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The Role of Financial Management in Business Activities in the Business World

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Abstract— A country's economy is inseparable from the business world. Business is certainly a very important part in any country and also supports the business world. The importance of easy and undoubted access to finance is recognized as important in the development of the business world. The business world requires good financial management along with its development from time to time. The problems raised in this study discuss how business activities in the business world before financial management develops and how the development of financial management in business activities in the business world. In this study, researchers used qualitative methods or data collection tools that are structured to some extent. Based on a literature study, researchers found that financial management is included in the business world, economic activities are still traditional and until now financial management continues to grow with the emergence of innovation and a variety of new activities in terms of financing.

Keywords— Business, finance, Financial Management, Company.

I. INTRODUCTION

The business world plays an important role in advancing a country. Without the business world, the country will find it difficult to finance its activities and programs in achieving its goals. For this reason, governments in every country continue to encourage young entrepreneurs, self-development of people to become strong entrepreneurs. According to the Big Indonesian Dictionary, effort is the activity of exerting energy, mind, or body to achieve a goal in the form of actions, work, initiatives, efforts, efforts in achieving something. Business is an activity in the field of trade by seeking profit.

The business world in a country is certainly a very important part in any country. The state supports the corporate world. Business or business is an individual activity to do something organized to produce and sell goods and services in order to make a profit in meeting the needs of society (Pride et al., 2019).

A good company is certainly a company that provides benefits to society and drives the economy as a whole. The company is able to provide employment, pay taxes, and participate in maintaining the continuity of the national economy.

Entrepreneurs continue to strive to take strategic steps in advancing the business world. The business world also experiences many challenges and obstacles. The conventional marketing business framework, initially based on the traditional marketing business paradigm (Budler et al., 2021). Today's home businesses are also associated with ecommerce digital commerce for its sales (as measured by half or more of their sales) (Reuschke & Mason, 2022).

The importance of access to affordable and unquestioning finance has been recognized as important in the development of the business world (Bhanot et al., 2020). Financial problems that arise include books, reports, assets, capital needs, to changes in consumer demand. One of the sciences that supports these various financial problems is financial management. The business world requires good financial management along with its development from time to time. Until now, everything is running assisted by digital technology (Daud et al., 2022).

A good financial condition will reflect financial performance. Companies with good financial performance have an advantage to compete, while companies that do not have a competitive advantage will find it difficult to survive in the market in the long run (Utama et al., 2020)..Therefore, a qualified financial management function is needed so that management can manage various matters related to company finance. Money is one of the focuses because the company is able to operate perfectly every day. If finances are not managed carefully, then income and expenses from the business can be invalid, lack clarity and business expenses become uncontrolled.

Financial management has an important role in the business world, because without proper financial management, how can a company assess, maintain, and manage the assets that the company controls. The development of financial management must be followed

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by the readiness of capable human resources and understanding the ins and outs of investment (Tandelilin, 2017). In a study the role of management of individuals also includes bookkeeping, financial decision making and also taxes (Archuleta, 2013).

Based on the explanation in the introduction, the problems raised in this study are:

1. How were business activities in the business world before financial management developed?
2. How is the development of financial management in business activities in the business world?

II. METODE PENELITIAN

A. Data Collection

The concept of qualitative research uses the results and quality of research with the quality and completeness of existing data (Moleong, 2020). The questions that are always considered in data collection are what, who, where, when, and how. Qualitative research is guided by triangulation of data generated from three methods: interviews, participants, and review of organizational records. This study used qualitative research methods that used secondary data. In determining the frequency of traits or characteristics of the study, researchers use parameters in which larger data sets can be observed.

Qualitative data provides a picture of something around the corporate world. Qualitative data collection is exploratory, involving in-depth analysis and research. Qualitative data collection methods are mainly focused on gaining insight, reasoning, and motivation. Since qualitative data cannot be measured, researchers prefer data collection methods or tools that are structured to some extent. In this study, researchers used literature studies by utilizing data sources such as relevant books or journals.

B. Data Processing

Secondary raw data is then processed with some of the stages are:

1. Data categorization, Qualitative data processing techniques are to sort these data, then categorize these data.
2. Presenting data, researchers present data in the form of narratives that match the topic and theory used.
3. Drawing conclusions, conclusions are drawn in accordance with the objectives of the study.

III. RESULTS AND DISCUSSION

The term financial management began to appear in the United States in the early 19th century around the 1900s. The industry at that time was experiencing rapid development but began to arise several new problems, including how and from where businesspeople get needs, and how to finance company operations, so the word financial management emerged. Financial management at that time was a separate field of science from other sciences that emphasized themselves from economic and legal aspects that generally appear in companies (Andrews, 1981). These aspects include mergers, data collection, company expansion, new company formation, and procedures for going public and selling securities.

In 1929 to 1933, the development of business and business had not been carried out perfectly and was not balanced with an increase in interest and purchasing power of the existing community. Government regulations governing company activities are rather late in being carried out, resulting in economic sluggishness (resisi) which has an impact on the government experiencing difficulties that result in business and business failures in almost all sectors and business lines. Today the role of financial management focuses its analysis on issues of bankruptcy and corporate reorganization. The company's liquidity and rules on securities offered in the capital market are priorities in terms of financial management.

