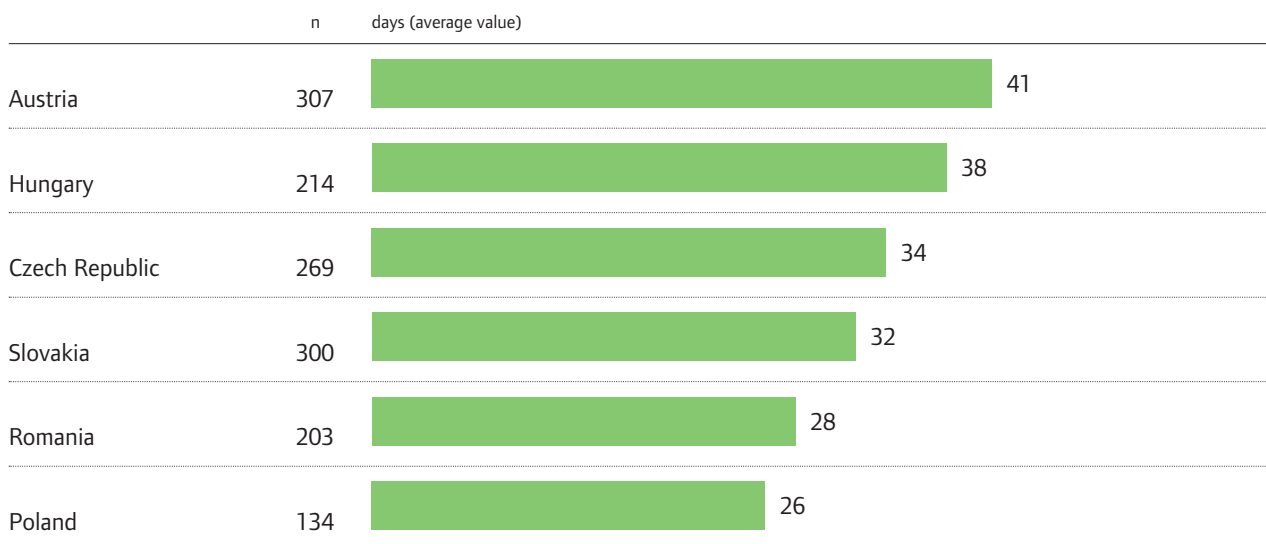
Companies' assessment of their foreign business partners is very similar in Slovakia, Romania, the Czech Republic and Hungary. Payment behaviour of firms' foreign partners in these countries is evaluated better

than "good" (mark 3). The situation in Austria is different – average assessment of their foreign business partners is less positive.

## Payment duration: evaluation of foreign business partners

Poland scores best, Austria worst.

How many days does it take, on average, for your foreign business partners to settle their debts?



Basis: evaluation of foreign business partners by companies from the respective countries

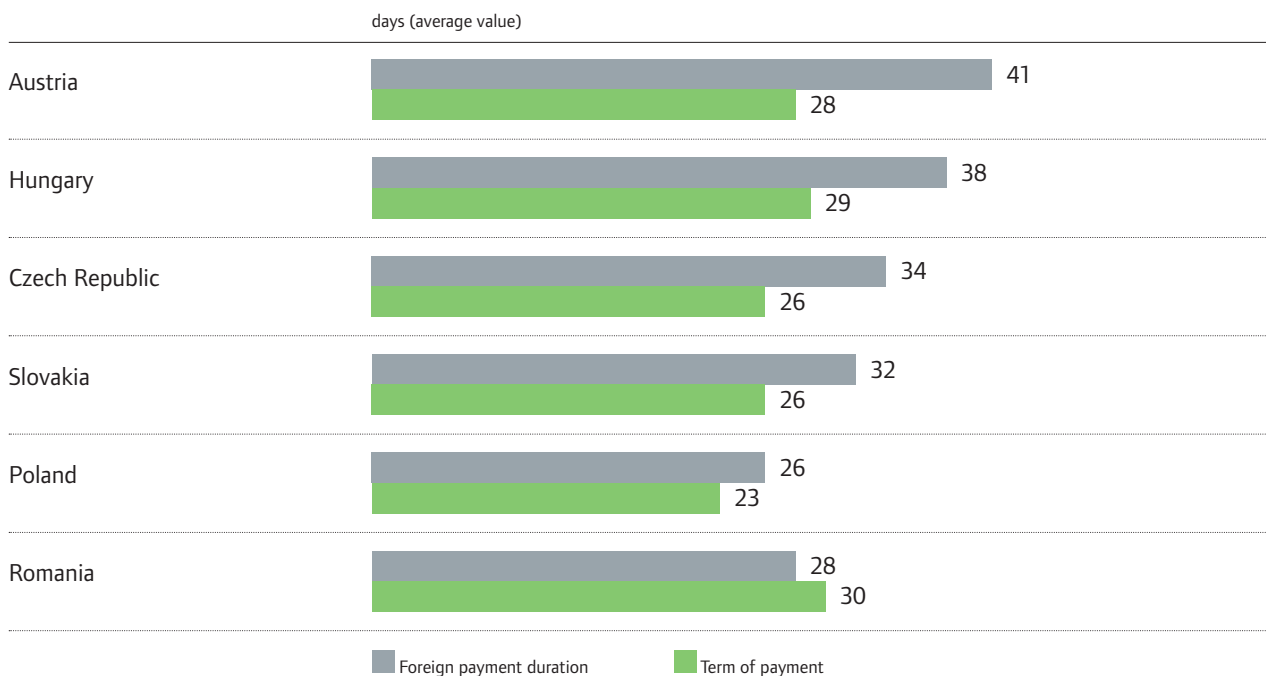
The shortest waiting times for payment of outstanding debts from their foreign partners are experienced in Poland and Romania – under a month on average. Czech and Slovak companies get their debts almost within a month.

Companies in Hungary and Austria experienced payment of debt after more than 5 weeks.

The high value for Austrian companies could be attributed to the strong presence of Italian customers who have a culture of very long payment terms and payment schedules.

## Payment duration: terms of payment vs. foreign payment duration

Biggest differential between agreed terms and actual payment date experienced in Austria



Basis: evaluation of foreign business partners by companies from the respective countries

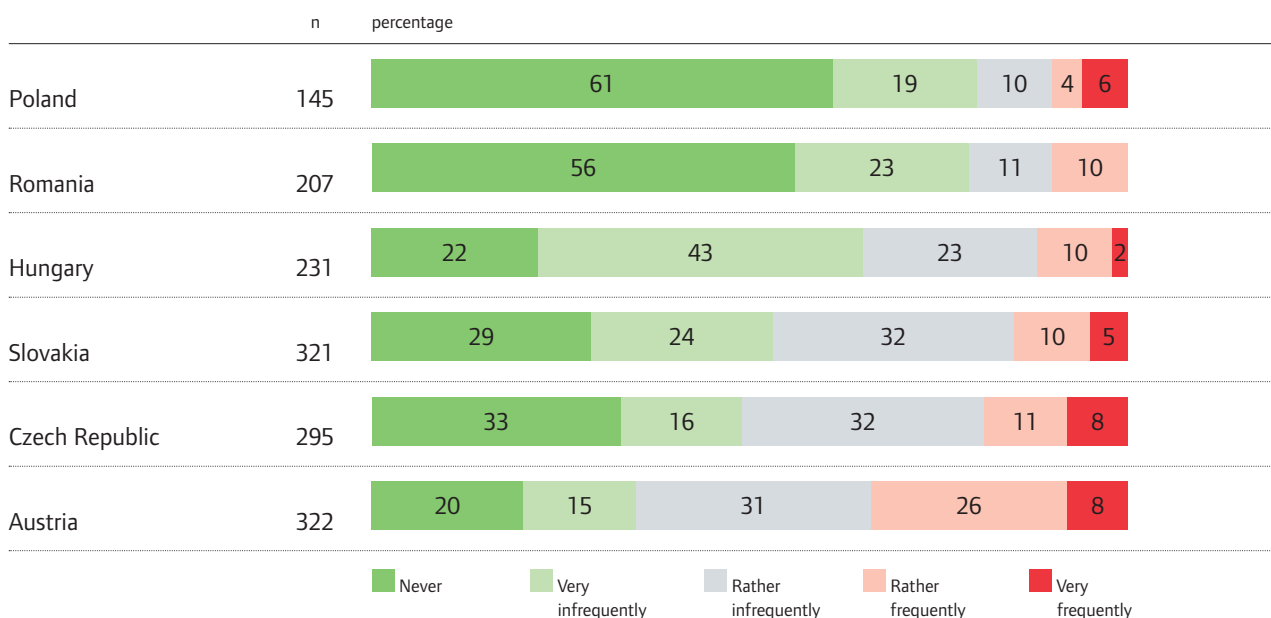
The only country where payment by foreign business partners is received inside payment terms is Romania. Everywhere else it takes longer. The worst situation is in Austria (13 days difference). Firms from Hungary (9 days) and the Czech Republic (7 days) do not fare much better.

Differences between the agreed terms and actual payment dates correspond largely with the satisfaction with payment practices in particular countries, i.e. the higher the frequency the lower the satisfaction.

## Delays of payment: evaluation of foreign business partners

Delayed payment a problem for Austrian firms awaiting payment from foreign partners

How often in the past six months were outstanding debts only paid after some delay?



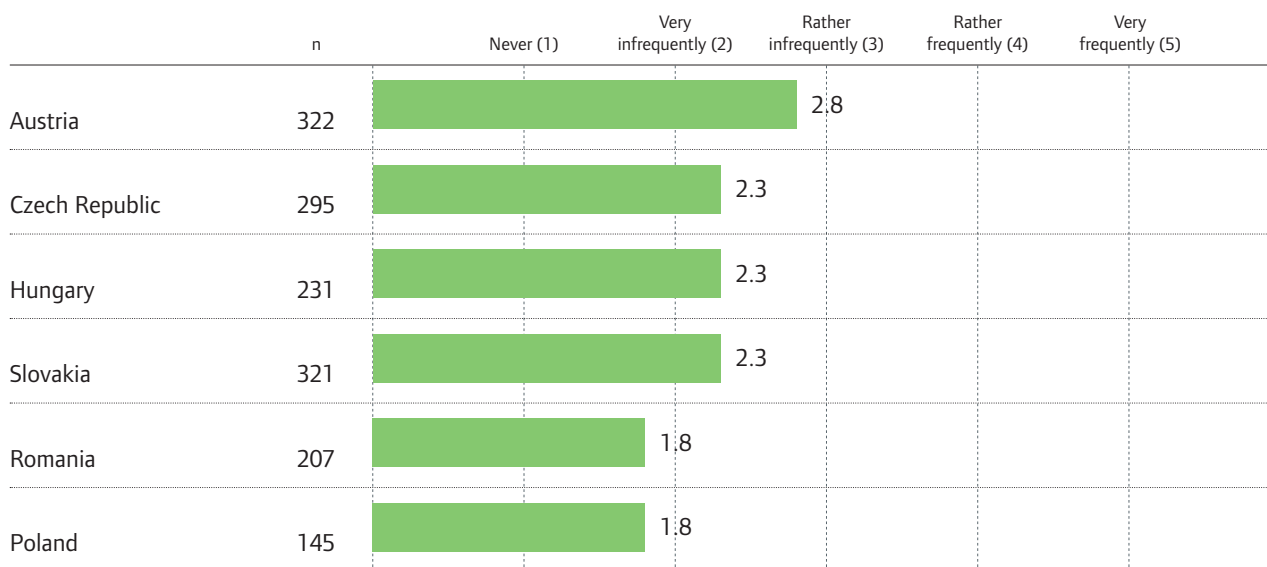
Basis: evaluation of foreign business partners by companies from the respective countries

One in three companies in Austria faces problems with delayed payment from their foreign business partners. This drops to 19% for Czech firms and 15% for those in Slovakia. More than half of companies in Romania and Poland did not have this problem.

## Delays of payment: evaluation of foreign business partners

Austrian firms have the worst experience with foreign customers

How often in the past six months were outstanding debts only paid after some delay?



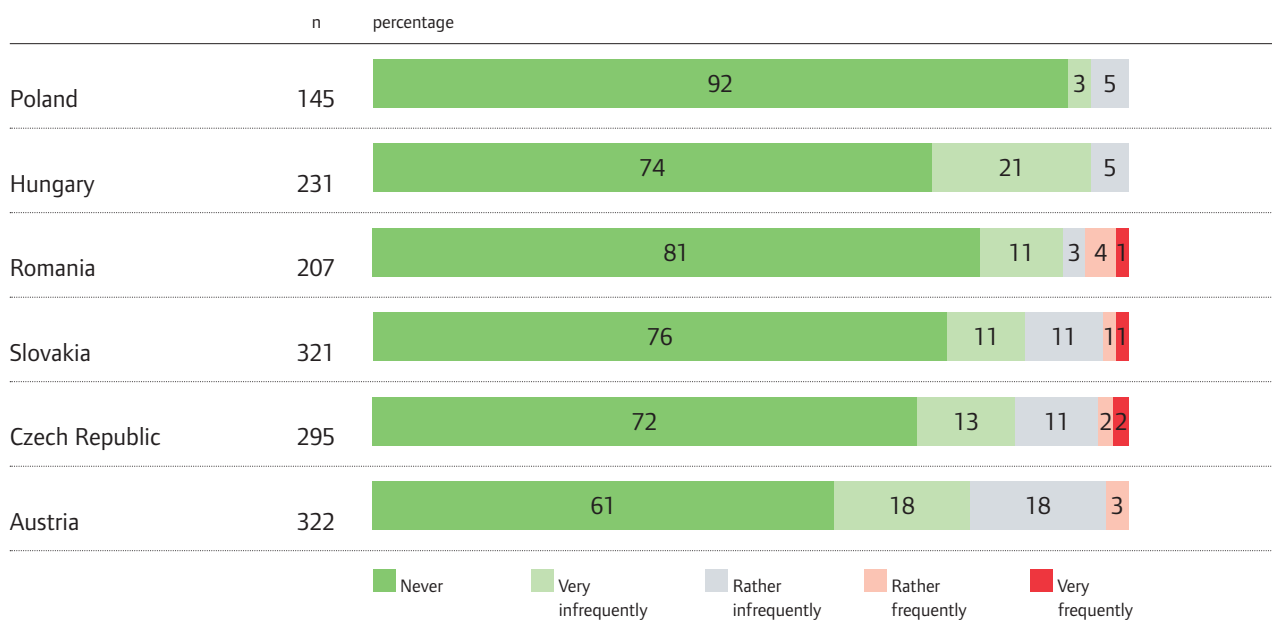
Basis: evaluation of foreign business partners by companies from the respective countries

Austrian firms experience the biggest problems with payment delays by their foreign customers. Romania and Poland experience the fewest problems.

