



MARKET TRENDS AND INSIGHTS IN INVOICE FINANCING

As we move into the latter half of 2024, the invoice financing industry continues to evolve in response to global economic conditions and technological advancements. Here's a look at the current market trends and insights shaping the landscape.

Increased Demand from SMEs

Small and medium-sized enterprises (SMEs) are increasingly turning to invoice financing as a reliable solution for cash flow management. With ongoing economic uncertainties, many businesses face delayed client payments, making invoice financing a critical tool to maintain liquidity and sustain operations.

Technological Integration

Integrating advanced technologies like artificial intelligence (AI) and blockchain transforms the invoice financing industry. AI-powered platforms are improving the accuracy of credit assessments, while blockchain technology is enhancing transparency and security in transactions. These innovations streamline processes and reduce the risk of fraud, making invoice financing more accessible and efficient.

Sustainability and ESG Factors

Environmental, Social, and Governance (ESG) factors are becoming increasingly important in the financial sector. Companies are now considering the sustainability practices of their partners and clients. Invoice financing firms that incorporate ESG criteria into their assessment processes are gaining a competitive edge, attracting more clients who are committed to responsible business practices.

Economic Outlook

Impact of Interest Rates

With central banks around the world adjusting interest rates to combat inflation, the cost of borrowing fluctuates. Businesses need to stay informed about interest rate trends, as they directly affect the price of invoice financing. Companies with flexible financing solutions are better positioned to navigate these changes.

Global Trade Dynamics

Changes in global trade policies and supply chain disruptions continue to impact businesses across various industries. Companies engaged in international trade rely on invoice financing to bridge the gap caused by extended payment terms and logistical delays. Keeping an eye on trade developments is crucial for businesses to anticipate and mitigate potential risks.

How Businesses Can Prepare

Diversify Financing Options

To mitigate the risks of potential economic fluctuations, businesses should diversify their financing options. Combining invoice financing with other financial tools like lines of credit or business loans can provide a more stable financial foundation.

Leverage Technology

Embracing technological solutions can enhance the efficiency of invoice financing operations. Investing in AI-driven platforms and blockchain technology can not only streamline processes but also provide valuable insights into financial health and market trends.

Focus on ESG

Incorporating ESG considerations into business strategies can attract a range of clients and investors. Businesses that prioritize sustainability and ethical practices are likely to benefit from increased trust and long-term partnerships.

Conclusion

The invoice financing industry is undergoing significant changes driven by technological advancements and evolving market conditions. By staying informed about current trends and economic outlooks, businesses can better prepare for the future and leverage invoice financing as a strategic tool for growth and stability. As we progress through 2024, the ability to adapt and innovate will be key to navigating the complexities of the financial landscape.

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.

Created by the IPS Business Owner Success School (BOSS) 



**Guarantee your
liquidity within
8 business hours**