

2023–2024

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# GROWTH CORPORATES WORKING CAPITAL INDEX

Asia-Pacific Edition

**VISA**





# WHAT IS A GROWTH CORPORATE?

The **2023–2024 Growth Corporates Working Capital Index: Asia-Pacific Edition** examines the working capital needs of Growth Corporate CFOs and treasurers in the Asia-Pacific region whose firms generate annual revenues between \$50 million and \$1 billion in the commercial travel, healthcare and eCommerce sectors. Visa commissioned PYMNTS Intelligence to conduct the research and produce the report, and the underlying survey was conducted by telephone between March 9, 2023, and June 12, 2023. The Growth Corporates Working Capital Index (WCI) study surveyed CFOs and treasurers of Growth Corporates, organizations with unique needs and capabilities that can fall through the cracks between small businesses and enterprises with purpose-built solutions. The 2023–2024 Growth Corporates WCI offers practical insight into how these CFOs balance the day-to-day requirements of their businesses with the cash flow requirements needed to survive, thrive and scale.<sup>1</sup>

<sup>1</sup> The survey was designed to capture a representative sample of countries in the APAC region. More specifically, the countries included in this analysis are Australia, India, Indonesia, Singapore and South Korea.



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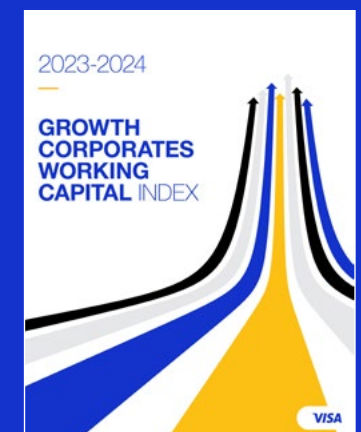
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# EXECUTIVE SUMMARY

**T**he Asia-Pacific (APAC) region includes a mix of countries defined as advanced, emerging and developing, a characteristic that helps explain how the region contributed roughly two-thirds of global growth in 2023.<sup>2</sup>

The APAC region is no stranger to the same economic headwinds — such as tighter monetary policies and slowing economic activity — that have affected private sector access to credit around the globe. Externally, the region is largely dependent on the economic success of China, Japan and the United States, and its success will depend on these countries' economic performances in the short to medium term. The region's economic performance is expected to moderate to 4.2% in 2024, down from the estimate of 4.6% in 2023, partly due to a slowdown in China's economic recovery after the peak of the pandemic.<sup>3</sup> This economic environment means that Growth Corporates in the APAC region are dealing with the same problems most of their peers are facing around the world — and they have the same potential to bolster their use of external working capital solutions in a more strategic way to improve their performance.

APAC ranks third among the five regions analyzed in the Growth Corporates Working Capital Index (WCI) — Central Europe, the Middle East and Africa (CEMEA); Europe; and Latin America and the Caribbean (LAC); and North America — averaging a below-average index score of 47.4 that suggests Growth Corporates in this region, for the most part, are either not using external financing solutions or are

using them for mostly tactical, quick-fix purposes rather than deploying them strategically to foster long-term growth.<sup>4</sup> APAC's lower scores suggest that Growth Corporates in the region are, for the most part, not taking full advantage of the external financing solutions available in the market to optimize their operations. Growth Corporates in the APAC region plan to increase their use of external working capital solutions. Though 66% of firms used them last year, 87% plan to use them in 2024.

## Growth Corporates in the APAC region use external working capital solutions to obtain favorable capital costs for new business endeavors and to improve their commercial partnerships.

1. More than **8 in 10** Growth Corporates in the APAC region say accessing working capital solutions improved buyer-supplier relationships and reduced costs for new business initiatives.
2. In the region, **more than one-third** of marketplaces relied on working capital loans as their main financing solution, whereas overdrafts are more common for Growth Corporates in the commercial travel and healthcare sectors.
3. Commercial travel Growth Corporates in the APAC region exhibit **the highest utilization** of external financing to fund planned growth initiatives, at 38%, while healthcare firms in the region use working capital in this way the least, at 21%.
4. Top performers in the region **strategically utilized external financing** to address anticipated shortfalls and expand their businesses, while none of the bottom performers in the index employed financing for this reason.

