



An Analysis of Fund Utilization and Financial Management At Section 8 Company

KOUNDER VELAN RAMU¹

1.Student, Department of Management Studies, Vels Institute of Science Technology & Advance Studies (VISTAS), Chennai

Dr. P. VINODHINI²

2.Assistant Professor, Department Management Studies, Vels University of Science Technology &Advanced Studies(VISTAS), Chennai

How to Cite this Article:

RAMU, K. V. (2026). An Analysis of Fund Utilization and Financial Management At Section 8 Company. International Journal of Creative and Open Research in Engineering and Management, <i>02</i>(05).

<https://doi.org/10.55041/ijcope.v2i5.208>

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ABSTRACT

Section 8 companies in India are non-profit organizations established to promote social welfare, education, charity, and sustainable development. Effective fund utilization and financial management are essential to ensure transparency, accountability, and long-term sustainability. This study analyzes fund utilization patterns and financial management practices using financial statements and analytical tools.

The study examines sources of funds, allocation efficiency, budgeting practices, and financial control mechanisms. It evaluates how effectively organizations utilize their resources to achieve objectives. The findings indicate that structured financial planning, proper monitoring, and transparent reporting significantly enhance fund utilization efficiency.

The study concludes that strong financial management practices improve operational performance, build stakeholder trust, and ensure sustainability of Section 8 companies. Furthermore, the adoption of modern financial tools and adherence to regulatory guidelines contribute to improved accountability and long-term organizational growth.

KEY WORDS

Fund Utilization, Financial Management, Section 8 Company, Non-Profit Organization, Financial Analysis.



INTRODUCTION

Section 8 companies are non-profit organizations registered under the Companies Act, 2013, aimed at promoting social welfare activities such as education, healthcare, charity, and community development. These organizations reinvest their income to achieve social objectives instead of distributing profits.

Financial management plays a crucial role in ensuring effective utilization of limited resources. Fund utilization refers to the allocation and use of financial resources for achieving organizational goals. Efficient utilization minimizes wastage and ensures maximum impact.

With increasing expectations from stakeholders such as donors and regulatory bodies, transparency and accountability have become essential. Financial tools such as ratio analysis, trend analysis, and comparative analysis help in evaluating performance and efficiency.

OBJECTIVES OF THE STUDY

1. To analyze the sources of funds received by the Section 8 company.
2. To examine the various sources of funds available to the organization.
3. To analyze the allocation and utilization of funds within the organization.
4. To evaluate the efficiency of fund utilization in achieving organizational objectives.
5. To assess the financial management practices followed by the organization.
6. To analyze fund utilization using financial tools such as ratio analysis, trend analysis, and comparative analysis.
7. To suggest suitable measures for improving fund utilization and overall financial performance.

REVIEW OF LITERATURE

Bhargava (2006)

The study highlights the role of NGOs in social development and emphasizes financial management for transparency and accountability. Proper budgeting and reporting systems ensure effective fund utilization and improve donor confidence.

Narayan (2005)

The study focuses on efficient use of limited resources through planning, budgeting, and monitoring. It concludes that financial management practices enhance sustainability and operational efficiency.

Panth (2006)

The research emphasizes transparency and accountability in fund management. Proper reporting and auditing practices strengthen credibility and help attract funding.

Lakshmi (2022)

The study highlights the importance of budgeting, auditing, and internal controls in improving financial performance. Strong financial systems contribute to better program outcomes.

Renjini (2018)

The study emphasizes financial planning, transparency, and diversified funding. Effective management practices improve efficiency and ensure long-term sustainability.



Bryce (2000)

The study emphasizes the importance of financial management in nonprofit organizations for achieving social objectives. It highlights that proper planning, budgeting, and forecasting help in efficient fund utilization.

McLaughlin (2009)

The study focuses on strategic financial planning in nonprofit organizations. It highlights the role of budgeting, reporting, and monitoring in ensuring transparency and accountability.

