

Group Purchasing Vs. Net Working Capital

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Abstract

Net working capital is a measure of financial security of a company. It is closely related to financial liquidity as its management is the management of current assets and current liabilities. Group purchases have a major impact on inventory management, short-term receivables and short-term liabilities as well as cash. Group purchasing is used in multi-stakeholder organizations such as group purchasing organizations (GPOs). Depending on the selected strategy of business management, group purchases have a positive impact on the company's profitability or the level of working capital, i.e., financial liquidity. Trade credit has a large role in shaping the level of working capital, which directly affects short-term receivables, short-term liabilities and the level of cash. In group purchasing organizations the managers, by organizing group purchases, can directly influence the level and structure of individual elements that build the level of net working capital.

Keywords: group purchases, working capital, strategies