FMDB Transactions on Sustainable Social Sciences Letters

Managing Financial Vulnerabilities in a Globalized Economy: A Framework for Vietnam Maritime Corporation

Tran Thi Huong[1,*]

[1]Department of Members' Council, Dong Do University (and Vietnam Maritime Corporation), Thanh Xuan, Hanoi, Vietnam.
huongtranthi0506@gmail.com[1]

Abstract: Integration and interdependence are becoming increasingly essential concepts. It is time to stop saying things like "watching your neighbour's house burn while staying calm." Things like commodities, people, and money will be able to travel freely in a genuinely globalised world market. However, there will also be hazards, particularly financial risks. Although integration is continuing to expand, risks are continually being concealed and growing across a wide range of domains. In tandem with the expansion of human civilisation and the increasing complexity of people's activities, the challenges people face have also become increasingly diverse. Every single day, whole new forms of threats that have never been seen before come into existence. The process of identifying and evaluating hazards will allow us to manage those risks more effectively. We want to use this article to suggest a few potential approaches that the Vietnam Maritime Corporation could take to improve its financial risk management. As a result of this, the paper proposes risk management solutions that are based on the following: (1) reviewing client information; (2) actions after the sale; (3) credit insurance; and (4) keeping track of bills that have not been paid.

Keywords: Risk Control; Risk Measurement; Logistics Sector; Cargo Handling; Financial Risks; Maritime Safety; Logistics Services; Consolidated Financial Statements.

Received on: 05/08/2024, **Revised on:** 12/11/2024, **Accepted on:** 27/12/2024, **Published on:** 09/03/2025

Journal Homepage: https://www.fmdbpub.com/user/journals/details/FTSSSL

DOI: https://doi.org/10.69888/FTSSSL.2025.000412

Cite as: T. T. Huong, "Managing Financial Vulnerabilities in a Globalized Economy: A Framework for Vietnam Maritime Corporation," *FMDB Transactions on Sustainable Social Sciences Letters*, vol. 3, no. 1, pp. 37–43, 2025.

1. Introduction

The term "risk" is widely used in today's economic and social life. Risk is defined as an unpredictable negative event, characterised by its occurrence, time, place, severity, and consequences. With various approaches, different schools of thought have provided different definitions of risk. Broadly speaking, these can be divided into two main schools: the traditional school and the modern school [2]. According to the traditional school, risk is understood as losses, damages, or an unstable, dangerous situation that could occur randomly and unexpectedly. However, not every uncertainty is considered a risk. If an uncertainty has never occurred and its probability cannot be estimated, it is regarded as an accident, not a risk. For a business, it refers to asset losses or a reduction in actual profit compared to expected profit, or unexpected uncertainties during production and business activities that negatively impact the company's survival and growth [1].

[*]Corresponding author.

According to the modern school, risk is understood as an uncertainty that can be measured and is defined as the difference between actual and expected values. The greater the difference between actual and expected values, the greater the risk, and vice versa. In mathematics, the difference between actual and expected values is measured by variance or standard deviation. This perspective suggests that risk can lead to losses but also offer benefits or opportunities, as it is inherently tied to the potential for profit. A high-risk activity also carries the potential for greater returns [3]. Therefore, by studying risks, one can find ways to prevent or minimise risks and seize opportunities for greater profits in the future. Thus, compared to the traditional view, the modern view of risk is more specific and positive. It not only allows for the measurement and identification of risk levels but also enables proactive risk management to minimise potential losses and capitalise on opportunities to enhance value.

For businesses, the goal of business activities is to maximise profits or the company's value [5]. Business decisions always have to take into account the potential for future profits or earnings. However, the future always carries uncertainties and unexpected events that may cause results to fall short of expectations, posing a certain risk. From a business perspective, managers agree that business risk is the fluctuation or difference between actual and expected rates of return [6]. Vietnam Maritime Corporation was established on April 29, 1995, by the Prime Minister's Decision with the mission to be the core, leading enterprise in Vietnam's maritime sector. Previously, the company was known internationally as Vinalines. On August 18, 2020, the corporation officially transitioned to a joint-stock company in accordance with Decision No. 751/QD-TTg, issued by the Prime Minister on June 20, 2018. The new brand of the corporation, when it became a joint-stock company, is VIMC (Vietnam Maritime Corporation). VIMC's charter capital is VND 12,006 billion [4].

