EXPLORING THE IMPACT OF FINANCIAL MISMANAGEMENT ON SELECTED INDIAN FINANCIAL INSTITUTIONS: A COMPREHENSIVE ANALYSIS

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ABSTRACT

Indian economic growth can be seen in the progress of the country's banking sector. No nation can prosper economically without a robust and reliable banking system. Financial mismanagement refers to the poor handling and utilization of resources and funds by people or organizations, which results in losses or inefficiencies. This research delves into the complex interplay between financial mismanagement and its implications for selected Indian financial institutions. Providing an overview of the Indian financial system's pivotal role in economic growth, the study investigates various forms and potential causes of financial mismanagement within these institutions. A structured survey involving 390 respondents from diverse demographics examines awareness of financial mismanagement, beliefs regarding the impact of financial tools on performance, and perspectives on the quality of products offered. Descriptive statistics reveal a moderate awareness level and a significant majority acknowledging the positive impact of financial tools. The One-Sample Kolmogorov-Smirnov test challenges the null hypothesis, suggesting a substantial impact of product quality on the financial management practices of these institutions. Overall, the study contributes valuable insights into enhancing financial health and management practices within the context of selected Indian financial institutions.

***Keywords:* -** Financial Mismanagement, Indian Financial Institutions, Risk Management and Corporate Governance etc.

"INDIAN FINANCIAL SYSTEM"

Indian economic growth can be seen in the progress of the country's banking sector. Any country's progress towards greater economic prosperity requires a stable monetary system. The system is working successfully if it can transfer savings from savers to investors. The financial system contributes to accelerated economic growth and a better standard of life through boosting worker productivity. More than any other set of institutions and mechanisms, the financial system drives economic change. The success with which the financial system conducts its functions—such as "the mobilisation of savings or their efficient, effective, and equitable allocation for investment—sets the pace for the fulfilment of broader national objectives." The concept of the financial system is derived from the more general concept of finance. Money can be moved from savers to investors thanks to the financial system. It is crucially significant on a worldwide scale as well as at the national, regional, institutional, and personal levels. This indicates that the global and local financial systems are both healthy and sound.

No nation can prosper economically without a robust and reliable banking system. The country's financial system should be easy to use and robust enough to withstand pressure from within and beyond. The policy of financial inclusion has allowed the Indian financial sector to extend beyond the country's urban centres. India's continuous journey of moving from a "developing country" to a "developed country" is due to this phenomenon. The financial system serves as the connecting link between the surplus and deficit areas of the economy.

The financial system consists of the many banks, insurance companies, pensions, funds, etc. that provide various financial services to individuals.

Specifics of India's financial system are outlined here:

- It is crucial to the country's economic growth since it promotes thrift and business activity.
- It is useful for pooling and allocating one's financial resources.
- It makes it easier for banks and stock exchanges to grow.
- Contributes significantly to the development of new capital.
- Connection between saver and investor is facilitated.
- The issue of money provision is also essential.

Financial market involves number of financial institutions/intermediaries who perform a variety of functions. Their main purpose is to pool resources from savers/lenders and channelize these funds to spenders/borrowers. Their smooth functioning ensures proper conduct of monetary and fiscal policies. Being so important for the economic development all financial intermediaries are regulated while some are exposed to tight regulations others may end up operating under relatively fewer stern regulations.

Financial institutions as an intermediaries have a varied range of financial products and services to offer; serving as link between recipients and providers of capital and being the ones to execute the transactions involving financial assets, securities, cash and facilitate asset and risk management. This justifies that based on the facilitation they provide financial institutions can be classified as: financial markets and financial intermediaries.

Originating in the last decade of 18th century history of our Financial Institutions has their roots before Independence. Development of Financial Institutions is base for the economic development of the country. We have witnessed changes in the financial system and management over the years with the advancement in technology, regulatory reforms considering the needs of people.

Historically, the banking sector has been crucial in facilitating the flow of credit across sectors in India. Place having financial development is beneficial for Small and Medium Scale Companies and it provides them with easy access to credit which is otherwise difficult and indirectly reduces their probability of being bankrupt **Arcuri and Levratto (2018).**

INTRODUCTION TO THE CONCEPT OF FINANCIAL MISMANAGEMENT

Financial mismanagement refers to the poor handling and utilization of resources and funds by people or organizations, which results in losses or inefficiencies. It can happen at any level of an organisation, from individual workers to senior management, and it can have a big impact on the institution's financial health.

