

Efficient Financial Management: Bedrock of Business Continuity and Survival

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Abstract

The importance of prudent financial management in business enterprise cannot be overemphasized; without it, nothing tangible can be achieved not to talk of the survival of the business outfit. Right from the conception of the idea and inception of the business, prudential financing should be accorded its rightful place for the survival of the business. This paper attempted to give an overview of the process for efficient financial management in business organizations management function, benefits and make recommendation for continuous survival of business enterprise through efficient financial management. The paper concluded that financial managers should be given their rightful place in order to bring business ventures from their precarious financial situations to vibrant financial positions. Thus, the paper recommends that there should be entrepreneurship education through workshops, seminars, and webinars where entrepreneurs will be enlightened more on trivial matters to avoid business collapse/liquidation.

Keywords: Efficient, Financial Management, Bedrock, Business Continuity, Survival

Introduction

It is universally agreed that capital is the root or base upon which a business venture stands. It determines the size of the enterprise and what it can and cannot do. With adequate capital or financing and efficient management of same, many otherwise impossibilities become possible, hence having the right mix of capital prudently managed, a firm/enterprise has acquired what it takes to be successful.

Akinlua and Akintunde (2008) identified that small scale business as are expected to pay critical roles in solving the poverty and development problems plaguing developing countries, but are unable mainly because of inadequacy of capital, mismanagement as well as a lot of risk, uncertainty, variability, and unpredictability in their daily operations. This makes it difficult for them to gain and maintain a competitive edge, much alone survive (Radenović, & Živković, 2022).

Unforeseen incidents that can significantly jeopardise an enterprise's business operations must be accurately assessed and managed. Any unforeseen catastrophe underscores the need for business enterprise to adjust in response to the rapidly evolving circumstances of an emergency situation (Vardarlier, 2016).

Akinlua and Akintunde (2008) citing Ogundele listed financial indiscipline as one of the major problems of the survival of business enterprise. Most often, financial institutions have been blamed whether for their reluctance in giving out loans for small scale business units or giving out inadequate capital. Forgetting that the entrepreneurs advanced these loans have not been able to pay back the loans which originally belongs to depositors which interest are paid and this can lead to distress of the financial institution. Also, feasibility studies prepared by entrepreneurs are most of the times fraught with errors and anything built on errors whether deliberately or innocently will usually collapse. Funds are therefore released to those business that would guarantee the safety and growth of investor's money through efficient financial management as to ignore the fundamental rules of safety and growth of invested money will amount to a eventual collapse of the economy. Much as accessing funding is very critical to business success, more importantly is the prudent use of funds.

Also, effective financial management is essential for business survival, particularly in a turbulent and competitive global market. It involves the planning, directing, and regulating of financial resources to guarantee optimum allocation, sustainability, and strategic development (Adebayo & Olowolaju, 2022). For small and medium-sized firms (SMEs), effective financial practices like budgeting, cash flow management, cost control, and investment decision-making are essential for sustaining stability and adapting to changing market circumstances (Nguyen & Pham, 2021).

Eze and Nwankwo (2023) assert that several business failures are often attributed not to insufficient sales or innovation, but rather to deficient financial management and inadequate financial planning. Consequently, effective financial management serves not just as a supportive function but as a strategic cornerstone that promotes resilience, profitability, and sustained business performance (Khan & Musa, 2024).

Concept of Finance/Capital

Generally, authors shy away from giving a definition of the term finance owing to the fact it has mainly utilitarian origin covering a broad range of activities relating to money or management of money. In order words, a standard definition would be far too inadequate to capture its full scope and relevance. However, in this paper, some working definitions would be adopted, while the term FINANCE itself would be used interchangeably with the word capital. Finance or capital is an essential element in the formation, expansion, and viability of any enterprise. It pertains not only to the financial resources accessible to entrepreneurs but also to the planning, sourcing, allocation, and management of these resources to attain company objectives (Adegbite & Musa, 2022). Ozaze and Anao (1999) defined finance in a restricted

sense where they regarded it as money affairs or money matters. It is the ability to purchase things and it includes all forms of money assets e.g, cash, debt, debentures, and equity certificates. In its broader sense, it is regarded as any form of asset which has a money denominator which is capable of being converted at some time or other, at least in the intermediate time into cash.

