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A Study on Asset And Liability Management with Respect To Indian Bank Limited

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Abstract: Asset Liability Management is one of the essential risk management tools in banks. Banks must work properly in asset-liability management in order to increase their performance.Moreover the asset-liability management function is not only a protection against risks. The security gained through asset and liability management also opens up opportunities for enhancing net worth. To study the assets and liabilities of banks and assess the impact of asset-liability management on bank profitability, we used ratio analysis. The analysis of asset-liability management in Indian banking will be carried out for the sample period of 2017 to 2021. It provides the necessary framework to define, measure, monitor, modify and manage these risks.

Keywords: Asset Liability, Ratio, Bank.

I. INTRODUCTION

The Bank was incorporated on March 5, 1907 in the Indian Companies Act. It was nationalized on July 19, 1969. Indian banking is one of the most public sectors in India. Indian Bank is a financial services company owned by the Indian state. The nationalization of fourteen major commercial banks almost decades ago completely changed the size and structure of the Indian banking system. Asset and liability management is essentially a hedging response to financial intermediation risk. It attempts to provide a degree of protection to the institution against intermediation risk and makes that risk an acceptable form of insurance. It provides the framework necessary to define, measure, monitor, modify and manage these risks. Moreover, the asset-liability management function is not only a protection against risks. The security gained through asset-liability management also opens up opportunities for enhancing net worth. asset-liability management can allow an institution to take a position that would have been considered too large in the absence of the protection offered by asset-liability management.

II. OBJECTIVES OF THE STUDY

- To Study the Assets and Liabilities in Banks.
- To Evaluate the impact of Asset Liability Management on profitability of banks.
- To Evaluate activity of Asset Liability Management in Indian bank by using Ratio Analysis.

III. DATA METHODOLOGY

The Analysis of Asset Liability Management in Indian bank will be carried out for the sample period from 2017 to 2021.This study is purely based on the secondary data, the sources of data were collected through various journals, books etc. Financial details of the Indian bank and the RBI website.

IV. LITERATURE REVIEW

Md. SalimUddin, &AnamulHaque(2016) There is no underlying fact to ignore the importance of asset-liability management policy to ensure profitability and long-run sustainability of financial institutions in any economy. The study has been conducted to investigate the impacts of ALM policy on the profitability of sample banks working in Bangladesh. The rationality of this study is to observe the degree of relationship of different assets and liability variables with profitability through applying Statistical Cost Accounting (SCA) model using time series data from 2003 to 2014. To identify the relationship among the variables. After analysis, Loans & Advances is found to have a significant positive relationship with banks' profitability.

Dr. AnuragB Singh*; Ms. PriyankaTandon(2012) Asset-Liability Management (ALM) is one of the important tools of risk management in commercial banks of India. The banking industry of India is exposed to number of risk prevailed in the market. The research paper discusses about issues in asset liability management.

Mr. Chetan Shetty1 Ms. Pooja Patel 2, Ms. Nandini3 (2016) Assets and Liability Management (ALM) is a systematic and dynamic process of planning, organising, coordinating and controlling the assets and liabilities or in the sense management of balance sheet structure in such a way the net earnings from interest are maximised within the overall risk preference of the banks. This study examined the effect of ALM on the Five Private Sector Banks profitability in Indian financial market by using Gap Analysis and Ratio Analysis Technique. The finding from the study revealed that banks have been exposed to liquidity risk.

Prabhakar1, Dr. S. Mathivannan2, J. Ashok Kumar 3(2017) In India asset liability of the banks' balance sheet of commercial banks posed serious challenges as the banks, which have direct impact on their operations, profitability and efficiency to compete with. The RBI of the country focused and advised banks for taking concrete steps in minimizing the mismatch in the asset-liability management. There had been many positive impacts of various strategies followed by banks in the last one decade.

S. P. Joshi1 & Dr. R. V. Sontakay (2017) Asset and Liability Management (ALM)plays key role in banking and finance industries. Any bank or financial industry will collapse without the use of ALM tactics. Therefore, to survive in the market, the ALM analysis is carried out timely by these industries to measure the value of risk factors involved. ALM analysis not only minimizes the risk but also it helps to achieve the financial goals of the industry. In this paper, we present a survey of various ALM techniques reported in the literature, aiming to financial stability. The survey helps for emerging banks to decide the different ALM process used by the banking industries and to select the efficient process out of the reported techniques.

V. ANALYSIS AND INTERPRETATION

Table: V.1. Analysis of Current Assets to Deposits Ratio

Year	Percentage
2020-21	6.2
2019-20	5.5
2018-19	6.73
2017-18	7.73
2016-17	6.46

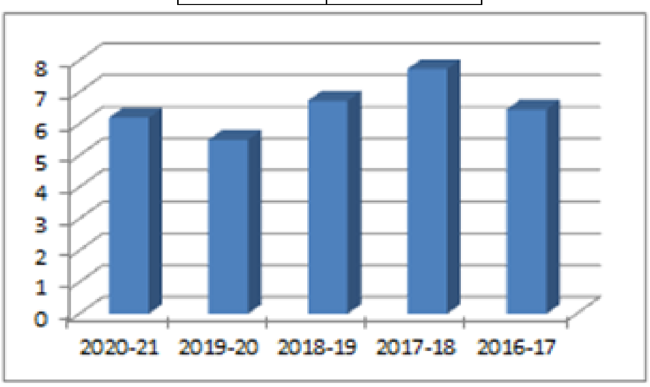

Fig1. Source Annual reports of Indian bank

In the year 2017-18 this ratio was 7.73% and reduced to 5.50%in 2019-20.which means that the proportion current assets funded by deposits has gone down, however the average proportion of current asset to deposits is high in 6.20 in the 2020-21.