## Payment default: Non-payments of foreign business partners

Austrian firms have the worst experience

How often in the past six months were outstanding debts not paid at all?



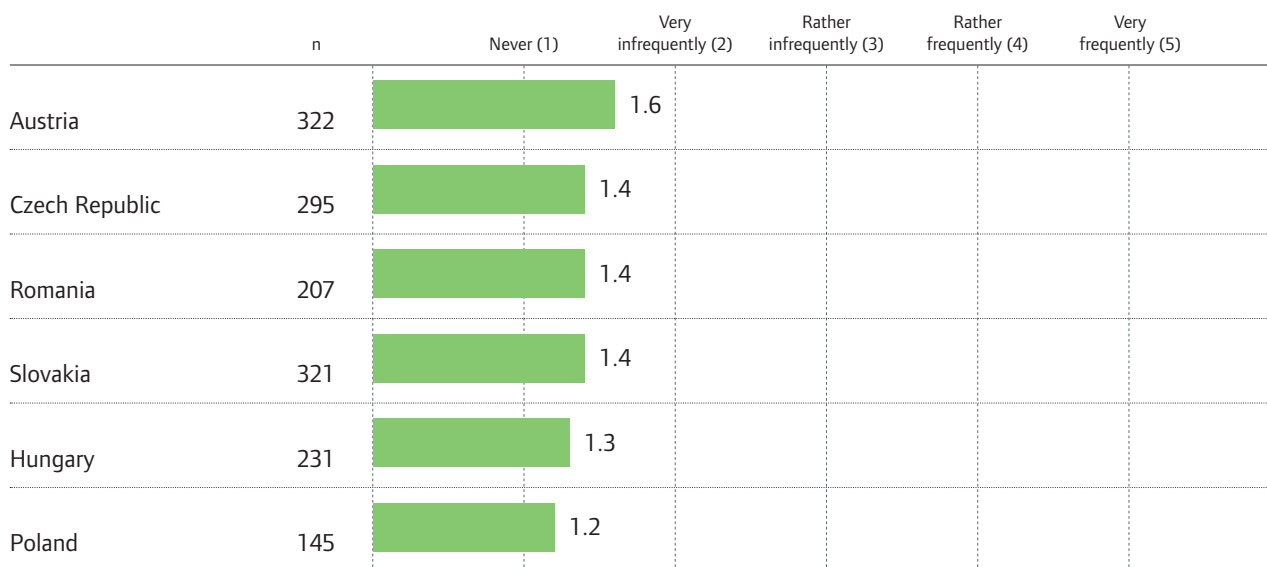
Basis: evaluation of foreign business partners by companies from the respective countries

Austrian firms record non-payment most often. Payment default, however, is infrequent.

## Payment default: Non-payments of foreign business partners

Biggest problems with foreign debtors have in Austria

How often in the past six months were outstanding debts not paid at all?



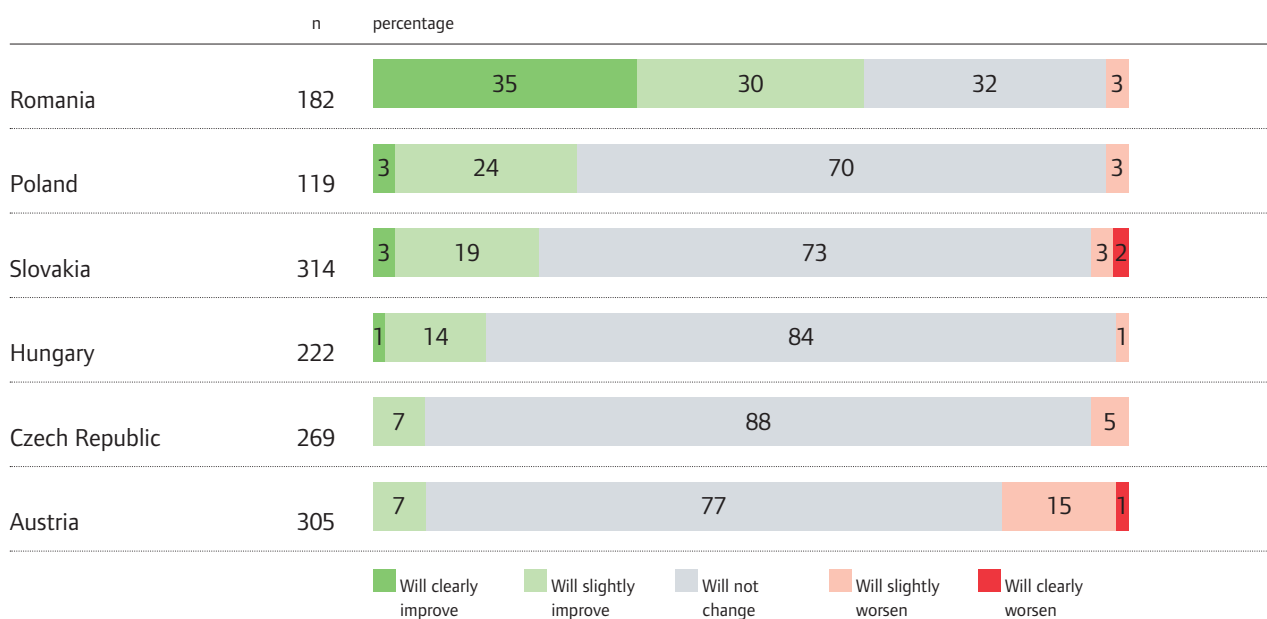
Basis: evaluation of foreign business partners by companies from the respective countries

Austrians have the most pessimistic view of payment by their foreign customers. Conversely, firms from Poland are the most optimistic. Experience of other countries in the survey is mid range and all are quite similar.

## Future expectations about payment practices of foreign business partners

Romanians are the most optimistic

If you think into the future, do you think that the payment practices of your foreign business partners will improve or worsen in the coming six months?



Basis: evaluation of foreign business partners by companies from the respective countries

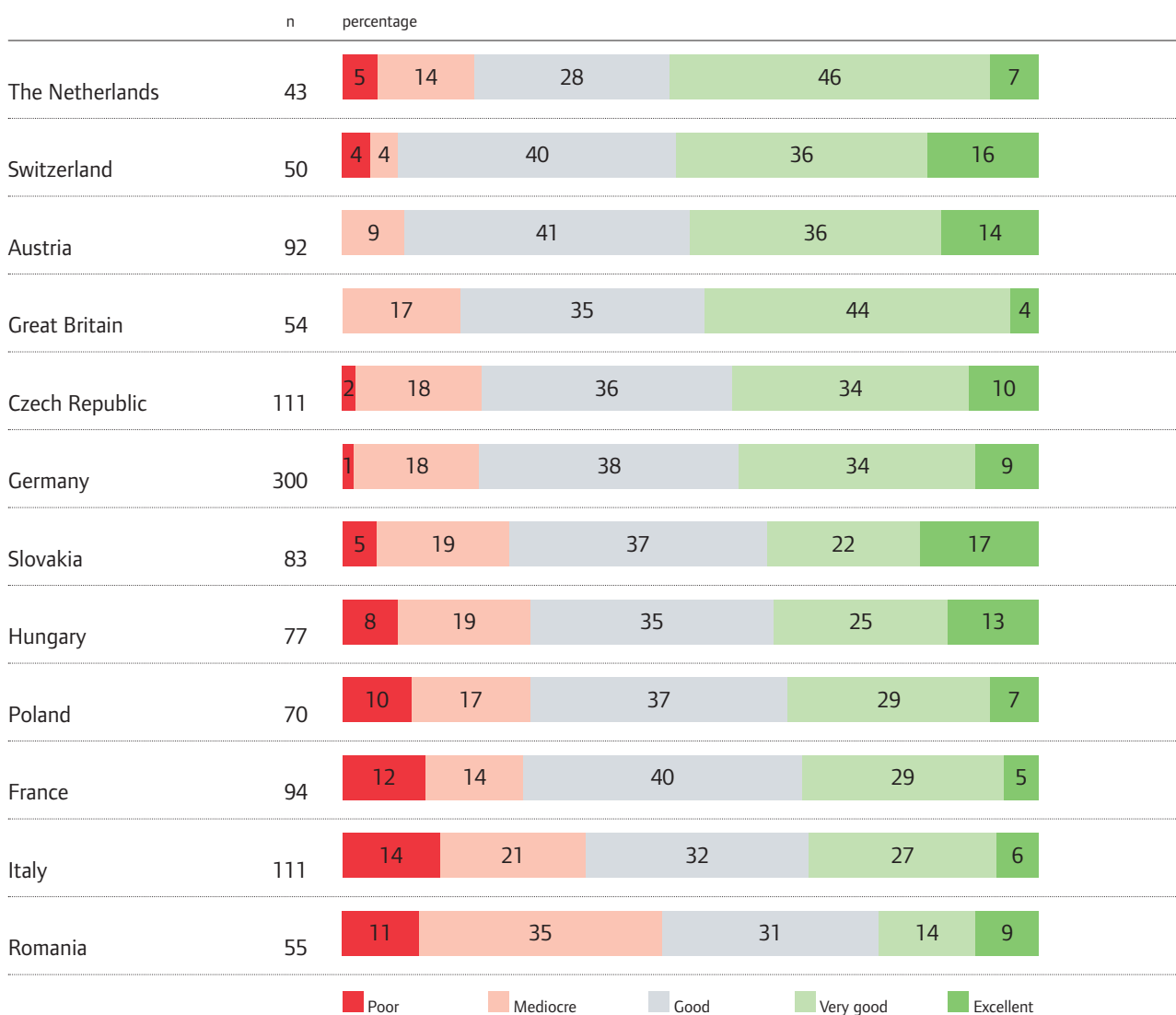
As in the case of domestic business partners, Romanian firms are the most optimistic. Only Austrian firms expect payment behaviours from their foreign customers to decline in the next six months.

# Payment practices as evaluated by international business partners

## Payment practices as evaluated by international business partners

Austria and the Netherlands come out on top, Romania at the bottom

If you think back over the past six months, how do you evaluate the payment practices of companies from... ?



Basis: CEE companies that sell products and services to companies in respective countries

Companies in the Netherlands and Switzerland are rated highest in payment practices by their foreign business partners; of the CEE countries Austria and the Czech Republic were rated best. Conversely, Romanian and

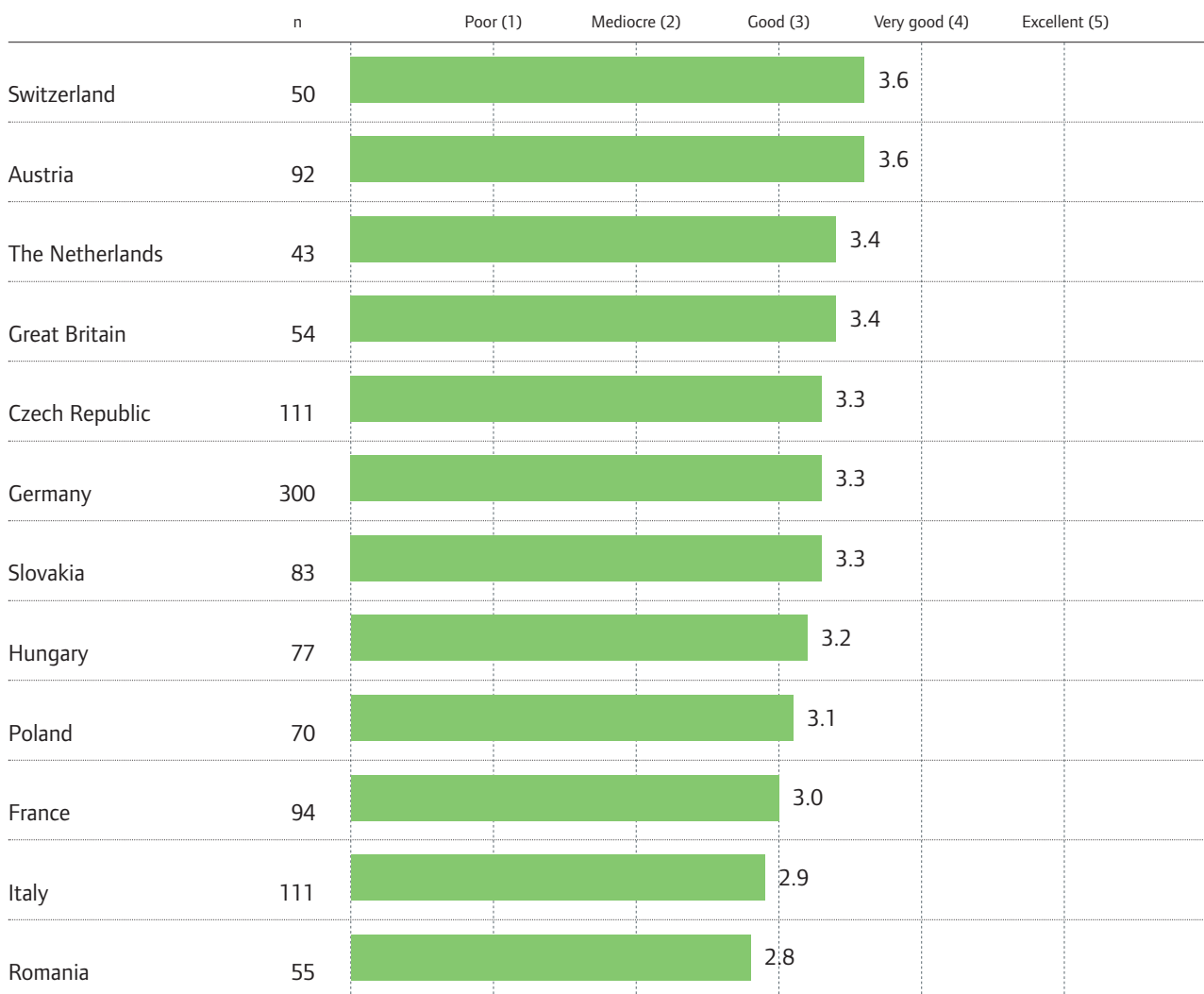
Polish businesses came out worst, with one tenth of them rated "poor". The perception of Austrian companies is of having good payment practices but they do not share the same view of their foreign business partners.

