

A Contemporary Roles and Challenges of Finance Manager

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Abstract-Financial manager is the person who has the responsibility to allocate funds to current and fixed assets to obtain the best mix of financing alternatives and develop an appropriate dividend policy within the context of the firm's objectives. The aim of the study was to review extensive literatures available in the area concerning the challenges, roles and responsibilities of financial manager. 30 articles which are significant have been collected and reviewed according to the highlighting points i.e., 'challenges of finance manager' and 'Roles and responsibilities of finance manager'. The study is based on secondary data collected from several journals, articles and books. The major role played by a financial manager is to look after the entire finance department to ensure financial health and financial sustainability of the organization. To perform their role, they need to overcome some of the major challenges faced by them they are challenge of technological up gradation, knowledge of strategic management, maintaining social relations, skills of communication, presentations and most important up to date knowledge of current policies relating with taxation, GST, party affairs and government policies along with some social and ethical problem. For further research a more indebt study can be carried out considering primary data along with a comparative study among the role of managers from different sectors.

Keyword: Financial Management, Financial Manager, Challenges & Manager's Role

Introduction

Finance is considered as 'the life- blood of an organizations. It examines the fundamental ideas behind how money can be taken from those who have saved it and managed by others who have power over it. Up until 1890, finance was an area of economics. Economics is the study of how to use limited resources effectively. Economics is the study of business decisions in areas such as production, marketing, finance, and personnel. Converting collected money to useful use is what finance comprises of. Its influence on other economic forces is so entangled that understanding its function is challenging

(FINANCIAL MANAGEMENT & INTERNATIONAL FINANCE, 2008)

Financial management is a part of managerial activity which is concerned with planning and controlling of the firm's financial resources. In simple words, it consists of acquiring, financing and managing assets to accomplish the overall goal of a business enterprise (mainly to maximize profit and wealth of the shareholders) (ICMAI, 2021)

There are two aspects of financial management; A) Procurement of funds (Sources of funds) B) Utilization of funds (Uses of funds).

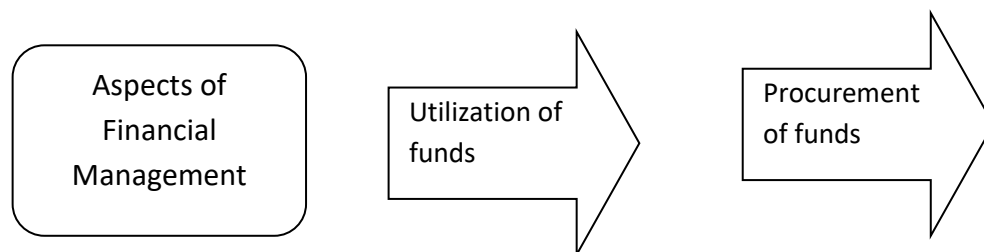


Fig 1: Aspects of Financial Management

At the initial stage of starting a business, huge amount of funds is needed; and to procure that

amount is a challenging task for the finance controller. The primary sources of funds are: issue

of equity and preference shares, debentures and bond issue, loan from financial or non-financial institutions, venture capital, angel financing, government funds, owners fund, retained earning etc. After procuring the funds, maximum and effective utilization of that funds is pertinent task for an organization. Under, financial management, three decisions are needed to be taken for managing and carrying the organization) Investing decision, ii) Financing decision and iii) Dividend decision.

Who is a Finance Manager?

Finance manager is the principal personnel responsible for the financial management of an organization including keeping financial records and reports. They are the full-fledged head of finance department they takes major decisions relating to investment, financing, dividend and liquidity or short-term asset mix of the entity ((Ekpo, Etukafia, & Udofot, 2017). They are entrusted with the responsibility to look after the day to day working such as custody of cash and bank account, collection of loan, investment portfolio of the corporation, premium payment, cash receipt and disbursements which includes account receivables, account payable, general

ledger, budgeting etc. They also prevent unauthorized payment made by the treasurer (Bidya & Das, 2015). Long-term sustainability of business depends largely on the ability of the finance manager to drive the finance process (Nguyen, 2001).

