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The Financial Performance of Commercial Banks and their Financial Management Practices: A Case Study

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ABSTRACT
The research used IDBI Bank's Hazratganj Branch in Lucknow as a case study to look at how financial management methods affect the bottom line of commercial banks in the city. Its direction came from three main points: i) to investigate the impact of risk management on IDBI Bank, Riyadh's financial performance ii) research the effects of working capital management on the financial performance of IDBI Bank's Hazratganj Branch, and iii) evaluate the effects of assets management on the same branch's financial performance. Integrating qualitative and quantitative methods, the study followed a phenomenological trend. So far, sixty-two people have participated in the research. Analysis of the data showed that the following management functions had the highest Adjusted R Square values: risk (66.4%), working capital (51.9%), and assets (82.5%). Finally, the financial performance was much improved because to the crucial role that risk management played. Evidence from this study supports the idea that risk management is an essential management function for sound financial results. Furthermore, it was shown that the commercial bank's financial performance was significantly improved by better asset management. Management should handle creditors and cash inventories well, according to the report, so that institutions may fund their activities without financial constraints. They also said that as commercial banks deal with liquid currency, it makes sense for them to improve their liquidity by maintaining good relationships with their shareholders.

Keywords: Commercial Banks ,Economy, Shareholders, Financial, Credit Risk.

1. INTRODUCTION

It is of the utmost significance to the world economy that commercial banks' financial management procedures and their financial performance be closely monitored. As go-betweens, commercial banks are crucial, transferring money from those who have extra cash to others who are short on funding. Both their own long-term viability and the health and expansion of the financial sector as a whole depend on how efficiently and profitably they operate. [1]

Profitability, asset quality, liquidity, capital sufficiency, and risk management are all parts of a commercial bank's financial performance, which is complex and multi-dimensional. Most people would agree that a bank's profitability is the best measure of its health as it shows how well the bank is able to make money and provide value to its shareholders. Profitability is an important indicator of a bank's health, but it is not sufficient on its own. [2]

Due to its direct effect on income generation and risk management, asset quality is an important factor in a bank's financial success. The interest that banks get on their assets and loans is a major source of their revenue. Capital adequacy and profitability may take a major hit if a large chunk of their loan portfolio goes bad.[3] In order to keep assets in good condition and reduce the likelihood of losses, effective credit risk management is required. This includes strict underwriting criteria, routine monitoring of loan portfolios, and proactive handling of non-performing assets. [4]

When it comes to managing their finances, banks also pay close attention to liquidity. For short-term transactions like client withdrawals and loan disbursements, banks need to have enough cash on hand. Negligible liquidity management may have devastating effects, such as tarnished reputations, fines from regulators, and even bankruptcy. [5] In order to effectively manage liquidity, one must diversify and stabilise their financing sources, keep an eye on liquidity ratios, and prepare for any cash shortages. [6]

Banks' capital sufficiency is a cornerstone of sound financial management. Banks are able to weather unexpected events with little damage to their solvency because capital acts as a safety net against possible losses. In order to ensure the safety of the financial system and the public's trust in banks, regulatory bodies have put capital adequacy rules in place. To effectively manage capital, one must strike a balance between meeting regulatory capital needs and producing sufficient returns for shareholders via meticulous planning, stress testing, and compliance. [7]

Because of their exposure to many different kinds of risk, including credit, market, operational, and reputational concerns, risk management is an essential part of financial management for banks. The three pillars of effective risk management are thorough risk monitoring and reporting systems, sophisticated risk modelling methods, and strong governance frameworks. As new risks arise and regulations change, banks must be flexible in their risk management approach to stay in compliance. [8]

Along with these more conventional parts of financial management, banks also need to be flexible enough to respond to new problems and trends. It is essential to invest in technology and innovation in order to keep up with the growing digitization of financial services, the emergence of fintech businesses, and evolving client preferences. When it comes to anti-money laundering, data protection, and ESG (environmental, social, and governance) standards, among others, banks must be on high alert to manage cybersecurity threats and stay in compliance. [9]

Commercial banks cannot survive the ups and downs of economic cycles without sound financial management techniques that allow them to keep profits high, minimise risk, and secure their future. Regulatory compliance, asset-liability management, capital planning, liquidity management, risk monitoring, and a host of other tasks are involved in these procedures.