Fraud, embezzlement, misappropriation of cash, accounting mistakes, and bad investment choices are just a few examples of the various ways that money can be mismanaged. Inadequate financial controls, a lack of transparency, and a failure to adhere to rules and norms can also cause it.

Financial losses, brand harm, a decline in investor confidence, legal and regulatory repercussions, and other negative effects of financial mismanagement can be severe. Financial mismanagement can, in extreme circumstances, result in bankruptcy and the institution's dissolution.

In order to prevent financial mismanagement and identify it early when it does occur, financial institutions must have strong systems and procedures in place. This calls for a steadfast commitment to corporate governance, accountability, and transparency as well as a culture of moral conduct and adherence to laws and norms **(Conroy, 1996).**

Financial mismanagement in financial institutions can take various forms, including fraud, embezzlement, and financial misuse, accounting mistakes, poor investment decisions, non-compliance with regulations, inadequate financial controls, insider trading, and money laundering. Causes of financial mismanagement include poor financial planning, a lack of financial control, ineffective management, fraudulent activities, market and economic conditions, overdependence on debt, inadequate financial reporting, lack of risk management, poor cash flow management, internal control weaknesses, and a lack of accountability.

The impact of financial mismanagement on financial institutions is significant:

- **Reputational Harm:** Financial mismanagement can damage the reputation of financial institutions, leading to a loss of trust, customers, and market share.
- **Legal and Regulatory Sanctions:** Financial institutions may face fines, restrictions, and criminal charges due to legal and regulatory repercussions resulting from financial mismanagement.
- **Financial Losses:** Misallocation of funds, fraud, embezzlement, inefficient operations, and non-performing assets can lead to substantial financial losses for financial institutions.
- **Enhanced Risk:** Financial mismanagement increases credit, market, operational, and reputation risks for institutions, affecting their stability and viability.
- **Impact on the Broader Economy:** Financial mismanagement can contribute to economic slowdown, job losses, systemic risk, and a decline in investor confidence, affecting the overall economy.

Efficient risk management, regulatory control, and adherence to sound financial practices are crucial to prevent financial mismanagement and its negative consequences on financial institutions and the broader economy.

REVIEW OF LITERATURE

Mungar & Telukdarie (2023). In developing economies, "The Effect of Digital Financial Technologies on Advancing Financial Inclusion" Africa is one of the continents with the quickest economic growth. In spite of this, a significant portion of the population endures poverty and income disparity, which slows the country's progress. Researchers have poured time and energy into studying financial inclusion because of its potential to help those living in poverty. Most people in poor countries live in rural locations, which limits their access to urban centers and banking institutions. It has been acknowledged that the use of digital financial technology may help to speed up the process of financial inclusion for developing countries. The current findings lend substantial credence to the theory that broadening access to financial services has the potential to boost the economy in the near term. Access to financial institutions and the services they provide may be greatly facilitated using digital technology, especially artificial intelligence, in developing countries.

Kochar (2018) investigated the influence of household savings on the financial inclusion project in India. This effort has improved access to financial institutions through the use of mobile technologies and the practical delivery of services to rural households' doorsteps. Data gathered from rural households in the Indian state of Karnataka both before and after the policy's implementation are used in the study. The purpose of this research was to determine which communities within a bank's declared service zone met the geographical criteria condition by analyzing the size distribution of those villages. Famous people in the area have played an important role in this strategy. It is claimed that this programme has great potential to better the lives of the poor because it employs mobile technology to drastically cut down on the costs of delivering financial services to rural households.

OBJECTIVE OF THE STUDY

The objective of this paper is to investigate the relationship between financial mismanagement and the performance of selected Indian financial institutions.