Conversely, the reputation of Romanian firms abroad is poor but Romanian companies themselves do not have any big problems with the payment behaviour of their foreign business partners.

# Payment practices as evaluated by international business partners

Romanian companies rated worst

If you think back over the past six months, how do you evaluate the payment practices of companies from... ?

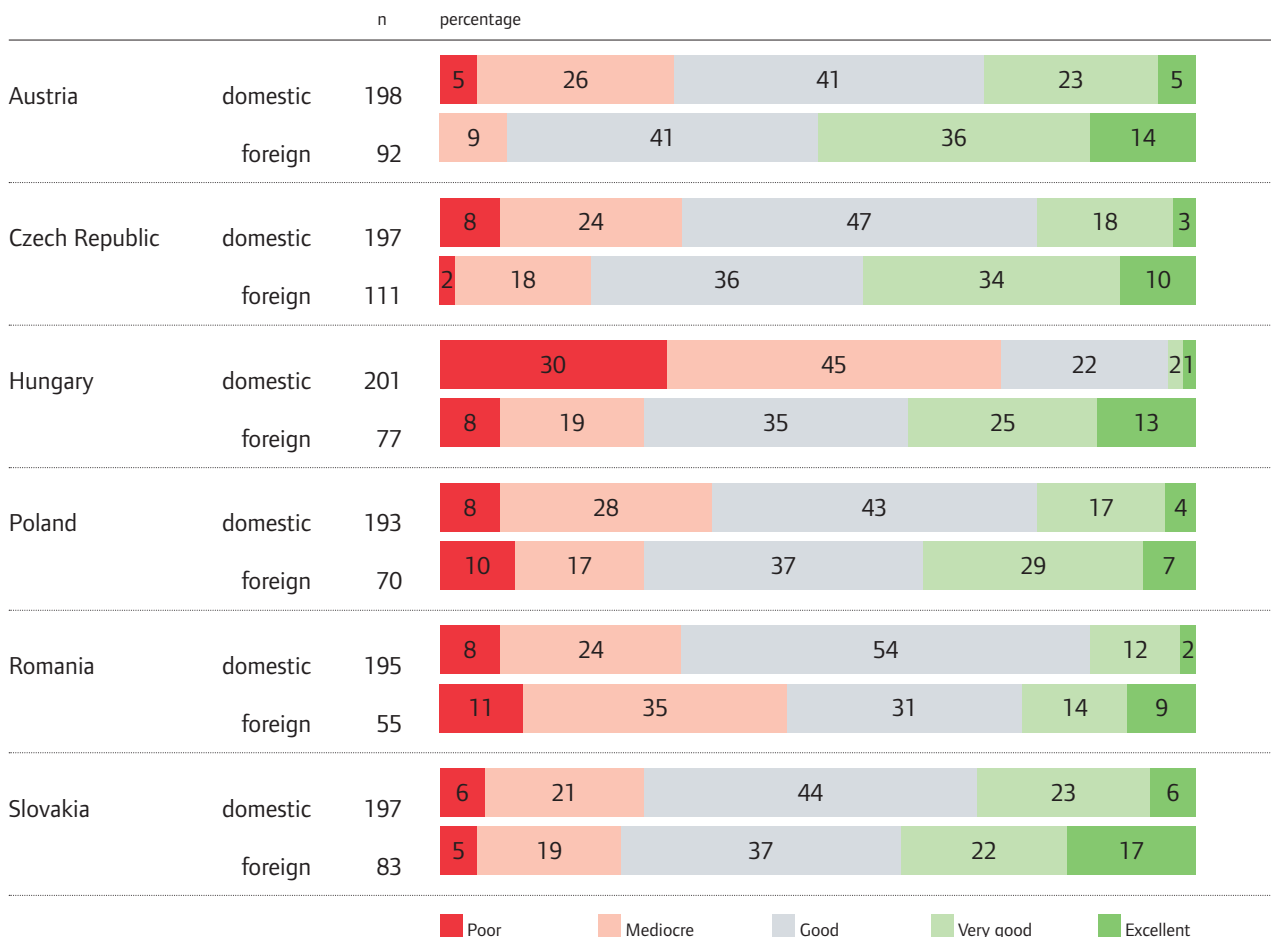


Basis: CEE companies that sell products and services to companies in respective countries

Austrian and Swiss companies are rated better than companies from other countries. Czech, German and Slovakian companies are evaluated similarly with mark 3.3 (more than “good”). Romanian and Italian firms come out at the bottom of the list - the only countries that are evaluated less than “good” on average.

## Self perception vs. external perception

Hungarian firms rate themselves worst, Romania is evaluated worst by foreign business partners



Basis: companies that sell products and services to companies in respective countries

It is interesting that all countries, except for Romania, evaluate the payment behaviours of domestic firms worse than it is assessed from abroad. This is particularly apparent in Hungary where three in four firms perceive the payment behaviour of their domestic customers poorly, whilst

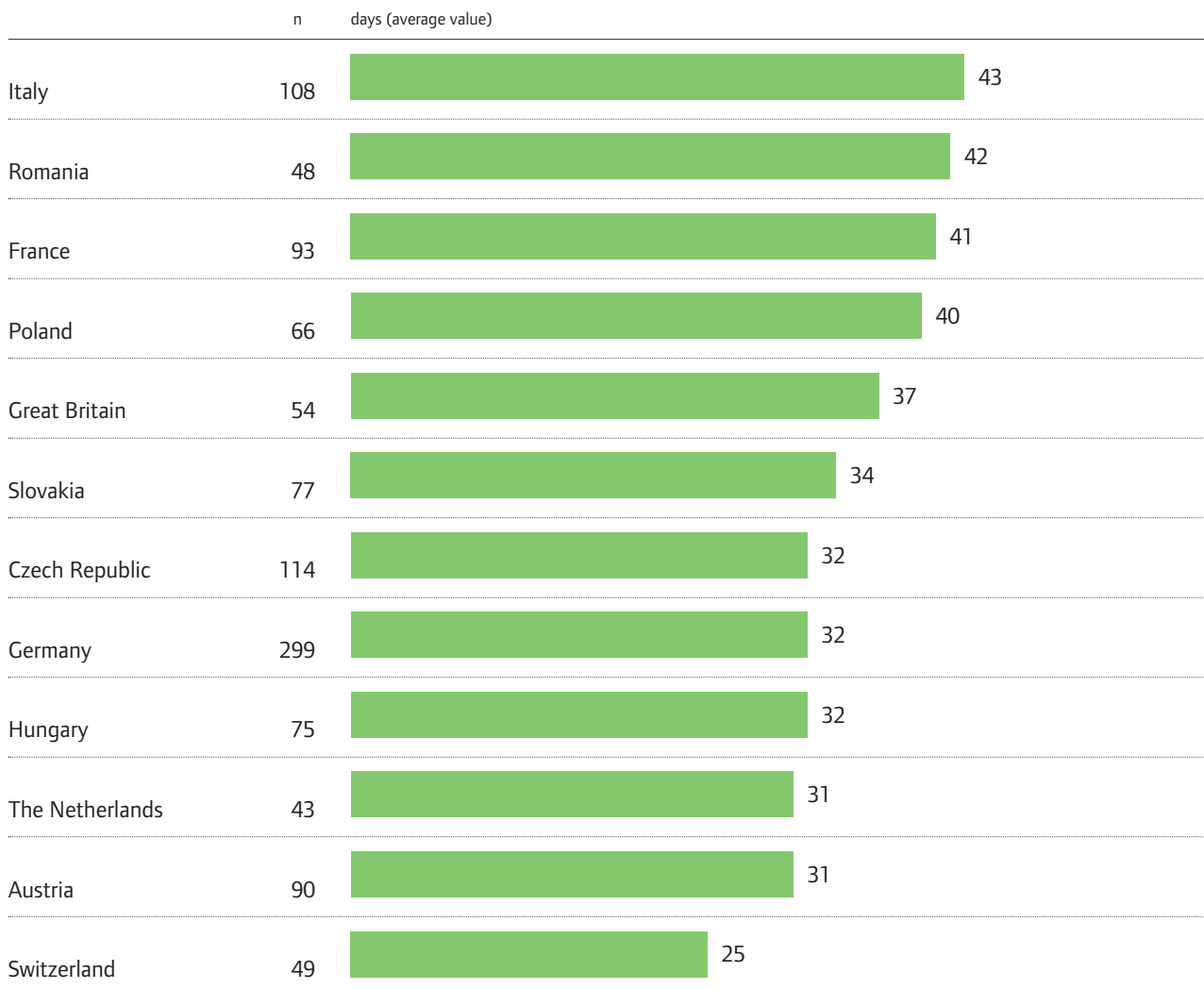
foreign business partners view Hungarian firms more positively (38%).

The only country with firms evaluated more poorly from abroad than from home is Romania.

## Payment duration as evaluated by international business partners

Swiss firms pay earliest on average, Romanian and Italian companies latest

How many days does it take, on average, for your business partners from... to pay their outstanding debts?



Basis: CEE companies that sell products and services to companies in respective countries

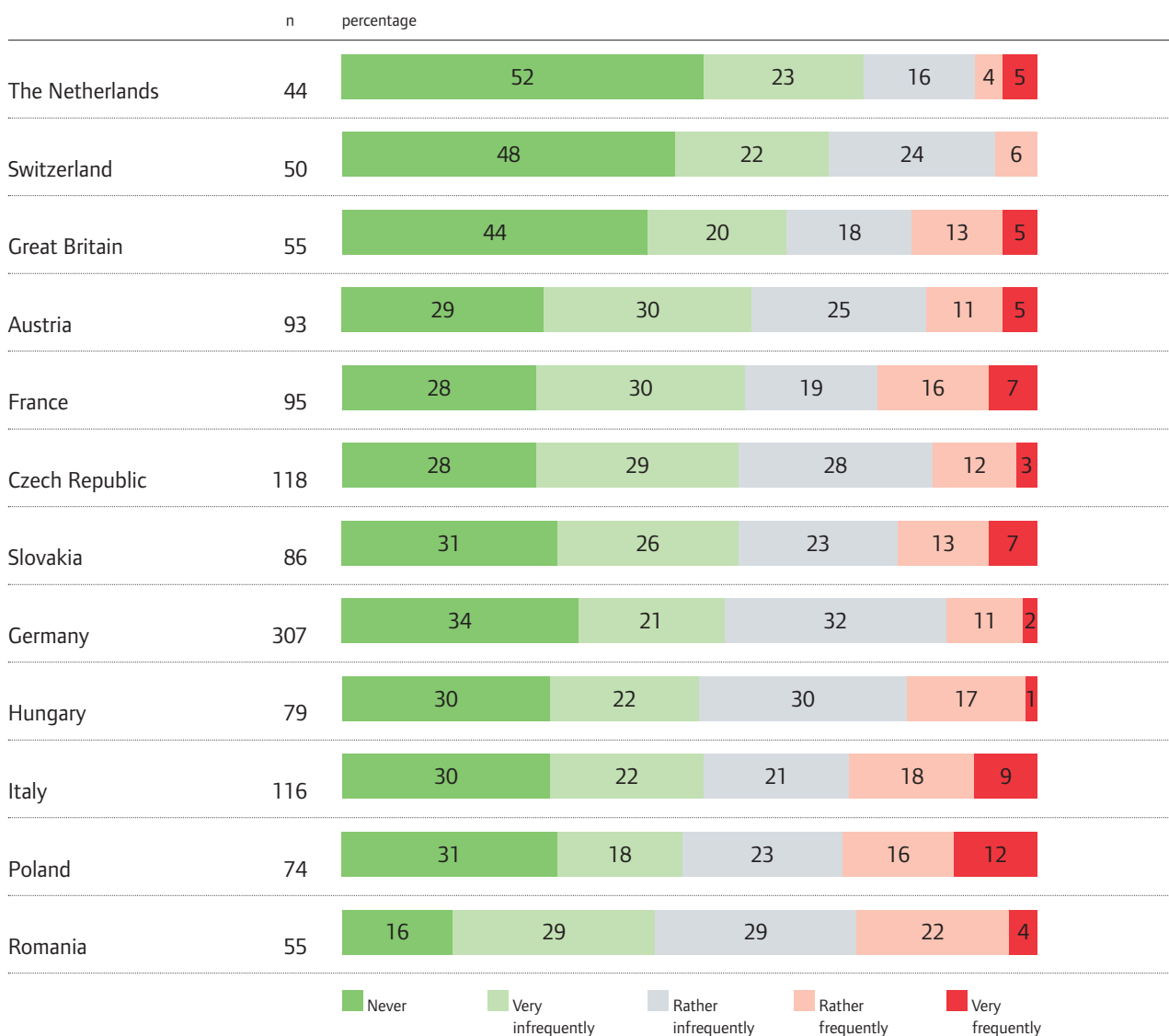
Swiss companies have the lowest average debt settlement periods. Of the CEE countries, Austrian and Dutch companies take, on average, a month to settle a debt. Duration of payment

is only slightly longer for firms from Hungary, Czech Republic and Slovakia. Polish, French, Romanian and Italian firms pay their foreign partners later on average – up to 43 days.

