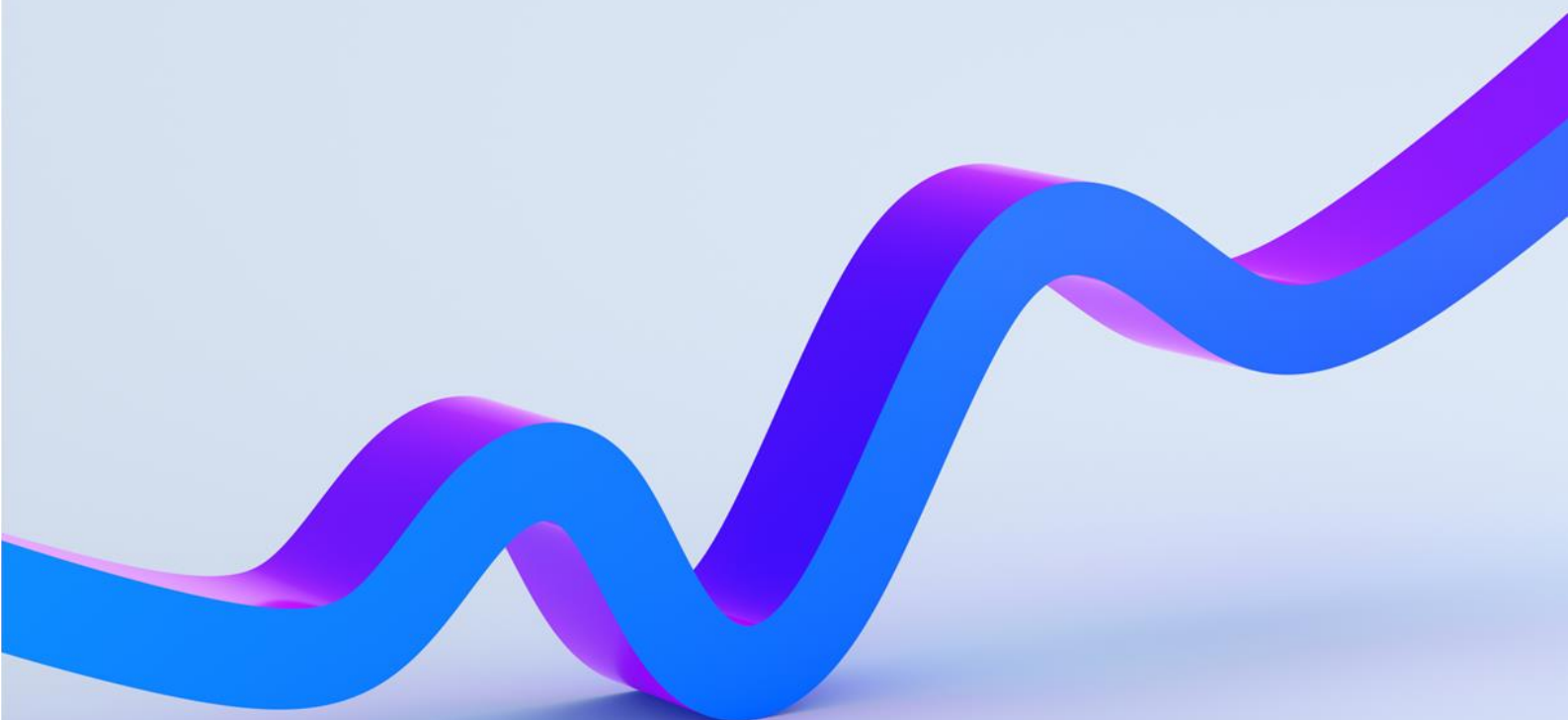


# The demand for factoring and invoice fintech

A survey on Italian businesses





# Executive Summary

The Italian Factoring Association, Assifact, in collaboration with KPMG, conducted a survey regarding the demand for factoring services among a sample of 106 Italian companies, distributed throughout the entire national territory. The composition of the sample is balanced between small and medium-sized enterprises and corporate enterprises, with a greater concentration in the northern region and in the industrial and service sectors.

The study investigated the "needs" of the interviewees, the perceptions of businesses regarding factoring and alternative instruments, delving into the usefulness of resorting to factoring, the quality of the services and the expected/perceived service levels, the relationships with intermediaries, the benefits obtained from using factoring, and comparisons with competing and/or complementary instruments (such as bank lending).

The trade receivables of the interviewed companies are collected within 90 days in over 50% of cases in the domestic market. The average payment times for accounts payable, also in the domestic market, generally appear faster, with 50% of companies stating they pay suppliers within 60 days (82% within 90 days). According to the interviewed companies, trade credit primarily represents a means to establish an ongoing relationship with counterparts and secondarily a way to synchronize incoming and outgoing flows. Working capital-related needs resulting from the provision of trade credit mainly remain anchored to the "primary" needs of the supplying company, such as ensuring liquidity and avoiding bad debts.

Integration of company systems with one or more platforms offered by individual financiers is common in the active working capital cycle, while the percentage of companies resorting to such platforms on the passive cycle is still limited. There is a significant interest among companies for a unified platform allowing access to various financiers and/or forms of working capital support.

According to the respondents, factoring primarily serves as a complementary financing form to bank lending and a way to optimize working capital, eliminating receivables from the balance sheet (more significantly for medium and large enterprises). It also serves as a guarantee for the successful completion of trade credits (more relevant for small enterprises). Currently, 85% of the companies included in the sample use factoring, and among those who do not, 63% consider it for the future.

It's evident that the interviewed sellers maintain a lasting and repetitive relationship with factoring, although not exclusive, with receivables (including future ones) being transferred in bulk and frequently rotated. Factoring is mainly utilized on a without recourse basis (78%) and often under a "maturity" agreement (59%).

In terms of usage experience and satisfaction levels with solutions supporting working capital, factoring shows particularly high approval ratings, surpassing other investigated solutions. The interviewed companies are also satisfied with bank invoice advances and participation in Supply Chain Finance programs, although with slightly lower levels of approval.

The profiles of greater satisfaction with respect to factoring involve:

- 1) Speed and security in the disbursement of funds.
- 2) Guarantee of the successful collection of the company's receivables.
- 3) High professionalism of the factor in credit management.

Among the main factors contributing to high customer satisfaction in their relationships with factors, the rate of technological evolution of the services offered is also significant. In the average judgment of businesses, it is superior compared to banks and even alternative finance providers. In this perspective, companies particularly appreciate the intuitiveness of the platforms offered by factors.

Regarding the expectations of the interviewed companies, the most significant gaps in terms of satisfaction in using factoring are:

- 1) The overall cost of the service.
- 2) The actual reduction of internal management costs.
- 3) The degree of integration with the company's ERP systems.

For the interviewed sample, factoring primarily serves the financial function of optimizing cash receipts planning and, to a lesser extent but still significantly, addressing systematic and/or temporary funding needs. The vast majority of businesses use the funds obtained through factoring for short-term debt repayment, for example, towards banks and/or suppliers, or to cover current expenses such as salaries, utilities, etc.

Significant efficiency improvements in terms of savings in the management of assigned credits are reported by 42% of the respondents in the sample. Small-sized businesses, in particular, are the ones benefiting the most from an

organizational perspective, with 64% of them stating that they have reduced their management activities by relying on the effective and efficient service offered by the factor. Furthermore, it is the small businesses, as opposed to larger ones, that have perceived the greatest managerial benefits through the use of factoring, highlighting improvements in the level of uncollected invoices, payment regularity, and customer collection times.

During the pandemic and post-pandemic period, factoring has confirmed its role as a flexible support for working capital, aiding the recovery of business activities for the interviewed companies. These companies plan to increase its usage in response to current challenges, particularly the increase in raw material prices.

Nearly half of the sample considers the ESG characteristics of financial service providers particularly relevant in counterpart selection. There is a growing awareness of the role of sold debtors as a driving force in the supply chain, offering Supply Chain Finance solutions to suppliers, whose penetration rate in the factoring market has been around 10% in recent years. This high overlap of debtor and seller respondents justifies the awareness that factoring does not undermine the relationship with the supplier but is a "normal" and physiological part of their business management.

This awareness also impacts the willingness of sold debtors to establish a relationship with the factor, both in the form of support through reverse factoring-like relationships with their selling suppliers and through requesting extended payment terms. Of the interviewed companies, 42% have supply relationships with the Public Administration, and about half of them sell their related receivables in factoring relationships. These relationships with the Public Administration are characterized by significant challenges, including the frequent refusal of the transfer, lack of communication from the Public Administration to creditor companies, and

longer payment timelines compared to B2B transactions. To improve relationships between suppliers and public entities, the interviewed companies suggest simplifying administrative requirements for public administration and prerequisites for invoice payment and removing obstacles to the transfer of the receivables, such as allowing entities to refuse the transfer and special forms required to transfer receivables in this context.

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# Objectives and Methodology

The survey aimed to delve into the evolution of the demand for factoring services as a response to working capital support needs, also from the perspective of technological innovation and Invoice Fintech.

During the survey, trends and ongoing developments in the demand for services offered by factoring companies were investigated, taking into consideration profiles related to process digitalization and the use of new technologies to support relationships between the factor, the seller, and the debtor.

The study analyzed responses elicited from a specific questionnaire made available on an online platform to potential respondents in the sample.

The questions were structured to also highlight businesses' perceptions regarding the use of digital innovations for working capital management. The survey also addressed the role of the debtor, both in traditional factoring agreement and in the context of Supply Chain Finance.

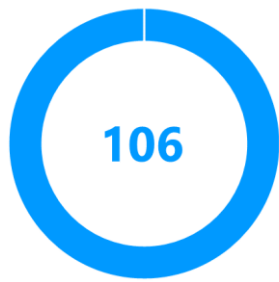
The survey involved companies across the entire national territory, diversified by sector and size, capturing opinions on the following aspects:

- Policies and strategies for granting trade credit
- Needs and requirements for working capital support

- Business perceptions regarding the usefulness and characteristics of factoring
- Business-factoring relationships and utilization methods of the tool
- Technology needs for working capital management
- The role of debtors in factoring and in the perspective of Supply Chain Finance
- Peculiarities of trade credit relationships with public entities
- Level of satisfaction and key elements of satisfaction and dissatisfaction
- Comparisons with alternative products
- Perceived effects on managerial balances from using factoring.

Some of the survey outcomes are directly comparable to the results of previous surveys promoted by Assifact (1997 and 2009, in collaboration with SDA Bocconi School of Management), enabling a valuable comparison of the evolution of businesses' perception of factoring over a time span of approximately 25 years.

# The sample

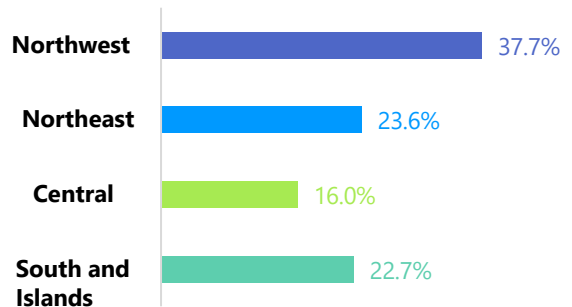


**Participating companies throughout the national territory**

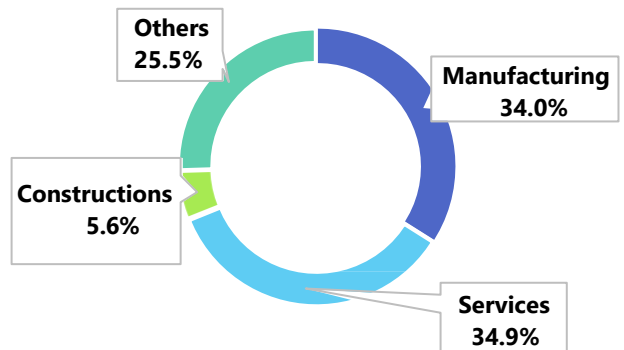
A total of 106 companies located throughout the national territory participated in the survey. The sample can be divided by location, sector of economic activity, and size. It can be compared with the actual distribution of current factoring demand, as described in market statistics produced by Assifact (see the section "Factoring Market in the Years Under Investigation").

Over 60% of the companies are located in the northern region. From an economic activity perspective, the most represented sectors are industry and services, accounting for nearly 70% of the total. The "Other" sector also includes companies operating in the supply of electricity, gas, and utilities in general. The respondent companies are equally distributed between Corporate and SMEs<sup>1</sup>.

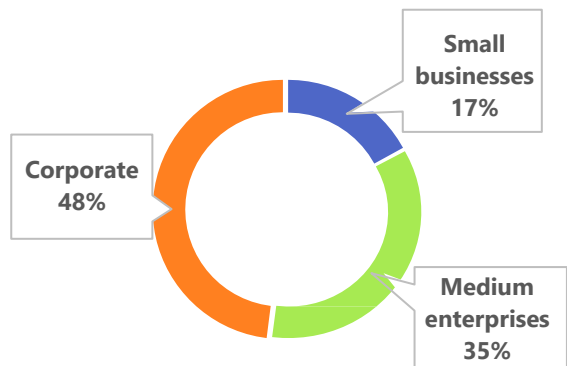
## Geographical breakdown



## Breakdown by economic sector



## Breakdown by size (revenue and number of employees)



<sup>1</sup> The distribution of SMEs adheres to the definition recommended by the European Commission (Article 2, 2003/361/EC).



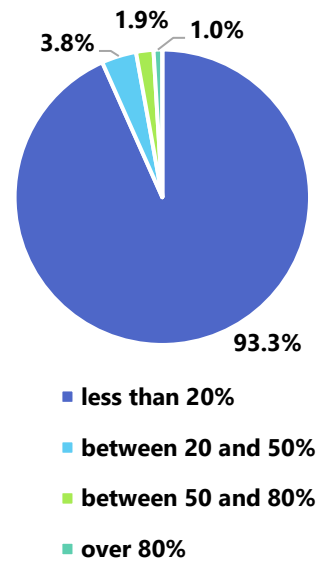
Within this group, medium-sized enterprises prevail (about two-thirds of the SME subgroup). Compared to the composition of the overall customer base served in the entire domestic market (as indicated by Assifact's statistics), the examined sample is skewed towards corporate enterprises and service-oriented businesses, and, conversely, it is underrepresented among construction sector enterprises and small-sized businesses.

Taking into account the market distribution based on turnover in relation to economic sectors and customer business sizes, it becomes evident that the majority of turnover is generated by the sectors in which the sample is overrepresented.

Therefore, it is believed that despite deviations from the customer distribution described in Assifact's statistics, the sample ensures adequate coverage of the target population, considering both the distribution of the latter in terms of headcount and the greater relative importance of the overrepresented sectors in terms of generated turnover.

The interviewed companies predominantly utilize

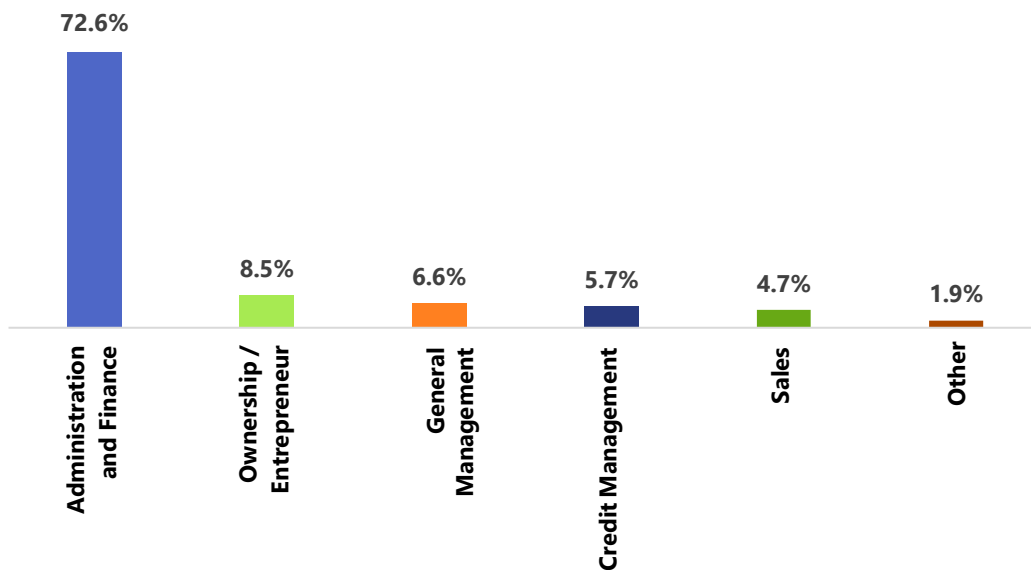
Share of revenue from digital distribution channels



traditional sales channels: only 6.7% of respondents channelled more than 20% of their revenue through digital channels (website, e-commerce, etc.) in the last accounting period.

In 72.6% of cases, respondent persons belong to the Administration and Finance function. In 8.5% of cases, ownership directly responded, and in 6.6% of cases, it was the General Management. Almost 6% of respondents are Credit Managers.

Responding departments



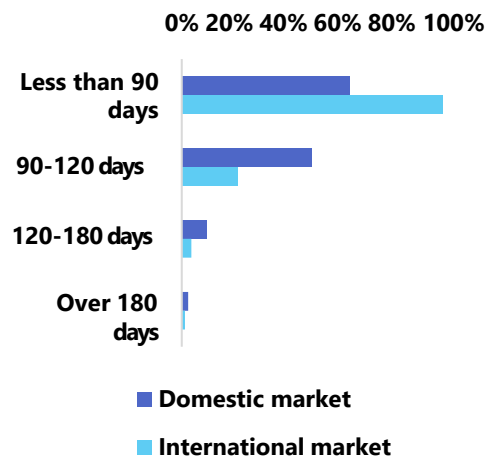
# Trade Receivables And Working Capital

The trade receivables of the interviewed companies are collected within 90 days in over 50% of cases in the domestic market, while in the international market, this figure stands at over 80%.

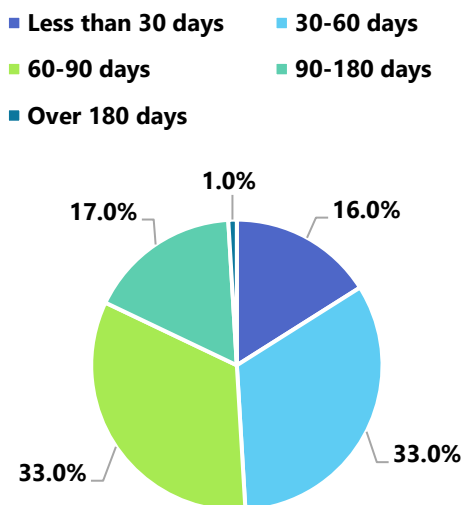
The average collection delay is in the majority of cases less than 30 days both in the international market (81.1%) and in the domestic market (54.7%), although in the latter case, more than one-third of the receivables are paid with a delay of 30 to 60 days, and over 11% beyond 60 days.

The payment times for trade debts of the surveyed companies are generally faster and, in 82% of cases, fall within 90 days.

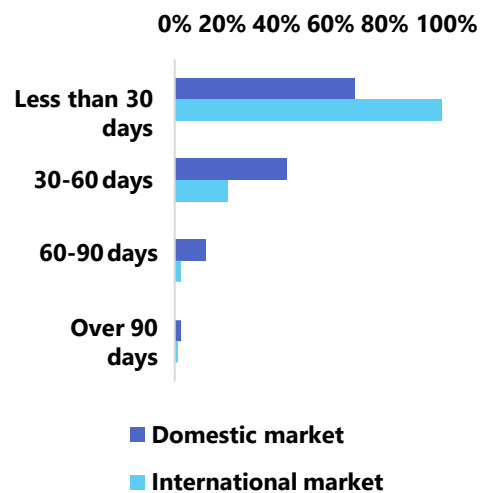
Average days of sales outstanding



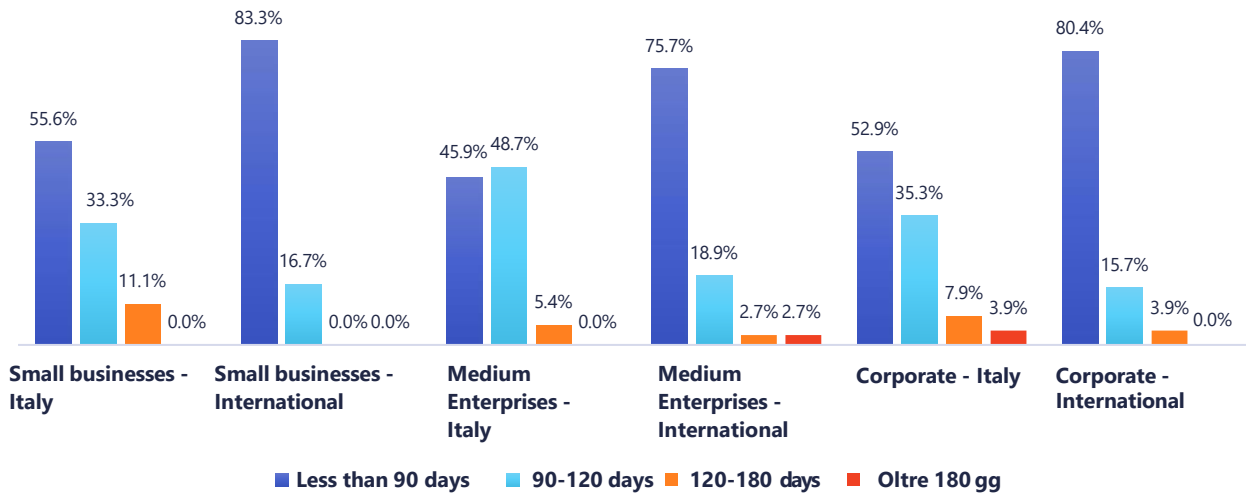
Average days of payables outstanding



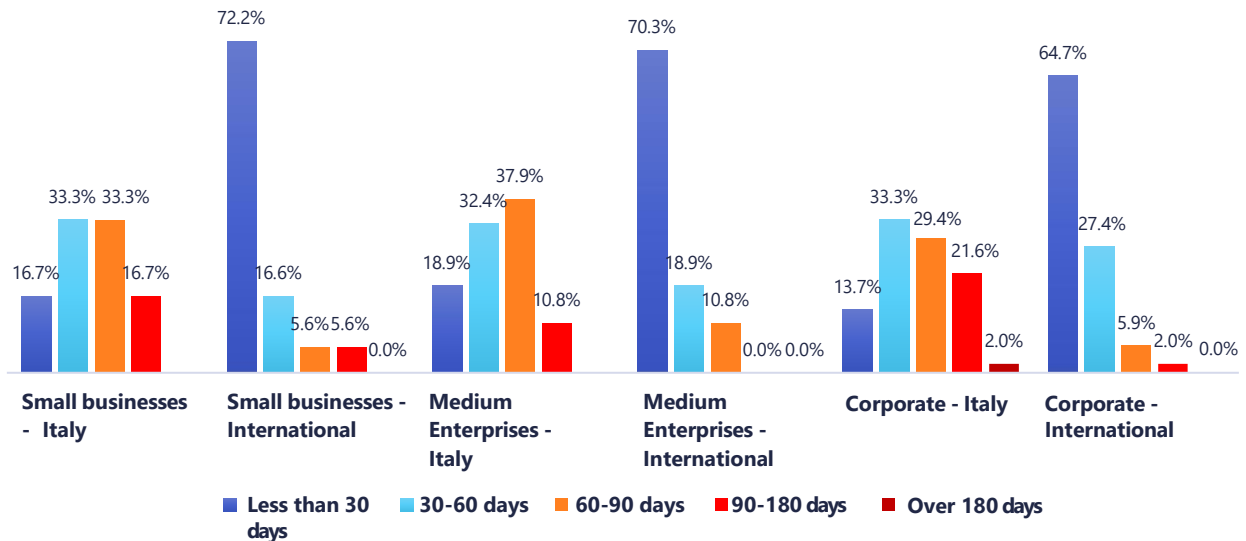
Average delays in the collection



**Average days of sales outstanding by size**



**Average days of payables outstanding by size**



Average collection and payment periods exceeding 180 days are unusual.

