**CINEFORUM**
ISSN : 0009-7039
Vol. 65. No. 2, 2025

# An Analysis of the Different Types of Financial Management and Their Purposes

Anselm Richter*
Cryptohistorian, Iron Nexus, Germany
* Corresponding Author

## Abstract

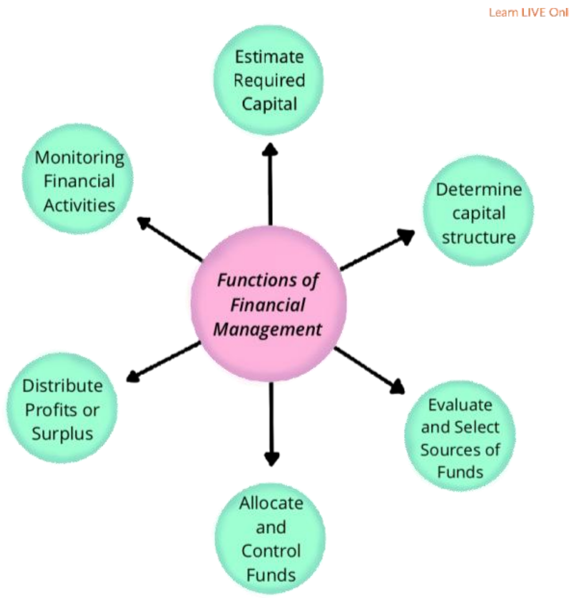
The process of planning, organising, directing, and managing a company or organization's financial operations is referred to as financial management. It entails the management of a company's financial resources in order to meet the aims and objectives of the business. Different kinds of financial management are distinguishable from one another on the basis of the goals and concerns they address. offers an examination of the many approaches to financial management as well as the reasons behind each one. The process of strategically planning, organising, managing, and monitoring a company's financial resources in order to fulfil the company's goals and objectives is referred to as financial management. It is an effective approach for maintaining control over the many financial operations that a firm engages in, such as the purchase of money, the use of funds, accounting, the processing of payments, and the assessment of risk. In the context of this definition, the phrase financial management refers to a subfield of management that focuses on an organization's financial resources and how they are managed.

**Key words:** Financial management, Corporate finance, Personal finance, Public finance International finance, Financial resources

## Introduction

Management of one's financial resources is an essential component of any entity, whether it a person, a business, or even a country. It entails setting goals and objectives, planning, organising, directing, and managing operations related to finances in order to attain those goals and objectives. The process of financial management includes the distribution and use of monetary resources, the performance of financial analysis, the making of investment choices, the administration of risk management, and the preparation of financial reports. There are many distinct approaches to managing finances, and each one is intended to accomplish a certain goal. The management of a corporation's financial resources, with the goal of increasing shareholder value, is the focus of the field of corporate finance. The administration of an individual's own financial resources, such as their income, spending, assets, and debts, is what is referred to as personal finance. The management of the financial resources that the government has available in order to deliver public goods and services is the primary emphasis of public finance. Last but not least, international finance is concerned with the management of financial resources for global organisations and governments. “This includes issues such as currency management, trade financing, and foreign investment. It is essential, in order to make educated judgments about one's finances, to have a grasp of the many forms of financial management. In this respect, offers an examination of the many forms of financial management and the functions served by each of them. Its purpose is to teach a thorough knowledge of financial management and how it may be utilised to accomplish corporate, individual, or governmental goals and objectives. This information can then be used to make better financial decisions.

Corporate finance is considered to be the primary form of financial management. The primary emphasis of corporate finance is on the organisation and administration of a company's finances. It entails managing a company's financial resources in order to achieve the greatest possible increase in shareholder value. Analysis of financial data, choice of investments, preparation of capital expenditures, and selection of financing options are all components of corporate finance.




