



Navigating the Evolving Landscape of Invoice Financing: Key Trends and Insights

In the dynamic world of finance, invoice financing has emerged as a crucial tool for businesses seeking to optimize cash flow and maintain financial stability. As we head into the final stretch of 2023, companies, financial professionals, and investors must stay informed about the latest trends and insights in invoice financing.

In this newsletter, we will explore the key developments that are shaping the industry.

1. The Rise of Technology-Driven Platforms:

Over the past few years, the invoice financing sector has experienced a significant transformation thanks to technology. Online platforms and fintech companies have made it easier for businesses to access invoice financing. These platforms offer streamlined processes, faster approvals, and real-time access to funds. As a result, small and medium-sized enterprises (SMEs) are increasingly turning to online invoice financing providers to bridge their cash flow gaps.

2. Sustainability and ESG Considerations:

Environmental, Social, and Governance (ESG) factors have become a driving force across industries, including finance. Investors and businesses are increasingly seeking financing options that align with sustainability goals. Invoice financing providers are responding by incorporating ESG criteria into their operations, which can affect the terms and cost of financing. Understanding how ESG factors impact your financing options will be crucial going forward.

3. Growth in Supply Chain Finance:

Supply chain finance, a subset of invoice financing, is gaining prominence. This type of financing allows businesses to optimize their entire supply chain by offering early payment options to suppliers. As enterprises focus on enhancing efficiency and reliability in their supply

chains, supply chain finance is becoming essential.

4. Regulatory Changes and Compliance:

As the industry evolves, it is subject to increasing scrutiny and regulatory changes. Staying informed about legal requirements and compliance standards is essential. Many countries are introducing regulations to ensure transparency, fair practices, and protection for businesses seeking invoice financing. Understanding these changes is crucial for companies engaging in cross-border trade and finance.

5. Data-Driven Decision-Making:

With the rise of big data and advanced analytics, businesses use data-driven insights to make informed decisions about invoice financing. A significant advantage is the ability to predict cash flow needs, assess risk, and optimize financing terms based on data. Effectively utilizing data can lead to better financial management and more strategic decision-making.

6. Global Economic Uncertainties:

The global economic landscape is continually evolving. Factors like inflation, geopolitical tensions, and supply chain disruptions can impact the need for invoice financing. Staying attuned to these macroeconomic trends will help businesses adjust their financing strategies as needed.

The world of invoice financing is in a state of constant evolution. Keeping a close eye on these industry trends and insights will empower businesses to make informed financial decisions and adapt to changing market conditions. By embracing technology, ESG considerations, and innovative financing models, companies can navigate the ever-shifting landscape of invoice financing more successfully and sustainably.

HOW TO GET CUSTOMERS WHO PAY ON TIME

“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”-- Ayn Rand

Before banks extend credit, they undergo a due diligence process to ensure the applicant can repay the debt. When you sell on credit and extend 30/60/90-day terms, you practically lend money as part of the trade finance industry. Assessing creditworthiness should also be applied in this sector, but that is unfortunately not the norm. As a result, it is too familiar for companies to find themselves with bad debts and losses on their invoice receivables.

In this month's InfoPays, we are listing a few suggestions that you can implement in your business to ensure that you minimize any losses when selling on credit:

1. Check trade references.

When extending credit to customers, it is important to check the customer's trade references. This helps assess the customer's ability and willingness to pay and can help you make an informed decision. Checking references is a simple process that takes only a few minutes, but it can save you time and money in the long run.

When checking references, contact both current and past trade references to get a better understanding of their payment history. Ask questions about how long they have been doing business with the customer and their payment record. In addition, you should ask if there are any past due payments. This can give you an indication of how reliable the customer is when it comes to timely payment.

2. Research the company.

When offering credit to customers, a business must take the time to research each customer's credit history. This will help them determine whether the customer is a reliable borrower and if they can repay the loan. By taking this step, businesses can decide how much credit to extend and the repayment terms.

3. Access credit agencies' data.

Finally, you should also consider running a credit report through companies like DnB, Equifax and TransUnion. This allows you to verify the customer's credit history and get an overall picture of their financial standing. A credit report can provide you with more robust information, such as payment history and any public records that may be associated with the customer.

Our current clients can access the IPS Payment Index (PI) free of charge. Through dealing with thousands of companies across North America, the IPS PI provides the average Days Sales Outstanding (DSO), or the average number of days a company takes to pay its receivables. We encourage anyone seeking to extend credit to a new customer to check with us for information from our growing database as this can offer some information about a company's credit standing. A PI of 120 days will at the very least give you an alert, whereas a PI of 36 days will provide you with the much-needed reassurance to go ahead with the opportunity.

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