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Financial Management Practices in Successful Small & Medium Enterprise

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Abstract*: The need for financial management in the growth of businesses and economic activities in a nation is crucial. Due to the intimate connection between finance and management, technology, resources, staff, etc., financial management holds a unique position within the management system. Modern financial managers must be adaptable in order to adjust to fluctuating economic situations. The enterprise's and the economy's success determines its ability to locate financing sources and manage financial resources, as well as its ability to achieve success. Therefore, the major objective of financial management is to maximise the value of stocks by making decisions that raise the company's worth.*

Keywords: Financial management, administration, control, enterprise

I. INTRODUCTION

In the current conditions of the expansion of the phenomena of globalisation, as a result of the dynamic changes of the market and market conditions, the company's management is confronted with a variety of business needs, the primary one being the achievement of predetermined objectives. This implies that it is necessary to establish and ensure the smooth operation of company management, which, in addition to its many functions, offers the opportunity to preventatively surpass potential limits in the achievement of goals, as well as the effective resolution of existing problems in their business. In addition to the objective of financial management connected to fundraising, the objective of financial management is to manage funds in order to maximise the earnings of the company's shareholders by making the appropriate business decisions.

Corporate finance (business finance and financial management) as a field within modern financial theory seeks to explain the actual financial and investment decisions that company managers must make. Because decisions are the consequence of interactions between financial managers and investors, to completely comprehend them, one must comprehend the substance of the relevant ideas. Modern or neoclassical financial theory provides rational investors and managers with normative decision-making standards.

In contrast, rational theory proposes that managers begin by asserting that stock prices in efficient markets reflect all publicly available information regarding the intrinsic value of a company. Investors, on the other hand, believe that managers operate rationally in their own best interests in response to incentives established by corporate governance processes. In settings of continual action by external variables, the management structure must be highly adaptable to resulting and potential changes. This key characteristic of management is ensured by functions of planning and control that emphasise their connectivity and interdependence. The process of planning is a function of management, which establishes the enterprise's overall and specific objectives, which are then examined for tasks and activities across time, for the complete organisational structure.

Modern business practises are defined by both an increase in business development potential and an increase in the danger of business failure. Companies continue to be devoted to reaching a favourable financial outcome at the end of the fiscal year. For these reasons, it is the responsibility of the company's management to adapt to the modern transformation of business, make the appropriate strategic decisions, and make business movements that will assure the company's future survival, stability, and operation. The primary objective of this article is to highlight the significance of financial management in the company, the role of the flow of funds in the management activities of the firm, and their impact on the business decision-making process (strategic and operational) in order to maximise profits.

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II. BUSINESS MANAGEMENT ACTIVITIES

Diversification of relevant factors is responsible for the organisational structure, which is a necessary prerequisite for the continued survival of enterprises in modern marketplaces. The process of balancing the conditions of an enterprise's survival based on an appropriate organisational structure is comprised of three interdependent and constrained aspects. First, the examination of competitive forces demonstrates why some branches are fundamentally more profitable or alluring than others, and why the commercial value in these branches is increasing. Second, the characteristics of the strategic group and its position within it can have a major impact on the shift in the company's relative position in the industry and, consequently, its business value. In determining market position, the construction of a company's value abstracts these variables by employing a variety of techniques and procedures.

The responsibility of financial management is expressed in the reconciliation of the company's financial operations (current liquidity and investments, i.e. cash inflow and outflow, and real estate transactions) with the capital market (valuation of the company and commercialization of shares). Determining the relationship between profits, risks, and time is crucial for financial management in the areas of: (1) Financing enterprises at various points of their life cycle; (2) Optimal firm capital structures; (3) Company valuations; (4) Dividends and stock prices and returns (5) cash flows and liquidity and (6) financial planning and capital budgeting.

In order for the management of a specific organisation to achieve a predetermined goal or multiple goals through planning and control, it is required to make the appropriate decisions in order to predict the enterprise's future functioning and therefore to harmonise its numerous operations within the tasks. The functioning of accurate and timely reporting, that is, the provision of information to the business owner about the status and value of the invested capital, i.e. informing the entire hierarchical structure of the degree of results achieved, is also one of the essential activities, i.e. responsibilities of the company management. Through systematic control of the business operations of the company, analysis of the efficiency and effectiveness of the decisions made, and reporting in the balance sheet and income statement, created for a given reporting period, management realises certain rights, but also obligations on accountability.

In addition to a number of the aforementioned actions and responsibilities of management, the allocation of resources, i.e., the rational allocation of obtained finances, which typically entail cash, is one of the obligations of management. In these circumstances, the process of making appropriate decisions with the intention of forecasting business occurrences is vital to obtaining the company's intended goals. As the primary consequence of the planning function, this section focuses on both general and individual objectives. It is essential to keep in mind that all decisions might be strategic or operational in character.

