

White Paper  
Visa Cash Flow Visibility Index 2016



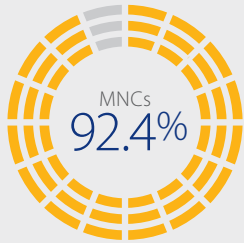
Corporate and transaction banking  
cash management opportunities in Asia Pacific



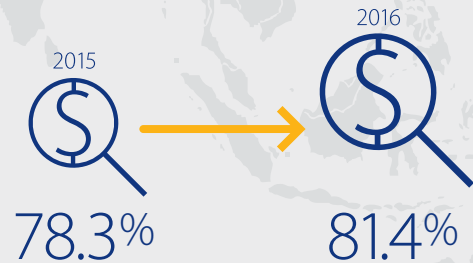
# Highlights of Visa Cash Flow Visibility Index 2016

Research for the 2nd Visa Cash Flow Visibility Index was conducted in the first quarter of 2016. A total of 806 of the top 1,000 revenue ranked corporations across Australia, China Mainland, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and Taiwan were interviewed.

## Improvements in cash flow management and cash visibility



Percentage of company cash that is electronically visible from Enterprise Resource Planning (ERP) systems

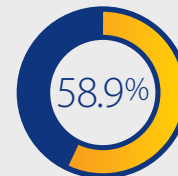


Corporates report year on year improvement in average percentage of total cash visibility from ERP systems

## But serious pain points remain



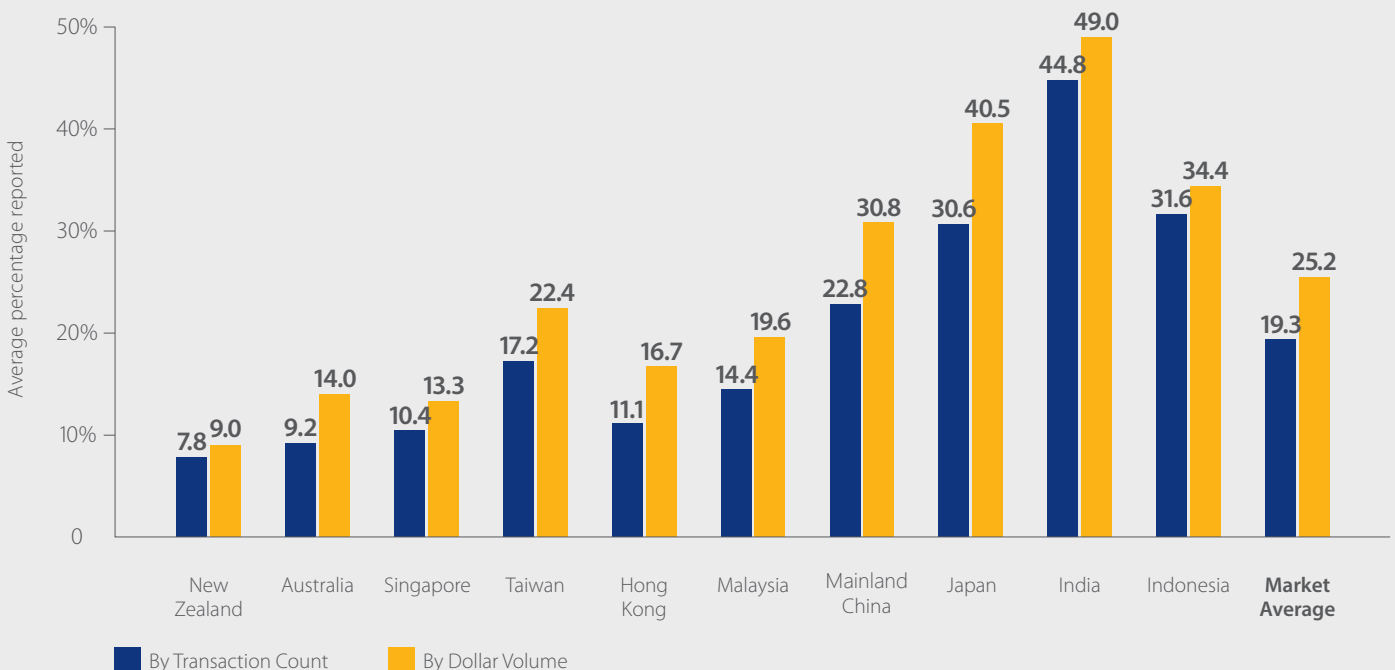
The current payment turnaround time from invoice generation to receiving payment stands at 57 days on average across the region. India is the highest at 72.5 days and New Zealand has the lowest number of days at 43.3.



Nearly six in 10 of the region's corporates report that it takes up to three days before they are able to access received funds. This forces them to lose valuable turnaround time for cash flow management, but many companies feel that they have no option but to abide by the banks' rules.

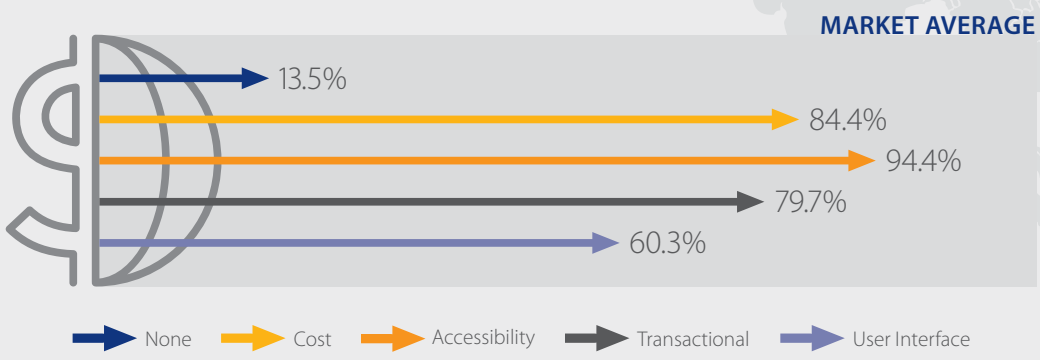
## Extensive use of cheques across Asia Pacific

Manual processes are still prevalent to a surprising extent and the use of cheques remains widespread in many Asian markets.



