

**MINISTRY OF EDUCATION AND
TRAINING**

MINISTRY OF FINANCE

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**FINANCIAL SOLUTIONS TO IMPROVE BUSINESS
EFFICIENCY OF GARMENT - TEXTILE EXPORT
FIRMS IN VIETNAM**

Major : Finance – Banking

Code : 9.34.02.01

**SUMMARY OF DOCTORAL
DISSERTATION IN ECONOMICS**

VU THI KIM OANH

HA NOI – 2022

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**Research supervisor: Assoc. Prof. & Dr. Nguyen Huy Thinh
Dr. Nguyen Ho Phi Ha**

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INTRODUCTION

1. The significant of the research topic

Improving business efficiency is the top goal of firms in the economy. To achieve this target, businesses can deploy many different solutions in which financial solutions, including solutions for investment and capital use, solutions for capital mobilization and solutions for profit distribution are key solutions that directly affect the business efficiency of firms. Therefore, in-depth research to provide a system of both theory and practice on financial solutions to improve business efficiency is necessary and has practical significance for firms today.

In recent years, Vietnam's textile and garment industry has made strong development steps to become one of the key manufacturing industries of the economy, making a significant contribution to GDP and export growth in our country. . In the context that Vietnam has signed and implemented bilateral and multilateral free trade agreements with incentives in support policies from the Government, the competitiveness and business efficiency of textile and garment firms are constantly improving. However, in fact, the business efficiency of textile and garment exporting firms in Vietnam remains at a low level. One of the reasons leading to the above situation is that the financial management in many firms has not been paid enough attention, causing ineffective planning of financial strategies. Therefore, it is required to have a financial solution system with synchronous nature from firms to improve business efficiency and the position of Vietnamese textile and garment exporters in the international arena.

From the above theoretical and practical meanings, I decided to select the topic: "Financial solutions to improve business efficiency of garment - textile export firms in Vietnam" in order to provide a theoretical and practical system of financial solutions to improve business efficiency of those firms.

2. Research overview

In the world as well as in Vietnam, there have been many studies on business efficiency and solutions to improve it. These studies focus on the following aspects: (1) Research on the approach and measurement of business efficiency of firms, (2) Research on factors affecting business efficiency; (3) Research on the impact of financial solutions on business efficiency; (4) Research on textile and garment firms and their business efficiency; (5) Research on export and financial activities of exporting firms.

In Vietnam, there have been a number of studies on financial solutions to improve business efficiency applied to firms in different industries and fields. However, they mainly concentrate on assessing the status of business efficiency, thereby providing financial solutions to improve business efficiency. There has been no previous research on financial solutions to improve business efficiency applied to the range of garment -

textile export firms in the period from 2016-2020. That is the research gap for the researcher to study financial solutions to improve business efficiency applied to garment - textile export firms in Vietnam.

3. Research objectives and tasks

The purpose of the study is to complete financial solutions to improve business efficiency for textile and garment exporting firms in Vietnam. To accomplish this purpose, this dissertation focuses on performing three specific tasks as follows:

First: Systematize the theoretical basis of business efficiency and financial solutions to improve business efficiency of firms.

Second: Assess the current situation of using financial solutions to improve business efficiency of Vietnamese textile and garment export firms in the 2016-2020 period, thereby, point out the achieved results, limitations and causes of them in the use of financial solutions to improve business efficiency of firms.

Third: Propose financial solutions to improve business efficiency of Vietnamese textile and garment export firms.

4. Research subject and scope

Research object: The research object of the dissertation is financial solutions to improve business efficiency of garment - textile export firms. The dissertation studies financial solutions from the perspective of firms in order to improve business efficiency at 47 garment - textile exporting firms listed on Vietnam stock exchanges. The information and data of firms are collected and analyzed in the period from 2016 to 2020. The dissertation proposes solutions for the period till 2025, with a vision to 2030.

5. Research methods

The dissertation uses the methodology of dialectical materialism and historical materialism in research.

The dissertation uses a combination of methods such as interpretation, induction, analysis, syndissertation and comparison to describe statistics on business efficiency and the current state of financial policies in firms. In addition, the expert interview method, using a questionnaire system, is applied, to collect opinions and views of managers at Vietnamese textile and garment export firms about financial solutions that firms have adopted in the 2016-2020 period and business efficiency in this period. Information from these interviews is the basis for the dissertation to select variables in the research model.

The dissertation uses Stata software in quantitative analysis to build a panel data regression model for assessing the impact of financial solutions on business performance of Vietnamese textile and garment exporters.

6. New points of the dissertation

On the theoretical side: the dissertation systematizes the theoretical basis of business efficiency in firms and financial solutions to improve business efficiency in firms. The dissertation also researches and provides the theoretical basis of export financing solutions, these are the solutions that, through the research process, I found suitable for exporting firms in general and textile and garment export in particular. At the same time, I also analyze the experience of using these solutions in some firms around the world.

On the practical side:

- The dissertation evaluates the current situation of using financial solutions to improve business efficiency of textile and garment export firms in Vietnam in the 2016-2020 period. In which, the dissertation focuses on the specificity of firms in this period of the textile and garment industry to make assessments in accordance with the industry's practice.

- The dissertation uses a regression model to analyze and evaluate the impact of financial solutions on improving business efficiency of firms. Thereby, it clearly indicates that the direction and the extent of the impact of variables representing financial solutions on the business performance of firms are measured by the return on equity (ROE) indicator.

- The dissertation proposes to complete financial solutions to improve business efficiency in accordance with the actual conditions of Vietnamese textile and garment export firms at the present to 2025 with a vision to 2030.

7. Dissertation structure

In addition to the introduction and conclusion, the dissertation is divided into 3 chapters:

Chapter 1. Theoretical basis for financial solutions to improve business efficiency of firms

Chapter 2. Current situation of using financial solutions to improve business efficiency of garment - textile export firms in Vietnam

Chapter 3. The completion of financial solutions to improve business efficiency of garment - textile export firms in Vietnam

CHAPTER 1. THEORETICAL BASIS OF FINANCIAL SOLUTIONS TO IMPROVE BUSINESS EFFICIENCY OF FIRMS

1.1. Business efficiency of firms

1.1.1. *The concept of business efficiency*

From the perspective of firms, there are many different approaches to business efficiency. However, concepts of business efficiency all have one thing in common, which is to put business efficiency in the comparison between the result obtained and resources, or the costs spent to achieve that result in order to reach the goals of the enterprise. Therefore, business efficiency in the dissertation is understood as follows:

Business efficiency of an enterprise is an economic category that reflects the comparative ratio between business results and costs, or resources used in business to achieve business goals of firms.