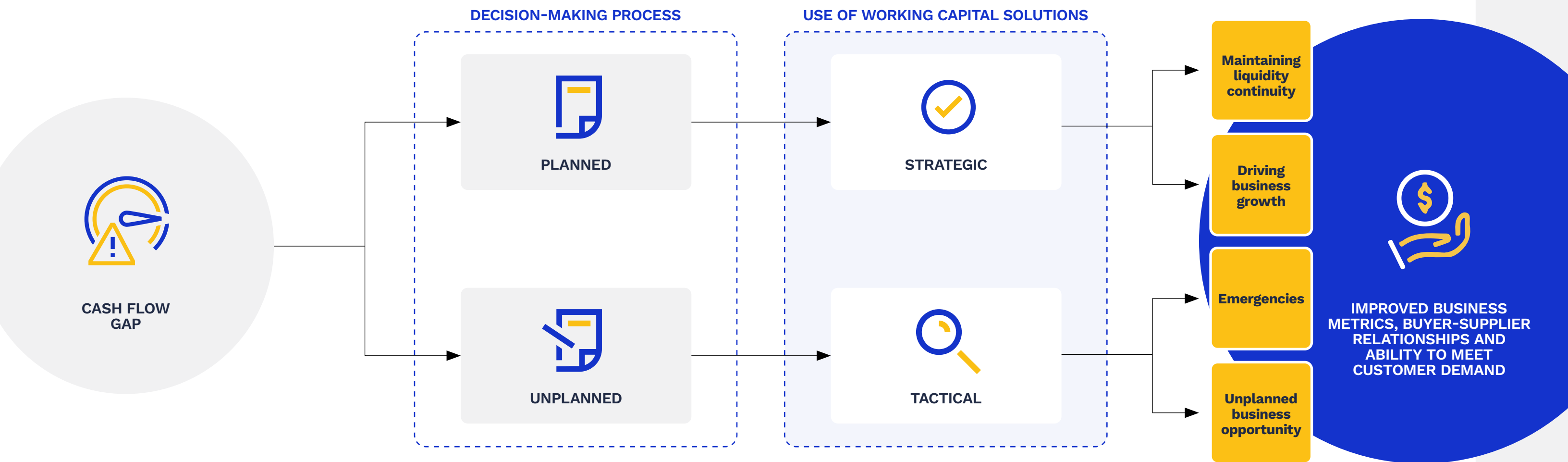
<sup>2</sup> Author unknown. Regional Economic Outlook: Challenges to Sustaining Growth and Deflation. International Monetary Fund. 2023. <https://www.imf.org/en/Publications/REO/APAC/Issues/2023/09/27/regional-economic-outlook-for-asia-and-pacific-october-2023>. Accessed January 2024.

<sup>3</sup> Ibid.

<sup>4</sup> "Strategic" and "tactical" uses of external financing are defined in this study as follows: Strategic uses include using this financing for planned growth or expected cash flow shortfalls; tactical uses lack this planning and include unplanned growth opportunities, addressing unexpected cash flow shortfalls and handling emergencies.

# TACTICAL OR STRATEGIC?

Our research found that Growth Corporates access working capital solutions for differing reasons, which we classify as tactical or strategic. Tactical uses occur when CFOs utilize working capital to cover unexpected or unplanned expenses — or to take advantage of impromptu opportunities that could boost growth, such as accelerating payments to certain suppliers to accomplish time-sensitive business needs. Strategic uses are more planned and can occur when CFOs utilize working capital to grow the business by carrying out planned investments, buying inventory or replacing legacy systems; they also use external working capital strategically when they utilize it to support the business through seasonal or expected cash shortfalls and/or expenses.



