
The Importance Of Financial Management For Companies

Zainal Zainal

Akademi Teknik Indonesia Cut Meutia

Korespondensi penulis: zhafran.zain226@gmail.com

Abstract. Good financial management is very important for companies to achieve long-term financial goals. The goal of financial management is to maximize corporate value and ensure business continuity by managing financial resources effectively and efficiently. This article will discuss the importance of financial management for companies, including the need to manage budgets, identify financial resources, manage risk, and perform sound financial analysis. In conclusion, good financial management can help companies achieve long-term financial success and maximize company value.

Keywords: Financial Management, Company, Company Value.

BACKGROUND

Good financial management is very important for the long-term success of a company. Effective and efficient financial management can help companies achieve their financial goals and maximize company value. In this article, we will discuss the importance of financial management for companies, including managing budgets, identifying financial resources, managing risk, and conducting good financial analysis. Financial management involves managing a company's overall financial resources, including managing cash, loans, investments, and assets. The goal of financial management is to maximize company value by generating positive cash flow and minimizing financial costs. In carrying out these objectives, financial management must consider factors such as time, risk, and cost of capital.

The importance of financial management for companies can be seen from several aspects. First of all, good financial management can help a company manage its budget better. By managing the budget carefully, a company can ensure that its expenses are according to plan and do not exceed available financial resources. This can help a company avoid unpaid debts and increase investor confidence in the company's ability to generate stable cash flows. In addition, good financial management can help companies identify available financial resources. Companies must be able to identify available financial resources, including internal resources such as retained earnings and cash as well as external resources such as loans. By managing financial resources well, companies can maximize the use of available resources and avoid unnecessary financial costs.

Financial management also involves risk management². Risk is the possibility of loss or failure to achieve financial goals. Companies must be able to manage risks carefully to minimize their negative impact on company value. Risk management includes identifying risks, evaluating their impact, and developing strategies to reduce or eliminate those risks. By managing risk carefully, companies can increase their ability to generate stable cash flows and minimize financial costs. Financial management also involves conducting good financial analysis. Financial analysis can help companies identify opportunities to increase cash flow and maximize company value. Financial analysis can include financial ratio analysis, cost-volume-profit analysis, and cash flow analysis. By conducting good financial analysis, companies can make smarter financial decisions and maximize the use of available financial resources.

In an increasingly complex and changing business era, effective and efficient financial management is becoming increasingly important for companies³. Companies must be able to navigate a rapidly changing business environment and maintain their business continuity by generating stable cash flows and maximizing company value. In an effort to achieve long-term financial goals, companies must manage their financial resources carefully, identify available financial resources, manage risks, and conduct sound financial analysis. The biggest challenge in financial management is how to manage the company's financial resources well while considering the interests of all parties involved, including shareholders, creditors and employees. Poor financial management can have detrimental impacts on a company, such as an inability to pay debts or large financial losses. Therefore, good financial management is the key to a company's long-term success.

Effective and efficient financial management involves three main functions: Planning finances, controlling expenses, and making financial decisions. Financial planning involves developing a company's long-term financial goals and developing a plan to achieve them. Financial control involves budget management, risk management, and cost control. Meanwhile, financial decision making involves choosing the right investment project, choosing the right funding source, and choosing the right financial strategy. In an increasingly complex and changing business era, effective and efficient financial management is becoming increasingly important for companies. To achieve long-term financial goals, companies must manage their financial resources carefully, identify available financial resources, manage risks, and conduct careful financial evaluations.

THEORETICAL STUDY

Financial management is one of the functions in a company companies that have an important role in maintaining sustainability company (sustainability), through company financial management in achieving profit (profitability) and ensuring efforts development of company value in the future (Growth). Besides other functions such as marketing management, operational management and human resource management, functions Financial management in a company plays a role which is quite important but also very risky, if not managed well, it will be able to disrupt or even stop its progress a company. Risks that can arise in management company finances can be caused by exchange rate factors, financial markets, interest rates, liquidity, and capital. The risks that arise needs to be managed well so that it can be minimized and mitigated the potential for this to occur and if the risk occurs minimize negative impacts.

METHODS

Qualitative research methods can be used to examine the importance of financial management for companies through several methods such as in-depth interviews, case studies, document analysis, content analysis, and participant observation. By using these methods, researchers can gain a deep and contextual understanding of the views, experiences and practices of financial management in companies. Data obtained from qualitative research methods can provide in-depth insight into the importance of financial management for companies and its impact on company financial performance. The selection of appropriate research methods must be adjusted to the research objectives, available data sources, and the context of the research to be conducted.

RESULTS AND DISCUSSION

Financial management

It can be interpreted as the process of planning, controlling and making financial decisions carried out by a company to manage its financial resources effectively and efficiently. The financial management function includes three main aspects, namely financial planning, financial control and financial decision making. Financial planning is the process of developing a company's long-term financial goals and developing plans to achieve them. In financial planning, companies need to consider available financial resources, such as income, costs, investments and cash flow.