# Highlights of Visa Cash Flow Visibility Index 2016

## Challenges with international payments



### MARKET AVERAGE

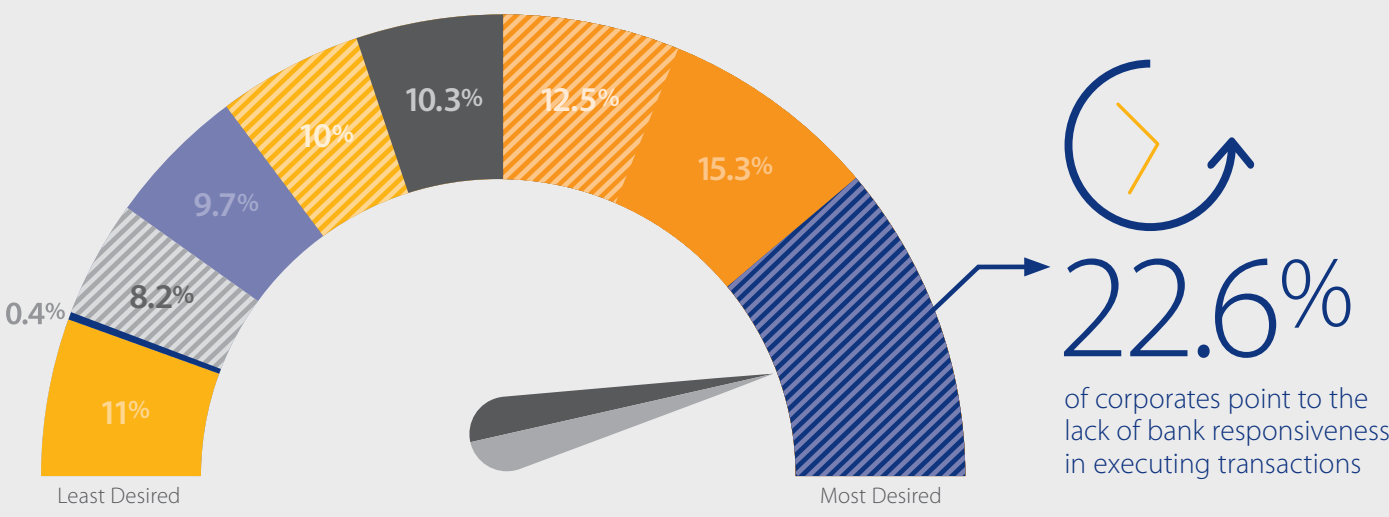
Corporates across all markets face two key challenges with cross border transactions. 94% cite poor accessibility as their top challenge; 84% are dissatisfied with their current processes due to costs such as forex fees and transaction fees. Comparatively, only 13.5% of all respondents encountered no issues with international payments.

## Improving banks' performance

Banks that can improve the service in cash management offering to corporate clients will benefit greatly.

These pain points in cash and payments for corporates are reinforced with results to one "hold-no-punches-question" asked in the research –

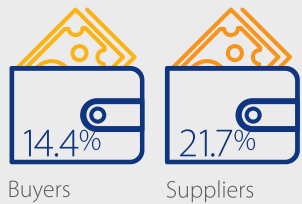
"What is the one big thing you would like to have your transaction bank(s) improve?"



of corporates point to the lack of bank responsiveness in executing transactions

- Nothing specific / platforms working OK
- Others
- Deliver true cross-border, cross-currency payments / receipts capability
- Simply / clarify costs and charges
- Rationalise account sign-on and authorisation structures / change processes
- Improve domestic market coverage
- Greater level of transaction level reporting / analytics
- Improve error detection and fix performance
- Responsiveness generally in executing transactions

The research indicates that many Asian corporates would be willing to pay more if a real time payment solution was offered by their banks. On average, buyers (originators) are ready to pay a 14.4% premium for real time payment solutions, while suppliers (recipients) are willing to absorb a 21.7% premium over current costs to receive payment in real time. These are extraordinary outcomes and reinforce the need for action by payments providers.



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# Introduction

## Welcome to the 2016 Round of Insights

Following the successful launch in early 2015 by Visa Commercial of the Visa Cash Flow Visibility Index (CFVI), subsequent research for Visa by East & Partners Asia (E&P) was executed in March 2016. With manual processes still prevalent to a surprising extent, the study will show that many Asian companies in 10 of the region's key markets still have some way to go in achieving the goals of maximum cash visibility and real time payments.

Over the year since the CFVI launched, the global economic outlook has not improved. A steady decrease from mid-2014 in energy prices – and those of many other commodities – has been a mixed blessing at best for most countries. Inevitably it has dented earnings, forced cost cuts and curtailed investment plans for companies in sectors such as oil/gas and mining. At the same time, the anticipated general economic benefits and boost to corporate earnings in other industries have been less than anticipated. Investors are also jittery; as evidenced by two sharp falls on China's stock markets last summer and again in the opening days of 2016.

Against this backdrop, the Asian Development Bank forecasts GDP growth for Asia of 5.7% this year; slightly less than the 5.9% growth recorded in 2015, largely reflecting an anticipated further slowing of China's growth rate to 6.5%. This could make the region's corporates more cautious in their plans for investing in new technology and automating their systems, making the benefits of improved cash visibility even more compelling.



Banks that can improve the service in cash management offering to corporate clients will benefit greatly. At the same time, competition in the payments market is changing dramatically as some global banks retreat and the disruptive “fintech” sector gathers momentum. We note that the major global banks that have traditionally dominated Asia's corporate banking still rank

## Banks that can improve the service in cash management offering to corporate clients will benefit greatly.

as industry leaders, but their grip is loosening as the region's domestic banks step up their challenge - much as they did during the 2008-09 global financial crisis. For example, early in 2016, Barclays outlined plans to cut jobs and close many of its operations in Asia, with recent hiring patterns indicating that others could follow its lead.

A positive recent development is the Trans-Pacific Partnership (TPP) – one of the most ambitious free trade agreements ever negotiated – which was finally concluded in February 2016 after years of negotiations. The TPP promotes trade between 12 countries: the United States, Canada, Australia, New Zealand, Mexico, Chile, Peru, Japan, Malaysia, Singapore, Vietnam and Brunei.

Many Asian companies will have access to a bigger market geographically when the TPP takes effect, increasing their need for full cash visibility. Banks that are able to offer them simple cross-border, cross-currency payments platforms that assist corporate treasury departments in meeting their cash management goals are poised to win significant long-term business.

While the first CFVI created insights around the issues facing corporates, the current CFVI focuses on transaction banking solutions provided by banks and their effectiveness in meeting corporate needs.





# Cash flow and risk management

Improvement in reported cash visibility but some challenges remain

“The inability of our combined internal systems and bank platforms to generate a same-day view of all our cash positions and balances is a major pain point for me as Group Treasurer.”

Indonesian Resources Conglomerate

The 10 Asian markets involved in the research are: Australia, China Mainland, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and Taiwan.

The findings offer several surprises. Namely:

- Unfounded perceptions that multinational corporations (MNCs) and complex businesses have less cash flow visibility than domestic and regional companies. Many assume that MNCs are more complex due to their global reach, larger headcounts and spread out resources, while small and medium-sized enterprises (SMEs) are nimbler operations that restrict their focus to regional or domestic markets. However, the reality is that Asia’s larger corporates, including MNCs, enjoy greater cash visibility than their smaller counterparts, have greater awareness of their current position and can react faster to market changes.

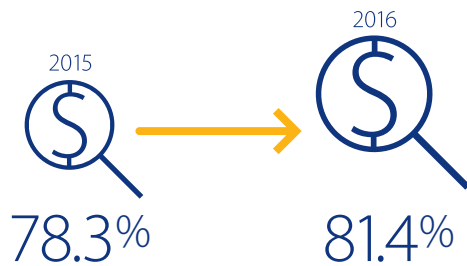


Percentage of company cash that is electronically visible from ERP systems

- Australian corporates have the highest level of reported cash visibility at 94.7% – giving them the advantage of being able to quickly consolidate a full set of cash flow analytics sent from their regional offices.



Australia reports highest level of cash visibility while Indonesia’s average of 59.3% is the lowest



Corporates report year on year improvement in average percentage of total cash visibility from ERP systems



Less than 10% of corporates are able to report an intra-day consolidated regional cash flow forecast

Technological transformation of Asia corporate treasury departments still lags behind their peers in North America and Europe.