## Delays in payment as perceived by international business partners

Romanian and Polish companies rated worst

How often in the past six months were outstanding debts only paid after some delay?



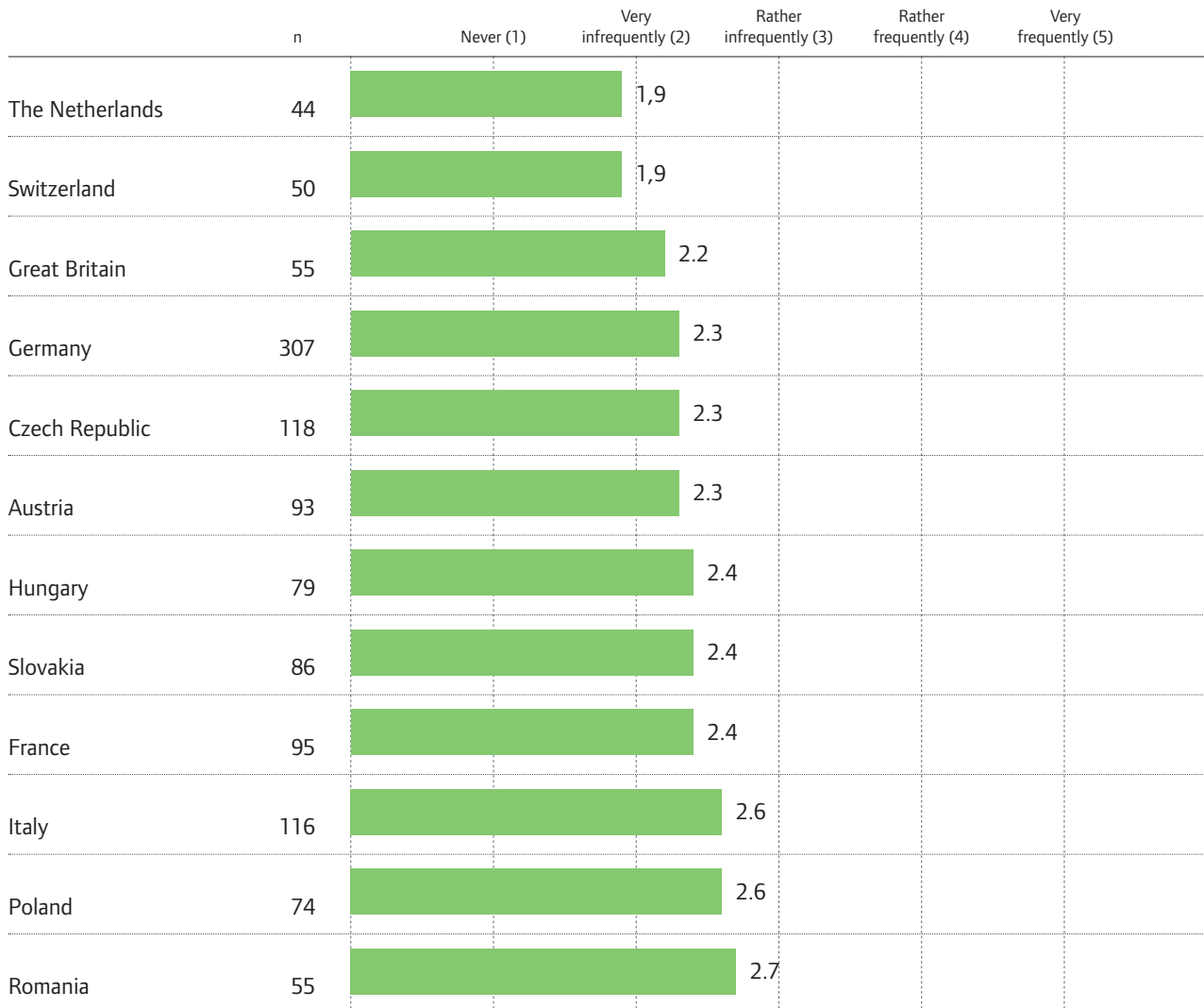
Basis: CEE companies that sell products and services to companies in respective countries

Dutch and Swiss companies are perceived as delaying payments least frequently. The best in this respect in the CEE region are companies from Austria. Romanian companies are rated worst.

## Delays in payment as perceived by international business partners

Romanian and Polish firms rated worst

How often in the past six months were outstanding debts only paid after some delay?



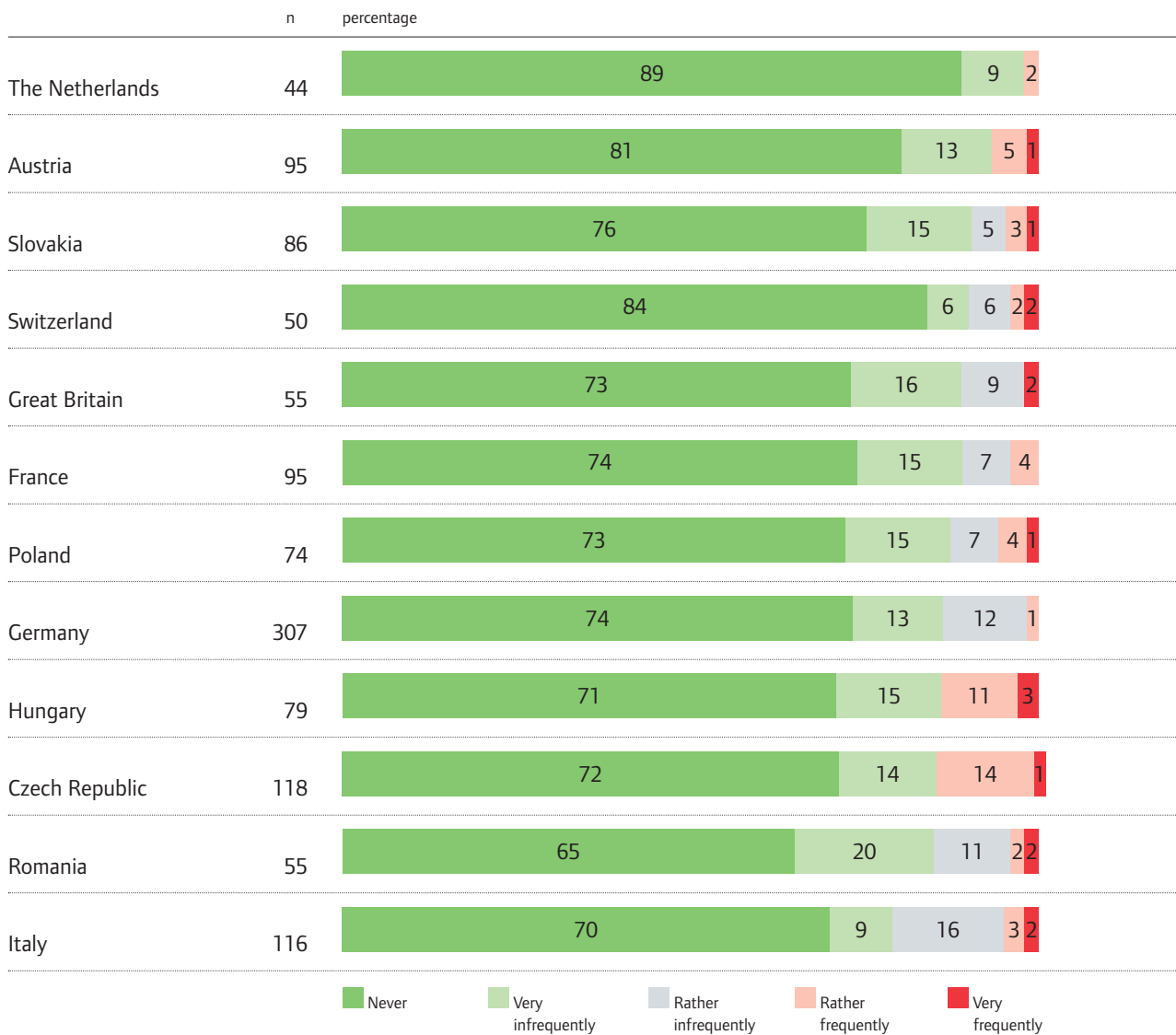
Basis: foreign companies that sell products and services to companies in respective countries

Romanian and Polish companies delay payments more frequently than companies in other countries. Least delays are experienced with companies from Switzerland and the Netherlands. Firms from the remaining countries are all rated similarly to each other.

## Payment default: Non-payment of international receivables

Companies from all countries are evaluated similar

How often in the past six months were outstanding debts not paid at all?



Basis: CEE companies that sell products and services to companies in respective countries

Dutch companies are perceived as having the best payment morality. This means that most CEE companies never encountered a situation where a Dutch company would not pay their debts at all. Austria is considered to be the best CEE country in this respect. Romanian and Italian companies are considered to be the worst.

## Payment default: Non-payment of international receivables

Firms from all countries are evaluated alike

How often in the past six months were outstanding debts not paid at all?



Basis: CEE companies that sell products and services to companies in respective countries

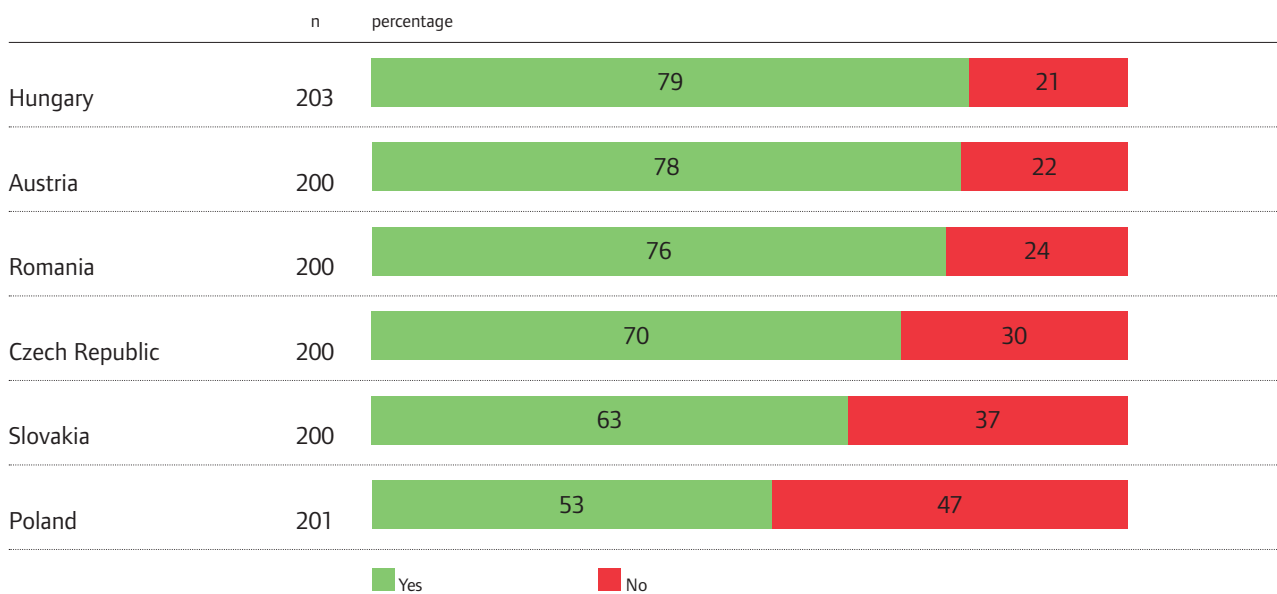
In looking at mean scores, the Netherlands and Austria remain the best and Italy and Romania the worst payers. Means show that the differences between companies from these countries are rather small.

# Protection against payment risks

## Degree of protection against bad debts

Polish firms are least protected

Does your company take deliberate steps in order to protect itself from bad debt?



