



## Efficient Financial Management: A Tool for the Growth

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**Abstract:** *Being prudent means exercising discretion and sound judgement. In general; a device implies a means adopted to achieve a certain purpose. It can also mean a method to measure the quality or quantity of an idea. A formal device helps to get something off the ground and also shows an outcome. In this article, it can be considered as the formal labour saving method to growth. Every Financial Manager must understand the need for provisioning where on account of prudent financial control; resources will be available during the time of crisis. In this paper; Financial Strategy, Growth devices, prudence in financial management, Fiduciary exercise is described.*

**Keywords:** *Financial Strategy, Growth Devices, Prudence, Budget and Economy of a Government, Provisioning.*

### I. INTRODUCTION

At the outset, there is a need to define prudence. It is considered as good judgement or wisdom gained from experience and knowledge. Prudence lies in the readiness to sacrifice today's gains for a better and more profitable tomorrow. When applied to financial management, it implies being judicious, sagacious and circumspect in the use of finance and financial matters. To speak of growth is to consider development and increase of the economic resources of a country or a community. Thus, Eco. Growth is very essential for the well being of the society.

The corollary to this fact is that financial management must be handled judiciously in a community. The utmost inherent probity in dealing with all transactions of the monetary kind becomes essential. The organisation, direction, controls and plan of the financial activities is called the financial management. One can apply general management principles to control financial resources. There should be prudence in utilization and procurement of funds. Primarily, the aim of financial management is to increase the wealth of stakeholders in the economic growth. This involves pre planning and forecasting the future trends. A judicious finance manager ensures optimum utilization of funds at the least cost. He must also foresee a sound capital structure which balances both: Debt and Equity.

### II. FINANCIAL STRATEGY

Now it becomes evident that financial management requires a financial strategy. This involves in-depth understanding of the current and its assessment for funding. It requires the financial manager to be prudent in the management of debt and focused upon real economic growth without lowering the level of service. It calls for commitment to utilise resources to assess the economic growth, which in turn requires a framework with specific measured targets to reach the requisite end. The financial strategist must comprehend the art and science of money management. Recently, the economic environment has changed with the new regulations and globalisation has made financial management complex.

It is relevant to understand that finance management can not solely be the subject of economics. Though Macro economics and Micro Economics get affected by

Financial management, it has its relevance and relation to all disciplines of life. All disciplines of life require an understanding of financial management to survive in society. Thus Accounting, Marketing, Production, Statistics, Qualitative and Quantitative Analysis all become necessary elements of education about financial management in a society. This helps the society to analyse the problems that beset it and make plans for optimum utilization of resources.

In fact, the financial strategy must trace the vision, mission and value that the society hopes to achieve in broad terms. In all of the above mentioned factors, it must be taken into account that abstract objectives appear brilliant when planned on paper. However, it is during execution that a lot of ambiguity becomes apparent and the plans on paper seem amenable to varied interpretations.



### III. DEVICES OF GROWTH

Growth is an essential factor of future as much as change is, so essentially the fundamentals for future growth must consider the elements of change. The world is volatile and delivering results in a volatile world may be difficult. It would require adaptation of markets and reconfiguration of processes and operating models. Very often, large scale integration for growth may involve large scale risks too. So an exercise of caution in the execution of growth plans would be in order.

The severity of the Euro crisis reveals that Macro Management of growth and financial affairs is not such a positive idea. Most of the financial marketers for Europe express confidence that the future prospects.

Are good but they had expressed the same confidence in the previous years too. This reflects that certain vital elements of financial management had been disregarded in their financial strategy. This follows that asset managers need not only capabilities but talent to prophesy about the volatility and stability. A look at that crisis brings to the fore the fact that Governments regulate their market not for growth but for obstruction of growth in other parts of the world. It becomes obvious that a financial strategy laid out to create road blocks to progress for others is fundamentally based on wrong intent and liable to fail.

### IV. PRUDENCE

To talk of prudence in financial management also requires that the integrity of intentions in the strategy overtly and covertly aim at the development and growth. In the most pristine form, financial management strategies that both its integrity and intention require to be questioned. The next question that arises should be about due diligence and prudence in the evolution of the strategy. The financial strategies that promise great maximization and then blame radical changes in the economic environment need to question how the strategies were tailored; was there in the policies an inherent and intrinsic trait for the creation of anaemic assets. The failed financial managers who mouth platitudes in favour of austere conditions could be asked to reengineer their strategies and achieve their mistakes. So that future financial managers could design products with principal protection inbuilt in them.

Financial management theories and the financial management strategy should have data warehouses where the element of error can be deducted and rectified in time to prevent colossal future fall and loss. No doubt technology platforms can facilitate effective flow of information for transformation however financial strategies must understand that a plan which is advocated by the majority can be inherently flawed because the vast majority, blinded by the prospect of instant growth, have paid no attention to the possible flaws.

