



A Study on Asset Liability Management in ICICI Bank Ltd, Coimbatore Branch

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ABSTRACT

Asset-liability management addresses the protection of both income and capital from interest rate risk, which originates from mismatches in the reprising of assets and liabilities. Interest rate risk management aims to maintain interest rate risk exposures within authorized levels. Effective asset liability management (ALM) is a critical problem for businesses navigating the complexities of the financial markets in today's corporate world. Businesses have to maintain a delicate balance between assets and liabilities in the face of shifting economic conditions in order to reduce risk and promote sustainable growth. To optimise investment decisions and link them with long-term obligations, an in-depth understanding of cash flows, interest rate dynamics, and fluctuations in markets is required. But reaching this balance is a difficult task that is frequently made worse by changing market trends, regulatory restrictions, and unexpected interruptions. The objective of the study is to analyse the asset liability management in ICICI Bank Ltd, Coimbatore Branch.

Keywords: Asset liability, Liability variance, solvency position, profitability position

I. INTRODUCTION OF THE STUDY Asset Liability Management (ALM)

Asset Liability Management is managing infrastructure asset to minimize the total cost of owning and operating them while continuously delivering the service levels customer's desire. It is a comprehensive and structured approach to the long term management of asset. It refers to a systematic process of effectively maintaining, upgrading and operating assets, combining engineering principles with sound business practice and economic rational and providing the tools to facilitate a more organized and flexible approach for making decision necessary to achieve expectations of stake holders and the public.

It involves the management of assets, such

as investments or property. Liability management is the flip side of the coin the management of debts, loans and mortgages. For example:- Most people and indeed companies have a mixture of asset and liabilities in order to maximize their returns or wealth.

In its simplest form, your balance sheet can be divided into two categories: assets and liabilities. Assets are the items your company owns that can provide future economic benefit. Liabilities are what you owe other parties. In short, assets put money in your pocket, and liabilities take money out. Asset Liability Management in practical terms amounts to management of total balance sheet items, its size and quality. It involves conscious decisions with regard to asset liability structure in order to maximize interest earnings within the frame work of perceived risk with quantification of risk.

ASSETS IN ACCOUNTING

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. Assets are reported on a company's balance sheet. They're classified as current, fixed, financial, and intangible. They are bought or created to increase a firm's value or benefit the firm's operations.

LIABILITIES IN ACCOUNTING

Liability is defined as obligations that your business needs to fulfill. In simple words, Liability means credit. A liability, in general, is an obligation to, or something that you owe somebody else. Liabilities are defined as a company's legal financial debts or obligations that arise during the course of business operations. They can be limited or unlimited liability. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. Recorded on the right side of the balance sheet, liabilities include loans, accounts payable, mortgages, deferred revenues,



earned premiums, unearned premiums, and accrued expenses. Even marriages can change your liability. A liability requires three things:

- Presents the business with an obligation
- The Obligation is a result of past events
- Settling the obligation will require an outflow of valuable resources

ASSETS VS. LIABILITIES

Assets are everything a business owns. They are found on the left side of a balance sheet. There are two types of assets: current and fixed assets. Current assets are assets that can be quickly converted into cash. They include cash, accounts receivable and inventory. The more current assets a small business has the better, as this means they can survive longer without borrowing money.

Liquidity

Assets are often grouped based on their liquidity or how quickly the asset can be turned into cash. The most liquid asset on your balance sheet is cash since it can be used immediately to pay a liability. The opposite is an illiquid asset like a factory, because the selling process (converting the property to cash) will likely be lengthy. The most liquid assets are called current assets. These assets can be converted to cash in less than a year and include cash, marketable securities, inventory, and accounts receivable. These assets generate revenue for your company.

II. STATEMENT OF THE PROBLEM

Effective asset liability management (ALM) is a critical problem for businesses navigating the complexities of the financial markets in today's corporate world. Businesses have to maintain a delicate balance between assets and liabilities in the face of shifting economic conditions in order to reduce risk and promote sustainable growth. To optimise investment decisions and link them with long-term obligations, an in-depth understanding of cash flows, interest rate dynamics, and fluctuations in markets is required. But reaching this balance is a difficult task that is frequently made worse by changing market trends, regulatory restrictions, and unexpected interruptions. Therefore, the main challenge is coming up with plans that balance obligation structures and asset allocation in a way that maximises shareholder value and assures solvency while also encouraging flexibility and resilience in the face of changing financial conditions.