1.1.2. *Business efficiency classification*

Business efficiency is an integrated economic category that can be classified according to the following main criteria:

* Based on the scope: Enterprise's business efficiency includes general business efficiency and component business efficiency

* Based on the length of time: Business efficiency of firms includes short-term business efficiency and long-term business efficiency

1.1.3. *Criteria for measuring business efficiency of firms*

Within the scope of the dissertation, business efficiency of firms is mainly measured by profitability ratios including the following basic criteria:

- Basic Earning Power (BEP)
- Return on Sales (ROS)
- Return on Assets (ROA)
- Return on Equity (ROE)
- Economic Value Added (EVA)

1.2. Financial solutions to improve business efficiency of firms

1.2.1. *The concept of financial solutions to improve business efficiency*

In financial studies, it is possible to approach a number of perspectives on financial solutions such as:

According to the approach from the implementation, Damodaran (2010) argued that every decision made in a business has a financial meaning and a financial solution is any decision related to creating a business and using corporate money.

Approaching from the enterprise's goals, Arnold (2012) believed that the financial

solution is the best way among the options to increase the market value of the enterprise in a certain period of time. Each enterprise will have its own methods and solutions in the process of creating, distributing and using financial resources to form financial solutions of firms.

On the basis of financial activities of firms, within the scope of the dissertation, financial solutions are understood as: *Financial solutions are methods and measures associated with the process of creating, distributing and using money that firms use to make their financial decisions and achieve their goals.*

With the goal to improve business efficiency, financial solutions include long-term financial solutions and short-term financial solutions. In which, long-term financial solutions include: Capital financing solutions; Capital investment solutions; and Profit Distribution Solutions. Short-term financial solutions associated with capital use decisions, also known as capital use solutions: Effectively-used fixed assets solutions; Inventory management solutions; Receivables management solutions and Cash management solutions.

1.2.2. Contents of financial solutions to improve business efficiency

1.2.2.1. Capital mobilization solutions

Capital mobilization solutions are the methods of selecting capital sources, capital sizes and forms of capital mobilization to meet the needs of investment and business activities to achieve the goals of firms.

Therefore, the capital mobilization solution focuses on two basic contents: (1) Determining the appropriate capital mobilization scale; (2) Selecting appropriate capital sources and forms of capital mobilization

For exporting firms, in addition to the usual forms of capital mobilization, firms can also use export financing services. Export financing services are commonly provided through four forms: Pre-export Working Capital Financing, Payment Voucher Discount, Payment Advance and Export Credit Insurance.

1.2.2.2. The investment and capital use solution

The investment and capital use solution demonstrates the methods of allocating capital to form assets as well as managing investment capital components of firms in order to improve business efficiency. Firms need to make appropriate investment decisions to maximize profits and minimize risks, thereby helping to create the highest value on the limited investment capital or in other words, increase the business efficiency of the enterprise.

The capital investment process forms the assets of the enterprise, so capital investment solutions are always associated with the effective use of capital. The

application of methods to effectively use investment capital in fixed assets and current assets of firms is the solutions to use capital of firms.

1.2.3.3. Enterprise profit distribution solution

Profit distribution solutions are the methods that firms use to distribute profit after tax in a reasonable way between the profit for consumption purposes and the profit after tax for reinvestment.

Firms that have a reasonable profit distribution plan to both satisfy the current income needs for shareholders and ensure that they accumulate enough resources for the future investment will have a great impact on the growth rate of expected profit to bring business efficiency to firms.

1.2.3. Impact of financial solutions on improving business efficiency of firms

Business activities are associated with the implementation of financial solutions. The appropriate selection and combination of financial solutions helps businesses optimize resources, thereby increases business efficiency as well as ensure the goal of maximizing enterprise value. The impact of financial solutions on improving business efficiency is shown in detail through capital mobilization solutions, capital investment and use solutions and profit distribution solutions.

1.2.4. Indicators reflecting financial solutions to improve business efficiency of firms

Through a number of financial indicators, it is possible to evaluate the financial solutions that managers use in firms. The indicators reflecting financial solutions to improve business efficiency of firms are shown specifically through the following groups of indicators:

- ❖ Indicators reflecting capital mobilization solutions
- ❖ Indicators reflecting investment and capital use solutions
- ❖ Indicators reflecting profit distribution solutions

1.3. Experience in using financial solutions to improve business efficiency of firms in the world and lessons for Vietnamese textile and garment exporters

1.3.1. Experience in using financial solutions to improve business efficiency of firms in the world

1.3.1.1. Experience in using investment and capital solutions

- ❖ *Inventory management experience*
- ❖ *Cash management experience*
- ❖ *Increasing investment in technology experience*

1.3.1.2. Experience in using capital mobilization solutions

- ❖ *Using credit guarantee business to expand international market*
- ❖ *Using factoring to develop exports*
- ❖ *Using export credit insurance to expand market*
- ❖ *Using financial sources for export activities experience*
- ❖ *Improving access to export credit by overcoming information asymmetry experience*

1.3.2. Some lessons on using financial solutions to improve business efficiency of exporting firms

Firstly, develop an inventory management strategy through planning for raw material procurement as well as production plans based on regular and research potential customers.

Secondly, invest in strategic technology , increase the proportion of long-term assets within the limit corresponding to the capital source in order to reduce the unskilled labor in basic stages and basic machinery stages creating accessories, restrict the import of essential accessories.

Thirdly, comply with financial management principles and combine the use of diverse financial solutions to improve business efficiency of firms.

Fourthly, businesses should take advantage of credit sources from banks and financial institutions to mobilize capital for technology investment to improve competitiveness and business efficiency.

