

Al-Saudia Virtual Academy Pakistan Online Tuition

Need for Finance.

Finance is the life blood of any business. In the early stages of development, the businesses were small. The methods of production were simple. The financing of business did not pose any problem to the entrepreneur as it was labor intensive. As time passed on the business began to grow both in size and in methods of production. The use of expensive machinery, round about methods of production, the employment of large number of workers, the bulk purchase of raw material, the marketing of goods at the national and international level etc. have made the business now capital intensive. The company form of organization is being relied upon more now.

The problem of finance in case of sole proprietorship form of organizations is not of serious concern even today as these organizations are run on small scale basis and are financed mostly from their owned capital. Even borrowing is on personal level and these are personally liable to repay the loans. Hence our discussion is confined now to the problems of corporate finance.