INTERNATIONAL FINANCIAL MANAGEMENT

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ABSTRACT- International financial management also know as international finance is the management of finance in an international business environment that is trading and making money the exchange of foreign currency.

INDEX TERM- Introduction, Goal for international financial management, method of international investment, Risk analysis in international, process of risk management.

INTRODUCTION

International financial management, also known as international finance, is the management of finance in an international business[1] environment; that is, trading and making money through the exchange of foreign currency. The international financial activities help the organizations to connect with international dealings with overseas business partners- customers, suppliers, lenders etc. It is also used by government organization and non-profit institutions.

International financial management, also known as international finance, is a well-known term in today's world. It simply means financial management in an international business environment. It is different from financial management because of the different factors involved like currency, political situations, imperfect markets, and diversified opportunity sets.

Goal for international financial management

One of the most important goals of international financial management is the wealth maximization of shareholders. It is a long-term goal that a company cannot achieve just in a few days or even months. A company can achieve this objective by an excellent overall performance consistently year on year. By this, we mean that the managers should manage the funds such that it is always adequate as per the requirement of the company.

Separate budgets for separate functions within the organization need to be made and implemented. Working capital management should be effective, production and other allied activities should go on uninterrupted, and employee welfare should also be a priority. International financial management aims to maximize the profits of the organization by making correct investment decisions. It promotes investments that are safe and will generate good returns. Also, the utilization of funds should be such that the activities of the company go on without interruption. This will result in an increase in turnover and, thus, profits.

Method of Investment

International investment or capital flows fall into four principal categories: commercial loans, official flows, foreign direct investment (FDI), and foreign portfolio investment (FPI).

Commercial loans, which primarily take the form of bank loans issued to foreign businesses or governments. Official flows, which refer generally to the forms of development assistance that developed nations give to developing ones. Foreign direct investment (FDI) pertains to international investment in which the investor obtains a lasting interest in an enterprise in another country. Most concretely, it may

take the form of buying or constructing a factory in a foreign country or adding improvements to such a facility, in the form of property, plants, or equipment. FDI is calculated to include all kinds of capital contributions, such as the purchases of stocks, as well as the reinvestment of earnings by a wholly owned company incorporated abroad (subsidiary), and the lending of funds to a foreign subsidiary or branch. The reinvestment of earnings and transfer of assets between a parent company and its subsidiary often constitutes a significant part of FDI calculations. According to the United Nations Conference on Trade and Development (UNCTAD), the global expansion of FDI is currently being driven by over 65,000 transnational corporations with more than 850,000 foreign affiliates. An investor's earnings on FDI take the form of profits such as dividends, retained earnings, management fees and royalty payments. Foreign portfolio investment (FPI), on the otherhand is a category of investment instruments that is more easily traded, may be less permanent, and do not represent a controlling stake in an enterprise. These include investments via equity instruments (stocks) or debt (bonds) of a foreign enterprise which does not necessarily represent a long-term interest.

Risk analysis in International

Though there are different types of risk analysis, many have overlapping steps and objectives. Each company may also choose to add or change the steps below, but these six steps outline the most common process of performing a risk analysis.

Step #1: Identify Risks

Step #2: Identify Uncertainty

Step #3: Estimate Impact

Step #4: Build Analysis Model(s)

Step #5: Analyze Results

Step #6: Implement Solutions

=Process of Risk management

As already mentioned, the following steps are a general process for dealing with any kind of risk:

1.Identifying the risk
2.Assessing and quantifying the risk
3.Defining strategies to manage the risk
4.Implementing a strategy to manage the risk
5.Monitoring the effectiveness of the strategy in managing the risk

Conclusion

Conclusion In conclusion, financial management practices is a field which deals with financial decisions including short and long goals of the organization and ensures that there is a high return on the invested capital without necessarily taking excess finance risk.

Compared to national financial markets international markets have a different shape and analytics. Proper management of international finances can help the organization in achieving same efficiency and effectiveness in all markets, hence without IFM sustaining in the market can be difficult

Reference

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