Fifthly, exporters need to make good use of incentives from the government and at the same time understand clearly the existing services provided by private financial institutions in order to be able to apply flexibly.

Seventhly, firms need to be transparent about information, create the best conditions for export financing agencies to fully understand the business situation of firms; at the same time, thoroughly research the sponsoring programs so that they can provide information in accordance with the requirements of the sponsors.

CHAPTER 2. CURRENT SITUATION OF USING FINANCIAL SOLUTIONS TO IMPROVE BUSINESS EFFICIENCY OF GARMENT - TEXTILE EXPORT FIRMS IN VIETNAM

2.1. Overview of Vietnam's Garment - textile export firms

2.1.1. Overview of export activities of Vietnamese Garment - textile firms

2.1.2. Overview of Vietnam's Garment - textile export firms

2.1.2.1. General introduction of sampled garment - textile export firms

The export Garment - textile firms selected for research in the thesis are those listed on the stock market. To ensure data continuity, NCS selected 47/50 companies listed on HOSE, HNX and Upcom for a period of 5 years from 2016-2020. Firms continue to be classified into 03 groups according to the size of business capital.

2.1.2.2. General financial situation of Vietnamese Garment - textile export firms in recent years

The general financial situation of firms in the period 2016-2020 is shown in detail by looking at:

- Asset situation and asset structure of firms.
- Situation of capital and capital structure of firms
- Situation of solvency of firms
- Situation of business results of firms

2.2. Business efficiency of garment - textile export firms in Vietnam

2.2.1. Basic earning power - BEP

Basic earning power (BEP) of exporting Garment - textile firms tends to increase in the period of 2016 - 2020. The average BEP of firms in the period of 2016-2020 is quite low, about 7.62 %. Only in 2018, the BEP of firms increased sharply, of which up to 43% of firms had a BEP of over 10%.

BEP is different among firms classified by business capital size, showing that the investment scale has a direct influence on the business performance of firms. In particular, medium-sized firms are considered as the group of firms with the best profitability from assets.

The fluctuation of BEP in firms is partly due to the difference between the financial solutions of firms, and partly is directly affected by objective influences in the economy.

2.3.2. Return on Sales - ROS

The average ROS of companies tends to increase from 2016 to 2018 then decrease again in 2019, 2020. The average ROS of firms in the research sample is 3.45%. In 2018, ROS reached the highest value in the whole period, but this value was only 3.91% With the profit margin too thin, the buffer between revenue and costs is too low, which will

make the sampled Garment - textile firms in the research faces many disadvantages when the business environment fluctuates.

Medium-sized firms are still the leading group of firms in terms of ROS compared to the remaining groups of firms. Large-scale firms with high total investment have more difficulty in cost management, making ROS lower than medium-sized firms. Small-scale firms are weak in technology investment and fragmented production, and it is difficult for them to effectively manage costs to generate high profits.

2.3.3. Return on Assets – ROA

ROA of export garment - textile firms is basically stable in the period 2016-2020, of which the highest in 2019 is 4.48%; the lowest in 2020 reached 3.34%; period average is 3.86%.

Large-scale firms have an average ROA of 5.26% in this period, medium-sized firms have an average ROA of 6.97% and small firms have an average ROA of -2.97% during the same period. In addition, the significant gap between BEP and ROA of firms shows the direct impact of financing policy on business efficiency of firms.

2.3.4. Return on Equity - ROE

The average ROE of firms in the sample is 13.44%/year, of which ROE is the highest in 2018, reaching 16.6%, the lowest is 6.1% in 2020. In the period from 2018 to 2020, ROE tends to decrease sharply.

Compared with profitability ratios, ROE of Garment - textile firms has a higher value. This can confirm that Garment - textile export firms have effectively utilized financial leverage in implementing their financing solutions. Moreover, firms take advantage of large capital sources through account payable to suppliers, most of which are free of charge, which helps to increase return on equity.

ROE of export garment - textile firms, especially large and medium-sized ones, is quite high as a result of a combination of investment solutions and financing solutions. This also shows the advantage of large-scale firms in the industry in accessing credit capital.

2.3. Actual situation of using financial solutions to improve business efficiency of Garment - textile export firms in Vietnam

2.3.1. Actual situation of using capital mobilization solutions to improve business efficiency of firms

2.2.3.1. Size of mobilized capital

In the period 2016-2018, the size of capital of firms continuously increased, reaching growth rates of 7.4% and 6.93% respectively in 2017/2016 and 2018/2017. The capital of firms showed a slight decrease in 2019 and 2020. The growth rate of liabilities in the period 2016-2018 was 4.7% and 7.3% respectively and decreased in the period of

2019- 2020 to 5.3% and 3.8% respectively. Liabilities formed mainly from short-term debt. On the contrary, long-term debt of firms continuously tends to decrease.

The equity of firms has continuously increased from 2016-2019, showing that firms are always proactive and active in exploiting investment capital to expand their business scale. Even in 2020, despite the difficulties caused by the epidemic, the average owner's investment equity also increased significantly. Undistributed profits of companies depend a lot on business results, so there is a sharp decrease in 2020. This is also an objective factor due to the difficulties in business of firms, but it has a significant impact on business efficiency of firms.

2.2.3.2. Structure of mobilized capital

The average debt ratio of exporting garment - textile firms in the research period remained quite high from 0.58-0.62. Debt structure of firms focuses on short-term debt, in which mainly are loans and payables to customers. Most businesses do not use the form of bond issuance to raise capital. In addition, for equity capital, firms focus on supplementing capital from after-tax profits for reinvestment with a relatively high rate of reinvested profits in the years.

The high usage of debt shows that the financial autonomy of firms is still limited, increasing risks, directly affecting the solvency and business performance of firms. However, mobilizing capital through debt is considered appropriate due to the characteristics of garment-textile exporters that often have short business cycles and are able to take advantage of capital from suppliers. In the two years of 2019, and 2020, the debt ratio of firms decreased gradually during the year, showing the initiative of firms in using financing solutions to adjust the level of debt use, thereby limiting risks in the increasingly more difficult financial management business operations climate.