RESEARCH METHODOLOGY

Research methodology is a systematic approach used to solve research problems. It includes methods and techniques used for data collection, analysis, and interpretation, ensuring accuracy and reliability.

Research Design

The study follows a descriptive and analytical research design.

Data Collection

The study is based on secondary data collected from financial statements of the company.

Tools Used

- Fund Utilization Ratio analysis,
- Common size analysis, and
- Trend analysis are used.

Period of Study

The study covers the period from 2020–2021 to 2023–2024.

DATA ANALYSIS

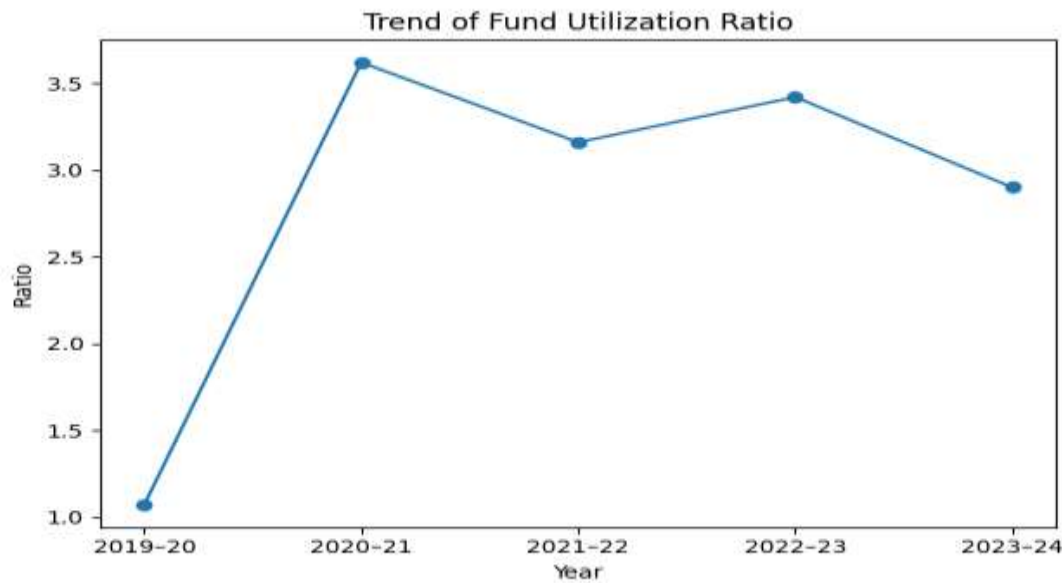
1. FUND UTILIZATION RATIO

TABLE 1: Fund Utilization Ratio

Year	Total Income (₹ Lakhs)	Total Funds / Assets (₹ Lakhs)	Fund Utilization Ratio
2023–24	3,524.01	1,215.17	2.90
2022–23	4,615.55	1,347.97	3.42
2021–22	3,108.33	984.67	3.16
2020–21	3,383.60	933.83	3.62
2019–20	2,120.00	1,980.00	1.07



CHART 1: Fund Utilization Ratio



INTERPRETATION:

The Fund Utilisation Ratio shows a declining trend over the years, decreasing from 3.62 in 2020–21 to 2.90 in 2023–24. This indicates that the company’s efficiency in utilizing its funds has reduced over time. The higher ratio in earlier years reflects better utilization of financial resources, whereas the recent decline suggests that funds may not be used as effectively, possibly due to increased investment, idle assets, or lower revenue generation.