RESEARCH METHODOLOGY

The research employs a quantitative approach, utilizing a structured survey to collect data from a diverse sample of 390 respondents representing various demographics. The survey focuses on evaluating participants' awareness of financial mismanagement, beliefs regarding the impact of financial management tools on performance, and opinions on the quality of products offered by selected Indian financial institutions. Descriptive statistics, including mean, standard deviation, minimum, and maximum values, provide a c2omprehensive overview of demographic characteristics. The One-Sample Kolmogorov-Smirnov test assesses the normality of factors related to these institutions, informing the evaluation of the null hypothesis regarding the impact of product quality on their financial management practices. This methodology aims to offer valuable insights for both academia and industry practitioners in understanding the implications of financial mismanagement on selected Indian financial institutions.

DATA ANALYSIS

Table 1: Descriptive Statistics table

Descriptive Statistics					
Variables	N	Minimum	Maximum	Mean	Std. Deviation
Gender	390	1	2	1.40	.490
Age	390	1	6	2.92	1.545
Education	390	1	3	1.91	.685
Your Designation	390	1	4	2.53	.977
Yearly Income	390	1	7	2.52	1.011
Work Experience In Years	390	2	5	2.51	.857
Valid N (listwise)	390				

The descriptive statistics for the different variables are shown in Table 1, which provides important information about the dataset's variability and central tendency. There are 390 respondents who have full information for every variable, as indicated by the "N" column, which shows the number of valid cases for each variable.

When it comes to gender, the mean is 1.40 and the standard deviation is 0.490. The lowest and maximum values are 1 and 2, respectively. Given that the mean is closer to 1, this indicates that the responder sample (coded as 1) is primarily male.

The age variable has values ranging from 1 to 6, which represent the age groupings that have been encoded. The computed mean age of 2.92, accompanied by a standard deviation of 1.545, suggests a considerable degree of heterogeneity in the respondents' age distribution.

The education scale is ranked from 1 to 3, with a standard deviation of 0.685 and a mean of 1.91. This implies that the average educational background of the respondents falls between "Graduate" and "Post Graduate."

The designation variable has a mean of 2.53 and a standard deviation of 0.977, and it runs from 1 to 4. The data suggests that there is a moderate degree of variety in the respondents' occupational classifications, with the mean falling between "Managers" and "Team leaders."

With a mean of 2.52 and a standard deviation of 1.011 for Yearly Income, which is coded from 1 to 7, the respondents appear to have a moderate degree of income variety.

job Experience In Years, which is coded from 2 to 5, has a mean of 2.51 and a standard deviation of 0.857, suggesting that respondents' job experience is rather variable.

To sum up, the descriptive statistics present an overview of the dataset's fundamental tendencies and dispersion, revealing important information about how the 390 respondents distributed important demographic factors.

Table 2 Frequency table of Awareness about the Financial Mismanagement

1. Are you aware of the term Financial Mismanagement					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	241	61.8	61.8	61.8
	No	149	38.2	38.2	100.0
	Total	390	100.0	100.0	

