

The Efficiency of Working Capital Use at Vietnam Payment Solution Joint Stock Company

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Abstract

Artificial intelligence changes production and has significant impacts on businesses. Besides great opportunities, this revolution will create a number of challenges, affecting the operations of the business community in general and Vietnam payment solution Joint Stock Company in particular. Through the research on the current situation of working capital use at Vietnam payment solution joint stock company, the author proposes recommendations to ensure sufficient cash reserves for the business's payment needs and improve the efficiency of working capital use at the company.

Keywords: Efficiency of working capital use, Payment solution

1. Introduction

Industrial Revolution 4.0 with the breakthrough of the Internet and artificial intelligence have changed production, having strong impacts on businesses. Besides great opportunities, this revolution will create a number of challenges, affecting the operations of the business community in general and corporate governance in particular. In that context, businesses need to improve and adopt different corporate governance solutions to take advantage of opportunities and solve new challenges. Not outside the whirlwind of the 4.0 industrial revolution, Vietnam Payment Solution Joint Stock Company has also been experiencing both positive and negative impacts from the market. In order to survive and develop, under the increasingly fierce market competition, business capital is one of the factors that help businesses improve competitiveness and development. The efficient working capital management and use includes many stages and different components, but there is a close organic

relationship between them, forming a system. In particular, improving the efficiency of working capital use is an important and indispensable component, because it reflects the entire business process of the enterprise. Improving the efficiency of working capital use is an essential need for businesses, aiming to maximize business value. However, reality shows that wasteful and inefficient use of capital is very common. Inefficient management and use of capital will greatly affect the production and business performance. Therefore, improving the efficiency of working capital use is a concerning issue for all businesses and is one of the key tasks of corporate financial management.

2. Current Situation of the Efficiency of Working Capital use at Vietnam Payment Solutions Joint Stock Company

To evaluate whether the Company's capital mobilization policy is reasonable or not, we analyze sources of capital that the Company mobilizes to form working capital. The Company's working capital includes permanent working capital and temporary working capital. To determine the net working capital, we need to determine the enterprise's permanent capital by using the following formulas:

$$\text{Permanent capital} = \text{Equity} + \text{Long-term liabilities}$$

Or:

$$\text{Permanent capital} = \text{Total assets} - \text{Current liabilities}$$

On the basis of determining the of the enterprise's permanent capital, it is also possible to determine of the enterprise's the working capital (also known as net working capital).

Net working capital is a stable, long-term source of capital to form or finance regular current assets needed in an enterprise's operations (it can be a part or total permanent current assets depending on the financial strategy of the business).

The net working capital of an enterprise at a time can be calculated according to the following formula:

$$\text{Net working capital} = \text{Permanent capital} - \text{Fixed assets}$$

TOTAL ASSETS		SOURCES	
A. Current assets	589,602,672,725 VND	Current liabilities	349,941,619,283 VND
		Permanent capital	316,693,147,884 VND
B. Fixed assets	77,032,094,442 VND		
		Net working capital (NWC)	239,661,053,442 VND

Figure 1. END OF YEAR 2021' S FUNDING

(Source: Vietnam Payment Solutions Joint Stock Company's Financial statements in the period of 2021-2023)

ASSETS		SOURCES	
A. Current assets 850,501,356,852 VND		Current liabilities 473,542,924,755 VND	
	Net working capital (NWC) 376,958,432,097 VND	Permanent capital 473,194,274,618 VND	
B. Fixed assets 96,235,842,521 VND			

Figure 2. END OF YEAR 2022' S FUNDING

(Source: Vietnam Payment Solutions Joint Stock Company's Financial statements in the period of 2021-2023)

ASSETS		RESOURCES	
A. Current assets 1,173,999,115,290 VND		Current liabilities 698,262,820,421 VND	
	Net working capital (NWC) 475,736,294,869 VND	Permanent capital 473,194,274,618 VND	
B. Fixed assets 96,235,842,521 VND			

Figure 3. END OF YEAR 2023' S FUNDING

(Source: Vietnam Payment Solutions Joint Stock Company's Financial statements in the period of 2021-2023)

Table 1. Structure and Fluctuation of the Company's Short-term Capital

Currency: VND

Indicators	31/12/2023		31/12/2022		31/12/2021		Comparison 2023/2022		Comparison 2022/2021	
	Absolute figure	Rati o	Absolute figure	Rati o	Absolute figure	Rati o	Difference	Ratio	Difference	Rati o
I. Current liabilities	698,262,820,421	100%	473,542,924,755	100%	349,941,619,283	100%	224,719,895,666	47.46%	123,601,305,472	35.3%
1. Short-term payable to suppliers	226,586,285,227	32.45%	137,938,079,860	29.13%	104,536,314,171	29.87%	88,648,205,367	64.27%	33,401,765,689	32.0%
2. Advances from customers	84,210,496,143	12.06%	56,188,458,211	11.87%	9,450,238,421	2.70%	28,022,037,932	49.87%	46,738,219,790	49.46%
3. Tax and statutory obligations	57,606,682,685	8.25%	19,700,918,669	4.16%	17,772,382,599	5.08%	37,905,764,016	192.41%	1,928,536,070	10.9%
4. Payables to employees	45,945,693,584	6.58%	16,987,239,748	3.59%	9,194,313,801	2.63%	28,958,453,836	170.47%	7,792,925,947	84.8%
5. Accrued expenses	71,222,807,683	10.20%	43,910,673,175	9.27%	46,462,106,425	13.28%	27,312,134,508	62.20%	-2,551,433,250	-5.5%
6. Other short-term payables	142,794,746,776	20.45%	86,514,554,537	18.27%	41,974,263,866	11.99%	56,280,192,239	65.05%	44,540,290,671	106.1%
7. Short-term borrowings	69,896,108,324	10.01%	112,303,000,555	23.72%	120,552,000,000	34.4%	-42,406,892,231	-37.76%	-8,248,999,445	-6.8%