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PART I:  
**RELATIVELY  
LOW USAGE**

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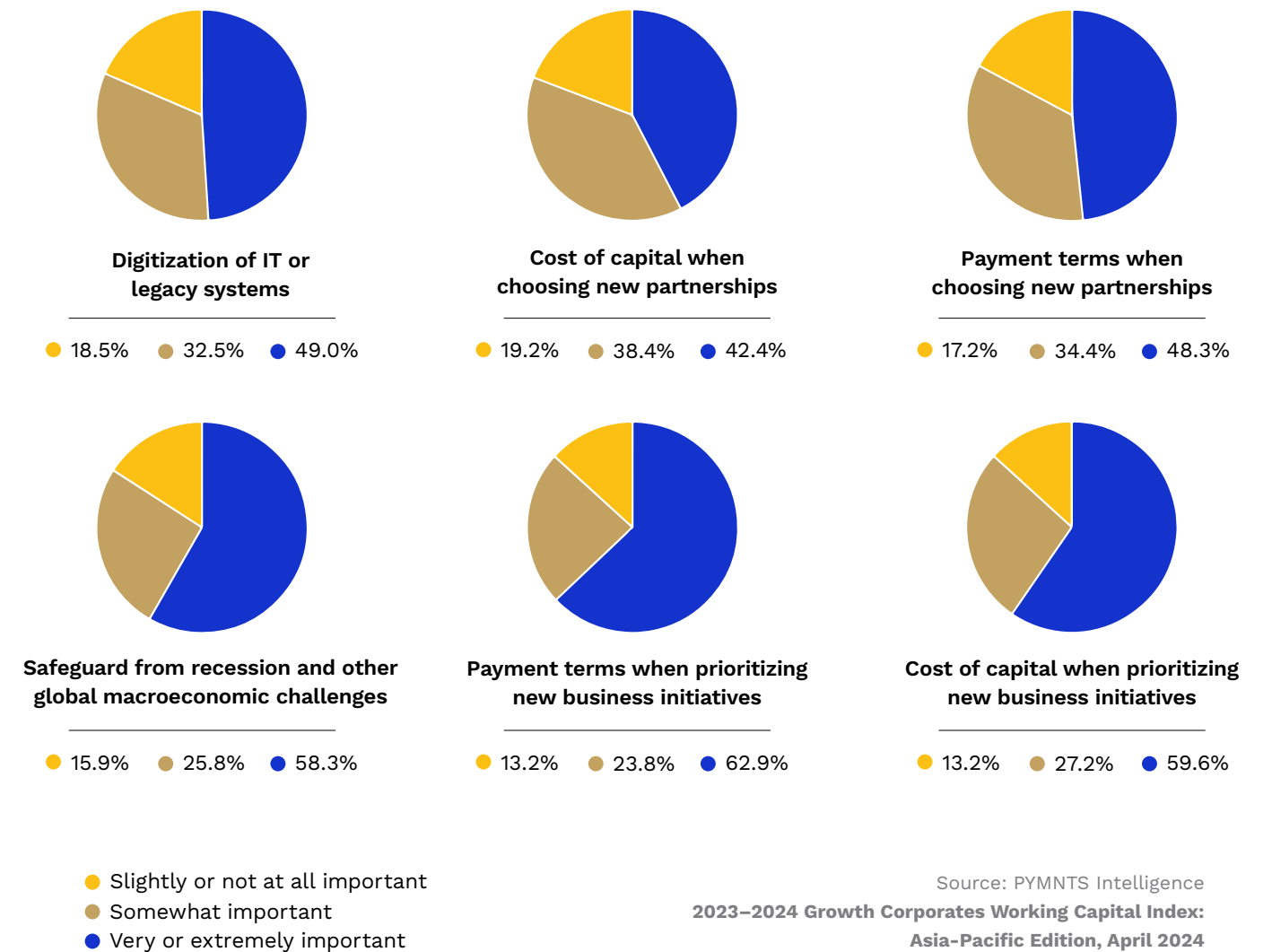
## More than 8 in 10 Growth Corporates in APAC say accessing working capital solutions improved buyer-supplier relationships and reduced costs for new business initiatives.

Three-quarters of Growth Corporates in APAC accessed external working capital solutions in the past year. Though that rate may seem high, in context, it is fairly low — lower than that of Europe, LAC and North America; in this study, it only exceeds that of CEMEA. This reduced access in APAC can be problematic, as a high concentration of Growth Corporates in the region (87%) report that external financing is important in ensuring favorable payment terms and overall cost of capital for new business ventures. More than 8 in 10 APAC Growth Corporates highlight the importance of external financing for digitizing legacy systems. Further, 84% see external working capital solutions as a safeguard against macroeconomic instability and global challenges. Taken all together, one-quarter of firms in the region are either missing out on these improvements or making things more difficult than necessary.

