

# Review Paper on Role of Fund Raising in Financial Management

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**Abstract:** *Without funds, the functioning of the organization is not possible. Funds management in any business is very important task in today's business environment. Active and competent management of the fund includes the application and use of the fund. The fund is used in such a way that generates more income for the company. Sometimes an idol fund can create the worst state of business. Possible sources of fund augmentation should be explored. The qualitative and rational task of financial managers is to decide how, when, what and how much funds are used. The knowledge, experience and qualifications of financial specialists are needed to distribute the fund, and the fund must be distributed so that the financial obligations of are fulfilled in a timely and accurate manner. It should be divided into funds based on liquid and capital. A liquid fund allocated to short-term resources to meet short-term obligations such as meeting daily expenses, paying suppliers, paying taxes to government agencies, and capital-based funds allocated to cover long-term resources.*

**Keywords:** Financial management, financial manager, Funds, business environment

## I. INTRODUCTION

There is need to plan to use the fund in such a way as to maximize the wealth of the organization. Management of the fund in such a way that it generates income on time at a low cost according to the objective set by the organization.

### 1.1 What is financial management?

Financial management means effective and effective formation, management, organization, determination and regulation of financial transactions.

### 1.2 The Essential Role of Financial Management

Financial management plays an important role in any organization. First, determines the purpose of the organization, and second, maximizes the wealth of investors. It helps managers make financial decisions. Fund invested in this way is not blocked by any ideal or supplementary fund. The financial manager must first understand what risks accompany business, understand the nature of business, competitors related to the respective business.

Fund monitoring is done by implementing a compliance and effective financial management system, each transaction is reviewed by a financial manager. The growth of any organization depends on its internal management system. Check the following points about funding:

- How to manage funding?
- How to manage funds?
- When to manage funding?

Finance is considered as the life force of any organization without finance and financial management the growth of the organization stagnates. Good financial management ensures the success of the organization. CFOs monitor the sources of funds and withdraw funds according to a plan at low cost to the organization.

"Managing your finances well is one of your most important tasks as an entrepreneur. However, many entrepreneurs fail to perform basic financial management, which gives them better control of their business and peace of mind.

The financial plan is different from your financial statement. Instead of looking at what has already happened, you make predictions for the coming months, income and expenses. Your forecasts act as an early warning system, helping you plan for cash flow shortfalls, identify financing needs and determine the best timing for projects.

Overcapitalization is a situation where the actual profit of a company is not sufficient to pay interest on bonds, loans and pay dividends on shares during a certain period. This situation occurs when a company acquires more capital than needed some of the capital always remains unused. As a result, the performance of firm shows a downward trend. The reasons can be-

1. **High advertising costs-** If the company incurs high advertising costs, so signing contracts, purchasing, insurance tasks, preparing documents etc. and the actual income is not enough. High costs, the company is overcapitalized in such cases. Buying a asset at an inflated price- When a company buys an asset at an inflated price, the result is that the book value of the asset is greater than the actual yield. Such a situation leads to overcapitalization of the company.
2. **The flexibility and boom period of the company-** the company must ensure its solvency and thus float during boom periods. This is the time when the return on capital employed is less. This results in real profit and earnings per share.
3. **Inadequate Depreciation Reserve -** If the CFO fails to provide an adequate depreciation rate, the result will be insufficient funds. When assets need to be replaced or when they become obsolete. New assets must be purchased at high prices, which turn out to be expensive.
4. **Liberal Dividend Policy -** When company managers freely distribute dividends to shareholders, the result is insufficient accumulated profits, which is very important for the high performance of companies. The result is a deficit in companies. New capital is raised to cover the shortfall, which turns out to be the most expensive event and leaves the company with a capital surplus.
5. **Overestimation of income-** If the promoters of a company overestimate the result due to insufficient financial planning, the result is that the company takes a loan that cannot be easily fulfilled and the capital is not invested profitably. This results in a reduction of income per share.

## II. CONCLUSION

Raising funds and using funds are two very important parts of Financial management for the estimated organizational growth. Every organization should have planned the effective use of funds. Management accountants focus on forecasting. They play exciting and forward-thinking strategic roles in many different types of organizations. They use various tools such as ratio analysis and investment valuation to determine the measure and analyze the financial performance of companies. Many CIMA-educated management accountants are at the heart of top companies in various roles, including financial analysts or CFOs. They participate in decision-making throughout the organization. The analysis they provide is critical to advancing the business environment and its smooth functioning.

## REFERENCES

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