ALM plays a pivotal role in ensuring the financial health and stability of a company by

effectively managing the balance between its assets and liabilities. Understanding ALM practices provides crucial insights for strategic decision-making processes related to resource allocation, investment strategies, and risk management, thereby optimizing financial performance and enhancing competitiveness. Asset and liability management is a new technique to build a framework to perform better and to take best decisions. Asset and liabilities management become essential tools to evaluate the risk facing by the company in maintaining asset and liability to ensure profitability of the business. A deep understanding of ALM frameworks is vital for regulatory compliance, ensuring adherence to capital adequacy standards, liquidity regulations, and risk management guidelines, which ultimately fosters trust and credibility among stakeholders.

OBJECTIVES OF THE STUDY

Primary objective:

- To study on Asset Liability Management in ICICI Bank Ltd, Coimbatore

Secondary objective:

- To compare the asset and liability variance
- To understand the solvency position of the bank
- To assess the level of deposits in the bank
- To study the impact of asset liability management on the profitability of the bank
- To analyse and evaluate the profitability position of the bank

SCOPE OF THE STUDY

- The study is conducted in ICICI Bank Ltd, Coimbatore Branch. This study will be helpful to know in managing the asset liability management & the profitability of management. This study also suggests the ways and means for improving the asset management in the bank.
- It also helps to know the proper management of asset & liability management. This study is helpful to know the financial performance of the bank. The secondary data is used in this study that is last five years balance sheet and profit loss accounts of the bank during from 2018-19 to 2022-23.
- The prime importance of the study is to analyze the maintenance of asset and liability. To have practical knowledge of asset and liability management in the bank.

LIMITATIONS OF THE STUDY

- The study is conducted in ICICI Bank Ltd,



Coimbatore Branch only.

- Not much information of the company was revealed as the executive personal wanted certain information to be confidential.
- Only monetary aspects of the company have been taken into consideration.
- The study is restricted to use last five years financial statements during from 2019-20 to 2023-24.

III. REVIEW OF LITERATURE

Baghani, F., Rahnamay Roodposhti, F., Vakilifard, H., & Fallah Shams, M. (2019). The present study aimed mainly to test the management of asset-liability and liquidity trap in the Credit Institute for Development. The research is applied in terms of the method and survey in terms of the type. The key ratios in the prediction of liquidity trap were identified through interviews with the experts in the area of asset-liability management. Then, a researcher-made comparison (paired) questionnaire was used through the ISM technique to investigate the relationships of these ratios. Finally, the conceptual model was extracted and the degree of influence of the variables was determined by the power of influence and the power of dependence. The indicators of asset-liability management were raised as the independent variable, and the financial ratios related to liquidity trap as the dependent variable.

Ukpong, M., & Olowokudejo, F. (2021). This study is a panel data analysis of asset liability management and its effect on the profitability of life insurance companies in Nigeria. An inappropriate asset liability mix can be detrimental to the profitability of the organization. The objective of this study is to assess the relationship between assets, liabilities and profitability of life insurance companies in Nigeria. The ex post facto research design is adopted and cross sectional data is sourced from ten life insurance companies covering years 2008-2019. Descriptive analysis and inferential statistics are carried out to test the suitability of the data for the study. Data are further subjected to the fixed effect and random effect regressions. Hausman test is carried out and the null hypothesis of a random effect model is rejected. The results reveal that assets largely have a statistically significant relationship with profitability, while some liabilities are significant. This provides evidence that profitability is associated with balance sheet items and a proper asset liability management has a direct effect on the overall profitability of the life insurance industry.

Mulualem Getahun Abebe (2022), explains in this study applies statistical cost accounting method to a sample of 106 sub-Saharan African microfinance institutions (MFIs) during 2014–2018 to investigate the relationship between asset-liability management and financial performance. The result shows that the composition of assets and liabilities has both positive and negative effects on the returns of the MFIs in the sample. Net loan portfolio, other current financial liabilities and MFI size are significantly and positively related to return on assets of listed MFIs. Deposits, borrowings and other liabilities, on the other hand, are significantly and negatively related to financial performance. Overall, the study suggests that adequate attention needs to be paid to asset-liability management to ensure better financial performance.