FIGURE 1:

### Improvements enabled by working capital solutions

Share of APAC Growth Corporates that cite access to working capital solutions as having select levels of importance for achieving select objectives



Source: PYMNTS Intelligence  
 2023-2024 Growth Corporates Working Capital Index:  
 Asia-Pacific Edition, April 2024  
 N = 151: Whole sample of APAC CFOs,  
 fielded March 9, 2023 – June 12, 2023

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PART II:  
**STATE OF PLAY  
2023**

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**In the region, more than one-third of marketplaces relied on working capital loans as their main financing solution, whereas overdrafts are more common for Growth Corporates in the commercial travel and healthcare sectors.**

Among the most popular working capital solutions used by Growth Corporates in APAC last year were working capital loans, with 37% using these loans and 29% reporting that these loans were the working capital solution they used the most. A sector breakdown of usage shows that 34% of marketplaces used it as their main financial solution, a much higher share than the 20% of healthcare companies and 18% in the commercial travel sector that did the same.

APAC marketplaces' relatively high utilization of working capital loans likely impacts their much lower use of other solutions. While 29% of commercial travel Growth Corporates and 22% of healthcare Growth Corporates use overdrafts, for example, only 5.3% of marketplaces did the same. The low uptick of overdrafts for this segment aligns with global trends, with just 6.5% of marketplaces accessing this solution in the past year across regions. However, the relatively low utilization of invoice factoring for this segment is more in line with other Growth Corporates in APAC, unlike marketplaces in other regions. Eighteen percent of marketplaces across regions used this solution versus 7.9% of marketplaces in APAC and 3.1% of all growth corporates in APAC. This mismatch effectively limits marketplace Growth Corporates in the region to using bank lines of credit and working capital loans.

Commercial travel Growth Corporates stand out in the region for using a slew of different solutions — especially for the highest utilization of virtual cards across the industries we analyzed. Twenty-one percent of companies in commercial travel in APAC accessed virtual cards in the past year, and these were the most used solution for 17% of these Growth Corporates.

**Virtual cards, real growth**

Nontraditional working capital solutions such as corporate or virtual cards have been picking up steam — in APAC, utilization is expected to rise 194% year over year to 29% — and it is easy to see why. Virtual cards are associated with better operational efficiency: They correlate with higher payment integration between buyers and suppliers and tend to be used strategically (for expected and predictable needs as well as for planned growth). These two factors contribute to higher index scores, and meeting both conditions at the same time (strategic use and payment integration) can compound for even better efficiency.

