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Evaluation of the Financial Situation of Enterprises in the Textile and Garment Industry Listed on the Vietnam Stock Market

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Abstract

The textile industry is one of the key manufacturing sectors of the Vietnamese economy. However, Vietnam's textile and garment industry, especially listed textile enterprises, is facing difficulties and challenges such as the global economic recession and reduced purchasing power in both the domestic market and the markets of importing countries. Large countries such as the US, Japan, Korea, China... In addition, currencies in some countries that import large quantities tend to depreciate, also affecting the import and export activities of Vietnam's textile and garment industry. Besides, there are strict requirements from brands, such as reducing production prices, small orders, fast delivery times, higher quality requirements, switching to using fabrics with

recycled fiber components, At the same time, it requires textile and garment enterprises to comply with many other policies such as sustainable development, greening, energy saving, emissions reduction... In the coming time, it is forecasted that there will still be many difficulties for the textile and garment industry. Because world demand has not shown signs of recovery, major export markets have decreased or increased insignificantly.

All of these issues have a significant impact on the financial situation of listed textile enterprises. Therefore, in this study, the author deeply evaluates the financial situation of textile and garment enterprises listed on the Vietnamese stock market.

Keywords: Textile Industry, Enterprise, Production and Business

1. Introduction

The textile and garment industry is facing many difficulties as consumer demand declines, competition increases, especially price pressure, the number of orders plummets... Many textile and garment enterprises face challenges. Difficulties due to lack of orders, decreased profits over the same period, forced to cut labor, even sell part of assets. Vietnam's textile and garment industry is forecast to face many difficulties with a sharp shortage of orders and rising input costs. The main export markets have not yet recovered while fierce competition still takes place in the domestic market with the participation of many foreign brands and businesses.

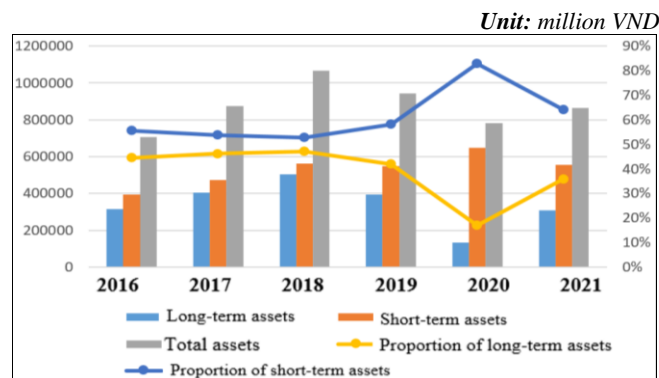
2. Research methods

The article uses qualitative research methods including two basic methods: data collection, synthesis and analysis and evaluation. The article has compiled data related to the financial situation of listed textile enterprises in Vietnam, thereby evaluating the financial situation of those enterprises.

3. Assess the financial situation of listed textile and garment enterprises in Vietnam

3.1 Evaluate the asset structure of listed textile and garment enterprises

Asset structure is the proportion of each asset compared to total assets. Vietnam's textile and garment industry is a light industry, so short-term assets account for a large proportion of the industry's total assets. The asset structure of listed textile and garment enterprises is shown in the following chart:



Source: Compiled from financial statements of listed textile and garment enterprises Period 2016 - 2021 [1]

Fig 1: Asset structure of listed textile and garment enterprises

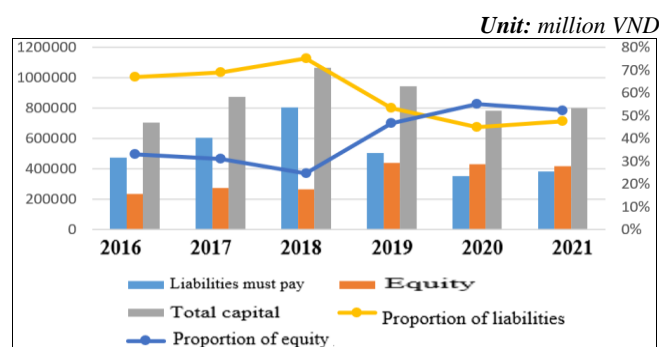
Fig 1 shows that the proportion of short assets of textile and garment enterprises tends to decrease in the period 2016 - 2018 from 55.59% in 2016 to 52.81% in 2018 but increased from 58.18% in 2018, 2019 to 82.92% in 2020 and down to 64.14% in 2021.

The main cause of the increase in the proportion of short-term assets in the period 2019 - 2020 is due to the impact of the Covid 19 epidemic, production and business activities of textile and garment enterprises were interrupted and severely affected. Heavy, leading to a large backlog of products in storage and customers' inability to pay, causing receivables to increase sharply. Specifically, the textile industrial production index decreased by 0.5%; The apparel manufacturing industry decreased by 4.9% due to the Covid-19 pandemic disrupting the supply of raw materials, narrowing the market for apparel products, and the demand for textile products plummeting as consumers over the world only cares about essential items and epidemic prevention.

In 2021, the proportion of short-term assets of listed textile enterprises decreased due to the recovery of traditional orders, accelerating the turnover of finished products in warehouses.

3.2 Evaluate the capital structure of listed textile enterprises

Capital structure is the proportion of each component of capital compared to the total capital. The capital structure of a business is one of the factors that determine the average cost of capital and affects the rate of return on equity and income per share of the business. The capital structure of listed textile and garment enterprises is shown in Fig 2.



