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Financial Management

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Abstract: *Finance may be defined as the art and science of managing money. Financial management is an integral part of overall management. Financial management helps to determine the financial requirements of business concerns and leads to take financial planning of the concern. The financial management framework is an analytical way of viewing the financial problems of a firm. Financial management is, "The operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.".*

Keywords: Financial Management, business concerns, financial requirements

I. INTRODUCTION

Finance may be defined as the art and science of managing money. The major areas of finance are (01) Financial Services and (02) Managerial Finance/ Corporate Finance/ Financial Management.

Financial management is concerned with the duties of financial managers. Financial management is mainly concerned with the effective funds management in the business. Financial management as prescribed by business firm can be called as Corporation Finance or Business Finance.

Financial management has been defined by Joshep and Massie," Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations." Three types of Financial Management, (01) Capital Budgeting, (02) Capital Structure and (03) Working capital management.

1.1 Scope of Financial Management

1. Financial Management and Economics.
2. Financial management and Accounting.
3. Financial Management and Mathematics.
4. Financial Management and Production management.
5. Financial Management and Marketing.
6. Financial Management and Human Resource.

1.2 Objectives

Objectives of financial management may be broadly divided into two parts, such as (01) Profit Maximization (02) Wealth Maximization.

Profit maximization is also called as cashing per share maximization, ultimate aim of business concern is earning profit, it considers all the possible ways to increase the profitability of the concern.

Wealth maximization is also known as value maximization or net present worth maximization.

II. VITAL ROLR OF FINANCIAL MANAGEMENT:-

Financial management plays important role in every organization, first identify the goals of organization and second maximize wealth of investors. It helps to management for taking financial decisions. Funds to be invested in such a way no ideal or excess fund will be blocked. Finance manager first need to understand what are the risks associated with the business, understand nature of business, competitor associated with similar business.

Finance manager performs the following major functions:-

1. Forecasting financial requirements.
2. Acquiring necessary capital.
3. Investment Decisions.

4. Cash Management
5. Inter relations with other departments.

III. IMPORTANCE OF FINANCIAL PLANNING

Finance is the lifeblood of business organization. It needs to meet the requirements of the business concern. Each and every business concern must maintain adequate amount of finance for their smooth running of the business concern and also maintain the business carefully to achieve the goal of the business concern. We cannot neglect the importance of finance at any time and at any situation. Some of the importance of the financial management is as follows:-
Financial Planning , Acquisition of Funds,
Proper Use of Funds, Financial Decisions,
Improve Profitability, Increases the value of the firm,
Promoting Savings,
Financial planning and forecasting as a part of financial management function, financial managers have to do financial planning , cash management, estimating capital expenses, determining capital structure, procurement of funds, Investment of funds, surplus disposals etc.

IV. APPROCHES TO FINANCIAL MANAGEMENT

Financial management is not a revolutionary concept but an evolutionary. The definition and scope of financial management has been changed from one period to another period and applied various innovations. Financial management approach may be broadly divided into two major parts (01) Traditional Approach. (02) Modern Approach.
" Getting a good handle on your finance is one of your most crucial jobs as an entrepreneur. Yet many business owners don't do the basic financial housekeeping that will give them greater control over their company and more peace of mind" [1]

V. CAPITALIZATION

Capitalization refers to the process of determining the quantum of funds that a firm need to run its business. Capitalization is only the per value of share capital and debentures and it does not include reserve and surplus.
Over capitalization refers to the company which possesses an excess capital in relation to its activity level and requirements. Over capitalization is more capital than actually required and the funds are not properly used.
Under capitalization will occur when the company's actual capitalization is lower than capitalization as warranted by it's earning capacity. Under capitalization is not the so called inadequate capital.
Watered capitalization if the stock or capital of the company is not mentioned by assets of equivalent value, it is called as watered stock. Watered capital means that the realizable value of assets of the company is less than its book value.

VI. CONCLUSION

Financial management also develops as corporate finance, business finance, financial economics, financial mathematics and financial engineering. Rising of funds and utilization of fund is very important aspect of any organizations. Every organization should have planned to utilize the available funds in proper manner to get more profit and to get success. Finance manager focus on forecasting. Finance manager have an exciting and forward looking strategic role in different types of organization. They have to forecasting of financial requirements, acquiring necessary capital, investment decisions, cash management and use various tools such as ratio analysis and investment appraisal, to measure and analyze the financial performance of an organization.

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