**73%**

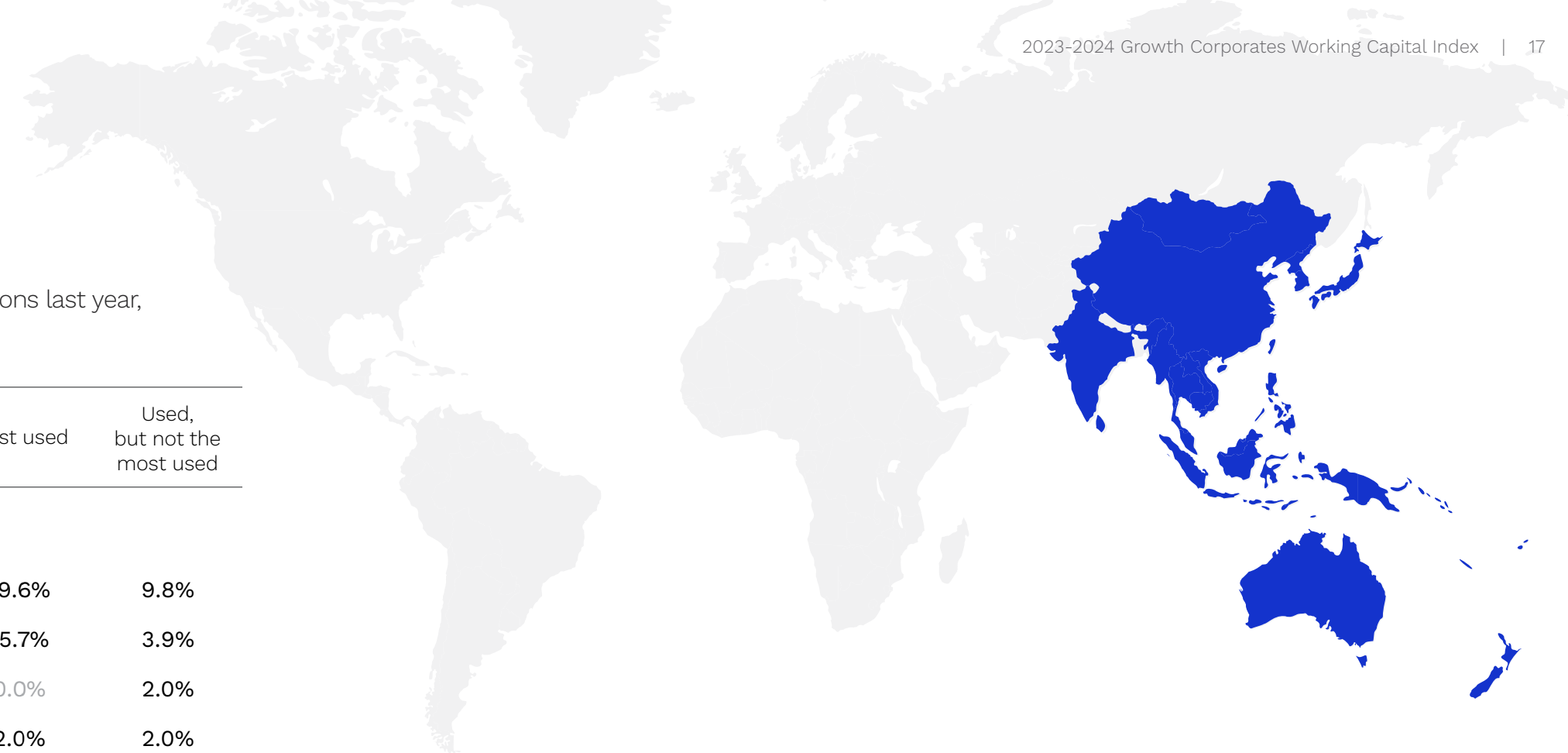
**OF APAC GROWTH CORPORATES PLANNING TO USE VIRTUAL CARDS IN 2024 ANTICIPATE USING THEM STRATEGICALLY TO FUND PLANNED GROWTH INITIATIVES AND PLUG EXPECTED CASH FLOW GAPS.**

**FIGURE 2:**

**Working capital solutions' usage**

Share of APAC Growth Corporates that used select working capital solutions last year, by segment

	TOTAL	Most used	Used, but not the most used
<b>HEALTHCARE AND MEDICAL</b>			
• Working capital loan	29.4%	19.6%	9.8%
• Bank line of credit	19.6%	15.7%	3.9%
• Third-party revolving credit facility	2.0%	0.0%	2.0%
• Corporate/virtual credit card	3.9%	2.0%	2.0%
• Invoice financing/factoring	9.8%	7.8%	2.0%
• Overdraft from corporate bank account	21.6%	15.7%	5.9%
• Letter of credit/bank guarantee	5.9%	2.0%	3.9%
• Draw against unused corporate credit line	2.0%	0.0%	2.0%
<b>COMMERCIAL TRAVEL</b>			
• Working capital loan	54.2%	17.9%	36.2%
• Bank line of credit	12.5%	8.3%	4.2%
• Third-party revolving credit facility	4.2%	4.2%	0.0%
• Corporate/virtual credit card	20.8%	16.7%	4.2%
• Invoice financing/factoring	16.7%	4.2%	12.5%
• Overdraft from corporate bank account	29.2%	12.5%	16.7%
• Letter of credit/bank guarantee	12.5%	8.3%	4.2%
• Draw against unused corporate credit line	4.2%	0.0%	4.2%



Source: PYMNTS Intelligence  
**2023-2024 Growth Corporates Working Capital Index: Asia-Pacific Edition, April 2024**  
 N = 151: Whole sample of APAC CFOs, fielded March 9, 2023 – June 12, 2023