Graph 1 Frequency graph of Awareness about the Financial Mismanagement

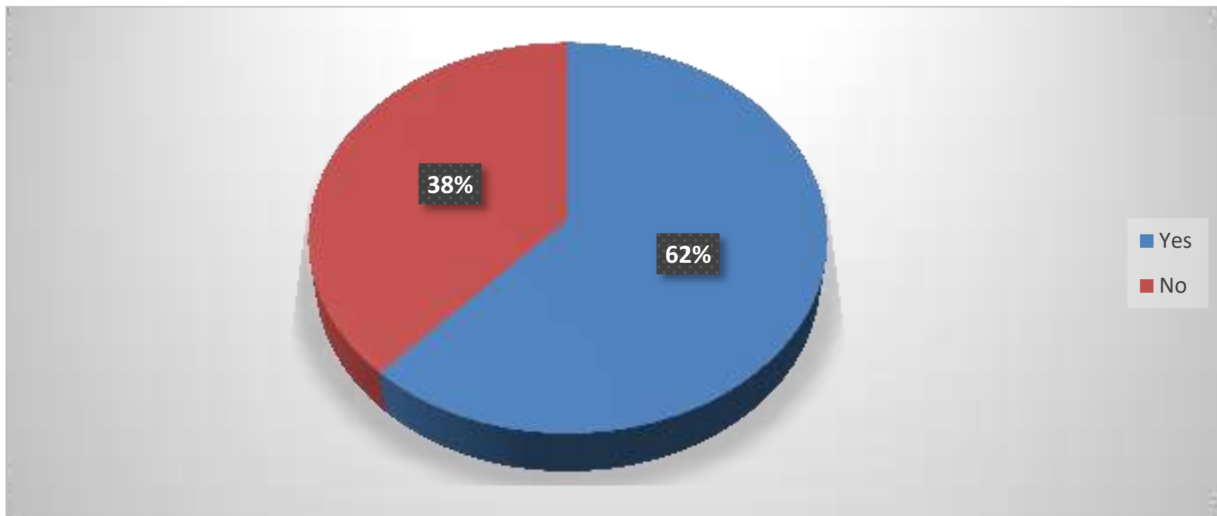


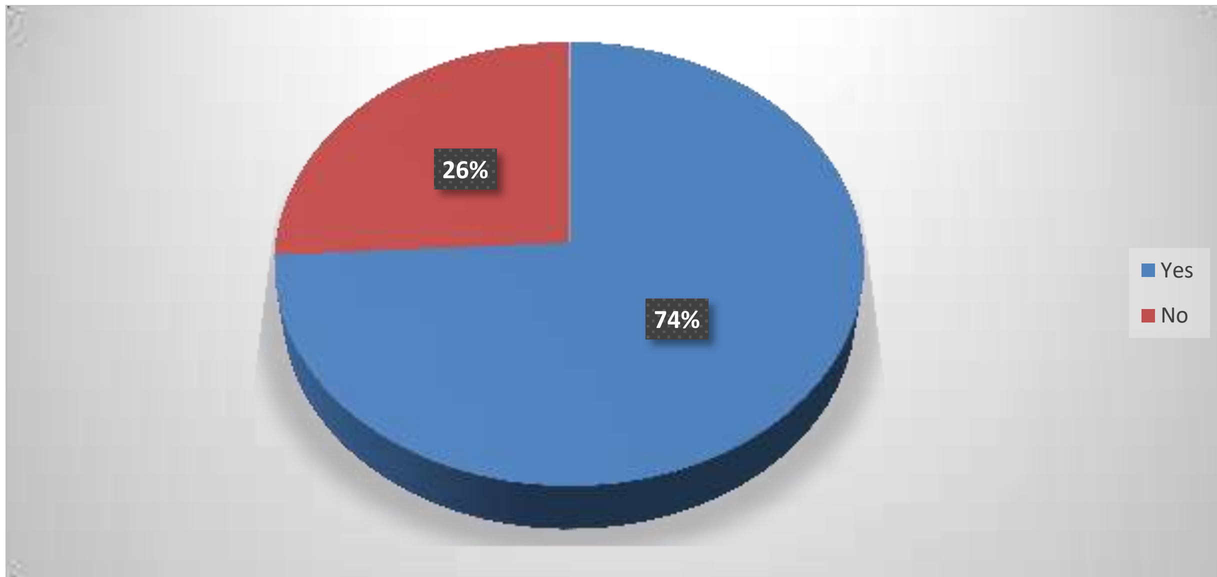
Table 2 shows the respondents' frequency distribution according to their knowledge of the term "financial mismanagement." Of the 390 respondents, the data shows that 241 are familiar with the term "financial mismanagement," whereas 149 are not. Furthermore, 38.2% of respondents do not know the term, compared to 61.8% who do.

According to the findings, 61.8% of respondents believe they are familiar with the term "financial mismanagement," while 38.2% do not. These results suggest that a sizable segment of the population is aware of the notion of financial mismanagement. Because the degree of awareness affects respondents' perceptions and reactions about financial management practises, researchers should take this into account when evaluating the study's findings and drawing conclusions.

Table 3 Frequency table of Financial Management tools help in improving the Performance

Financial Management tools help in improving the Performance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	289	74.1	74.1	74.1
	No	101	25.9	25.9	100.0
	Total	390	100.0	100.0	

Graph 2 Frequency graph of Financial Management tools help in improving the Performance



As shown in Table 3, the distribution of respondents' opinions regarding the usefulness of financial management tools in enhancing performance is presented.