Maritime services encompass various activities primarily related to the sea [7]. These include industries such as shipbuilding, maritime transport, and port operation; and auxiliary services such as pilotage, maritime safety, brokerage, logistics, and cargo handling [9]. Sea transport is a method of moving goods using vessels and infrastructure [10]. Sea transport vehicles include ships and cargo handling equipment. The infrastructure supporting sea transport consists of seaports, which serve as hubs for loading and unloading goods between sea transport and other modes of transport. Port services include: ship navigation support systems; systems facilitating ships' entry into ports; loading/unloading systems; storage systems; and inland transport connections. Logistics services encompass all activities related to planning and organising business services involving transport (sea, road, air, inland waterways, etc.), as well as warehousing, arranging, packing, and preparing goods for transport and distribution as required by the client [8].

2. Identifying Financial Risk Management in Vietnam Maritime Corporation

Vietnam Maritime Corporation was transferred to operate under the model of a joint stock company from 18/08/2020, with the first fiscal year running from 18/08/2020 to 31/12/2020. The Corporation has prepared separate financial statements for the accounting periods from 01/01/2020 to 17/08/2020 and from 18/08/2020 to 31/12/2020, in accordance with the accounting regime on making separate financial statements.

For the Consolidated Financial Statements, the Corporation prepares them for the whole 12-month fiscal year ending December 31, 2020. One of the successes of businesses is to identify the risks they encounter in their activities as a basis for taking measures to control, handle, and finance these risks [13]. Identifying financial risk is crucial because only when the business determines there is a risk can the next steps of the management process begin. VIMC considers financial risk identification activities, primarily through the analysis of financial statements and indicators, along with the support of information systems. Accordingly, businesses often face four types of financial risks: Market risk, commercial credit risk, liquidity risk, and financial leverage risk [11].

Financial risks include declines in financial prices and decisions that affect the profitability of the business [12]. Therefore, it can be said that the risk of financial depreciation is the difference between actual profit and expected profit associated with the fluctuation of market price factors such as interest rates, exchange rates, commodity prices or securities [16]. Hedging the risk of financial depreciation is often associated with the use of derivative financial instruments such as forwards, futures, options and swaps [15].

Unlike the risk of financial depreciation, the risk from implementing financial decisions is the difference between the actual profit and the expected profit of the enterprise associated with financial activities such as capital mobilisation, investment in business capital, or profit distribution. This includes risks such as financial leverage risk, debt settlement risk, bad debt risk, business leverage risk, inventory risk, liquidity risk or cash risk of the enterprise [14].

- **Credit Risk:** Receivables are increasing rapidly, aligning with the expansion of production and business scale, but there is a decrease in the turnover of receivables [17]. Although businesses have also taken measures to manage receivables, the huge increase in receivables has increased credit risk for businesses [18].

- **Liquidity Risk:** The liabilities of businesses fluctuate upward, followed by an increase in short-term assets [20]. Identifying liquidity risks reveals that the solvency of businesses fluctuates significantly, particularly at the beginning of 2020 when the Covid-19 pandemic broke out, making it difficult for many economies to implement social distancing and trade. This volatility has increased liquidity risks for businesses [19].
- **Financial Leverage Risk:** The debt ratio increases at the end of each period, indicating that businesses are increasing their use of financial leverage to increase ROE [22]. The increase in the average debt ratio led to an increase in the use of financial leverage, but the ROE fluctuated downward. Thus, the use of financial leverage is ineffective if the size of capital increases and the efficiency of using business capital is reduced due to poor performance in managing receivables [23].
- **Exchange Rate Risk:** The fluctuation of the exchange rate globally and domestically, under the regulation of the State Bank, has greatly affected businesses in the production and business process [24]. Businesses are exposed to exchange rate risks, and this item has experienced great fluctuations in recent years, in an upward trend and then decreases with a tendency to decrease more than increase.
- **Regarding Financial Risk Control and Prevention:** VIMC has used control and prevention measures for credit risk, payment risk and exchange rate risk. These measures include measures applicable to VIMC and measures for each type of risk in member units [21].