At this time financial management has shifted its role from the period of disbursement of funds for financing in terms of mergers, consolidations and the establishment of new companies into capital structure problems that analyze the balance between long-term debt and own capital. Financial management not only seeks funds, but also determines the structure of the composition of funds that must be obtained in order to get capital at minimal costs (achieving an optimal capital structure).

In the 1940s to 1950s, financial management began to be studied by the wider community. Financial management not only regulates the problem of how to obtain funds and the structure of the model, but financial management has also learned how to use funds effectively and efficiently. Financial management regulates how to calculate in detail the company's financial statements, so that it can be analyzed the amount of profit obtained and the amount of company value reflected in the stock price.

In 1960 to 1970, the science of financial management underwent a renewal on the debt side (liability) and own capital which was on the right side of the balance sheet report. Financial management focuses on setting policies and making decisions that affect company value. At this time there are 2 things that take precedence.

1. The optimal combination of securities.
2. The ways in which individual investors make investment decisions, portfolio theory, and its implications for corporate finances.

At this time, in early 1966, the world economy was hit by crisis and inflation, so that financial markets carried out very strict policies and large levels of cost of obtaining funds. To deal with this condition, financial management science has 4 things as the main task:

1. Control of cash flow and physical flow of goods.
2. Link financial decisions with other management functions.
3. Linking between financial planning and control and factors changing the external environment.
4. Financial management is not only focused and responsible for cash flow, but also controls the existing profit centers of the entire company's operations. Financial managers must be able to evaluate aspects of the company's operations to achieve the goal of maximizing the value of the company.

In the 1970s to the beginning of the 21st century, the development of financial management advanced rapidly. Financial management continues to develop with the emergence of various new innovations in terms of financing such as Leasing and external company growth through investors, mergers or acquisitions. Financial management science continues to develop into a science that cannot be separated from part of a decision-making process by almost all companies.

1. Business Activities Before Financial Management

Changes in the economy and business are influenced by many things. Before the business world was entered by financial management, economics was classical. At this time reported by Investopedia, classical economics was a school of economic thought that was dominant in the 18th and 19th centuries. Business activities emphasize market forces and in practice still resist government interference.

In classical times the main goal was prosperity, all goods and services were provided according to people's abilities. The problems that arise focus on production, distribution and consumption, and have not talked about bookkeeping and reporting. The division of labor in classical times has not been clearly seen (Ioannou & Wójcik, 2022). Finance in detail because economic problems are only seen simply. Economic problems, especially finance, have not entered into how to invest, find funds, or also share profits regularly.

2. Development of Financial Management

The last twenty years have seen tremendous theoretical and empirical advances in corporate finance. Whereas in the past financial management only discussed limited to company financing, equity, debt, now financial management also covers important issues of governance, liquidity, risk management, the relationship between banks and companies, and the macroeconomic impact of companies (Tirole, 2010).

Financial management as described above continues to develop starting from around the 19th century. Finance in its rather modern form has only existed since the 1950s, then forty years since then financial management has dominated perhaps most areas of economics (Miller, 1999).

Financial management continues to grow with the emergence of various innovations and new types of activities in terms of financing such as Leasing, banking institutions, and company growth externally through investment from investors, mergers or acquisitions.

Financial management focuses on corporate or corporate finances (Gumanti, 2012). Then the science of financial management continues to develop into a science that cannot be separated from part of a process used for decision making by almost all companies.

Today, along with the development of the modern economy, various blockchain technologies have emerged and more and more companies in various industries are using them to support today's supply chain finance (Choi, 2020). Financial management also plays a role in many things, including:

1. Financial management solves complex problems in terms of investment decisions, funding decisions and dividend policies.
2. Problems in terms of financial accountability can be helped by various financial statements such as profit and loss statements and balance

sheets as well as other reports that are also related to accounting science.
3. Maximizing company wealth such as the use of assets, managing stock investments or deposits at disputes.
4. Maintain the company's cash flow.
5. Reduce risk.

Financial management has a scope (Swathi, 2022), that is:

1. Funding
2. Investment
3. Divide

Then financial management in the company has several functions, namely:

1. Creating decisions and control
2. Financial planning
3. Distribution of surplus
4. Supervision of the acquisition and cooperation process.
5. Avoiding abuse

While consumer behavior around has four main financial functions (Xiao & Tao, 2021), that is:

1. Money management
2. Insurance
3. Loan
4. Savings as well as investments.

Financial management is broadly concerned with the acquisition and use of funds by business enterprises (Ballandonne & Cersosimo, 2023).

IV. CONCLUSION

1. Before financial management entered the business world, economic activities were still traditional and classical. At this time classical economics was the dominant school of economic thought in the 18th and 19th centuries. Activities in the business world focus on market forces and in their implementation also reject government interference.
2. Financial management in business processes is not only useful to find out whether the business has enough cash, but financial management has important functions in various internal and external aspects. So it is very important for business owners to know financial management. Financial management has scope for investment decisions, funding decisions and dividend policies. Financial management in the present serves to create decisions and control, plan finances, share surpluses, supervise the acquisition and cooperation process, and to avoid misuse. Financial management continues to develop with the emergence of innovation and a variety of new activities in terms of financing such as Leasing, banking institutions, and company growth externally through investment from investors, mergers or acquisitions.

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