*According to Block and Hirt," **Financial manager** is the person who has the responsibility to allocate funds to current and fixed assets to obtain the best mix of financing alternatives and develop an appropriate dividend policy within the context of the firm's objectives."*

*According to Canadian Human Resources Division," **Financial managers** are those who plan, organize, direct, control and evaluate the operation of financial and accounting departments."*

There is no doubt that virtually every business transaction directly or indirectly requires the procurement and utilization of funds. Thus, the nature of the finance function is very broad which places enormous responsibilities on the finance manager. The role of finance manager is classified into two categories they act as Controller of finance and Treasurer, which are again subdivided as following categories.

Financial manager scope

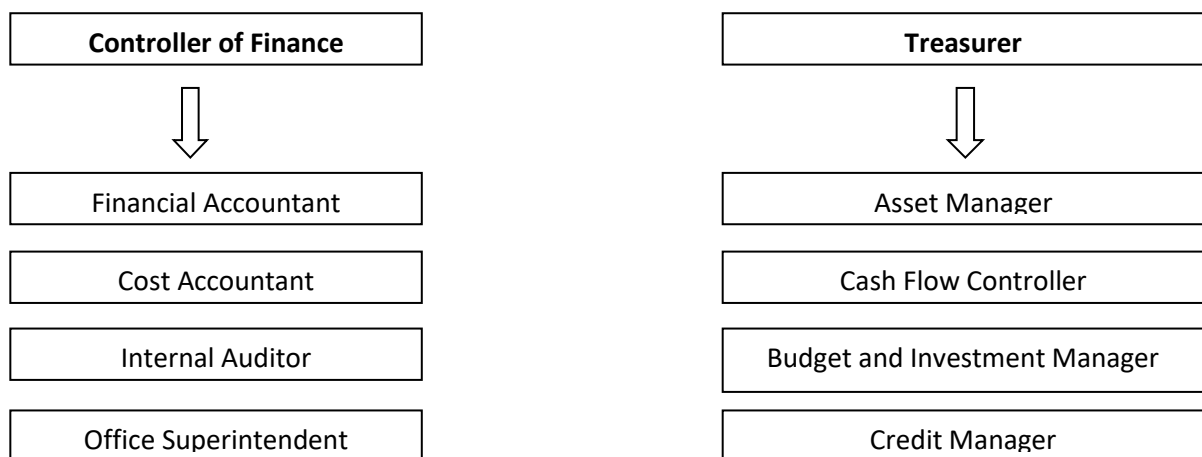


Fig 2: scopes of Financial Manager

Overall, it can be concluded that financial managers are someone who oversees the financial health of an organization and helps to ensure financial sustainability.

Objective of the study

An objective provides a direction for achievement or accomplishment of something, we likely to achieve in our life. Likewise in a research work; objective direct the authors to achieve its desired

outcome. Hence; the authors set three objectives for this study:

1. To determine the challenges faced by the finance manager while managing the organizations.
2. To discuss the roles and responsibilities of a finance manager in an organization.
3. To distinguish a comparison of roles under traditional approach and modern approach of financial manager.

Methodology of the study

Research methodology is a relevant part of a study. Under this study, the authors have applied secondary data from journals, articles, books etc. There are extensive literatures available on this area, but very few studies are available on the challenges, roles and responsibilities of financial manager. For this study, 30 articles which are significant have been collected and reviewed according to the highlighting points i.e., 'challenges of finance manager' and 'Roles and responsibilities of finance manager'.

Especially in developing countries, the financial managers of SMEs are facing the challenges of accessing financial resources. To survive in the market, a healthy cash management system is extremely pertinent in this era (Karadag, 2015). As per Kadam, R. N. (2012) proper assessment of capital requirement in future is one among the major challenges. The capital structure decision and Proper estimation of cost and profit is required to be made so as to earn required return. In different life cycle of a MSME, different obstacles confront the organization. They face difficult to access funds that too with lengthy procedure and shorter credit gap of the financial institutions. Under this situation, MSME can opt for alternative sources of funds such as hybrid instrument, alternative debt, asset- based finance and equity shares (Rajamani, Jan, Subramani, & Raj, 2022) Another challenge faced by financial manager as financial functionary within an organization is ever-changing regulatory requirements framework in the country and the rapidly changing information technology. The study also found that there are four broad categories of challenges faced by a financial manager in a manufacturing organization they are