General measures are:

- The Finance or Accounting Department also plays the role of financial risk management [25].
- Hiring organisations and individuals to advise and guide enterprises on issues related to financial risk management.
- Organising and operating the internal control system in each member enterprise.
- Conduct property insurance.
- Financial planning.

Specific measures for each type of risk:

- **Credit Risk Control:** Apply OTC sales policy; analyse the creditworthiness of new customers; only conduct transactions with customers with an appropriate credit history.
- **Liquidity Risk Control:** Maintain a reasonably high level of short-term assets compared to the principal liabilities, regularly monitor accounts payable and anticipate future payables. Adjust the impact of financial leverage.
- **Exchange Rate Risk Control:** Linking with banks in payment; regularly monitor exchange rate fluctuations to limit adverse effects on businesses, and implement L/C contracts in payment.

Fifth, regarding financial risk financing: One of the measures that VIMC uses is to set aside provisions and use reserve funds [28]. The reserve fund compensates for the shortage of capital, making it very important for businesses. In addition, businesses sometimes open letters of credit (L/Cs) at banks to minimise financial risks in trading activities with exporters [26].

2.1. Limitations and Causes of Limitations in Financial Risk Management at VIMC

Firstly, financial risk identification activities are primarily based on the analysis of financial statements, a common method used by most businesses [35]. However, businesses have not applied modern financial risk identification methods, especially tools to forecast financial risks, so the effectiveness of financial risk management is not yet tall. In fact, businesses have not used any tools to forecast financial risks [27]. Therefore, the effectiveness of financial risk identification at VIMC is self-assessed as average. Secondly, VIMC and its member enterprises are aware of the risks they face, but the measurement of financial risk is mainly limited to qualitative measurement methods [29].

VIMC also believes that risks arise from various internal and external factors, preventing the business goals from being achieved. The measurement of financial risks of enterprises has relied solely on simple qualitative methods, avoided using quantitative methods, and failed to properly assess the financial capacity, level of losses, and risks of enterprises [30]. This approach has reduced the effectiveness of their financial risk management. Among the risks that enterprises encounter, they only use the sensitivity method to measure exchange rate risks, while no tools have been used to measure other risks. Therefore, the effectiveness of financial risk measurement in self-assessment enterprises is average [34].

Thirdly, financial risk control is a very important stage, especially for the shipping industry. Financial risk managers attach great importance to this issue, but in fact, financial risk control solutions are still limited and not really effective. Practical example of exchange rate risk [31]: Only L/C contracts have been used. Previously, when the State Bank did not provide guidance on exchange rate management, businesses did not use derivatives to hedge exchange rate risks, and VIMC itself had not prioritised exchange rate risk prevention as a mandatory aspect of corporate governance. In fact, businesses estimate the level of exchange rate fluctuations in the short term, calculate the worst exchange rate adjustment announced by the State Bank, and compare it with the difference between USD and VND deposit interest rates to decide whether to use exchange rate hedging [33]. Actually, businesses do not want to incur more costs because they believe exchange rate fluctuations are beyond their control [32].

Fourthly, financial risk financing is an indispensable component of financial risk management. Still, VIMC is sometimes passive in allocating financial resources and forecasting potential losses early to prepare for them once they occur. Enterprises have also set aside provisions and used reserve funds to finance financial risks, but not all member units have done so. Fifth, financial resources and human resources for financial risk management activities in enterprises are still lacking and not really effective.

3. To Propose Solutions to Improve the Ability to Control Financial Risks in The Vietnam Maritime Corporation

3.1. Checking Information About Customers

Transparency about customers is paramount, so before deciding whether to implement a credit policy, it is essential to gather information about customers and conduct credit checks based on reliable sources. This helps businesses minimise expenses related to the management of receivables. This test can be conducted using a combination of various methods. In addition to the ways that Maritime enterprises have applied in chapter 2, the author would like to mention some ways as follows:

- **Meeting Customers:** Nowadays, meeting customers is often done via phone or the Internet due to advancements in science and technology. As a result, it can be difficult to grasp information about the customers the business is cooperating with. Face-to-face contact is essential for businesses, as it provides important information about customers, informs business operations and management practices, and serves as the basis for making accurate judgments through these meetings.
- **Relationship Between the Customer and the Bank:** It is not easy to obtain information about this relationship, but such information can demonstrate the customer's financial ability to secure debts with the bank. If the relationship between customers and banks is good, it also shows a part of the commercial credit relationship between businesses and customers.
- **Analysis of Customers' Financial Statements:** Businesses can consider using the Z-score bankruptcy risk coefficient to assess the risk of customer bankruptcy, taking into account the current financial situation of customers, in addition to the measures businesses are currently applying.