When looking at the data divided by the size of the interviewed company, there are no significant differences among different size classes. However, efforts to align the average duration of receivables and payables are evident. In particular, corporate enterprises exhibit longer payment times than the average (around 24% exceeding 90 days), largely due to stronger bargaining power.

The average payment times are particularly short and less than 30 days for most companies dealing with international markets, especially for small-sized enterprises.

In the domestic market, payments occur with more relaxed timelines across all examined categories.

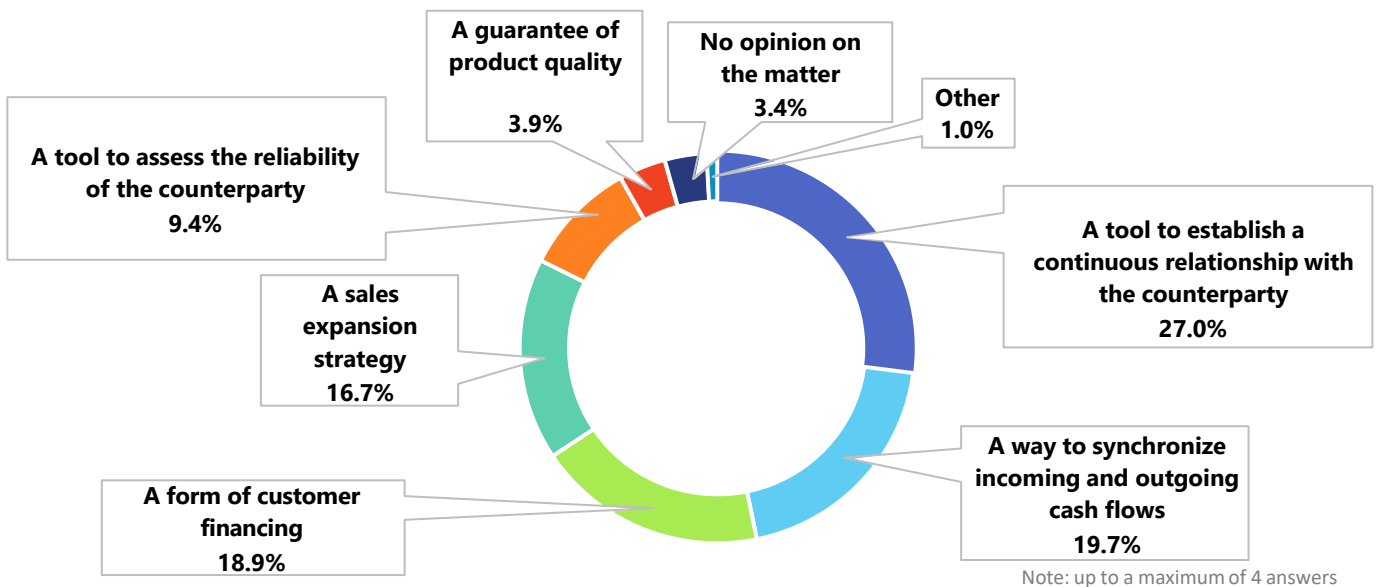
According to the interviewed companies, **trade credit primarily serves as a tool to establish a continuous relationship with counterparts** (27% of responses). Trade credit is also often seen as a way to synchronize incoming and outgoing cash flows (19.7% of responses) and as a form of customer financing (18.9%).

Businesses that have easier access to credit markets choose to finance customers with greater potential but facing difficulties in accessing bank lending.

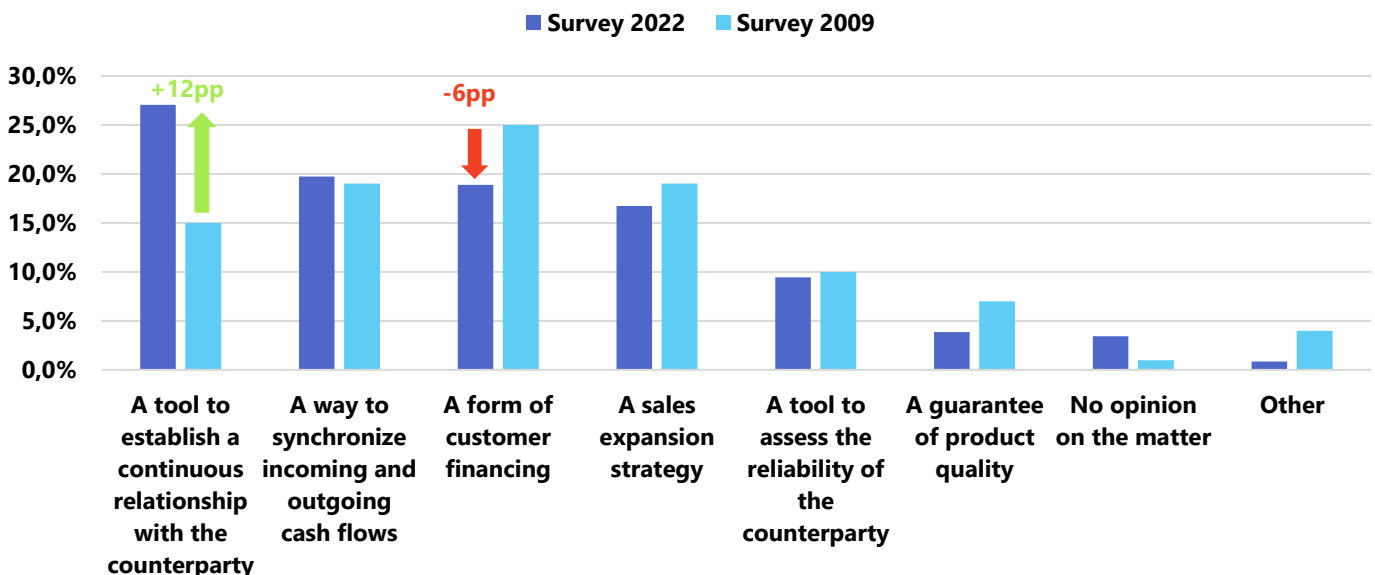
Less frequent is the perception of trade credit as a sales expansion strategy (16.7%), while the opinion that trade credit serves as a means to assess the counterparty's reliability, allowing for risk qualification and proper risk management, is marginal (9.4%).

Even less frequent is the interpretation of inter-business credit as an implicit product quality guarantee, enabling the separation of the delivery moment from the payment moment and allowing buyers to verify product quality before making the payment.

What does trade credit represent for the company? (Percentage breakdown of responses))



What does trade credit represent for the company? (Percentage breakdown of responses, over time, percentage points)



It's interesting to note that, when compared to the 2009 survey, the responses are generally aligned with the past, with two significant exceptions: the percentage of companies perceiving trade credit as a "relationship" tool with their clients has significantly increased (+12 percentage points, moving from fourth to first place in terms of percentage of responses), while, simultaneously, the percentage of companies seeing trade credit as a "customer financing" tool has decreased (-6 percentage points, moving from first to third place).

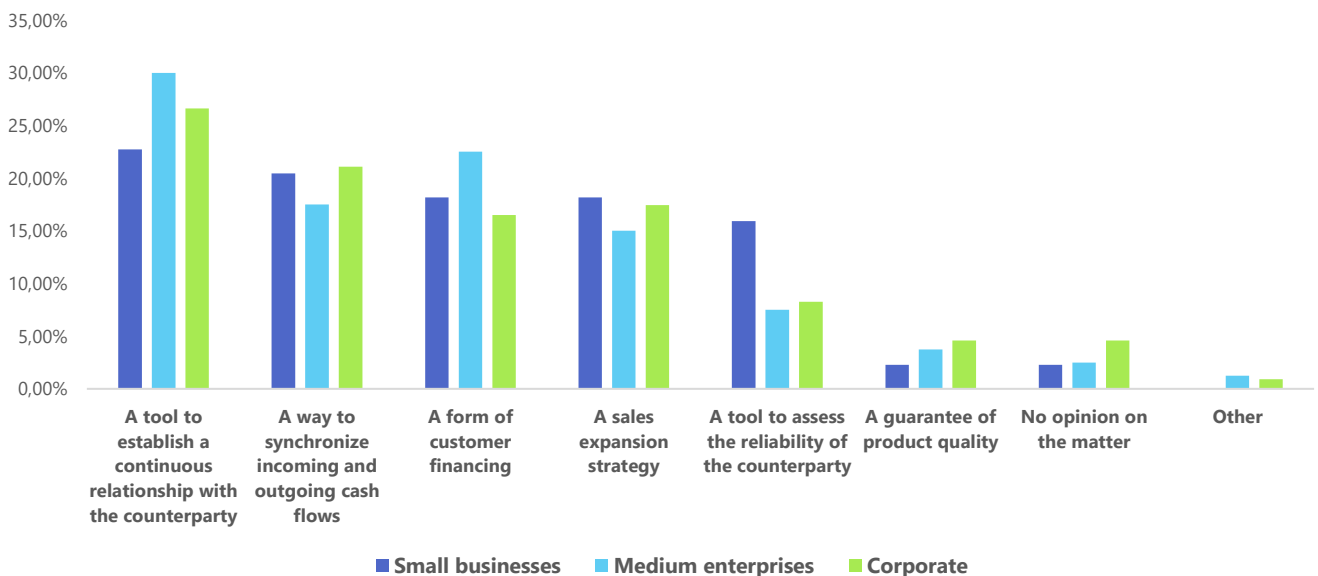
The relational aspect of trade credit is more apparent for medium and large-sized enterprises, while it's notable that smaller enterprises tend to value the role of trade credit more than the average in terms of supporting risk qualification. This observation could be justified by the fact that smaller-sized companies rarely possess specific information, functions, and dedicated personnel for managing trade credit and its related risks, which are more common in larger,

more structured companies.

The collected evidence suggests that over time, **companies' awareness of their role within the supply chain has increased, and factoring has become a fundamental tool for establishing and maintaining relationships with other stakeholders.** At the same time, it indicates a decreased appeal of trade credit as a form of customer financing (potentially influenced by the current post-pandemic situation).

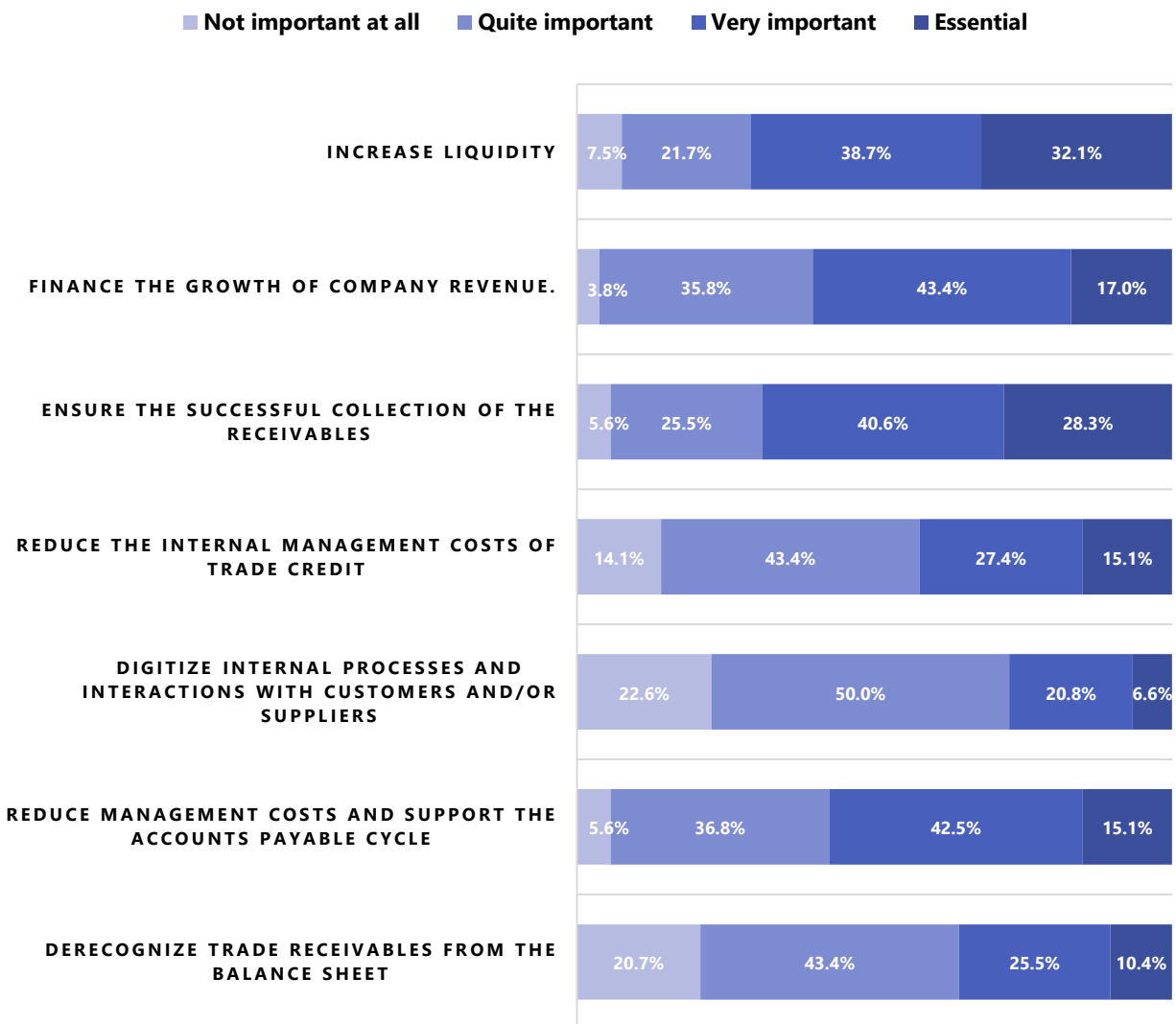
Despite this awareness, **working capital-related needs remain primarily anchored to "primary" needs, i.e., ensuring the liquidity of the supplying company and avoiding bad debts** (considered "essential" or "very important" by 71% and 69% of companies, respectively). Following in order of relevance are the needs to support business revenue growth and reduce costs of managing the accounts payable cycle, as well as providing adequate support to the passive component of working capital.

**What does trade credit represent for the company? (percentage distribution of responses, distribution by company size)**



Note: up to a maximum of 4 responses.

What are the main needs of your company regarding working capital?



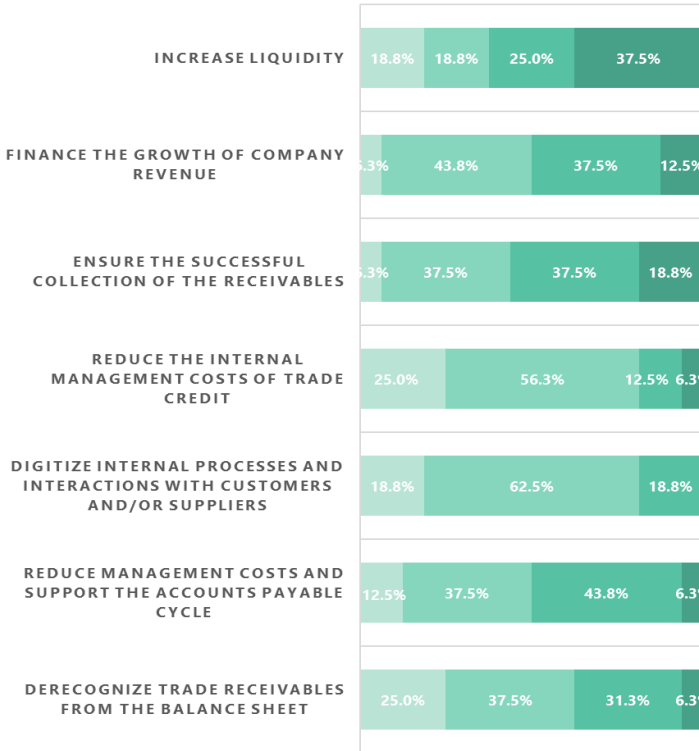
For about 28% of the companies, concerning working capital, digitizing internal processes and interactions with counterparts (customers and suppliers) is very important or essential, particularly due to the emerging dissemination of products (invoice trading, reverse factoring, dynamic discounting, etc.) that are technologically advanced in platform and interface management. These data, combined with those related to the use of digital platforms, confirm the importance of the digital component, which is already largely implemented, especially for medium and larger-sized enterprises.

As company size increases, the proportion of companies that consider ensuring successful credit collection as very important or essential progressively grows. Liquidity is relevant to all companies, with varying degrees of significance: for small and medium-sized businesses, it is perceived as essential by 37.5% and 36.4% of the respondents, respectively. The need to reduce costs and support the accounts payable cycle is also consistent across all size classes.

What are the primary needs of your company regarding working capital? (breakdown by company size)

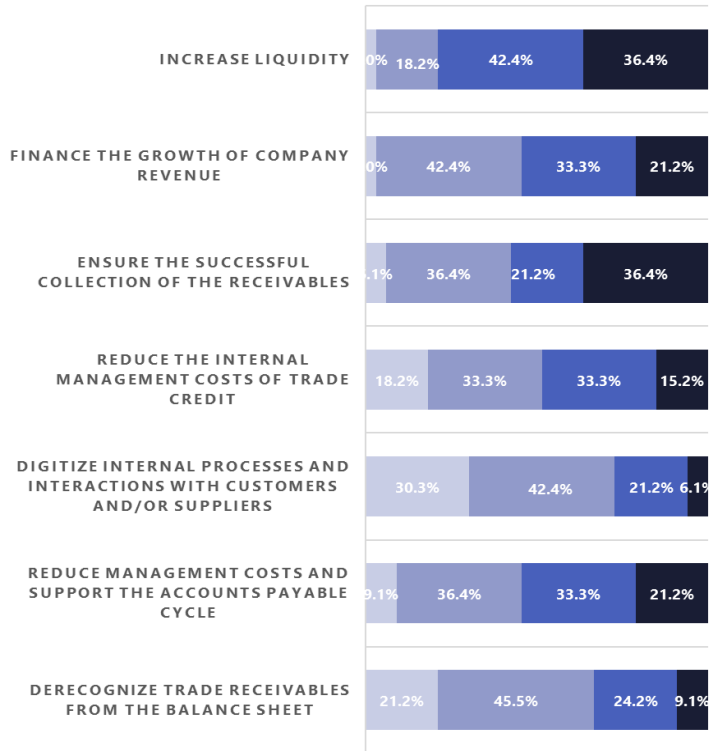
**SMALL BUSINESSES**

■ Not important at all ■ Quite important ■ Very important ■ Essential



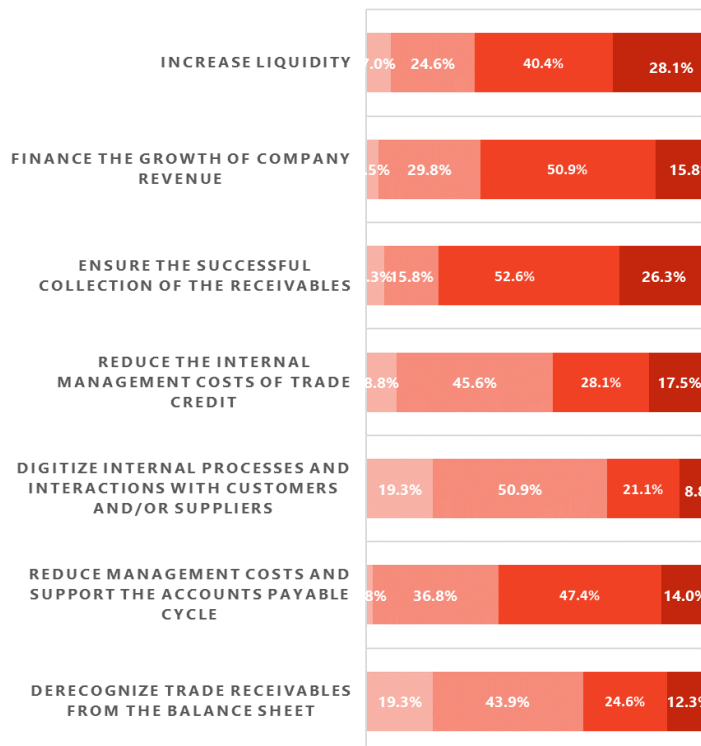
**MEDIUM ENTERPRISES**

■ Not important at all ■ Quite important ■ Very important ■ Essential

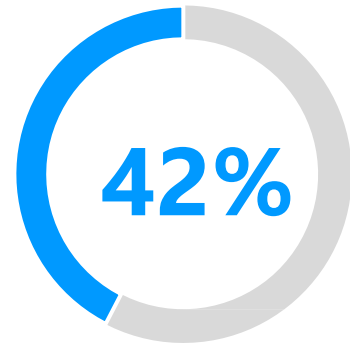


**CORPORATE**

■ Not important at all ■ Quite important ■ Very important ■ Essential



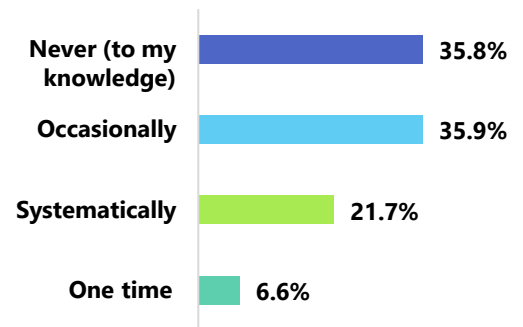
Of the interviewed companies, 42% have supply relationships with the Public Administration, and half of these transfer their related credits within factoring arrangements. Regarding relationships with their own suppliers, the majority of surveyed companies, around 64% of the total, have been involved at least once in the role of debtor under a factoring arrangement (excluding Supply Chain Finance programs like reverse factoring/confirming/dynamic discounting), with 21.7% being systematically involved and 35.9% occasionally.