**Functions of Financial Management**

Source : Functions of Financial Management https://www.vedantu.com/seo/content-images/b5a6db63-4ff7-4365-8ab6-505e9e32eab2.png

Personal finance is the focus of the second category of financial management. The administration of one's own personal financial resources is the primary emphasis of personal finance. Managing one's income, expenditures, investments, and debts are all part of this process. Personal finance involves things like making a budget, saving money, investing, preparing for retirement, and managing risks.

The public sector is the third category of financial management. The administration of the government's finances is the primary emphasis of public finance. It entails the management of a government's financial resources in order to offer products and services to the general population. Taxation, public spending, and the management of public debt are the three main components of public finance.

The international finance subfield is the fourth category of financial management. The financial management of governments and enterprises operating on a global scale is the primary emphasis of international finance. It entails the management of the financial risks that are involved with international transactions, such as risks related with foreign currency and political risks. Investments made in other countries, the financing of international commerce, and the management of currencies are all aspects of international finance.

**Scope of Financial Management**

- **Investment decision-**

The financial management team of the organisation is responsible for monitoring and analysing each and every investment decision that is made. There are a lot of factors to take into account before deciding whether or not to invest money in a certain endeavour, and this analysis has to be carried out with extreme caution. It is up to the management of a company to choose how the available funds should be allocated in order for the company to realise the highest feasible profit.

- **Working Capital decision-**

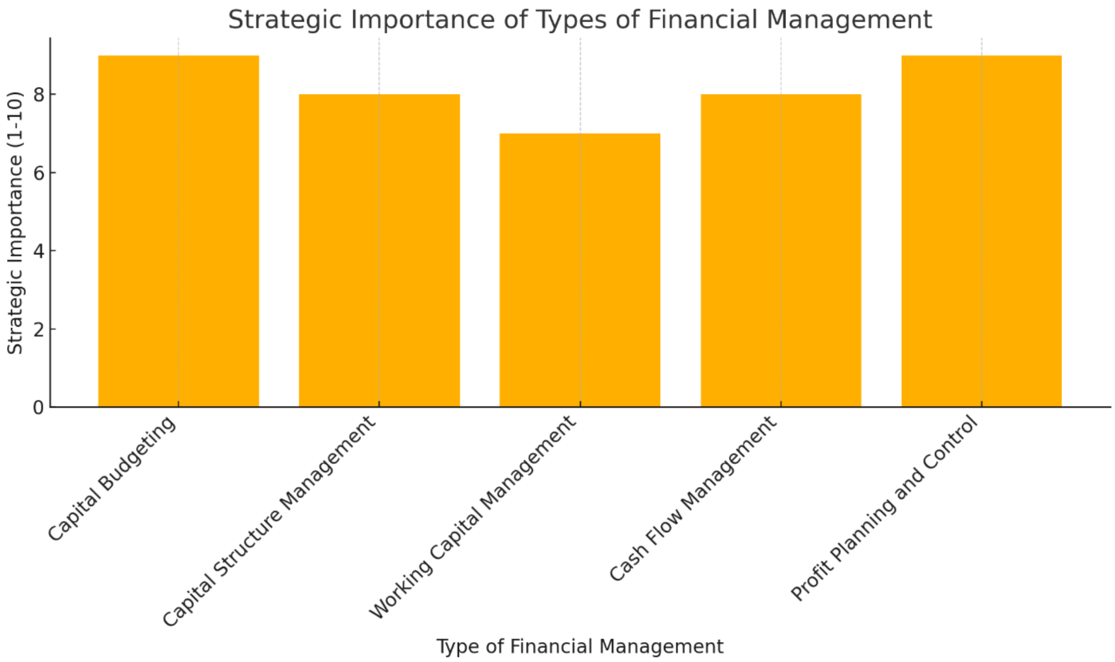
In addition, sound financial management necessitates making choices on the right amounts of working capital. In order to get at these judgments, it is crucial to bear in mind that they are predicated on investments in things that are occurring right now, regardless of whether those things are assets or liabilities. There is a connection between the decisions that are made about working capital and borrowing money on a short-term basis. Cash on hand, inventories, money owed to the company, and short-term investments are all examples of current assets”. Overdraft fees charged by banks, unpaid bills, and other immediate financial commitments are all examples of current liabilities. Other types of current assets include cash on hand, inventory, and accounts receivable.

