1. **What Is Finance?**

Finance is a term broadly describing the study and system of money, investments, and other financial instruments. Some people prefer to divide finance into three distinct categories: public finance, corporate finance, and personal finance. There is also the recently emerging area of social finance. Behavioral finance seeks to identify the cognitive (e.g. emotional, social, and psychological) reasons behind financial decisions.

scholars have argued that the past few decades have witnessed an unparalleled expansion of financialization - or the role of finance in everyday business or life.

1. **The Basics of Finance**

Finance, as a distinct branch of theory and practice from economics, arose in the 1940s and 1950s with the works of Markowitz, Tobin, Sharpe, Treynor, Black, and Scholes, to name just a few. Of course, topics of finance - such as money, banking, lending, and investing - had been around since the dawn of human history in some form or another.

Today, 'finance' is typically broken down into three broad categories: Public finance includes tax systems, government expenditures, budget procedures, stabilization policy and instruments, debt issues, and other government concerns. Corporate finance involves managing assets, liabilities, revenues, and debts for a business. Personal finance defines all financial decisions and activities of an individual or household, including budgeting, insurance, mortgage planning, savings, and retirement planning.

1. **Public Finance**

The federal government helps prevent market failure by overseeing the allocation of resources, distribution of income, and stabilization of the economy. Regular funding for these programs is secured mostly through taxation. Borrowing from banks, insurance companies, and other governments and earning dividends from its companies also help finance the federal government. State and local governments also receive grants and aid from the federal government. Other sources of public finance include user charges from ports, airport services, and other facilities; fines resulting from breaking laws; revenues from licenses and fees, such as for driving; and sales of government securities and bond issues.

1. **Corporate Finance**

Businesses obtain financing through a variety of means, ranging from equity investments to credit arrangements. A firm might take out a loan from a bank or arrange for a line of credit. Acquiring and managing debt properly can help a company expand and become more profitable.

Startups may receive capital from angel investors or venture capitalists in exchange for a percentage of ownership. If a company thrives and goes public, it will issue shares on a stock exchange; such initial public offerings (IPO) bring a great influx of cash into a firm. Established companies may sell additional shares or issue corporate bonds to raise money. Businesses may purchase dividend-paying stocks, blue-chip bonds, or interest-bearing bank certificates of deposits (CD); they may also buy other companies in an effort to boost revenue.

For example, in July 2016, newspaper publishing company Gannett, reported net income for the second quarter of $12.3 million, down 77 percent from $53.3 million during the 2015 second quarter. However, due to acquisitions of North Jersey Media Group and Journal Media Group in 2015, Gannett reported substantially greater circulation numbers in 2016, resulting in a 3-percent increase in total revenue to $748.8 million for the second quarter.

1. **Personal Finance**

Personal financial planning generally involves analyzing an individual's or a family's current financial position, predicting short-term and long-term needs, and executing a plan to fulfill those needs within individual financial constraints. Personal finance is a very personal activity that depends largely on one's earnings, living requirements, and individual goals and desires.

Matters of personal finance include but are not limited to, the purchasing of financial products for personal reasons, like credit cards; life, health, and home insurance; mortgages; and retirement products. Personal banking (e.g. checking and savings accounts, IRAs, and 401(k) plans) is also considered a part of personal finance.

Among the most important aspects of personal finance are:

* Assessing the current financial status: expected cash flow, current savings, etc.
* Buying insurance to protect against risk and to ensure one's material standing is secure
* Calculating and filing taxes
* Savings and investments
* Retirement planning

As a specialized field, personal finance is a recent development, though forms of it have been taught in universities and schools as "home economics" or "consumer economics" since the early 20th century. The field was initially disregarded by male economists, as "home economics" appeared to be the purview of housewives. Recently, economists have repeatedly stressed widespread education in matters of personal finance as integral to the macro performance of the overall national economy.

1. **Social Finance**

Social finance typically refers to investments made in social enterprises including charitable organizations and some cooperatives. Rather than an outright donation, these investments take the form of equity or debt financing, in which the investor seeks both a financial reward as well as a social gain.

Modern forms of social finance also include some segments of microfinance, specifically loans to small business owners and entrepreneurs in less developed countries to enable their enterprises to grow. Lenders earn a return on their loans while simultaneously helping improve individuals' standard of living and benefiting the local society and economy.

Social impact bonds (also known as Pay for Success Bonds or social benefit bonds) are a specific type of instrument that acts as a contract with the public sector or local government. Repayment and return on investment are contingent upon the achievement of certain social outcomes and achievements.

1. **Behavioral Finance**

Behavioral finance, a sub-field of behavioral economics, proposes psychology-based theories to explain stock market anomalies, such as severe rises or falls in stock price. The purpose is to identify and understand why people make certain financial choices. Within behavioral finance, it is assumed the information structure and the characteristics of market participants systematically influence individuals' investment decisions as well as market outcomes.

Behavioral finance encompasses many concepts, but four are key: mental accounting, herd behavior, anchoring, and high self-rating. Mental accounting refers to the propensity for people to allocate money for specific purposes. Herd behavior states that people tend to mimic the financial behaviors of the majority, or herd. Anchoring refers to attaching a spending level to a certain reference, such as spending more money on what is perceived to be a better item of clothing. Lastly, high self-rating refers to a person's tendency to rank him/herself better than others or higher than an average person. For example, an investor may think that he is an investment guru when his investment performs optimally but will dismiss his contributions to an investment performing poorly.

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