

# **Financial management**

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- INTRODUCTION, MEANING, DEFINITION OF FINANCIAL MANAGEMENT
- IMPORTANCE OF FINANCE



# Introduction

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- Finance is the lifeline of any business. However, finances, like most other resources, are always limited. On the other hand, wants are always unlimited. Therefore, it is important for a business to manage its finances efficiently.

In a developed market, most businesses can raise capital easily. However, the real problem is the efficient utilization of the capital. through effective financial planning and control company can solve this type of problem.

# Meaning of Financial Management

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- Financial Management is a combination of two words , ‘Financial’ meaning related to finance and ‘Management’ meaning making arrangements to get a job done in the most efficient and best possible manner.
- Thus the combined meaning of Financial Management is to manage the finance related operations of a business enterprise in the best and most efficient manner.
- Thus , Financial Management is largely connected to arrangement , management , control and administration of funds and there by it has become the key to success of a business enterprise.



# Definitions

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- “Financial management is the activity concerned with planning, raising, controlling and administering of funds used in the business.” – **Guthman and Dougal**
- “Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.”- **Massie**

# Importance of Finance

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- **Initial Planning** : Before the initial stage of project are completed, finance is needed in a big way. It is to pay for the formation of the organisation, its registration, marketing research of the product etc.
- **Procuring Finance** : Raising of capital also has a need of capital . If the company form , To issue shares to general public a lot of funds are required . Also get loan from banks or any financial institutions some margin money is required.
- **Arranging Fixed Assets** : Construction of building, buying of machinery or getting it on hire, all are required money. This is required before the project is implemented.

# Importance of Finance

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- **Buying Current Assets** : When an enterprise is about to be started, the first business is buying current assets and later it turns into selling . The current assets of the firm have to be initially purchased like raw material, fuel and lubricants.
- **Systematic Production** : For proper control, systematic accounting , planning, costing, etc. Are essential. All stage to form raw material into the finished goods required input of finance.
- **Marketing** : At the stage of marketing also, the need for finance is present. In various marketing activities like credit sale, transportation, advertisement, warehousing and insurance of goods are needed a huge amt of finance

# THANK YOU

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