

Subject- Financial Management

Topic- Meaning, nature and scope of financial management

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Meaning of Financial Management

Financial management is concerned with the acquisition of finances and their optimal use. The goal is to obtain funds at a low cost and maximize returns while taking on a certain level of risk. Funds are gathered to cover corporate expenses.

- Guthumann and Dougall define business finance as the process of planning, raising, controlling, and administering funds for a business.
- According to Howard and Upton, financial management involves applying general management principles to make financial decisions.
- According to Joshep and Massie, financial management refers to the process of getting and employing finances for efficient business operations.

Nature and Scope of Financial Management

The nature and scope of financial management have developed over time. The subject has seen significant growth and innovation from academics, researchers, practitioners, and regulators.

Financial management has historically focused on record keeping, fund management, and cash management, making it an episodic aspect of economics. The approach was descriptive rather than analytical, with a focus on long-term finance from the perspective of fund suppliers. As businesses became more competitive, globalized, and complex, the scope of financial management expanded. It became a regular activity, comparable to production and marketing, rather than an episodic one. Financial management developed as a separate field. The focus expanded beyond long-term funding and record-keeping to include evaluating investment proposals and managing funds for day-to-day operations. It became more popular for businesses to be corporations instead of sole proprietorships and partnerships. This meant that dividend policy and corporate control became more important.

Modern financial management is empirical and analytical, rather than purely theoretical or conceptual. Financial management is crucial for assessing the impact of corporate decisions and activities. Since judgments are made virtually

Reference

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Financial management involves all aspects of management, including purchasing, production, marketing, operations, logistics, and human resources. Financial management includes all decision-making entities in society, including individuals, households, businesses, organizations, and government, as financial decisions have a significant impact on all aspects of life, particularly procurement and fund utilization.

Reference

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