Financial manager challenges in an organization

The finance managers of public sector enterprises have been facing various challenges while carrying their business. Some of the key challenges- cope up with updated technology and having right talent with proper knowledge and skills, and also to adapt rapid changes of strategic activities (Ilie, 2015) Tracking of loan is one of the major problems faced by the managers. The main reason for such problem is the inadequate data base or lack of past records. It also creates difficulties in budgetary control for the managers. Increasing administrative expenses continuously leads to misbalance in the budgetary control (Pariser, 1992) An author emphasizes challenges faced by the financial manager is outdated or inadequate forecasting techniques to manage both cash management and cost control. Low level of knowledge among the subordinates is also a challenge for the manager as it creates extra chaos for them. Constantly changing technological and economic environmental are one such challenge faced by them (Burgess, 2000)

Technological advances, fast-changing employee practices, ever-changing regulatory requirements and the fluctuating economic environment (Diedericks, 2007).

Not all of the conventional tools used in financial management in commercial organizations are appropriate due to the unique characteristics of public sector businesses; it is challenging to assess the efficiency of public institutions, because quantitative metrics are not always appropriate; although, public sector enterprises must be more receptive to new innovations and technologies, and they must employ them prudently (Tkachenko, 2020)

Another challenge focused by a study on the external ethical pressure faced by the financial managers of an organization. The manager has to deal with some undue political pressure which leads to ethical stress. Another challenge is fiscal stress which is cause due to exacerbate or increase external ethical pressure. The external party tries to gain benefits in the form of favors, information and more favorable decisions. Along with this manager involved in budgetary process bears high degree of external ethical pressure because they

have information that can affect external parties (Miller, G. J. et. al, 2005)

During global crisis, finance manager faces lots of difficulties and to handle them is also a challenging task. The major challenges faced by them during global crisis are informing power development, improvement in the informational technology to meet the global demands, full transparency in providing information to the stock market, accomplishing with the accounting standard (Saremi & Moinnezhad, 2014) Although, during the time of Novel corona virus, there are two main challenges for finance managers of organizations, firstly riskiness directly caused by COVID 19 and secondly loss of competitive advantages (Sun, Wu, & Chen, 2020)

In the era of blockchain technologies, the main challenge faced by the finance manager is globalization, due to which competition increases in every sector and lack of trust due to virtual relationships (MOSTEANU & FACCIA, 2020) Fraud while using of new technologies, money laundering and terrorist financing; identifying and managing the operational risks associated with third-party service providers; and maintaining the sustainability of financial institutions and the reliable and efficient functioning of payment systems are the challenges for the finance manager under the influence of financial technology (Doszhan, Pukala, & Yessenova, 2020). Under Cloud computing concept, managers encounter challenges of huge investment which requires to set cloud computing infrastructure, need expertise to manage the server and need regular maintenance which will ultimately lead to increase in cost, here the challenge of financial manager is cost reduction while adopting cloud computing (Toth & Wasieleski, 2013).

As suggested by (Osipov & Girfanova, 2020) Financial managers' professional development is influenced by the following variables: awareness of one's own psychological and physiological traits and abilities; deliberate professional choice; ability to adapt to university and work; willingness to pursue lifelong learning; and readiness for career changes. The following standards for the education of financial managers were determined by the authors based on these factors: a focus on teaching management, marketing, human

relations, entrepreneurship, and business skills to students; a project-based method for teaching practical skills through real-world experience; and tight cooperation between universities and businesses. One study revealed that aggressive financial behavior of the employees is one among the major social challenges faced by a financial manager (Taki & Soroushyar, 2023) Maintaining of human relations and personal development are common challenges of finance officers.

