

Publication : The Straits Times  
Heading : China, India firms 'offering generous credit terms'  
Date : June 16, 2010  
Circulation : 388,000

## China, India firms 'offering generous credit terms'

■ BY RACHEL AU-YONG

SINGAPORE companies heading to China and India could face more competition from businesses there, which tend to extend generous credit terms to customers.

A new study of 2,000 companies, carried out by international credit insurer Coface in the last quarter of last year, found that more Chinese and Indian companies are offering more attractive credit terms to their clients.

One reason for this is the increased domestic competition. With the financial crisis causing demand for exports to drop, companies in India and China are trying to attract more customers.

These clients, who may be experiencing financial difficulties themselves, are drawn to the longer payment terms.

In China, small but aggressive companies are increasing credit to help lift turnover, creating an extremely competitive environment for small- and medium-sized enterprises from competing countries like Singapore.

Another reason is that companies in India and China are optimistic that their economies will be in full recovery mode by the end of the year.

Such confidence has prompted 56 per cent more companies in China to offer longer credit terms to customers.

However, as these companies battle it out to increase market share, they put themselves at risk of having their customers default on their loans altogether if the economic recovery slows, as many clients are still suffering from the aftermath of the financial crisis.

Payment deferrals in China increased by 55 per cent last year since 2008, while 95 per cent of Indian businesses reported customers who defaulted on payments.

The textile industries in both countries were among the worst hit by defaults, according to the survey.

Mr Jean-Claude Speitel, Coface's regional managing director, warned that companies that follow in the same path of offering such attractive credit terms could be putting themselves at financial risk.

Some companies avoid this problem altogether.

Osim chief financial officer Peter Lee said its retail business in China was a largely cash-based one. "We do not provide credit," he said.