Table: V.2. Analysis of Credit Deposits Ratio

Year	Percentage
2020-21	0.75
2019-20	0.7
2018-19	0.72
2017-18	0.74
2016-17	0.75

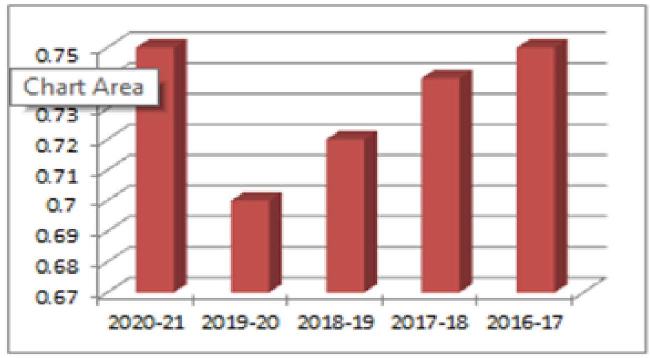

Fig2. Source: Annual reports of Indian bank

The ratio was 0.70 in the year 2019-20 that increased to 0.75 in 2020-21.The overall result of the tables expose that the advances of the banks are given through the deposit.

Table: V.3. Analysis of Debt Equity Ratio

Year	Percentage
2020-21	13.69
2019-20	12.71
2018-19	12.52
2017-18	13
2016-17	13.5

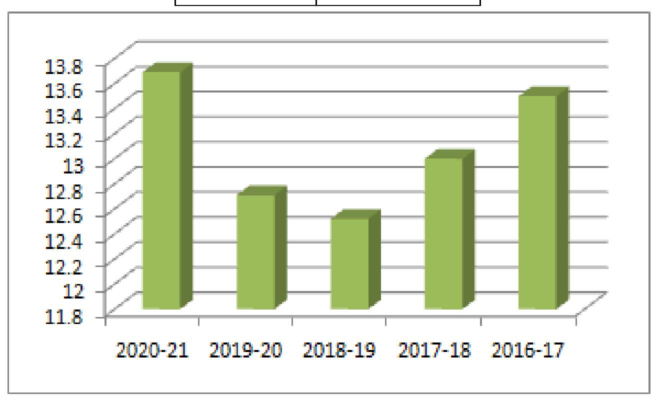

Fig3. Source: Annual reports of Indian bank

In the year 2020-21, a high ratio is 13.69 generally means that a company has been aggressive in financing its growth with debt. The Soundness of long term financial policies of a company.

Table: V.4. Analysis of Current Ratio

Year	Percentage
2020-21	3.4
2019-20	3.2
2018-19	3.1
2017-18	2.9
2016-17	2.1

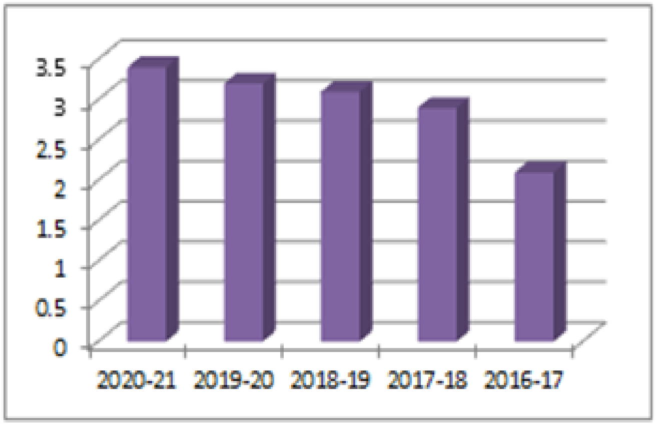

Fig4. Source: Annual reports of Indian bank.

The ability of a bank to pay its short-term obligations when they become due. A higher Current ratio indicates strong solvency position. A Current ratio is 2:1 is considered to be acceptable The Higher current ratio 3:4, the more capable of bank.

Table: V.5. Analysis of Quick Ratio

Year	Percentage
2020-21	2.08
2019-20	1.77
2018-19	2.12
2017-18	2.13
2016-17	1.69

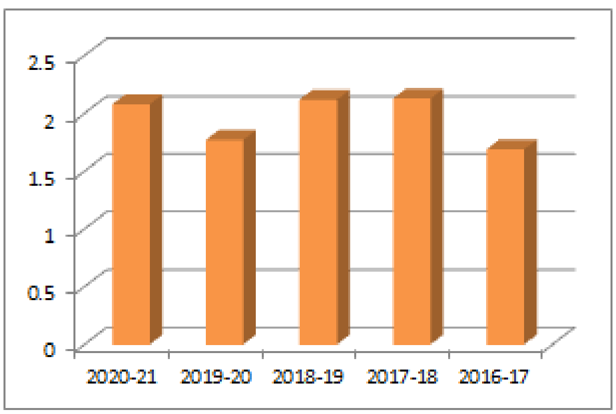

Fig5. The Quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. In 2018-19, the higher ratio is 2.12. The better company's liquidity position.

VI. CONCLUSION

It has become the prime focus in the banking industry, with every bank trying to maximise yield and reduce their risk exposure. Asset Liability Management is one of the vital tool for risk management in banks. The banks have to work properly with regard to the Asset Liability Management so as to increase their performance. Managing the Asset and Liabilities is crucial for every bank.

VII. REFERENCES

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