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Cash Flow Management of Huu Nghi Food Joint Stock Company, Vietnam

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Abstract

In today's market economy, every business needs capital (cash flow) to conduct business activities. Along with the process of integration and development with the world economy, cash flow management requires each business to focus on mobilizing and using them flexibly. Businesses use that source of money to purchase assets for the business, so proper cash flow management will create conditions for businesses to exploit and use assets effectively. Through the 2008 economic crisis, aware of the difficulties that businesses have encountered, businesses always find their own appropriate direction with flexible and effective financial policies to recover. and keep up with the development of the world economy. Therefore, in addition

to how to mobilize budget sources, capital sources have the lowest costs along with the most favorable payment conditions to improve production and business efficiency and enhance the competitiveness of the country. businesses, the question of how to improve the efficiency of using cash flow of businesses is an issue of scientific significance, important in the market competition of businesses and is always recognized. receives the attention of many audiences outside the business. This article studies the theory of cash flow management, the current status of cash flow management at Huu Nghi Food Joint Stock Company and from there finds solutions to improve the effectiveness of the company's cash flow management in the coming time.

Keywords: Corporate Cash Flow, Corporate Cash Flow Management, Huu Nghi Food Joint Stock Company

1. Introduction

Cash flow is one of the important measures reflecting the financial situation of a business, and business operations are always associated with continuous cash flow movements. Cash flow management is one of the management contents that govern the survival of a business, even more important than generating sales (Rob Reider and Peter B. Heyler, 2003) ^[7]. Cash flow management creates the capacity for businesses to maximize value, helps businesses detect potential gaps in cash flow, and minimize risks in cash flow balance. Especially in the context of today's complex and volatile business environment, a series of businesses have gone bankrupt and have unsustainable existence due to lack of strict and comprehensive cash flow management. To solve this problem, it is necessary to continue to conduct in-depth research on corporate cash flow management.

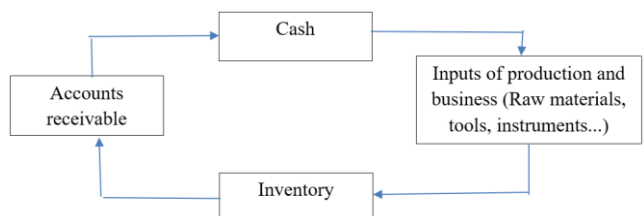
Faced with such mixed opportunities, advantages, difficulties, and challenges, the cash flow at Vinatex enterprises has changed. This leads to broken cash flow in some businesses. On average, each year, 45.79% of the group's businesses cannot ensure cash flow balance. Many textile and garment enterprises do not ensure the ability to pay due debts, and even small and medium-sized enterprises tend to have a decline in solvency. On the contrary, to ensure financial security and focus on debt repayment, some small and medium-sized enterprises narrow their production and business scale, increase their cash holding ratio, leading to a decrease in asset utilization efficiency. The cash flow cycle of small and medium-sized enterprises under the Group is prolonged, inconsistent with the seasonality in textile and garment production and trading. Therefore, it is important to research cash flow management practices, recognize existing limitations and their causes, and thereby propose feasible solutions to improve cash flow management at businesses. Textile industry under Vinatex is very necessary.

2. Theoretical basis

Managing the cash flow of the business

Financial decisions are associated with the creation, distribution and use of corporate funds. Therefore, cash flow management needs to be considered according to the cash flow diagram in the business. The purchase of goods or services, along with

manufacturing or service provision activities, turns cash into inventory or delivered services. When goods or services are provided to customers, accounts receivable arise. The collection process then converts receivables into cash. If the business is doing well, the amount of cash received is greater than the amount of cash spent, and the resulting excess cash provides the business with additional capital to reinvest and grow. Based on the cash flow diagram in an enterprise, cash flow management is a process, from arising operations, recording, and controlling financial transactions to optimize the enterprise's budget and handling of funds.