Classified the the level of debt use by firms' size, it can be seen that large firms and medium-sized firms are the group of firms with the highest concentration of debt ratios. This shows the difference in capital mobilization solutions of each group of firms, large firms have the ability to mobilize more debt. The use of debt at a higher level in medium- and large-sized firms reflects a positive effect of financial leverage when ROE of medium- and large-sized firms is always higher than that of small-sized firms.

2.3.2. Solutions on investment and capital use in Garment - textile export firms

2.3.2.1. About investment scale

Total assets of export garment - textile firms have slight fluctuations in the period 2016-2020. The asset growth rate is cyclical, increasing in the 2016-2018 period and decreasing in the 2018-2020 period. Especially in 2020, the great impact of the epidemic makes exporting more difficult, so investment opportunities also decrease. The efforts in investing and maintaining operations even during the period of adverse market fluctuations show that export

Garment - textile firms have actively applied investment solutions to increase their scale. and competitiveness. This is also a factor contributing positively to increasing the efficiency of firms.

2.3.2.2. About investment structure

The proportion of investment in long-term assets of firms is usually low. The structure of investment assets of firms is considered quite suitable when the assets of Garment - textile firms exist in the form of raw materials, tools and equipments.

Among firms, large-scale firms often have a higher proportion of total assets than small and medium-sized firms. This reflects the fact that large-scale firms have stronger financial potential and are able to invest in technology chains on a larger scale than medium and small-sized companies. Increasing investment in long-term assets on the one hand helps firms increase production capacity, lower costs, increase competitiveness, thereby increasing business efficiency. However, investing in long-term assets to a large extent generates fixed costs that can cause a negative impact of operating leverage, causing profits before interest and taxes of firms to decrease when the consumption of products is not favorable.

2.3.2.3. Capital efficiency

The process of investment and capital use in exporting Garment - textile firms has a direct effect on the efficiency of capital use of firms, which is reflected in the fluctuations of the ratios reflecting the inventory turnover, the speed of receivables turnover, business capital turnover of firms.

2.3.3. Profit distribution solution of garment - textile export firms

In general, the export Garment - textile firms sampled in the research have a relatively high dividend payout ratio. In which, large firms spend an average of 45.35% of the value of profits to pay dividends, medium-sized firms and small firms are 49.41% and 29.3% respectively.

Through the statistics of the dividend payment situation in firms, the form of dividend payment that firms often apply is to pay dividends in cash. A small number of companies pay stock dividends to meet capital needs for business expansion. Firms also try to maintain regular dividend payments every year and only about 7/47 firms have intermittent payment frequency in the period 2016-2020.

2.3.4. Survey on the current situation of using financial solutions in Garment - textile export firms

To assess the current situation of using financial solutions to improve business efficiency in export Garment - textile firms, the thesis uses the survey method of questionnaires for the subjects who are managers in 47 Garment - textile firms in the province. Accordingly, the survey is mainly on two contents: (1) assessing the current

situation of using financial solutions in firms; (2) assessment of the actual use of export financing services in firms.

2.3.4.1. Choosing a research model

Survey research is designed based on the theory of “Technology Acceptance” proposed by Davis (1989) on the basis of recognizing its ease of use and its benefits in the decision-making process. Accordingly, the researcher assessed the current situation of using financial solutions to improve business efficiency of Vietnamese Garment - textile export firms in 03 aspects: Level of use, Ease of use and business efficiency (benefits received by firms).

2.3.4.2. Research results

❖ *Survey on the current situation of using financial solutions in firms*

Assessing the level of use of financial solutions

As for financial solutions for capital investment, there are quite a few businesses that invest in intangible assets such as franchises, purchase of technological know-how, patents, etc. Regarding investments in tangible fixed assets such as: factories, buying machinery and equipment or fixed assets for production and business..., all of the firms in the survey sample have used it, but the level of use is still modest.

Regarding capital mobilization solutions, firms use long-term loans to a large extent and accounted for 75.8% of the survey sample. Only 13.6% of firms use this solution moderately and 10.6% rarely use it. In addition, solutions to mobilize capital through short-term loans and appropriation of suppliers are also quite popular solutions for export Garment - textile firms. Most companies use after-tax profits to reinvest in their businesses. The form of capital mobilization by issuing bonds and issuing shares is not yet popular, mainly firms only issue bonds or stocks when there is a large demand for investment capital associated with specific investment projects.

For solutions on capital use, solutions to reduce inventory and reduce receivables to improve operational efficiency are the two most used by firms. Meanwhile, the solution to increase payables is the solution with the lowest usage in short-term financial solutions.

Assessing the ease of use of financial solutions

The number of surveyed firms choosing "strongly disagree" and "disagree" is quite high for the statement that financial solutions are "easy to implement", "suitable with the resources of the company" and "low implementation cost". However, surveyed firms also agree that long-term financial solutions, if applied, will have a high probability of success, that is, they will have a high probability of achieving their goals.

For the solutions to use capital, the majority of Garment - textile export firms surveyed agree and completely agree that they are suitable for enterprise resources and have low implementation costs. The percentage of firms agreeing and completely

agreeing that capital-use solutions are suitable for firms' resources is 23% , and for the statement "implementation costs", the results is 28.9%. However, firms also believe that implementing financial solutions on capital use such as reducing inventory and receivables is difficult to receive support and cooperation from partners and the probability of success is not high. . The application of short-term financial solutions such as reducing receivables and increasing payables is directly related to the interests of customers and suppliers, while Garment - textile exporters are mainly involved in the simplest process in the value chain, so negotiating to implement these two solutions is quite difficult.

Assessing the impact of financial solutions on business efficiency

When asked about the impact of the implementation of popular financial solutions on business efficiency, most of the garment - textile export businesses in the survey sample highly appreciated the impact of these financial solutions on business efficiency through cost reduction, profit increase and sustainable development. The analysis results show that the financial solutions affecting the business efficiency of firms are mainly through the channel of cost reduction, thereby increasing the profits of firms. In particular, businesses have been aware of the positive impact of financial solutions on helping businesses achieve their set business goals. However, most businesses do not appreciate the impact of financial solutions on non-financial indicators such as customer satisfaction or customer loyalty.