Financial control involves budget management, risk management, and cost control. The goal is to ensure that the company can follow the financial plan that has been set, reduce

financial risks, and improve the company's financial performance. Companies must monitor their financial performance regularly and take action to improve their financial performance if there is a discrepancy with the financial plan. Financial decision making involves choosing the right investment project, choosing the right funding source, and choosing the right financial strategy.

A company's investment decisions should be based on a careful analysis of the project, including the risks and potential return on investment. Selecting the right funding source is important for companies in obtaining the funds needed to finance projects their investments or daily operations. Financial strategies must consider factors such as risk, return, and liquidity to ensure the right balance between risk and return. Overall, financial management is a very important area for companies in managing their finances. This allows companies to maximize company value and minimize financial risks, so that they can survive and develop in an increasingly competitive market.

The aim of financial management is to increase company value and reduce financial risk. Apart from that, financial management objectives also involve non-financial aspects such as improving relationships with customers, improving the company's reputation, and maintaining employee welfare. A triple bottom line approach that combines economic, social and environmental aspects is also part of the financial management objective to achieve sustainable growth and provide benefits to all stakeholders. The scope of financial management covers several main areas, including cash flow management which involves managing the company's cash receipts and disbursements, asset management which involves managing the company's inventory, supplies and equipment, debt management which involves managing bank loans, bonds or other debt, and investment management which involves making decisions regarding investments in shares or bonds of other companies.

In addition, the scope of financial management also includes financial risk management which involves identifying, analyzing and managing financial risks, as well as developing strategies to reduce risks or transfer risks to other parties through insurance or other financial contracts. Dividend management, namely making decisions regarding dividend payments to shareholders, as well as company value management which involves managing factors that influence company value are also part of the scope of financial management.

Benefits of Studying Financial Management

Financial management is a scientific discipline that studies how to effectively and efficiently manage the finances of a company, organization or individual. Financial management has a key role in maintaining financial stability and increasing company value. Some of the benefits that can be gained from studying financial management include:

Understanding capital expenditure: One of the important aspects of financial management is capital expenditure or investment in fixed assets such as machinery, buildings and land. By studying financial management, one can understand how to manage capital expenditure effectively to avoid wasting funds. Financial management also addresses investment decision making in capital expenditures, including measuring expected rates of return and managing associated risks.

Capital financing strategy: Financial management also discusses capital financing strategies, both through debt and equity, as well as managing financial risks associated with capital financing.

In this case, financial management helps companies achieve long-term financial goals by choosing the right source of funds and optimizing the company's capital structure.

Managing financial risks: Financial management involves managing financial risks such as credit risk, market risk and liquidity risk. The role of financial management is to identify, evaluate and address the financial risks facing the company. By understanding the basic principles of financial management, one can help a company achieve long-term financial goals and avoid detrimental financial risks.

Managing operational cash: Financial management also helps manage operational cash or operational cash flow. Operating cash is money used to pay operational costs such as salaries, rent and purchasing raw materials.

By understanding financial management, someone can manage operational cash effectively to optimize the use of operational cash and generate greater profits.

Investment decision making: Financial management also plays an important role in investment decision making. The right investment decisions can help a company increase its company value and achieve long-term financial goals. By understanding financial management, one can choose the right investment projects and manage investment portfolios effectively.

Financial management has a very important role in managing the financial aspects of the company. Several relationships between financial management and companies that need to be considered include cost management, tax planning, investment decision making, managing relationships with stakeholders, as well as the influence of financial decisions on company performance and value. By managing costs effectively, companies can reduce unnecessary costs and increase profits. By planning taxes wisely, companies can reduce the

taxes they have to pay and increase profits. By making the right investment decisions, companies can avoid unnecessary losses and optimize investment returns.

By managing good relationships with stakeholders, companies can build a good reputation and maintain business sustainability. And with a good understanding of the relationship between financial decisions and company performance and value, companies can make the right financial decisions to increase company performance and value in the long term. Therefore, a good understanding of financial management is very necessary for managers and company leaders to make the right decisions and achieve the company's financial goals. Financial management has a very important role in managing the financial aspects of a company, and a good understanding of techniques and strategies in financial management is very necessary in company operations.

CONCLUSIONS AND RECOMMENDATIONS

Financial management has a very important role for companies in managing financial aspects. With effective cost management, wise tax planning, making the right investment decisions, good management of relationships with stakeholders, as well as a good understanding of the relationship between financial decisions and company performance and value, companies can achieve their financial goals and improve their performance and value. company value in the long term. A good understanding of techniques and strategies in financial management is very necessary for managers and company leaders in making the right decisions. Therefore, financial management has a crucial role in company operations and should not be ignored.

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