Finance Definition

Finance is simply how an individual or an organization manages its financial resources. It can include borrowing, investing, lending, budgeting, saving, spending, and forecasting. While people tend to think of finance in terms of money, finance is about more than cash.

Type of finance

1. Personal Finance

Personal finance refers to managing an individual's monetary resources across 5 key areas: Income, savings, investments, spending decisions, and asset protection. The goal is to make intelligent investment decisions and build a safety net and meet their goals without taking on too many debt obligations.

2. Public Finance

Like individuals, governments must allocate their resources to different sectors of the economy. Public finance is how federal, state, and local institutions track **revenue** and manage expenses for all the services they provide to the public.

Some of a government's most essential functions include collecting money from the public sector via taxes, raising capital through bonds, and channeling money into a broad range of services that benefit the public. When the public sector distributes tax revenues across multiple functions, including debt servicing, infrastructural development, and recurring expenditures. By overseeing **income** generation and government spending, government agencies help ensure a stable economy and prevent market failure.

Other aspects of public finance include tax management, debt issuance, budgeting, international trade, and inflation regulation. These factors have a direct and lasting effect on business and personal finance.

3. Business Finance (Corporate Finance)

Business finance, or **corporate finance,** covers all the financial activities related to running a business. You can think of this in terms of acquisitions and investments, funding, capital budgeting, risk management, and tax management needed for business growth in financial markets.

Companies must balance cash flow, risks, and investment opportunities to increase their value and strengthen their capital structure.

A great example of corporate finance is when a business chooses between **equity financing** and debt financing to raise capital. Equity financing is the act of securing funding through stock exchanges and issues, while debt finance is a loan that must be repaid with interest on an agreed date.