In addition, businesses can combine factors such as the customer's business location, production, and business processes, which significantly aid in checking customer credit.

3.2. After-Sales Activities

Sales activities do not end as soon as the business has finished the credit terms; the business needs to continue monitoring customers by regularly reassessing credit risk. This can be done by:

- **Maintain Contact with Customers:** Once you have established a good relationship with them, it would be a waste of business resources not to nurture it. Businesses need to keep in touch regularly to grasp the business situation of customers. If the business's customers are listed companies, it is possible to monitor them through stock price fluctuations and assess their financial situation.
- **Always Monitor the Customer's Payment Activity:** There is nothing to discuss if the customer pays for the goods immediately, but in reality, this is very unlikely to happen. Usually, the customer will owe the money for the goods for a certain period of time. Therefore, it is very necessary to monitor debts and take measures to recover them.

For large or small business customers, the debt collection process usually starts with a letter, a fax, a phone call, a lawyer, and finally, the Court. Such a gradual increase can lead to the risk of damaging the relationship between businesses and customers. However, businesses cannot delay payment if customers are facing difficulties, as they have many customers, not just one.

Therefore, before applying the above measures, businesses can use “soft skills” in debt collection. Customers are indispensable in the business process, and they understand the necessity of paying businesses' debts. However, capital difficulties are encountered by all parties. In this case, the business should have a customer relations department and an experienced specialist to help customers understand the problems they are facing.

Different debt collection solutions will be applied depending on the situation with the client's business. The traditional debt collection method of urging customers to repay debts pushes them into a defensive position, which may not yield high results; on the other hand, it worsens the relationship between the two parties. Businesses that use lawyers will have a better understanding of the law but less experience, which aligns with the business's working style. Therefore, the use of a customer relations specialist will determine the success of soft skills. Customer relations specialists are individuals who understand the operational fields of businesses, possess knowledge of debt collection, and are familiar with the law, thereby providing businesses with better debt recovery opportunities.

3.3. Credit Insurance

Credit insurance helps protect businesses from the impact of bad debts, whether customers pay or not. Credit insurance applies to businesses of all industries and sizes, with premiums quoted based on credit risk assessments. When participating in credit insurance, corporate receivables will be protected from losses caused by buyers who are unable to pay, pay late or fail to make payments due to various reasons. The insured credit limit for enterprises is determined based on their risk assessment. The main benefit of credit insurance, besides protecting the balance sheet, is that it helps maintain the relationship between businesses and customers. Currently, in Vietnam, companies providing this service include AIG, Bao Viet, Bao Minh, and Eximbank.

3.4. Overdue Debt Management

Overdue debt management is essential in businesses, as it supports customers who are in financial difficulties. Internal data shows that customers are heavily indebted, and external data shows that other creditors have also taken actions to recover debts owed by those customers. At this time, enterprises can apply measures such as:

- **Debt Sale:** It is a measure businesses use to manage overdue debts by selling receivables to debt trading organisations. Selling debts will help businesses eliminate bad debts and overdue debts on the balance sheet. Through the sale of debts, the enterprise has transferred its debts to the debt trading company. The debt buying company can pay in advance all or part of the value of the debts at the agreed purchase price; it bears all risks of not collecting debts. However, with this measure, businesses must accept certain losses because the selling price of the debt is always lower than its value. Depending on the overdue time, the debt collection ability, and the legal strictness of the debt collection dossier, the likelihood of the business selling that debt is high or low.
- **Debt Collection Through Debt Collection Services:** This is an agreement between an enterprise and an organisation licensed to provide debt collection services. Debt collection service business organisations represent creditors in exercising creditors' rights towards debtors in accordance with the law to collect debts. The determination and payment of debt collection service prices are associated with debts collected from these activities. The outcome of debt collection largely depends on the debtor and the capacity of the debt collection service provider. This measure is usually implemented in cases where creditors lack sufficient human resources and means to carry out debt collection.
- **Debt Collection Through Legal Agencies:** Typically, debt collection by legal means, involving lawsuits in court, is conducted for customers who are unlucky, deliberately delayed, or for disputed receivables through the court's collection process. The court's decision on the debt repayment obligation, the deadline the debtor must enforce, and the debt recovery will be handled by the judgment enforcement agency.