(Source: Vietnam Payment Solutions Joint Stock Company's Financial statements in the period of 2021-2023)

In the table, we see that short-term borrowings made up the highest proportion in the short-term capital. At the end of 2023, the company's short-term borrowings were 69,896,108,324 VND, accounting for 10.01% of the total short-term capital, a decrease of 42,406,892,231 VND compared to the beginning of the year, approximately a decrease of 37.76%. At the end of 2022, the company's short-term borrowings were 112,303,000,555 VND, accounting for 23.72% of total short-term capital, a decrease of 6.8%. This shows that the company reduced short-term borrowings from banks and credit institutions to finance working capital. Reducing short-term borrowings would not only limit risks for enterprises because short-term credit interest rates experienced large fluctuation than long-term credit interest rates but also reduce the debt ratio for the enterprise. However, this is low-cost capital sources, so enterprise need to research carefully to have better development policies in the future.

Short-term payable to suppliers at the end of 2023 were 226,586,285,227 VND, accounting for 32.45%, compared to the beginning of the year, an increase of 88,648,205,367 VND, approximately an increase of 64.27%. Similarly, short-term payable to suppliers at the end of 2022 were 137,938,079,860 VND, an increase of 32.0% compared to the beginning of the year. This accounted for the highest proportion of total short-term capital and tended to increase at the end of the year. This capital was mainly payable to partners providing telecommunication services and technology solutions. In addition, this source of capital also came from the company's

appropriations from suppliers of equipment, tools, etc. through deferred payment method. The cost for this kind of appropriation is not high but it meets the business needs without paying the total order value. The increase in the proportion of appropriation showed that the company had strong reputation in the eyes of its service provider partners. The company needs to further preserve and enhance its reputation to take advantage of this appropriation by ensuring payments under contracts and classifying debts to pay on time.

Cyclical accounts payable such as payables to employees, advance payments from customers, taxes, accrued expenses, and other payables that are automatically generated capital; using this capital is quite easy and the company does not have to pay interest like making loans. Therefore, the company needs to accurately determine the scale of regular appropriation to reduce the need of long-term capital mobilization, saving the costs of capital. However, this source of funding has some limitations like relatively short period and limited amount. Moreover, enterprises also need to pay attention to their financial obligations of paying on time, otherwise they would be fined for late payment interest such as taxes and social insurance or their reputation would be affected if salaries are not paid on time.

We can see that the situation of working capital mobilization in 2022 and 2023 experienced a lot of fluctuations. The company used less short-term capital mobilized from outside compared to 2021, and appropriations from customers and suppliers increased. The fact that the Company's current sources of working capital were mainly from loans and appropriations is also a good sign, because this source of capital has simple procedures and low costs and is easy to mobilize. The company needs to take measures to maintain and further enhance the company's reputation to suppliers to make the most of this credit source to help minimize capital costs.

3. Solutions to Improve the Efficiency of Working Capital Use at Vietnam Payment Solutions Joint Stock Company

The company needs to have measures to ensure sufficient capital for its payment needs. In the coming time, the company needs to organize and balance capital resources to meet the following requirements:

- Transaction needs: To meet daily transaction needs such as payment for purchases, salaries, taxes, etc. in the daily operations of the Company.
- Investment needs: The Company needs a certain amount of money to be ready to seize favorable investment opportunities in business such as favorable exchange rate fluctuations; buy investment securities with the goal of contributing to increasing the Company's profits and avoiding letting money sit idle.
- Contingency needs: In order to maintain the ability to meet spending needs when unexpected events occur affecting the Company's normal revenue and expenditure. For example, due to the influence of seasonal factors, the company has to spend a lot on purchasing inventory while it has not been able to collect sales proceeds yet.

- Correctly determine the minimum reasonable cash reserves to meet the enterprises' cash spending needs during the period: based on statistical data on average daily cash spending needs and reasonable cash reserves.
- When there is a lack of money, it is necessary to speed up the debt collection process; reduce the amount of inventory; slow down payments to suppliers by using bills of exchange when making payments or renegotiating payment terms with suppliers; sell excess or unused assets.
- When there is excess cash in the short term: Use overnight investments from the bank; use term deposit contracts with flexible principal withdrawal policies; invest in highly liquid financial products (government bonds); invest in short-term treasury stocks.
- When there is excess cash in the long term: Invest in new projects or contribute capital to projects with high profitability.

Strictly manage cash receipts and expenditures: To avoid loss and exploitation, it is necessary to implement the principle of recording cash receipts and expenditures through the fund. Closely monitor and manage advance payments, money in transit, arising due to waiting time for payment at the bank.

Proactively prepare and implement annual cash flow plans:

Take measures to ensure balance of cash receipts and expenditures and efficient use of temporarily idle cash resources. Implement forecasts and effectively manage cash outflows and cash inflows in each period to proactively make payments to meet the payment schedule:

For cash inflows including bank loans and accounts receivable: For bank loans, it is based on the bank's lending plan, and for accounts receivables, it is based on the debt term, payment mechanism and debt recovery speed.

For cash outflows including payments for employee salaries, purchases and periodic maintenance of equipment, advances, tax payments, bank interest payments, etc., the company needs to accurately estimate these amounts basing on planned documents. Thereby, the company can estimate the optimal amount of money and come up with measures to balance the budget.

Competing interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Obtained.

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Data sharing statement

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