

What is finance function?

The Finance Function is a part of financial management. Financial Management is the activity concerned with the control and planning of financial resources.

In business, the finance function involves the acquiring and utilization of funds necessary for efficient operations. Finance is the lifeblood of business without it things wouldn't run smoothly. It is the source to run any organization, it provides the money, it acquires the money.

The objectives of financial management are given below:

1. Profit maximization

Main aim of any kind of economic activity is earning profit. A business concern is also functioning mainly for the purpose of earning profit. Profit is the measuring techniques to understand the business efficiency of the concern.

The finance manager tries to earn maximum profits for the company in the short-term and the long-term. He cannot guarantee profits in the long term because of business uncertainties. However, a company can earn maximum profits even in the long-term, if:

The Finance manager takes proper financial decisions

He uses the finance of the company properly

2. Wealth maximization

Wealth maximization (shareholders' value maximization) is also a main objective of financial management. Wealth maximization means to earn maximum wealth for the shareholders. So, the finance manager tries to give a maximum dividend to the shareholders. He also tries to increase the market value of the shares. The market value of the shares is directly related to the performance of the company. Better the performance, higher is the market value of shares and vice-versa. So, the finance manager must try to maximize shareholder's value

3. Proper estimation of total financial requirements

Proper estimation of total financial requirements is a very important objective of financial management.

Factors Affecting Capital Structure

Conditions of the Money Markets–Capital markets are always changing. You don't want to issue company shares during a bear market, you do it when there is a bull run. Government policy– This is important to consider. A change in lending policy may increase your cost of borrowing.