

Key participants in international financial functions economics essay



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Cross border business activities and international trade is not a recent term for the present business scenario and belongs to the complete world and peoples. We are doing business across the border from very old past like in the era of Mahabharta and during the Mughal Emperor it was on the peak but rules and regulations governing the International Trade are new in origin and now it is an organised and wide spread practice. During the 2nd world war the emergence of American economy give a new shape to the international trade and major economies consider this as the tool to invest their extra capital for taking the advantage of other resources as like cheap labour, raw material and huge market etc. So, since from its origin to present views, psychology and definitions goes to be renewed from time to time. All firms, domestic or multinational, are affected by changes in different trade rules and formats. Globalisation of business is the theme of almost all firms in the world. As world economies are growing and becoming more and more open because of liberalisation of regulations concerning international trade, the firms are doing businesses in various currencies and markets. As world economy gets more and more vast everyone need to understand the international financial management. So, due to emergence of International trade and differences in the currency and trade practices in the different economies the term INTERNATIONAL FINANCE came into existence. To take heed and grow in the era of globalization everyone is in need of to understand the terms like Multinational Trade, Currency, Exchange Rate, Cross Border Trade Mechanism, its financial structure etc.

International financial management

The main objective of Financial Management is to maximize the share holder wealth. In case of International Finance the objective becomes more complex and importance of management is inevitable because it includes a large investment and also affected by cross border relations. It is very difficult to determine fluctuations in the exchange rate and to forecast the cash flow. So, international finance management is concerned with the management of international financial functions commonly known as international finance functions.

The Scope of International Finance

The scope of International Finance is wide spread and is very large. Three conceptually distinct but interrelated parts are identifiable in international finance commonly, these are: –

The first Vice Chairman of TCS, while delivering a speech at the CII symposium in 1974 said, “ Unfortunately India could never participate in the industrial revolution because it lacked financial capital. But, 20 years from now, there will be a knowledge revolution in the world and India will participate in it because India has the highest knowledge density in the world and it is for companies to harness this knowledge capital and make Indians leaders in the knowledge revolution.”

Multinational Companies in India’ But, the scenario for ‘ MNC in India’ has changed a lot in recent years, since more and more firms from European Union like Britain, Italy, France, Germany, Netherlands, Finland, Belgium etc

have outsourced their work to India. Finnish mobile handset manufacturing giant Nokia has the second largest base in India. British

International finance is the examination of institutions, practices, and analysis of cash flows that move from one country to another. There are several prominent distinctions between international finance and its purely domestic counterpart, but the most important one is exchange rate risk. Exchange rate risk refers to the uncertainty injected into any international financial decision that results from changes in the price of one country's currency per unit of another country's currency.

To begin with trade, an importer pays for the import usually in a convertible currency. The exporter converts the foreign currency of the export proceeds into its own currency. The exchange of currency has thus led to the emergence of a globally spread of foreign exchange market. Foreign exchange market will be discussed in next chapter. When currencies are exchanged in FXM there arises another question as to what should be the exchange rate which will be discuss later own. But some light on it in brief is that how many units of foreign currency, a unit of the domestic currency would exchange. Thus the functioning of IFM and the determination of exchange rate form an integral part of the study of IFM.