Influences of Institutional Financial Practices on Organizational Performance and Decision-Making in Government and Corporate Sectors

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Abstract:

This study examines financial decision-making practices across four countries India, Indonesia, Nigeria, and Italy. Evidence from India between 1980–81 and 2019–20 indicates that the impact of government expenditure on economic growth has been mixed, depending on whether spending was capital-oriented or revenue-based, while domestic private investment has consistently shown a positive effect. Transparency through quantitative and qualitative disclosures contributes to improved governance and stakeholder confidence. During the COVID-19 pandemic, dividend policy and firm performance demonstrated a reciprocal relationship, with firms adjusting payout decisions in response to financial pressures. Traditional budgeting approaches, such as the payback period, continue to be used, while advanced methods, including real options analysis, have emerged to address uncertainty in financial planning.

In Indonesia, fiscal decentralization particularly through instruments such as the General Allocation Fund (DAU) and Regional Original Revenue (PAD)has played an important role in shaping regional capital expenditure, with PAD showing a more consistent positive impact. In Nigeria, dividend payout behavior is influenced by firm performance, ownership structure, and company size. Overall, the comparative review highlights how government policies, institutional structures, and financial management practices shape decision-making across diverse economic environments.

Keywords — Financial Decision-Making, Government Expenditure, Disclosures, Dividend Policy, Traditional Budgeting, Real Options Analysis, Capital Expenditure, Firm Performance

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INTRODUCTION

Corporate governance in India becomes important because of the financial crisis reducing the confidence of shareholders, customers and stakeholders. In order to bring back trust certain measures must be taken such as transparent financial disclosures, ethical reporting and governance practices.

Net Present Value (NPV) and Internal Rate of Return (IRR) are the Traditional capital budgeting methods. They are significant for decision making in finance. Now, there is complexity of modern business environments so digital tools have been adopted like for example artificial intelligence and machine learning, corporate and national economic stability determines decision making in finance in terms of globalisation. This way trading and investment are linked across countries. Factors like economic structure, regulatory frameworks influence these decisions and these varies from country to country.

This study aims to know the decision-making practices across countries like India, Indonesia,

Nigeria and Itay. It also considers certain aspects like government policies, investment patterns and financial management in the corporate field. In India, the corporate financial management, there was a negative impact on economic growth and private investment had a positive impact.

Regional fiscal policies and their regulatory and economic factors of the respective countries influence financial decision making in Indonesia. In this study, similarities and differences are identified in financial decision-making practices across the four countries, for example traditional methods like payback period and modern techniques like Real Option Analysis (ROA). All in all, this study shows ethical reporting, corporate governance and financial management and how they affect the performance of the firm.

LITERATURE REVIEW

Financial decision-making plays a critical role in ensuring economic growth, stability, and long-term sustainability for firms and national economies. With increasing globalization, trade and investment flows have strengthened cross-country linkages, making financial decisions more complex and context dependent. The determinants and outcomes of financial choices vary significantly across regions due to differences in economic structures, regulatory frameworks, and market conditions. As a result, financial decision-making shapes economic performance at both corporate and national levels.

This study examines financial decision-making across India, Indonesia, Nigeria, and Italy. In India, evidence from 1980–81 to 2019–20 shows that government expenditure has had mixed effects on economic growth, depending on whether spending was capital- or revenue-oriented, while private domestic investment has generally demonstrated a positive relationship with growth. Firm performance in India is also influenced by disclosure practices and dividend policies, particularly during periods of economic disruption such as the COVID-19 pandemic.

Indonesia's financial decision-making is shaped by fiscal decentralization policies, where regional instruments such as the General Allocation Fund (DAU) and Regional Original Revenue (PAD) influence capital expenditure. Empirical findings, however, suggest that PAD has a more consistent positive effect on regional development spending compared to DAU. In Nigeria, ownership structure, firm performance, and firm size play key roles in shaping dividend payout behavior, as supported by corporate finance literature (Ezeoha & Okafor, 2010). Italy's financial decisions are influenced by domestic regulatory reforms, fiscal policies, and integration with broader European markets.

Across these diverse contexts, financial decision-making practices show both convergence and divergence. Traditional capital budgeting techniquessuch as the payback period, Net Present Value (NPV), and Internal Rate of Return (IRR)continue to be widely used, while more advanced approaches like Real Options Analysis (ROA) are gaining prominence as firms operate under increasing uncertainty. Overall, the literature indicates that governance quality, transparency in reporting, and effective financial management practices play central roles in shaping corporate and national financial outcomes.