	TOTAL	Most used	Used, but not the most used
<b>MARKETPLACES</b>			
• Working capital loan	36.8%	34.2%	2.6%
• Bank line of credit	23.7%	13.2%	10.5%
• Third-party revolving credit facility	7.9%	7.9%	0.0%
• Corporate/virtual credit card	10.5%	5.3%	5.2%
• Invoice financing/factoring	9.2%	0.0%	9.2%
• Overdraft from corporate bank account	5.3%	1.3%	3.9%
• Letter of credit/bank guarantee	0.0%	0.0%	0.0%
• Draw against unused corporate credit line	0.0%	0.0%	0.0%

2023-2024

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**GROWTH  
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PART III:  
**HOW CFOs  
DEPLOY  
SOLUTIONS**

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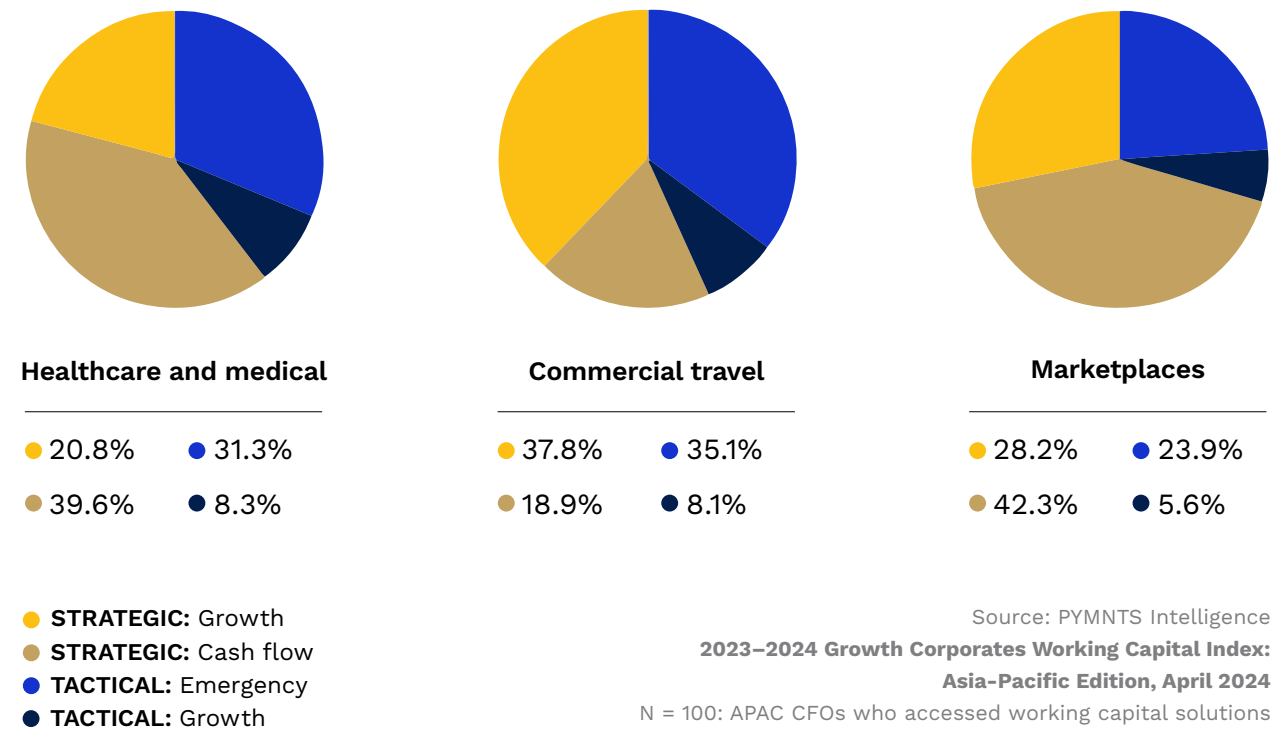
## Commercial travel Growth Corporates in the APAC region exhibit the highest utilization of external financing to fund planned growth initiatives, at 38%, while healthcare firms in the region have the lowest, at 21%.

Further analysis of the sectors in this study and their purpose for tapping external financing reveals that healthcare Growth Corporates in the APAC region primarily use working capital for cash flow gaps, both those that are planned (and thus strategic) and those that are unplanned or emergency-related (tactical). Among healthcare Growth Corporates in the region, 40% used working capital to cover cash flow gaps, and 31% used capital to cover emergencies. Notably, just 21% cited strategic growth as the most important reason for using working capital — a smaller share than any other market we studied in the region.