- **Financing decision-**

Determining whether the necessary cash will be produced from long-term or short-term resources is an essential step in the process of acquiring financing. This step is one of the most important aspects of the process. The financial manager is responsible for ensuring that the business's capital structure is optimised to the maximum degree feasible in order to maximise the firm's market value. This is done so that the company may continue to be profitable. In order for them to maximise earnings for their shareholders, it is necessary for them to have an equity-to-debt ratio that is acceptable.

**Financial Management Types**

| **Financial Management Types** | **Profit Planning and Control** | **Strategic** |
|---|---|---|
| Capital Budgeting | Evaluate investment opportunities for long-term growth | 9 |
| Capital Structure | Optimize the mix of debt and equity financing | 8 |
| Working Capital Management | Ensure smooth day-to-day operations by managing current assets and liabilities | 7 |
| Cash Flow | Monitor inflows and outflows to maintain | 8 |
| Profit Planning and Control | Set financial goals and monitor performance to improve profitability | 9 |




- **Dividend decision-**

The financial management of the business is required to provide their approval for any choices that the company makes concerning the distribution of dividends. These concerns revolve on the topic of whether or not the company should keep its money in the form of dividends and distribute it, or whether or not it should share the money instead. The suitable dividend distribution ratio should be computed by the finance manager based on the quantity of earnings that is presently available. This calculation should be done based on the amount of earnings that is currently accessible. He should give some attention to the ways in which the company may develop and flourish, and he should embrace the possibilities that are provided to him while still keeping a healthy profit margin. He should also give some thought to the ways in which the business may grow and thrive.

- **Ensures liquidity-**

When it comes to ensuring that a firm has sufficient liquidity, one of the most crucial factors to consider is whether or not it practises effective financial management. “The person in charge of managing an organization's finances is accountable for taking the necessary steps to guarantee that the company has access to dependable financing. By maintaining a close eye on the amount of money that enters and leaves the company, he guarantees that there will never be a situation in which there is not enough money or that there will be too much money. When it comes to the management of an organization's finances, one of the most important things to focus on is ensuring that the company's liquidity is at its highest possible level.

- **Profit management–**

It is the responsibility of a company's financial management to work for the maximisation of the business's profits. It makes an attempt to reduce the costs associated with the many activities that it participates in by closely monitoring those activities and creating pricing policies that are appropriate for the conditions that exist. In order to identify which of the various options will offer the most cost-effective access to money, the manager of the finances will investigate all of the potential solutions and give thoughtful attention to the advantages and disadvantages of each possibility.

**Functions of Financial Management**

**Determine the Capital Requirement:**

The fundamental duty of a company's financial management team is to produce an accurate projection of the total sum of capital that will be required for the business to accomplish its objectives and realise its mission. The amount of capital that is required is determined by a variety of factors, such as the size of the business, the projected level of profits, the programmes and policies of the organisation, and so on.

**Establish the Capital Structure:**

After that comes the process of figuring out the structure, which is followed by an evaluation of the amount of required capital. The framework incorporates both short-term and long-term equity investments into its composition. In addition to this, it will stipulate the quantity of money that the company must already hold as well as the amount of cash that must be collected from outside sources, such as Initial Public Offerings (IPOs) and other events that are analogous to these types of transactions.

**Determine the Funding Sources:**

The process of managing money continues with determining where the capital will come from, which is the following phase in the process. The company may decide to take out bank loans, approach investors for cash in exchange for equity, or conduct an initial public offering (IPO) to acquire capital from the general public in exchange for shares. All three of these options are available to them. All of these alternatives are open to the firm. The source of the cash is decided upon and ranked with respect to the benefits and drawbacks that are associated with each prospective source.