Nguồn: Rob Reider, Peter B. Heyler, 2003

Diagram 1: Money circulation process

According to Ahmad (2015) ^[1], cash flow management brings together actions related to cash payments, collection management and liquidity, including the acquisition and disposal of treasury assets and their subsequent monitoring. However, cash flow management is not simply about monitoring the situation of incoming and outgoing cash flows and determining the amount of money in the budget, but also involves the decisions of managers. treat.

Cash flow management involves financial decisions, their accurate transfer to those who execute them, and ensuring control, modification, and adjustment of financial decisions accordingly (Gutova, 2004).

Cash flow management is the process from the time transactions arise, recorded until money is generated, and handling that money arises. The cash flow process is not simple and smooth, but there are interruptions due to many changes in the level of inventory turnover, value or the time when receivables and payables arise. Therefore, cash flow management is the process of monitoring, analyzing and adjusting cash flow in a business or balancing cash inflow and outflow in a business.

Based on the above viewpoints, according to the author, cash flow management is a process that includes planning, monitoring, evaluating and adjusting cash flow in an enterprise to optimize available resources, ensure Ensure liquidity in business activities, contributing to achieving identified business goals.

Objectives of cash flow management in businesses

Cash flow management is a particularly important part of financial management in every business. Success or failure in cash flow management greatly affects the success or failure of the business. It is essential for businesses to manage their business, financial and investment activities effectively and comprehensively because the longevity of any business depends on its cash flow (Katehakis *et al.* event, 2015). To achieve the general goal of cash flow management, which is to ensure the balanced movement of cash flow, meet the needs of business activities and maximize the value of the owner's assets, businesses need to achieve the following specific goals in cash flow management.

Firstly, optimize the distribution of cash resources to form necessary resources to meet the operating needs of the business in each period

Optimizing the distribution of an enterprise's cash resources to serve its economic activities is a common goal in corporate financial management. In each activity, administrators need to optimally use monetary resources, ensuring the best final results, contributing to achieving the business's development goals (Blank, 2004).

Second, ensure full and timely implementation of the business's payment obligations

The financial success of a business is not only reflected in the capital, revenue and profits of the business, but also in the ability of the business to fully fulfill its financial obligations. From being concerned with revenue and profits, businesses are now starting to realize the seriousness of the quite common situation of "making a profit but losing the ability to pay". Insufficient cash flow to meet business operations is one of the factors leading to financial difficulties (Dichu, 2012) ^[3]. Furthermore, the risk will be high if the business mobilizes a lot of loan capital but does not use this money appropriately, not ensuring the ability to repay debt.

Cash flow management helps businesses carefully calculate, self-assess and accurately predict their financial status or ongoing projects, based on research on customer payment history, progress The business's past payments, upcoming payments, the supplier's ability to request payment as well as subjective and objective factors affecting the business's financial situation. A sustainable business is one that is able to meet their short-term financial needs without compromising their ability to meet their future operational needs. Although accurate estimates are difficult to make, if the money needs are estimated relatively accurately, the business will be able to limit the need for borrowed capital.

Third, optimize financial costs

Instead of using money to pay off purchase bills early, financial managers seek to delay payments, but to the extent that financing costs, fines, or erosion of credit standing are low. than the profits brought by late payment. Financial managers often take advantage of the time difference between cash flows entering and leaving the business. Cash flow forecasting will save businesses transaction costs related to converting short-term securities into cash and vice versa (Faulkender, 2006) ^[4]. In addition, if cash needs are predicted relatively accurately, businesses will be able to limit their need for borrowed capital, thereby reducing interest costs to a minimum. Thus, effective cash flow management ensures the maximization of available resources and the minimization of financial costs arising from resource requests from third parties.

Fourth, establish policies and make correct operational decisions

Ensuring that the decisions of administrators, especially the board of directors, are consistent with the actual situation of the enterprise such as decisions on investment, financing, profit distribution..., contributing to maximizing asset value of the enterprise. Cash flow management provides basic information for financial forecasts, which are the foundation of management activities, clarifying not only financial policies but also general policies within the enterprise. From there, organize the implementation of enterprise activities, especially production and business activities, ensure strict

control of enterprise activities and promptly make appropriate adjustment decisions.