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- For the region as a whole, corporates report an average 81.4% of total cash being visible from their ERP systems, an increase from the first CFVI (78.3%). Whilst this leads to some improvement in cash flow reporting, barely one in 10 (9.9%) regional corporates are able to report an intra-day consolidated, regional cash flow forecast.

Typically, internal functions are not optimised to produce consolidated results, despite the information being at hand.

This partly reflects the fact that technological transformation of Asia corporate treasury departments still lags behind their peers in North America and Europe. More than half of the companies surveyed had yet to install a treasury management system (TMS) and many of those that had invested in a TMS only used its most basic functions.

Despite the “fintech” disruptions in the payments world today, banks still offer an important and unique value proposition to their customers, given that the average number of banks used by corporates continues to rise along with the number of corporate staff needed to manage the AP/AR and MIS functions.

# The business of payments

## The continued lack of automation



Compared to many other major world economies, payments processes in much of Asia are still slow.

“Our AP/AR functions are still way too cumbersome and clunky to deliver real time visibility over our cash holding for anyone’s liking.”

Taiwan Semiconductor Manufacturer



### Singapore

The Visa CFVI found that Singapore corporates typically take an average of 9.1 hours for each payment run, which in turn takes place every 3.5 days on average.



### Regional

Across all corporates in the region, six in 10 bank payment transactions are automated, a measure showing improvement over 2015 (59.4%).



### Taiwan

Only around half of its Top 100 corporates have same-day access to funds received, while the other half must wait up to three days before any application of those funds can be made.



### India

Only 13.7% of its Top 100 corporates use electronically automated bank payments internally.



# Improving banks' performance

## Serious pain points remain for Corporates

Asian corporates regard the transaction banking services currently offered as inadequate in a number of respects.



73%

of regional corporates see the accuracy of transactions and relatively high error rates experienced in their transactional banking services as their number one issue



54%

are frustrated by the speed of error rectification and re-execution of missing transactions



53%

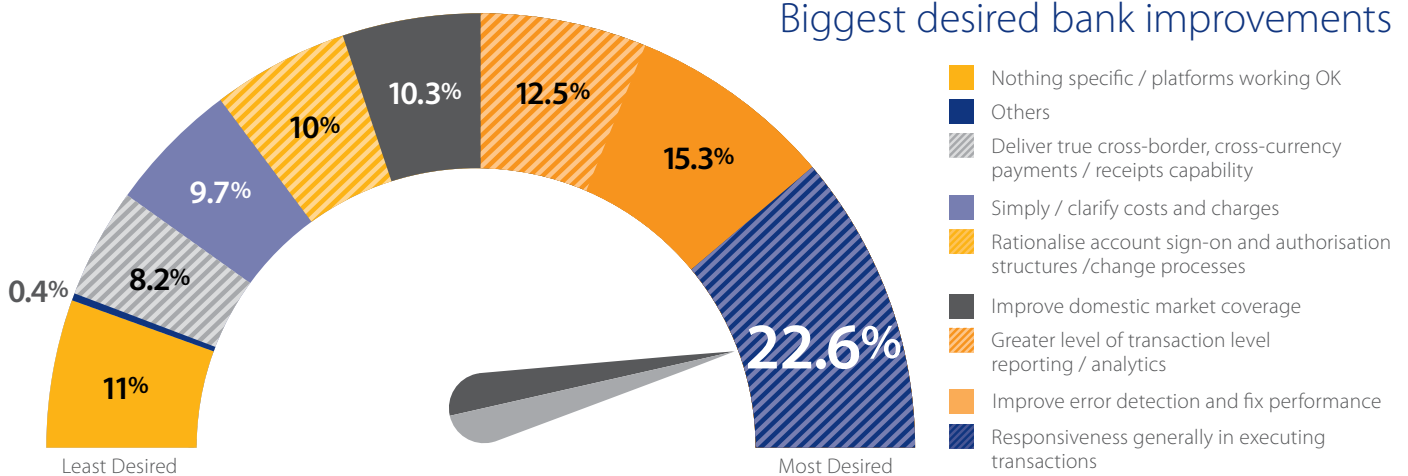
state that the cumbersome handshakes and sign-offs that are required by banks for individual payment runs slow down the payment process

These pain points in cash and payments for corporates are reinforced with results to one "hold-no-punches-question" asked in the research –

"What is the one big thing you would like to have your transaction bank(s) improve?"



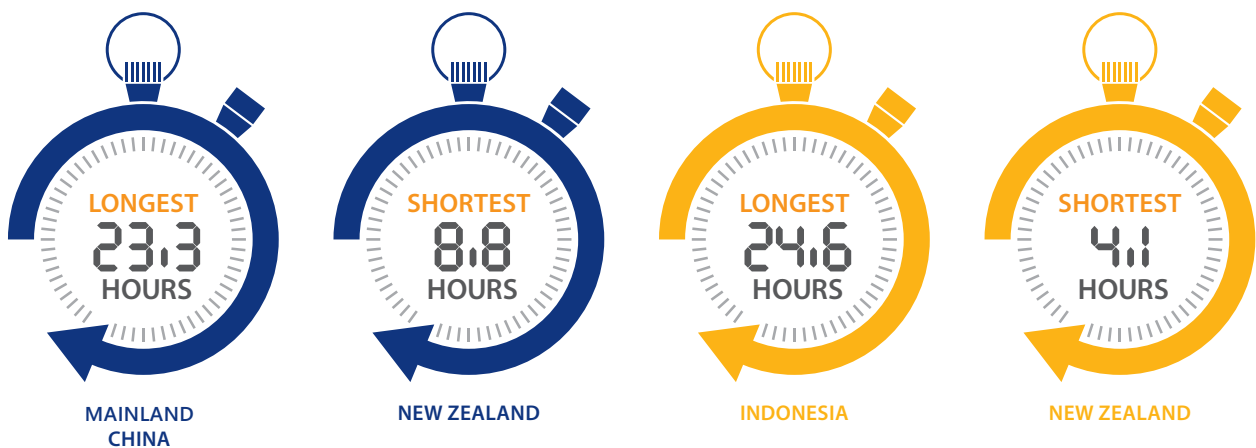
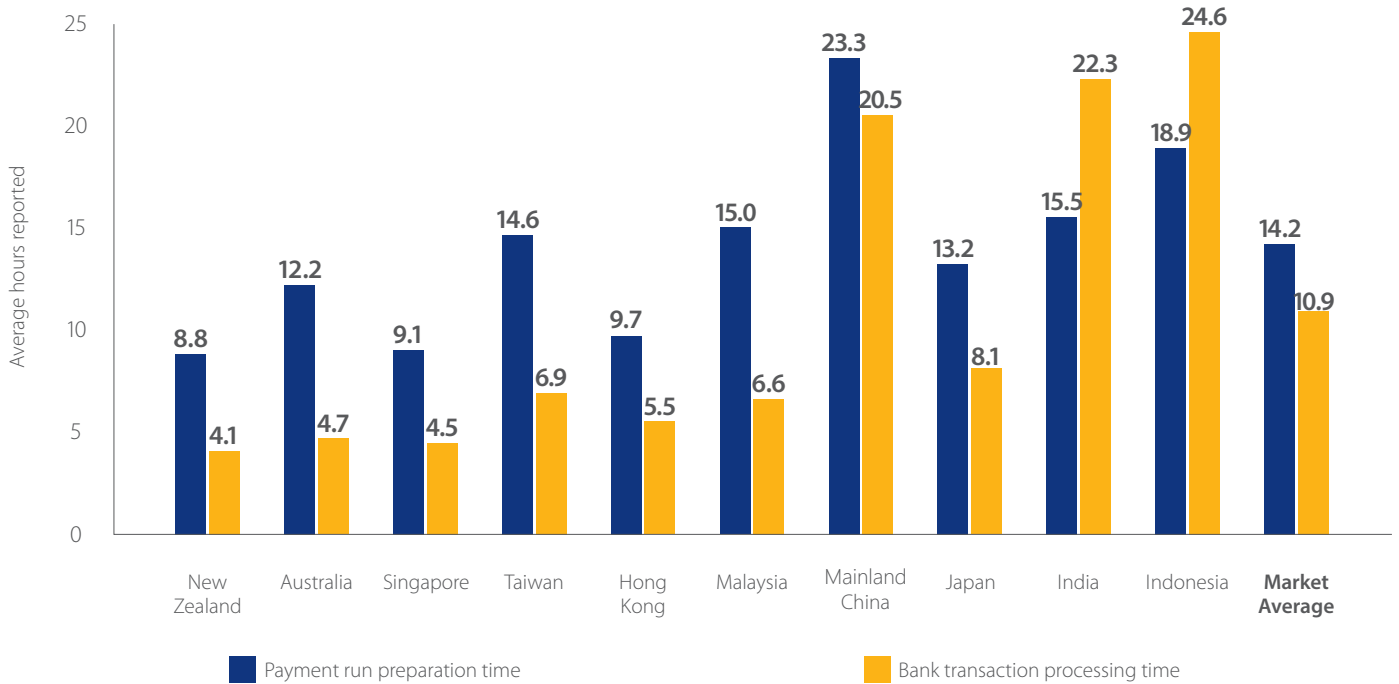
### Biggest desired bank improvements



