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SOLUTIONS TO IMPROVE THE FINANCIAL MANAGEMENT OF VIETNAM POSTS AND TELECOMMUNICATIONS GROUP (VNPT)

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Abstract

Integration and market openness have been inevitable trends of globalization process for all countries in the world including VietNam. In the process of integration and market openness, besides existing advantages, there have been a number of challenges. One of those challenges is that economic subjects must face increasingly fierce competition, especially subjects in developing countries like VietNam. The important thing to gain a firm foothold in a fierce competitive market is finding the solutions to improve its own financial effectiveness. To do so, it is required to tackle a number of issues including the completion of financial management system. With such an approach to issues, the objectives of this study are: (1) To determine the current status of financial management system of VNPT; (2) To identify the problems encountered in carrying out the financial management system of VNPT; (3) To propose actions that will respond to the problems encountered in carrying out the financial management system of VNPT.

Keywords: *financial management system, VietNam posts, and telecommunications group, economic groups.*

1. INTRODUCTION

In the background of deeper and wider regional and international economic integration, enterprises have to face with more formidable competition from big multinational economic organizations in the world. In order to adapt to that situation, meeting to demands for economic development and market expansion out of boundary of countries, many countries are incessantly increase scales of businesses, establishing and developing economic groups. Vietnamese enterprises are not out of that trend.

The establishment and development of Vietnamese economic groups both ensure the suitability to the development tendency of global economy and exploit inherent competitive advantages of the country, speeding economic growth of the country. In order to ensure the high efficiency of those economic groups and State-owned enterprises, it is necessary to improve efficiency of financial management system of economic groups. Although this system has taken much progress which has some certain effects on raising financial management efficiency of the economic groups, many troubles and constraints still exist; for example, Financial management policies and measures of the groups are collectivistic, not closing to the actual situation of each State-

owned group, which has no small constraint on the financial management effectiveness of economic groups in VietNam. To contribute to the enhancement of financial management efficiency of economic groups in VietNam in the new situation, it is compulsory to research, innovate financial management system of economic groups.

2. THE CURRENT STATUS OF FINANCIAL MANAGEMENT OF VNPT

- Capital mobilization in VNPT

Capital mobilization of VNPT both ensure the autonomy and the security.

The financial management system created new initiative in capital mobilization helping to address shortage of capital in the context of capital scarcity as currently.

However, in financing activities, now, VNPT’s main capital mobilization channel is bank loans. The bank loans kept more than 70% of capital in the investment projects of VNPT.

- Capital management and use in VNPT

Generally, capital management and use in VNPT are rather strict, not only facilitating to increase the self-control, self-



responsibility of VNPT but also strengthening examination, supervision on Representative owners of State capital.

However, investment in the outside of business lines includes sensitive fields such as finance, banking, real estate, security... which have high financial risk, little effectiveness.

- Asset management in VNPT

Asset management of the VNPT has relatively clear separation between ownership and rights to use assets.

However, asset management of VNPT is also heavy on assets perspective preservation, and not much attention to the aspects of effective use of State assets.

- Management of revenue, expense, and profit distribution

The managing revenue, cost, and profit distribution is quite clear, explicit to ensure balance between benefit of State, cooperation, and temporary and long-term benefit of workers, cooperation, contributing to encourage for saving and to improve efficiency in production business at VNPT.

The problem encountered by financial management system of VNPT

Firstly, through studying the financial management system of VNPT, capital mobilization of VNPT's subsidiaries meet many difficult and limited.

Secondly, under condition of limited budget resources, financial management system provides investment out of main business operations to VNPT which is 30% of total capital source is too large, leading to widespread investment without efficiency.

Thirdly, although revenue of VNPT increase steadily from 2020 – 2023 but profit of VNPT decrease.

3. SOLUTIONS TO IMPROVE THE FINANCIAL MANAGEMENT OF VIETNAM POSTS AND TELECOMMUNICATIONS GROUP

Firstly, complete capital mobilization of VNPT's subsidiaries

Through studying the financial management system of VNPT, capital mobilization of subsidiaries under VNPT remains limited. The extension of capital mobilization regulation for subsidiaries of VNPT parallel with responsibilities and effectiveness of mobilized capital's use is the correct direction facilitating subsidiaries to hold the chances, expand the production and business, and comply with legal foundation of subsidiaries with units having independent legal entity.

The proposed extension of capital mobilization regulation for subsidiaries of VNPT is based on the following grounds:

VNPT comprises many business institutions joining each other in terms of finance, technology, product, market...

Relations between members of VNPT mainly depend on firmly economic ground instead of mechanical administrative ground. In other hand, it should be acknowledged that the final objectives of financial execution and management are to

obtain the effectiveness, profit for the whole Group. The effectiveness, profit of the whole Group is not integral to the effectiveness, profit of member companies. Strong member units will create the strength of the whole Group. The direction and support of the Group play an important role in the strength of member units. Furthermore, in the course of socio-economic development in local and international the trend of hierarchy and decentralization develops more and more. Above analysis indicates that the extension of capital mobilization regulation for subsidiaries of VNPT is in line with the rule of movement. However, in the current condition of VNPT, the extension of capital mobilization regulation for member units of the Group also requires certain conditions including the capacity of financial management system of subsidiaries, the capacity of capital absorption of subsidiaries, the effectiveness of capital usage as well as the supervision of the Group.