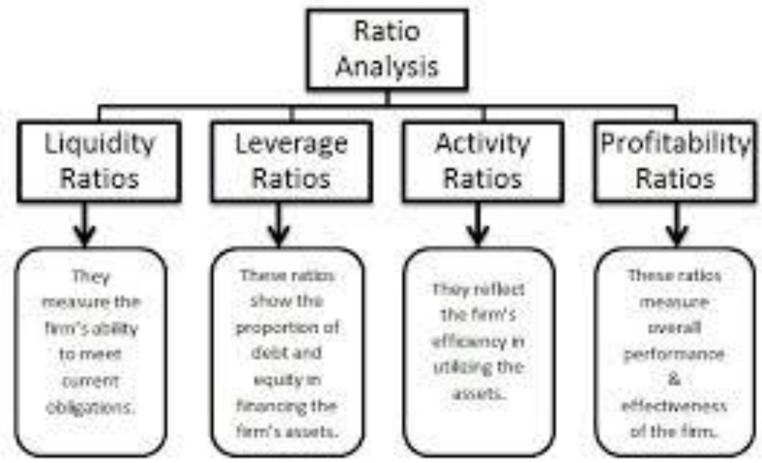
**CINEFORUM**
ISSN : 0009-7039
Vol. 65. No. 2, 2025

**Fund Investment:**

One other component of financial management is the distribution of available capital among various endeavours with a high probability of resulting in a profit. The degree of risk that is associated with each investment as well as the rate of return that is anticipated must be set by the financial management". In addition, the methods of investment need to be chosen in such a manner that there is a minimal amount of money wasted while simultaneously optimising earnings to the maximum degree feasible. This may be accomplished by selecting a method that meets both of these criteria.

**Implement Financial Controls:**

Controls may be applied in a wide variety of different methods, some examples of which include financial forecasting, cost analysis, ratio analysis, various approaches of profit sharing, and so on. This information may be used as a resource by the company's financial management in the process of making decisions on the company's future financial situation.




**Mergers and Acquisitions:**

Both of these approaches are viable options for expanding a company. An acquisition is the process of acquiring a new or previously established company whose goals and objectives are aligned with those of the purchasing organisation. This may be done with a brand-new company or with an existing one. A merger is the process through which two separate firms that already exist combine their operations to become a single corporation. A financial manager is tasked with the responsibility of advising management on matters pertaining to mergers and acquisitions. One of the tasks that falls within the purview of a financial manager is the responsibility of conducting a comprehensive analysis of the financials and securities that are made available by each firm.

**Work on Capital Budgeting:**

The process of determining which options to pursue with regard to the purchase of new assets, the construction of new facilities, and the investment in stocks or bonds is referred to as capital budgeting. Before making significant financial commitments, the first step that companies and other organisations need to take is to recognise both the potential and the challenges that lie ahead.

**Roles of Financial Management**

**Financial Planning:**

The process of planning monetary endeavours and allocating monetary resources within an organisation is an essential component of financial management. “In order to do this, they make use of the data at their disposal to get a knowledge of the objectives and goals of the company, as well as the overall situation of the economy. They then utilise this information to design suitable plans and budgets for the firm.

**Utilising and Allocating Financial Resources:**

Financial management is the process of ensuring that an organization's available financial resources are used, invested, and managed in a manner that generates profits, is environmentally responsible, and is feasible over the long term. Because of the cutthroat rivalry that exists between companies, finance directors have the responsibility of ensuring that the money their companies has is spent in the most effective manner possible.

**Financial Reporting:**

The company's financial management department maintains a record of all essential financial reports for the business and utilises this information as a database for the purposes of financial activity planning and forecasting. Reporting is an essential activity for any kind of organisation. It provides information on the performance of the firm as well as its financial status. This is something that should normally be done on a yearly or quarterly basis.