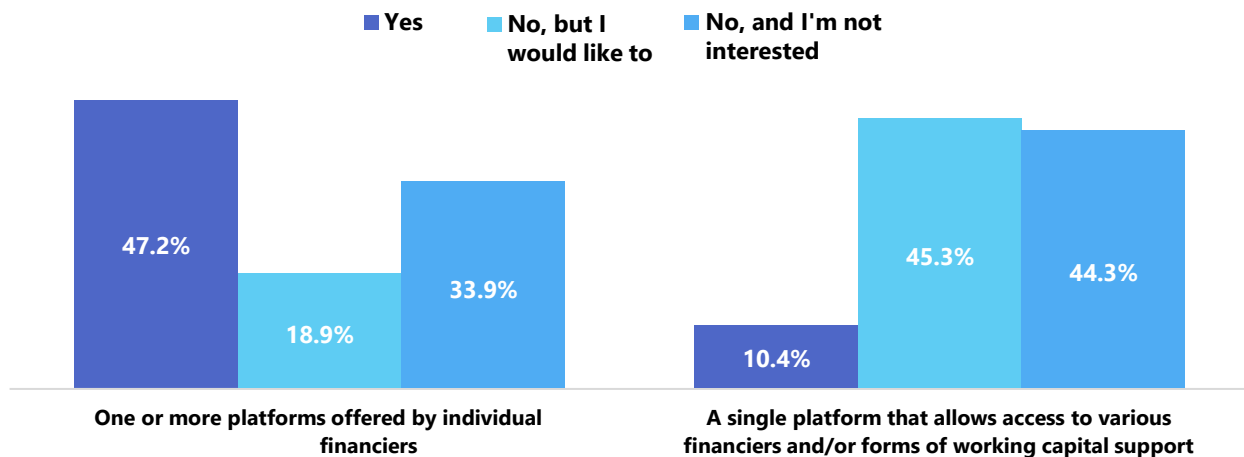
**Companies supplying the Public Administration**

**Integration of business systems with one or more platforms offered by individual financiers concerning the active cycle of working capital (trade receivables) is frequent** and observed in over 47% of cases. These platforms process a percentage of revenue averaging above 40% (with significant variability in different individual cases). Additionally, there is a 19% that expresses the desire for such integration but does not currently have it.

Is your company or has it been a debtor assigned to a factor? (excluding Supply Chain Finance programs)



With regard to the asset side of working capital (trade receivables), are the company's systems integrated with:



<sup>2</sup> Refer to the 'Factoring and Public Administration' section.

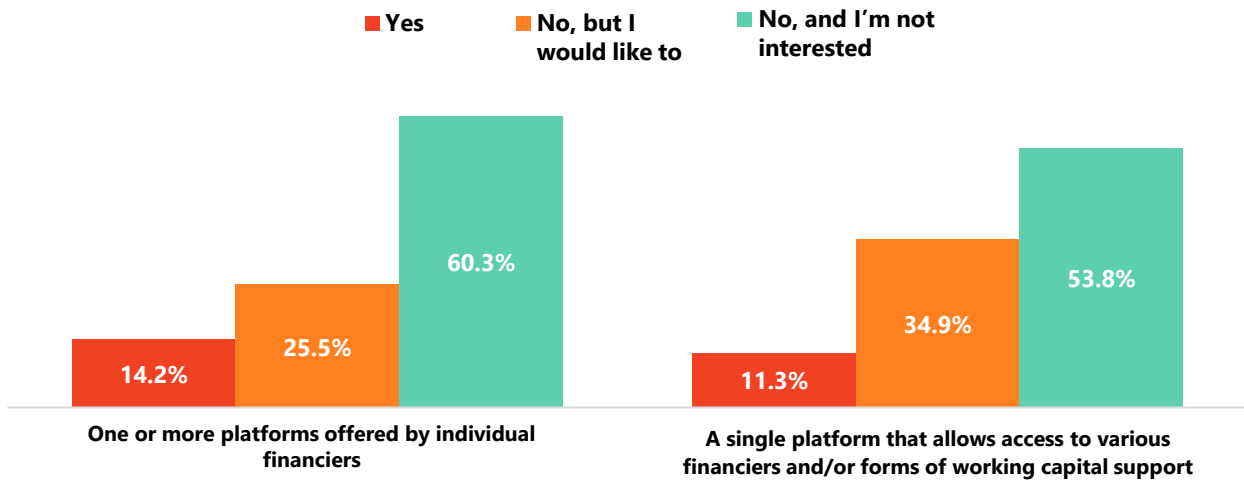


Less frequent is the integration with a single platform that provides access to various financiers and/or forms of working capital support (10.4% of cases, for revenue ranging from 20% to 80% of the total). In this scenario, it is interesting to note that 45% of companies, even without such integration, express interest.

The survey also examined potential integration with digital platforms offered by financiers and other entities for the financial management

of the accounts payable cycle, highlighting how system integration in this context is less widespread and less appealing to the analyzed sample. Nonetheless, among companies lacking such integration today, there is greater interest in solutions that grant access to multifunctional platforms rather than those attributed to a single financier or a single solution (34.9% versus 25.5%).

**With regard to the liability side of working capital (trade payables), are the company's systems integrated with:**



## Trade receivables and working capital – Takeaways

The results of this section explain some established characteristics of the factoring market trends in Italy, also confirmed in 2022, particularly:

- 1) The **predominant volumes of without recourse transactions** (79% of turnover) compared to with recourse factoring. They respond to an "essential" and specific need for **collection guarantee** expressed by 28% of the interviewed companies, which becomes nearly 69% when also including those who consider this factor "very important."
- 2) The **significant level reached by the advances and payments** made by factoring companies on purchased invoices is therefore a result of an "essential" need to **increase liquidity** expressed by 32.1% of the respondents, which becomes almost 71% when also including those who consider this factor "very important."

The results of this section and the following one, aimed at understanding what factoring represents for the interviewees, open up areas for reflection on how the factoring offering meets the demand needs expressed by the respondents in terms of:

## Trade receivables and working capital – Takeaways (follows)

**1. Support/Partnership in financing business revenue growth.** This specific support (considered essential or very important in 60.4% of responses) also involves the ability of factoring companies to assess the characteristics of the interviewed companies' market sectors, the quality of the clients' portfolio held by them, the growth potential of the sellers, the customer care offered in collection management, and the timeliness and efficiency of the provided service level.

**2. Reduction of internal accounts receivable management costs.** This objective can be achieved based on a qualified digitization of the credit processing processes. The combination of highly digitalized automation of the acquisition process (see the following point on platforms) and credit processing, as well as the qualified expertise of the factor's human resources in the management of the seller/debtor relationship, can trigger industrial economies of scale while maintaining a high level of partnership quality.

**3. Integration of the sellers' information systems with platforms (accounts receivable).** These platforms represent a strategic success factor on the supply side; it is no coincidence that 47.2% of respondents have their information system interfaced with one or more platforms offered by individual financiers (and another 18.9% would like to integrate). In this context, it is interesting to note that almost half of the companies (45.3%) would be interested in interfacing with a "single" platform enabling access to different financiers, thus opening the door, without barriers to entry, to a more substantial competition among financiers.

**4. Support for the Accounts Payable Cycle.** intended for:

- the "natural" relationship with the debtor (64% of respondents have been involved in factoring relationships as debtors at least once) triggered by the transfer of the receivable, thus in the supply side's capacity and opportunity to facilitate the debtor in its debt management, even with specific "extensions of payment times" and/or to facilitate it in its credit management in the role of "transferor" of its own receivables, activating a sort of "multiplier" of the turnover developed in the seller-debtor-seller relationship.
- as well as in the case of reverse factoring.

On the demand side, it must also be noted that the integration of the interviewed companies' information systems with platforms for accounts payable management is aligned with the degree of penetration and development of this service globally: Assifact statistics reveal that 10% of total turnover can be attributed to solutions supporting accounts payable, such as reverse factoring and confirming. The respondent sample already claims to use the service through specialized platforms: 14.2% through one or more platforms provided by individual financiers and 11.3% through platforms that allow access to different financiers and/or solutions. Interest in this market, highlighted by the double-digit growth rates recorded, is confirmed by the responding companies and characterized by a **strong propensity towards platforms that allow interaction with multiple suppliers.**

In this context, the response of 36% of interviewed companies qualifying the transfer of receivables as a tool that allows the removal of accounts receivable from the balance sheet demonstrates its relevance (essentiality and high degree of importance), especially with reference to respondents belonging to larger-sized companies subject to the reporting of financial statements according to international accounting principles (IAS/IFRS).

# Factoring And Other Working Capital Support Instruments

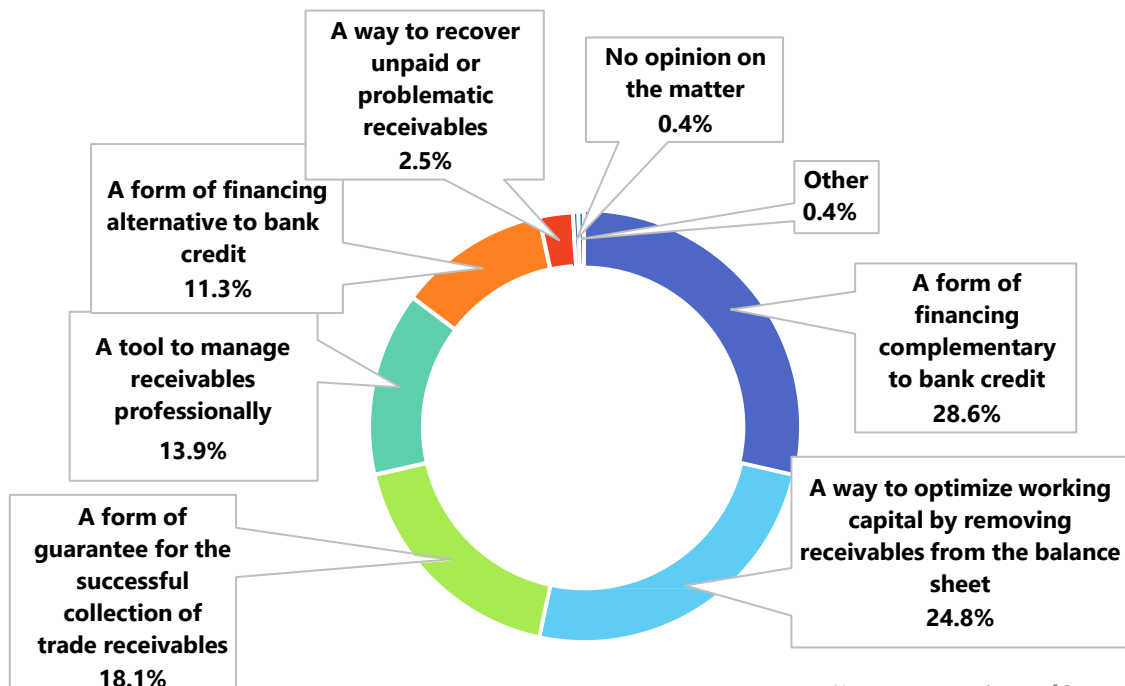
According to the interviewed businesses, **factoring primarily represents a complementary financing tool to bank lending (28.6% of responses) and a way to optimize working capital by removing receivables from the balance sheet (24.8%), as well as a form of guarantee for the successful collection of trade receivables (18.1%).**

Less common perceptions of factoring include seeing it as a means to professionally manage credit (13.9%) or as an alternative financing option to bank lending (11.3%).

The opinion that factoring serves as a means of recovering defaulted or problematic credits is marginal (2.5%).

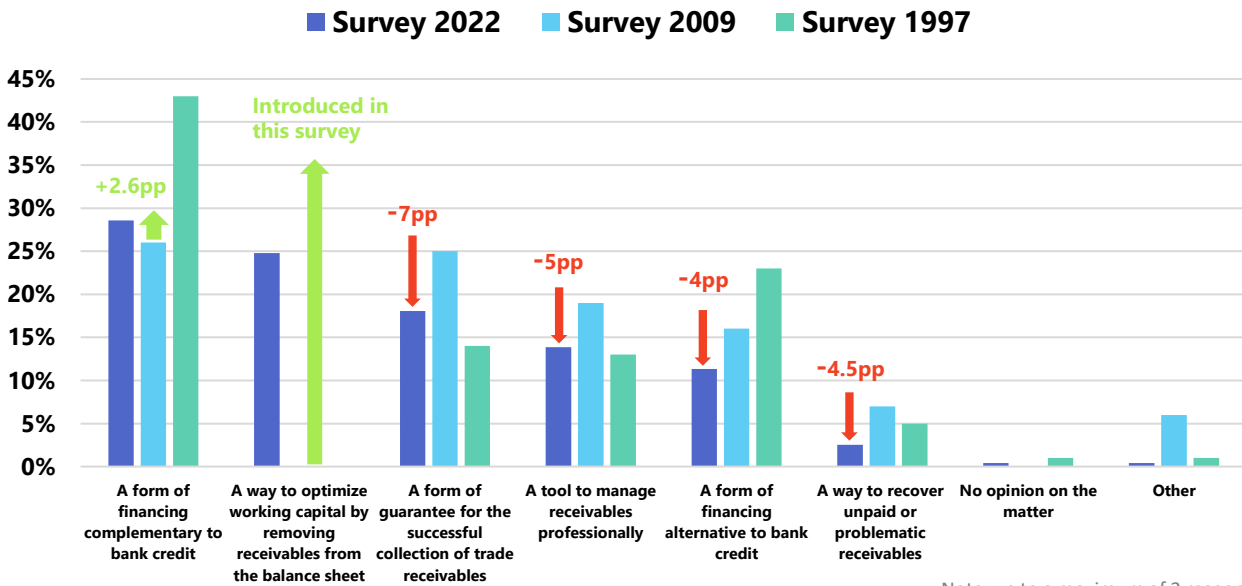
Compared to the past, there is a notable increase in the perception of factoring as a tool for optimizing the balance sheet, particularly due to the ability of receivables transfer to allow, under certain conditions, the removal of transferred receivables from the balance sheet. This new response option, introduced in this study and not present in previous ones, has garnered almost a quarter of the preferences, once again

**What does factoring represent? (percentage distribution of responses)**



Note: up to a maximum of 3 responses

**What does factoring represent? (percentage distribution of responses, temporal evolution, pp = percentage points)**



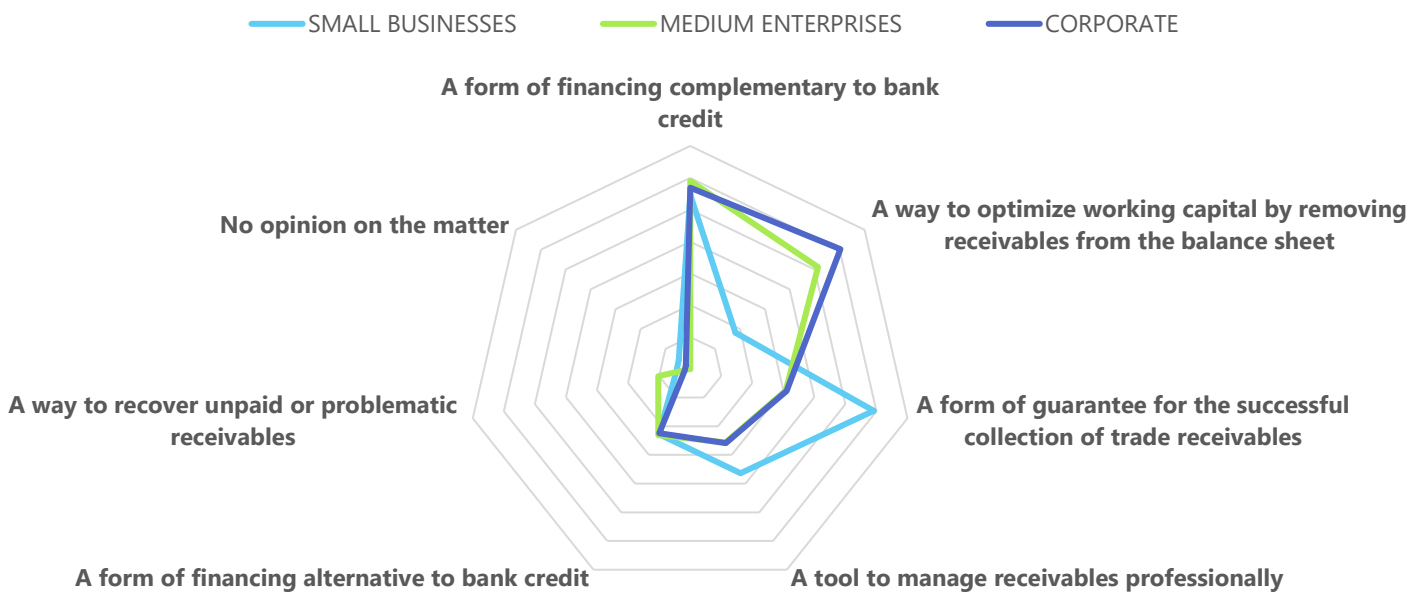
Note: up to a maximum of 3 responses

the significant impact that the evolution of accounting principles has had on the demand for factoring in Italy, generating new needs to which the sector has responded by introducing dedicated products.

The percentage share of responses that have fallen into this new category has, in a generally proportional manner, reduced the shares of the other responses, with the exception of the

perception of factoring as a form of complementary financing to bank credit, which has instead seen an increase of over 2 percentage points. It is interesting to note that compared to the past, the proportion of companies primarily seeing factoring as a response to financial needs, particularly as an alternative to bank credit, has gradually decreased. Companies seem to have increasingly appreciated the service components of factoring over time.

**What does factoring represent? (percentage distribution of responses, breakdown by company size)**



Note: up to a maximum of 3 responses

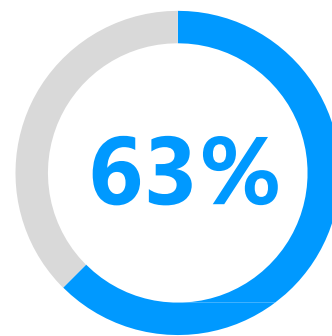
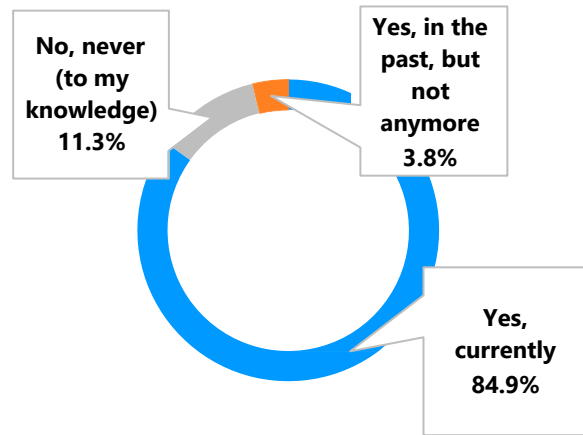
The distribution of responses by size class highlights the relevance of balance sheet optimization, especially for medium to large-sized companies. The traditional functions of loss protection on receivables and professional credit management are more valued by smaller-sized companies.

Currently, approximately 85% of the interviewed businesses use factoring, while almost 4% have used it in the past but do not currently, and over 11% have never used factoring.

The majority of businesses not currently using factoring (63%) are considering it for the future. These are mostly small or medium-sized businesses.

