**A Study On Asset & Liability Management**

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**Abstract:**

Asset liability management is concerned with strategic balance sheet management involving risks caused by changes in interest rates, exchanges rate, credit risks & the liquidity position of industry. Asset liability management is about management of net interest margin to ensure that its level & riskiness are compatibles with risk/return objectives of the industry. It is more than just managing individual asset & liabilities. In addition, asset liability management requires an understanding of the market is in which the industry operates. Asset liability management is required to match asset liabilities and minimize liquidity as well as market risk. An effective asset liability management technique aims to manage the volume mix, maturity, rate, sensitivity, quality & liquidity of assets & liabilities as a whole so as to attain a predetermined acceptable risk/ reward ration.

**Keywords:** Asset liability management, risk/return, liquidity

**INTRODUCTION:**

Asset Liability Management (ALM) is an essential methodology of dealing with the accounting report elements so that the net income are amplified. This methodology is worried about administration of net interest edge to guarantee that its level and danger are viable with the danger bring goals back. In the event that one needs to characterize Asset and Liability the executives without broadly expounding on its need and utility, it very well may be characterized as essentially "the board of cash" which conveys esteem and can change its shape rapidly and has a capacity to return to its unique shape with or without an extra development. The specialty of appropriate administration of solid cash is ASSET AND LIABILITY MANAGEMENT (ALM).

The Liberalization measures initiated in the country resulted in revolutionary changes in the sector. There was a shift in the policy approach from the traditionally administered market regime to a free market driven regime. This has put pressure on the earning capacity of co-operative, which forced them to foray into new operational areas thereby exposing themselves to new risks. As major part of funds at the disposal from outside sources, the management is concerned about ***RISK*** arising out of shrinkage in the value of asset, and managing such risks became critically important to them. Although co-operatives are able to mobilize deposits, major portions of it are high cost fixed deposits. Maturities of these fixed deposits were not properly matched with the maturities of assets created out of them. The tool called **ASSET AND LIABILITY MANAGEMENT** provides a better solution for this.

**ASSET LIABILITY MANAGEMENT (ALM)** is a portfolio management of assets and liability of an organization. This is a method of matching various assets with liabilities on the basis of expected rates of return and expected maturity pattern

In the context of **ALM** is defined as “**a process of adjusting s liability to meet loan demands, liquidity needs and safety requirements**”. This will result in optimum value of the same time reducing the risks faced by them and managing the different types of risks by keeping it within acceptable levels.

**RBI revises asset liability management guidelines On February 6/2014**

In the era of changing interest rates, Reserve Bank of India (RBI) has now revised its Asset Liability Management guidelines. Banks have now been asked to calculate modified duration of assets (loans) and liabilities (deposits) and duration of equity. This was stated by the executive director of RBI, V K Sharma, and here today. He said that this concept gives banks a single number indicating the impact of a 1 per cent change of interest rate on its capital, captures the interest rate risk, and can thus help them move forward towards assessment of risk based capital. This approach will be a graduation from the earlier approach, which led to a mismatch between the assets and liabilities.

**REVIEW OF LITERATURE:**

**TITLE:**

**A Study on Asset Liability Management in Indian Bank**

**AUTHOR: Dr. K. Prince Paul Antony**

**Source:** **International Journal of Business Administration and Management**

**ABSTRACT:**

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. Moreover, the function of asset liability management is not just protection from risk. The safety achieved through asset liability management also opens up opportunities for enhancing the net worth. To study the assets and liabilities in banks and evaluate the impact of Asset Liability Management on profitability of banks were using Ratio Analysis. The analysis of Asset Liability Management in Indian bank will be carried out for the sample period from 2014 to 2018. It provides the necessary framework to define measures, monitor, modify and manage these risks.

**ARTICLE:2**

**TITLE: Asset Liability Management**

**AUTHOR: Md. Salim Uddin, & Anamul Haque**

**Source:International Journal of Applied Research 2022; 8(3): 23-26**

**ABSTRACT:**

**Md. Salim Uddin, & Anamul Haque (**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.

**ARTICLE:3**

**TITLE: Assets Liabilities Models - A Literature Review**

**AUTHOR: Mihail Ioan Cociuba**

**SOURCE:American Sociological Review**

**ABSTRACT:**

Financial crisis with its main component, the banking crisis, had a negative influence on the US and European banks, affecting mostly bank assets with its toxic assets subprime mortgages. The financial crisis has affected all the economies, has had and still has a negative impact on the entire banking system. The main component of the financial crisis was and remains the banking crisis, which continued with the sovereign debt crisis and then returned under a new form of the Cyprus banking crisis. In this paper, we analyzed the changes in the evolution of assets and liabilities of a sample of banks in Romania with a system of financial ratios. For this reason, we used the ratios method in the vertical and horizontal analysis for the period 2006-2015 in order to evaluate the bankers’ decisions. In this research, we analyzed whether performance indicators such as ROA and ROE establish a causal connection with indebtedness indicators, liquidity ratios and solvency ratios. The results showed that in the case of the analyzed banks, there is a dependency relationship between the solvency ratios and the "Total Risk Ratio", "Return on Assets" and "Long Term Funds to Long Term Assets". We highlighted that ROE has an insignificant influence on bank solvency, while other asset and liability indicators do not influence the solvency of the banks studied. Finally, we established that the financial crisis started in 2007 continues today and it is likely that it will begin to manifest itself with this year after the BREXIT.