Basis: interviewed companies from respective countries

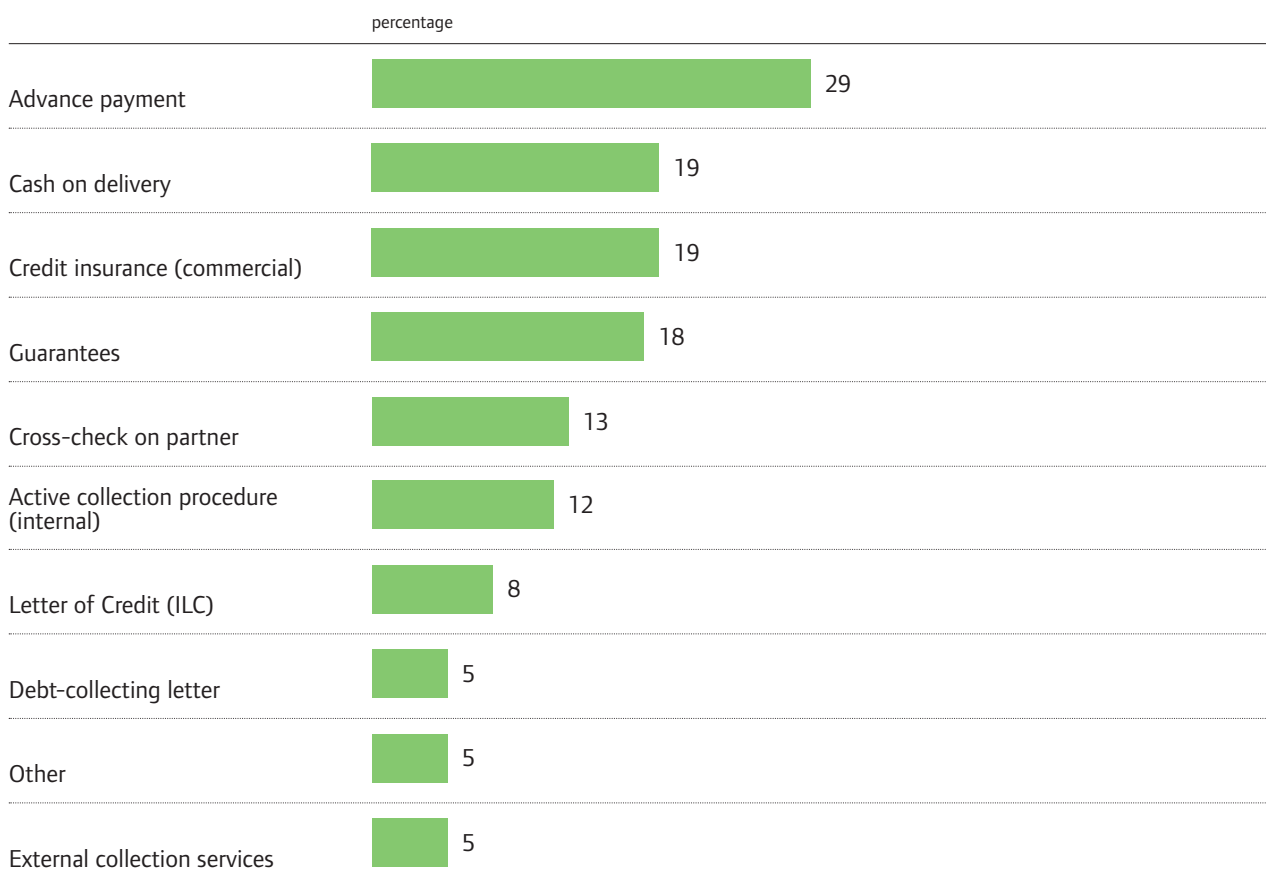
Firms in Hungary, Austria and Romania are protected best against poor payment behaviours. Conversely, in Slovakia and Poland, only about a half of the companies surveyed are protected. This behaviour is potentially risky. This is particularly true in

Slovakia where the average frequency of outstanding debts not paid at all is one of highest of all (see page 24).

## Protection against bad debt in Central and Eastern Europe

Advance payment is preferred by most of companies in the CEE region

Which measures do you take to protect company from bad debt?



Basis: interviewed companies that take deliberate steps to protect themselves from bad debt (n = 842)

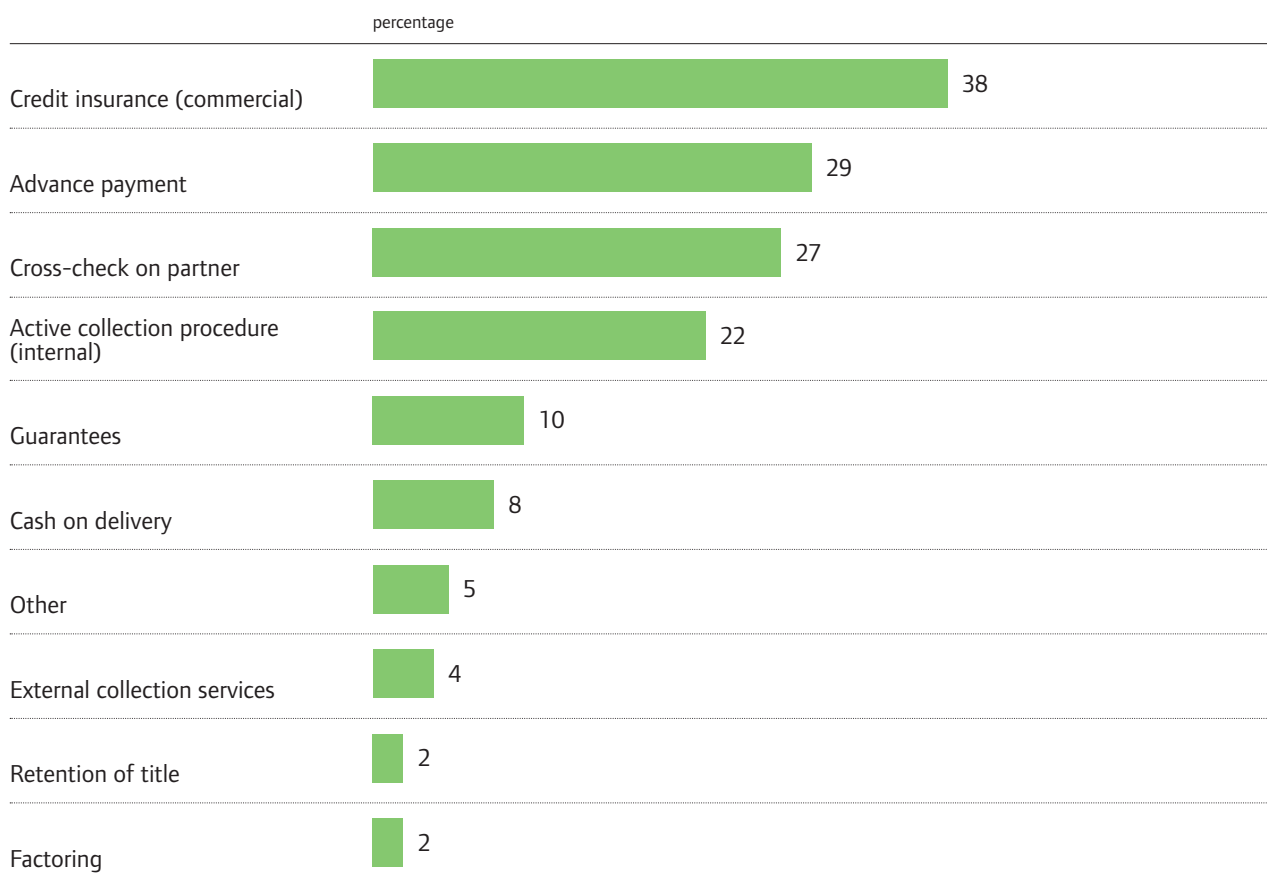
One in three companies in the CEE region is protected through a system of advance payments. A similar proportion (18 %) protect themselves against bad debts through cash on

delivery, credit insurance and guarantees. Other popular measures taken include 13 % who verify payer's solvency and around 12 % who carry out active collection procedures.

## Protection against bad debt in Austria

Austrian companies use credit insurance most usually

Which measures do you take to protect company from bad debt?



Basis: Austrian companies that take deliberate steps to protect themselves from bad debt (n = 156)

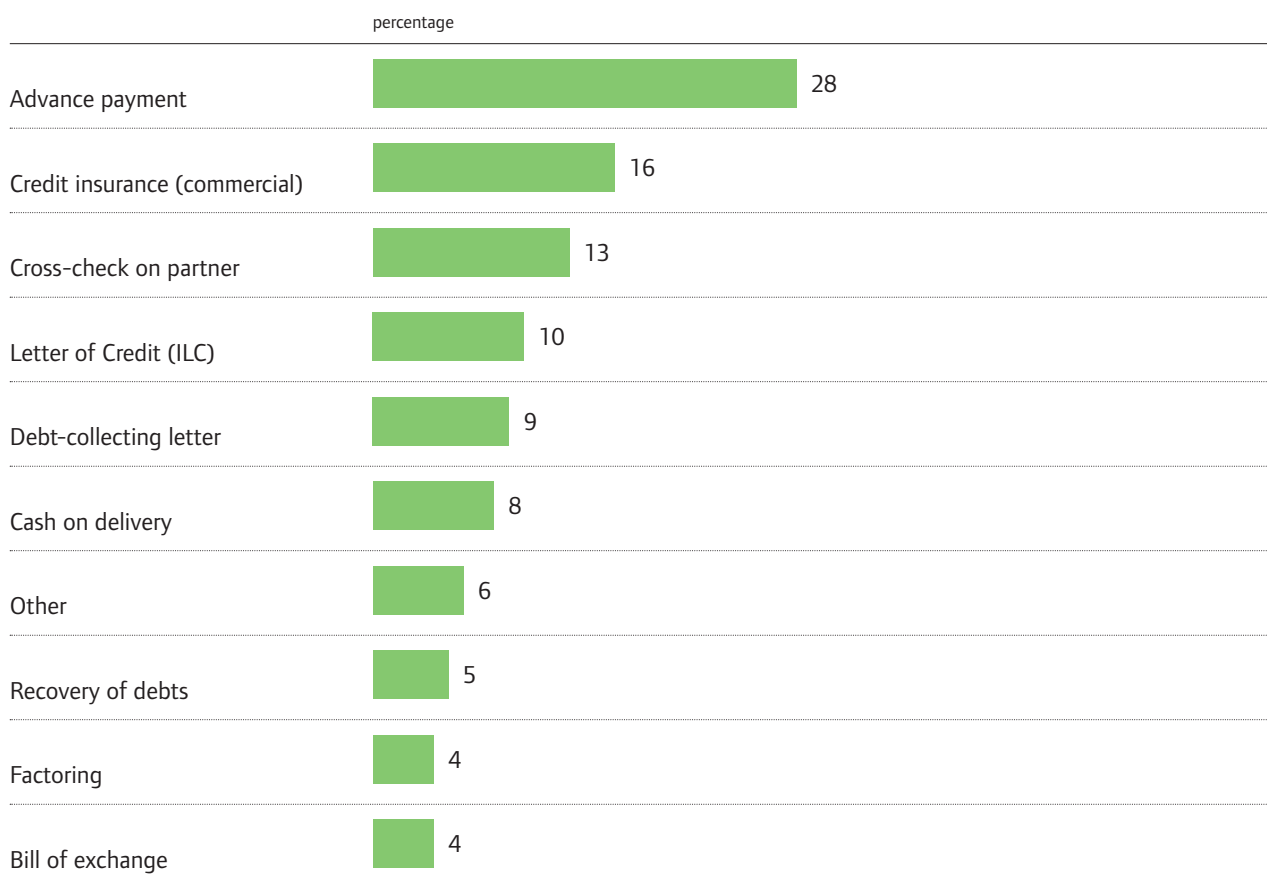
Almost two fifths of Austrian companies use credit insurance, the highest figure amongst all countries surveyed. Less than one third of them use advance payment and just 27 % verify the solvency of their business

partners. Another frequently used means of protection is active collection procedure at 22 %.

## Protection against bad debt in the Czech Republic

Advance payment is used most in the Czech Republic

Which measures do you take to protect company from bad debt?



Basis: Czech companies that take deliberate steps to protect themselves from bad debt (n = 141)

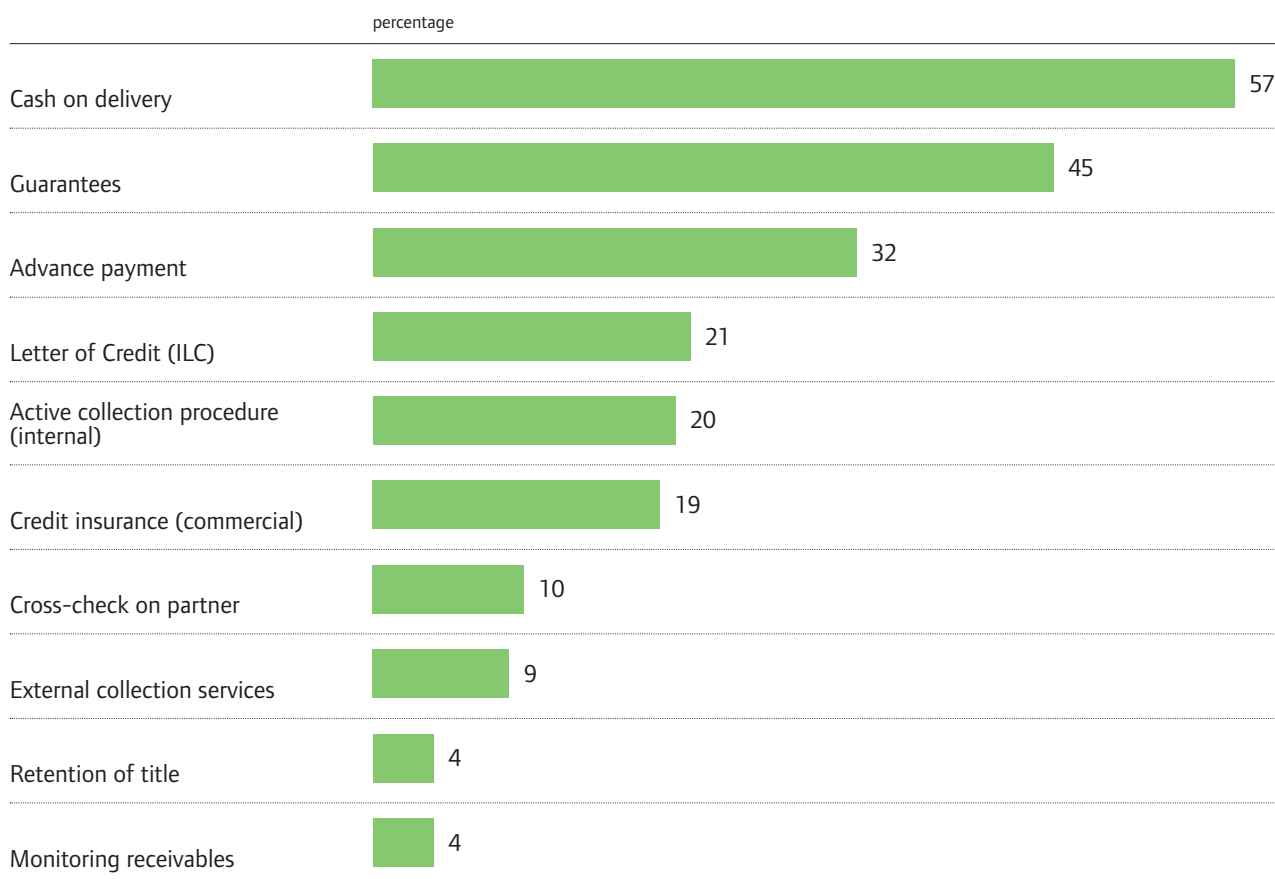
Advance payment is used for protection against poor payment behaviour by 28 % of companies in the Czech Republic. The next most frequent measure is credit insurance

whilst verification of payer's solvency comes third. Cash on delivery is used only rarely.