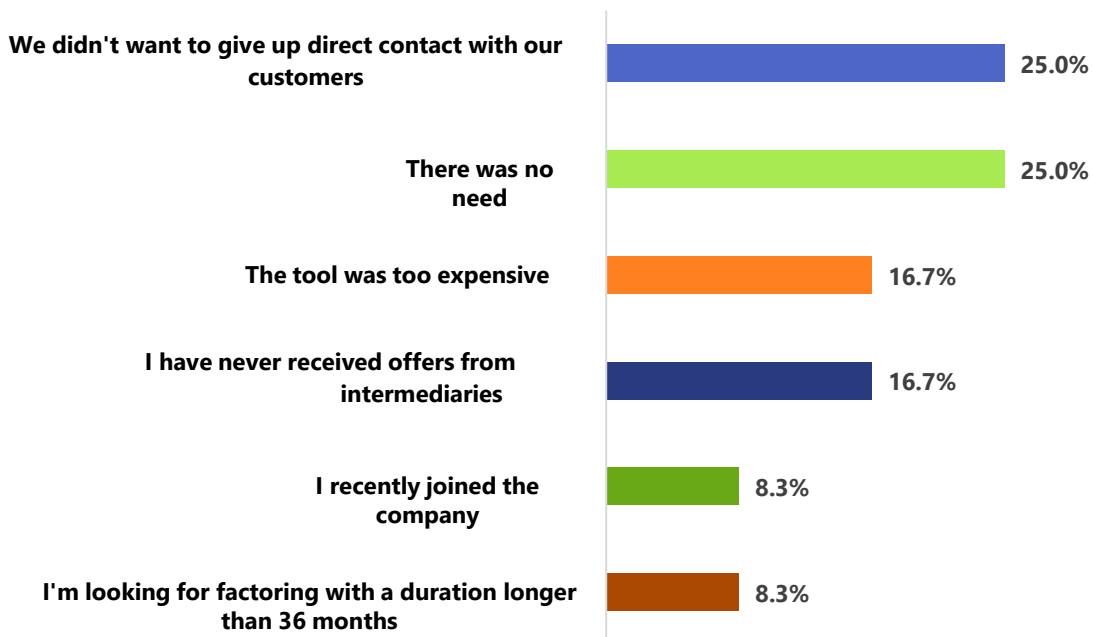
**The reasons for not using factoring usually revolve around not wanting to relinquish direct customer relationships and not perceiving a need for factoring services (25% each), as well as perceiving the tool as too expensive and not receiving commercial proposals from factors.**

**Has your company ever used factoring?**



**Companies that do not use factoring but consider it for the future**

**The reasons for not using factoring**



**Has your company used or does it use working capital support tools other than factoring? (SUPPLIER side)**

	Yes, currently	Yes, in the past	No, never (to my knowledge)	If you are not currently using it, are you considering it for the future?
<b>Forfeiting (discounting bills in import/export transactions)</b>	8.7%	3.9%	87.4%	3%
<b>Bank advance on invoices/bank receipts</b>	61.9%	17.1%	21.0%	3%
<b>Trade credit insurance</b>	33.0%	10.7%	56.3%	9%
<b>Invoice trading</b>	2.0%	2.9%	95.1%	6%
<b>Customer's reverse factoring/confirming program</b>	35.0%	8.7%	56.3%	15%
<b>Securitization</b>	6.9%	6.9%	86.2%	9%
<b>Purchase order financing</b>	16.7%	9.8%	73.5%	8%
<b>Inventory financing</b>	1.0%	3.9%	95.1%	9%

**Has your company used or does it use working capital support tools other than factoring? (BUYER side)**

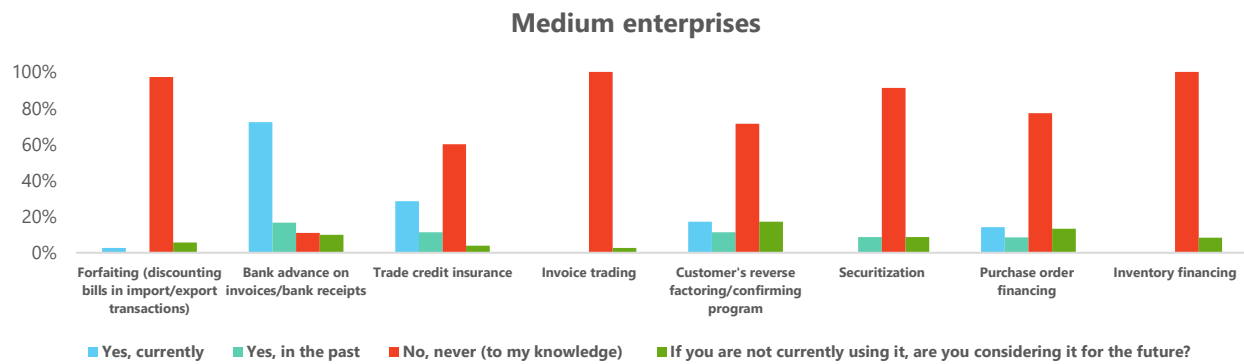
	Yes, currently	Yes, in the past	No, never (to my knowledge)	If you are not currently using it, are you considering it for the future?
<b>Reverse factoring</b>	26.5%	8.2%	65.3%	18%
<b>Confirming</b>	24.8%	2.0%	73.2%	14%
<b>Dynamic discounting</b>	3.0%	1.0%	96.0%	14%

With regard to the active side of working capital, **businesses often use invoice or Ri.Ba. prepayment from banks (62% of cases). Less frequent, but still significant for over a third of the interviewed businesses, is participation in a reverse factoring or confirming program initiated by a customer, or credit insurance.**

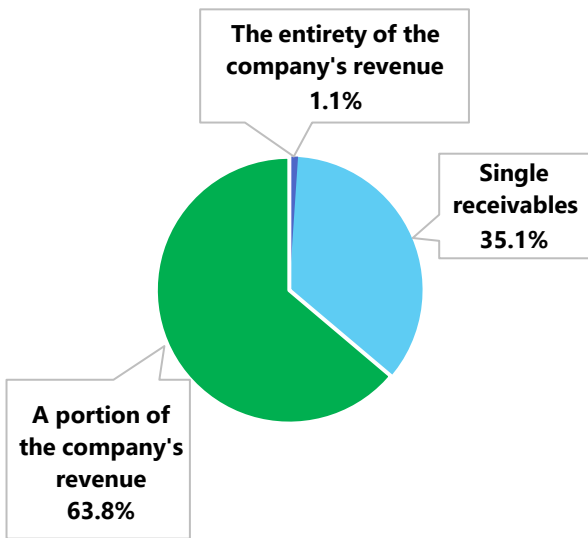
The opportunity to participate in a supply chain finance program by invitation from a customer is particularly interesting, with over one in five businesses not currently participating evaluating it for the future.

Other solutions supporting the active cycle of working capital are used less frequently or marginally.

**Has your company used or does it use working capital support tools other than factoring? (SUPPLIER side, breakdown by company size)**



**The use of factoring has involved:**



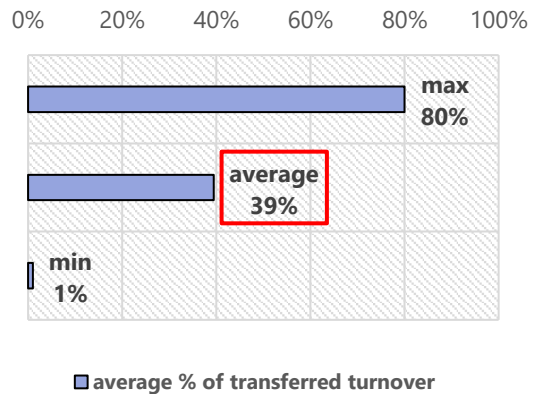
Notably, the use of other innovative solutions such as invoice trading (currently used by less than 2% and used in the past by less than 3%) or inventory finance is still relatively uncommon.

The use of invoice or Ri.Ba. prepayment from banks is more frequent in small and medium-sized businesses, while credit insurance usage increases significantly with the growth of company size. The usage of invoice trading, although recorded in a few cases, is related to corporate enterprises.

Shifting to the passive cycle of working capital, **solutions aimed at buyers within supply chain finance are used quite frequently by the interviewed businesses**: 26.5% currently resort to a reverse factoring program, and 24.8% have activated a confirming scheme. Regarding more innovative solutions, only 3% use dynamic discounting. Nonetheless, **there is significant interest in this type of solutions, with double-digit percentages of businesses not currently using them considering them** (18% for reverse factoring).

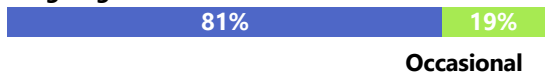
Factoring has involved, in most cases (63.8%), a portion of the turnover, averaging 39% during 2020, and only marginally the entirety of turnover (1%).

**The partial use has involved a share of revenue equal to:**



**The ways in which companies surveyed use factoring**

**Ongoing**



**Exclusive (with only one factor)**



**Without recourse**



**Not Notification**



**Maturity factoring**



**Import/Export**





The transfer of individual receivables is frequent (over 35%).

For over 80% of businesses, factoring is a continuously used tool within a bulk transfer of future receivables.

The relationship with factoring companies is generally not exclusive (71% of cases), with an average of 4 factors per client.

The transfer methods are focused on without recourse (78% of transferred receivables), in line with market observations during the analysis period.

Similarly, the use of non-notification factoring is significant (38% of the total, which, according to 2022 market data, is increasing and reaching 50%). Also, the share of relationships involving receivables from international trade (imports or exports, at 19%) is confirmed by the market's recorded values.

The interviewed businesses often use maturity factoring (59% of transferred receivables). This percentage appears significantly higher compared to the market average registered in Assifact statistics.

## Factoring And Other Working Capital Support Instruments – Takeaways

The perception of the respondents' sample, which currently utilizes factoring for almost 85% of cases, primarily defines **factoring as a complementary financing tool to bank lending** (thus substantially confirming the results of the previous 2009 survey), **and secondarily as a way to optimize working capital by removing receivables from the balance sheet**. This latter category of responses is influenced by the strong presence in the sample of large-sized companies classified as "Corporate" (48% of total respondents), which are sensitive to derecognition options dictated by International Accounting Standards IAS/IFRS.

Only 11.3% of the responses regarding working capital support tools qualify factoring as an "alternative financing form to bank lending" (4 percentage points less than the previous 2009 survey). This finding, while emphasizing the diminishing perception of factoring as a "substitute" tool for bank credit (used when access to bank lending is not possible), as also confirmed in subsequent sections, can also indicate a difficulty on the demand side in perceiving the differentiating and alternative elements of the product (where factoring is often accompanied by invoice or Ri.Ba. prepayment, 61.9% of respondents). This might be partially influenced by the increased presence of factors operating as banks rather than specialized financial intermediaries.

In this survey, the question "what does factoring represent" has one more response option compared to previous surveys. Comparing with the previous surveys, and neutralizing the effects of this new option, it can be observed that the perception of factoring as an alternative form of financing and/or a tool for professional credit management experiences a smaller decrease compared to the numbers represented above.

The perception of the characteristics of factoring by the demand side would merit, on the supply side, reflection on the strategies and methods of financial communication of the factoring service. Responding companies, while considering the need to "guarantee the successful collection of receivables" as "essential - very important" (for almost 69%), perceive factoring as "a form of credit guarantee" for 24% of responses (in line with the previous 2009 survey).

## Factoring And Other Working Capital Support Instruments – Takeaways (Follows)

The perception of factoring as a form of "recovery of unpaid receivables" also dropped by 4.5 percentage points compared to the previous survey, possibly due to the increased presence of specialized operators in managing non-performing loans, which were scarcely present in 2009 and have progressively covered this market demand almost exclusively.

It's perceived that the surveyed **transferors maintain a long-lasting and repetitive relationship with factoring, where masses of even future receivables are transferred on a revolving basis.** Therefore, it's a continuous but not exclusive relationship, with factors competing with each other and concurrently operating with clients.

The portion of the sample that has never used factoring (11%) is rather modest. From the supply side, it's reassuring to note that 63% of these businesses are considering using it in the future. However, **among those resistant to the tool, there is a concern that factoring might be an expensive option and potentially detrimental to the commercial relationship with their "own" customer.** Among the alternatives to factoring for working capital management (trade receivables), aside from the aforementioned invoice advance or Ri.Ba. prepayment from banks, a still considerable portion retains credit insurance (33%), which partially competes with non recourse factoring.

Special consideration is given to products closely related to factoring, which act as a sort of complement in marketing strategies. Among these, reverse factoring takes the lead, representing the "reverse" image of the original product. This service has been present in the Italian market since its early days, sometimes referred to as indirect factoring. The similarities become more nuanced as we move towards confirming (which may or may not involve a receivables transfer) and forfaiting (which is based on the transfer without recourse of credits claimed by the exporter). These also find their place in the catalogue of products/services generally provided by factoring companies. Notably in the sample, there is substantial utilization of Maturity factoring, which has always characterized factoring as a cash synchronization tool.

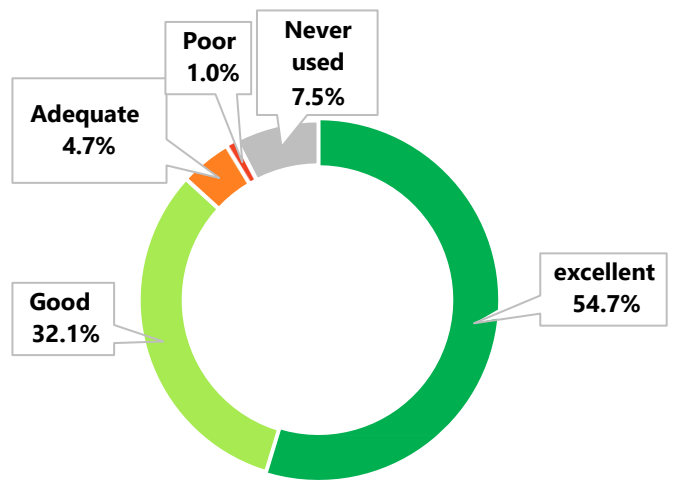
# User Experience and Customer Satisfaction

The level of satisfaction in using factoring is generally high: almost 55% rate the overall satisfaction level of the relationship as "excellent", and another 32% consider it "good." Only a marginal portion (less than 6% in total) rates it as just "sufficient" or negative.

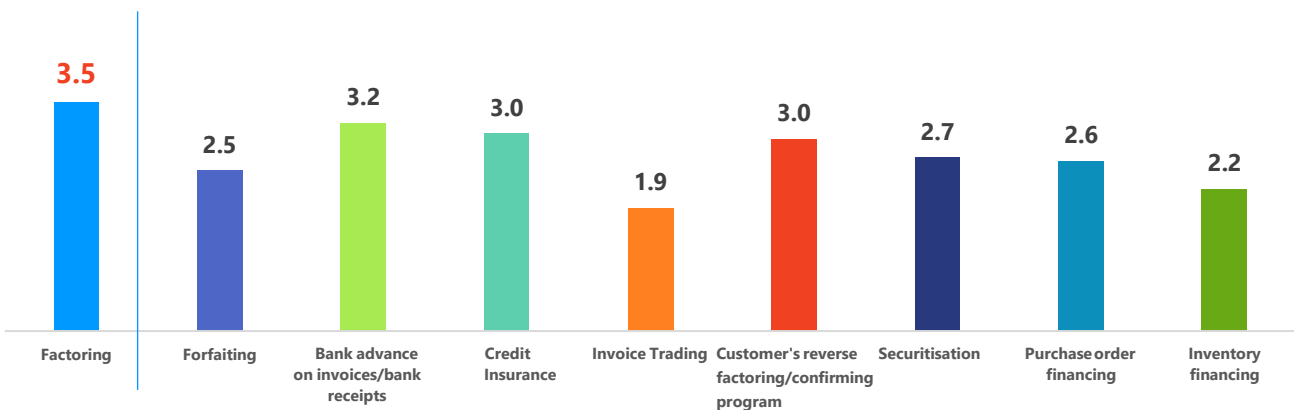
The level of satisfaction with factoring is also high compared to other working capital support tools. In addition to factoring, there is also high approval for invoice discounting relationships from banks, credit insurance, and Supply Chain Finance, although these show slightly lower levels of approval.

Less frequently used and generally characterized by lower levels of satisfaction are the other tools; in particular, there is a moderate judgment on satisfaction with Invoice Trading, which is used by only a few

Level of satisfaction in factoring relationships



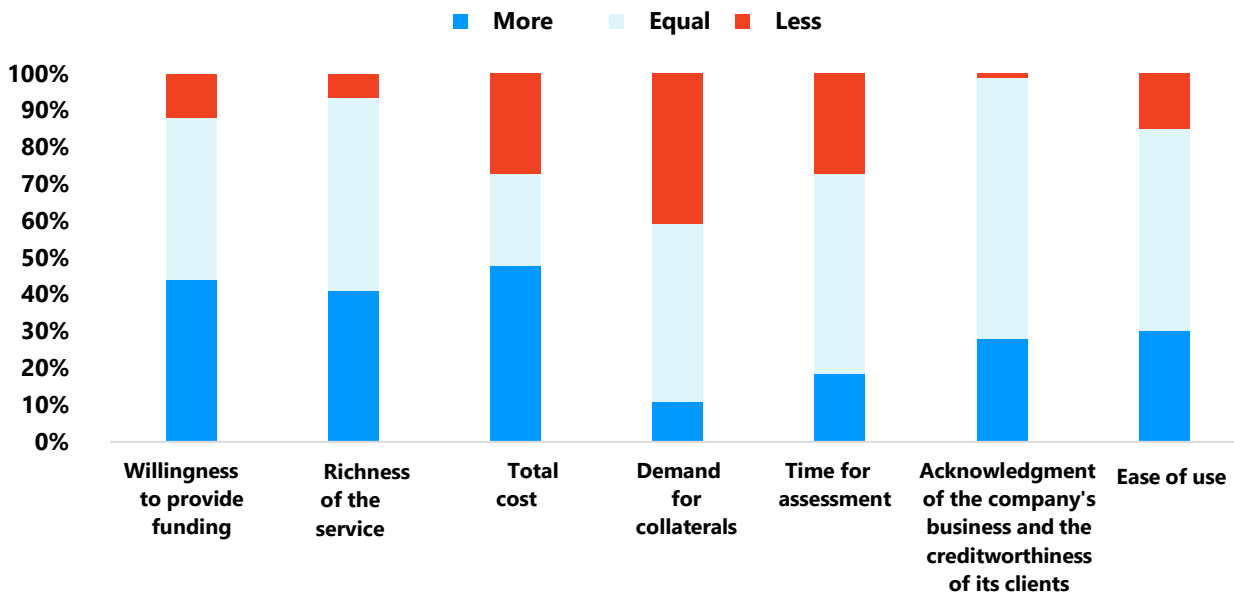
Average satisfaction level in comparison (from 1 = 'poor' to 4 = 'excellent')



Percentage of businesses that use or have used the tool



Comparison of the features of factoring versus bank lending



companies among the participants in the survey. According to the surveyed companies, compared to banks, **factors:**

- **Are more willing to provide financing.**
- **Offer a more comprehensive service.**
- Require fewer guarantees.
- Assess customers' business and creditworthiness better.
- Propose solutions that are easier to use.

However, factors are still perceived as more expensive than bank lending, even in relation to the comprehensiveness of the service provided.

Consistent with these results, **factoring seems to adequately meet the expectations of companies.**

Comparing the importance assigned by companies to different profiles characterizing working capital support solutions with the satisfaction level of the factoring relationship measured on the same profiles, there is substantial alignment between expectations and perceived value through factoring, with few gaps. For companies, the following factors are particularly important:

1. Speed and certainty in the transfer of cash.
2. Guarantee of successful credit collection.
3. High professionalism in the management of the receivables.
4. Affordable cost.
5. Greater ease of access to credit compared to bank lending.

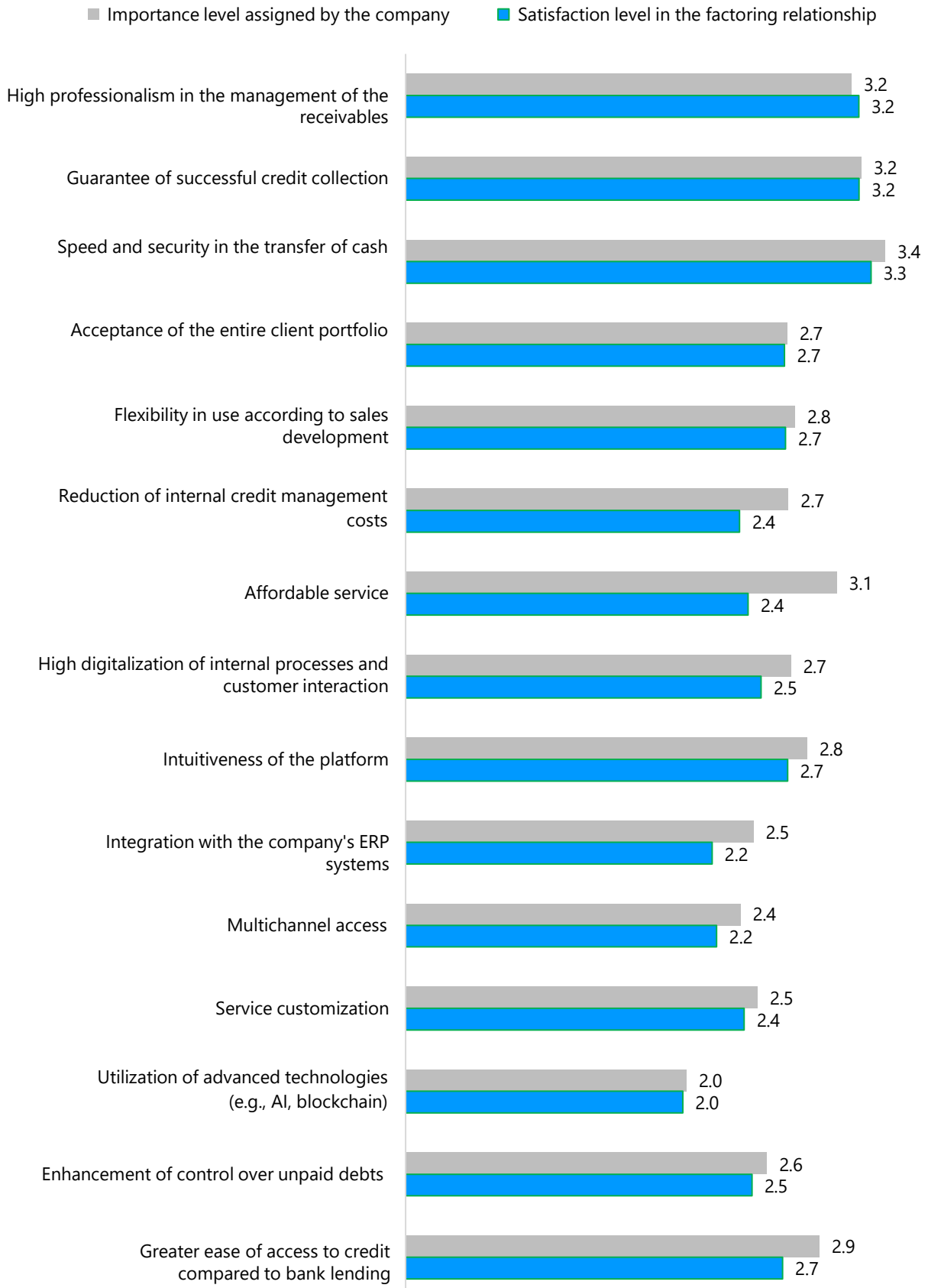
The average satisfaction level with factoring is higher for the following profiles:

1. Speed and security in the transfer of cash.
2. Guarantee of successful credit collection.
3. High professionalism in the management of the receivables.
4. Intuitiveness of the platform.
5. Greater ease of access to credit compared to bank lending.

The most significant gaps between the relevance of the profiles investigated and the satisfaction of companies are perceived in:

- The overall cost of the service.
- The actual reduction of internal credit management costs achieved through factoring.
- Integration with the company's ERP systems.

**The features expected by businesses in a working capital support solution and the satisfaction level in using factoring in comparison (from 1 = 'poor' to 4 = 'essential / excellent')**



### The main elements of satisfaction in using factoring

- Speed and security in the transfer of cash
- Guarantee of successful credit collection
- High professionalism in the management of the receivables
- Intuitiveness of the platform
- Greater ease of access to credit compared to bank lending

### The main areas for improvement

- Integration with the company's ERP systems
- Multichannel access
- Utilization of advanced technologies (e.g., AI, blockchain)
- Reduction of internal credit management costs
- Service cost

Profiles related to digitization and technological evolution of processes related to companies' working capital receive, from surveyed companies, an overall low level of importance.