TREND ANALYSIS:

TABLE 2: Trend analysis

Particulars	FY 2020 (Base)	FY 2021	FY 2023	FY 2024	Trend %	Trend %	Trend %	Trend %	Trend %
I. Non-Current Assets	401.25	310.87	549.72	462.03	100	77%	59%	137%	115%
Property, Plant & Equipment	303.91	303.91	287.27	166.83	100	100%	61%	95%	55%
Intangible Assets	97.34	97.34	25.2	10.24	100	100%	63%	26%	11%
II. Current Assets	531.06	673.8	798.26	753.13	100	127%	161%	150%	142%
Cash & Cash Equivalents	231.58	231.58	329.59	220.58	100	100%	226%	142%	95%



Bank Balances (Other)	225.65	225.65	370.49	379.33	100	100%	27%	164%	168%
Other Current Assets	73.83	32.72	75.2	119.92	100	44%	89%	102%	162%
TOTAL ASSETS (I + II)	932.31	984.67	1,347.98	1,215.17	100	106%	117%	145%	130%
III. Total Equity	578.37	700.12	888.34	793.27	100	121%	146%	154%	137%
Corpus Fund	150	150	150	150	100	100%	100%	100%	100%
Other Equity (Reserves)	428.37	428.37	738.34	643.27	100	100%	128%	172%	150%
IV. Total Liabilities	353.94	284.55	459.64	421.9	100	80%	70%	130%	119%
Non-Current Liabilities	50.83	52.35	32.57	30.31	100	103%	83%	64%	60%
Current Liabilities	303.11	303.11	427.07	391.59	100	100%	80%	141%	129%
TOTAL EQUITY & LIAB.	932.31	984.67	1,347.98	1,215.17	100	106%	117%	145%	130%

INTERPRETATION:

Total assets grew by 30% over the five-year period, increasing from a base of Rs. 932.31 Lakhs in FY 2020 to Rs. 1,215.17 Lakhs in FY 2024. This expansion was driven by a 42% increase in current assets and a notable 50% rise in accumulated reserves, signaling a stronger equity position and improved liquidity. Simultaneously, the organization successfully managed its obligations by reducing long-term liabilities to 60% of their original base levels by the end of the period.



COMMON SIZE ANALYSIS:

TABLE 3: Common Size Analysis

Particulars	FY 2020	%	FY 2021	%	FY 2022	%	FY 2023	%	FY 2024	%
I. Non-Current Assets	401.25	43.00%	310.87	31.60%	238.25	21.80%	549.72	40.80%	462.03	38.00%
Property, Plant & Equip.	303.91	32.60%	303.91	30.90%	185.72	17.00%	287.27	21.30%	166.83	13.70%
Intangible Assets	97.34	10.40%	97.34	9.90%	61.27	5.60%	25.2	1.90%	10.24	0.80%
Other Financial Assets	0	0.00%	0	0.00%	62.53	5.70%	237.25	17.60%	282.68	23.30%
II. Current Assets	531.06	57.00%	673.8	68.40%	855.31	78.20%	798.26	59.20%	753.13	62.00%
Cash & Cash Equivalents	231.58	24.80%	231.58	23.50%	524.19	47.90%	329.59	24.50%	220.58	18.20%
Bank Balances (Other)	225.65	24.20%	225.65	22.90%	61.04	5.60%	370.49	27.50%	379.33	31.20%
Other Current Assets	73.83	7.90%	32.72	3.30%	65.91	6.00%	75.2	5.60%	119.92	9.90%
TOTAL ASSETS	932.31	100%	984.67	100%	1,093.56	100%	1,347.98	100%	1,215.17	100%
III. Total Equity	578.37	62.00%	700.12	71.10%	847.14	77.50%	888.34	65.90%	793.27	65.30%
Corpus Fund	150	16.10%	150	15.20%	150	13.70%	150	11.10%	150	12.30%
Other Equity (Reserves)	428.37	46.00%	428.37	43.50%	550.12	50.30%	738.34	54.80%	643.27	52.90%
IV. Total Liabilities	353.94	38.00%	284.55	28.90%	246.42	22.50%	459.64	34.10%	421.9	34.70%
Non-Current Liabilities	50.83	5.50%	52.35	5.30%	42.38	3.90%	32.57	2.40%	30.31	2.50%
Current Liabilities	303.11	32.50%	303.11	30.80%	242.17	22.10%	427.07	31.70%	391.59	32.20%
TOTAL EQUITY & LIAB.	932.31	100%	984.67	100%	1,093.56	100%	1,347.98	100%	1,215.17	100%