Almost 23% of corporates cite responsiveness in executing transactions as their biggest desired bank improvement. Others would like to see their banks be more vigilant with detecting errors and fixing performance issues, as well as improve the quality of transaction level analysis.

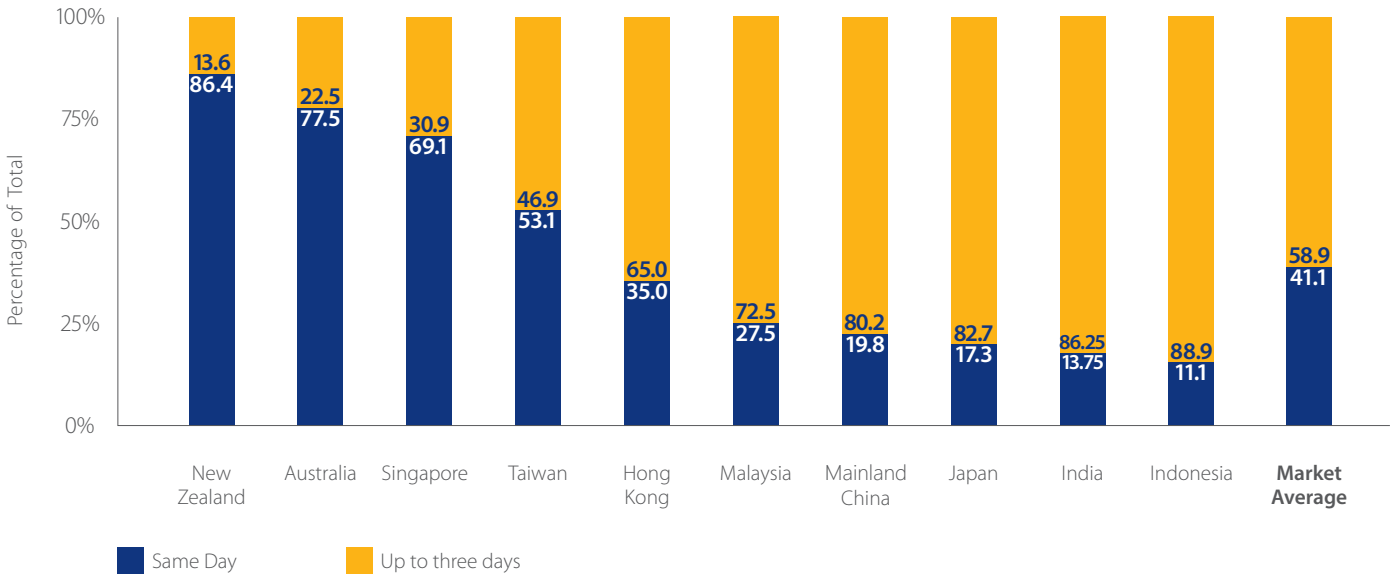
## Preparing for payments vs banks' processing time

Corporates typically take an average of 14.2 hours to prepare each payment run internally, and banks then take 10.9 hours to process the transaction from instruction to execution confirmation.



Banks in Indonesia and India take **5 times longer** to process transactions – from client instruction to execution confirmation – than banks in New Zealand and Singapore. The lack of efficiency negatively impacts the corporates and their cash flow capabilities.

# How long does it typically take for you to access received funds?



**58.9%** Nearly six in 10 of the region's corporates report that it takes up to three days before they are able to access received funds. This forces them to lose valuable turnaround time for cash flow management, but many companies feel that they have no option but to abide by the banks' rules.

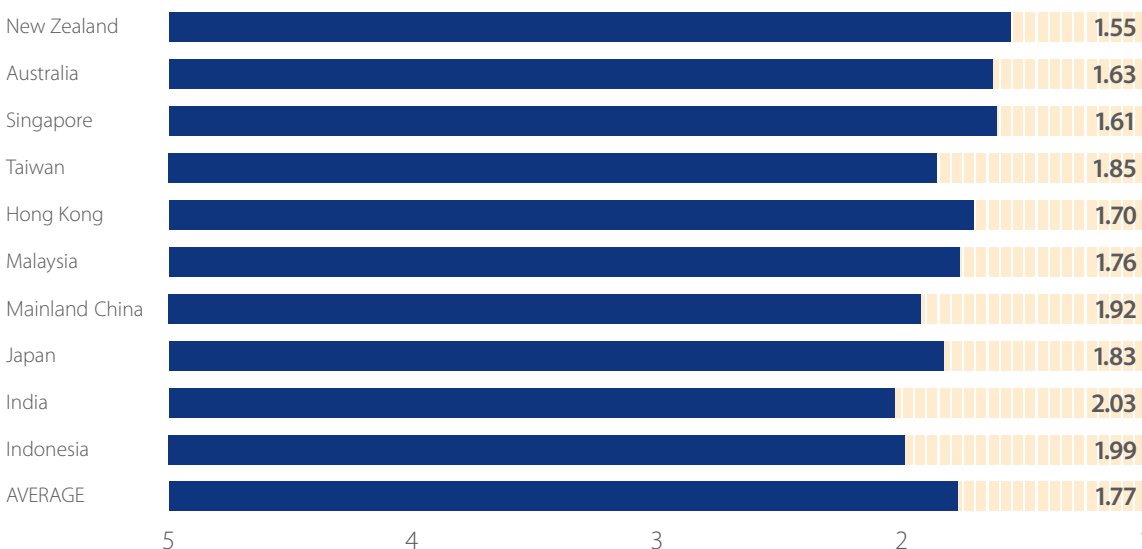
**86.4%** The majority of New Zealand's corporates report that they have access to received funds same day, due to a relatively high level of electronic payment adoption.