**The average assessment of the degree of technological evolution of services offered by factors is higher compared to banks and alternative finance providers.**

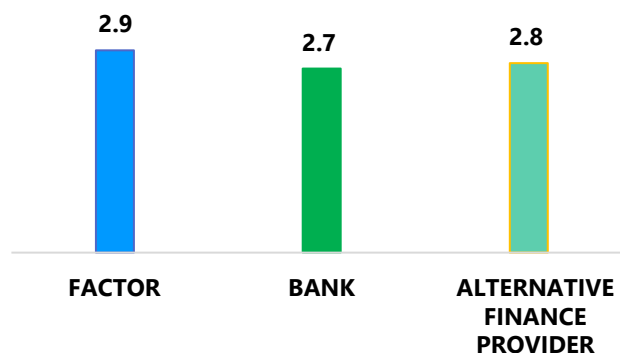
**Among the most significant technological characteristics, the highest average importance level is assigned to platform intuitiveness (2.8), followed by high digitization of internal processes and interaction with clients (2.7).**

Both profiles are also related to the ability to ensure fast and certain fund disbursement times.

Integration with the company's ERP systems is seen as a positive factor but not essential (2.5).

The use of advanced technologies such as artificial intelligence and blockchain is currently considered a secondary element compared to the other profiles examined (2.0).

**Average rating regarding the level of technological advancement of services offered by the factor, the bank, and alternative finance providers (from 1 = 'poor' to 4 = 'excellent')**



**Key satisfaction factors in the use of factoring: temporal comparison**

	Survey 1997	Survey 2009	Survey 2022
<b>1</b>	Speed and security in the transfer of cash	Speed and security in the transfer of cash	Speed and security in the transfer of cash
<b>2</b>	Acceptance of the entire client portfolio	Guarantee of successful credit collection	Guarantee of successful credit collection
<b>3</b>	Effective credit management by the factor	Effective credit management by the factor	High professionalism in the management of the receivables

### User Experience And Customer Satisfaction – Takeaways

The questionnaire used in this survey allows for a comparison of the perceived satisfaction level in using various working capital support tools.

In this comparison, factoring takes the lead in customer satisfaction, particularly establishing its position through its ability, compared to other tools, to be fast and responsive in fund disbursement, ensure successful receivables collection, and manage them professionally.

The surveyed sample also appears to appreciate the intuitiveness of the platforms provided by factors.

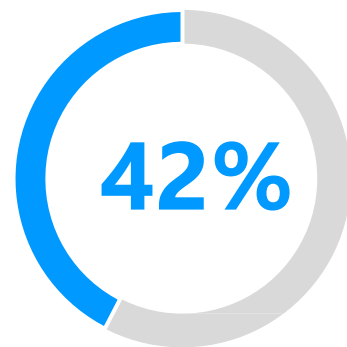
Given respondents' concurrent utilization of multiple factors (an average of 4), the questions about factoring satisfaction, to some extent mediated by this cooperation with multiple factoring companies, implicitly provide us with an important indicator of the appreciation of the relationship established with the organizational structures of factoring companies. These structures are seen as professionally capable of effectively and efficiently managing the transferred trade receivables .

However, it should be noted that some competing products, in terms of specific functions performed by factoring, receive high levels of satisfaction. These include bank invoice discounting, credit insurance, and Supply Chain Finance (from the supplier's perspective).

# Optimization Of Cash Flows And Efficiency Improvements Driven By Factoring

42% of the interviewed companies state that they have reduced internal credit management activities by outsourcing all or part of this function to the factoring company. In particular, small-sized companies benefit the most from an organizational perspective, with 64% of them reporting a reduction in management activities. This observation is consistent with the greater perception that small businesses have of factoring as a receivables management tool (see the section "Factoring and other working capital support tools").

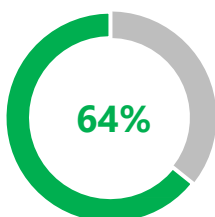
**From a financial perspective, the primary function of factoring is to optimize cash flow planning** (40.9%). Factoring also enables addressing systematic (29.0%) or temporary (19.4%) funding needs. Less significant, according to the interviewed companies, is factoring's ability to provide the company with an additional financial cushion to facilitate revenue growth (10.8%).



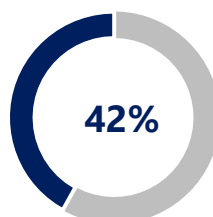
**Companies that have reduced their in-house trade credit management activities thanks to factoring**

**Companies that have reduced their in-house trade credit management activities thanks to factoring (breakdown by company size)**

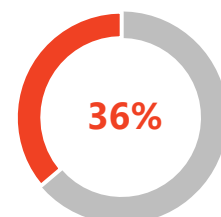
## SMALL BUSINESSES



## MEDIUM ENTERPRISES

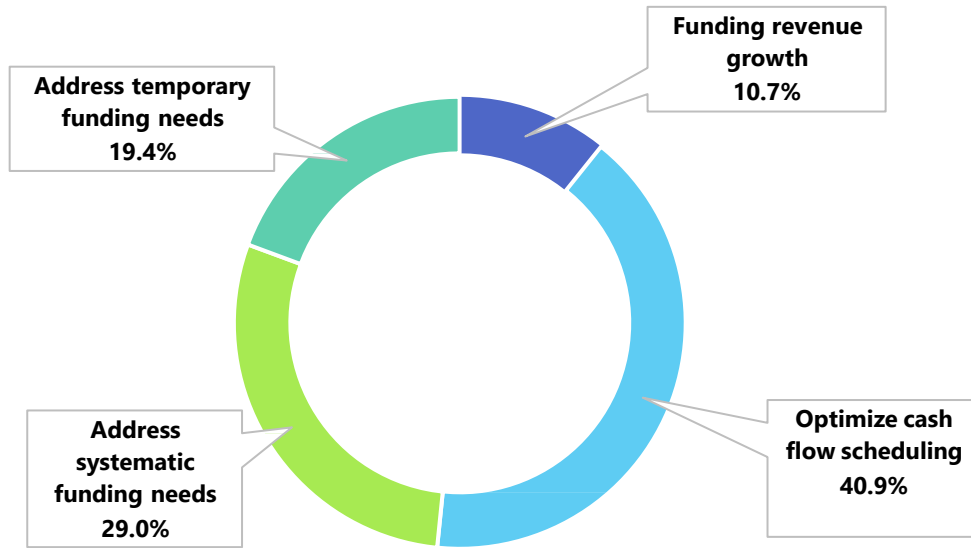


## CORPORATE





**The benefits of factoring from a financial perspective**



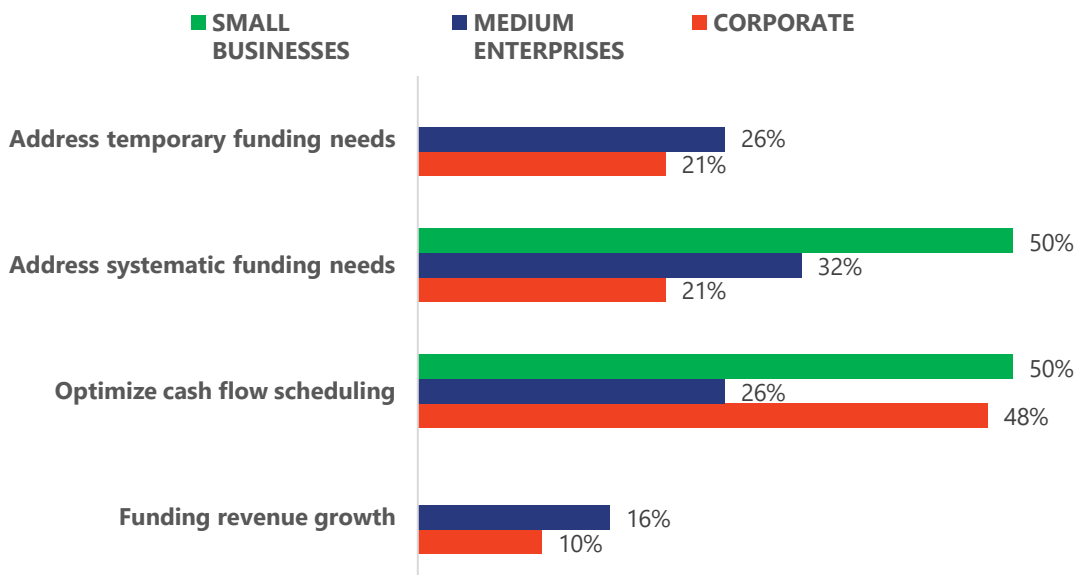
A comparison of responses from small, medium, and large companies is interesting. Particularly noteworthy is that for small companies, the function of addressing structural and persistent funding needs, as well as the need to optimize cash flow planning, holds significant importance.

In particular, the perception of factoring as a

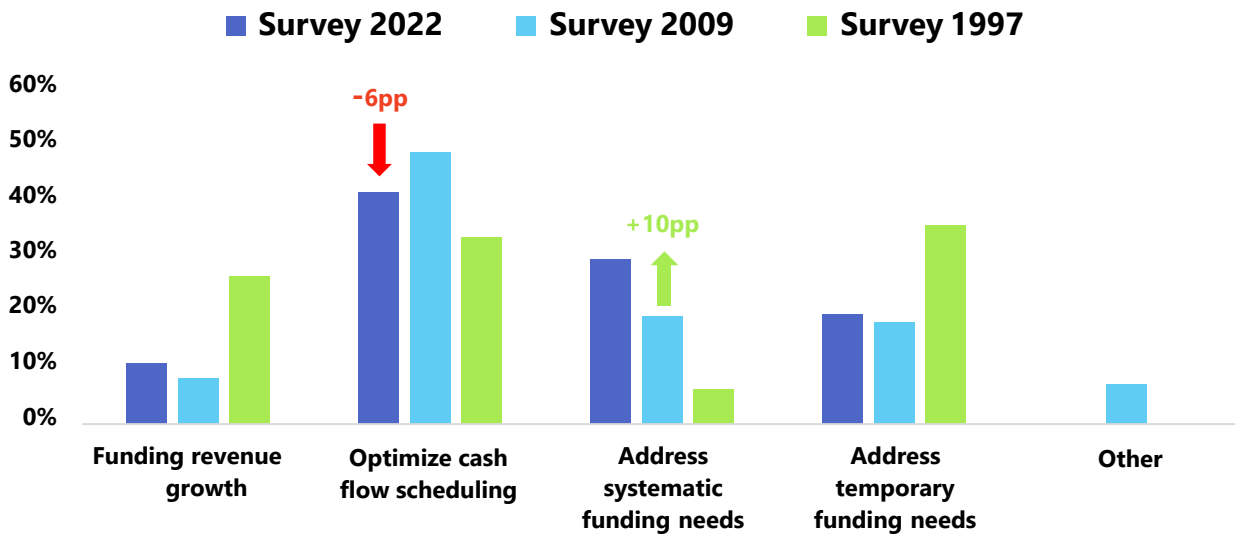
continuous working capital support tool decreases progressively with the size of the company, confirming that smaller-sized companies often experience greater pressure on working capital.

The results in this regard are comparable to previous surveys (1997 and 2009), although they show a decrease in the proportion of companies

**The benefits of factoring from a financial perspective (breakdown by company size)**



The benefits of factoring from a financial perspective (distribution % of responses, temporal evolution, pp = percentage points)



that consider factoring's primary financial function to be optimizing cash flow planning (-8 percentage points compared to 2009), alongside a proportional increase in the number of companies that believe factoring's main financial function is to address systematic funding needs (+10 percentage points).

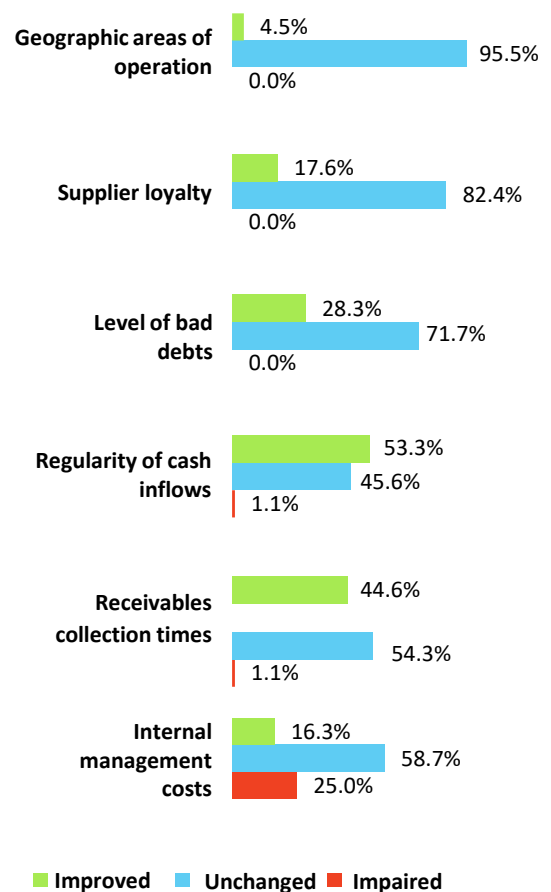
Considering a broader time frame and incorporating the results of the 1997 survey, the evolution of factoring's function becomes evident. It is increasingly perceived less as a tool for automatically financing revenue growth and more as a means to optimize cash flow management and provide crucial support for financial needs, especially of a systematic nature, related to working capital management.

From a management perspective, utilizing factoring has had positive effects on the following aspects:

- Regularity of cash inflows (positive effects for 53% of companies)
- Receivables collection times (45%)
- Level of bad debts (28%).

Only in marginal cases have the surveyed companies perceived negative effects, with one significant exception: 25% have indicated an increase in internal management costs.

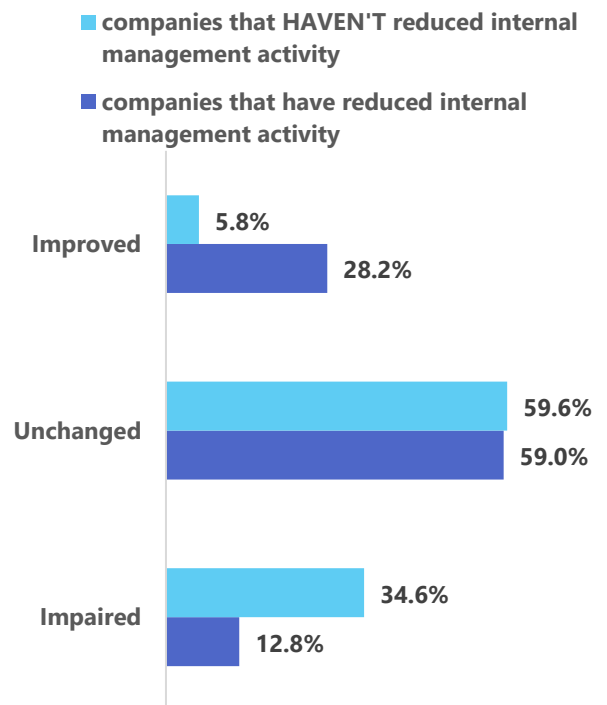
Impacts of factoring from a managerial perspective



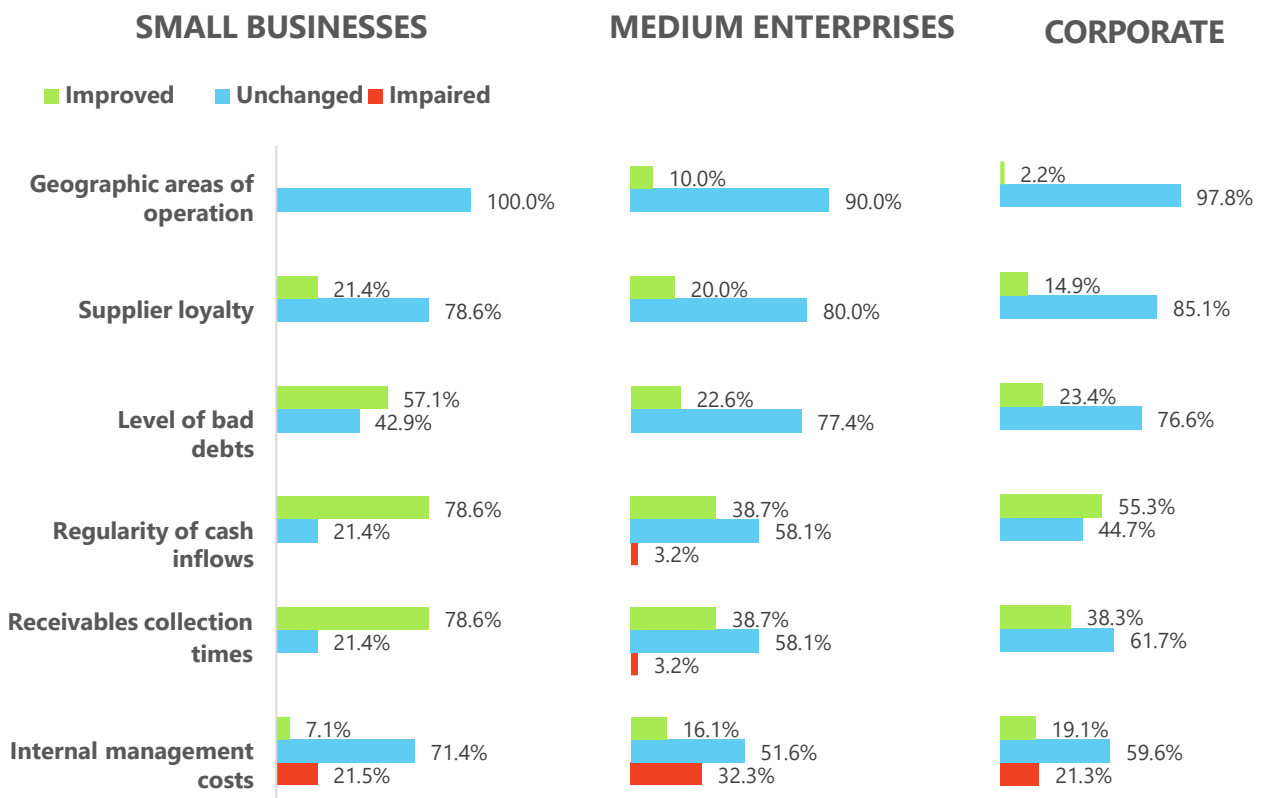
This suggests that **companies that haven't reduced internal management activities have not effectively replaced fixed structural costs with the variable costs of the factoring relationship**. The cross-referencing of the two responses confirms this interpretation, showing a much higher percentage of companies that have perceived an addition, rather than a replacement, of costs among those that haven't reduced internal activities, either by choice or due to the nature of the factoring relationship (not notification or based on partial transfer).

**Small businesses, which on average have reduced internal management activities more than others, have perceived the greatest benefits: significant proportions of these companies have reported improvements in the level of bad debts (57.1%), payment regularity (78.6%), and collection times from customers (78.6%).**

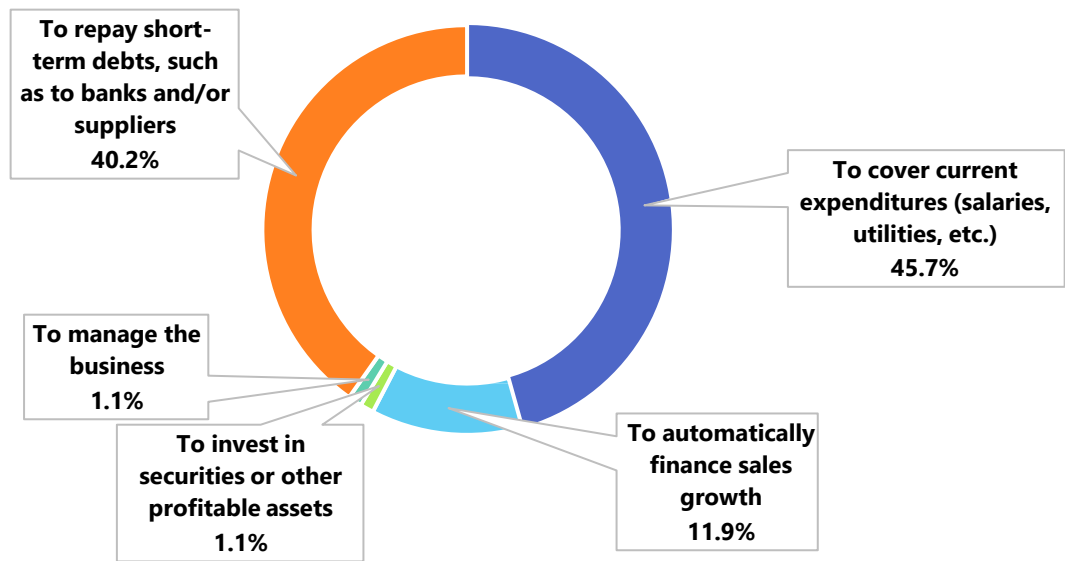
**Impacts of factoring on internal credit management costs**



**Impacts of factoring from a managerial perspective (breakdown by company size)**



**The use of funds obtained through factoring**



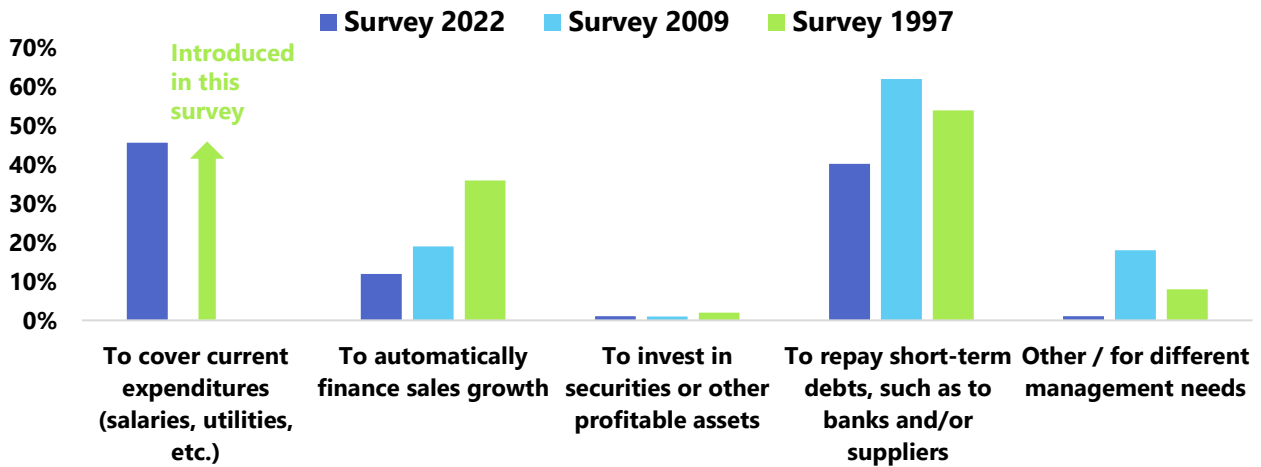
The vast majority of businesses use the funds obtained through factoring to repay short-term debts, such as to banks and/or suppliers (40%), or to cover current expenditures like salaries, utilities, etc. (around 46%). Almost 12% use the funds to automatically finance sales growth. The use of mobilized funds for other purposes is marginal.

