Corporate Finance Law: Gist as well as Prominence

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ABSTRACT

Corporate finance consists of the financial activities related to running a corporation, usually with a division or department set up to oversee the financial activities. Corporate finance is primarily concerned with maximizing shareholder value through long-term and short-term financial planning and the implementation of various strategies. Everything from capital investment decisions to investment banking falls under the domain of corporate finance. Corporate finance is the area of finance dealing with the sources of funding and the capital structure of corporations, the actions that managers take to increase the value of the firm to the shareholders, and the tools and analysis used to allocate financial resources. The primary goal of corporate finance is to maximize or increase shareholder value. Although it is in principle different from managerial finance which studies the financial management of all firms, rather than corporations alone, the main concepts in the study of corporate finance are applicable to the financial problems of all kinds of firms.

DEFINITION OF CORPORATE FINANCE

Big business equals big money. At least that's how they've always said it. Of course, when you are an integral part of the business’ decision-making process concerning finances, there never seems to be enough money. If you work for a small business, especially a start-up, it seems like no one wants to give you money and no one starting the business has any either. Some days it feels like a no-win situation. We need money to grow and provide our product or service in order to earn revenue - we need money to make money. Never fear. This problem has been dealt with by business owners and corporate executives ever since humans first had the idea to go into business. One of the benefits of today’s modern business owner or corporate executive is that there are more sophisticated sources from which to draw capital and more defined and mature capital streams from which to seek financing. Corporate finance is the area of finance that deals with providing money for businesses and the sources that provide them. These sources provide capital to corporations to pay for structural improvements, expansion, and other value-added projects and enterprises. Capital is a good that can be used now. For this lesson, it will primarily refer to money. The purpose of corporate finance is to maximize shareholder value. There are many methods that a corporation can utilize to maximize shareholder value.

CHARACTERISTICS OF CORPORATE FINANCE

Financial Activity: Corporate finance is a financial activity. It includes planning, raising, investing and monitoring the finance of the company. In short, it includes all the financial aspects of the company. This work is done by the financial department headed by the finance manager.

Raising the finance: Corporate finance includes raising (collecting) finance for the company. Finance can be collected through shares, debentures, bank loans, etc. It is very difficult for new companies to collect finance because the investors do
not have confidence in new companies. However, it is very easy for reputed companies to collect finance due to their well-established goodwill in the market.

Investing the finance: Corporate finance also includes investing (using) the finance. The finance is used to achieve the objectives of the company. It is used to purchase fixed assets. It is also used for running the company. The finance must be used profitably.

Objective oriented: Corporate finance is objective oriented. That is, it is used to achieve the objectives of the company. The main objectives are, viz., (i) To earn maximum profits, (ii) To give a proper dividend to the shareholders, and (iii) To create a proper reserve for future growth and expansion, etc.5

Types of finance: There are two types of corporate Finance, viz., fixed capital and working capital. Fixed capital is also called long-term finance. It is used to meet the long-term needs of the company. It is used to purchase fixed assets. Working capital is also called short-term finance. It is used to meet the short-term needs of the company. It is used to pay the day-to-day expenses of the company. Medium term finance is also used to meet the medium term needs of the company.

Relationship with other departments: Corporate finance has a close relationship with all other departments in the company, i.e. Production Department, Marketing Department, etc. This is because all departments need finance continuously.

Dynamic in nature: Corporate finance is dynamic in nature. It goes on changing according to the changes in environment, circumstances, times, etc. So, the finance manager must use new and innovative ideas for collecting and investing money. He must use creativity while doing his job.

Requires proper planning and control: Corporate finance requires proper planning and control. Planning is required to collect finance from the investors. It is also required for investing the finance. Control is required to find out whether the finance is invested properly or not. If the finance is not invested properly, then corrective measures must be taken.

Managing finance is an art and science: Managing finance is an Art because it requires human skills and judgement. It is a Science because it follows a systematic approach.

Legal requirements: There are many legal requirements for corporate finance. The company has to take permission, from the Controller of Capital Issues, for collecting finance from the public. The company also has to follow all the rules of SEBI. A Sole Trader and Partnership Firm need not follow these rules.

Important part of business management: Corporate finance is an important part of business finance. “Finance is the life blood of business.” Finance is required for all business activities. It is required for promoting business. It is required for conducting the business smoothly. It is required for expansion, diversification, modernization, replacement of assets, etc. Finance is also required for paying taxes, dividend, and interest and for meeting contingencies6.

PROMINENCE OF CORPORATE FINANCE

The study of corporate finance is the study of the financial markets and their interaction with business. The study of corporate finance is the study of the conflicts and tensions that arise from matching the needs of those who want to invest their excess of wealth and those who need wealth to produce goods and services. Financial markets facilitate the matching process.

The for-profit sector, the public sector and the not-for-profit sector use the financial markets to find suitable sources of finance11.

The for-profit sector, as a business grows, its financing needs increase. The original owner, or entrepreneur, will need to find additional sources of finance. Investors lending money to businesses need a mechanism that allows them to limit possible financial losses. Investors want to be able to turn their investment back into cash at some point10.

The public sector. Governments funds public services and aim to fund these services through taxation receipts. Governments can borrow from investors, who have surplus savings, to plug any shortfall in funding. Like investors, when governments have a surplus of funds, they will want to invest.

The not-for-profit sectors. Organizations, such as charities, require funding and will use a combination of voluntary receipts and funding from investors. Investors will require a monetary return, as well as reassurance that their investment will be repaid7.

CORPORATE FINANCE INDIA

The economic renaissance in the 1990s brought by liberation of Indian economy had a stupendous effect on the financial health of India. The Indian financial market which was previously insulated from foreign investors were thrown open for foreign investments. And with modern economic policies (at par with western countries) in operation large quantum of foreign direct investments / FDI started to flow into the Indian market. The rise in business activities and its subsequent rise in financial activities led to the need of proper and accurate financing for corporates in India8. Corporate Finance India provides businessman, investors and entrepreneurs with finance and advice for proper and risk free investments with an eye for maximum returns. Corporate Finance India community relies on ready-to-use data, projections and information’s on India's economy. The projections / future-movements of the financial market are based on information and data collected from daily activities of the finance market. Corporate Financiers in India advices their clients after taking into consideration financial environment of the market along with important decisions taken by the Government which, compliments the financial health of the country. Corporate Finance India focuses on the provision of corporate advice and funding for Indian companies who wish to take advantage of the liquidity of the Indian financial markets. Corporate Finance India provides the following services to the Indian Corporate Markets9.

- Corporate Finance.
- Debt and equity funding.
- Start up and Growth capital.
- Pre-IPO finance.
• Real Estate Sales and Acquisition.

Corporate Finance India focus has been on entrepreneurial clients, whether individuals or businesses, and on providing funding and investment in entrepreneurial businesses. Corporate Finance India offers a complete solution to its client’s objectives through market research. A corporate Finance India company has an extensive network of investors and funding institutions and group of corporate associates. The Corporate Finance India community offers professional, personalized service and expertise both responsively and proactively.

REFERENCES

[2] International Corporate Finance 2017 by Indian Institute of Banking and Finance