4. Conclusion

One of the successes of a business is to identify the risks it encounters in its activities as a basis for proposing measures to control, handle, and finance these risks. Identifying financial risks is crucial because only when the business identifies risks can the next steps in the management process occur. Based on a scientific explanation. The author proposes risk management solutions such as (1) checking customer information, (2) Meeting customers today is often due to the development of science and technology, creating relationships between customers and banks. Analysing customers' financial statements. (2) After-sales activities (Maintaining contact with customers; Always monitoring customer payment activities). (3) Credit insurance. (4) Overdue debt management (Debt sale; Debt collection through debt collection services; Debt collection through legal agencies). The results have global significance for companies with maritime business activities in developing countries such as Vietnam.

Acknowledgement: N/A

Data Availability Statement: The data supporting the findings of this study are available from the corresponding author upon reasonable request.

Funding Statement: This research was conducted independently by the author without any external funding or financial support.

Conflicts of Interest Statement: The author declares no conflicts of interest.

Ethics and Consent Statement: The study was conducted in accordance with ethical standards. Informed consent was obtained from all participants, and confidentiality was maintained throughout the research process.

References

1. A. Soprano, "Liquidity Management (A Funding Risk Handbook)." *John Wiley & Sons. Inc*, Hoboken, New Jersey, United States of America, 2015.
2. A. Kuritzkes, T. Schuermann, and S. M. Weiner, "Risk Measurement, Risk Management and Capital Adequacy in Financial Conglomerates," Center for Financial Institutions Working Paper No. 03-02, Wharton School, *Univ. of Pennsylvania*, Philadelphia, Pennsylvania, United States of America, 2002.
3. A. W. Ndung'u, "Effect of financial risk management on financial performance of oil companies in Kenya," School of Business, *Univ. of Nairobi*, Nairobi, Kenya, 2013.
4. A. J. Triantis, "Corporate risk management: Real options and financial hedging," in Risk Management, M. Frenkel, U. Hommel, and M. Rudolf, Eds. *Springer*, Berlin, Heidelberg, 2005.
5. A. Sauders and L. Allen, "Credit Risk Measurement in and out of the Financial Crisis." *John Wiley & Sons*, Hoboken, New Jersey, United States of America, 2010.
6. A. Sauders and M. M. Cornett, "Financial Institutions Management." *McGraw-Hill*, Columbus, Ohio, United States of America, 2010.
7. E. I. Altman, "Financial ratios, discriminant analysis, and the prediction of corporate bankruptcy," *J. Finance*, vol. 23, no. 4, pp. 189–209, 1968.
8. E. I. Altman, "Revisiting credit scoring models in a Basel II environment," *Risk Books*, London, United Kingdom, 2002.
9. B. A. Goss, "Debt, Risk, and Liquidity in Futures Markets." *Routledge*, Oxfordshire, United Kingdom, 2008.
10. Basel Committee on Banking Supervision, "Basel II: International Convergence of Capital Measurement and Capital Standards", Basel, Switzerland, 2004. Available: https://www.bis.org/publ/bcbs107.htm [Accessed by 27/03/2024].
11. B. T. Porteous and P. Tpadar, "Economic Capital and Financial Risk Management for Financial Services Firms and Conglomerates." *Springer*, Cham, Switzerland, 2006.
12. N. H. Chan and H. Y. Wong, "Handbook of Financial Risk Management." *John Wiley & Sons*, Hoboken, New Jersey, United States of America, 2013.
13. D. Croce, "Decision tree algorithm Weka tutorial," Web Mining e Retrieval, 2010. Available: https://art.uniroma2.it/basili/MLWM09/002_DecTree_Weka.pdf. [Accessed by 27/03/2024].
14. D. Ardia, "Financial Risk Management with Bayesian Estimation of GARCH Models." *Univ. of Fribourg*, Fribourg, Switzerland, 2008.
15. D. R. Van Deventer, K. Imai, and M. Mesler, "Advanced Financial Risk Management." *John Wiley & Sons Singapore Pte, Ltd.*, Capitol Singapore, Singapore 2013.
16. F. Knight, "Risk, Uncertainty, and Profit." *Cosimo, Inc*., New York, United States of America, 1921.
17. G. Dionne, "Risk management: History, definition, and critique," *Risk Management and Insurance Review*, vol. 16, no. 2, pp. 147–166, 2013.
18. G. Moguillansky, "Corporate risk management and exchange rate volatility in Latin America," in From Capital Surges to Drought, R. Ffrench-Davis and S. Griffith-Jones, Eds. *Palgrave Macmillan*, London, United Kingdom, 2003.
19. H. P. Minsky, "The Financial Instability Hypothesis," Working Paper No. 74, *The Jerome Levy Economics Institute*, 1992. Available: https://ssrn.com/abstract=161024. [Accessed by 27/03/2024].
20. J. Gaus, "The Risks of Financial Risk Management," Ph.D. dissertation, *Zeppelin Univ.*, Böblingen, Germany, 2008.
21. J. Reuvid, "The Business Guide to Credit Management: Advice and Solutions for Cash-flow Control, Financial Risk, and Debt Management." *Kogan Page Ltd.*, London, United Kingdom, 2010.
22. K. A. Horcher, "Essentials of Financial Risk Management." *John Wiley & Sons. Inc*, Hoboken, New Jersey, United States of America, 2005.
23. KPMG International, "Risk Management in the Pharmaceuticals and Life Sciences Industry: An Economist Intelligence Unit Research Program", 2009. Available: https://www.eiuperspectives.economist.com/sites/default/files/Risk%20management%20in%20the%20pharmaceuticals%20and%20life%20sciences%20industry.pdf. [Accessed by 27/03/2024].
24. L. W. Mwangi, S. M. Makau, and G. Kosimbei, "Relationship between capital structure and performance of non-financial companies listed in the Nairobi Securities Exchange, Kenya," *Global Journal of Contemporary Research in*