In particular, a key insight can be derived from combining this latter item, introduced in this survey, with the repayment of short-term debts: in this approximation, the two items together would represent around 86% of the responses, highlighting and confirming a growth trend in the uses of factoring for this purpose that was already visible between 1997 and 2009.

The dynamic comparison confirms the perception of an evolution in the functions of factoring towards becoming a daily support tool for managing current expenditures and short-term indebtedness, in line with the trends of net working capital.

Particularly noteworthy is that from 1997 to the present day, the function of being a "driver" for sales growth has seen a significant reduction in relative importance (from 36% to 12%), while the responses from 2022 regarding the use of funds obtained through factoring are distributed more or less evenly between the repayment of short-term debts (banks and suppliers) and the support of current expenditures (salaries, utilities, etc.).

The use of funds obtained through factoring (temporal evolution, pp = percentage points)



### Optimization Of Cash Flows And Efficiency Improvements Driven By Factoring – Takeaways

Significant efficiency improvements in terms of reduced receivables management activities for the transferred credits are reported by 42% of the respondents.

The use of factoring allows for the optimization of cash collection scheduling, as also evident from the extensive use of the Maturity product (see "Factoring and other working capital support tools" section).

The assessment of cost containment profiles for working capital services borne by respondents due to the use of factoring appears more intricate and complex. On one hand, the surveyed companies, at various points in the questionnaire, express concerns about the potential increased costs of the product (likely attributable more to factors related to financial charges than to implicit service costs). On the other hand, these respondents acknowledge a reduction in receivables management activities, which potentially allows resources to be allocated to higher-value activities in the value generation chain of the company. Additionally, respondents recognize tangible benefits of the factoring relationship: coverage against losses on bad debts, increased regularity and timeliness of collections, professionalism in receivables management, continuous availability of a tool capable of systematically addressing revolving working capital needs and/or covering current outflows.

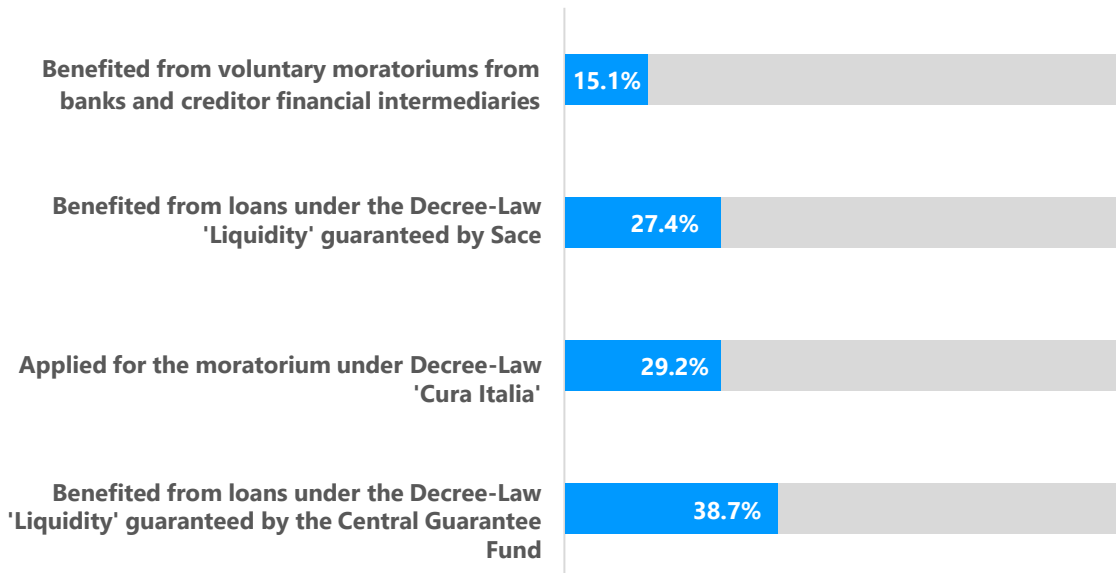
These findings are reinforced in the case of smaller businesses, which are more inclined to entrust the factor with the management of the transferred receivables and, therefore, are more capable of appreciating the aforementioned critical success factors of factoring.

# Pandemic And New Challenges In Working Capital Management

During the pandemic, nearly two out of three companies (65%) have utilized either at least one of the liquidity support measures provided by the Government or the voluntary moratorium measures from banks or financial intermediaries (15% of the total).

The largest share of companies (over 38%) has benefited from the financing guaranteed by the Central Guarantee Fund and/or financing guaranteed by Sace (27%) under the provisions of "Liquidity" Decree's. 29% resorted to the "Cura Italia" Decree's moratorium.

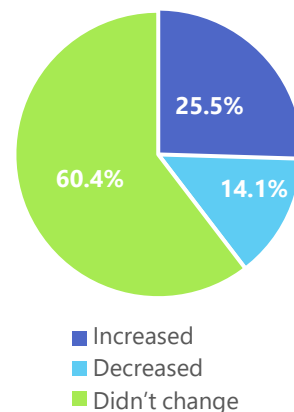
**During the pandemic, the company:**



During the peak of the pandemic, surveyed companies state that they did not change their use of financial solutions supporting working capital in over half of the cases (60%).

Only 14% of the respondents highlight a reduction in the use of working capital support measures. The reasons for this reduction mainly lie in the pursuit of a temporary and different mix of financial sources, capitalizing on the cost-effectiveness of State-guaranteed loans compared to other forms of financing, as well as the consequences of a decline in company revenue.

**During the period from March 2020 to June 2021, compared to the period before the pandemic, the component of short-term debts (utilized) and financial solutions to support working capital:**



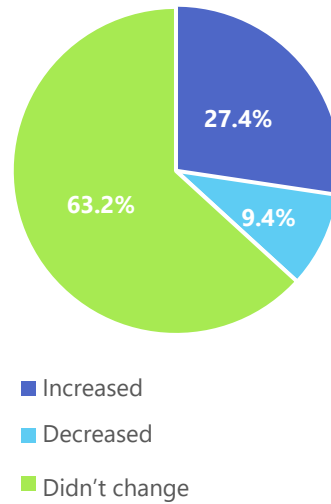
Over 25% of the companies declare an increase in the use of working capital financing forms.

Shifting the focus to the second half of 2021, companies show a similar approach to what was recorded in the previous period, although there is a slight increase in the proportion of companies that increased (27.4%) or maintained (63.2%) the previous working capital support levels.

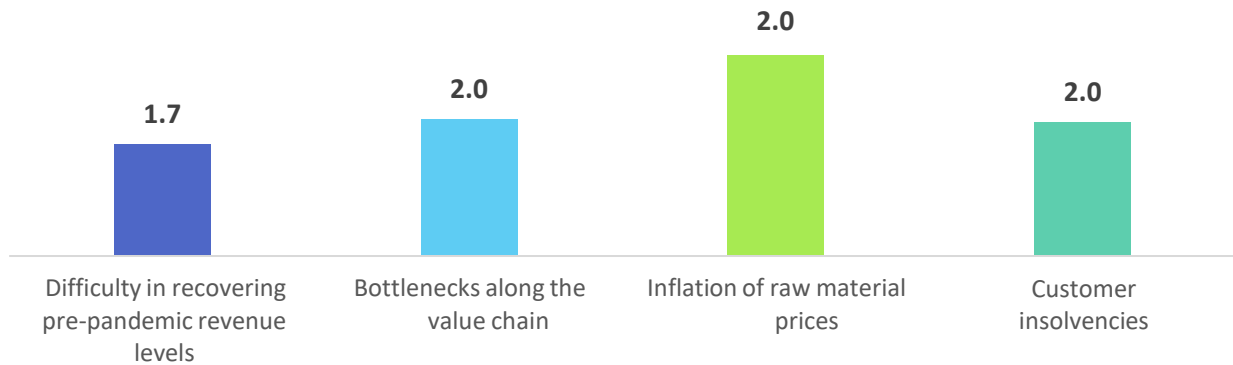
Regarding the current scenario, the surveyed companies agree that they primarily fear an increase in raw material prices and the resulting pressures on working capital. Less pronounced but still significant are the concerns related to value chain bottlenecks and customer insolvencies.

The surveyed companies do not express particular apprehension about recovering the revenue levels recorded before the pandemic.

**In the last six months of 2021, compared to the period from March 2020 to June 2021, the component of short-term debts (utilized) and financial solutions to support working capital:**



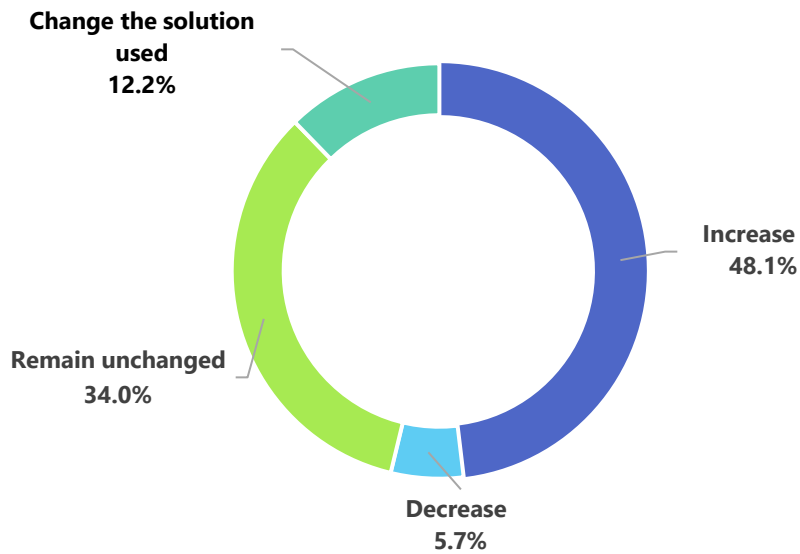
**The main critical factors related to the current context for the company (from 1 = 'Not important at all' to 4 = 'Essential,' average level of agreement)**



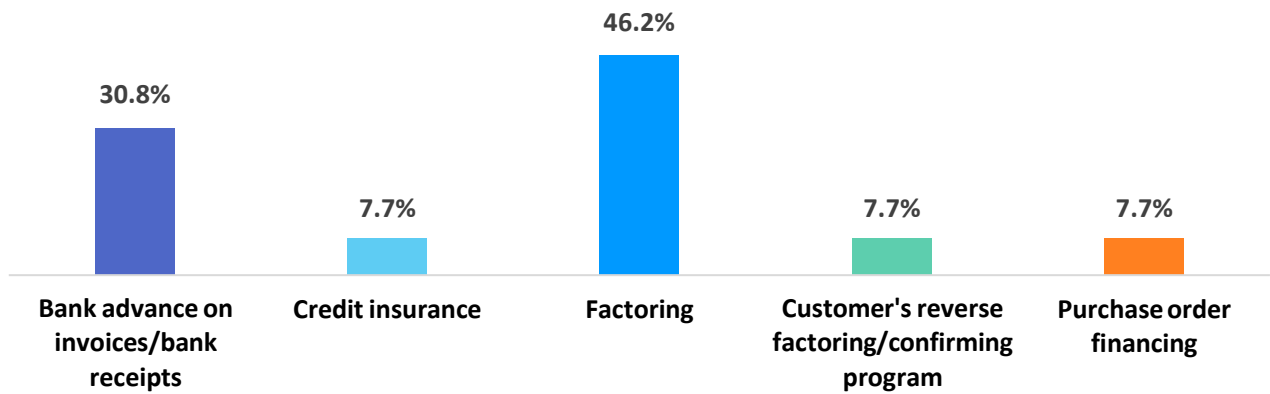
In response to the aforementioned challenges, the majority of surveyed companies believe that the use of working capital support solutions will increase (48%), or the currently used solution will change (12%). In one-third of cases, companies will not make changes to their current working capital support methods, and only 5% intend to reduce their usage.

Among those planning to make changes to the solution used, **factoring is the preferred option (46%), followed by bank invoice discounting (30%), while other forms of working capital support are considered marginal responses to the challenges of the current socio-economic context.**

In response to the highlighted challenges, do you believe that your company's utilization of working capital support solutions can:



If the use of working capital support solutions will vary in response to the highlighted challenges, which solution are you more inclined towards:





## Pandemic And New Challenges In Working Capital Management – Takeaways

The one-off measures to support companies' liquidity provided by the Government, aimed at addressing the cyclical imbalances resulting from disruptions in supply and production cycles, have allowed businesses to quickly resume operations after lockdowns. These financing measures, mostly of medium-term nature and at a cost, have benefited from government guarantees and involve full repayment after a pre-amortization period.

The effect of these government measures has been the restart of business activities, which factoring has supported both in terms of increasing turnover and funded outstanding amounts, more than recovering pre-pandemic volumes in 2022 (around 287 billion euros by the end of the year).

These measures have found significant resonance among the interviewed companies, with approximately two-thirds of them availing themselves of these measures. The role played by factoring is confirmed by the fact that companies have either maintained or even increased their utilization of working capital support solutions immediately after lockdowns. This is also indicated by their expressed inclination to further increase their use of factoring as an additional push for growth in response to the challenges characterizing the current post-pandemic environment.

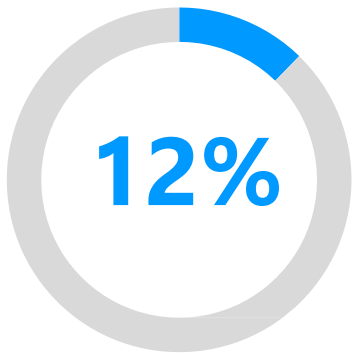
**The difficulties faced by businesses during the pandemic period seem to have been overcome, and in this perspective, tools such as factoring, which systematically support working capital needs, become crucial once again.**

# Businesses And Sustainability

Regarding sustainability-related issues, only 12% of the interviewed companies state that they have obtained a change in the terms offered by financiers based on the company's own sustainability (ESG) rating or that of the transferred receivables.

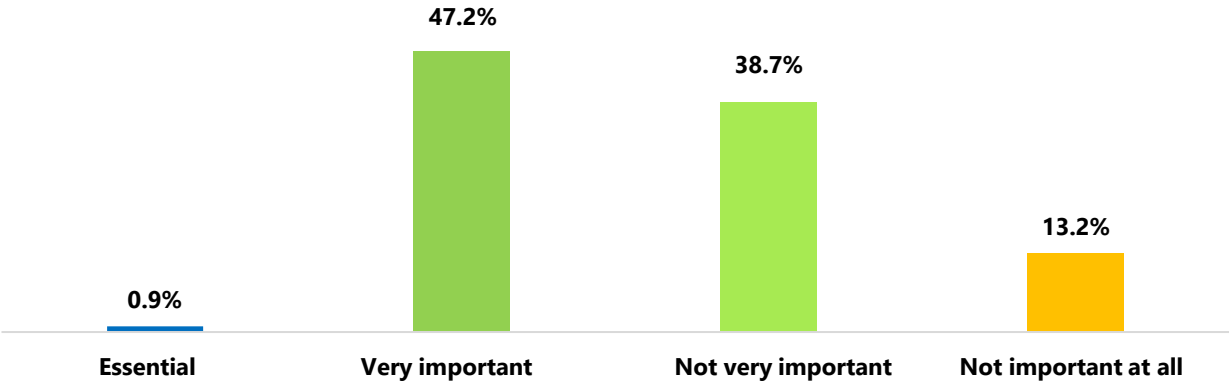
Regarding the importance of ESG characteristics of the financier, companies appear to be divided: around 48% declare these aspects as essential or very important, while over half consider them to be of little importance (39%) or not important at all (13%).

**Nearly half of the interviewed companies consider the ESG profile of the financial service provider to be very important or essential when selecting a counterpart. However, the economic effects of such factors on the terms of the offer are still relatively inconspicuous.**



**Companies that have obtained a modification of the terms offered by financiers based on the sustainability (ESG) performance of the company or the assigned credits**

**Importance for the company of the ESG characteristics of the financial service provider in the selection of the counterpart**

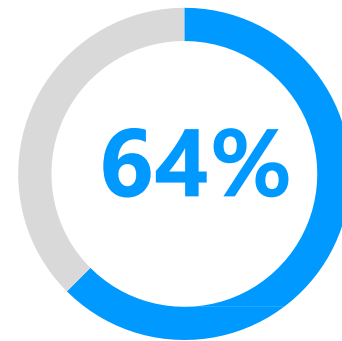


# Debtors And Supply Chain Finance

The 64% of the interviewed companies state that they have been "transferred", at least once, in the context of a factoring arrangement initiated by one of their suppliers (around 22% do this systematically).

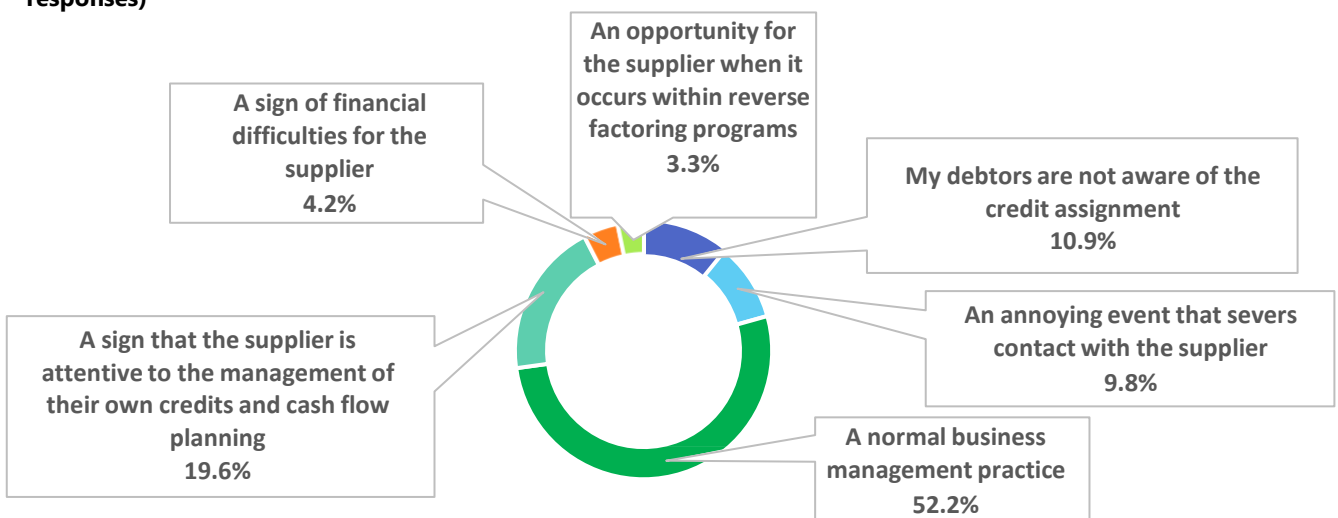
According to the sellers, the transfer is perceived by the debtors as a normal business management practice (52% of responses) or even takes on a positive connotation, indicating the supplier's attention to receivables management and cash flow planning (around 20%).

In 10% of cases, sellers believe that debtors perceive the transfer as an annoying event that severs contact with the supplier. Only marginally do sellers think that debtors interpret the use of factoring as a sign of financial difficulties for the supplier (4%).



**Companies whose debts have been assigned at least once within a factoring relationship (by their suppliers)**

**What is factoring in the opinion of the assigned debtors (according to the sellers, percentage distribution of responses)**

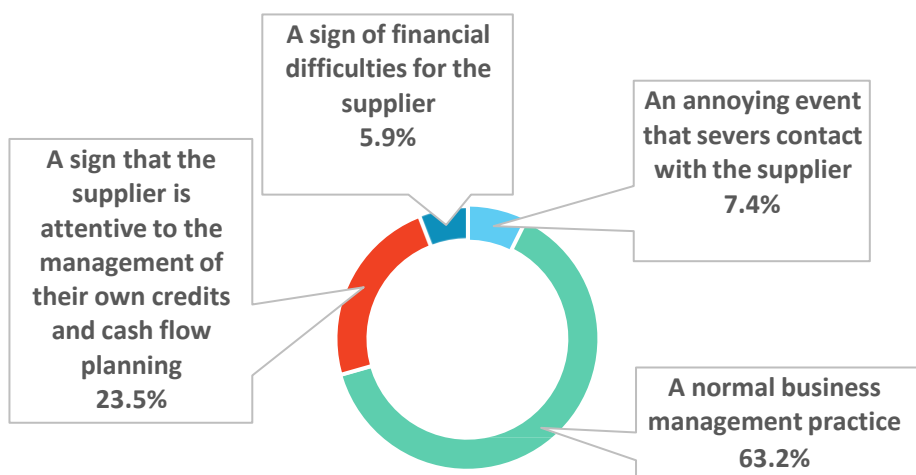


This approach is also confirmed in the opinions expressed by the companies whose debt is transferred, with 63% considering the use of factoring by their suppliers as a normal and physiological business practice, and 24% seeing it positively as a sign that the supplier is attentive to receivables management and cash flow planning.