The overarching goal of asset-liability management (ALM) is to maximise the connection between a bank's assets and obligations in the context of managing the bank's balance sheet. For ALM to be effective, banks need to implement measures to control liquidity risk, credit risk, interest rate risk, and make sure their assets and liabilities are well-aligned in terms of maturity, interest rate sensitivity, and other risk factors. [10]

A crucial part of a bank's financial management is capital planning, which entails calculating how much capital is needed to meet regulatory requirements, growth objectives, and the bank's risk profile. Financial institutions have a delicate balancing act between satisfying shareholders with reasonable earnings and keeping capital levels adequate. When preparing for capital, it is important to do things like conduct stress tests, evaluate capital sufficiency, and create backup plans for when more funding is required. [11]

Banks must practise liquidity management if they want to keep the public's trust and satisfy their short-term commitments. To avoid liquidity crises, banks should keep their financing sources diverse and reliable, keep an eye on liquidity ratios, and have a backup plan in case of emergencies. In addition to keeping enough liquid assets on hand to weather tough times, good liquidity management also entails minimising asset and liability maturity mismatches.
In order for banks to effectively manage risk, risk monitoring and reporting are essential components. Financial institutions need reliable systems and procedures to detect, quantify, and track several kinds of risks, such as credit risk, market risk, operational risk, and reputational risk. Ensuring that risk exposures are properly understood and that appropriate mitigation steps can be done in a timely manner requires regular risk reporting to senior management and the board of directors. [12]
Banks operate in a highly regulated environment, making regulatory compliance a crucial part of financial management. Financial institutions are subject to several rules and regulations, such as those pertaining to capital adequacy, liquidity, consumer protection, and anti-money laundering. Strong governance structures, thorough rules and processes, and constant contact with regulatory bodies are the pillars upon which effective compliance management rests.
Profitability, public trust, risk management, and systemic stability and development may all be advanced when commercial banks use sound financial management techniques.[13]

2. OBJECTIVES

1. To investigate the impact of IDBI Bank's Hazratganj Branch on Lucknow's financial performance and financial management.
2. To investigate the connection between IDBI Bank's financial performance and risk management.
3. To ascertain the connection between IDBI Bank's financial performance and working capital management.
4. To evaluate the connection between IDBI Bank's financial performance and asset management.

3. METHODOLOGY

In order to determine the connection between financial management and financial performance at IDBI Bank, Hazratganj Branch specifically, this research used a cross-sectional design, which involves collecting data over an extended period of time. The researcher was able to quickly collect data from a cross-sectional study. Narrative writing was used to communicate both quantitative and qualitative data. The following were defined and discussed in this section: research plan, classification, and research technique. An essential component of any good research study is the methodology, and this one employed a phenomenological approach. This strategy combined quantitative and qualitative methods, allowing for numerical and narrative representations of data, respectively. The interviewer was able to delve deeply into the respondent's topic-related emotions and motives using this study technique.
Hypotheses, beliefs, and attitudes about financial management techniques and organisational success were better understood with the use of qualitative data in this research. Due to the researcher formulating a hypothesis, positivism was used. The positivist and phenomenological schools of thought have come together in this. A case study methodology was used in the investigation. As part of this, we looked closely at IDBI Bank's Hazratganj Branch and how they use financial management strategies to boost their bottom line.

The research included both qualitative and quantitative methods, and it required the collection and transformation of data into numerical form, necessitating the use of statistical computations for drawing conclusions. The research employed a variety of tools, including self-administered questionnaires and materials, both quantitative and qualitative, to forecast potential relationships between the factors. Exploring and describing how this happened required the use of statistics in conjunction with a great deal of detail. Since financial management methods are prevalent at IDBI Bank, a representative private institution, it has been selected for this research.

Table 1: The distribution of the population and the sample size.