## Protection against bad debt in Hungary

### Cash on delivery prevalent in Hungarian firms

Which measures do you take to protect company from bad debt?



Basis: Hungarian companies that take deliberate steps to protect themselves from bad debt (n = 161)

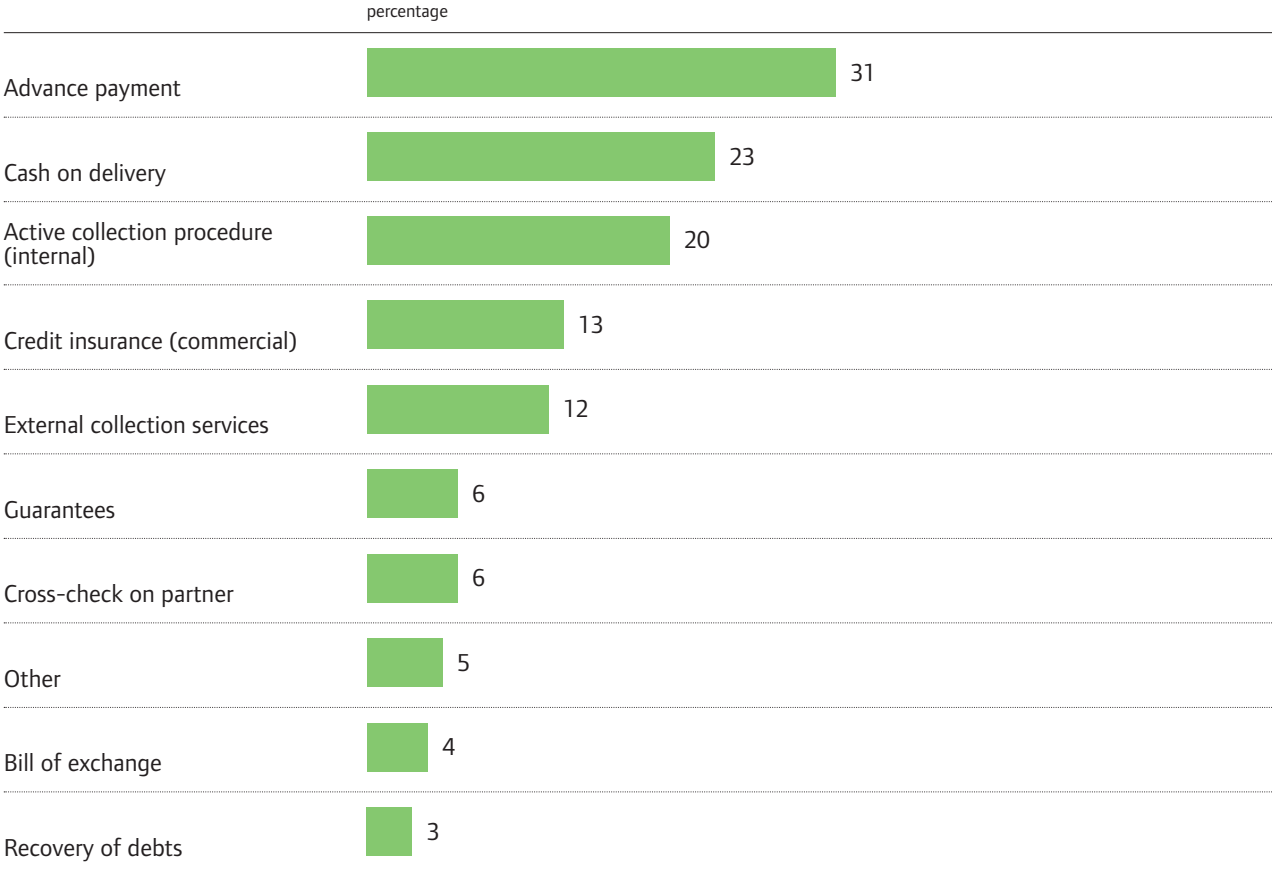
Compared with other countries surveyed, Hungarian businesses use a wider range of measures to protect themselves from bad debts. Cash on delivery is used most frequently – this system is used by more than half of the companies in this country.

Guarantees and advance payments are also used reasonably often. Results show that different means are often used by companies simultaneously.

# Protection against bad debt in Poland

Advance payment and cash on delivery prevail in Poland

Which measures do you take to protect company from bad debt?



Basis: Polish companies that take deliberate steps to protect themselves from bad debt (n = 156)

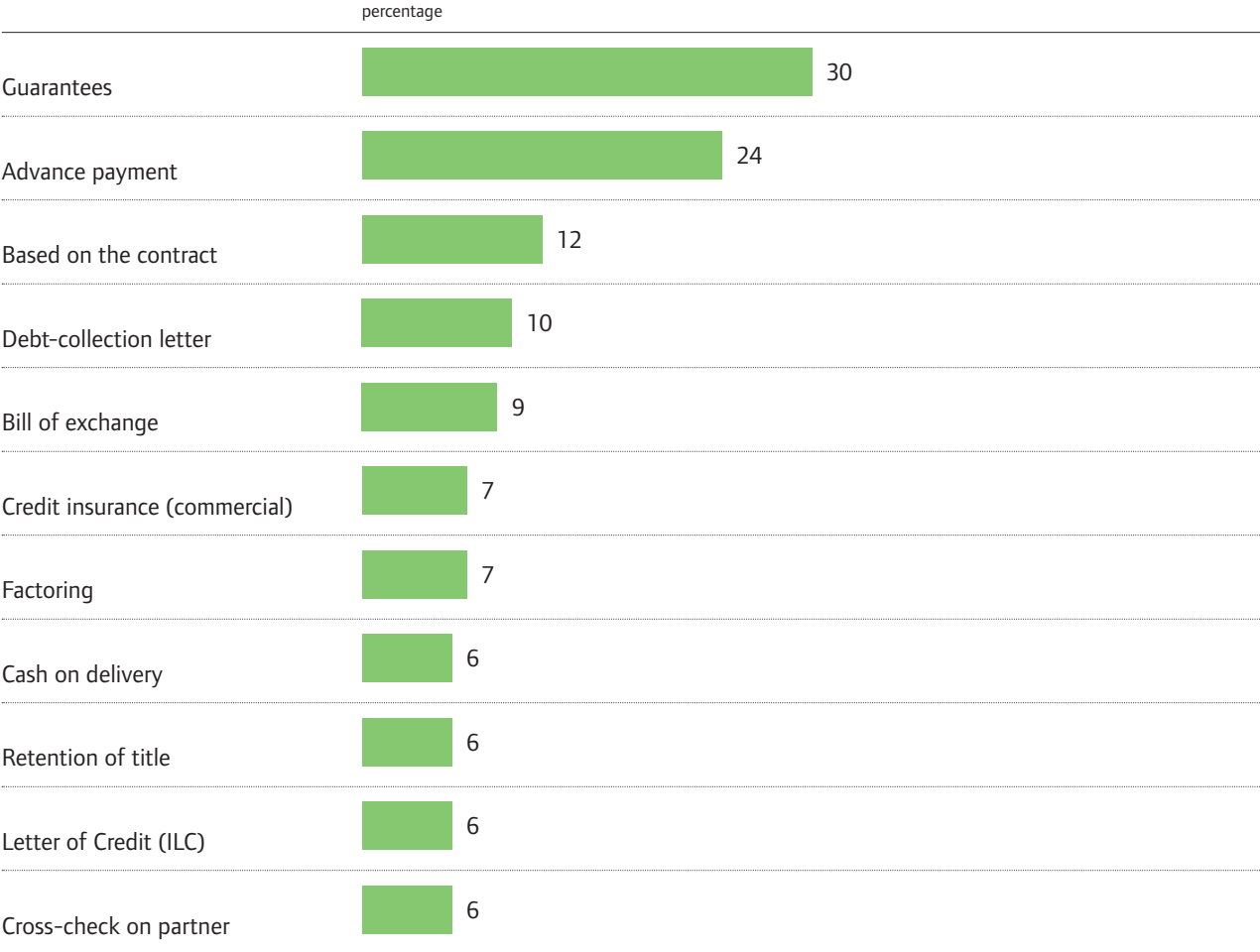
Polish companies, in contrast to Austria, the Czech Republic or Slovakia, employ more measures that directly deal with cash. Credit insurance is used by 12 % of

companies only and verification of solvency is even more sporadic. One in five of the companies are protected against poor payment through active collection procedure.

# Protection against bad debt in Romania

Romanian firms use guarantees most typically

Which measures do you take to protect company from bad debt?



Basis: Romanian companies that take deliberate steps to protect themselves from bad debt (n = 152)

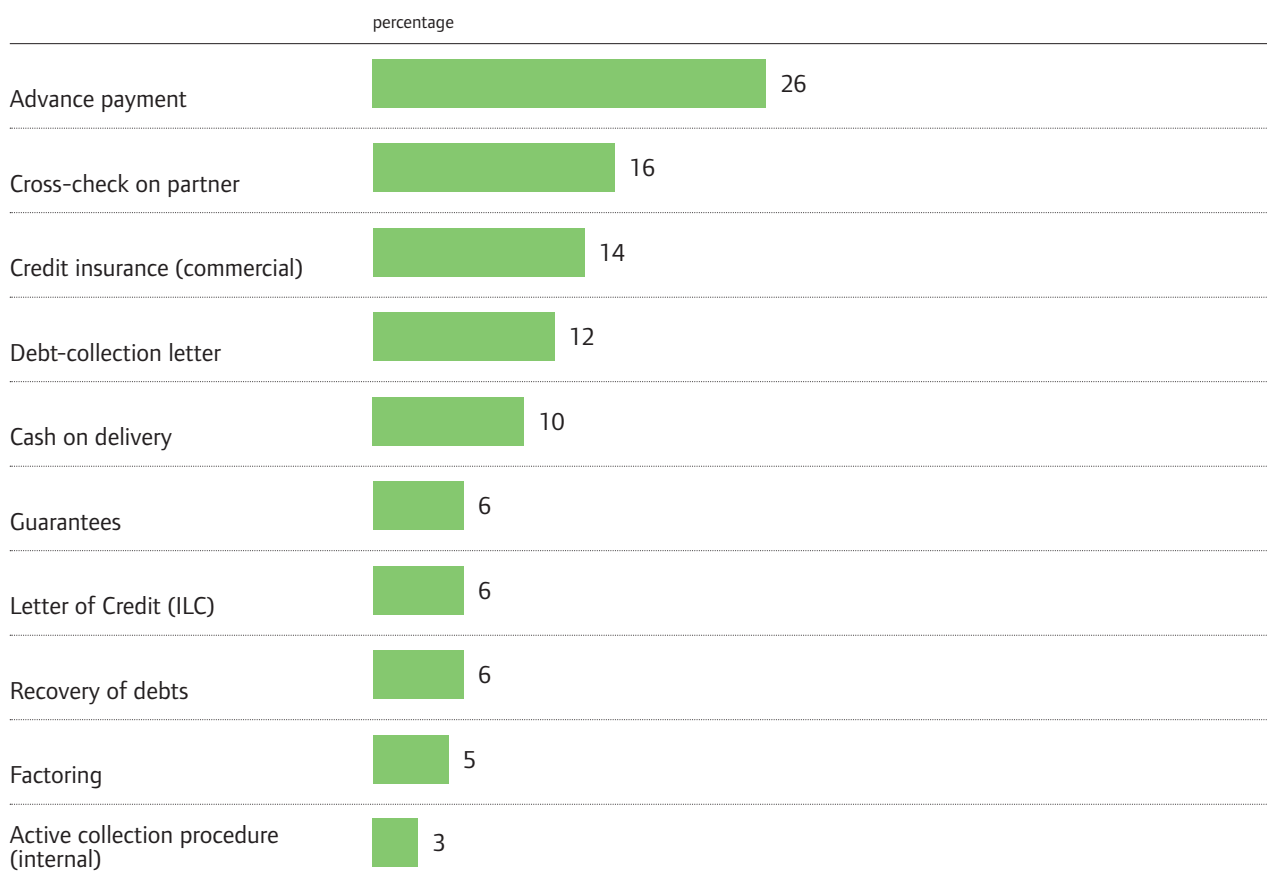
Almost one third of Romanian firms use guarantees as a means of protection and one in four prefers advance payment. More than one in

ten firms also uses protection systems connected to their contract with the customer.

## Protection against bad debt in Slovakia

Slovak companies use advance payment most often

Which measures do you take to protect company from bad debt?



