

# FINANCIAL MANAGEMENT IN BUSINESS

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Financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It is the specialized function directly associated with the top management. The significance of this function is not only seen in the 'Line' but also in the capacity of 'Staff' in overall administration of a company. It has been defined differently by different experts in the field.

It includes how to raise the capital, how to allocate it i.e. capital budgeting. Not only about long term budgeting but also how to allocate the short term resources like current assets. It also deals with the dividend policies of the share holders.[1]

Financial Management is one of the key disciplines necessary for the successful management of business corporations and other organisations.

In an organisation financial management is split into its two principal roles. These are the accounting function, usually under the direction of the financial controller, and the corporate finance function directed by the treasurer. Accounting is concerned with the provision and interpretation of information for economic decision making.

Accounting is itself split between management accounting — the internal facing function — which services the information needs of the organisation's management and financial accounting — the external facing, highly regulated, function — which provides information for investors, the general public, regulatory bodies etc. The corporate finance function is concerned with managing the finances of the organisation and is involved in cash management, asset allocation, capital structuring and financial risk management in areas such as interest rates, foreign currency exchange rates and commodity trading. [2]

New business leaders and managers have to develop at least basic skills in financial management. Expecting others in the organization to manage finances is clearly asking for trouble. Basic skills in financial management start in the critical areas of cash management and bookkeeping, which should be done according to certain financial controls to ensure integrity in the bookkeeping process. New leaders and managers should soon go on to learn how to generate financial statements (from bookkeeping journals) and analyze those statements to really understand the financial condition of the business. Financial analysis shows the «reality» of the situation of a business — seen as such, financial management is one of the most important practices in management. [3]

Financial management is more than keeping accounting records. It is an essential part of organisational management and cannot be seen as a separate task to be left to finance staff or the honorary treasurer. Financial management involves planning, organising, controlling and monitoring financial resources in order to achieve organisational objectives.

You can only achieve effective financial management if you have a sound organisational plan. A plan in this context means having set objectives and having agreed, developed and evaluated the policies, strategies, tactics and actions to achieve these objectives.

Good financial management will help your organisation to:

- make effective and efficient use of resources
- achieve objectives and fulfil commitments to stakeholders
- become more accountable to donors and other stakeholders
- gain the respect and confidence of funding agencies, partners and beneficiaries
- gain advantage in competition for increasingly scarce resources
- prepare for long-term financial sustainability. [4]

The advantages of financial management include having professional advice on managing a person's finances and investments. Some of the others are accountability, knowledge, confidence, and an offset of the cost of services. In addition, good financial management can help a person create a plan and reach his financial goals.

One of the primary advantages of financial management is access to a professional who is trained in all forms of personal finance. Many financial managers have a degree in finance and years of experience working with and managing the personal finances of their clients. [5]

## REFERENCES:

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