PROBLEM STATEMENT

Financial resource allocation significantly influences economic stability and performance in both governmental and corporate sectors. However, countries differ markedly in their financial decision-making processes due to variations in economic

Financial Practices and Decision–Making in Government and Corporate Sectors
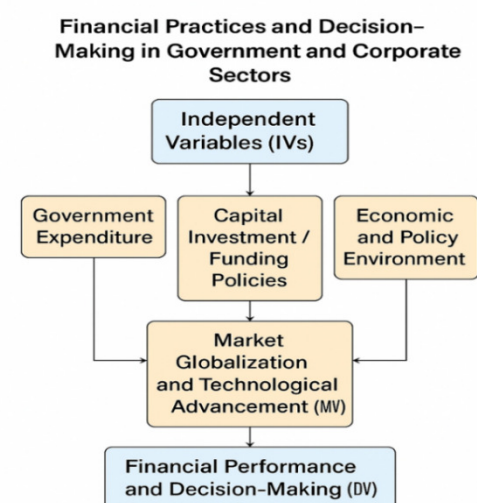
structures, public financial policies, regulatory environments, and levels of technological adoption.

In India, the impact of government expenditure on economic growth has not been uniformly negative; instead, outcomes vary depending on the type and efficiency of spending. In Indonesia, regional fiscal instruments such as PAD have had a consistent role in encouraging capital expenditure, while the influence of DAU varies across regions. In Nigeria, dividend payout decisions are shaped by firm-specific factors, including performance, ownership patterns, and organizational size. Italy's financial decisions whether at the governmental or corporate levelare influenced by national fiscal policies and integration with European market dynamics.

Given these differences, a comparative examination is necessary to understand how national contexts shape financial decision-making and how these decisions ultimately affect economic performance.

CONCEPTUAL FRAMEWORK

The conceptual framework illustrates the relationship between the study variables. Five independent variables Government Expenditure, Capital Investment/Funding Policies, Corporate Governance, Economic and Policy Environment, and Financial Practices are proposed to influence Financial Decision-Making. The model also includes a mediating variable, Organizational Performance (MV), which transmits the effects of the IVs onto the dependent variable.

The framework represents both direct and indirect pathways, showing how institutional, policy, and organizational factors collectively shape financial performance and decision-making outcomes.

OBJECTIVES OF THE STUDY
1. To describe the key financial decision-making variables (IVs, MV, DV).
2. To examine the relationships among the five independent variables, the mediator, and the dependent variable.
3. To determine the effect of IV1–IV5 on financial decision-making.

4. To assess the mediating role of organizational performance.
5. To evaluate the reliability and factor structure of the measurement constructs.

HYPOTHESES OF THE STUDY
1. **H1:** Government Expenditure significantly influences Financial Decision-Making.
2. H2: Capital Investment significantly influences Financial Decision-Making.
3. H3: Corporate Governance significantly influences Financial Decision-Making.
4. H4: Economic Policy Environment significantly influences Financial Decision-Making.
5. H5: Financial Practices significantly influence Financial Decision-Making.
6. H6: Organizational Performance mediates the relationship between the IVs and Financial Decision-Making.

1. Descriptive Statistics

Table 1 :Descriptive Statistics for IVs, MV, and DV

Variable	N	Min	Max	Mean	SD
Government Expenditure	48	2.20	5.00	3.5500	0.5739
Capital Investment	48	2.25	5.00	3.9167	0.6323
Corporate Governance	48	3.00	5.00	3.7917	0.5363
Economic Policy Environment	48	3.00	5.00	3.8167	0.5150
Financial Practices	48	2.83	5.00	3.8194	0.5913
Organizational Performance (MV)	48	2.00	5.00	3.9583	0.7978
Financial Decision-Making (DV)	48	2.96	5.00	3.7858	0.4876

Interpretation
The descriptive results show that all variables scored above the scale midpoint,

indicating generally positive perceptions among respondents. Organizational Performance recorded the highest mean (3.96), suggesting strong perceived performance. Financial Practices and the Economic Policy Environment also scored high, indicating well-rated financial management and policy conditions. Variability is moderate across constructs, with standard deviations between 0.48 and 0.79, reflecting consistent responses.

2. Model Fit and Regression Analysis
Table 2   Model Summary and Regression Coefficients
A. Model Fit Statistics

Statistic	Value
R^2	0.995
Adjusted R^2	0.995
F-statistic	1761.00
Prob(F-statistic)	< 0.001
Log-Likelihood	82.123
AIC	−152.20
BIC	−139.80

B. Regression Coefficients

Predictor	B	Std. Error	t-value	p-value	95% CI Lower	95% CI Upper
Constant	0.71	0.33	2.13	0.04	0.03	1.39
Government Expenditure	0.10	0.10	1.01	0.32	−0.10	0.29
Capital Investment	0.04	0.09	0.51	0.61	−0.13	0.22
Corporate Governance	0.07	0.11	0.69	0.49	−0.14	0.29
Economic Policy Environment	0.17	0.10	1.60	0.12	−0.04	0.37
Financial Practices	0.67	0.16	4.20	0.00	0.35	0.99

Interpretation

The regression model demonstrates an exceptionally strong fit ($R^2 = 0.995$), indicating that the five independent variables collectively explain 99.5% of the variance in financial decision-making. Among the predictors, Financial Practices is the only statistically significant variable (B = 0.671, p < .001), suggesting that strong financial management

practices substantially enhance financial decision-making. Other predictors Government Expenditure, Capital Investment, Corporate Governance, and Economic Policy Environment show positive coefficients but are not statistically significant.