INTERPRETATION:

The organization significantly shifted its asset base toward liquidity, with Current Assets rising from 57% of total assets in FY 2020 to a peak of 78% in FY 2022. Financial stability improved over the period as Total Equity grew to represent nearly two-thirds of the total capital structure, while Non-Current Liabilities were reduced by more than half relative to the balance sheet size. By FY 2024, Other Financial Assets emerged as a major component (23.3%), indicating a strategic move toward long-term financial investments compared to the purely physical asset base seen in FY 2020



DISCUSSION

Financial management practices play an important role in how effectively funds are used in Section 8 companies. Proper planning and budgeting help organizations allocate their resources in a structured and meaningful way. When budgets are clearly defined, it becomes easier to control expenses and focus on priority areas. At the same time, regular monitoring ensures that funds are used as intended and any deviations can be corrected quickly, improving overall efficiency.

Transparency in financial reporting is equally important, as it builds trust among stakeholders such as donors and government bodies. Maintaining accurate records and conducting regular audits not only improves accountability but also strengthens the credibility of the organization. The use of financial tools like ratio and trend analysis further supports better decision-making by helping organizations understand their financial position and plan for future needs.

In addition to these aspects, it is clear that long-term sustainability depends on how well organizations adapt to changing financial needs and challenges. Relying heavily on a single source of funding can create uncertainty, especially when external support fluctuates. Therefore, exploring multiple funding avenues and strengthening internal financial practices becomes essential.

Key Points

1. Proper budgeting helps in prioritizing expenses and avoiding unnecessary spending.
2. Monitoring systems ensure funds are used efficiently and deviations are corrected.
3. Transparent reporting increases trust and accountability among stakeholders.
4. Regular audits help in preventing misuse of funds and improving control.
5. Financial analysis tools support better planning and decision-making.
6. Dependence on donations can create financial instability.
7. Adoption of digital systems can improve financial management efficiency.

FINDINGS

The study reveals that the organization demonstrates a satisfactory level of efficiency in utilizing its financial resources. It is observed that financial planning plays a crucial role in ensuring proper allocation of funds across various activities and programs. The presence of structured budgeting practices contributes significantly to maintaining financial discipline and controlling expenditures. Budgeting not only helps in planning future activities but also ensures that funds are utilized in alignment with organizational objectives.

1. The fund utilization ratio shows that the organization has improved its efficiency after 2019–20, although a slight decline is observed in recent years..
2. The analysis of current assets reveals a significant increase in receivables, especially in 2023–24.
3. Cash and cash equivalents show fluctuating trends, indicating inconsistent cash management practices. This reflects the need for better liquidity planning and control.
4. Fixed assets, particularly plant and machinery, show a steady and substantial increase over the years.
5. Total assets have grown significantly from 2020–21 to 2023–24, showing overall organizational growth and increased financial activity.
6. Shareholder capital forms a major portion of total liabilities and shows consistent growth over the years. This indicates strong internal funding and reduced dependency on external borrowings.



7. Current liabilities have increased sharply in the latest year, indicating higher short-term obligations. This may create pressure on working capital and requires careful financial management.

Overall, the findings suggest that while the orgestablished a strong foundation in financial management, there is potential for further improvement through the adoption of advanced practices and strategic planning.

CONCLUSION

The study concludes that efficient fund utilization and strong financial management are essential for the success of Section 8 companies. Proper planning, monitoring, and reporting ensure effective use of resources.

Adopting modern financial practices can further improve transparency, accountability, and sustainability. Strong financial systems contribute to long-term growth and better achievement of organizational objectives.

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