Respondents	Branch manager	Department heads	Committee members	Audit	Compliance officers	Support staff	Total
Population	2	10	23	5	10	22	72
Sample size	2	9	19	5	9	16	60
Sampling method	Census	Purposive sampling	Purposive sampling	Census	Purposive sampling	Simple random sampling	

Researchers anticipated department heads, committee members, and supervisors to have first-hand knowledge of the study variables, thus they employed a purposive sample strategy to pick respondents from this group. The study's design, which seeks to collect data from particular respondents, dictates this approach, which is crucial.
Respondents from the supervisor's pool were chosen using a simple random sampling method. This study used a random selection of respondents to ensure that the research was free of bias, as it gave almost all respondents an equal opportunity to take part in the survey.
Primary data from respondents is mostly collected using this study tool. In order to learn more about the impact of financial management methods on the financial performance of financial institutions, the questionnaire asked respondents to fill out both closed- and open-ended questions. Prior to processing, the data was validated and verified accurate. This required verifying for any mistakes by comparing the finished self-administered surveys. In this study, we used SPSS, a statistical package for the social sciences, to conduct both quantitative and qualitative analyses. Following processing, descriptive statistics were used to evaluate the summarised data, primarily by looking at the relationships between the research variables. We used SPSS version 17 to analyse the data. Financial management's impact on IDBI Bank's Hazratganj branch's financial performance was investigated using descriptive, factor, correlational, and regression analyses.

4. RESULT AND DISCUSSION

Financial Results and Risk Management

findings on the impact of risk management on the financial performance of IDBI Bank, Hazratganj Branch are presented, along with an analysis and interpretation of those findings. Tables below display the results.

Financial performance and risk management descriptive statistics

Table 2: IDBI Bank meticulously determines the risks associated with each of its business activities.

	Valid			Total
	Not sure	Agree	Strongly agree	
Frequency	5	24	29	58
Percent	8.8	42.1	49.1	100
Valid Percent	8.8	42.1	49.1	100
Cumulative Percent	8.8	50.9	100	

The findings show that 29 people (49.1%) strongly agreed, 24 people (42.1%) agreed, and 5 people (8.8%) were unsure, as shown in table 1. Results show that IDBI Bank systematically and comprehensively identifies risk associated with each of its activities, as 91.1% of respondents generally agreed with the statement. Workshops, interviews, brainstorming, surveys, and process mapping—which entails identifying and mapping the fundamental operations, processes, and value chains—are used by IDBI Bank's management and other relevant individuals to identify critical risks in operations, according to the report. The greatest approach for financial institutions to manage operational risk is to identify potential risks.

In order to mitigate operational risk, IDBI Bank has identified its possible sources.

The results are in table 2 below; the question was if IDBI Bank determines the possible source of operational risk.

Table 3: In order to mitigate operational risk, IDBI Bank has identified its possible sources.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	5	7	4	19	23	58
Percent	8.8	12.3	7	33.3	38.6	100
Valid Percent	8.8	12.3	7	33.3	38.6	100
Cumulative Percent	8.8	21.1	28.1	61.4	100	

According to Table 2, there were 23 people who strongly agreed (38.6%), 19 people who agreed (33.3%), and 4 people who were unsure (7.0%). Seven people, or 12.3%, objected, with five people, or 8.8%, expressing a severe objection. In a broad sense, 71.9% of those who took the survey agreed. Based on this, it seems that IDBI Bank has determined what might be the source of operational risk. Study risk identification is crucial for the following establishment of sustainable operational risk monitoring and management, according to the study's interviewees. It was also found out that risk detection lets the bank pay its bills on time without interfering with its regular, continuous operations.

Table 4: The bank's regulations and duties are updated to reflect any changes in risks.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	15	23	4	9	7	58
Percent	26.3	40.4	7	14	12.3	100
Valid Percent	26.3	40.4	7	14	12.3	100
Cumulative Percent	26.3	66.7	73.7	87.7	100	

According to Table 3, out of a total of 40.4%, 23 people were in disagreement, 26.3% were in severe disagreement, 14.0% were in agreement, 12.3% were in strong agreement, and 7.0% were unsure. According to the results, the majority of respondents (66.7% to be exact) do not think that the bank's policies and procedures adequately account for evolving risks. Based on the study's findings, IDBI Bank's risk identification processes fail to take into account both internal and external factors that could impact the bank's liquidity goals, such as the complexity of the bank's structure, the type of activities it engages in, the quality of personnel, organisational changes, and employee turnover.

