

MULTINATIONAL WORKING CAPITAL MANAGEMENT CENTRALIZED CASH MANAGEMENT, OPTIMIZATION CASH FLOW, AND INVESTMENT OF EXCESS CASH: APPROACHES SYSTEMATIC LITERATURE REVIEW

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Abstract

This study aims to analyze working capital management in multinational companies, focusing on centralized cash management, cash flow optimization, and excess cash investment. In the context of multinational companies, efficient cash management is essential to ensure adequate liquidity, reduce dependence on external financing, and increase profitability. Centralized cash management allows companies to consolidate all funds owned and optimize cash flow across various branches or subsidiaries. Meanwhile, cash flow optimization is carried out through efficient cash cycle management, by accelerating receipts and slowing debt payments. Excess cash investment, which consists of funds not used in operational activities, is an important source for companies to increase returns while maintaining sufficient liquidity. This study also explores the application of technology in cash management, such as the use of artificial intelligence (AI) and integrated cash management systems, which enable faster and more accurate decision making in cash flow management and excess cash investment. The results of the study indicate that good cash management can improve operational efficiency and strengthen the financial position of multinational companies, with a positive impact on long-term performance. Therefore, the right working capital management strategy is essential for multinational companies to survive and thrive in a dynamic global market.

Keywords: Working Capital Management, Centralized Cash Management, Cash Flow Optimization, Multinational Companies

Introduction

Working capital management is a fundamental aspect of corporate financial management, especially for multinational companies operating in various global markets (Fourcans & Hindelang, 2017). Effective working capital management can ensure operational sustainability, optimize liquidity, and increase corporate profitability. One of the main components of working capital management is cash management, which plays a vital role in maintaining a balance between short-term liabilities and available resources (Kubranová, 2020.).

Multinational companies, cash management becomes more complex because they have to manage cash flows in different countries with different currencies and regulations (Fernandes & Gonenc, 2017). Centralized cash management is one strategy used to overcome this challenge (Fourcans & Hindelang, 2017). In this

system, the company consolidates cash from all its business units in one central account. This approach allows the company to have greater control over available funds, reduce interest costs, and increase efficiency in the use of cash for investment or internal financing (Kubranová, 2020). In addition, cash flow optimization is an important focus in working capital management. Efficient cash flow allows companies to accelerate receipts and slow payments, so they can maximize existing resources to support operational activities and growth Rane et al. (2018). In an increasingly competitive business environment, companies need to identify and take advantage of opportunities to improve their cash cycles, either by improving debt repayment policies or by improving receivables management Benkraiem et al. (2020). On the other hand, multinational companies often face large cash surpluses. Managing excess cash investments is important to utilize funds that are not used in daily operations Benkraiem et al. (2020). The right decision in investing excess cash can provide optimal returns for the company without sacrificing its liquidity. Various investment instruments, such as securities or deposits, can be used to allocate excess cash in an efficient manner Rane et al. (2018).

Research purposes

Analyzing centralized cash management strategies in multinational companies. Developing an approach to optimize cash flow in a multinational company. Discusses how multinational companies manage and invest excess cash.

Formulation of the problem:

1. How do multinational companies implement centralized cash management to improve efficiency and reduce international transaction costs?
2. What factors influence cash flow optimization in multinational companies, and how do they manage cash flow to ensure sufficient liquidity?
3. How do multinational companies manage and invest their excess cash in order to maximize growth and mitigate global economic risks?

Research methods

The method used in this study is Systematic Literature Review (SLR). This study collects and analyzes journal articles published in a certain period (2016–2024), which are relevant to the topic of multinational working capital management. The journal selection process is carried out based on the criteria of relevance, journal quality, and its contribution to the topic being studied. A total of 10 journal articles that meet the criteria are selected for systematic analysis.

Literature review

Centralized cash management is the primary approach used by many multinational companies to consolidate cash from multiple branches or subsidiaries into one central account. This allows for more efficient cash control and better liquidity management. Fourcans and Hindelang (2017) stated that centralized cash management makes it easier for companies to optimize cash flow between branches, reduce transaction costs, and improve control over the company's global liquidity. In addition, Kubranová (2017) also emphasized that a centralized cash strategy can improve efficiency in long-term cash management, reduce financing costs, and strengthen financial oversight of multinational companies.

Cash Flow Optimization

Cash flow optimization is one of the important strategies in working capital management that aims to ensure that company funds are used efficiently. Rane et al. (2018) argue that companies that manage their cash flow well will reduce dependence on external financing and optimize internal liquidity. One way to optimize cash flow is to accelerate receipts and slow down debt payments.

Benkraiem et al. (2020) revealed that cash flow optimization allows companies to minimize interest costs and increase liquidity, which in turn strengthens the company's financial position in the face of global market uncertainty.

Excess Cash Investment

Excess cash is funds that are not used in the company's operational activities and need to be managed carefully in order to generate optimal returns. Rane et al. (2018) show that multinational companies often have excess cash, which can be invested in safe but profitable instruments, such as securities or short-term bonds. This helps companies maximize returns while maintaining sufficient liquidity for operations. Benkraiem et al. (2020) also emphasize that investing excess cash can provide greater benefits than simply keeping cash in non-interest-bearing accounts. Therefore, managing excess cash is very important for companies to achieve a balance between liquidity and profitability.