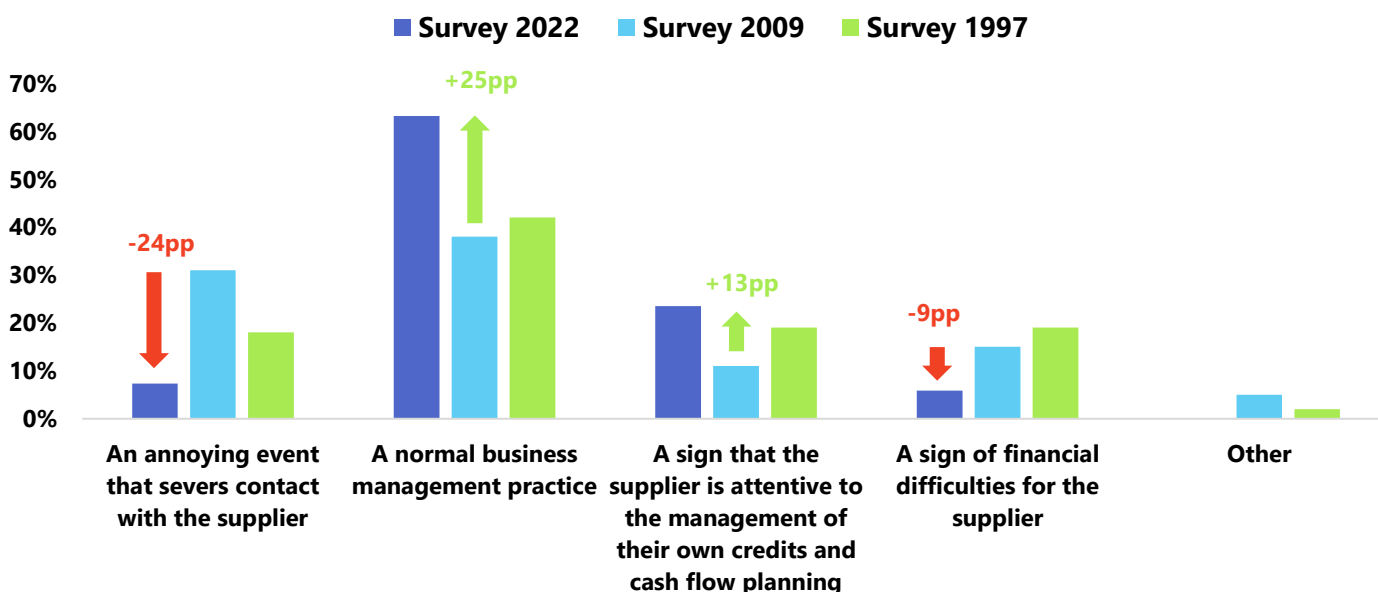
Particularly interesting is **the comparison with the previous survey, which reveals a greater**

**awareness by companies regarding the characteristics of factoring and the disappearance of certain "cliches":** compared to 2009, the share of companies involved in the relationship as debtors who believe that factoring is an annoying event that severs contact with the supplier has collapsed, as has the idea that factoring represents a signal of financial difficulty for the supplier (in this respect, continuing a trend already visible between 1997 and 2009).

**What is factoring in the opinion of the assigned debtors (according to the assigned debtors, percentage distribution of responses)**



**What is factoring in the opinion of the assigned debtors (according to the assigned debtors, percentage distribution of responses)**



From the responses, a higher level of acceptance by the debtors towards factoring emerges, of which they perceive the benefits related to the optimization of inbound flows for their suppliers.

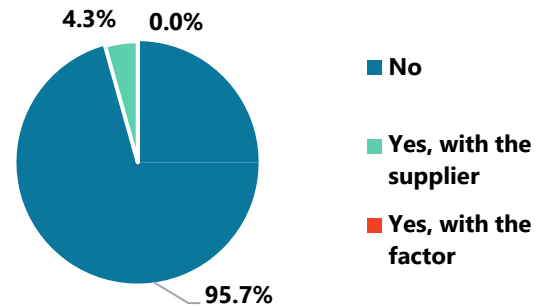
**The relationships between factors and debtors are good: 96% declare that they have never had problems with either the factor or the supplier regarding the debts subject to transfer.** No company reports problems arising in the relationship with the factor, while 4% highlight issues in relations with suppliers, generally related to disputed invoices or incorrectly managed credit notes.

Debtors have often benefited from further extension of the payment term, with 12% doing so habitually and 26% occasionally. 24% have never benefited from the additional extension granted by the factor but would be interested.

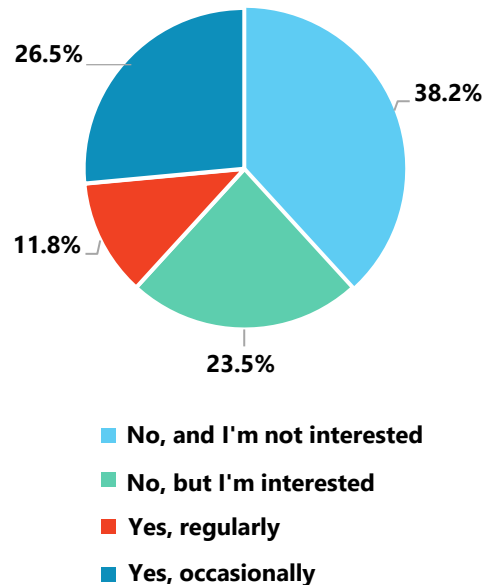
The good relationships between debtors and factors are also reflected in the widespread use, by the interviewed companies, of solutions supporting the passive cycle of working capital: **over a third of companies currently or in the past have used reverse factoring solutions as the promoting buyer**; over 25% use (or have used) confirming solutions. A small proportion (around 5%) has experience with dynamic discounting.

For the interviewed buyer companies, a Supply Chain Finance solution primarily represents a tool to optimize working capital by extending average payment times.

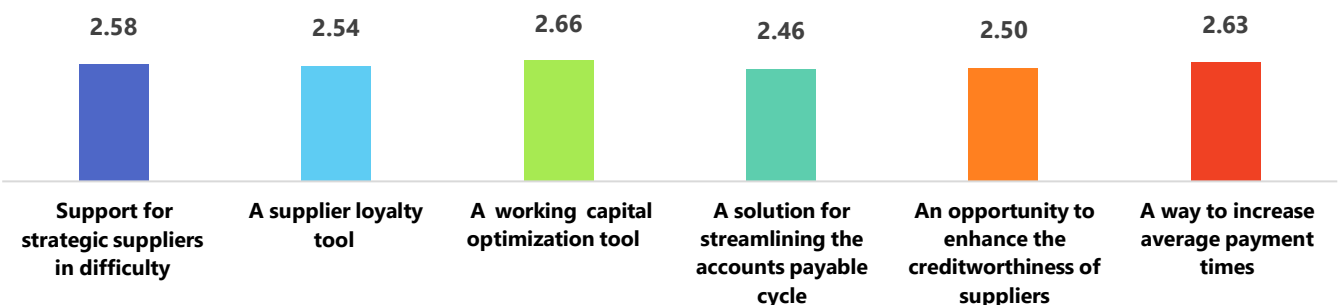
**Assigned debtors who have had experience with issues related to factors or suppliers**



**Has the company ever benefited from further extension of payment terms by the factor?**



**What does a Supply Chain Finance solution represent? (from 1 = 'not important at all' to 4 = 'essential,' weighted average of responses)**



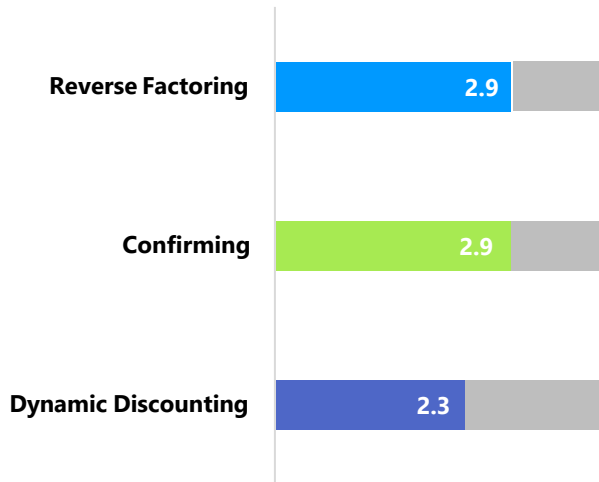
The role of Supply Chain Finance in supplier relationships is also important, as it represents a means of supplier loyalty and support for struggling strategic suppliers.

**Within a Supply Chain Finance solution, buyer companies consider the following profiles to be the most important:**

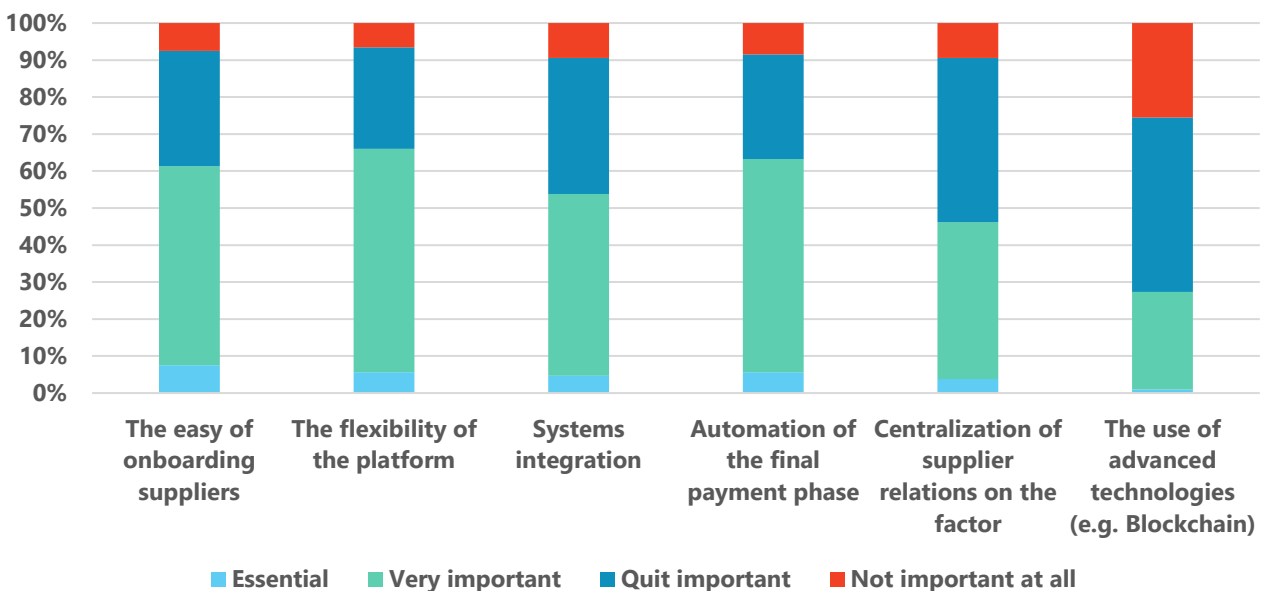
- Automation of the final payment stage,
- Flexibility of the platform, and
- Ease of supplier onboarding.

Regarding the different solutions used, buyer satisfaction appears to be highest in the case of reverse factoring (average of 2.9 out of a maximum of 4) and confirming (2.9), while it is lower in the case of dynamic discounting, which is however used by a few of the interviewed companies.

**Average satisfaction level with reference to the following Supply Chain Finance solutions (buyer side, from 1 = 'Poor' to 4 = 'Excellent')**



**The most important profiles for companies in a Supply Chain Finance solution:**



## Debtors And Supply Chain Finance – Takeaways

It is evident, also in this section, a growing awareness of the role of debtors as the driving force of the supply chain, also through Supply Chain Finance solutions (reverse factoring, confirming, etc.).

In this regard, the high overlap and correspondence of debtor respondents who are also sellers justify, through the experience gained in this dual role, the **awareness that factoring does not entail the breakdown of the relationship with one's supplier. Instead, it constitutes a normal and physiological aspect of the supplier's business management, which can also lead to additional and beneficial developments.** This evidence represents a significant evolution in debtors' perception compared to the previous survey.

**Such awareness also impacts the propensity of debtors to establish a relationship with the factor itself**, both in the form of requesting further payment term extensions and in the form of a reverse factoring (or similar) relationship to support their own selling suppliers.

From the perspective of requesting additional extensions, there is a potential demand that has not yet been expressed and/or served for such services.

Regarding Supply Chain Finance, the sample of interviewed buyer companies expresses higher interest coefficients compared to the volumes expressed by the market. It is necessary, therefore, to question whether this represents unexpressed demand or demand that has not yet found satisfaction in the offering, particularly related to the still-introductory participation of suppliers in the program.

**In this perspective, the offering of such products cannot exempt itself from carefully evaluating the needs of the debtor, reconciling them with those of the seller, which must also be met, assuring a win-win solution to all the parties involved.**

# Factoring and PA

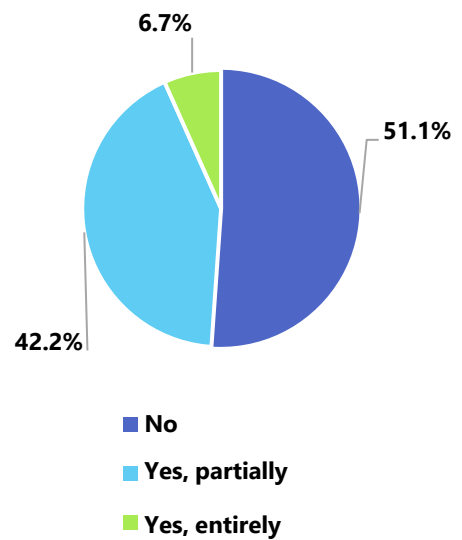
42% of the interviewed companies have supply relationships with entities belonging to the Public Administration. Of these, almost half transfer receivables to public entities within factoring relationships, either partially (in 42% of cases) or completely (7%).

The **relationships with the Public Administration are characterized by significant challenges**, particularly related to:

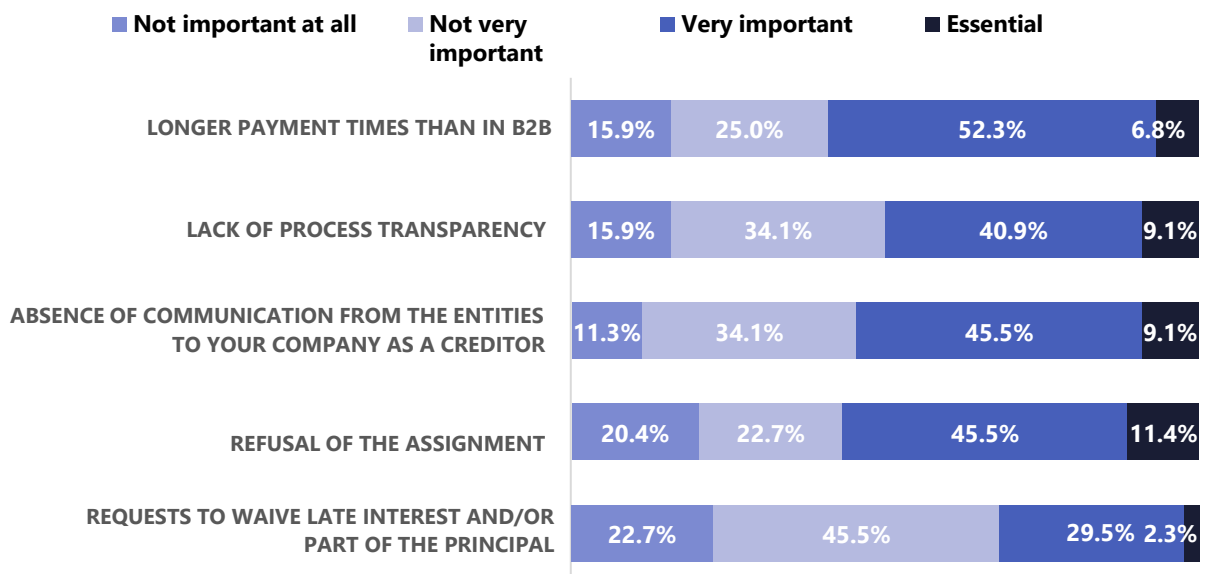
- Payment delays (higher than in B2B);
- Transferability of receivables;
- Relational interaction between the entity and its suppliers.

The frequency of credit transfer refusal, in particular, is considered an "essential" challenge by over 11% of companies and at least very important by nearly 57% of them.

**Are trade credits to the Public Administration assigned within factoring relationships?**



**The main critical issues in trade relationships with the Public Administration**





Furthermore, the supplying companies to the Public Administration highlight the lack of communication from the entities (in over half of cases) to the company as a creditor.

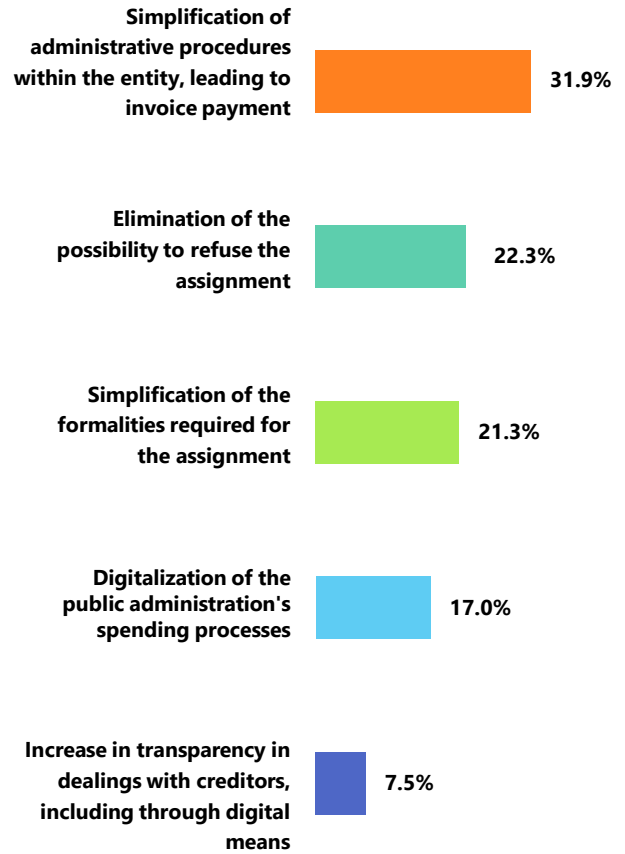
The interviewed companies also expressed their opinions on potential interventions that they believe could contribute to improving the commercial relationship between companies and public entities.

In this perspective, **companies consider the simplification of administrative requirements within the entity and prerequisites for invoice payment as a priority** (32% of responses).

Secondly, **credit transfer needs to be simplified by facilitating the use of working capital support solutions like factoring, both by reducing formalities (21%) and by eliminating the possibility for the public entity to reject the transfer of its debts (22%).**

Finally, companies (with less frequency) consider the digitization of processes and increased transparency in relationships with creditors to be useful.

**Which interventions can contribute the most to improving the commercial credit relationship between companies and public entities? (Percentage distribution of responses)**



## Factoring and PA – Takeaways

The high percentage of interviewed companies that also act as suppliers to the Public Administration, of which about half currently do not transfer their related receivables, highlights the existence of an important market to be served and supported.

The need for a more effective and efficient regulatory framework for managing the transfer of credits owed to the Public Administration is now a shared requirement.

Numerous initiatives have been promoted by Assifact to overcome the limitations of the current regulatory framework. **From the responses obtained from the questionnaire, it is evident that the factoring industry must continue its efforts in advocacy and guidance, both institutionally and in collaboration with other stakeholders, in order to contribute to a regulatory evolution that enables and facilitates the transfer of credits to the Public Administration.**

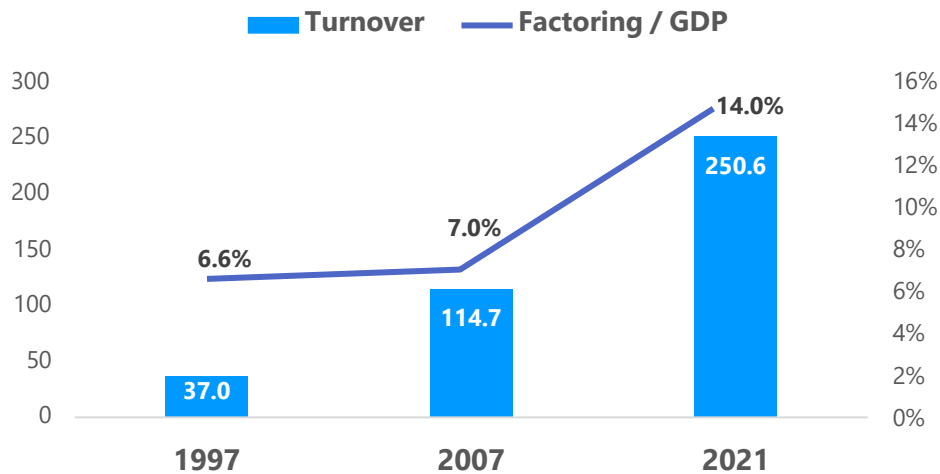
This regulatory innovation should be oriented towards simplifying administrative requirements within the entity, prerequisites for invoice payment, and simplifying procedures for transferring credits owed to the Public Administration (including eliminating the possibility of refusing credit transfer).

The intervention directions are those already identified and pursued by the Association to remove regulatory obstacles and envision architectural and applicative solutions that allow for the "normalization" of the transfer of payables owed by the Public Administration, whether they are trade-related or fiscal.

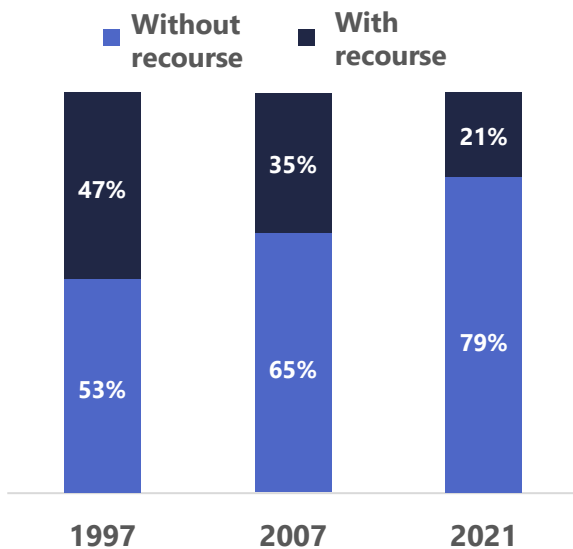
The attention of European institutions has recently been drawn on the issue of the prohibition of transfer on multiple occasions. A study commissioned by the European Commission (Study on building a responsible payment culture in the EU: improving the effectiveness of the Late Payment Directive (2011/7/EU), July 2022) has recognized the importance of facilitating the use of factoring and other innovative forms of working capital support (Supply chain finance, Invoice trading) as a means to achieve the objectives of the Late Payment Directive, particularly benefiting small and medium-sized enterprises.