3. Current status of green supply chain management of businesses in Vietnam

3.1 Cash flow analysis of Huu Nghi Food Joint Stock Company

Table 1: Cash flow analysis of Huu Nghi Food Joint Stock Company in the period 2022-2023

Unit: Thousand VND				
Targets	2022	2023	Difference	2023/2022
Net cash flow from operating activities	167.211.371	160.472.323	(6.739.048)	(4,03%)
Net cash flow from investing activities	(130.026.573)	216.958.546	86.931.972	(266%)
Net cash flow from financial activities	(56.190.741)	(230.939.042)	(174.748.301)	3,10%
Net cash flow during the period	(19.005.943)	146.491.827	165.497.770	(870%)

Source: Financial statements of Huu Nghi Food Joint Stock Company, 2022, 2023

Net cash flow from operating activities

The Corporation prepares a cash flow statement using the indirect method. In 2023, cash flow from business activities will reach 160,472,323 trillion VND, down 6,739,048,254 thousand VND compared to 2022, which was 167,211,371 thousand VND.

In which, Profit before tax in 2022 is 138,457,978 thousand VND, in 2023 it will decrease to 89,472,047 thousand VND, with the difference between 2022 and 2023 being a decrease of 54,985,630 thousand VND. In 2023, depreciation of fixed assets and investment real estate will increase by 6,752,965 thousand VND, in 2023 it will reach 68,379,287 thousand VND compared to 2022, an increase of 61,626,322 thousand VND. Gains and losses from exchange rate differences due to reassessment of monetary items originating in foreign currencies in 2023 decreased to 248,787 thousand VND compared to 181,411 thousand VND in 2022. Profits and losses from investment activities from 2022 to 2023 will all reach negative figures when 2022 reaches (17,866,560) trillion VND, in 2023 reaches (16,017,918) thousand VND, the difference is a decrease of 6,074,919 thousand VND compared to 2022.

Net cash flow from investing activities

From 2022-2023, the trend of investing abroad in developed countries will show signs of slowing down even though the Covid-19 pandemic has been controlled in the world and in Vietnam, due to the influence of a number of factors. Basically, the world context continues to fluctuate in complexity and unpredictability; Political conflicts in some countries around the world are increasingly fierce; Price pressure and inflation show signs of cooling down but remain at high levels; Global demand for goods tends to decrease and shows no signs of recovery.

These factors are putting significant downward pressure on global FDI capital flows in 2022 and continuing into 2023, negatively affecting investment capital flows of major economies, especially investment partners. of Vietnam. Along with that, Huu Nghi Food Joint Stock Company is no exception, when 2022 faces difficulties in cash flow in investment activities. Specifically, net cash flow from investment activities in 2022 will reach (130,026,573)

thousand VND, but by 2023 cash flow from investment activities will improve significantly compared to 2022 when reaching 216,958 thousand VND, an increase of 86,931 thousand VND. .972 thousand VND compared to 2022.

Net cash flow from financial activities

Cash flow from financial activities arises from loans from banks and credit institutions guaranteed by mortgage contracts at the Bank and has been fully registered for secured transactions, to mobilize real capital. present project. Net cash flow from financial activities tends to reduce investment activities, projects are also completed and handed over to customers, so the company has reduced debt, mainly repaying loan principal.

Specifically, in 2023, revenue from borrowing will decrease by 392,446,708 thousand VND with a result of 1,112,237,446 thousand VND compared to 2022 which is 1,504,684,155 thousand VND. Loan principal payments also decreased when in 2022 it was 1,554,044,179 thousand VND, in 2023 it was 1,187,296,768 thousand VND, a decrease of 366,747,410 thousand VND compared to 2022. Financial lease principal payments in 2023 were 6,366. 025 thousand VND, down 464,691 thousand VND compared to 2022.