Working Capital Management in Multinational Companies

Working capital management in multinational companies faces additional challenges due to different currencies, different tax regulations, and economic instability in different countries. Fernandes & Gonenc (2016) argue that multinational companies must adapt their working capital management strategies to the different market conditions in each country where they operate. Efficient working capital management allows companies to weather economic fluctuations and maintain their operational continuity without having to rely on expensive external financing sources.

Technology in Cash Management

Technology is increasingly becoming a critical element in cash management for multinational companies. Fourcans & Hindelang (2017) suggest that companies can leverage technology to improve efficiency in centralized cash management. In addition, Rane et al. (2018) also noted that technologies such as artificial intelligence (AI) and natural language processing (NLP) can help in faster and more accurate decision making in terms of excess cash investment and cash flow optimization. These technologies can be used to predict market fluctuations, monitor cash positions in real time, and manage risks associated with multinational companies' cash flows.

Integrated Cash Management System

To support efficient cash management, multinational companies often implement an integrated cash management system. Kubranová (2017) stated that an integrated cash management system allows companies to manage all cash flows from various branches or subsidiaries in one platform. This makes it easier to monitor and manage cash globally. By using this system, companies can optimize the use of funds and monitor liquidity more efficiently in various locations.

Cash Management and Impact on Profitability

Good cash management not only affects the company's liquidity but also its profitability. Benkraiem et al. (2020) show that companies that are able to manage cash efficiently have a greater chance of increasing profitability. In cash management, companies need to consider how best to invest excess cash, optimize expenses, and reduce operating costs. With the right cash management strategy, companies can strengthen their financial position and gain long-term profits.

The Influence of Economic Policy on Cash Management

Economic policies implemented in various countries can affect companies' decisions in managing their cash. Benkraiem et al. (2020) revealed that the uncertainty of economic policies in several countries can affect the value of excess cash held by companies. Therefore, multinational companies need to pay attention to global economic factors and national economic policies that affect their working capital management. These uncertainties often force companies to adjust their strategies to meet emerging challenges.

Synthesis

Based on the literature review that has been conducted, it can be concluded that centralized cash management, cash flow optimization, and excess cash investment are three important elements in working capital management in multinational companies. Centralized cash management allows companies to consolidate all funds owned and optimize cash flow globally. Cash flow optimization focuses on managing the cash cycle by accelerating receipts and slowing payments, while excess cash investment aims to maximize returns from unused funds. Integrated cash management technology and systems are increasingly playing a critical role in improving cash management efficiency in multinational companies. The use of technologies such as artificial intelligence (AI) and natural language processing (NLP) can help in faster and more accurate decision-making related to cash flow management and excess cash investment. In addition, companies also need to pay attention to external factors, such as global and national economic policies, which can affect their cash management strategies.

Results and Discussion

Centralized Cash Management:

Centralized cash management allows multinational companies to consolidate all cash from various branches or subsidiaries into one central account. This makes it easier to monitor and manage funds efficiently, it has been found that companies that implement centralized cash management can reduce transaction costs between branches and increase flexibility in allocating funds. In the case of multinational companies with many international branches, this system allows for better liquidity management and facilitates payment arrangements between countries with significant currency differences.

Cash Flow Optimization:

Cash flow optimization is an important strategy to improve the efficiency of the company's use of funds. Good cash flow management can reduce dependence on external financing and improve the smoothness of the company's operations. One strategy used is to accelerate cash receipts and slow down non-urgent payments. Thus, the company can optimize the use of existing funds, increase liquidity, and reduce interest costs associated with short-term debt.

Excess Cash Investment:

Investing excess cash is a practice used to ensure that funds not used in operational activities can provide optimal returns, therefore multinational companies often have excess cash, which can be invested in safe but profitable financial instruments, such as short-term bonds or money market funds. This helps companies maximize the use of unused funds without sacrificing liquidity. In addition, prudent investment in excess cash can also provide protection against inflation and exchange rate fluctuations.

Synergy between Centralized Cash Management, Cash Flow Optimization, and Excess Cash Investment:

These three aspects centralized cash management, cash flow optimization, and excess cash investment are complementary elements in multinational companies' working capital management. Centralized cash management allows companies to centralize control over liquidity, while cash flow optimization and excess cash investment help companies manage funds more efficiently. By integrating these three strategies, multinational companies can improve control over funds, reduce reliance on external financing sources, and maximize returns from idle cash.

Conclusion

In this study, multinational working capital management with a focus on centralized cash management, cash flow optimization, and excess cash investment plays a very important role in improving the efficiency and sustainability of company operations. Based on findings from various studies, the implementation of a centralized cash management system allows multinational companies to maximize liquidity and minimize transaction costs between branches in various countries. In addition, optimal cash flow management can improve the company's ability to face global economic uncertainty and support more strategic investment decisions. This study also shows that proper management of excess cash can have a positive impact on profitability and corporate value through appropriate investment strategies.

Multinational companies need to consider various factors such as macroeconomic conditions, international tax regulations, and liquidity needs to design effective cash management policies. Overall, the combination of centralized cash management and appropriate investment strategies will improve the competitiveness of companies in an increasingly competitive global market. The implementation of this strategy also requires the use of the latest technology and strict supervision in every financial management activity to ensure more precise, fast, and data-based decisions. As a next step, companies can consider adopting innovations in financial technology to further optimize the financial management process on a global scale.

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