The selection of a business strategy is one of the most significant decisions, as it serves as the foundation for the company's future business endeavours. In order to establish a business plan, the company's management must first assess the correlation of all socio-economic factors, as well as technical and technological elements of equal importance. Following the study, the company's needs are outlined and the feasibility of meeting them is evaluated. In this procedure, all prospective sources of financing and the scope and form of potential investments are assessed.

III. SYSTEM OF FINANCIAL MANAGEMENT IN A COMPANY

Governance is the capacity to implement a concept through people. Commercial management represents business entities. Management is the process of planning, organising, managing, and regulating the financial, physical, human, and information resources of an enterprise to (with and through people) ensure the effective and efficient achievement of the organization's goals in a changing environment.

• The first step of the management process is planning. Strategic and operational planning are the fundamental types of planning.

• Organizing involves division of labour, micro- and macrostructuring of enterprises, delegation of authority, and coordination.

• Leadership involves directing, inspiring, and communicating in order to achieve the organization's objectives.

• Control, the final phase of the management process, provides monitoring of the achievement of goals, with a propensity to balance actual and planned activities. Controlling the efficacy of management is inextricably linked to controlling outcomes. This idea is supported by the fact that virtually all sections of an enterprise's operation, i.e. the

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profit and investment sectors, are involved in the establishment of enterprise management. In this case, the instrument of results evaluation is mandated as a prerequisite for effective management.

IV. BASIC DECISIONS IN FINANCE

Investors investing now anticipate a bigger return on investment in the future than the amount initially invested (that is, the burden in terms of security of receivables collection and the amount of costs). Investment selections enable a corporation to create revenue and reasonable cost savings. Because the majority of them are characterised by a lack of money, the capital must be allocated to the areas where it will be utilised most efficiently. Similarly, one of the fundamental functions of business finance is to establish a structure for making logical investment decisions.

Financing considerations pertain to how to raise extra funds to finance the continued existence, growth, and expansion of a business enterprise. It is beneficial to employ debt to finance a firm until it achieves a rate of return greater than the cost of debt.

Economic theory employs the time criteria to classify financial decisions; consequently:

• Financing decisions pertain to placement in manufacturing, resulting in a finished end product that is delivered directly to the buyer (the so-called short-term placement). The time process is completed in a single year, encompassing all investments in expenses and income generated in the same period.

• Investment selections involve investments requiring a longer length of time to realise a net return or new products (the so-called long-term placement, that is, the expected investment).

• There is a link (cause and effect) between short-term and long-term positions and expectations in the real economic process. The degree of consistency between planned short-term and long-term investments is quite crucial. Consequently, the fulfillment of the final business results is contingent on the degree to which expectations are met. Obviously, only insofar as this realisation affects as a factor the development of economic employment of all components those is a function of future expectations.

Management of the company's financial function encompasses the management of all operations that fall under the financial function's responsibilities. It may be inferred that the financial function is one of the enterprise's fundamental business functions, whose unique tasks are dependent on the performance of all other activities.

V. CONTROL OF BUSINESS AND FINANCIAL PROCESSES BY SYSTEM

Systematic control of business-financial processes in a company entails a comprehensive set of management activities related to the stages of the management process, as noted in accounting literature and practice by means of: planning, organising, control, communication, and motivation. Planning is a fundamental component of enterprise management that sets the objectives of the current business and the future development of a specific firm. Planning also identifies different possibilities for the achievement of the set objectives, allowing for the selection of the most effective strategy.

The organisational structure of the company is created by the function of organisation, which also divides the competencies and responsibilities, selects the executors and the instruments for carrying out activities, and establishes limitations and responsibilities for the achievement of the predetermined objectives.

The final step in the management process, the control function ensures the achievement of the desired outcomes. Consequently, the company's management attempts to maintain a specific level of intended values through the periodic comparison of actual and desired results. This activity presupposes the existence of outcome metrics and methods for correcting any deviations, i.e. departures from the plan. Control is a role of management at all organisational levels, from those at the top of the management pyramid to those at the bottom.

VI. CONCLUSION

The financial management of an entity oversees the purchase, financing, and management of assets while keeping in mind the firm's primary business aim. Accordingly, the financial manager is primarily responsible for investment, financing, and asset management decisions.

Investment and financial decisions are interrelated. Financing decisions involve obtaining funds for investments and routine operations, i.e., selecting a capital structure, which means that the decision may have long-term repercussions. It is vital to highlight that financing decisions are centred on the acquisition of cash to satisfy current liabilities, whereas investment decisions at specific moments concern how to invest excess funds. Managing risk is crucial to making sound decisions. Consequently, the investment quantity affects the amount of funding to be granted.

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