Dividends and profits paid to owners in 2022, the company did not pay dividends to shareholders, but by 2023 the company paid 149,513,695 thousand VND to shareholders. It can be seen that with the economic situation in 2022 being difficult and challenging, the differences in cash flow from financial activities of businesses almost all have negative coefficients larger than 2023, in 2023 the Covid epidemic situation 19 has become less complicated and the economy is gradually recovering, the indicators are also significantly improved compared to 2022. That's why Net cash flow from financial activities in 2023 is 230,939,042 thousand VND increased by 174,748,301 thousand VND compared to 2022. In 2022, the world economy will face many difficulties due to the prolonged war between Russia and Ukraine, high world inflation, the trend of increasing interest rates, tightening monetary and fiscal policies, and the consequences of the Covid 19 pandemic leading to to a decline in global economic growth. Therefore, Net Cash Flow during the period of strong fluctuations in 2022 has a negative coefficient with a figure of (19,005,943) thousand VND, 2022 is a year filled with difficulties and challenges for businesses. and investors. But entering 2023, the global economic situation will improve when Net Cash Flow during the period reaches 146,491,827 thousand VND, an increase of 165,497,770 thousand VND compared to 2022. This is a good sign for businesses and the economy in general when the economic transformation is changing significantly.

3.2 Indicators to evaluate the effectiveness of cash flow management of Huu Nghi Food Joint Stock Company

Table 2: Indicators of time to convert into money

Unit: Day			
Targets	2022	2023	Difference
Reserve cycle	39.9	46.9	7.0
Payment waiting cycle	81.4	88.7	7.3
Payment cycle	49.4	51.3	1.9
Cash cycle	71.9	84.3	12.4

Source: Author's calculations

With reserve cycle:

The number of storage times in 2023 is 46.90 days compared to 39.93 days in 2022, an increase of 7.0 days compared to 2022. This shows that to consume Huu Nghi's inventory during the period, on average, the business will have to spend 46,000 days. 9 days in 2023 and 39.93 days in 2022. The business's inventory period in 2023 increases by 7.0 days compared to 2022, proving that businesses need more time to convert inventory into cash in 2023. Enterprises control inventory worse than in 2022.

With payment waiting cycle:

Businesses in 2023 need 88.7 days to collect current receivables from the time of sale until payment is collected, while in 2022 it only needs 81.5 days, an increase of 7.3 days in 2023 to collect money, which shows that The business's money recovery speed is slower than in 2022 and the business has not focused on controlling receivables.

With payment cycle:

The average payment cycle of businesses in 2023 increases to 1.9 days with 51.3 days compared to 2022 with 49.4 days, this shows that the company's suppliers have not tightened the debt repayment time for customers. better than 2022 Therefore, the Cash Cycle in the period from when the business pays the seller of raw materials to when the business receives proceeds from sales in 2023 increases to 12.4 days to 84.3 days and in 2022 it is 71.9 days.

Table 3: Indicators of cash generation ability

Targets	2023	2022	2023/2022
Cash generation coefficient for business activities (ability to share profits)	2.78	2.10	0,6
Cash revenue ratio compared to revenue	0.01	0.01	-
Coefficient to ensure loan interest payments from net operating cash flow	90.89	-	-
Coefficient to ensure debt payment from net operating cash flow	0.10	0.15	(0.05)

Source: Author's calculations

The ability to spend profits of Huu Nghi Food Joint Stock Company >1, specifically 2.1 in 2022 and 2.78 in 2023, proves that the company has the ability to share profits with owners from money generated in business activities.

The ratio of cash revenue compared to 2023 revenue remains unchanged compared to 2022.

The coefficient for ensuring interest payment from net operating cash flow, assessing the ability to generate cash from production and business activities in 2022, does not meet the interest payment requirements, but by 2023 it will reach 90.89, meeting the requirements. demand for loan interest payment.