In addition to the qualitative assessments of businesses, the researcher also suggested that businesses using financial solutions provide information on the criteria to evaluate the effectiveness of use corresponding to each solution to calculate the average in each business. Statistical results of the last 3 years from 2016 to 2018 show detailed information about the average value of ratios provided by firms for each financial solution and frequency of use by firms.

Survey on the actual use of export financing services

Level of usage of export financing services

The author's survey results show that the majority of firms have used export financing services (accounting for 89.4%). Among the types of export financing services available, the form of discount is the most popular. The form of working capital loan before exporting to buy raw and auxiliary materials for export production ranked second with 46.8% of firms using it. 42.5% using the method of advance payment. This figure also reflects the current status of the Garment - textile export industry, which is still heavily processed, so the need for working capital before exporting is low. In addition, the number of firms that have used export credit insurance services is very small, equivalent to only 4.2%. This ratio is also consistent with the reality of using export credit

insurance in Vietnam in general in recent years.

Among firms that have not used export financing services, 40% of firms think that these services do not bring any benefits to firms, so they do not use them. And 20% think that there is no need to use them. Notably, the reason for not using it is because there is no information about the service, accounting for 40%. This is suggestive information for commercial banks to increase marketing, promotion and introduction of export financing services to potential customers.

Regarding export financing service providers, most of Vietnam's Garment - textile export firms use the services of domestic commercial banks. Only 18.7% of firms use services of foreign banks. This can be explained through the opinion of the experts interviewed that Vietnamese Garment - textile exporters have long-standing partnerships with domestic banks and are more flexible in negotiations when using said services.

Regarding the percentage of financed capital corresponding to each type of service provided by commercial banks, the survey results show in for the three types of services, that the payment voucher discount type has the highest percentage of funded capital, followed by working capital loans before export and finally payment advances.

Assessing the ease of use of export financing services

In order to assess the ease of use of export finance services in the perception of firms, the researcher asked firms to evaluate export finance services compared to other financing services provided by commercial banks corresponding to a scale of 5 levels from completely disagree to completely agree. The survey results show that in general, businesses do not think that accessing financing services is easier than other banking services.

In terms of finance, Vietnamese Garment - textile export firms believe that fees (including interest) for export financing services are lower and the percentage of financed capital is higher than other types of trade finance. Over 80% of 209 export garment - textile firms that have used export financing services choose "Agree" and "Strongly agree" with respect to the advantages of cost and the ratio of funded capital of the export financing service.

Assessing the impact of using export financing services on business efficiency

Regarding the advantages and limitations of export financing services, the researcher surveyed firms' opinions on the impact of solutions to use export finance services on business performance of firms both in terms of key financial indicators (capital, expenses, revenue and profit) and non-financial indicators (negotiating position, finding new customers). Survey results show that nearly 90% of firms recognize the importance of export financing to timely supplement capital for businesses. Although most businesses believe that trade finance services can reduce costs for businesses, 14.8%

of firms "Disagree" and 14.8% have "Neutral" opinions. This proves that the cost of using the service is still a barrier for some businesses. Similarly, other financial performance indicators still received 10% - 11% of negative comments about the impact of the solution of using export financing services on these indicators.

2.4. Regression model of the impact of financial solutions on business performance of Garment - textile firms in Vietnam

2.4.1. Research model

On the basis of the theoretical study and the actual situation of business efficiency of export Garment - textile firms in the above section, the thesis builds a model to assess the impact of financial solutions on business efficiency at exporting Garment - textile firms using the multiple regression model as follows:

$$ROE = \alpha + \beta_1 FL + \beta_2 LTA + \beta_3 TAT + \beta_4 IT + \beta_5 ART + \beta_6 DPR + \beta_7 WCT + \varepsilon$$

In which: ROE is return on equity; FL is financial leverage; LTA is long-term assets; TAT is total asset turnover; IT is inventory turnover; ART is account receivable turnover; DPR is dividend payout ratio; WCT is working capital turnover.

2.4.2. Research variables and research hypotheses

The dependent variable in the research model is business efficiency which is represented by return on equity (ROE).

The independent variable in the model represents groups of financial solutions including: investment and capital use solutions, capital mobilization solutions and profit distribution solutions. The research hypotheses about the impact of financial solutions on business efficiency are as follows:

For investment and capital use solutions:

H1a: Long-term asset investment ratio has a positive impact on business performance.

H1b: Asset turnover has a positive impact on business efficiency.

H1c: Inventory turnover has a positive impact on business efficiency.

H1d: Receivables turnover has a positive impact on business efficiency.

For capital mobilization solutions:

H2: Financial leverage has a positive impact on business efficiency.

For profit distribution solutions:

H3a: Dividend payout ratio has a positive impact on business performance.

H3b: Dividend payout ratio has a negative impact on business performance.

The thesis uses a regression model to test the fixed effects model and the random effects model to evaluate the impact of financial solutions on business performance of firms.

2.4.3. Research results and data analysis

The correlation matrix between the variables in the research model shows that there is no multicollinearity between the independent variables in the model. The correlation coefficient between the independent variables for the dependent variables (ROE) is positive and statistically significant. This is consistent with the fact that businesses with high financial leverage, long-term asset ratio, asset turnover, inventory turnover and high dividend ratio are more efficient businesses (margin ratio on return on equity – ROE) is higher.

2.4.3.2. Regression results

First of all, the thesis conducts regression with all data of 47 firms. The model results show that the indicators representing financial policy have a positive impact on business efficiency represented by the return on equity. In which, the variables representing financial policies including total asset turnover, financial leverage, and working capital turnover have a positive impact on business efficiency at the 5% statistical significance level. Besides, the variables of the proportion of long-term investment in assets, inventory turnover, and dividend ratio have a statistically significant positive effect at the 10% significance level with operational efficiency. The research results are the scientific basis that contributes to better explaining the impact of financial policies on the business performance of firms.

In addition to the regression model used for all research variables, the thesis also conducts regression on the impact of financial solutions on business efficiency for the group of large-scale firms, medium-sized firms and small-scale firms. Regression results also show the difference in the impact of financial solutions on business efficiency in different groups of firms in terms of size.