Actually, in the pass time, the financial management system of VNPT has not yet motivated the subsidiaries exploit totally the capital source. Specifically, VNPT only permitted subsidiaries to have the loan, credit guarantee in certain limitations. In other hand, it should be noted that the extension of capital mobilization not only relates to the settlement of internal relations of VNPT but also be attached to relations with banks. Generally, because of being familiar with centralization regime, most of State owned banks require VNPT to guarantee in order to increase the reliability, even in the case that guarantee is unnecessary, the bank remains to conduct guarantee regime. In addition, the fact that the bank is often familiar with large limit loans, little interest in small limit loans in compliance with requirements of subsidiaries. Therefore, the extension of capital mobilization regime requires the combination of both inside and outside of VNPT.

The extension of capital mobilization regime of subsidiaries VNPT performed not only in relation with banks but also in capital mobilization via the issuance of bonds, stocks of subsidiaries is required to normalize in the direction of strengthening the activeness of subsidiaries joining in capital market.

To extend the capital mobilization regime of subsidiaries of VNPT, it is required to focus on handling the main problems as follows:

- In general, perform the capitalization for VNPT and foster the listing in the security market.

- For VNPT itself, set the instruction frame including target, limit, loan procedure... instead of approval for each case in the current time.

- For the State, consider, adjust the strict regulations on capital mobilization of VNPT, establish the credit regime in the direction of unblocking the capital source for the central companies, economic group based on the happenings of macroeconomic situation.

- Parallel with the extension of capital mobilization regime for subsidiaries of VNPT, it is required to cooperate synchronously with the strengthening of supervision,

administration regime, and the system of final criteria on effectiveness, the extension of capital mobilization regime for member units under the Group can become true and obtain the achievement as expected.

Secondly, complete investment out of main business operations

Set target for the completion of State capital and assets management of VNPT is to guarantee the capital and assets (including State capital and assets; mobilized capital of VNPT) to be safe and increase the effectiveness of usage. To reach the target, it is required to continuously fulfil the management and usage of capital by the following solutions:

Investment in the outside of main business and production, internally investments in VNPT obviously had warnings. So, it is required to have clearer and more specific regulations for the investment in the outside of main business lines (which support in main business and production, which not support in main business and production), internal investments in VNPT to mitigate the risks and raise the effectiveness of State capital use in VNPT.

In addition, it is required to re-define the strategic objectives, missions of VNPT in period of 5-10 next years in which VNPT tends to be a globally competitive corporate in the industry and the distribution of resources will be conducted mainly toward above objectives.

To correct the limitations of investment in the outside VNPT, it is required to re-assess the capital, assets of VNPT accurately and re-structure the group toward centralized objectives as increasing the financial management efficiency of VNPT in new situation. Publicize the information, transparency of information at least under existing criteria applied to companies listed in security market at present. Annually, VNPT shall draw a report on the degree of strategic achievement's implementation audited under international standard to submit the National Assembly and publicize the information to whom concerning activities of VNPT.

Raise the role in advising, moderating, supervising related parties to investment decisions, project sponsorship, and distribution polices in inner VNPT.

Thirdly, complete the management of revenue, expenses, and profit distribution

The management of revenue, expenses, and profit distribution for VNPT can be regarded as the central point, the core of the whole financial management system of the State for increasing the financial effectiveness. To fulfill the management of revenue, expenses, and profit distribution for VNPT is required to perform the key solutions as follows:

- Re-assess the managerial situation of revenue, expenses, and profit distribution in VNPT in recent years. Re-assess the managerial situation of revenue, expenses and profit distribution shall be conducted from considering the establishment of limits and plans to the deploying of the measurements in reality. On that basis, compare to public documents regulating on management of revenue, expenses, profit distribution.

- Continue to study and establish the assessment criteria on managerial situation and use of revenue, expenses, and profit distribution in VNPT to set as premise for management and use.

The central of establishing such criteria is to focus on the conservation and increase of capital use effectiveness, guarantee of increasing financial effectiveness of VNPT.

- Complete the system of economic and technical regulations in compliance with conditions, operating characteristics of VNPT both assuring the scientific and actual requirements, innovation of plan making on revenue, cost for innovating the ways of profit distribution in direction of focusing on long term benefit of VNPT.

- Correct the course of statistic, accounting, revenue, expenses, profit, and profit distribution of VNPT in the direction of assuring the sufficient recording and timely reflection. For the management of revenue, expenses, and profit distribution, it is required to focus on expense management because of only good management on expenses and cost reduction results in extending the production and business and increasing revenue and profit.

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