

Research on the Issues of Enterprise Working Capital Management

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Abstract—With the rapid development of China's socialist market economy, working capital management plays an important role in modern enterprise financial management. Most of the domestic and foreign scholars' research on modern financial theory revolves around long-term financial policies. However, a dramatically increasing number of enterprise managers are willing to spend more time managing the working capital from the perspective of enterprise practice. The quality of working capital management is directly related to the development of the enterprise. In this work, the case of enterprise operating fund management was selected as the research object, and the research was carried out in accordance with the logic of "case analysis—discovering problems and causes—proposing countermeasures and suggestions". Through the data collection and calculation analysis, it can be seen from the comparison between the working capital management and the selected listed enterprises that the enterprise has certain financing risk and debt-paying risk. Also, the internal borrowing of enterprises takes up excessive funds, and the enterprise's commercial credit utilization and the enterprise's accounts receivable management strength is not enough. The above problems are caused by market factors and the influence of the financial environment. It also includes the lack of working capital management concept, imperfect internal working capital management system and means, and the lack of a sound internal working capital management performance evaluation system. To this end, this work put forward that every employee should establish a new concept of working capital management. A series of measures were proposed, such as optimizing the internal structure of the enterprise, establishing the working capital guarantee system of the enterprise, improving the efficiency of working capital, etc. Hopefully, it will offer theoretical support for the research of working capital management.

Keywords—Working capital; Working capital management; Risk management

I. INTRODUCTION

Working capital is the daily working capital used in the ordinary production activities of enterprises, which affects all aspects of production and operation. Sufficient working capital ensures the effective connection of various links such as enterprise procurement, production, marketing, etc., and even plays a decisive role in the survival and development of enterprises. The normal turnover of working capital is directly related to the stability of the enterprise's long-term assets and even the normal turnover of the whole enterprise. If enterprises want to achieve long-term survival and development, it is

essential to ensure the efficient and orderly operation of working capital. The success of enterprise operation is closely related to the result of working capital management. If the enterprise has difficulties in working capital turnover and cannot meet its own production and operation needs, it will eventually go bankrupt. On the other hand, the daily operation efficiency of the enterprise is also closely related to the high and low level of working capital management efficiency, which plays a decisive role in whether the enterprise can create benefits.

In today's era, the market economy in China is still developing and improving with the deepening of enterprise system reform, and gradually towards internationalization. In such an external environment, the enterprise needs to strengthen the management of working capital. The working capital of an enterprise mainly comes from its own capital, investment and financing, loans, etc. Due to the lack of attention to financial management, weak financial foundation, lack of capital raising ability, poor risk management level, etc., coupled with the blind expansion of reproduction, many enterprises' capital turnover is not working. Also, investment carelessness causes serious losses, and even brings the enterprise's capital chain fracture. Therefore, working capital management has become a research focus that can not be ignored [1]. In recent years, various media companies appear in front of the public with the continuous growth of China's service industry and the continuous development of new media industry. In this context of market environment and economic situation, the transformation and development of enterprises has become the most important theme. Therefore, it is necessary to focus on the working capital management of enterprises [2].

II. PROBLEMS EXISTING IN ENTERPRISE WORKING CAPITAL MANAGEMENT

A. The enterprise has financing risk and debt-paying risk

Enterprises survive between constant debt repayment and debt application, and the cycle of debt transactions will increase the financing risk of enterprises, making it more difficult for enterprises to raise funds. Sometimes, it will increase the financing cost of enterprises due to the fluctuation of the market borrowing rate. At the same time, we can't exclude the prepayment request of suppliers. If this happens and the enterprise can't raise funds smoothly, the enterprise will

be unable to repay the payment to the supplier, which makes the enterprise's credit face a huge challenge [3]. As for the enterprise that basically raises funds through short-term loans, the bank's credit line is limited. When the line reaches the upper limit, the enterprise will no longer be able to raise funds through short-term loans, and the enterprise will face certain financing risks.