Capital may be classified into several types, including equity, debt, working capital, and fixed capital, each fulfilling distinct functions in the operational and strategic requirements of a corporation (Obi & Chukwu, 2023). In addition to money, finance includes decision-making procedures related to investments, budgeting, and financial oversight, which are crucial for operational efficiency and sustained performance (Lawal & Nwachukwu, 2024). In the MSME sector, access to money is a crucial factor influencing scalability and competitiveness, necessitating that entrepreneurs cultivate financial literacy and effective capital management procedures (Ibrahim & Bello, 2025).

Furthermore, Familoni (1999) stated that finance is the mobilization of all conceivable sources of funds and its allocation in the most optimal way. In the same vein, some scholars define funding (finance) as money given by government or organization for an event or activity. Akinfolarin (2007) however proffering a more comprehensive definition purpose of capital defines it as money and money worth assets, which should achieve four main objectives for acceptability and should be made available to:

- Manage and support the continuous survival/growth of the business.
- Meet financial obligations as they become due
- Promote profitability and appreciably yield of returns to investors.
- Be allocated and used in the most effective and efficient manner

From the foregoing, the issue of prudence is very glaring in order to achieve the goals of any business outfits and survival of it. This in effect calls for effective and efficient financial management of the business organization. As long as the focus is on getting the finance, capital or funds and effective and efficient use of the fund is played down, survival of business enterprise will always be a mirage.

As far back as 2004, Balogun reiterates that large funds were accessed for development of enterprises but the expected results are not feasible in the economy today yet. Supporting the position, Osinowo (2008) opines that the initiative of institutions or agencies set up to create funds for business outfits have become moribund either because the projects/business embarked upon were poorly packaged owing to errors, lack of entrepreneurial skills by promoters topmost of which is financial management incompetence. For instance, Osinowo(2003) expressed that N2.87bn was released to 47 enterprises for 67 investments: Balogun (2004) complimenting Osinowo, noted that as at 2004 as Balogun reported, N10billion were accessed by enterprises from the pool of funds set aside by financial institutions but the effect of this cannot be seen or felt in the economy owing to poor management, the core of which is poor financial management.

Misconceptions about Capital/Finance for Business

Many entrepreneurs, particularly in the nascent phases of their ventures, possess prevalent misunderstandings about money and finance that may impede their development and sustainability. A prevalent misunderstanding is the assumption that substantial financial resources ensure economic success, disregarding the need for effective financial planning, budgeting, and controlled expenditure (Oladipo & Musa, 2023). Some erroneously believe that external funding, such as bank loans or grants, is always superior than internal financing, neglecting the hazards associated with debt building and payback obligations (Okoye & Daniels, 2022). A common misconception is that securing finance diminishes the need of prudent management, often resulting in detrimental financial choices and business failure

(Ahmed & Ibrahim, 2024). Moreover, some small business owners contend that the upkeep of financial records and cash flow monitoring is just pertinent to large enterprises, disregarding its essential function in decision-making and sustainability (Garba & Chinonso, 2025).

According to Izedonmi (2007) opines that capital takes different forms, nature and components and when this is not placed in proper perspective, some misconceptions about the component or nature of capital will arise. Izedomi, emphasized that capital could take or include any of the following, wisdom capital, money capital, money worth capital and skill capital.

