

## # Approaches to FM:

- 1] FM approach measures the scope of the FM in various fields,



which include the essential part of the finance. 2] FM is not a revolutionary concept but an evolutionary. 3] The definition and scope of FM has been changed from one period to another period and applied various innovations. 4] Theoretical points of view, FM approach may be broadly divided into 2 major parts:

### ★ The Traditional view of FM:-

The traditional view of FM looks into the following functions that a Finance manager of a business will perform:

- (a) Arrangement of short-term and long-term funds from financial institutions.
- (b) Mobilization of funds through financial instruments like equity shares, preference shares, debentures, bonds etc.
- (c) Orientation of finance functions with the accounting function and compliance of legal provisions relating to funds procurement, use and distribution.

With the ↑ in complexity of modern business situation, the role of a Finance Manager is not just confined to procurement of funds, but his area of functioning is extended to judicious and efficient use of funds available to the firm, keeping in view the objectives of the firm and expectations of the providers of funds.

### ★ Approach 2 - Modern View:

- 1] The globalization and liberalization of world economy has caused to bring tremendous reforms in financial sector which aims at promoting diversified, efficient and competitive financial system in the country. 2] The financial reforms coupled with diffusion of IT have caused to ↑ competition, mergers, takeovers, cost management, quality improvement, financial discipline, etc.



- 3] Globalization has caused to integrate the national economy with the world economy and it has created a new financial environment which brings new opportunities and challenges to the individual business concern. This has led to total reformation of the finance function and its responsibilities in the organization.
- 4] FM in India has changed sustainability in scope and complexity in view of recent Government policy. Today's Finance managers are seized with problems of financial distress and are trying to overcome it by innovative means. In the current economic scenario, FM has assumed much greater significance.
- 5] It is now a question of survival of entities in the total spectrum of economic activity, with pragmatic readjustment of FM. The information age has given a fresh perspective on the role of FM and Finance managers. With the shift in paradigms it is imperative that the role of Chief Finance Officer (CFO) changes from Controller to a Facilitator.