**8%** Hong Kong is among Asia's most dynamic economies, yet only eight of the 100 Hong Kong corporates surveyed were able to report a consolidated cash flow forecast instantly, or intra-day.

**7.2%** Manual checking is still prevalent, pushing up costs and inefficient staff deployment. As many as 7.2% of payments transactions require manual intervention by corporates, with the figure correlated closely with how many accounts payable and accounts receivable (AP/AR) staff are employed.

# How would you benefit from receiving additional data with each transaction?

All markets unequivocally agreed that they would significantly benefit as additional transactional data would provide them with greater spend visibility, data analytics and allow them to automate processes such as General Ledger allocation and reconciliation.

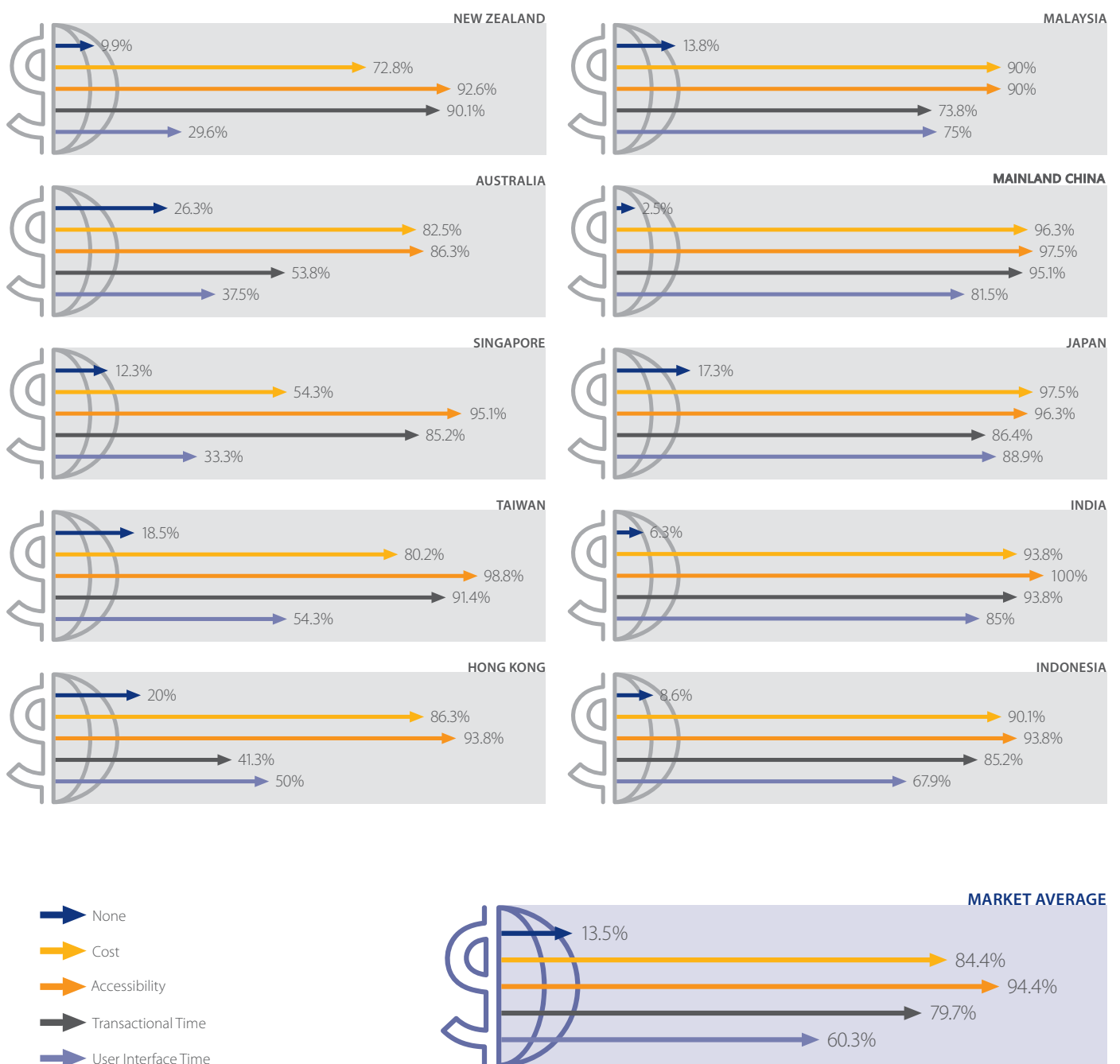


1 = Major Benefit  
5 = No Benefit

## Challenges with international payments

Corporates across all markets face two key challenges with cross border transactions.

- 94% cite poor accessibility as their top challenge. Corporates want to be able to access payment systems and manage transactions at any time of the day.
- 84% are dissatisfied with their current processes due to costs such as forex fees and transaction fees. Singapore is comparatively the anomaly with 54% looking at costs as an issue but 85% state that transactional processing time could be improved.
- Comparatively, only 13.5% of all respondents encountered no issues with international payments.





The lack of efficiency in many banks' transaction processes negatively impacts corporates and their cash flow capabilities.

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# Real time payment solutions

Corporates willing to pay a premium to both receive and pay in real time

“Too much modelling and manual massaging is required to generate our cash flow forecasts and not enough live data.”

Indian Industrial Manufacturer



“We’ve had several attempts at rationalising this that have so far all failed to really deliver.”

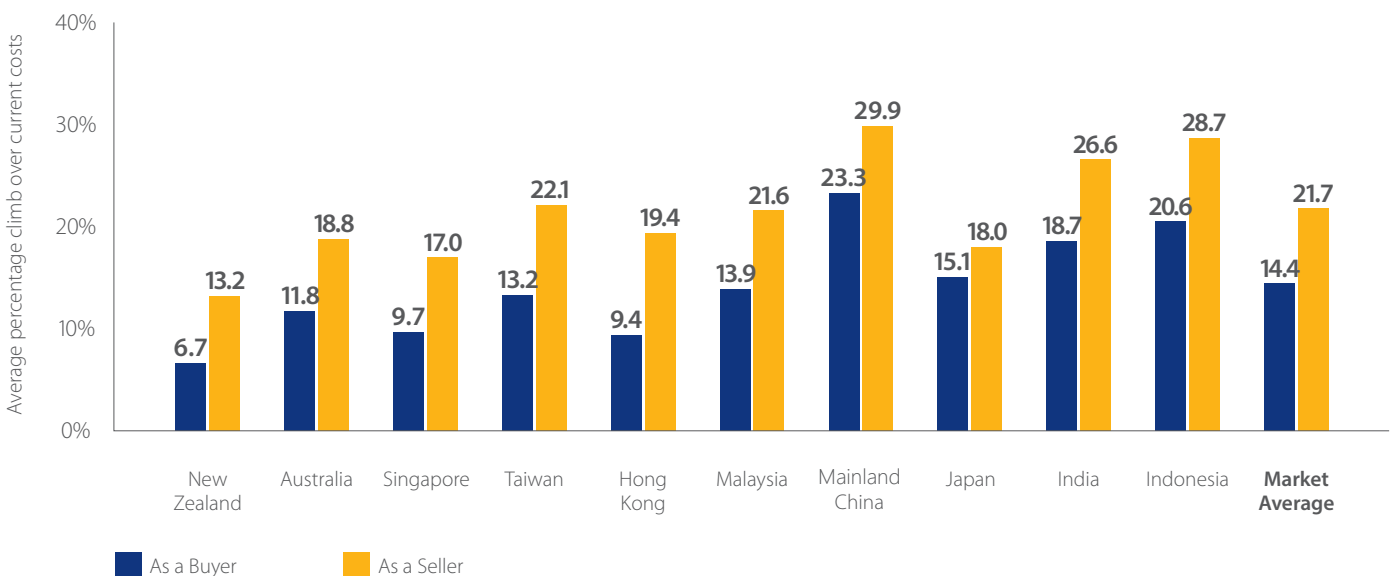
European Manufacturer with extensive Mainland China investments