Source: Compiled from financial statements of textile and garment enterprises in the period 2016 - 2021 [1]

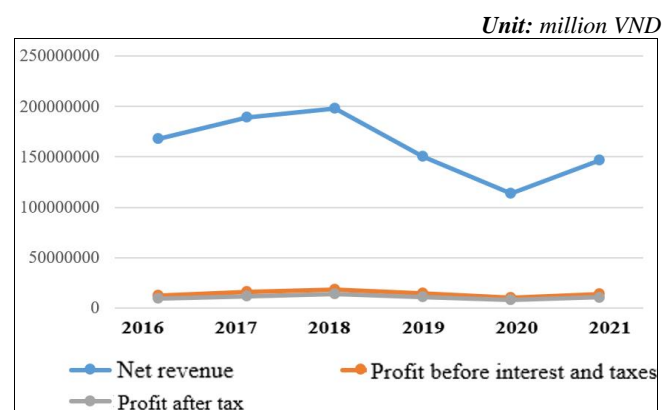
Fig 2: Capital structure of listed textile and garment enterprises

Capital is an essential input in the production and business process of textile and garment enterprises. According to chart 2.3, liabilities account for a large proportion of the capital structure of listed textile and garment enterprises. Considering the overall period 2016 - 2021, the textile industry faces difficulties, the biggest challenge is lack of capital. The main reason is that our country's textile industry is still not proactive in sourcing input materials. Because nearly 70% must be imported; Some businesses have to import more than 90%, so they require a huge amount of capital, especially investment capital for the textile and garment supporting industry.

The proportion of liabilities increased from 66.94% to 75.31% in the period 2016 - 2018 as textile and garment enterprises expanded production scale to meet customer needs, but gradually decreased in the two years of 2019, and 2020 from 53.34% to 44.93% due to the impact of the Covid-19 epidemic, textile and garment enterprises only produce moderately, the need for loans is not great. In 2021, the economy begins to recover, the proportion of liabilities of listed textile and garment enterprises increases to 47.63% to meet new orders.

3.3 Evaluating business results of listed textile and garment enterprises

The business results of listed textile and garment enterprises in the period 2016 - 2021 are reflected through the indicators of revenue and profit on Fig 3.



Source: Compiled from financial statements of textile and garment enterprises in the period 2016-2021 [1]

Fig 3: Net revenue, profit before interest and tax, profit after tax of listed textile and garment enterprises

According to Fig 3: in the period from 2016 to 2018, textile industry revenue grew strongly, the growth rate reached 7.9%/year, in 2018 alone it increased by over 33%. The main reason is due to:

(i) The shift from the world's largest manufacturing region, China, to Vietnam. China is exporting 250 billion USD of textiles and garments, supplying 53% of the world's fabric. Therefore, the shift in China's textile production plays an important role in the growth of Vietnam's textile industry.

(ii) After a period of placing production in other countries, the standards of labor, environment, factories... have not kept up with Vietnam. Although wages are low, productivity is only half. Therefore, the price per unit of product is not economical while the quality may be problematic. Therefore, the number of customers wishing to order production in Vietnam has increased.

(iii) During this period, nearly 100% of large and medium-sized enterprises in Vietnam's textile and garment industry have all evaluation certificates from world firms on green growth, green energy consumption, and production. Green... This shows that the standards of Vietnam's textile and garment industry in all consumption areas are relatively good, creating conditions to increase order output and increase revenue^[2].

However, from 2019 to 2020, the textile industry's revenue decreased clearly due to the negative and prolonged impact of the Covid -19 epidemic. Many provinces and cities across the country have had to implement social distancing according to Directive 16. That has affected the production activities of many textile and garment enterprises, leading to a clear decrease in revenue of Vietnam's textile and garment industry.

In 2021, the economy gradually shows signs of positive changes, some traditional orders recover, so the business results of textile and garment enterprises grow strongly.

3.4 Assessing the profitability of listed textile enterprises

In general, during the research period, textile and garment enterprises had quite good business results. However, in recent times, due to the impact of the Covid -19 epidemic causing the economy to decline, the business results of businesses in this industry have also been significantly affected and shown through a number of indicators. The criteria that reflect profitability are as follows:

Table 1: Profitability of listed textile enterprises

Target	2016	2017	2018	2019	2020	2021
ROA (%)	21,06	27,67	28,23	15,83	14,31	15,98
ROS (%)	19,50	24,35	26,69	14,18	12,36	14,21
ROE (%)	27,15	28,11	30,06	23,95	22,39	24,08

Source: Compiled by the author from financial statements of textile and garment enterprises in the period 2016-2021^[1]

Table 1 shows: the profitability of listed textile and garment enterprises in the period 2016 - 2018 is relatively good. Typically, in 2018, some businesses operating effectively were Phong Phu Joint Stock Corporation (ROA = 39.27%, ROE = 45.29%), Viet Tien Garment Joint Stock Corporation (ROA = 34.16%, ROE = 38.78%), Nha Be Garment Corporation (ROA = 36.38%, ROE = 40.24%).

In addition, some inefficient businesses include: Vinh Phuc Textile and Garment Investment Joint Stock Company (ROA = 2.15%, ROE = 3.46%), Textile and Garment Joint Stock Company 7 (ROA = 2.48%, ROE = 4.15%).

In the period 2019 - 2020, due to the impact of the Covid -19 epidemic and the economic recession, the industry's profitability decreased. By 2021, the economy will begin to recover, so the ROA, ROS and ROE indicators of listed textile and garment enterprises will increase slightly.

4. Conclusion

Thus, the financial situation of listed textile enterprises in our country is still very limited. Therefore, in the coming time, listed textile and garment enterprises need to come up with specific and comprehensive solutions to improve production and business activities to increase value and ensure their standing in the market.

5. References

1. Financial reports of 50 listed textile and garment

enterprises.

2. [https:// www.vietnamtextile.org.vn/](https://www.vietnamtextile.org.vn/)