



P-Glossary



Finance

Finance is the process of channelizing funds in the form of invested capital, credits, or loans to individuals or entities. For example, consumers, business firms, and governments need funds for their expenditures, covering debts, providing investments, or completing transactions. People accumulate funds in the form of savings deposits, pensions, insurance claims, savings, or loan shares which becomes a source of investment funds. Finance connects these savings to those in need of funds for productive investments. In general, finance can be classified into three areas:

Public-sector Finance: Financing at the government or public level is known as public-sector finance. Government meets its expenditures mainly through taxes, or if not it borrows money (i.e., public debt) to cover the deficits.

Corporate or Business Finance: Corporate finance is about raising funds as well as allocating funds for increasing profit. A company or other business organization will try to optimize its goals (e.g., profit, sales) by estimating future asset requirements and allocating funds in accordance with availability.

Personal Finance: Personal finance involves the optimization of finance at the individual level. If consumers are under budget constraints, they will borrow from banks or others to meet their needs.