2.4.4. Conclusion and recommendations

Research shows that, financial leverage, long-term assets investment ratio, asset turnover, inventory turnover, receivable turnover, dividend payout ratio has positive impact or in other words, businesses that want to increase ROE need to implement the following solutions:

- + Having a plan in managing their debt, reducing the debt ratio and taking measures to improve the profitability of each VND of assets used, adjusting the capital structure reasonably to promote the effectiveness of financial leverage.

- + Ensure the investment in short-term assets accounts for a larger proportion, however, it is also necessary to consider increasing the proportion of long-term assets in order to limit the processing stages and improve production capacity at factories to self-supply basic accessories, gradually shifting to the form of self-designing their own brands, reducing imported raw materials.

+ Maintain a stable dividend payment policy. This helps businesses stabilize their finances in the process of operation as well as having an affect on the psychology of shareholders. This helps businesses win the trust of shareholders, increase the number of loyal shareholders who will then be willing to accompany businesses when there are difficulties, this is a very suitable policy in attracting long-term shareholders.

2.5. General assessment of the current situation of using financial solutions to improve business efficiency of garment – textile export firms in recent years

2.5.1. Recent results

2.5.1.1. About investment solutions and capital use

First: Firms have been active and proactive in expanding investment, making the scale of firms constantly increase. At the same time, businesses also actively seize opportunities to penetrate foreign markets through the commitments of trade agreements. The increase in investment capital is one of the factors that help businesses increase revenue, profit and profitability ratios..

Second: Exporting Garment - textile firms are also interested in investing in renewing technological lines, applying modern technologies to increase labor productivity, improving product designs and quality, reducing costs and minimize harm to the environment. The structure of asset investment in firms is quite suitable with the characteristics of Garment - textile firms. The efficiency of using fixed capital in firms is quite high and tends to increase in recent years. These are also solutions that not only increase business efficiency but also ensure the long-term goal of sustainable development of the Garment - textile export industry in Vietnam.

Third, Garment - textile firms have significantly improved their production activities, keeping the inventory turnover at a stable level and reaching a relatively high level during the time of being negatively affected by the epidemic. Receivables management policies were established strictly to ensure quick debt recovery and limit bad debts.

Fourth, profit after tax has improved in most of the sampled firms, following a stable and improving trend. Most of the firms in the sample do well in revenue and cost management and effectively use existing assets. Firms maximize revenue by transforming the structure of production methods, from CMT outsourcing to FOB and ODM. Cost management is implemented quite drastically, in the condition that the proportion of CMT products is high, firms focus on measures to increase productivity and reduce costs by applying the lean production model LEAN in production. The management and maintenance of equipment is well done, many factories do not have to depreciate or have a low deduction because they have recovered enough or nearly enough of the original

cost, thus contributing to reducing capital cost and increase the efficiency of using assets of firms.

2.5.1.2. About capital mobilization solution

First, businesses have actively sought capital to fully meet business needs. The capital structure is concentrated in short-term sources, which are short-term loans and appropriated debts, in line with the asset structure while ensuring a low cost of capital. Flexible application of payment methods to open a foreign currency payment account by borrowing in advance in foreign currency with low interest rate, converting to Vietnamese currency to serve domestic payment needs; When the money is returned, the loan will be paid in foreign currency previously borrowed. Regarding the solution of using export financing services, most of the Garment - textile exporters have used this service, in which the discount form is the most popular form of business due to the service access and ease of implementation.

Second, the high usage of debt in large and medium-sized firms has created an effect due to the positive impact of financial leverage, especially in the condition that loan interest rates always remain low and stable in recent times. Return on equity in these firms is quite high, which has the effect of increasing ROE, but still ensures the solvency of firms.

Third, businesses are always interested in investing to increase equity from profits in order to reinvest as well as creating new sources of equity. Although the increase in equity is not high, this is also an important source of capital contributing to increasing financial autonomy and limiting risks for firms.

2.5.1.3. About profit distribution solution

Dividend policy is applied in accordance with actual conditions and development stages of firms. This is the basis for the company's shares to be traded at a good price, increasing market capitalization, and helping to maximize asset value for existing shareholders.

2.5.2. Limitations and reasons

2.5.2.1. Limitations that need improvement

a. About investment solutions and capital use

First, due to limited investment resources, the majority of export Garment - textile firms in Vietnam are small compared to those in countries with a developed Garment - textile industry. This is an obstacle that makes it difficult for firms to compete, accumulate and improve business efficiency in the context that the Garment - textile industry is integrating more and more deeply with other markets.

Second, although most of the Garment - textile export firms have a relatively suitable current asset structure, the technological level of most firms is not high.

Especially for small-scale firms, the ability to equip modern technological lines is limited, production is mainly based on labor, making the added value created from Garment - textile products still low.

Third, the level of production management in some firms is not professional, where it has not yet invested in applying production management processes to improve productivity and quality in order to save costs, increase capital turnover, thereby affecting the quality of production, the efficiency of working capital as well as the efficiency of business capital in general.

Fourth, the efficiency of using working capital in firms is still not high and tends to decline, it is necessary to take timely adjustment measures because working capital is a part that accounts for a large proportion of the assets structure of firms. The low instant solvency of companies indicates a limited level of cash reserves.

Fifth, the business activities of Garment - textile export firms are quite sensitive to fluctuations in factors in the market, leading to a sharp decline in profits, even heavy losses during the pandemic. The low capital efficiency is reflected in the relatively low profit margin leading to a limitation in ROE amplification.

b. About capital mobilization solution

First, the scale and form of capital mobilization of firms are still limited. Most businesses meet their capital needs from limited residual profits, mainly accessing capital in the form of bank loans or commercial credit through debt of suppliers. The form of raising capital by issuing bonds and issuing shares is not yet popular.

Second, the source of capital financing is mainly formed from debts, which mainly focus on short-term debts, making the risk level of firms quite high. Some firms with high debt ratio lead to negative effects of financial leverage, causing firms to fall into a state of constant loss. The high debt ratio is also a hindrance in the mobilization of capital of firms, making it difficult for firms to expand their scale in order to increase competitiveness and business efficiency.

