

Finance - General Overview

Finance is a generally applied term for more than a couple of things. The term finance applies to the commercial activity of providing funds and capital; also it is that branch of economics that studies the management of money and other assets. If one were to round up the different definitions into one, finance can be defined as the management of funds and capitals required by a business activity.

Management of Finance

Management of finance has developed into a specialized branch within management since long ago. Managing finance involves dealing with optimizing allocation of funds to various activities either by borrowing or by mobilizing from internal resources. The word optimizing in finance may strike an odd note but it means taking intelligently structured steps at minimizing the cost of financing while simultaneously attempting to maximize the profits out of the employed finance.

Finance Governs Most of the Activities

A poor finance management will immediately show as deteriorating conditions in the procurement, production and sales as it touches all spheres of business activities. For this reason, a finance manager is expected to be very judicious in either mobilizing funds or allocating for expenses. Lee Iacocca, the most revered management guru, calls finance managers as 'bean counters' who look at the expense part with rather pessimistic view. Unlike the sales managers, who would like to invest in future by product development, finance managers are rather skeptic of financing a project whose benefits lie in the future. Finance management governs the future outcome too.

Finance in Small Business

For most small business owners there is not a clear distinction between personal finance and business finance often leading to cross utility of funds. Lenders, either future or present, don't look at this with a soft corner. But resisting the tendency for such utilities may dampen ones zeal temporarily but sure brings the much needed discipline which is the foundation of all future progresses.

Financing a business can often be perilous if not approached with caution. Although bad management is commonly given as the reason businesses fail, inadequate or ill-timed financing comes a very close second. Whether you're starting a business or expanding one, sufficient ready capital is essential. But it is not enough to simply have sufficient financing; knowledge and planning are required to manage it well. These qualities ensure that you will avoid common mistakes like securing the wrong type of financing, miscalculating the amount required, or underestimating the cost of borrowing money.

Financing

Small businesses can finance their needs from either internal resources, friends or from banks and private lenders. The less you finance from outside lenders the more it ignites the profitability. This is why, perhaps, Bob Hope famously said, "A bank is a place that will lend you money if you can prove that you don't need it."

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