# The factoring market in the years under investigation<sup>3</sup>

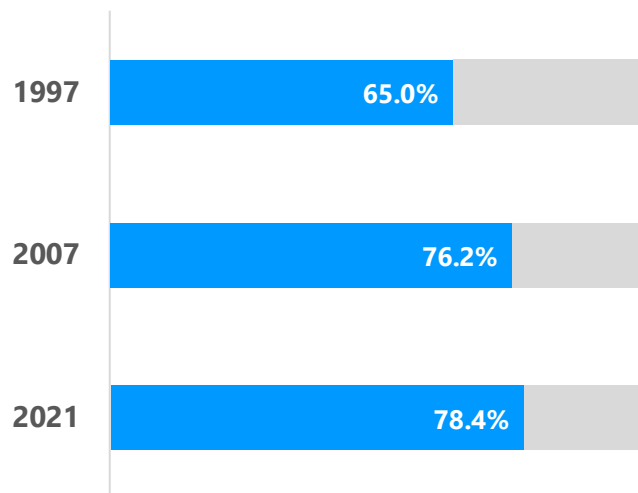
Turnover development and trend of the factoring-to-GDP ratio (data in billions of euros)



Distribution of the factoring market between without and with recourse



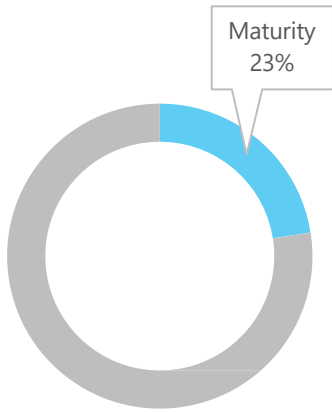
Advance rate compared to outstanding



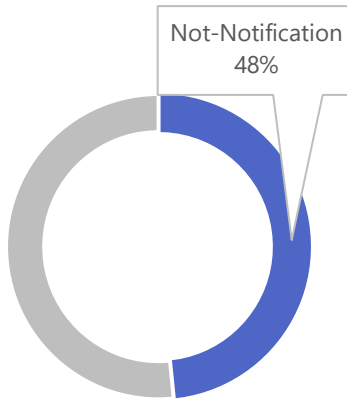
<sup>3</sup> The 2009 survey was based on data from 2007, while the one referred to in this report is based on data from 2021

**The factoring market in 2021: product characteristics**

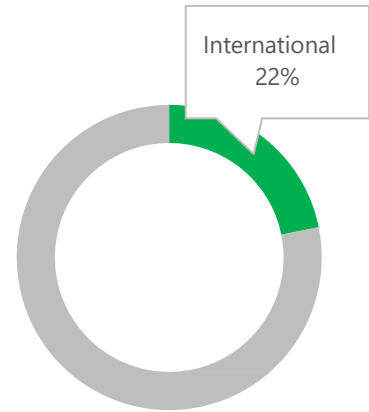
**TURNOVER MATURITY**  
2021



**TURNOVER NOT-NOTIFICATION**  
2021

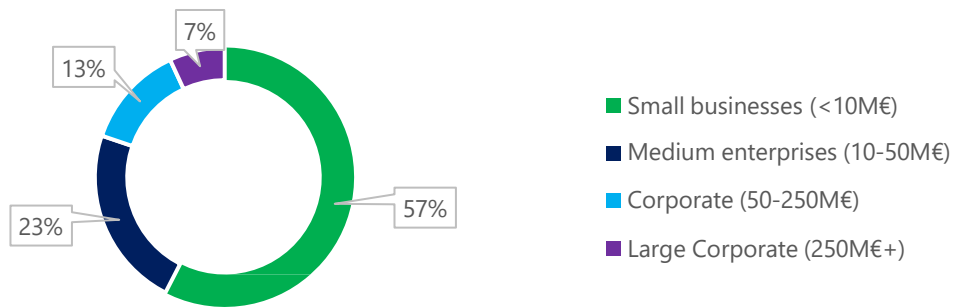


**TURNOVER INTERNATIONAL**  
2021

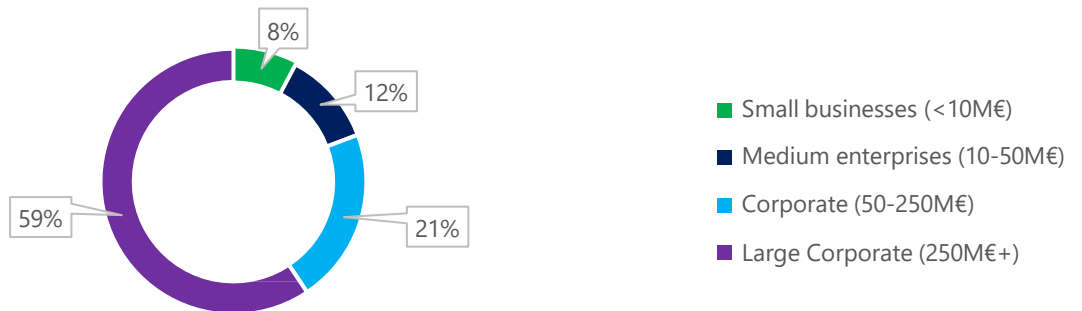


**Breakdown by company size - Year 2021**

**NUMBER OF ACTIVE SELLERS - BREAKDOWN BY SIZE**  
2021

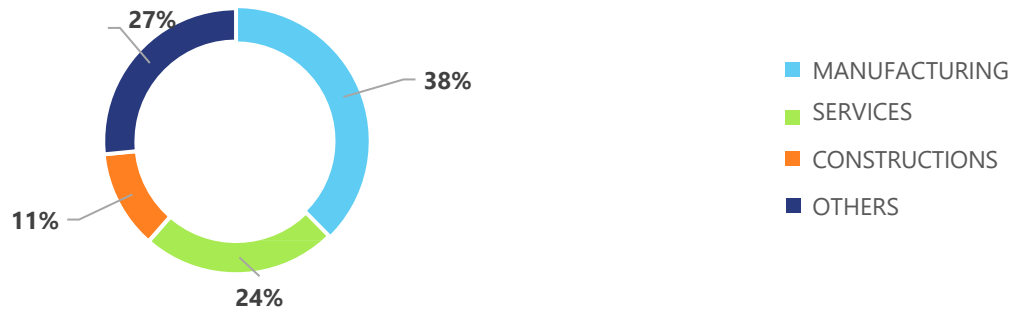


**TURNOVER - BREAKDOWN BY SIZE**  
2021

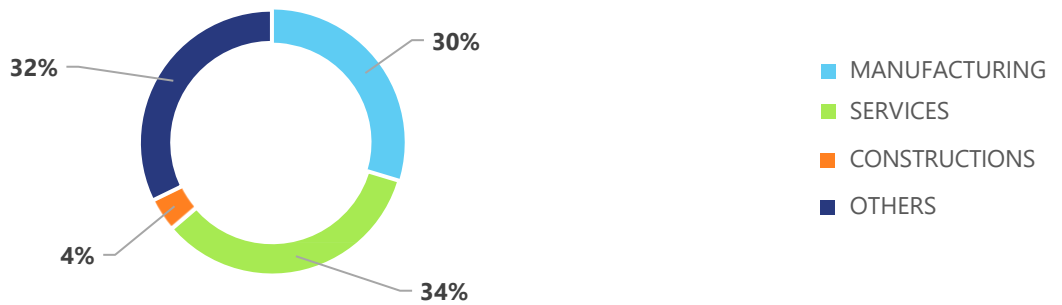


Breakdown by sector of economic activity of the company - Year 2021

NUMBER OF ACTIVE SELLERS - BREAKDOWN BY SECTOR  
2021

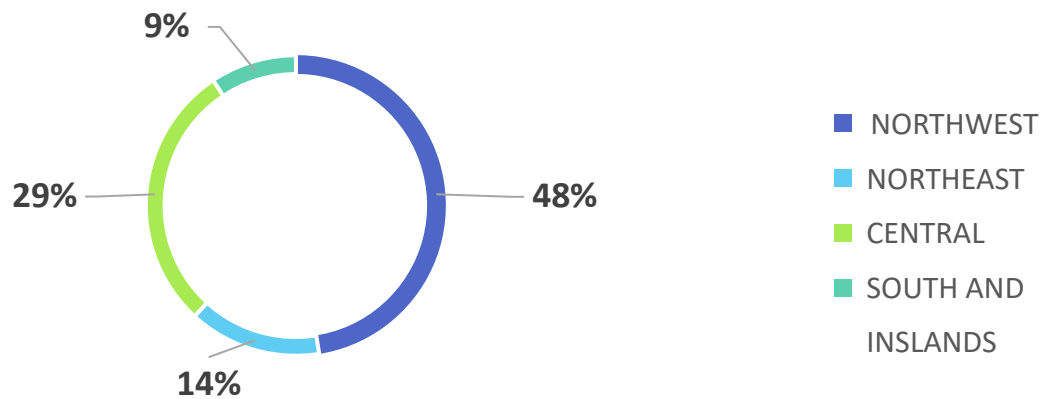


TURNOVER - BREAKDOWN BY SECTOR  
2021



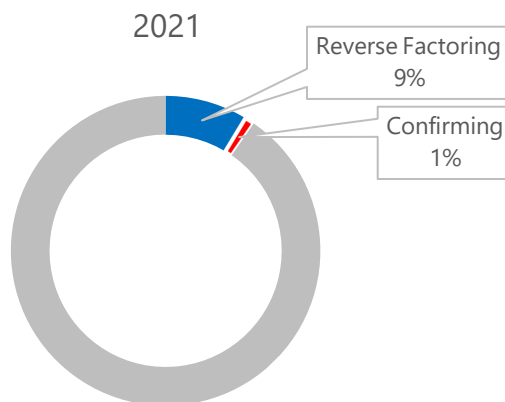
Breakdown of domestic turnover by location - Year 2021

DOMESTIC TURNOVER BREAKDOWN BY LOCATION



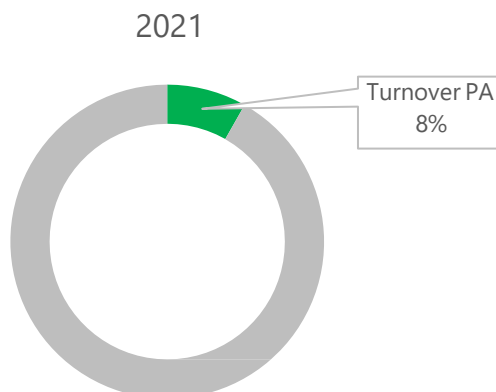
**Supply Chain Finance in the factoring market - Year 2021**

**TURNOVER DERIVED FROM SCF**



**Turnover towards the Public Administration - Year 2021**

**TURNOVER TOWARDS PA DEBTS**



# The Survey On Factoring Demand: Prompts For Supply-Side Reflections

The conducted survey allows to capture the demand for factoring, identifying its expectations, perceptions, satisfaction level, and evolutionary prospects.

From the responses provided by the surveyed businesses in the questionnaire, read in conjunction with Assifact's market statistics and previous surveys conducted on the same subject, the role of factoring becomes clearer in the broader context of working capital solutions, also in relation to competing or complementary tools.

**The analyzed sample of respondents adequately reflects the characteristics of the demand**, as described in the statistics provided by Assifact, balancing the territorial, sectoral, and dimensional distribution of companies in terms of both the number of entities and the turnover they generate.

In general, **the questionnaire responses reveal a significant coherence between the needs expressed by the respondents and the offering of factoring**. This corroborates some established characteristics of the factoring market trends in Italy, also confirmed in 2022. In particular, the **predominant volumes of without recourse factoring** compared to recourse factoring, as seen in the questionnaire responses, appear **justified by an "essential" and precise need for "collection guarantee" and optimization of working capital, also through the removal of transferred credits from the balance sheet**, as well as the significant level achieved from

**advances and consideration paid by factoring companies** can be understood as a **consequence of an "essential" need to "increase liquidity,"** which finds resonance in the increase of the advanced portion of the credit portfolio recorded over the years.

Among the investigated aspects, the **role of digitalization in financial (and non-financial) working capital management** couldn't be omitted. This finds pioneering expression in the realm of Invoice Fintech, which encompasses innovative solutions enabled by technology.

From this perspective, the collected responses highlight how **the process of technological integration between the factor, the transferor, and the debtor has now reached a significant level of automation in interfaces, as also recognized in the satisfaction expressed by the interviewed businesses**. These companies are now pushing their demands further, requesting the **ability to operate with "open" platforms, through which they can simultaneously consider a variety of solutions and services, potentially negotiating them with multiple intermediaries and financiers**. This is also due to the fact that the factoring relationship appears, in most cases, non-exclusive and involves an average of 4 factors operating with different and coexisting platforms (with the related implementation and maintenance costs for the company).

<sup>4</sup> For a definition and exemplification of the business models specific to the 'Invoice Fintech' phenomenon, see: Assifact e Osservatorio Supply chain finance - School of Management Politecnico di Milano, "Evoluzione e prospettive del factoring nell'era del FinTech" (<https://www.assifact.it/evoluzione-e-prospettive-del-factoring-nellera-del-fintech/>).

**The use of more innovative forms of working capital support, from the transferor's perspective, such as invoice trading, is still in the exploratory phase.** The use of such instruments is therefore limited, in line with the volumes recorded in the market (approximately 572 million euros for the year 2022, according to the best available estimates), which are still negligible compared to factoring volumes (around 287 billion euros in the same period).

However, 6% of the companies represented in the sample have expressed potential interest in invoice trading. This suggests, from the supply-side, a careful monitoring of the phenomenon which, **although numerically considered irrelevant at the moment (0.20% compared to factoring volumes), still requires appropriate responses to the needs of these businesses.**

**Smaller-sized companies have perceived the benefits of the factor's support in credit management** more prominently, in terms of reducing bad debt, payment regularity, and timeliness.

Regarding these aspects, it is particularly noteworthy and worthy of attention that **64% of these smaller companies** in the sample have **emphasized the role that factoring can play in reducing administrative activities** for the transferor. The use of factoring services also allows resources to be allocated to higher value-added activities in the company's value generation chain.

**Smaller-sized businesses also express**, through the questionnaire, **the need for better management of credit risk.** They rarely have adequate market information, specific organizational functions dedicated to predictive credit risk assessment, and often find it ineffective to manage receivables collection.

**This need can find an effective, efficient, and professional answer in factoring.** Thanks to the extensive information generated regarding debtor behavioral profiles, the factor has a broader and deeper view of market sectors and is equipped with adequate technological and professional resources to "interpret" them.

This allows the factor not only to support the transferor in credit collection (collection management) but also to be alongside them in predictive assessment of the potential client portfolio. **A partnership between the company and the factor, largely unexplored to date but representing a valuable support for guiding growth and capturing market opportunities, especially for small businesses.**

Therefore, factoring contributes synergistically to the connective fabric of the country's system, a significant and important presence. **A support that businesses have appreciated and consistently relied upon.**

**However, 11% of the sample have not yet utilized factoring** (this figure was about 25% in samples from 2009 and 1997). In the opinions of these companies, **it is interesting to note how factoring is associated with a service that is still perceived as expensive and that has not found proactive commercial contacts from the offering.**

The reasons for not using factoring express the recurring **concern of respondents that it might weaken the client relationship.** This concern, which **seems to be a prejudice**, dissipates once direct experience with factoring is gained. In fact, **respondents** belonging to the group of companies **already working with factors and the same debtors do not perceive factoring as an obstacle to maintaining a satisfactory supplier-buyer relationship.**

It is interesting to note that among the companies that have never used factoring, **there is a high percentage (63%) of subjects, belonging to small and medium-sized companies, expressing interest in the service.** This evidence, when read together with the declaration made by some companies that they have not received offers from factors, seems to shed light on the existence of a potentially untapped demand, especially in the world of SMEs, which could **prompt the supply-side of the factoring market to consider appropriate responses to this seemingly unmet demand.**



The **level of satisfaction** in using factoring appears to be particularly **high and improved compared to past surveys**: the percentage of companies rating it as excellent has increased from 7% in 1997 to 54.7% in 2022, also in relation to the level of satisfaction expressed regarding the automation level of the provided factoring service.

**When compared to banks, companies acknowledge that factors are more willing to provide financing**, valuing the business and creditworthiness of customers, **as well as the completeness and greater ease of use of the offered service, despite highlighting a higher overall cost.**

Even **during the pandemic** and especially in the immediate aftermath, **factoring has maintained its role as a financial "lung" for businesses.** While on one hand, governmental measures of short-term support have reactivated the production and distribution cycle, on the other hand, according to the surveyed companies, **with the restart of production activities, there has been a gradual replacement of emergency government intervention tools with systematic and structural working capital support tools, such as factoring.** Factoring is also seen by respondents as a valuable ally in addressing current challenges, particularly the inflationary pressures faced on the cost side.

It's important to highlight how **debtors have developed a greater awareness over time regarding the role of factoring for their suppliers**, highlighting the **disappearance of some common misconceptions, such as viewing factoring as a sign of financial weakness of suppliers or as an annoying event that undermines the relationship with them.**

The debtor's relationship with the factor proves effective; in several cases, the factor has even promoted **facilitations for debtors in terms of additional payment term extensions. This opportunity is noteworthy**, as almost one in four companies that haven't previously benefited from it are showing interest.

The survey results also certify the **success of operations related to Supply Chain Finance**:

while (symmetrically to what's observed on the asset side) the more innovative solutions enabled by technology (e.g., dynamic discounting) do not seem to show particularly vivid responses from the demand, **reverse factoring and confirming are often used by surveyed companies (and with good satisfaction)** as a tool for optimizing the passive working capital cycle, also in relation to the potential elongation of payment times pursued by these instruments.

It's important to note, within Supply Chain Finance, the **role played by the intermediary as a balancing element of the supply chain relationships**, which further manifests itself and is even more justified in the "indirect" service, where the needs of the supplier must align with those of the buyer through the factor's intervention, **ensuring a balanced transfer of value in a "win-win" logic.**

In these solutions, the technological aspect is of great importance, particularly in terms of **platform flexibility and ease of supplier onboarding**, while there's also an emerging **need for more advanced payment automation.**

A separate mention is needed for factoring demands regarding receivables to the Public Administration. The strong presence of PA supplier companies in the sample, of which about half do not transfer such receivables to factors, highlights **the existence of potential demand not yet served by the supply-side. This demand comes from companies whose financial needs are exacerbated by the administrative complexity of receivables management procedures towards the PA, payment delays, and, more generally, the inability in some cases to resort to factoring services due to regulatory obstacles** (particularly the possibility for public purchasing entities to refuse of the transfer of their debts).

**The supply-side, and more generally all stakeholders interested in the sector, must ponder how to respond to this potential unmet demand.**

It is now a shared necessity to achieve **a more effective and efficient regulatory framework for the transfer of receivables against the Public Administration.**

Numerous initiatives have been promoted by Assifact to overcome the limits of the current regulatory framework. From the questionnaire responses, **it's clear that the factoring industry needs to continue its role in overseeing and directing the regulatory framework, in agreement with all interested institutional stakeholders.**

This regulatory innovation should be aimed at simplifying administrative obligations on the part of the entity, conducive to invoice payment, as well as simplifying the procedures for transferring receivables to the Public Administration (also by eliminating the possibility of "rejecting" the transfer).

The Association's intervention directions also propose architectural and applicative solutions that allow the "normalization" of claims against the PA, whether they are trade-related or fiscal. Such efforts can bring significant benefits at the "Country system" level,

facilitating the use of a structural and flexible service for businesses, such as factoring.

The attention of European institutions has recently focused on the topic of the prohibition of transfer. **A study commissioned by the European Commission has recognized the importance of facilitating the use of factoring and other innovative forms of working capital support** (Supply Chain Finance, Invoice Trading) as a means to achieve the objectives of the Directive on late payment in commercial transactions, favouring small and medium-sized enterprises in particular.

In conclusion, this work recognizes the high informational value of the obtained responses through the conducted survey and the numerous insights prompted by businesses through the completion of the questionnaire, which has only been partially developed in this publication. The richness of the collected information encourages further investigations, which will be presented in subsequent interventions.

# Glossary

## Bank advances on invoices / bank receipts (Ri.Ba.)

A typical banking instrument that allows for the discount of trade receivables represented by invoices or bank receipts (Ri.Ba) within a granted credit line.

## Credit insurance

An insurance instrument that enables the insurance coverage of one's portfolio of trade receivables against the risk of non-payment by the buyer, in exchange for a premium payment.

## Securitization

The transfer of a portfolio of trade receivables to a specially established entity to acquire such receivables and issue debt securities.

## Confirming

A program in which a company (typically of medium to large size and high credit standing) issues payment mandates for approved invoices to selected suppliers (typically strategic suppliers). Within the program, these suppliers can request the advance payment of the consideration by assigning their invoices to the financier, under conditions that consider the creditworthiness of the purchasing company.

This scheme is usually facilitated through a digital platform.

## Dynamic Discounting

A program in which a company (typically of medium to large size and with high liquidity) offers suppliers the option to receive early payments in exchange for a discount on the invoice value, dynamically calculated based on the remaining days until the original due date. The scheme might not involve financiers and is usually facilitated through a digital platform.

## Factoring

A flexible working capital management tool that offers various services and allows for the monetization, management, and assurance of successful payment of trade receivables.

Through factoring agreement, the client transfers receivables resulting from their business activities to the factor, which handles their collection and accounting, can provide protection in case of buyer default, and may advance all or part of their value.

In cases where the agreement includes protection against the debtor's non-payment, the factoring relationship is considered "without recourse". Conversely, if the risk of non-payment remains with the assignor, the relationship is considered "with recourse".

## Forfeiting

A tool commonly used in import/export operations that allows for immediate, unconditional collection of proceeds from exports of goods and/or services that involve deferred payment forms (e.g., promissory notes, bills of exchange).

## Inventory financing

A financial solution that enables the use of products in inventory (raw materials, work-in-progress, or finished goods) as collateral to obtain financing.

## Invoice trading

An innovative tool involving the use of a digital platform for the assignment of trade receivables to third-party investors, typically institutional entities. The buying and selling usually occur through an auction mechanism.

## Customer's reverse factoring/confirming program

Joining, as a supplier, a reverse factoring or confirming program offered by a customer.

In the case of reverse factoring, a company (typically of medium to large size and high credit standing) facilitates the transfer of its approved supply debts to a financier on behalf of selected suppliers (typically strategic suppliers), under conditions that consider the creditworthiness of the purchasing company.

In the case of confirming, the purchasing company issues payment mandates for approved invoices to selected suppliers (typically strategic suppliers). Within the program, these suppliers can request the advance payment of the consideration by assigning their invoices to the financier, under conditions that consider the creditworthiness of the purchasing company.

This scheme is usually facilitated through a digital platform.

## Purchase order financing

A financial solution that allows a company to use an order (i.e., a job order or supply contract) received from a high-creditworthy customer as collateral to obtain financing.

## Reverse Factoring

A program in which a company (typically of medium to large size and high credit standing) facilitates the assignment of its approved supply debts to a financier on behalf of selected suppliers (typically strategic suppliers), under conditions that consider the creditworthiness of the purchasing company. This scheme is usually facilitated through a digital platform. It might include further payment extensions for the purchasing company.







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The Italian Factoring Association, established in 1988, currently represents the substantial majority of the factoring market. On the international front, Assifact represents Italy within the EU Federation for the Factoring and Commercial Finance Industry (EUF), which brings together the industry associations in the factoring sector from major European countries and represents the European factoring industry to the European Union and other international organizations.

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