Third, for the use of export financing services at firms, there are some limitations such as: A significant proportion of firms (more than 11%) have never used export financing services; The rate of firms using export credit insurance is very low due to unclear awareness of benefits and fear of paying insurance premiums. Working capital loan service before export is used in less than 50% of firms. The reason is that there are still inadequacies in accessing export finance services, export financing procedures and processing times are not faster than other trade finance services. In addition, about 10% - 15% of firms using trade finance services assessed that trade finance solutions have not had a positive impact on business efficiency such as increasing revenue, reducing costs and increasing profits.

c. About profit distribution solution

Due to limited business efficiency, it leads to difficulties in paying dividends to shareholders or paying low dividends in firms. Profit is not high, so the ability to accumulate and reinvest is limited. Some businesses have not paid dividends to shareholders for many years which directly affect investor sentiment and trust. Many businesses have not yet paid attention to the impact of their profit distribution solutions on the stock prices traded on the market.

d. Limitations on the use of other financial solutions

First, the financial planning, forecasting and adjustment when the market fluctuates in firms is not good.

Second, in some firms, financial risk management has not been paid proper attention, which means that risks still exist very large in these firms.

2.5.2.2. The cause of the limitations

a. Subjective reasons

First, corporate financial management has not been given due attention and consideration. Most businesses do not have a clear separation between the financial and accounting functions and have not paid adequate attention to the role of financial management. Most firms have not focused on building long-term financial and business strategies, long-term planning and financial forecasting are still limited, lack of viable production and effective business plans.

Second, the capacity and qualifications of the staff working in corporate finance are still limited. The personnel doing this work are not fully equipped with knowledge of corporate financial management, they are not really interested in applying modern management knowledge, including effective theory of corporate financial management. The external training and updating of knowledge is not regular, mainly internal training through job assignment.

Third, the organization of the corporate financial management system is not reasonable. With a standard investment module for an industrial garment factory of about 600 people, the management system accounting for 5-7% of total people will promote the highest efficiency. However, due to difficulties in recruitment or orders, many businesses choose the scale not according to the standard module, so the efficiency is reduced. At the same time, the ratio between direct and indirect departments in each project is affected by orders, so the organization of the financial management system of the enterprise is sometimes inappropriate, sometimes overloaded, sometimes overcapacitated.

Fourth, the coordination between the finance department and other departments in the enterprise is not synchronized.

b. Objective reasons

First, fluctuations in the business environment and fluctuations in the prices of input factors cause risks and difficulties in business that have a direct impact on the profits and profitability of firms.

Second, the legal system and the state's mechanisms and policies are still unstable, with many inadequacies causing difficulties in business activities as well as export activities at Garment - textile firms.

CHAPTER 3. THE COMPLETION OF FINANCIAL SOLUTIONS TO IMPROVE BUSINESS EFFICIENCY OF GARMENT - TEXTILE EXPORT FIRMS IN VIETNAM

3.1. Economic context and development orientation of Vietnam's Garment - textile industry

3.1.1. Economic context, opportunities, and challenges for Garment - textile export firms in Vietnam

After more than 20 years of continuous development, Vietnam's Garment - textile industry has risen to become an important economic sector of the country. Vietnam's Garment - textile export turnover from 2016 ranked fourth in the world after China, Bangladesh, and India. By 2019, it surpassed India and ranked third in the world. Vietnam's Garment - textile industry has set specific goals for 2020 and a vision for 2030:

- Developing a program to produce fabrics for export and develop technical textile products and medical textile products
- Developing the source of cotton fiber raw materials, fiber plants, artificial fibers, and auxiliary materials
- Boosting garment exports thanks to trade agreements

According to the Vietnam Textile and Apparel Association (VITAS), the export turnover of Vietnam's Garment - textile industry aims to reach of 59-60 billion USD by 2030; the annual export turnover will reach 85 - 90 billion USD in the period 2035 - 2040, of which 15-20% of the total exported products carry the brands and trademarks of Vietnamese firms.

Under the impact of the Covid-19 pandemic, the Garment - textile industry is one of the industries that suffer the most direct losses along with the Tourism, Aviation, and Footwear industries. Garment - textile firms have faced many obstacles due to the Covid-19 pandemic when the manufactured goods cannot import to the US and the European Union (EU) countries. In 2021, the Garment - textile firms started to show signs of improvement in their production and business activities, so they had maintained production and waited for market signals. Among the main export markets of Vietnam's Garment - textile in 2021, except the US had a recovery equal to 2019 with about USD 100 billion in

apparel import turnover, the remainings had low resilience, even lower than 2020. 2022 will be a year of these continued challenges. Therefore, the proposal of general solutions and specific solution in finance to help Vietnam's Garment - textile export firms to ensure financial resources for production recovery is essential.

3.1.2. Basic perspectives in using financial solutions to improve business efficiency in Garment - textile export firms in Vietnam

Garment - textile export firms play a crucial role in the socio-economic development in Vietnam. Therefore, to enhance the business efficiency of Garment - textile export firms, it is necessary to thoroughly grasp the fundamental points of view in implementing financial solutions as follows:

Firstly, these financial solutions need to support the competition of the performance of tasks and operational objectives of firms.

Second, these financial solutions need be implemented synchronously in a unified whole.

Third, these financial solutions aim to increase the value of firms.

Fourth, these financial solutions need to ensure a balance between profitability and risks.

Fifth, the managers' perspective is a decisive factor in improving the business efficiency of firms.

3.2. Completing financial solutions to improve business efficiency of Garment - textile firms in Vietnam

3.2.1. Solutions for Garment - textile export firms in Vietnam

3.2.1.1. Choose the appropriate capital mobilization form

- Firms need to diversify capital mobilization forms following actual conditions to adjust to the loan structure and the demand, such as the issuance of long-term bonds and financial leasing. Focus on increasing equity through increasing the retention ratio to reinvest or issue new shares to raise capital.

- Develop a capital mobilization plan suitable to the size and actual situation of the firm. The plan should determine: (i) the appropriate target, timing and method of release; (ii) the issued price by following the enterprise value; (iii) the type of shares to be issued; (iv) the number of shares to be issued to expand or increase equity.