Although many Asian companies are still deficient in their cash visibility, corporates’ bank accounts and their relationships are steadily becoming more complex. This is, in large part, a response to the need to support the geographical growth of their business and cross-currency cash management requirements in a wide mix of regulatory environments.

- Higher levels of automation would have major and direct benefits in making payment runs more frequent, with faster cycles processing lower volumes in each run. Most corporates fully appreciate the benefits of enhanced cash flow capabilities and improved cash balance availability derived from the ability to send and receive payments real time; their pain points lie in being able to execute this.
- The research indicates that **many Asian corporates would be willing to pay more** if the service was offered. **China’s corporates**, for example, **would typically pay 30% more for the ability to receive payments sooner, while Indonesian corporates are ready to pay 20% more for real time capability**, relative to their current transaction banking cost base.

How much more is your organisation willing to pay to make and/or receive payments in real time?

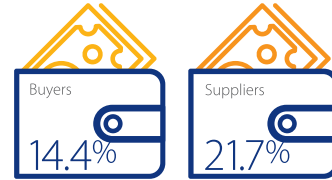




## Suppliers are willing to absorb a 21.7% premium over current costs so they can get paid more quickly

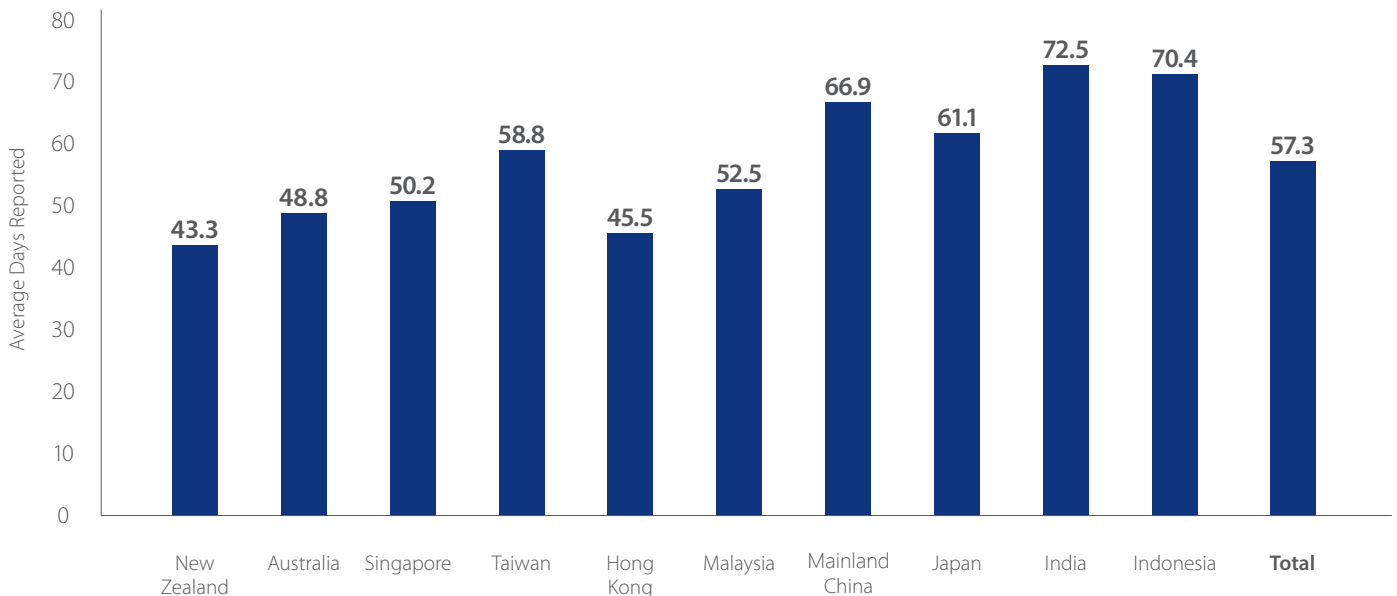
For the 10 Asian markets covered, on average buyers (originators) are ready to pay a 14.4% premium for real time payment solutions, while suppliers (recipients) are willing to absorb a 21.7% premium over current costs to receive payment in real time. These are extraordinary outcomes and reinforce the need for action by payments providers.

- Suppliers benefit from real time payments as it enhances their cash flow capabilities, improves their cash balance availability and supports risk management in transactional flow.
- However, the research shows that the current payment turnaround time from invoice generation to receiving payment stands at 57 days on average across the region, with India reporting the highest days outstanding of 72.5 days.



Average premium that buyers and suppliers are willing to pay for real time payment and access to funds

## What is your current turnaround time from invoice generation to receiving payment?



# Continued paper payments, AP/AR processes and payment terms

The cheque remains alive and well in some jurisdictions

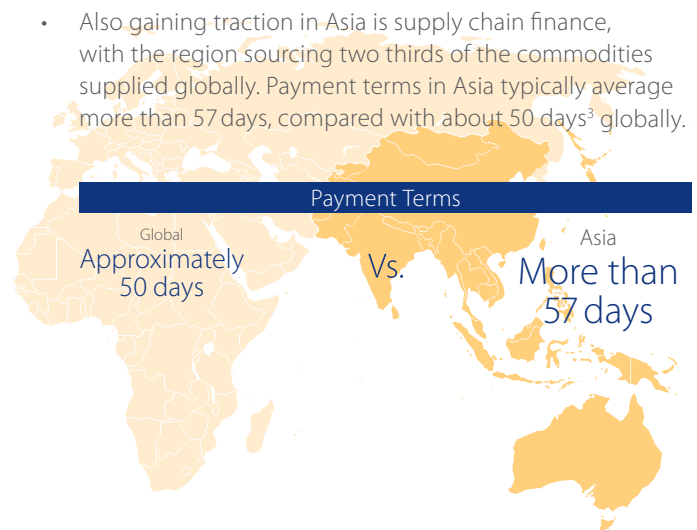
Corporates would welcome alternative solutions enabling them to steadily phase out aged processes and reporting, however the use of manually signed cheques<sup>2</sup> is still dominant across many markets. The research reveals that cheques hold dollar volumes larger than their transaction volumes.