In the same vein, Akintunde (2005) describes wisdom capital as ‘character capital’ which is the appropriateness in the use of capital accessed. The other misconception about capital is that many sees capital mainly in terms of cash i.e ‘money capital’ whereas money capital, according to Akintunde (2005) is only a component of capital required by entrepreneurs and it contributes only twenty-five percent of the entire capital for a business. Money worth capital represents the money or money worth invested in business. Following or using these parameters to indicate or describe ‘Business’ capital will lead to the erroneous conclusion that capital is all you need to start a business. Whereas for this to be appropriate, it has to be integrated with other forms of capital. This is necessary because individuals may have money capital yet the business could either survive or fail as other components of business capital are not truly integrated as appropriate ‘Skill capital should also not be played down because if an entrepreneur is unskillful in-experienced or unreliable in the use of funds at his disposal, it becomes a greater liability leading to eventual failure, if adequate and convincing financial plan and management is not put in place. It is on this basis that efficient financial management is seen as an unavoidable pre-requisite for survival of business enterprise.

Management Related to Financial Management

Financial management encompasses the strategic planning, organisation, direction, and control of financial resources to effectively and sustainably attain an organization’s objectives. Financial management is a specialize function within management that emphasises decision-making related to investments, financing, budgeting, and the assessment of financial performance (Adewuyi & Salami, 2023). It guarantees that existing financial resources are deployed judiciously to optimise profits and mitigate risks. Efficient financial management is essential for sustaining liquidity, solvency, and profitability, particularly for small and medium-sized firms (SMEs), since financial errors may swiftly result in failure (Ogunleye & Nwosu, 2022). Every management and staff specialist of an enterprise or organization participates in the coordination of resources and the exercise of one or all of the managerial functions and all are working to achieve the stated objectives. Hampton’s (1981) believed that business depends on how efficiently and effectively it obtained and used its resources which exactly is the essence of financial management. Hampton noted that once people combine to accomplish some objective, a social machine is actualized and potential to accomplish more than any person can achieve alone is set in motion.

The view of Resmik quoted by Owualah (1999) opined that one of the primary causes of small business failure is the failure to keep accurate, up to date accounting records and controls. He viewed the issue as not only an accounting problem but a management problem. Without adequate financial records and control is like driving a vehicle without putting the brakes in shape. This lapse is bound to haunt the business in the years ahead that is if it survives till the later times. Kashif (2018) affirmed that the successful accounting information system would lead to the success of the organization in achieving its objectives but the unsuccessful information system could lead to the failure of the organization in achieving its goals meaning thereby an inability to grow and survive. Thus, if an efficient and effective financial system is not instituted right from the onset of a business venture and utilized as a basic management

tool, it would be a herculean task for the entrepreneur to understand the firm's stand viz a viz its assets and liabilities. There would be no warning signals about assets being dissipated as a result of observable inefficiencies. In order to appreciate and notice these inefficiencies, the need for efficient financial management becomes very relevant. Even if the owner manager is only conversant with the general principles of accounting system, the financial manager would be more involved in the financial management of the business and this involves the day to day making of decision as it affects finance.

Implications of Inefficient Financial Management

Owualah (1999) indicated that an absolute necessity for a business enterprise is the availability of funds when needed, as lack of capital in a firm can be a symptom of a deep-seated problem known as inadequate cash management. Financial management is the control of the business fund availability based on an understanding of and planning for its timely fund requirements. Therefore, ineffective financial management may significantly impact business sustainability, especially for small and medium-sized (SMEs). Inadequate financial planning, ineffective budgeting methods, and insufficient financial management often result in cash flow issues, heightened debt, and eventually, company collapse (Afolabi & Lemo, 2020). Business organization that inadequately manage their resources are less equipped to adapt to market fluctuations, capitalise on growth possibilities, or fulfil their operational commitments (Ezeani & Okoli, 2021). Furthermore, financial mismanagement erodes investor trust, heightens operational risks, and may lead to non-compliance with regulatory mandates (Ogbonna & Ijeoma, 2019). Inefficient financial procedures sometimes impede lending availability and obstruct growth for startups and expanding business (Ojo & Alabi, 2022).