B. The internal borrowing of enterprises takes up excessive funds

The enterprise does not charge any interest for borrowing funds from its subsidiaries. At the same time, the profitability of the enterprise itself is also declining. At present, the enterprise only needs to raise short-term loans to maintain daily production, operation and normal operation. In the case of relatively large amounts of short-term loans, it is also a huge expenditure for the enterprise to pay a large amount of monthly loan interest [4]. On the other hand, although the internal loan is included in the "other receivables" account, many accounts have a long duration, and there is no clear management regulation for the enterprise to urge such funds. This phenomenon has occupied the capital flow of the enterprise for a long time, resulting in the actual disposable current assets of the enterprise figure is not accurate.

C. The enterprise's own commercial credit utilization is insufficient

The enterprise's own commercial credit utilization is insufficient, and accounts payable is a kind of interest free loan. Therefore, the reasonable use of accounts payable will speed up the development of enterprises. The turnover period of accounts receivable is much longer than that of accounts payable.

D. The enterprise's accounts receivable management strength is not enough

The enterprise accounts receivable is not strictly controlled, and the book accounts receivable is large. Also, the recovery cycle is long, which weakens the enterprise's ability to resist debt, and the probability of dead accounts is large. Enterprises can not focus on the expansion of market share and the increase of sales performance, but ignore the management of accounts receivable, which will reduce the actual cash flow and reduce the working capital use efficiency [5].

III. REASONS FOR THE PROBLEMS EXISTING IN ENTERPRISE WORKING CAPITAL MANAGEMENT

A. External market factors and the influence of the financial environment

From the external environment of the enterprise, the constantly changing market requirements make the working capital management level of enterprises fall behind the development of society, and the complex financial environment makes enterprises lack effective investment and financing channels. In particular, there is no effective short-term and ultra-short-term investment channel for the short-term idle funds of enterprises, such as the funds collected into the

account to repay the loan before the maturity of the short-term loan, and the idle funds other than the daily production and operation. As a result, the opportunity cost of the enterprise huge cash rises, which can't create value for the enterprise [6].

B. Lack of working capital management awareness and concept

Many problems are existing in working capital management due to the lag of enterprise management consciousness and concept. First, the management does not pay attention to enterprise working capital management, fails to realize the importance of working capital management to the daily production and operation of the enterprise, and continues to expand the scale. Second, many employees should cooperate with the change of management requirements to change their working capital management concept, and resolutely implement the enterprise's budget management, income and expenditure management and other systems [7].

C. Imperfect internal working capital management system and means

Reasonable and effective management system and means can regulate the use of working capital, guide the staff to carry out daily production work, and reduce the business risk of the enterprise.

D. Lack of a sound internal working capital management performance evaluation system

Working capital management performance evaluation system is a standard formulated by enterprises to evaluate relevant performance. Through reasonable analysis and evaluation, problems in working capital management of enterprises can be found in time. Therefore, appropriate and effective solutions can be proposed based on the problems found, and the working capital management level of the enterprise can be finally improved [8]. On the contrary, the lack or inaccuracy of performance evaluation system for internal working capital management will lead to the loose management of working capital cost.

IV. COUNTERMEASURES AND SUGGESTIONS FOR ENTERPRISE WORKING CAPITAL MANAGEMENT

A. Establishing a new concept of working capital management

Concept is the basis of action, which guides the implementation of action. Any management practice needs advanced management concept to guide. The importance of working capital is not fully understood by the senior managers, which makes the level of working capital management low. At present, what we should do urgently is to adapt the management concept of the management to the development of the times and social progress, thus improving the fund performance from the management. Improving the management concept is the basis of working capital management, and it is a guarantee for all employees to establish working capital management awareness. Consequently, a series of subsequent working capital

management measures can be implemented, and working capital management can be carried out in all aspects of the enterprise to create value for the production and operation of the enterprise.