- The level of security and complex authorisation that is applied when signing off on certain kinds of payments is reported as a major reason for the continued use of cheques.
- Other reasons include poor online infrastructure, usage for higher value payments, and cheque payments linked to certain transactions and contracts.
- To a lesser extent for some corporates, cheque usage had become habitual while others were in the process of converting their payment flow processes.

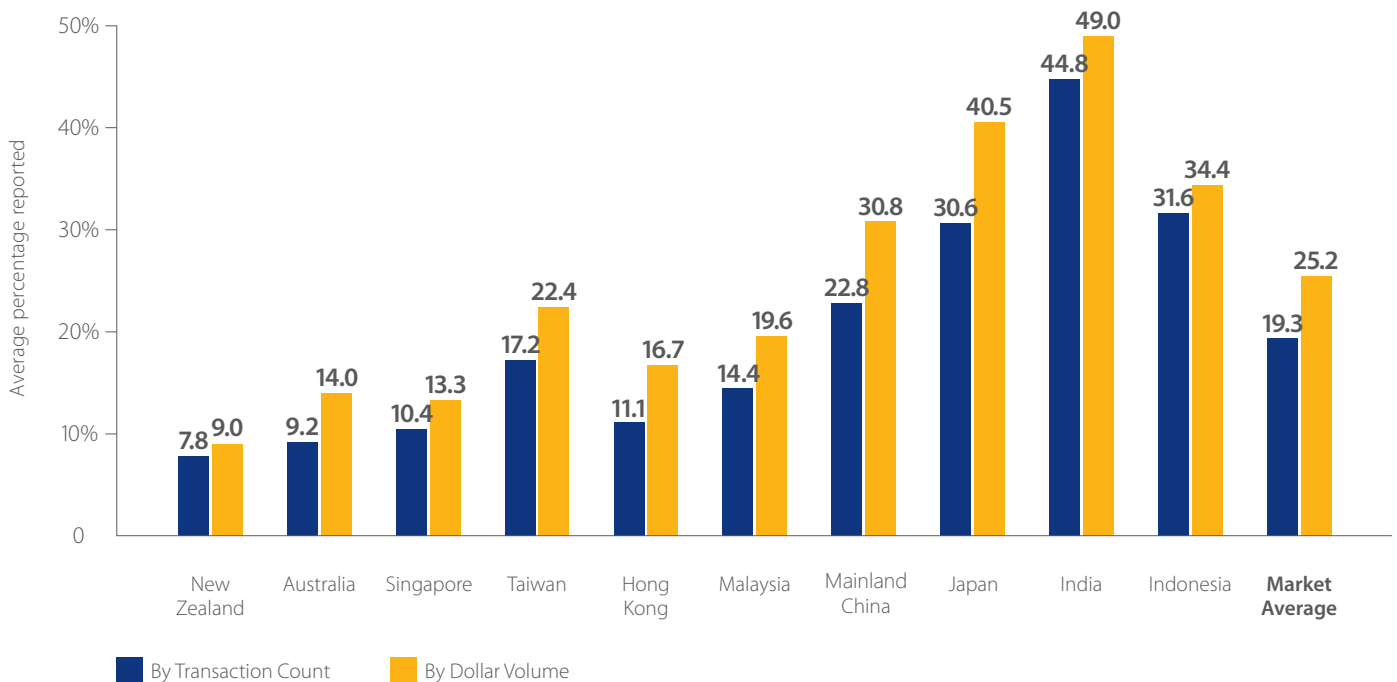


Three in 10 transactions still made by cheques for companies in Japan

- In India where 45% of transactions are still paid by cheques, there is strong correlation between the high level of manual payment processes and high number of days outstanding.
- Significant opportunity is offered in Malaysia, where around half of the corporates need to invest to enhance their Accounts Payable and Accounts Receivable (AP/AR) processes and have currently them up for review over the coming 12 months.
- Also gaining traction in Asia is supply chain finance, with the region sourcing two thirds of the commodities supplied globally. Payment terms in Asia typically average more than 57 days, compared with about 50 days<sup>3</sup> globally.



## Payments made by cheques



<sup>2</sup> "Cheques" in this instance include Promissory Notes, Bank/Cashier Cheques and other forms of manual, paper based payment mechanisms

<sup>3</sup> Source: East & Partners, Global Corporate Research Platform

# Conclusion

Visa is well placed in helping banks and their large corporate customers “close the gap” with both parties gaining considerable business benefit in the process; laying the foundation for long-term, mutually successful business relationships. The Visa platform solution should prove a comfortable fit with the bank’s operations, without the need for them to re-engineer extensively.



The rewards are considerable for banks that are ready and able to assist Asian corporates with:



enhancing their electronic payment solutions



speeding up payment processes and reducing the waiting time for suppliers to receive payment



replacing cheque usage with electronic payment solutions



improving cash visibility



forecasting accurately cash positions cross border



improving working capital for corporates through effective utilisation of existing credit lines

The research confirms that enhanced fee and transactional revenue is available to those banks able to close the gaps on customers’ desired improvements; even more so for receivables. It is clear that electronic payments can enhance corporates’ cash flow capabilities and help suppliers to receive payments sooner. With the above given information, some pertinent questions should come top-of-mind for corporates who are constantly finding solutions to improve their cash flow visibility.

- Where are today’s pain points in cash and payments across Asia’s corporate landscape?
- What are the current benchmarks in transaction execution and what should they be?
- Just how complex is today’s corporate cash management behaviour, how many banks, how many accounts, how costly is the corporate AP/AR function?
- How much cash visibility is automated with clear line of sight?
- The pain incurred in forecasting cash positions – what is the benchmark?
- What are today’s payment-transacting practices for corporates?
- How long is it taking to prepare and execute payments runs?
- What are the impacts on working capital and access to funds?
- How are corporates financing their trade flows in the region?

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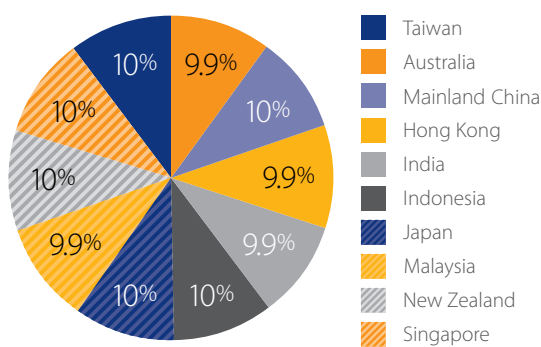
# Index Methodology

Visa conducted the 2016 Cash Flow Visibility Index to better understand challenges that organisations face with managing cash flow, enhancing visibility of their cash, improving cash forecasting and engaging with their transaction banking partners and their cash solutions. The research was carried out by industry analysts East & Partners Asia and specifically assessed real levels of cash visibility, electronic footprint, payments and real time payments of companies in different markets and industries across Asia Pacific.

