

**B.COM SEM - IV**  
**MJC - V ( BUSINESS FINANCE)**  
**TOPIC - CHARACTERISTICS OF FINANCIAL MANAGEMENT**

### **Characteristics of Financial Management**

Financial management is an important functional area of business finance. It deals with the planning, organizing, directing, and controlling of financial activities such as procurement and utilization of funds. The main characteristics of financial management are explained below:

#### **1. Focus on Wealth Maximization**

The primary objective of financial management is maximization of shareholders' wealth. All financial decisions investment, financing, and dividend are taken with the aim of increasing the market value of the firm.

#### **2. Concerned with Optimal Use of Funds**

Financial management ensures that funds are utilized efficiently and effectively. It avoids wastage of financial resources and allocates funds to the most profitable projects.

#### **3. Decision-Oriented Function**

It is a decision-making process involving key decisions such as investment decisions (capital budgeting), financing decisions (capital structure), and dividend decisions (profit distribution).

#### **4. Planning and Control of Finance**

Financial management involves financial planning, forecasting cash requirements, and preparing budgets. It also includes financial control through analysis of financial statements, ratio analysis, and cost control.

#### **5. Risk and Return Relationship**

Every financial decision involves a trade-off between risk and return. Financial management aims to achieve a proper balance by selecting investments that provide reasonable returns at acceptable risk levels.

#### **6. Continuous Process**

Financial management is not a one-time activity. It is a continuous and dynamic process that adapts to changes in business environment, market conditions, and organizational goals.

#### **7. Interdisciplinary Nature**

It draws knowledge from economics, accounting, statistics, and management. This helps in analyzing financial data and making informed decisions.

#### 8. Cash Flow Orientation

Financial management gives more importance to cash flows rather than accounting profits, as cash is essential for meeting obligations and sustaining business operations.

#### 9. Central Role in Business Management

Finance is the lifeblood of business. Financial management coordinates with all departments such as production, marketing, and human resources, making it a central managerial function.

#### 10. Future-Oriented Approach

It emphasizes forecasting and future planning to ensure adequate availability of funds for expansion, diversification, and growth of the business.

Financial management plays a vital role in the success and stability of a business. By ensuring proper planning, efficient utilization of funds, and wealth maximization, it helps an organization achieve its long-term financial objectives.