Accounting, Auditing and Business Ethics (GJCRA) An Online International Research Journal, vol. 1, no. 2, pp. 72–90, 2014.
25. M. Lore and L. Borodovsky, “The Professional’s Handbook of Financial Risk Management.” *Elsevier*, Amsterdam, Netherlands, 2000.
26. M. Bishop, “A brief history of derivatives,” The Economist – Corporate Risk Management Survey, 1996. Available: https://public.websites.umich.edu/~kathrynd/derivative2.pdf. [Accessed by 27/03/2024].
27. N. Wagner, “Credit Risk: Models, Derivatives, and Management.” *CRC Press*, Boca Raton, Florida, United States of America, 2008.
28. P. Sweeting, “Financial Enterprise Risk Management.” *Cambridge Univ. Press*, Cambridge, United Kingdom, 2011.
29. P. F. Christoffersen, “Elements of Financial Risk Management.” *Academic Press*, Cambridge, Massachusetts, United States of America, 2003.
30. S. H. Penman, “Financial Statement Analysis and Security Valuation.” *McGraw-Hill*, Columbus, Ohio, United States of America.
31. S. Myint and F. Famery, “The Handbook of Corporate Financial Risk Management.” *Risk Books*, Incisive Media Investments Ltd., London, United Kingdom, 2012.
32. T. G. Andersen, T. Bollerslev, P. F. Christoffersen, and F. X. Diebold, “Financial risk measurement for financial risk management,” *National Bureau of Economic Research*, Cambridge, Massachusetts, United States of America, 2012.
33. T. G. Andersen, T. Bollerslev, P. F. Christoffersen, and F. X. Diebold, “What is financial risk management?,” *National Bureau of Economic Research*, Cambridge, Massachusetts, United States of America, 2012.
34. The Economist – Business World, “Managing financial risks,” 2011. Available: https://www.scribd.com/document/220034533/Managing-Financial-Risk [Accessed by 27/03/2024].
35. S. Zhao and M. Zeng, “Theory of SMEs financial risk prevention and control,” *in Proc. Int. Conf. Education, Management and Computing Technology*, Tianjin, China, 2014.