Role of Financial Manager

The role of finance manager is critical in an organization. Starting from finding the best sources of funds and conditions to access those funds are the indispensable role of a finance manager. The manager has to frame optimum financial structure to meet the organizations' goals. There are three core aspects of investment, financing and dividend decisions, beyond these activities, it is expected to handle taxation and risk management of the organization. The role of the manager in operational level is to maintain all records relating to purchase and sale of inventory, salaries of workers and employees, making all short-term budgets etc. (Ekpo, Etukafia, & Udofot, 2017) Under financial planning and control the duty of financial manager is to set standards and compare actual performance with the set standards. They also help in forecasting future goal and strategies and acquisition and allocation of resources as and when required. With the changing business environment, the role of financial manager is also changing, they are now concern with such issues like; corporate strategy like merger and acquisition decisions, strategic planning, protection of the firm's assets i.e., they managers are responsible for protecting these assets including properties, buildings, and equipment (Daniel, 2010) Financial awareness, teamwork, communication, time management, leadership, analysis, training, motivation self and others, planning, customer focused, ethics and integrity, presentations, flexibility, innovation, organization, strategic thinking, work ethic, problem solving, self-development, listening cultural awareness, negotiation etc. were the competencies which need to be cope up by the hospitality financial controller (Burgess, 2017).

According to (Baidya & Das, 2015); the main roles of a finance manager are:- financial forecasting, investment decisions, management of corporate asset structure, management of income, management of cash, decision about new sources of finance, contact and carry negotiations for new financing, analysis and appraisal financial performance, advising top management, incidental or routine functions etc.

Another role of the financial manager is to connect the company with financial markets through determining the financial policies and laws. A manager can enhance the image of the company, so to attract the interested stakeholders for investing their funds(Hermawan, 2021).The role of financial managers is continuously changing with the growth and development of technology and shifting view of management theories. However, adopting and communicating the necessary changes to the employees so that it can be successfully implemented is another role of finance officer (Bragg, 2012).In today's era, the finance manager determines the size and technology, sets the pace and direction of growth and shapes the profitability and risk complexion of the firm by selecting the best asset mix and by obtaining the optimum financing mix (Baidya & Das, 2015)

A study was conducted by (Putri, et. al 2019) among 92 financial management employees at Udayana University. As a result of the study, it was found that self-efficacy competence, and compensation had a positive effect on the performance of financial management employees as a result the role of financial manager is to keep a check on their employees so that they are highly motivated, get required compensation and give their best towards the organization. In the changing business environment, an organization to

grow and prosper it requires an empowered financial manager with required quality and knowledge to control the inflow and out flow of fund. The main role of financial manager is to comply with the monetary policies. The manager should be well aware of the functioning and changes in the stock market and assist the company to meet its financial goal. Financial manager is entrusted with the responsibility to achieve organizational goal and development (Saremi, 2014). The finance managers should take proper decision for the proportion of the capital structure, sometimes more debt finance makes the organization bankrupt; on the other hand, more equity finance makes the organization uncontrollable (Reddy, 2022) Financial managers are responsible for creating an entity's financial budget, overseeing it, and putting financial strategies into action to make the most of the company's financial resources in accordance with the organization's plans and budgets in order to achieve its financial objectives and increase shareholder's wealth (Ahoud Alnaqabi & Nobanee, 2021)

(Taki. &Soroushyar, 2023) shows that increasing honesty – humility by financial manager can decrease risk appetite and reduce aggressive financial behavior of the employees on the other hand decreasing honesty – humility by financial manager can increase risk appetite and aggressive financial behavior of the employees. Along with managing finance of the company the manager sometime deals with such financial behavior issue which they have to manage with great ease and intelligence.

The finance managers saw obstacles of Covid 19 as opportunities to cope up and compete with the other competitor and ranked their best position in the market (Sun, Wu, & Chen, 2020)

