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# What is Financial Management? and What are the Goals of Financial Management?

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“The term financial management simply means effectively managing your utility’s financial function.”(Rural Community Assistance Partnership, 2006, pp.5)<sup>1</sup>

Financial management is the ongoing process of collecting, processing, and evaluating financial information, operation, and reports; to achieve three main goals categories, Official, Operative, and operation goals.

During different stages of a project, starting with collecting any possible information, choosing among options, evaluating a project, the financial management will have a role in budgeting all of that in the first place; and more applications with applying, evaluating, and maintaining this budget at later stages of projects.

The three main categories of financial management goals are Official, Operative, and Operation goals; Official goals of financial management are at the top of the triangle shape; it is goals that are for every business in the market; goals like Maximizing profits or ROI.

Operative goals are in the middle of the triangle structure of financial management goals; goals like maximizing liquidity or solvency are examples of operative goals; reaching operative goals by applying operation goals will cause the achievement of official goals of financial management.

“Financial management of any business firm has to set goals for itself and to interpret them in relation to the objective of the firm.” (ICSI.EDU, 2018, pp.27)<sup>2</sup>

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<sup>1</sup> Rural Community Assistance Partnership, Washington DC, (2006). The Basics Of Financial Management: Introduction, Online and available at [<https://www.rcac.org/wp-content/uploads/2014/12/RCAP-Financial-Management-Guide.pdf>]

<sup>2</sup> ICSI.EDU, New Delhi, (2018) Financial and Strategic Management: Objectives of financial management, ICSI]

# Financial Management and Corporate governance in UAE

“Profit maximization is the main aim of any business, and therefore it is also an objective of financial management.” (Profit Maximization, 2010)<sup>3</sup>

**Profit maximization** will always remain the priority of any business; maintaining differences between gross profits and net profits are other objectives to achieve, but there should always be ongoing processes of maximizing profits or at least developing strategies to do so.

Despite the size of a business, owners or board of directors will always request a noticeable profit growth; they will usually assign such objectives to the financial management; even in micro-businesses that sometimes have no physical existence, a founder will unconsciously develop ideas, and plans to increase earnings.

There are different types of profits, Gross Profit, Earnings Before Income Tax Expense, Earnings Before Income Tax and S&A Expenses, and Net Income; the relationship between these terms are also the responsibility of the financial management in a business.

Having healthy relationships and positive ratios between these types of profits is the responsibility of the financial management as well; good management will maintain proper **Profitability Maximization objectives** to do so.

Profitability Maximization or increasing ROI in other words; and there are many differences between ROI and profits of a business; as the ROI is measuring the net return on the invested capital; as increasing this ratio is another official goal that is very close to the goals triangle.

“Airports in the UAE continue to leverage new technologies to enhance the passenger experience and their role as a gateway. The UAE government invested heavily in airport development and expansion

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<sup>3</sup> Profit Maximization. (2006, December 26). Efinancemangement.com.  
<https://efinancemangement.com/financial-management/profit-maximization>

projects such as \$8.17 billion in Al Maktoum International Airport, \$7.6 billion for the Dubai International Airport expansion Phase 4, \$6.8 billion for Abu Dhabi Airports development and expansion plans, and around \$400 million in Sharjah's International Airport terminal expansion" (United Arab Emirates – Country Commercial Guide, 2020)<sup>4</sup>

The United Arab Emirates is celebrating the 6 billion sales of "Adnok" convertible bonds this month, which is a great event and the first of its kind in UAE and the Middle East, so **maximizing EPS (Earnings per Share)** for these shares will remain an official goal for a while of time (Alneyadi et al. 2021).

A good management will always keep liquidity concerns in all budgets and application of a business; liquidity is the ability to meet and honor short-term obligation; managements is always seeking **Maximizing Liquidity** within reasonable measures.

While **Solvency Maximization** is another aspect to consider by managements to cover liabilities, but solvency is the ability to cover long-term obligations, and it is always a goal of financial management.

Airports developments in The United Arab Emirates, the issuance of "Adnok"; in addition to the recent business and culture developments in Dubai, Abu Dhabi, Sharjah, and more cities are not only profitability maximization strategies; but this renaissance also serves more financial objectives to these firms and the country as a whole; like **the cost of capital minimization, and outside control minimization.**

And this can be achieved by proper management, scientific financial management that controls a business environments, inputs and outputs to achieve official, operative and **operational goals.**

Operation goals of a financial management will include achieving lower plans and strategies that serves master plans and official goals like **risk management.**

Risk management is an essential corner in proper and modern financial management; managers must define risks related to financial assets and liabilities, measure them and implement strategies to protect the business and minimizing risk (Al Mheiri et al. 2021) .

Businesses usually have different ways of financing the operation, as it can issue common or preferred shares, bonds, or borrow from lenders like banks; the cost of having funds will include interests or fees sometimes will include the repay of principles, and proper governance will always make reasonable and effective comparisons to minimize the cost of capital for the business.

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<sup>4</sup> United Arab Emirates Aviation. (2020, September 12). [www.trade.gov](http://www.trade.gov). <https://www.trade.gov/country-commercial-guides/united-arab-emirates-aviation>

Gulf news website reported in 2021 that “More than 42,000 new business licenses issued by Dubai in 2020” (More than 42,000 new business licenses issued by Dubai in 2020, 2020)<sup>5</sup>; but how many of those would survive to 2022? Depends on the management; and the financial management.

## Overview

The financial management science is developing rapidly; competitions are getting harder every day and managements are always in a challenge or another; the expansion in the UAE is remarkable and a lot to accomplish in a short time; which reflects the fact that there are brilliant minds behind all of that, and challenges among them is getting harder every day.

While maintaining the scientific approach of achieving official, operative, and operation strategies and goals will keep the growth renaissance running.

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<sup>5</sup> More than 42,000 new business licenses issued by Dubai in 2020.(2020, January, 12). [www.gulfnews.com.  
https://gulfnews.com/business/markets/more-than-42000-new-business-licenses-issued-by-dubai-in-2020-1.1610461252118](https://gulfnews.com/business/markets/more-than-42000-new-business-licenses-issued-by-dubai-in-2020-1.1610461252118)

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