Basis: Slovakian companies that take deliberate steps to protect themselves from bad debt (n = 126)

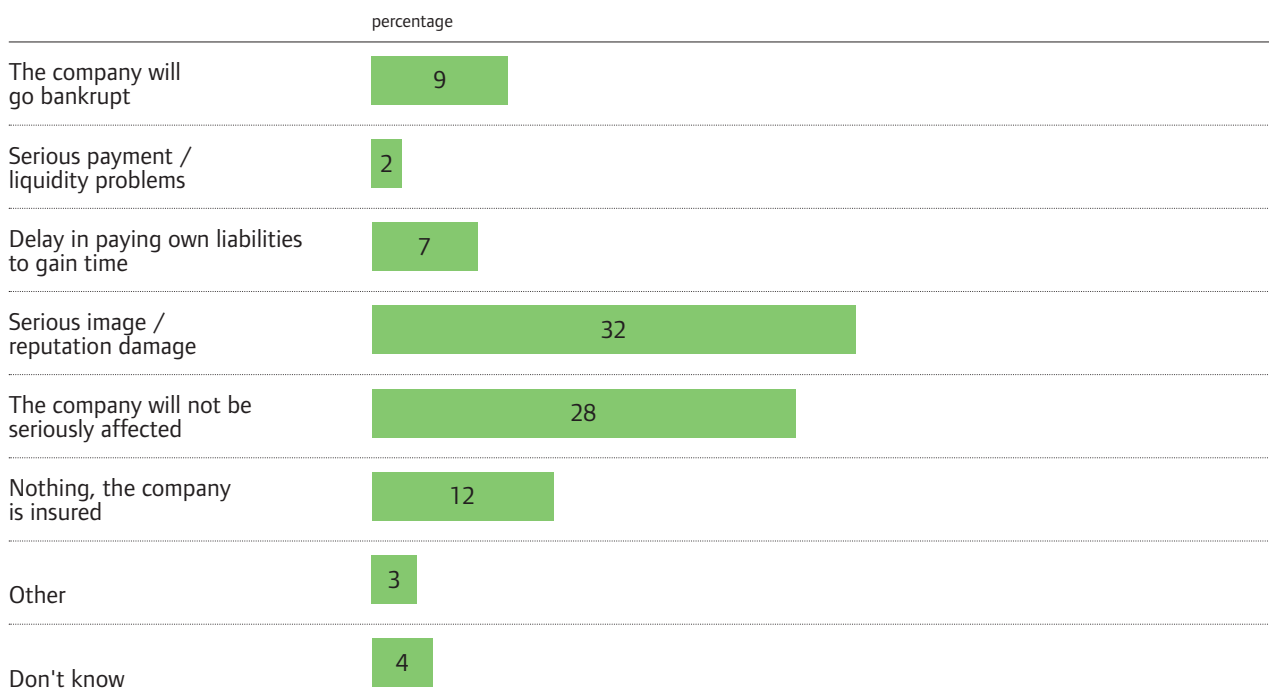
In common with the Czech Republic, Slovakian businesses are most often protected through advance payment. The second and third most popular

means are credit insurance and verification of a business partner. Companies in Slovakia also use debt-collection letters.

## Effects of poor payment behaviour

Serious image or reputation problems would be the most frequent consequence for the CEE region companies

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



Basis: all interviewed companies (n=1,204)

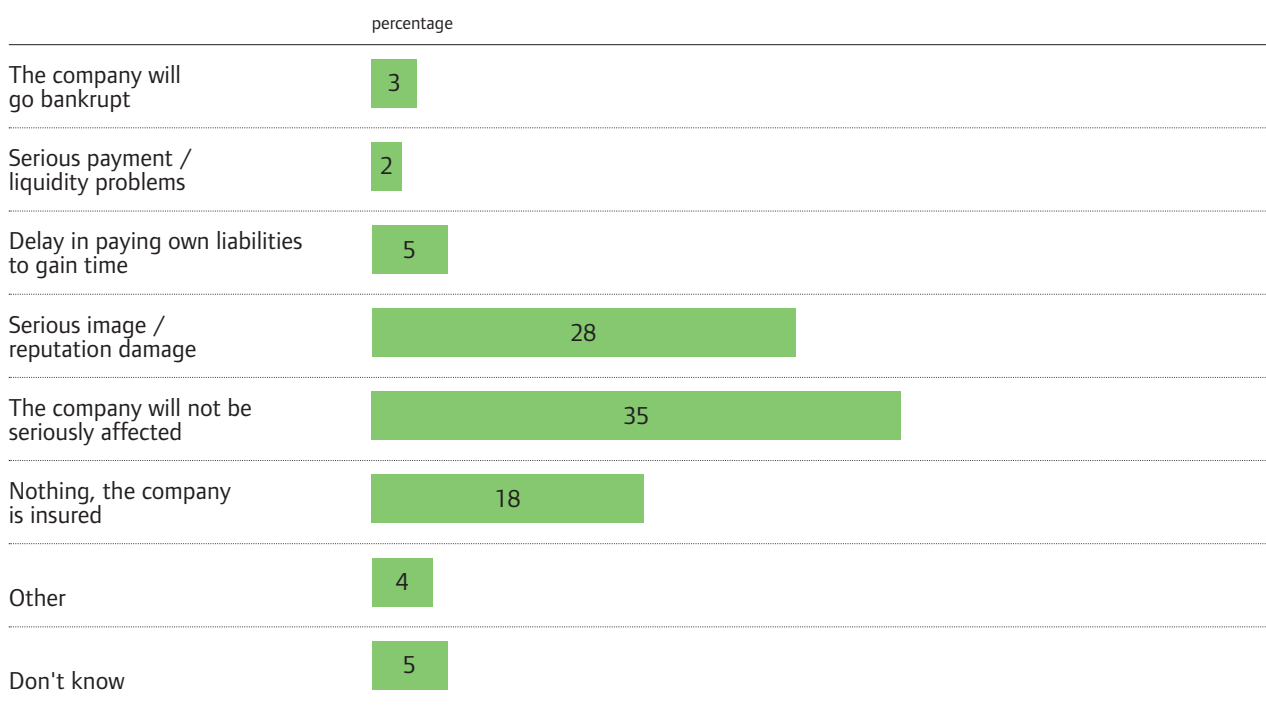
Almost one in ten companies in the region would, according to their representatives, go bankrupt if a key

customer ceased payment. Almost another 10% of firms would have to resolve fairly serious financial issues.

## Effects of poor payment behaviour in Austria

No significant consequences in Austria

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



Basis: Austrian companies (n=200)

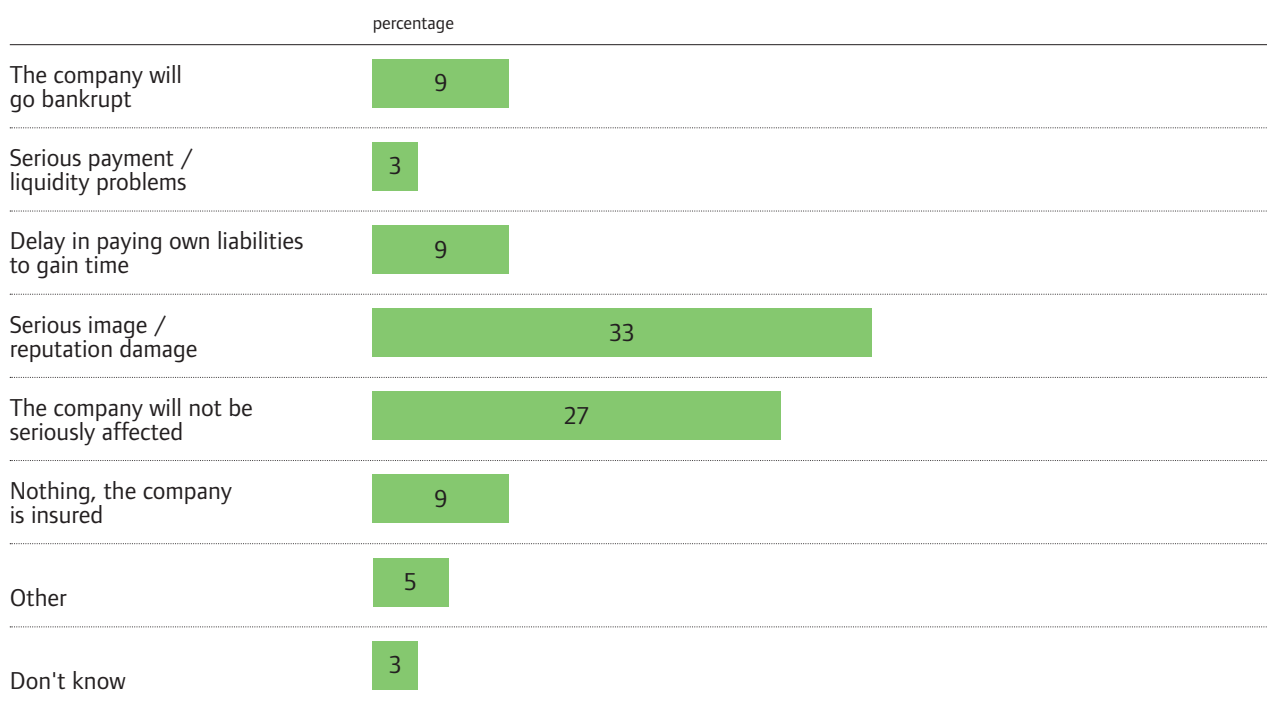
If their key client ceased payment for whatever reason, over a third of Austrian companies would not be affected at all. Almost one in five companies are insured against such a

situation. Serious image or reputational damage would hit 28 % of companies, which is below the regional average.

## Effects of poor payment behaviour in the Czech Republic

Czech companies would most frequently suffer the loss of image / reputation

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



Basis: Czech companies (n=200)

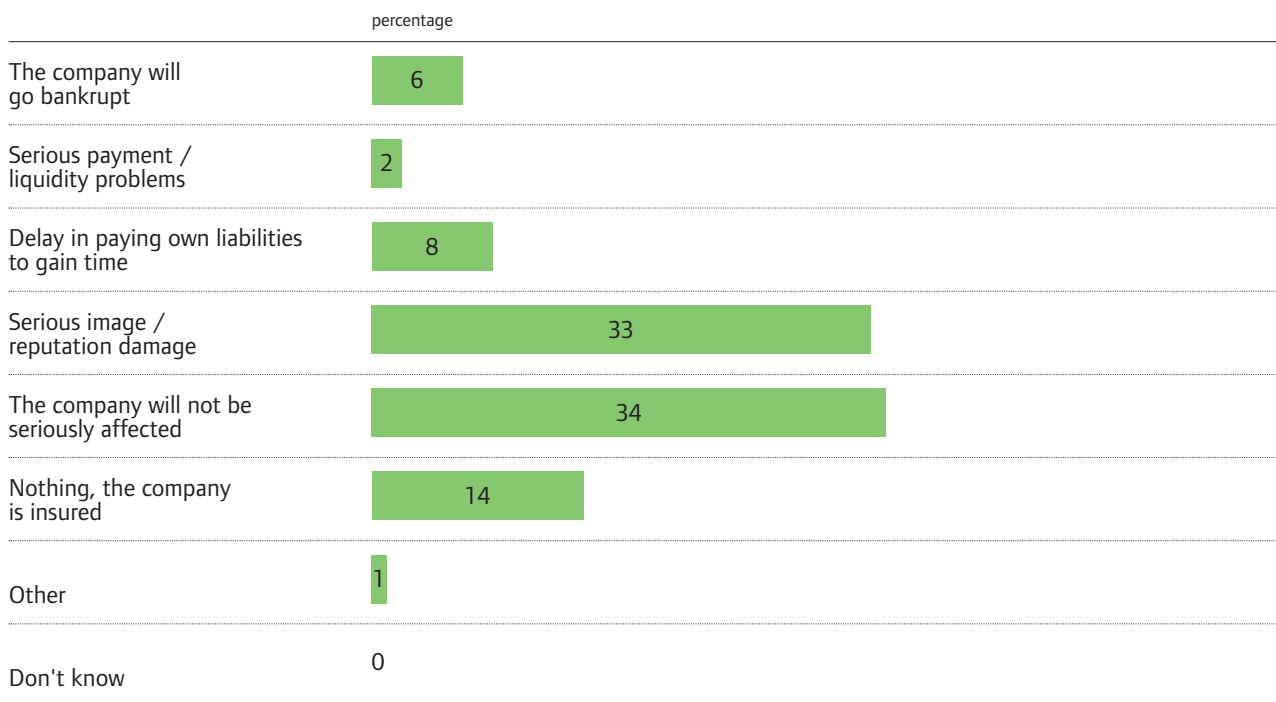
One third of Czech companies would have problems with reputation if their key client were to stop paying. Although only one tenth of the companies is insured, a significant

proportion of them (27 %) would not be hugely affected by such a development. More serious is the fact that almost one in ten companies would go bankrupt.

