

What is financial management?

Financial management is the process of planning, organising, monitoring, and controlling the financial resources of an organization in order to achieve long-term objectives and specific financial goals at the stipulated time frame.

Finance is critical to the growth and success of all businesses and must be managed effectively. You may consider hiring an accountant and/or financial officer to help manage your business's finances and where this is not possible, a bookkeeping or financial management software can be adopted to track cash flow and generate reports.

Why is financial management important?

Financial management is crucial to the sustainability of a business for the following reasons:

1. Improves the profitability of the business by managing costs and revenue streams
2. Increases the overall value of the business
3. Enables the business to make critical financial decisions from an informed position
4. Facilitates effective financial planning
5. Supports internal and external fund raising
6. Enables the business to adequately plan and manage current and expected funding

Tips to effectively manage your business' finances

Prioritise financial planning: you should develop a comprehensive financial plan that includes cash flow projections, balance sheet and profit and loss accounts. Set financial goals for your company and make sure your company's performance is parallel to the financial plans



Monitor financial position: analyse your businesses' financial reports and statements periodically to gain insight into your overall performance



Review expenses: adequately monitor your business expenses. Use a good accounting software to draw up necessary reports such as profits and loss and statement of cash flows.



Utilize a financial service tool: leverage financial tools/software to help manage your financial resources. These tools will help you and your financial team automate manual and repetitive financial tasks, consolidate your financial processes and provide more accurate and accessible financial information that is necessary for analysis and strategic planning



Create a budget: create a budget to outline the expenses needed to operate your business. A budget makes it easier to manage spending money and also forecasts the revenue your business will receive



Have a separate account for business: separate your business account/finance from your personal account/finance to enable you adequately manage your business finances. Use banks with reasonable transaction fees, withdrawal fees, and optimum customer support for optimum finance management



Maintain a cash reserve: keep a cash reserve to ensure you have some money for emergencies. You can create a business savings account and have a structured way of making regular deposits that will serve as your cash reserve