Marketplaces in APAC were most likely to cite expected cash flow gaps as the primary reason for using working capital, at 42%. They were also most likely to utilize external financing for strategic purposes overall, and less than 30% used them tactically.

**FIGURE 3:**

**Drivers of working capital usage in the APAC region**  
Share of APAC Growth Corporates citing the most important reason for using working capital solutions in the last 12 months



Source: PYMNTS Intelligence  
**2023-2024 Growth Corporates Working Capital Index: Asia-Pacific Edition, April 2024**  
 N = 100: APAC CFOs who accessed working capital solutions in the last 12 months, fielded March 9, 2023 – June 12, 2023

Commercial travel Growth Corporates in the region concentrate at the extremes, as they are most likely to utilize external capital specifically to fund strategic, planned business growth (buying inventory, making investments and upgrading legacy systems), at 38%, but also are most likely to use external capital tactically for emergencies. This combination of strategic and tactical utilization of external financing could explain the high utilization of virtual cards — a particularly versatile solution — among commercial travel firms in the region.<sup>5</sup>

<sup>5</sup> For more information, consult page 23 of the [2023-2024 Growth Corporates Working Capital Index](#).

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PART IV:  
**A WINNING  
STRATEGY**

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## Top performers in the region strategically utilized external financing to address anticipated shortfalls and expand their businesses, while no bottom performers employed financing for this reason.

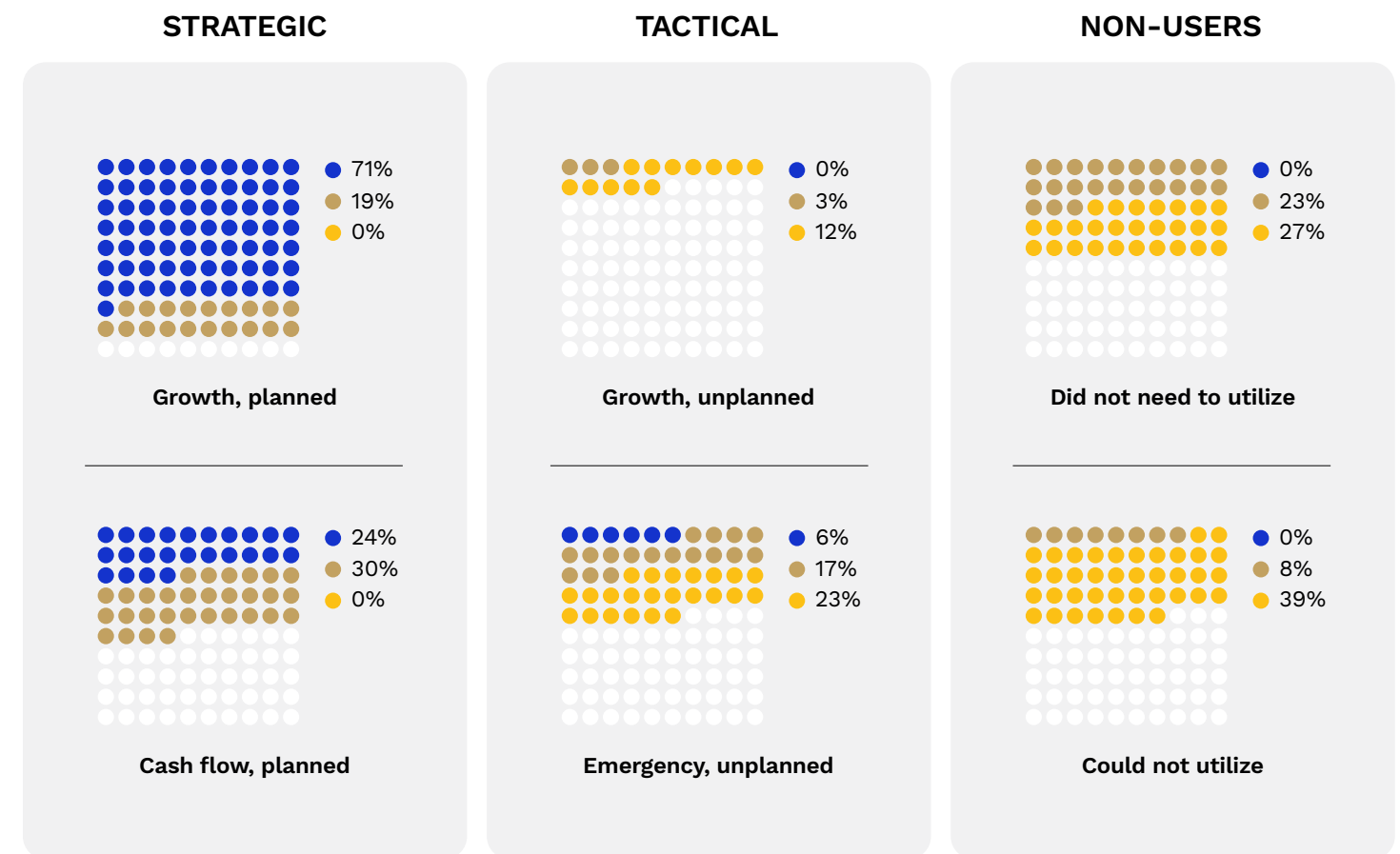
One common trend in this study is that regions with a high percentage of top-performing companies using external working capital solutions for strategic purposes tend to earn higher scores in the WCI. The opposite is also true, as regions with many companies using these solutions for tactical reasons — or not using them at all — tend to score lower in the WCI. A combination of both thus trends toward a mediocre score, and this is true for the APAC region.