B. Optimizing the internal structure of the enterprise

1) Improving enterprise finance

To control the amount of liabilities, enterprises should combine their own actual situation with actual capital needs, and balance the risks to raise funds. They should make rational use of the financial leverage effect, and retain certain profits to pay the principal and interest expenses due. It is necessary to choose a proper way of financing. With the development of modern society and economy, it is very convenient for enterprises to raise funds, and there are many controllable ways have emerged.

2) Controlling the long-term asset scale of the enterprise

The short-term financial liabilities formed by enterprises' raising funds and working capital formed by long-term operation constitute the funds used in daily operation activities. Most of enterprises capital needs depend on the short-term financial liabilities, and thus they will face greater debt repayment pressure in a certain period of time. What's more, if enterprises use more funds raised by short-term debt financing to realize the long-term assets with difficulties, enterprises will face the risk of breaking the capital chain, fall into enterprise difficulties and even eventually go bankrupt. The traditional way of investment has been unable to adapt to the development of society, and can not invest for the sake of investment and reputation. In today's capital society, cash has become the king of fixed form, and investment strategy has been formulated in combination with the enterprise's own situation.

C. Establishing the working capital guarantee system of the enterprise

1) Strengthening enterprise working capital risk management

An enterprise should have a corresponding risk management department, which is especially responsible for enterprise risk management. However, the department can be set up within the financial department, and managed uniformly by the financial department to prevent from top to bottom and avoid the occurrence of risks. Special personnel shall be assigned to strictly check and prevent the bad debt risk of accounts receivable.

2) Strengthening enterprise internal controls

To have a complete budget management system, working capital management needs a perfect capital budget system as a guarantee. It also needs to pay full attention to whether the capital outflow matches the capital inflow, thus achieving the integrated allocation of working capital. It is necessary to establish enterprise credit management system and special performance evaluation system, establish good customer cooperation relationship and develop high-quality customers.

D. Improving the efficiency of working capital

1) Focusing on the use cost and opportunity cost of enterprise capital

By discussing with some well-connected banks for short-term financial management, the rate of return can be increased by the way of deposit and withdrawal. The working capital can guarantee the enterprise daily operation, accelerate the turnover and reduce working capital occupation. Pay attention to opportunity cost, make full use of business credit, so that the company can make full use of business capital, improve the efficiency of its working capital management. Attaching importance to opportunity cost and taking full advantage of business credit enable the company to make full use of commercial capital and improve the efficiency of working capital management.

2) Strengthening enterprise informatization

Enterprises need to use the development results of modern science and technology, improve the level of the platform and realize the effective transmission of internal information. The effective implementation of production and operation business can improve the overall efficiency of the enterprise. It should set up a reasonable process to reduce the untimely manual transmission of information, which is intended to achieve the sharing and exchange of information in all aspects of production and operation.

V. CONCLUSION

For the enterprise industry, working capital is the foundation of enterprise production and development, affecting all aspects of enterprise operation. With the development of science and technology and the increasing demand of the people, enterprises must have the support of working capital management in order to avoid being eliminated by the tide of the times and achieve long-term and stable development in the context of the current economic situation. Therefore, this work analyzed the current situation of enterprise working capital management based on the relevant theories, and put forward countermeasures and suggestions for the problems found. In order to maximize the enterprise value and ensure the safety and liquidity of working capital operation, it is necessary to improve the use efficiency of working capital scientifically and rationally. At the same time, it should improve the management awareness and management level of managers and employees make full use of scientific and technological development achievements, optimize communication means and improve communication efficiency. Also, a management system suitable for the development of enterprises should be established. If an enterprise wants to carry out production and operation safely, it must ensure that the operating revenue is greater than the operating expenditure. The enterprise has cash balance and can repay the loan and interest expense on time. Consequently, the enterprise has realized the urgency of reform and development, and adjusted the original policies and regulations. However, there are still many areas to be improved. In order to better develop the enterprise in the future, it is necessary to improve the working capital management of the enterprise and put forward more improvement suggestions.

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