## Effects of poor payment behaviour in Hungary

No serious effects, but reputational damage rated most highly by Hungarian firms

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



Basis: Hungarian companies (n=203)

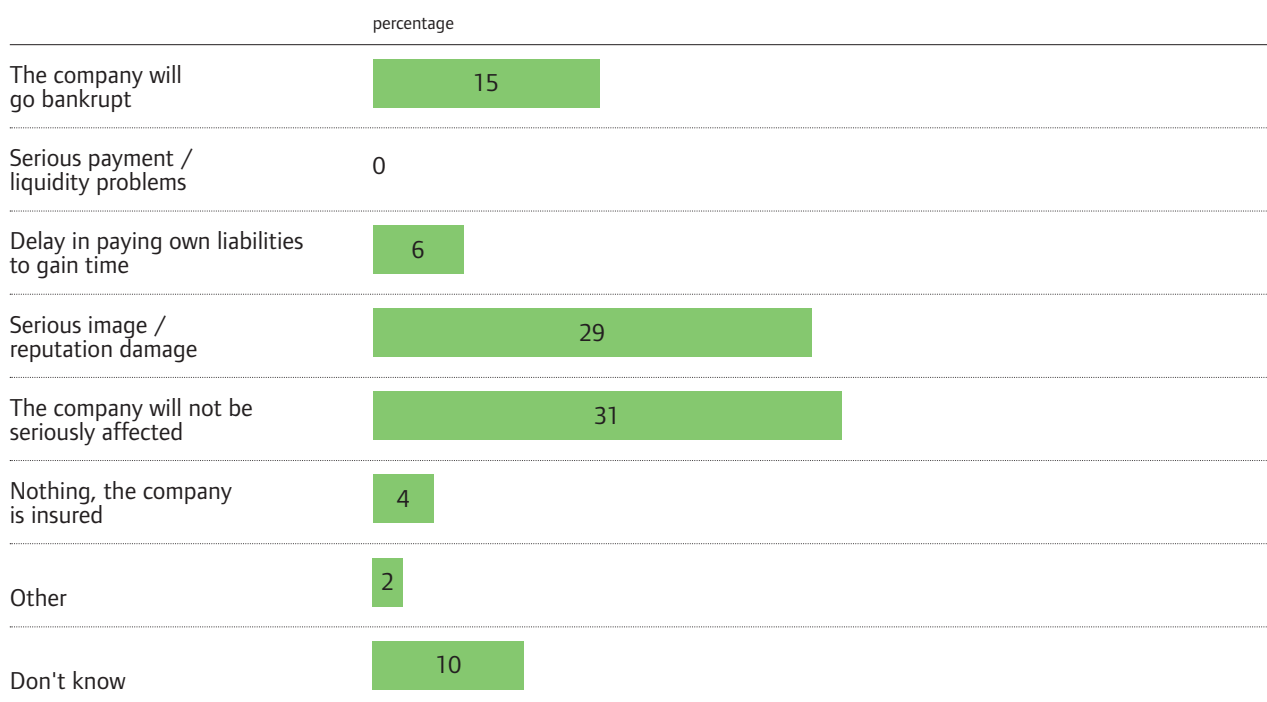
One third of Hungarian companies stated that this scenario would not give them any serious financial problems. However, the image / reputation of the same share would

suffer. A relatively high proportion, 14 % of companies surveyed, were also insured.

## Effects of poor payment behaviour in Poland

15 % of Polish companies surveyed would go bankrupt

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



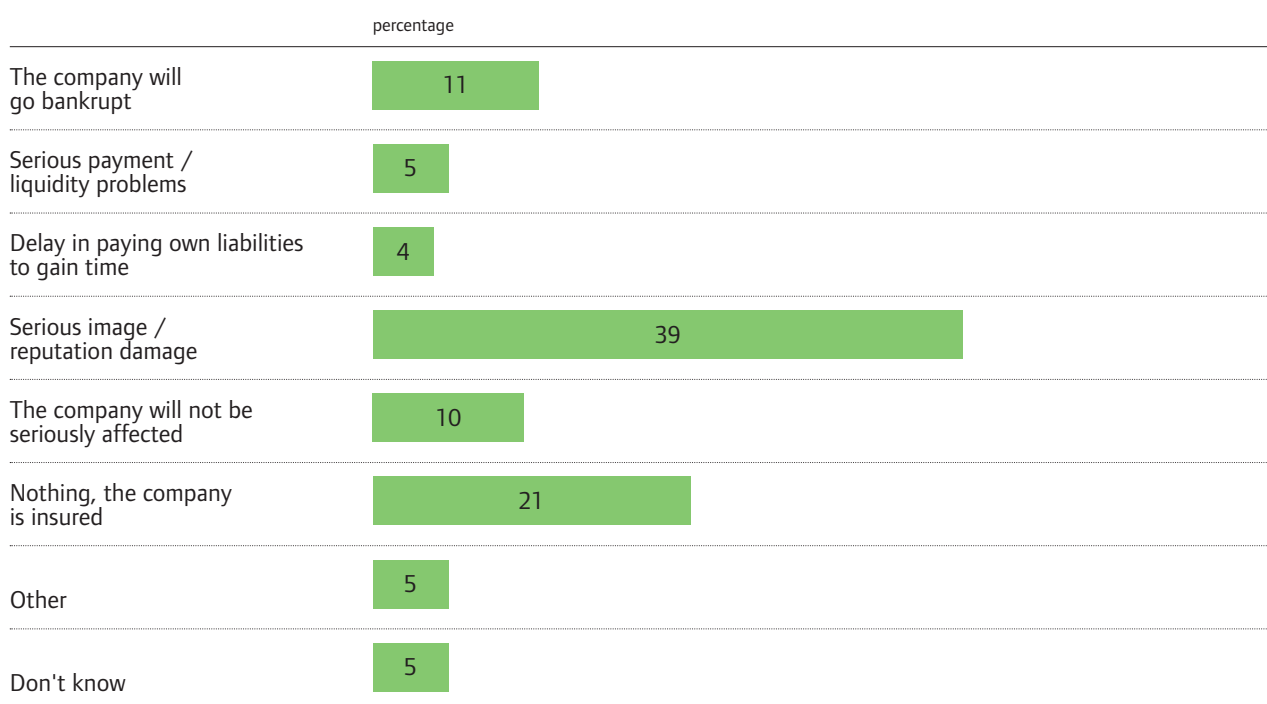
Basis: Polish companies (n=201)

In this scenario, 15 % of Polish companies claim that they would go bankrupt. This may also be due to the fact that only 4 % of companies are insured. A large proportion have no idea what would happen if such a situation arose.

## Effects of poor payment behaviour in Romania

Most companies in Romania would suffer damage to their image or reputation

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



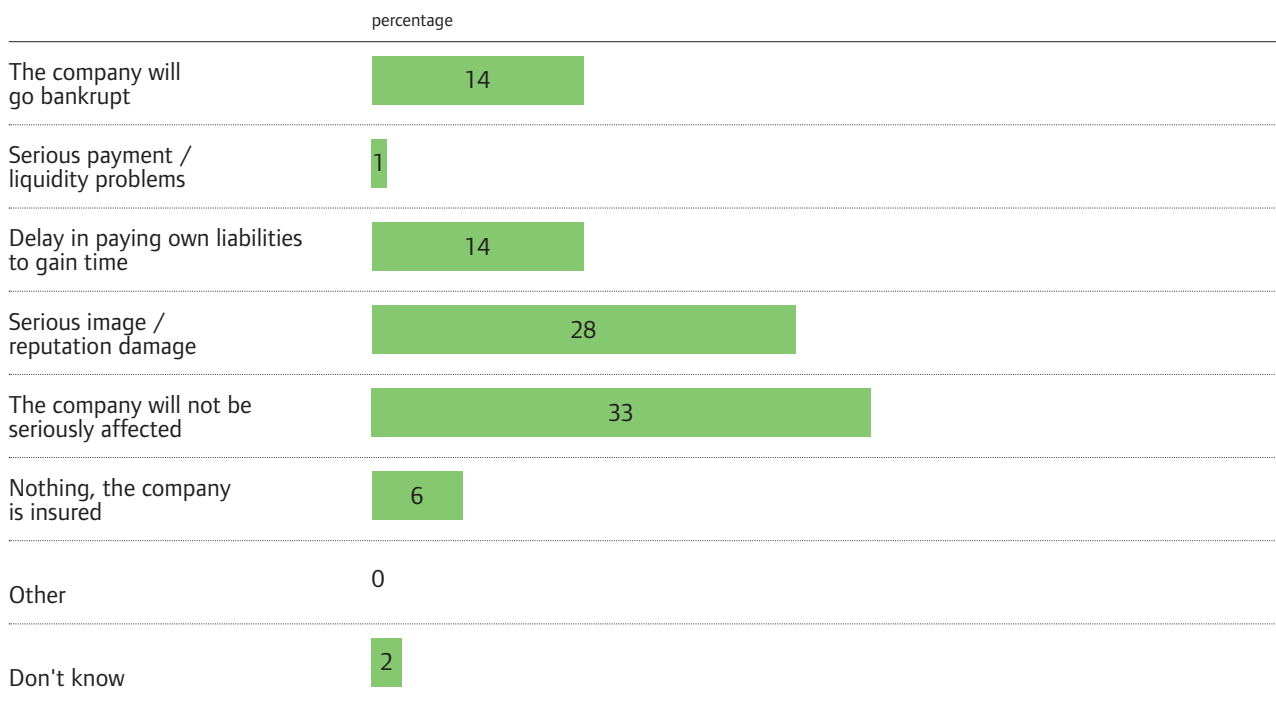
Basis: Romanian companies (n=200)

The most frequently given answer was damage to image or reputation (39 %). Only a small proportion of the companies surveyed would not be affected at all.

## Effects of poor payment behaviour in Slovakia

Many Slovakian firms would face reputational damage or bankruptcy

Imagine your main customer suddenly stopped paying you for goods or services. What would be the most likely effect on your company within the term of one year?



Basis: Slovakian companies (n=200)

One in three Slovakian firms would face reputational or image problems, but a further 14 % of Slovak firms

would face bankruptcy. Another 15 % would have reasonably serious financial issues to deal with.

# Conclusions

## This is what the survey results say

### Credit management features

- The shortest payment terms are offered by Polish companies (23 days on average). Conversely, the longest are offered by Romanian businesses (30 days on average). The payment terms in other countries oscillate between 26 and 29 days, on average.
- Companies from Slovakia and Romania differentiate payment terms by country and customer sector most frequently. Companies from Hungary are least willing to make this kind of distinction in payment terms.
- Romanian firms record by far the highest proportion of outstanding debts as share of total assets (76 %). Quite a sizeable share is also found in Polish companies (36 %). The share of outstanding debts as proportion of total assets in companies from other countries ranges between 10 % and 14 %.
- The share of outstanding historical debts probably contributes to the extremely high share of outstanding debts as a proportion of total assets in the case of Romania. It also reflects that payment practices are not yet as evolved in Romania as they are in other countries surveyed. Unlike their peers, Romanians feel there would be distinct improvements in credit management ahead.

## Domestic payment practices

- Outstandingly, the worst evaluation of domestic business partners was found in Hungary – three out of four Hungarian companies evaluated their business partners “poor” or “mediocre”. This assessment oscillates between 27 % and 36 % of all remaining countries.
- The biggest differences between payment terms and actual payment date are in Poland and Hungary (7 days on average). Conversely, the smallest differential was found in Romania although this is probably because they have the longest payment terms, in general. Here the time lag was just 2 days on average. Payment delays are most frequently experienced in the Czech Republic and Hungary. Romanian companies are least likely to delay their payments.
- Czech and Slovak companies are most likely to experience total non-payment of debts. Hungarian businesses were the least likely to suffer this problem.
- The most optimistic outlook for the next six months was definitely found in Romanian companies where 55 % of them expect improvements.

Polish companies are also highly optimistic, with 43 % of them expecting improvement. Conversely, Hungarians (34 % of them expect worsening) and Austrians (24 % of them expect worsening) were feeling most pessimistic. A higher standard of payment behaviour is reflected here, particularly in the case of Austria.

## Foreign payment practices

- Slovakian and Romanian companies rate their foreign business partners most highly. Austrian companies, generally used to high standards of payment behaviour, also criticise their partners most.
- Other things aside, this is related to the fact that Austrian companies record the longest time lag between due date and actual payment date. The difference is 13 days in Austria on average. In this regard, Romanian companies are best off, as it is the only country with no problems with payment delays from their foreign business partners. Actually, foreign customers pay outstanding debts 2 days prior to payment term, on average.
- Austrian companies also experience total non-payment of outstanding debts most often. Romanian companies once again view the next six months most optimistically; 65 %

believe in improvement. The most pessimistic viewpoint, due to the facts mentioned above, comes from Austrian companies; 16 % of them expect to see a decline.

## Payment practices as evaluated by international business partners

- International business partners rate Romanian companies worst, 46 % of them graded them “mediocre” or “poor”. Dutch, Swiss and Austrian companies are, at the other end of the scale, rated most highly with 50 % of them ranked “good” and “excellent”.
- Interestingly, businesses rated payment practices in their own country lower than foreign companies. This discrepancy is most distinctive in case of Hungarian companies that criticised their domestic business partners most.
- Romanian and Italian companies take longest to pay their debts (42 and 43 days on average) internationally. The shortest time is for Swiss companies (25 days on average).
- Total non-payment of outstanding debts by companies of the surveyed countries happens with approximately the same frequency across all countries surveyed.

### Protection against payment risks

- Polish companies are least protected against bad debts. 47 % of them take no active steps to protect their outstanding receivables. Slovakian (37 %) and Czech (30 %) companies are also frequently unprotected.
- As the most frequent form of protection in the Czech Republic, Poland and Slovakia, advance payment is the most popular means of protection overall. Cash on delivery is most frequent in Hungary, guarantees in Romania and credit insurance in Austria.

### Effects of poor payment behaviour

- Sudden ceasing of payment by a key customer would cause serious damage to companies in Romania (16 %), Poland (15 %), Slovakia (15 %) and the Czech Republic (12 %). Bankruptcy would be a real threat in the case of 15 % of Polish, 14 % of Slovakian and 11 % of Romanian companies.

## Your contact at Atradius

### Corporate Communications

**Andrea Riedle**

Phone: +31 20 553 2052

Email: [andrea.riedle@atradius.com](mailto:andrea.riedle@atradius.com)

Atradius Credit Insurance N.V.  
David Ricardostraat 1  
P.O. Box 8982  
1006 JD Amsterdam  
The Netherlands

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Atradius Credit Insurance N.V.  
David Ricardostraat 1 · 1066 JS Amsterdam  
P.O. Box 8982 · 1006 JD Amsterdam  
The Netherlands  
Phone: +31 20 553 9111  
Fax: +31 20 553 2811  
[www.atradius.com](http://www.atradius.com)