Traditional Role VS Modern Role of Financial Manager

Basis	Traditional Approach Role	Modern Approach Role
Aim	Finance manager concentrated on raising funds only during important events i.e., promotion, recruitment, expansion etc.	Finance manager focuses on different aspects such as technological innovation, beat the competitors, learning management skills, decision-making technique etc.
Solution of Problems	Under traditional role of finance manager, long term problems were being solved only.	Under Modern role of finance manager, both short term and long-term

		problems are being solved.
Capital structure	Finance manager failed to give consideration of mixing funds and frame the optimum capital structure.	Finance manager concentrates on structuring the capital, he knows how much to take from which source after analyzing the company's performance and requirement.
Cost of Capital	Finance officer failed to concentrate on minimizing cost of capital.	Finance officer focuses on minimizing cost of capital.
Technological Advancement	Finance manager dealt with paper work at the time of traditional approach. Absent of technological advancement.	Finance manager deals with advancing the technological software. Under this approach, he tries to upgrade their skills with the updated software.
Maintaining Social relations	Managers did not maintain social relations with their peers, colleagues, seniors and even with their customers or outsider parties.	Now a days, managers maintain a healthy relationship with both the insider and the outsider parties of an organization.
Sources of Funds	Under this approach, issue of shares or debentures along with loans from financial institutions were the primary sources funds of an organization. Managers only looked after those avenues.	Under this approach, various innovative sources of funds are taken into consideration by the managers such as crowd funding, fund from incubators, venture capital, angel funding, bootstrapping, government grants, winning different contests, micro finance providers or NBFCs etc.

Major Findings of the study

From the study, it reveals that the main challenges faced by the financial managers are: challenge of technological upgradation, knowledge of strategic management, maintaining social relations, skills of communication, presentations and most important up to date knowledge of current policies relating with taxation, GST, party affairs and government policies etc. The finance manager faces another challenge of flexibility to change in changing environment. It is found that problems with using out-of-date or insufficient forecasting approaches to manage both cash management and expense control was the challenging task for managers. MSME, find it challenging to get capital, especially given the lengthy processes and narrower credit gaps of the banking institutions. The management must cope with some unwarranted political pressure, which causes stress over morality. Financial stress is another issue that is aggravated or made worse by external ethical pressure. The outside party seeks advantages in the form of favors, knowledge, and better judgment.

The primary difficulty facing the finance manager in the era of blockchain technologies is globalization, which results in increased competitiveness across all industries and a lack of trust owing to virtual ties. The challenges for the finance manager under the influence of financial technology include fraud using new technologies, money laundering, and terrorist financing, as well as identifying and managing the operational risks related to third-party service providers, maintaining the sustainability of financial institutions, and ensuring the reliable and efficient operation of payment systems.

It reveals that the manager's job at the operational level is to keep track of all transactions involving the purchase and sale of inventory, employee wages, creation of all short-term budgets, etc. The responsibility of the financial manager under financial planning and control is to establish benchmarks and assess actual performance against those benchmarks. Additionally, they support the acquisition and appropriate resource allocation as well as the forecasting of future

objectives and strategies. The function of the financial manager is evolving along with the business environment, and they are increasingly concerned with things like corporate strategy, such as decisions regarding mergers and acquisitions, strategic planning, and the safeguarding of the company's assets.

Suggestions and Conclusion

As a result of the study, it can be stated that the job of a financial manager is not an easy task. As finance is required at every level and every sector of an organization, so as the role of financial manager is not limited to a particular sector or department he have to look after every financial transaction which lead to better financial health and financial sustainability of an organization. The role of financial manager is diverse he has to look after the finance problems along with that sometime he has to manage some social and ethical problem faced by the company. As we have compared the financial manager's modern role with the traditional one, we can see that even today the managers find it difficult to cope up with the advancing technology, so it would be great if the concern companies take certain initiatives to conduct proper training programmed for the mangers specially concentrating on cloud technologies. With the emergence of new and advanced accounting software and programs the managers need to adopt those which will help to build a strong strategic decision-making base. One of the challenges in front of the financial managers is being adaptive; they must be very adaptive to meet the need of the changing business environment and financial market. The financial managers must have strong communication skill and high industry specific knowledge, they need to maintain strong inter-departmental relationship, relationship with organization for which they need strong communication skill is required as well as a thorough knowledge in their area as well as other operating areas. Apart from this a financial manager should be honest and have high ethical values to deal with social and ethical problems, a finance manager who is honest and of high ethical value is highly valued in an industry that place a lot of emphasis on companies' transparency and integrity.

Future scope of the study

The study is completely based on secondary data collected from various sources like journals, books and articles. It would be of great importance if such study is carried out considering primary data along with a comparative study among the role of managers from different sectors.

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