Seventy-one percent of top-performing companies used external financing strategically to grow businesses via planned initiatives and upgrades. Among bottom performers, 74% used external working capital strategically to cover expected cash flow gaps, but 65% of bottom performers did not use external financing at all, and those that did use external financing did so tactically. For some, choices were limited, as data shows that 39% of bottom performers could not access any solutions last year because of eligibility and costs hindering their access. A little more than one-third of bottom-performing Growth Corporates accessed working capital tactically: 23% for emergencies and 12% to accelerate payments for sudden, unplanned business opportunities.

FIGURE 4:

### Drivers of working capital use

Share of APAC Growth Corporates that cite select reasons why they did or did not access external working capital in the last year (2022–2023), by index performance tier



- Top
- Middle
- Bottom

Source: PYMNTS Intelligence  
 2023–2024 Growth Corporates Working Capital Index: Asia-Pacific Edition, April 2024  
 N = 151: Whole sample of APAC CFOs, fielded March 9, 2023 – June 12, 2023

# CONCLUSION

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**T**he APAC region is unique among all five regions studied, featuring an individual portion of advanced, emerging and developing countries. For the most part, Growth Corporates in the region use external financing for strategic uses rather than tactical ones, with approximately 64% of Growth Corporates in APAC using these solutions for strategic purposes and roughly 36% using them tactically, on average. However, only CEMEA exhibited a lower percentage of Growth Corporates using financing strategically in our study. Growth Corporates that did not access external financing are typically found in the marketplace and healthcare sectors, and these firms indicated that a high cost of capital and long deciding cycles were top obstacles. Data indicates that the Asia-Pacific region and CEMEA are exhibiting the most notable shifts towards growth-driven use of external financing solutions for 2024, however.



## METHODOLOGY

**T**he 2023–2024 Growth Corporates Working Capital Index: Asia-Pacific Edition is based on a telephone survey conducted between March 9, 2023, and June 12, 2023, of 124 respondents holding the position of corporate CFO or treasurer at companies that Visa calls Growth Corporates — those generating revenues between \$50 million and \$1 billion. The report examines the working capital solutions available to Growth Corporates to raise short-term cash or credit, the preferred use of these proceeds and the impact these solutions can have on their operational efficiency and business performance.

# ABOUT

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### THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Karen Webster  
CEO

Yvonne Markaki, PhD  
Senior Analyst

Jorge Camilo Gaitán Ochoa  
Senior Analyst

Scott Murray  
SVP and Head of Analytics

Ozgur Avci, PhD  
Senior Survey Designer

Javier Fik  
Analyst

Harold Maldonado  
Senior Writer

Eugenio Negrín  
Analyst

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