Also, Owualah (1999) believed that the consequences of inefficient financial management can be grave or bring total disaster for the firm which include; the erosion of confidence and morale, lack of contingency funds to meet unforeseen circumstances that may arise, little room for maneuvering out if danger/mistakes, staff underpaid culminating in dissatisfaction/low morale, Taxes are unpaid with resultant penalties from authorities, Desperation through raising of prices beyond what customers are willing to pay resulting into loss of customers/reduction in sales, The uncanny that the doomsday/collapse of the firms is inevitable. When all or more of these implications encompasses a business ventures the failure of that firm cannot be avoided; hence the need for an efficient financial management to escape this albatross is desirable.

The Benefits of Efficient Financial Management

Financial management as a role commences with the pulling together of capital requirements for a venture and this could be derived from sundry sources such as personal savings, trade credits, bank loans/overdraft e.t.c, these funds are then invested in facilities, assets, acquisition of premises, working capital, hire purchase e.t.c. (Akinfolarin, 2007).

From the foregoing, it would be foolhardy to just highlight the relevance or benefits of an efficient financial management without looking at it through the role or functions of a finance manager. Efficient financial management provides several advantages crucial for the development, stability, and long-term viability of any business. It allows organisations to allocate resources efficiently, minimise waste, and maintain financial discipline, hence enhancing profitability and operational efficiency (Adebayo & Musa, 2023).

Akinfolarin (2007) describes these benefits by expressing them under two headings, that is, general functions and specific functions.

1. General Functions

- a) Management of finance optimally, this task involves
 - i. Payment of input costs by setting the creditors including payment of interests on borrowed funds.
 - ii. Payment of principal due to loan providers, tax to government and depending on the size of the business reward to shareholders.
 - iii. Recycling of funds generated back to business.
 - iv. Planning of capital needs.
 - v. Investing of surplus funds in business diversification or as appropriate,
 - vi. Procurement of assets from funds available to enable business becomes more efficient.
- b) Advising on government policy as they affect the business e.g tax law
- c) Management of working capital cash budgeting.
- d) Management of capital assets consideration of the best option in acquisition of assets.

2. Specific Functions

The financial manager is expected to

- a) Organize finance in an effective and efficient manner by ensuring that funds are:
 - i. Made available at the right time.
 - ii. Made available for the right length of time
 - iii. Obtained the lowest cost.
 - iv. Used in the most effective way.
- b) Manage finances and support the continuous survival and growth of the business thorough due care in the use of funds.
- c) Meet financial obligations as and when they become due.
- d) Promote profitability and appreciable yield of returns from time to time and effective management of debts.

From the above, benefits derivable in the use of financial managers in business outfits cannot be over-emphasized as when their functions are critically viewed, their major focus is business continuity or survival. These functions must not be down played as nobody engages in a business venture with the main aim of failure in mind, such could not be termed business as defined by several authors.

Conclusion

From the foregoing, it would be desirable for any economy to avail itself of the implied effects of efficient financial management in the business operation which will make business failure/collapse a thing of the past, leading to business expansion thereby reduce unemployment to barest minimum with positive effect on gross domestic product and an overall effect of stability in the business environment in particular and the economy in general. Therefore, it is concluded that financial managers should be given their rightful place in order to bring business ventures from their precarious financial situations to vibrant financial positions.

Recommendations

1. There should be entrepreneurship education through workshops, seminars, e.tc. where entrepreneurs will be enlightened more on trivial matters to avoid business collapse/liquidation.
2. Funds released for business venture should be closely monitored through stage disbursements as follow up to ensure guidelines on the use of funds so released to avoid loss of funds or ensure the expected input of business outfits or the economy.

3. The role of financial manager should not be eroded or downplayed in order to access the benefits of this all important specialist in business endeavours.
4. In order to guarantee continuous safety and growth of investor funds, the office of a financial manager should be given its rightful place even if it has to be on consultancy/part time basis.

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