.**RESEARCH GAP:**

Financial risk management, Stochastic modeling, Pension funds, Capital markets and the insurance industry, Mean-variance models, General optimization models. This research allows us to identify gaps in the literature to frame future research.

**OBJECTIVES:**

* + To study the concept of asset & liability management in industrial credit and investment corporation of india (ICICI)
  + To study process of cash inflows and outflows in industrial credit and investment corporation of india (ICICI)
  + To study risk management under industrial credit and investment corporation of india (ICICI)
  + To study reserves cycle of ALM under industrial credit and investment corporation of india (ICICI)
  + To study functions and objectives of industrial credit and investment corporation of india (ICICI)committee.

**RESEARCH METHODOLOGY:**

**Need For The Study**

The need of the study is to concentrates on the growth and performance of **INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)** and to calculate the growth and performance by using asset and liability management and to know the management of nonperforming assets.

* To know financial position of **INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)**

**Scope Of The Study:**

In this study the analysis based on ratios to know asset and liabilities management under INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI) and to analyze the growth and performance of INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI) by using the calculations under asset and liability management based on ratio.

• Ratio analysis

• Comparative statement

**Methodology**

**SOURCE OF DATA :**

The primary source of data is collected from secondary source which is collected from

* Annual report of the **ICICI**
* Published report of the **ICICI**
* **RBI** guidelines for **ALM**

**•STATISTICAL TOOLS:**

* MS-excel and pie and bar diagrams are used to analyze the data.

**DATA ANALYSIS & INTERPRETATION:**

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| --- |
| **Return on Assets (ROA)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net income** | **Average Total Assets** | **ROA** |
| 2022-2023 | 48421.30 | 536794.69 | 9.02045 |
| 2021-2022 | 41450.75 | 473647.09 | 8.75145 |
| 2020-2021 | 33082.96 | 406233.67 | 8.143825 |
| 2019-2020 | 32999.36 | 363399.71 | 9.080734 |
| 2018-2019 | 39210.31 | 379300.96 | 10.33752 |

**Interpretation:**

In the ROA the total Average Assets was increasing year by year and the net income was also in the increasing position

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| --- |
| **http://cpaclass.com/yd-01.gifReturn on Equity (ROE)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net income** | **Average Equity** | **ROE** |
| 2022-2023 | 48421.30 | 1153.63 | 41.97298 |
| 2021-2022 | 41450.75 | 1152.77 | 35.95752 |
| 2020-2021 | 33082.96 | 1151.82 | 28.72234 |
| 2019-2020 | 32999.36 | 1114.89 | 29.59876 |
| 2018-2019 | 39210.31 | 1113.29 | 35.22021 |

**Interpretation:**

The net income of the organization was in the increasing position and also the equity value for the investors is also in the increasing stage.

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| --- |
| **http://cpaclass.com/yd-01.gifReturn on Common Equity (ROCE)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net income** | **Average Common Stockholders' Equity** | **ROCE** |
| 2022-2023 | 48421.30 | 1153.63 | 41.97298 |
| 2021-2022 | 41450.75 | 1152.77 | 35.95752 |
| 2020-2021 | 33082.96 | 1151.82 | 28.72234 |
| 2019-2020 | 32999.36 | 1114.89 | 29.59876 |
| 2018-2019 | 39210.31 | 1463.29 | 26.79599 |

**Interpretation:**

The net income of the organization was in the increasing position and also the equity value for the shareholders is also in the increasing stage.

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| --- |
| **http://cpaclass.com/yd-01.gifProfit Margin** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net income** | **Sales** | **Profit margin** |
| 2022-2023 | 48421.30 | 15379.70 | 3.148390 |
| 2021-2022 | 41450.75 | 11483.01 | 3.609746 |
| 2020-2021 | 33082.96 | 8613.59 | 3.840786 |
| 2019-2020 | 32999.36 | 6834.54 | 4.828322 |
| 2018-2019 | 39210.31 | 6193.87 | 6.330503 |

**Interpretation:**

The profit margin of ICICI is in the increasing stage.

**CONCLUSION**

1. In the short term the Net interest income or Net interest margins (NIM) creates economic value of the which involves up gradation of existing systems & Application software to attain better & improvised levels.
2. It is essential that remain alert to the events that effect its operating environment & react accordingly in order to avoid any undesirable risks.
3. **ICICI** requires efficient human and technological infrastructure which will future lead to smooth integration of the risk management process with effective business strategies.

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