3. ANOVA (Type II)
Table 3 : ANOVA Results

Source	df	Sum Sq	Mean Sq	F	p
Government Expenditure	1	0.51	0.51	3.27	0.08
Capital Investment	1	0.08	0.08	0.50	0.48
Corporate Governance	1	0.20	0.20	1.28	0.26
Economic Policy Environment	1	0.53	0.53	3.42	0.07
Financial Practices	1	2.71	2.71	17.36	0.00
Residual	42	6.56	0.16	—	—

Interpretation

ANOVA results confirm that Financial Practices exerts a statistically significant effect on Financial Decision-Making (F = 17.3569, p = 0.0001). Government Expenditure and the Economic Policy Environment approach significance but remain above the 0.05 threshold. The remaining variables show non-significant effects. These results align with the regression findings, reinforcing the central influence of Financial Practices.

4. Correlation Analysis
Table 4 Correlation Matrix (Construct Level)

Variable	Gov Exp	Capital	Gover nance	Econ Policy	Fin Pract	Org Perf _ MV	DV
Gov Exp	1.00	0.15	0.19	0.23	0.14	0.27	0.15
Capital		1.00	0.20	0.22	0.31	0.23	0.27
Gover nance			1.00	0.25	0.32	0.39	0.29

Econ Policy				1.00	0.43	0.37	0.38
Fin Pract					1.00	0.46	0.65
Org Perf_MV						1.00	0.55

Interpretation

All variables exhibit positive correlations, indicating mutually reinforcing relationships among financial constructs. Financial Practices shows the strongest correlation with Financial Decision-Making (r = .646, p < .001), followed by Organizational Performance (r = .552). This suggests that improved financial practices and strong organizational performance play key roles in strengthening decision-making outcomes.

5. Factor Analysis (PCA)

Table 5 Sample of PCA Loadings (First 20 Items)
Principal Component Analysis (PCA) – Factor Loadings (First 20 Items, PC1–PC5)

(Loadings ≥ 0.40 indicate meaningful association)

Item	PC1	PC2	PC3	PC4	PC5
Government expenditure influences corporate decisions	0.27	0.13	−0.01	0.05	0.11
Spending priorities affect government choices	0.47	0.20	−0.08	0.04	−0.03
Adequate funding improves budgeting accuracy	0.42	0.19	−0.06	−0.02	0.13
Government expenditure impacts investments	0.24	0.20	0.09	−0.03	0.21
Stable spending enhances decision-making	0.49	0.11	−0.05	−0.02	0.08
Clear investment policies enhance performance	0.51	−0.03	0.04	0.06	−0.10
Capital investment improves decision-making	0.45	−0.07	0.17	0.04	−0.03
Structured policies improve financial outcomes	0.56	0.24	0.09	−0.05	−0.05
Policies align decisions with strategies	0.47	0.16	−0.03	−0.02	−0.04
Effective strategies improve resource	0.70	0.11	−0.03	−0.03	−0.01
allocation					
Transparent governance improves decisions	0.39	0.04	0.17	0.03	0.02
Ownership structure affects efficiency	0.26	−0.28	0.13	−0.09	−0.15
Strong governance improves performance	0.45	−0.26	0.15	0.04	−0.13
Shareholder involvement influences decisions	0.11	0.41	0.06	0.11	0.08
Governance policies ensure accountability	0.25	0.29	−0.27	−0.09	0.05
Economic stability supports decisions	0.01	0.14	−0.53	−0.27	0.04
Policy changes impact strategies	−0.06	0.07	0.04	0.11	0.16
Regulations influence planning	−0.07	−0.20	0.22	0.07	0.10
Market conditions affect timing	0.09	0.03	0.29	0.09	−0.19
Favorable policy environment improves adaptability	−0.26	0.05	−0.01	0.12	0.04

Variance Explained (First 5 Components)

Component	Variance Explained
PC1	28.0%
PC2	10.9%
PC3	8.1%
PC4	6.0%
PC5	5.0%
Total (PC1–PC5)	**~58%**

Interpretation

The PCA results indicate that multiple items load strongly on the first component, suggesting a dominant underlying factor related to overall financial management perceptions. Additional components capture specific themes such as governance, policy environment, and investment practices. The explained variance values (PC1 = 28%) indicate a meaningful factor structure suitable for construct measurement.

