

**B.COM SEM - IV**  
**MJC - 5 (BUSINESS FINANCE)**  
**TOPIC - OBJECTIVES OF FINANCIAL MANAGEMENT**

### **Objectives of Financial Management**

The primary objective of financial management is to ensure the efficient acquisition, allocation, and utilization of financial resources in a business so that the organization can achieve its goals smoothly and sustainably. Financial management focuses on planning, organizing, directing, and controlling financial activities to maximize the overall performance of the firm.

#### **1. Wealth Maximization (Primary Objective)**

The main objective of financial management is wealth maximization of shareholders. It aims to increase the market value of the company's shares by making sound financial decisions related to investment, financing, and dividends. Wealth maximization considers both returns and risks, ensuring long-term growth rather than short-term profit. This objective helps in maintaining the confidence of investors and enhancing the financial strength of the firm.

#### **2. Profit Maximization**

Profit maximization is an important but secondary objective of financial management. It focuses on earning maximum profits through effective use of available resources. Higher profits help the business to survive, grow, and face competition. However, profit maximization alone may ignore factors like risk, time value of money, and sustainability, so it is not considered a complete objective.

#### **3. Ensuring Adequate Funds**

Financial management aims to ensure the availability of sufficient funds at the right time. It involves estimating financial requirements and selecting suitable sources of finance such as equity, debentures, loans, or retained earnings. Adequate funding helps in smooth business operations and expansion plans.

#### **4. Optimum Utilization of Funds**

Another key objective is the best possible use of available financial resources. Financial management ensures that funds are neither

underutilized nor wasted. Proper allocation of funds to profitable investments increases efficiency and productivity.

#### 5. Maintaining Liquidity

Maintaining proper liquidity is a vital objective of financial management. The firm should have enough liquid assets to meet its short-term obligations such as salaries, creditors, and other expenses. Proper liquidity ensures smooth day-to-day operations and maintains goodwill.

#### 6. Financial Stability and Growth

Financial management aims to maintain financial stability and support the long-term growth of the organization. Balanced capital structure, controlled expenses, and planned investments help the business remain stable even during economic uncertainties.

#### 7. Efficient Financial Control

Financial management also focuses on effective financial control through budgeting, cost control, and financial reporting. This helps management in evaluating performance, identifying deviations, and taking corrective actions in time.

In conclusion, the objective of financial management is not limited to earning profits but extends to wealth maximization, financial stability, liquidity management, and efficient utilization of funds. By achieving these objectives, financial management ensures the long-term success and sustainability of the business enterprise.