**Management of Risk:**

An organisation that makes use of efficient methods of financial management is in the best position to plan for potential dangers, put contingency plans into action, and deal with emergent situations as well as risks that were not anticipated. This is because such an organisation is in the best position to effectively manage its finances. Each and every endeavour has with it the danger of suffering a loss. For businesses, difficulties can arise from a variety of sources,

**CINEFORUM**
ISSN : 0009-7039
Vol. 65. No. 2, 2025

including external factors such as sudden drops in sales caused by shifts in market conditions; internal factors such as malfunctioning machinery; and external factors such as increases in tax rates caused by changes in government policy. Before risks can be reduced, they must first be identified, evaluated, and action plans must be developed. Additionally, the degree to which the risks pose a threat must be taken into account throughout all of these processes.

**Three Types of Financial Management**

**The functions above can be grouped into three broader types of financial management:**

- The process of establishing a company's short-term and long-term financial requirements is the primary focus of financial planning. Where do you recommend putting your money so that it will most effectively contribute to the growth of the economy?

- The capital structure, which establishes the means by which ongoing business and/or future growth are financed. Capital structure. It's possible that a loan with reasonable interest rates is your best alternative. A corporation also has the option of trying to raise funds from private equity investors, selling assets such as real estate, or even selling ownership stakes in the business.
- In terms of day-to-day operations, working capital management is concerned with making certain that the firm has the funds to pay its workers and buy the raw materials needed for production.

**Financial management important**

- Utilizing such a management strategy comes with a number of advantageous outcomes.
- assists organisations in arranging their finances and obtaining financing; ensures that money collected or gained is put to the greatest use feasible; assists companies in making critical financial decisions; improves the profitability of firms; boosts the entire value of enterprises.
- Ensures a consistent flow of monetary gain.

**Conclusion**

The administration of one's financial resources is an essential activity for people, businesses, and governments. The many forms of financial management each provide a distinct function and area of concentration. When it comes to achieving their goals and objectives, people, businesses, and even governments may benefit from having a better understanding of the many forms of financial management so they can make more educated financial choices. The health of a company's financial situation has a direct correlation to how successful the business will be throughout the course of its existence. When it comes to spending money, there is always a limit on how much may be done so. This is because money is a finite resource". On the other hand, the number of desires that a person could have at any one time is almost unbounded. In order for a company to remain out of the red and avoid going bankrupt, it is necessary for the company to have effective financial management. The administration of the administration of the administration of the administration of the financial resources makes use of management ideas. A company's financial situation is sometimes referred to as the backbone of an organisation when speaking in the context of business. Strategic financial management is a collective term that refers to the activities of planning, organising, directing, and managing financial operations of an organisation.

**Reference**

Agrawal, N.K. (2003) Management of Working Capital, Sterling Publishers Pvt, Ltd, New Delhi.

Agrawal, N.P (1983) Analysis of Financial Statements, National Publishing House, New Delhi

Batty, J. (Second ed.) Management Accounting, Macdonald & Events Ltd., London.

Beckman, Theodore N. (1992): Credits and Collection Management and Theory, Me Graw Hill, New Delhi.

Brigham, Eugene F. and Risks, R Bruce (1998): Readings in Essentials of Management, Finance, Holt, Rinehart and Winston. U.S.A.

Bucha, Jooseeph and Koenigsberg ernest (1970): Scientific Inventory Management, Prentice Hall of India, Pvt. Ltd., New Delhi.

Hartley, W.C.F. (1967): Cash Planning, Forecasting and Controlling, London.

Herbert, B. Mayo (1978): An introduction to Money and Financial Management, D.C. Health and Company.

Hingorani, N.L. and Ramanathan, A.R. (1973): Management Accounting Sultan Chand and Sons, New Delhi.