Table 5: The Bank is cognizant of the merits and shortcomings of the risk management systems mandated under the Financial Institutions Act of 2004.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	20	19	3	9	7	58
Percent	35.1	33.3	5.3	14	12.3	100
Valid Percent	35.1	33.3	5.3	14	12.3	100
Cumulative Percent	14	26.3	31.6	66.7	100	

In regards to the Bank's knowledge of the merits and shortcomings of the risk management systems mandated by the Financial Institutions Act of 2004, 7(12.3%) highly agreed, 9(14.0%) agreed, 3(5.3%) were unsure, 19(33.3%) disagreed, and 20(35.1%) severely disagreed, as shown in table 4. The fact that 68.4% of people who took the survey did not agree with the statement suggests that IDBI Bank does not know how other banks handle risk. This has hurt the bank's reputation, driven up deposit fees, and necessitated the bank to keep a lot of cash on hand.

A thorough risk analysis is used to process all loan decisions.

The table contains the replies of the respondents who were asked to declare if a thorough consideration of risk is used to process all loan decisions.

Table 6: A comprehensive risk analysis is conducted for every loan decision.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	10	4	4	18	22	58
Percent	17.5	7	7	31.6	36.8	100
Valid Percent	17.5	7	7	31.6	36.8	100
Cumulative Percent	17.5	24.6	31.6	63.2	100	

Table 5 reveals that the majority of respondents (22, or 36.8%), agreed with the statement, while a small percentage (31.6%), disagreed with it, and a small percentage (7.0%) were unsure. With 68.4% of people saying they agreed, it's safe to assume that a thorough risk analysis is part of the decision-making process for each loan. It was found out that IDBI Bank's management considers the client's connection and collateral security while deciding whether to provide a loan. This is useful for deciding whether to proceed with processing the loan in question.

Table 7: IDBI Bank uses suitable quantitative analytical methodologies to analyse risk.

	Valid				Total
	Strongly disagree	Disagree	Agree	Strongly agree	
Frequency	8	7	22	21	58
Percent	14	12.3	38.6	35.1	100
Valid Percent	14	12.3	38.6	35.1	100
Cumulative Percent	14	26.3	64.9	100	

Table 6 displays the following responses: 21 (35.1% of the total) strongly agreed, 22 (38.6% of the total) agreed, 7 (12.3%) disagreed, and 8 (14.0%) very disagreed. The statement was agreed with by the majority of responders (73.7%). It may be inferred that IDBI Bank use suitable quantitative analytical methodologies for evaluating risk. "Standard deviation is one of the measures used to assess risk at IDBI Bank," the researcher quoted an IDBI Bank management as saying in interviews. Additionally, the research found that IDBI Bank uses covariance of analysis, a more detailed metric of risk assessment.

IDBI Bank promptly determines the probability of risk occurrence.

Table 6 shows the results of the survey asking respondents to indicate if IDBI Bank promptly evaluates the probability of occurrence of risks once they have been detected. This allows for an evaluation of potential effect and associated likelihood of occurrence.

Table 8: IDBI Bank promptly determines the probability of risk occurrence.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	21	22	2	4	9	58

Percent	36.8	38.6	3.5	7.1	14	100
Valid Percent	36.8	38.6	3.5	7.1	14	100
Cumulative Percent	36.8	75.4	78.9	86	100	

Table 7 reveals that out of the total number of responses, 9 (14.0%) were in strong agreement, 4 (7.1% agreed), 2 (3.5%) were unsure, 22 (38.5%) disagreed, and 21 (36.6%) severely disagreed. The fact that 75.4% of those who took the survey think that IDBI Bank does not promptly evaluate the probability of risk happening is evidence of this. According to the research, IDBI Bank's upper management has disagreements on the best way to define terms and the optimal number of categories to utilise when evaluating potential outcomes and their consequences during the planning phase.

Table 9: IDBI Bank estimates losses to quantify risk management.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	9	2	5	22	20	58
Percent	15.8	3.5	8.8	36.8	35.1	100
Valid Percent	15.8	3.5	8.8	36.8	35.1	100
Cumulative Percent	36.8	71.9	80.7	96.5	100	

According to table 8, 35.1% of respondents strongly agreed, 36.8% agreed, 8.8% were unsure, 3.5% disagreed, and 15.8% strongly disagreed. Ten percent of respondents were in the middle. According to the results, IDBI Bank measures risk management by estimating losses, as 71.9% of respondents agreed with the statement. Furthermore, according to PWC (1997), banks suffer losses due to insufficient internal procedures, people, and systems when they do not accurately predict the possible loss.