Of the 390 respondents surveyed, the data shows that 289 think financial management technologies improve performance, while 101 disagree. Of those surveyed, 74.1% think that financial management tools contribute to better performance, while only 25.9% disagree. The findings imply that while 25.9% of respondents disagree, the majority of respondents, or 74.1%, think that financial management tools help to improve performance.

These results suggest that a sizable section of the sample believes that better performance and the use of financial management tools are positively correlated. When evaluating the study's findings and developing conclusions, researchers ought to take this perspective into account because it sheds light on respondents' attitudes and views about the influence of financial instruments on organisational performance.

To find the significant impact of the quality of products offered by selected Indian financial institutions on their financial management following hypothesis is framed;

H_{01}: The quality of products offered by selected Indian financial institutions not significantly impacts their financial management.

H_{A1}: The quality of products offered by selected Indian financial institutions significantly impacts their financial management.

Table 4: Descriptive Statistics table components related to your financial institution

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
Quality of Products	390	3.25	1.191	1	5
Return on investment	390	3.26	1.146	1	5
Insurance Facility	390	2.49	.599	1	3
Government Incentives	390	2.68	.580	1	3
Investment Opportunities	390	2.52	.568	1	3
Plant and Machinery	390	2.57	.590	1	3

Utilization of funds	390	2.83	.581	1	4
Tax Structure	390	3.04	1.163	1	5
Supply of funds	390	2.94	.672	1	4

Table 4 provides a detailed summary of the different elements associated with the financial institutions through descriptive statistics, which provide an understanding of the respondents' opinions. Looking at the average scores, the information shows that, generally speaking, respondents think these financial institutions' products are of a relatively high quality, with a mean score of 3.25 on a 5-point rating system. This implies that respondents generally have a positive opinion of the products' quality. Comparably, the mean values for other elements—like return on investment, insurance coverage, government incentives, investment prospects, plant and machinery, fund utilisation, tax structure, and fund supply—offer a more complex picture of the respondents' opinions about different facets of these financial institutions. While statistical analyses can give a more thorough assessment of the relationship between product quality and financial management in the context of specific Indian financial institutions, descriptive statistics can serve as a basis for investigating respondents' perspectives.

Table 5: One-Sample Kolmogorov-Smirnov Test table components related to your financial institution

Parameters	N	Normal Parameters[a,b]		Most Extreme Differences			Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
		Mean	Std. Deviation	Absolute	Positive	Negative		
Quality of Products	390	3.25	1.191	.217	.217	-.148	4.295	0.000
Return on investment	390	3.26	1.146	.200	.200	-.143	3.959	0.000
Insurance Facility	390	2.49	.599	.345	.251	-.345	6.817	0.000
Government Incentives	390	2.68	.580	.448	.290	-.448	8.850	0.000
Investment Opportunities	390	2.52	.568	.356	.265	-.356	7.029	0.000
Plant and Machinery	390	2.57	.590	.388	.233	-.388	7.656	0.000
Utilization of funds	390	2.83	.581	.352	.289	-.352	6.953	0.000
Tax Structure	390	3.04	1.163	.284	.284	-.184	5.612	0.000
Supply of funds	390	2.94	.672	.294	.275	-.294	5.805	0.000
a. Test distribution is Normal.								
b. Calculated from data.								

The table 5 shows the findings of a One-Sample Kolmogorov-Smirnov test for a number of financial institution-related factors, such as product quality, return on investment, insurance coverage, government incentives, investment opportunities, machinery and plant, funding utilisation, tax structure, and funding supply.

According to the Kolmogorov-Smirnov test, all components have consistent p-values of 0.000, which indicates that none of the components have a normal distribution. This can suggest that there is a large deviation from a normal distribution in each component's data distribution. This deviation from normalcy should be taken into account by researchers analysing statistical studies and drawing conclusions from these elements. Applying suitable statistical techniques that take into consideration non-normal distributions is essential for doing additional analysis and drawing relevant conclusions. As a result, the null hypothesis is disproved, and it is possible to conclude that certain Indian financial institutions' product offerings have a substantial influence on their clients' financial management.