The debt payment assurance ratio from operating cash flow in 2023 decreases compared to 2022, which proves that the ability to ensure debt repayment in 2023 decreases compared to 2022.

4. Solutions to improve cash flow management of Huu Nghi Food Joint Stock Company

Build a cash flow management department for the company

There should be a department in charge of finance at the parent company and its subsidiaries. The organizational structure of the financial management department at the

parent company can be organized to include a financial planning department, a capital management department and a capital efficiency evaluation department. At a subsidiary, the financial management department depends on the size of the business to build accordingly. Build a separate financial management department at the parent company and subsidiaries. The number of employees in the financial management department will be based on the department's work tasks. The company needs to build a table describing the position of each specific job. With a table describing each specific job's position, the Corporation's management will be more effective.

Cash management solution

Determine appropriate cash reserves

Apply continuous cash flow management models including Miller-Orr cash management model and Stone cash management model. This model allows the Corporation to determine that cash balances fluctuate within a range rather than being fixed. This is consistent with the Corporation's activities in the construction sector, where cash flow always fluctuates, different from stable pure production and business activities. In addition, this model also allows the Corporation to determine the increase or decrease in cash balance, thereby allowing the Corporation to know when it needs to replenish cash after reducing a certain amount of cash.

Improve the budget management mechanism

Completing the treasury management mechanism in the financial management mechanism of the Corporation: Each enterprise has its own financial management mechanism to suit the production and business characteristics of the enterprise. In the financial regulations of the Corporation, although there are regulations on treasury management, the regulations on financial management of the Corporation need to supplement provisions on treasury management such as content, methods and responsibilities of the implementer to create a favorable environment later.

Receivable management solutions

Develop commercial credit policy

The company must consider the opportunity cost of using money during the credit period of the policy, implement a credit policy that causes receivables to appear, and the company must arrange personnel to monitor receivables to ensure debts are recovered and there are no bad debts.

Analyze customer financial reputation.

- (1) **Check customer information:** Transparency about customers is paramount, so before deciding whether to implement a commercial credit policy for customers, it is important to find out information about customers. and performing credit checks based on reliable sources is essential. Collecting customer information but not analyzing the customer's financial situation, so it requires some measures such as meeting customers, relationships between customers and banks: Will prove the financial ability of the customer. customers in securing debts with banks, analyzing customers' financial statements: Companies can consider using the Z-Score bankruptcy risk coefficient in analyzing customers' bankruptcy risk. to review the customer's current financial situation. In addition, the company can combine and consider other factors such as: Customer's business location, customer's production and business

process from past to present,... to serve credit checking activities. client.

(2) After-sales activities

(3) Credit insurance: Participating in credit insurance helps protect the company from the impact of bad debt whether customers pay or do not pay.

Debt management and collection

The company needs to strengthen inspection of regular transaction relationships with large receivable balances. The Corporation must clearly understand the list of receivables and have a clear debt collection plan to avoid bad debts and set a schedule for debt collection.

Solutions for human resources in the company

Build and improve a team of specialized staff in cash flow management. Accordingly, each specialized officer must have a solid foundation of specialized knowledge in finance in general and cash flow management in particular. Completing the internal control system, financial accounting and management accounting apparatus in enterprises contributes to providing complete, accurate and timely financial and accounting information to help improve the quality of information sources. input for cash flow management in businesses. In addition, it is necessary to closely coordinate and synchronize the above departments and the cash flow department to help improve the quality and effectiveness of cash flow management.

5. Conclusion

Effective cash flow management is a necessary requirement, directly determining the survival of the business. Therefore, a business's financial administrator needs to plan, control, and monitor the movement in and out of cash flow arising during the business's operations. This ensures balance and harmony between cash inflow and cash outflow of the business. Businesses must manage cash flow from business activities, cash flow from investment activities and cash flow from financial activities effectively and comprehensively because the longevity of any business depends on its cash flow and quantity. business cash. From theoretical and practical research on corporate cash flow management, businesses are suggested to have reference fields to improve corporate cash flow management.

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