### V. BUDGET AND ECONOMY OF A GOVERNMENT

The economic outlook of any nation can improve if the state works to sustain resilience, the governments have to act to maintain and lock economic recovery and support employment growth. This in turn requires that government or community pay heed to competition and productivity. Both of these qualities cannot arise without investment in education, health, transport services, social infrastructure and economic reform. The prime aim should also be to reduce costs to business.

All governments are thus underpinned to approach economic performance with discipline and integrity. It is also incumbent upon governments to keep debt at sustainable levels and create stable economic environments that support business and consumer confidence. Failing to undertake prudent financial management from the ongoing impact of global financial crisis.

### VI. FIDUCIARY EXERCISE

Every nation that undertakes prudent fiscal management will in its budget provide a strong base for private sector activity, improving the standards of living, sustaining savings of the populace and reduce taxation. Prudence also lies in securing local jobs and ensuring productivity through enhanced infrastructure investment. Along with all these factors the state has to pay attention to health and skill development and vocational training too.

Governments, often find that there is imbalance in the division of revenue, expenditure and liabilities. It is the difference between extensive functions and inadequate financial resources that cause vertical imbalances in budgets. These vertical imbalances cause government to become dependent on others for growth. Such devolution of financial resources from upper tiers to lower tiers causes bondage and slavery that act as devices that stop growth. A strong fiscal administration in government or business ensures that the recipients and their resources are not wasted through inefficient, ineffective and corrupt economic operations. A prudent finance manager needs to understand that economic crisis within the organisation or state will decrease revenues and bring cuts in funds. So improved and prudent financial management and accountability are crucially important for correct service delivery and are also marks of good governance.

### VII. PROVISIONING

Financial management of a state must include responsibility and effective control over receipts, expenditure, funds and other government assets. They are not at the disposal of the finance manager to suit his own ends. But they are the assets of a nation not to be bargained away for a pittance. From this, it becomes obvious that states which legislate to appropriate money from the



citizens should assure that funds utilization follow the economic intent of the state efficiently. If the action is prudent the outcome will also reflect prudent growth.

The driver for growth for all governments is prudence and adequate control over its revenues and expenditure, where allocation of public resources between various sectors and programmes are not only appropriate but also efficient enough to withstand economic crisis and develop immunity in hours of to recurrent surplus has to be generated as it indicates the key to prudent financial sustainability.

All over the world it has been seen that power seekers indulge in decisions that entail unnecessary and irregular expenditure. The prudent financial management could indulge legislation that constrains elected representatives from driving the states to the brink. Popular elected representative of state may indulge in dubious means to extract their pound of flesh by building fallacious theories to justify unnecessary and irregular expenditure but the prudent financial manager will maintain the peace and avoid conflict. A true financial manager must have skills to use his administrative power to overcome and supersede political power. Fiscal profligacy always undermines financial sustainability.

### VIII. RECURRENT SURPLUS

Now, it becomes evident that financial management for the purposes of growth requires control. It can be exercised to operate and maintain finances. But just maintenance and operation of finance is not sufficient. It is essential to generate a recurrent surplus and avoid deficit. No doubt that a deficit fiscal plan will surely sound the death knell of prudent financial management. A check of Balance Sheets from anywhere in the world will show that the financial performance of those with recurrent surplus and prudent control are better than those which move like unguided missiles.

To conclude – One could say that financial performance is top class when the objective is to create recurrent surplus and exercise integrity in control and measurements. Both developed nations and developing nations have to heed prudent financial control practices to create a globe that can be inhabited by the future generations. All nations need to overcome hegemony and strictly comply with the guidelines of the grants made. It is a common phenomenon to divert the grants for nefarious practices because the financial control mechanisms are faulty or not in place. The responsibility vests with both the strong and the weak to observe fiscal discipline for improved financial resource utilisation. No doubt everybody has to put in extra effort to utilise the generated revenue for the welfare of the community. Prudence is not in hoarding it away in private and safe asylums.

### IX. RESEARCH METHODOLOGY

The information is collected for this research based on the secondary data. Therefore, the relevant and needed information are collected

From secondary resources such as text books, national articles, websites and journals.

### X. CONCLUSIONS

The finance strategy must include a useful and operative criterion by which to increase the mutually interrelated business of increasing the wealth of the nation. The strategy should aim for collective growth rather than individual enrichment. Vast scale financial management must incorporate provision for detour from laid out plans be able to bail out people and governments in times of crisis. Today over the globe there is recognition that financial planning requires acumen to weigh the range of risks that are inherent and can befall upon well laid out plans. More and more nations and people question their government and its capacity to address issues of financial management. Financial managers more than other managers need to take into account that economic growth is not a static condition. It can race snail.

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