H_{03}: Following department in the organization are not able to manage the causes of financial mismanagement according to opinion of male and female respondents;

- Marketing Management
- Sales Management
- Personal Management
- Engineering Management

H_{A3}: Following department in the organization are able to manage the causes of financial mismanagement according to opinion of male and female respondents;

Table 7.18: Descriptive table of gender and causes of financial mismanagement in departments

Descriptives									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Marketing Management	Male	235	2.39	1.004	.065	2.26	2.52	1	5
	Female	155	2.27	.956	.077	2.12	2.42	1	5
	Total	390	2.34	.985	.050	2.24	2.44	1	5
Sales Management	Male	235	1.40	.491	.032	1.34	1.46	1	2
	Female	155	1.38	.487	.039	1.30	1.46	1	2
	Total	390	1.39	.489	.025	1.34	1.44	1	2
Personal Management	Male	235	2.21	1.152	.075	2.06	2.36	1	5
	Female	155	2.30	1.223	.098	2.10	2.49	1	5
	Total	390	2.24	1.180	.060	2.13	2.36	1	5
Engineering Management	Male	235	1.41	.695	.045	1.32	1.50	1	5
	Female	155	1.30	.583	.047	1.20	1.39	1	4
	Total	390	1.37	.654	.033	1.30	1.43	1	5

A complete assessment of the thoughts expressed by male and female respondents about the organization's departments' capacity to address the root causes of financial mismanagement is provided in Table 7.18.

- Marketing Management: With average scores of 2.39 and 2.27, respectively, male and female respondents share comparable viewpoints. The average score for Marketing Management is 2.34, suggesting a moderate level of agreement regarding the department's capacity to address the root causes of financial mismanagement.
- Sales Management: Mean ratings for male and female respondents are 1.40 and 1.38, respectively, indicating similar sentiments. The mean score for Sales Management as a whole is 1.39, indicating a

comparatively poor assessment of the department's ability to address the root causes of financial mismanagement.

- Personal Management: The average score for male respondents is 2.21, whilst the average score for female respondents is 2.30. The department's overall mean for personal management is 2.24, indicating a moderate view of its capacity to handle the causes of financial mismanagement.
- Engineering Management: The average score for male respondents is 1.41, which is marginally higher than the average score for female respondents (which is 1.30). The overall mean for Engineering Management is 1.37, suggesting that the department's capacity to handle the causes of financial mismanagement is usually viewed with low regard.

FINDINGS AND CONCLUSION

The descriptive statistics provided a comprehensive overview of the demographic characteristics and perceptions of 390 respondents regarding financial management and related factors. The findings highlighted the diversity in gender, age, education, job designation, yearly income, and work experience among the participants. Notably, the respondents exhibited a moderate degree of awareness about financial mismanagement, with 61.8% indicating familiarity with the term.

Moreover, a substantial majority (74.1%) believed that financial management tools positively impact performance. These insights underscore the importance of considering respondents' perspectives when interpreting study results, especially in the context of financial management practices and awareness.

The analysis also delved into the opinions about selected Indian financial institutions, revealing that respondents generally perceived the quality of products offered by these institutions favorably.

Specifically, the One-Sample Kolmogorov-Smirnov test results challenged the null hypothesis, suggesting that the quality of products offered by certain Indian financial institutions significantly impacts their financial management.

In conclusion, financial mismanagement, characterized by poor resource and fund handling, poses significant risks to institutions at all organizational levels, from individual workers to senior management. Manifesting through fraud, embezzlement, accounting errors, and poor investment decisions, it can lead to severe consequences such as reputational harm, legal sanctions, financial losses, increased risk, and broader economic impacts. To mitigate these risks, financial institutions must prioritize robust systems, adhere to corporate governance and transparency, and foster a culture of ethical conduct. This research, focusing on selected Indian financial institutions, underscores the importance of addressing financial mismanagement through a comprehensive survey of 390 respondents. The study reveals a moderate awareness of financial mismanagement, with a majority acknowledging the positive impact of financial tools on performance and expressing favorable views on the quality of products offered. The One-Sample Kolmogorov-Smirnov test challenges the null hypothesis, indicating a significant influence of product quality on the financial management practices of these institutions. Overall, the findings contribute valuable insights for enhancing financial health and management practices in the context of selected Indian financial institutions.

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