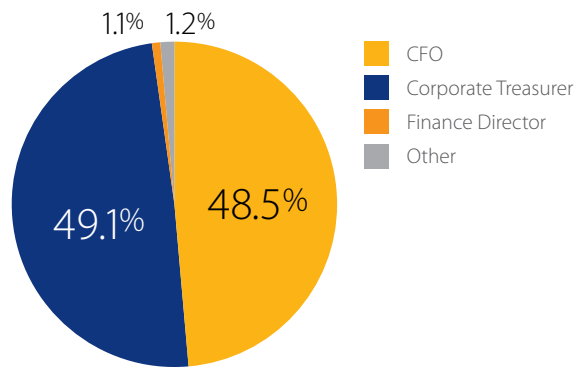
The fieldwork for this second round of the Visa Cash Flow Visibility Index took place in the first quarter 2016. A total of 806 of the top 1,000 revenue ranked corporations (based on secondary data sourced by East & Partners) across ten markets in the region participated. All enterprises were interviewed on a direct basis using structured interview questions.

The markets comprised six from the first round: Singapore, Australia, India, Japan, Hong Kong and Malaysia, with the addition of China Mainland, Indonesia, New Zealand and Taiwan for the second round of research.

## Market Distribution



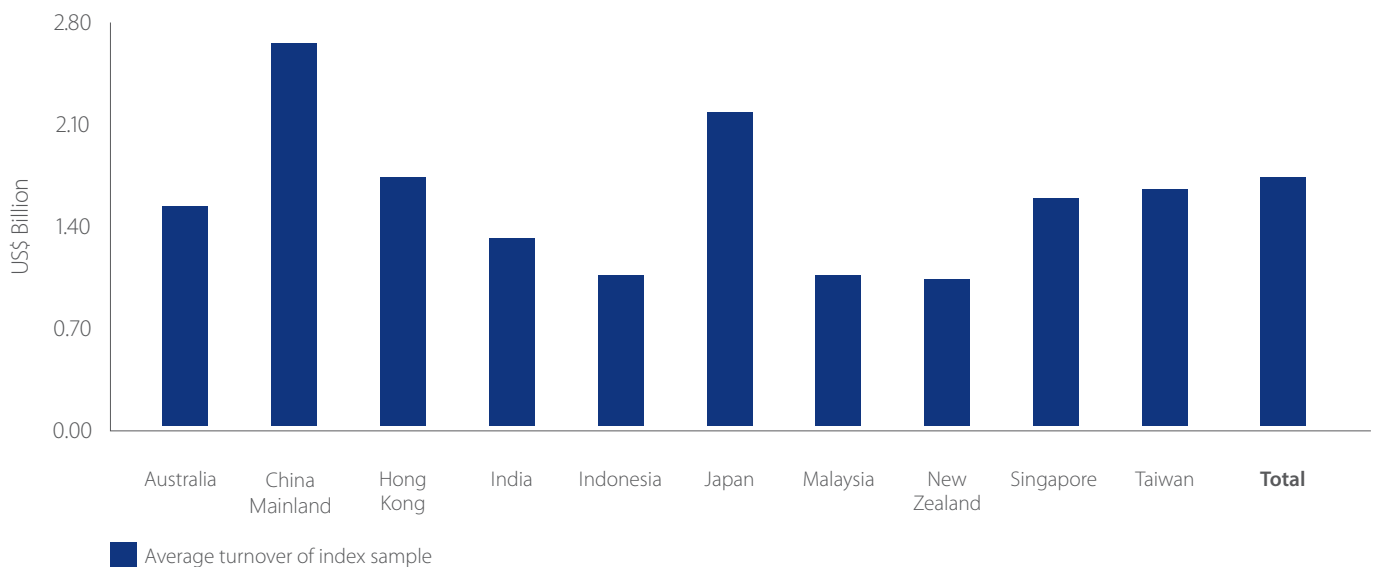
## Interviewee Distribution



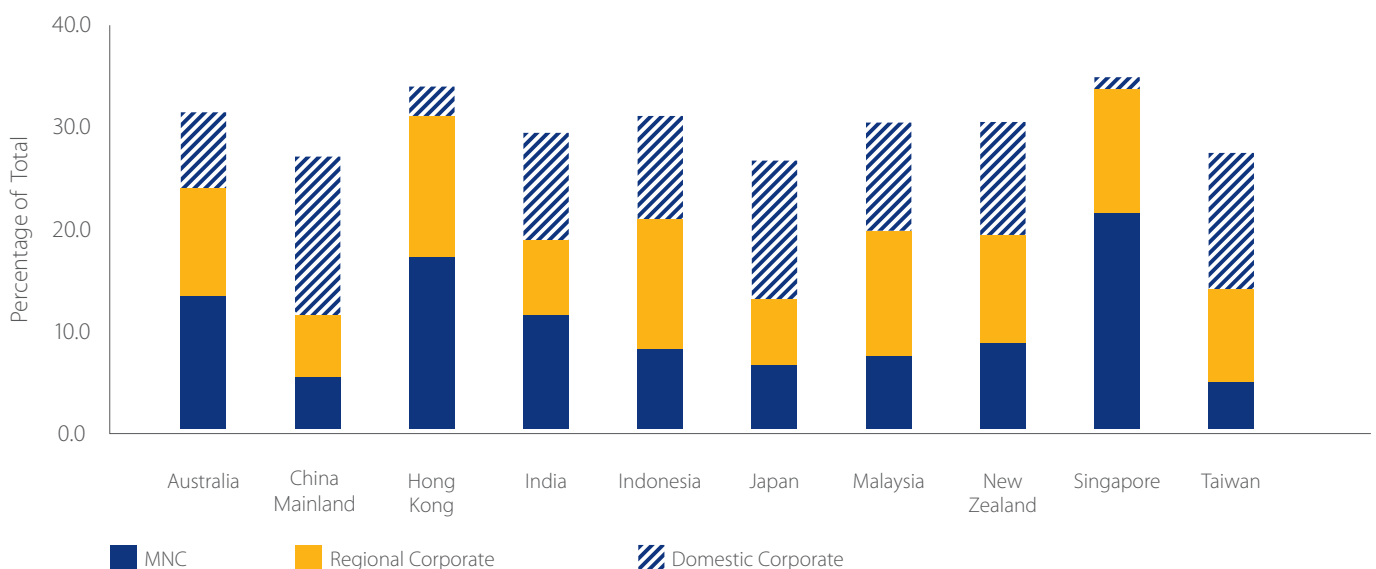
Industry Sector Distribution	Percentage of Total
Agriculture, Forestry, Fishing	5.2
Mining & Resources	8.6
Manufacturing	19.2
Electricity, Gas & Water	1.4
Construction	8.4
Wholesale	8.6
Retail	12.2
Accommodation, Cafes & Restaurants	2.6
Transport & Storage	7.6
Media & Telco	1.4
Finance & Insurance (non-banks)	4.2
Property & Business Services	11.5
Personal & Other Services	9.2
<b>TOTAL</b>	<b>100.0</b>

Note: Banks are specifically excluded from the Finance & Insurance sector coverage

## Average turnover of index sample



## Structure of index sample



Visa is a global payments technology company that connects consumers, businesses, financial institutions, and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. We operate one of the world's most advanced processing networks – VisaNet – that is capable of handling more than 56,000 transaction messages a second, with fraud protection for consumers and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for consumers. Visa's innovations, however, enable its financial institution customers to offer consumers more choices: pay now with debit, ahead of time with prepaid or later with credit products. For more information, visit [www.visa.com](http://www.visa.com).

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