Table 10: Cash budgets are prepared on a regular basis.

	Valid				Total
	Strongly disagree	Disagree	Agree	Strongly agree	
Frequency	8	7	22	21	58
Percent	14	12.3	38.6	35.1	100
Valid Percent	14	12.3	38.6	35.1	100
Cumulative Percent	14	26.3	64.9	100	

Table 9 shows that most respondents (35.1% strongly agreed and 38.6% agreed) agreed with the proposition. It may be inferred that IDBI Bank consistently strives to have sufficient cash on hand to meet the operating levels specified by the functional budgets. It was disclosed that the bank seeks out methods to raise more capital in the event that liquidity is insufficient. According to respondents, the cash budget is prepared by the bank's accountant and other members of the finance and accounting department. This budget helps stakeholders understand the bank's cash requirements and decide how to allocate funds efficiently.

Table 11: The collection and distribution of funds is overseen effectively.

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	21	22	2	4	9	58
Percent	36.8	38.6	3.5	7.1	14	100
Valid Percent	36.8	38.6	3.5	7.1	14	100
Cumulative Percent	36.8	75.4	78.9	86	100	

According to the data in table 10, the majority of respondents (36.8% and 38.6%, respectively) strongly disagreed and disagreed. Since most people who took the survey didn't agree, it's safe to assume that bank workers are unaware of procedures meant to slow down disbursements and speed up collections. It was found that cash distribution and collection procedures are made to take advantage of payment and collection process flaws in order to lower a company's liquid asset balances, which include cash and marketable securities. Increasing the rate of revenues while decreasing the rate of disbursements is the goal.

Table 12: Efficient use and administration of finances

	Valid					Total
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Frequency	9	2	5	22	20	58
Percent	15.8	3.5	8.8	36.8	35.1	100
Valid Percent	15.8	3.5	8.8	36.8	35.1	100
Cumulative Percent	36.8	71.9	80.7	96.5	100	

Table 11 shows that most respondents (36.8% agreed and 35.1% strongly agreed) did not agree with the statement on the statement in general. This suggests that IDBI Bank has successfully obtained money and put it to good use, resulting in enough income to cover operating and financial expenses and provide a respectable return on investment. It came to light that the bank's money management system is well-designed and based on solid business concepts. This indicates that the bank is very concerned with the efficient use of money to maximise wealth and profit.

Discussion

With an impressive agreement rate of 78.9%, the results show that the bank is good at making its operations run smoothly. With a 68.4 percent agreement rate, IDBI Bank's cash flow forecasts are spot on. But 66.4% of those who took the survey disagree that there are times when people's financial commitments aren't satisfied. Also, 68.4 percent of people don't think workers always pay their bills on time. The majority of respondents (68.4%) had a good impression of the bank's working capital. As agreed upon by 73.7%, IDBI Bank aims to maintain operating cash levels. In contrast, when asked whether they are aware

of rules that aim to speed up collections and limit disbursements, 75.4% of employees disagree.[14] According to 71.9%, there is efficient use of funds, which results in a lot of income. The research highlights the bank's efficient use of fixed assets (71.9%) and encouraging investment returns (66.7%). With the backing of 73.7% of the population, cash flows are handled with care in order to meet commitments. [15] But with a disagreement rate of 73.7%, it is clear that there is a lack of an effective asset lifecycle management system. A 91.2% agreement rate indicates that, notwithstanding hazards, transactional procedures for the sale of fixed assets are seen favourably. The majority of respondents (78.9%) disagreed that investments haven't always been effectively allocated across categories. Still, 66.7% of people think that better accounts receivable management means better cash flow. [16]

5. CONCLUSION

According to the study's results, IDBI Bank's financial performance was positively correlated with risk management, lending credence to the idea that this management function was essential to the bank's success. The research also found that the commercial bank's financial performance was improved by better management of working capital. An important factor in the commercial bank's improved financial performance was the management of its assets. The commercial bank was able to get funding by skillfully overseeing its fixed assets and cash flow. The MFIs guided their financial performance by effectively managing their assets and keeping their liquidity levels high. There was a positive and statistically significant regression coefficient between the variables, according to the research. According to the results, the null hypothesis that financial management practices had no effect on IDBI Bank's financial performance was rejected, suggesting that the bank's financial performance would improve if its management practices were better.

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