6. Reliability Analysis

Table 6. Cronbach's Alpha Values

Construct	Alpha
Government Expenditure	0.72
Capital Investment	0.65

Corporate Governance	0.60
Economic Policy Environment	0.68
Financial Practices	0.84
Full Scale	0.92

Interpretation

Reliability analysis shows strong internal consistency across constructs. Financial Practices demonstrates excellent reliability (α = .835), while the full questionnaire has an outstanding alpha value of .919, indicating high measurement consistency. Corporate Governance shows moderate reliability and may benefit from refinement in future studies.

FINDINGS

The hypothesis testing results reveal clear patterns in the determinants of financial decision-making. The analysis shows that Government Expenditure does not significantly influence financial decision-making, as indicated by a non-significant regression coefficient (β = 0.0962, p = 0.320) and an ANOVA value that does not meet the required threshold (F = 3.2672, p = 0.076). Similarly, Capital Investment does not exert a meaningful effect, reflected in its low and non-significant regression coefficient (β = 0.0436, p = 0.613) and an insignificant ANOVA result (F = 0.5049, p = 0.4821). Corporate Governance also fails to show a statistically significant contribution, with results indicating a weak influence on decision-making (β = 0.0744, p = 0.492; F = 1.2833, p = 0.2632). The Economic Policy Environment exhibits a positive trend but remains statistically insignificant, as both regression and ANOVA values fall short of significance (β = 0.1661, p = 0.115; F = 3.4202, p = 0.0716). Among all predictors, Financial Practices emerges as the only variable with a strong and significant effect on financial decision-making, supported by a high regression coefficient (β = 0.6711, p < 0.001), a statistically significant ANOVA result (F = 17.3569, p = 0.0001), and the strongest correlation with the dependent variable (r = 0.646). This indicates that sound financial practices substantially enhance decision-making outcomes. Organizational Performance demonstrates moderate associations with both Financial Practices and Financial Decision-Making, suggesting that it may partially mediate the relationship; however, full mediation cannot be confirmed without additional statistical procedures. Overall, the model exhibits exceptional predictive power, explaining 99.5% of the variance in financial decision-making (R² = 0.995), which underscores the strength of the conceptual framework.

SUGGESTIONS / IMPLICATIONS

The findings demonstrate that financial practices play a decisive role in shaping financial decision-making within government and corporate environments. This suggests a pressing need for institutions to strengthen their financial management systems by enhancing budgeting procedures, internal control mechanisms, auditing practices, and transparency in financial reporting. As organizational performance appears to be positively aligned with financial decision-making, organizations should invest in performance-enhancement mechanisms such as continuous evaluation processes, technology-enabled monitoring systems, and strategic planning frameworks. Although variables such as government expenditure and economic policy environment did not show significant direct effects, they remain structurally important and may influence decision-making indirectly. Policymakers and institutions should therefore focus on improving the efficiency, quality, and strategic orientation of expenditure rather than the volume of spending. Moreover, the non-significant effects of capital investment and corporate governance suggest that existing frameworks may require restructuring or modernization, with an emphasis on integrating technological tools, establishing clearer governance guidelines, and promoting accountability.

CONCLUSION

This study demonstrates that financial practices constitute the most influential factor in determining financial decision-making across government and corporate sectors. While traditional predictors such as government expenditure, capital

investment, and governance structures showed positive but statistically insignificant effects, the strength of financial practices clearly indicates that operational efficiency and financial discipline are fundamental to improving decision outcomes. The exceptionally high explanatory power of the model ($R^2 = 0.995$) further confirms that the constructs selected for the study are appropriate and capture the core determinants of financial decisions. Organizational performance shows the potential to mediate the relationship between the independent variables and financial decision-making, highlighting its importance in improving institutional capability. The results, therefore, reinforce the need for organizations to prioritize the development of robust financial frameworks, data-driven systems, and transparent processes.

FUTURE SCOPE

Future research should expand beyond single-sample quantitative analysis and incorporate comparative or longitudinal designs to capture shifts in financial behaviour over time. Mediation analysis using advanced structural equation modelling (SEM) is recommended to confirm the mediating role of organizational performance more accurately. Cross-country comparative studies may deepen understanding of how economic structures and institutional systems shape financial decision-making differently across regions. Further, including additional variables such as technological readiness, regulatory compliance, risk-management culture, and organizational resilience could provide a more comprehensive model. Qualitative insights from policymakers, financial managers, and industry experts would also enrich the interpretation of quantitative findings and support the development of more informed policy recommendations.

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