- Select the appropriate method of issuing shares to bring the largest source of revenue for the firm. It is necessary to evaluate and select a reputable underwriter to ensure the success of the issuance, especially the form of Underwriting.

3.2.1.2. Adjust the capital structure of firms in the direction of the positive impact of financial leverage and the financial safety of firms.

It is necessary to adjust the capital structure to gradually increase the proportion of long-term capital, especially equity, to meet the demand for renewing machinery and equipment and developing stable sources of input materials.

Firms need to actively calculate and build their own target capital structure suitable to their development stages, based on organizing capital mobilization to ensure a reasonable capital structure, both ensuring the principle of financial balance and promoting the positive effects of financial leverage in amplifying ROE or EPS.

3.2.1.3. Prepare well the conditions for easy access to capital from banks

Firms need to take the following measures to have better access to credit from banks and reduce the cost of debt:

Firstly, strengthen training and fostering skills in business project formulation, convincing banks of the project's prospects to obtain more abundant credit capital and lower costs.

Secondly, restructure their operations, prove their financial and management capacity, thereby gaining confidence for banks to grant credit. Firms can apply new management tools such as Balanced Scorecard (BSC), Key Performance Indicators (KPI), 5S, Continuous Improvement (Kaizen)... to increase productivity and efficiency work.

Third, focus on transparency in business activities, especially financial activities.

3.2.1.4. Actively take advantage of support from export financing services

Firstly, firms need to fully understand and research export financing services to gain deep knowledge and apply appropriately to meet the capital needs and improve business efficiency.

Secondly, firms need to pay more attention to the working capital financing solutions before buying raw materials for manufacturing export production to overcome the limitation of financial resources, implement the process of production structural transformation, gradually reduce outsourcing and aim to export higher value-added products.

Third, in the context of international economic integration, firms need to pay more attention to export credit insurance services to insure their risks when dealing with new customers and entering new markets.

3.2.1.5. Focus on cost management to improve the return on sales of firms

First, transform to higher value-added production methods.

Secondly, apply the model of Lean Manufacturing to reduce costs and improve labor productivity.

Third, relocate or establish new factories far from big cities to take advantage of

cheap labor.

3.2.1.6. Enhance inventory management efficiently

The business cycle has a positive effect on ROE, which is completely appropriate when firms are transforming to production methods that bring high added value, but the business cycle will be longer. However, at the stable operation stage, a rapid increase in inventory turnover is necessary to maximize the return on sales for firms. Firms can apply the EOQ model in ordering raw materials to minimize inventory costs.

3.2.1.7. Improve the risk management process

Depending on the characteristics and actual situation, Garment - textile firms can set up an independent operative risk management department or a group under the Finance and Accounting Department. Based on existing problems in financial risk management at garment firms in the sample, the author proposes that Garment - textile firms apply and comply with the risk management process (ERM) consisting of four main stages: (1) Risk identification, (2) Risk analysis, (3) Risk assessment, and (4) Risk treatment.

3.2.1.8. Increase the efficiency of working capital

To improve the working capital efficiency, firms should focus on implementing the following measures:

- Accurately calculate the working capital needs
- Actively seek low-cost working capital financing
- Reduce receivables and limit misappropriated capital
- Use idle money effectively
- Identify reasonable inventory needs, ensure effective inventory management

3.2.1.9. Take advantage of policies and support from the Government, state agencies and organizations to implement financial solutions

Firstly, firms need to focus on researching the policies on support and incentives of the government and international organizations on the firm finance to make good use of these incentives in the process of technological advancement, greening production, especially the best incentives such as preferential policies on tax, land rent, support for labor training.

Secondly, businesses need to actively organize and join professional associations at both local and national levels to have the opportunity to exchange and share experiences in implementing financial solutions to improve business efficiency.

Third, Garment - textile export firms also need to take advantage of incentives from the government and banks to get capital at low-interest rates after the Covid-19 pandemic.

3.2.2. Some recommendations

3.2.2.1 . For financial institutions

3.2.2.2. For State management agencies

For the Government

For the Ministries

For Vietnam Development Bank (VDB)

For Vietnam Textile and Apparel Association (VITAS)

CONCLUSION

The use of financial solutions to improve business efficiency of firms has an important role. The research objective of the thesis is to evaluate the current situation of using financial solutions in Garment - textile export firms in Vietnam, thereby making proposals to improve financial solutions to improve business efficiency. The thesis has analyzed and clarified the following fundamental contents:

Firstly, it has systematized the basic theoretical issues on business efficiency of firms, financial solutions to improve business efficiency, and the impact of financial solutions on business efficiency of firms. It has summarized the experience of using financial solutions to improve business efficiency in export Garment - textile firms in some countries around the world, thereby drawing lessons that can be referred to and applied to Garment - textile export firms in Vietnam.

Secondly, it has studied the status of business efficiency and the use of financial solutions at Vietnamese Garment - textile export firms to improve business efficiency from 2016s to 2020s. The thesis also uses the survey method to assess the level of using financial solutions to improve business efficiency and build a quantitative model to assess the impact of financial solutions to improve business efficiency in textile enterprises and garment export firms. Thereby, the thesis draws basic judgments about the results and limitations in using financial solutions to improve business efficiency in Vietnamese Garment - textile export firms.

Third, the thesis presented the views on using financial solutions to improve business efficiency of firms. Based on the results obtained, limitations and causes in using financial solutions, the thesis has proposed a system of solutions to complete financial solutions to improve business efficiency further. This thesis also gives some recommendations for relevant State management agencies to ensure the implementation of these solutions.

The research results of the thesis will contribute significantly in management practice to improve the business efficiency of Garment - textile export firms. Some shortcomings are inevitable. The author would like to continue to improve and develop in further research./.

LIST OF PUBLISHED SCIENTIFIC RESEARCH RELATED TO THE THESIS TOPIC

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4. Nguyen Thi Hong Van, Vu Thi Kim Oanh, Do Thi Thanh Huong (2019), *Business linkages in the textile industry in Vietnam in the new context*, *Industry and Trade magazine*, No.10/2019