P. Sai Pavan Kalyan Reddy (2023), Asset Liability Management is one of the vital tools for risk management in banks. The banks have to work properly with regard to the Asset Liability Management so as to increase their performance. The concept of banking had undergone dynamic changes in keeping with the need to achieve rapid socio-economic progress. To study the assets and liabilities in banks and evaluate the impact of Asset Liability Management on profitability of banks were using Ratio Analysis. It provides the necessary framework to define, measures, monitor, modify and manage these risks.

Jian, Y., Liang, K., Sun, Y., & Zhang, F. (2024) This article takes Silicon Valley Bank as an example to review the beginning and end of the bankruptcy event caused by the liquidity crisis, and analyzes the reasons for its bankruptcy from internal factors such as bank asset liability maturity mismatch, weakened capital adequacy ratio, and lack of risk management measures, as well as external environmental factors such as the Federal Reserve's aggressive interest rate hike and the cold winter of Silicon Valley technology industry. On this basis, suggestions are proposed for optimizing asset liability structure management and strengthening risk warning and regulatory mechanisms in China's banking industry risk management. Based on the strategic orientation of promoting high-quality development of the financial industry in China, this article provides industry insights from the analysis of the bankruptcy events of Silicon Valley banks, which has certain practical value for strengthening risk management and supervision of banking institutions in China.



RESEARCH GAP

Previous studies on Asset Liability Management (ALM) in banks mostly focused on the relationship between assets, liabilities, and financial stability. They analyzed how ALM affects a bank's performance, but didn't go into detail about asset and liability variance. Many studies didn't examine ICICI Bank specifically in this context. They also missed looking at how ALM directly impacts the bank's solvency. The link between ALM strategies and profitability was not explored thoroughly in earlier research. In addition, the level of deposits in banks, especially ICICI, was largely ignored. The impact of deposit levels on ALM has not been analyzed in detail. Previous studies did not measure the solvency position of ICICI Bank related to ALM. The profitability position of the bank was also not fully evaluated with regard to ALM practices. These gaps suggest a need for further research on these aspects within ICICI Bank's ALM strategies.

IV. RESEARCH METHODOLOGY

Study area: The study is conducted in ICICI Bank Ltd, Coimbatore Branch

Design of the study: Research design provides the foundational structure that defines how the study is conducted. This study used Quantitative research design. Quantitative research design emphasizes the use of numerical data to draw precise conclusions about financial trends. This study applies a quantitative research design by analyzing financial data across five years

a. Source of the data: The data collection method employed for the finance project involves systematically gathering relevant financial information from various sources to comprehensively analyze the financial performance of the selected company. This process primarily relies on secondary data, which encompasses existing financial records, reports, and documentation related to the company's operations and financial transactions. There are basically two types of data used. They are primary and secondary data.

Primary Data: The primary data are those which are collected afresh and for the first time, and thus happen to be in original in character. In this study, primary data are collected through questionnaires.

Secondary Data: Secondary data refers to information gathered from sources already existing. Some sources of secondary data are data available from previous research, information available from any published or unpublished sources available either within or outside the organization, library

records, online data, websites and the internet. The secondary data of information of this study were obtained through web sites, books, annual report, and internet. Secondary data marks the beginning of the research process. Information gathered from both internal and external sources. Secondary data is required to analyze the primary data. Secondary data gathered through journals, books and websites. Here, ICICI Bank Ltd's 5 years (ie) 2019-20 to 2023-24 balance sheets is used in this study.

Sampling Design: Sampling design describes the methodology for obtaining a sample. Purposive sampling design is used in this study. Purposive sampling design is intentional and selects data points based on specific relevance to the research question. In this study, the financial records of a specific company ICICI Bank Ltd over a 5-year period were deliberately chosen for their relevance to ratio analysis. Sample Unit: Here the study is conducted in ICICI Bank Ltd, Coimbatore Branch.

Population

The population refers to all elements or datasets from which insights are drawn in research. This study's population includes the ICICI Bank Ltd's annual records, such as balance sheets and profit & loss statements over five years.

Period Of Study: The duration taken by the researcher for the data collection and analysis regarding the profitability analysis of ICICI Bank Ltd, Coimbatore Branch for three months. The data used are of last five years from 2019-20 to 2023-24.

Sample size: This refers to the number of items to be selected from the universe to constitute a sample. This is a major problem before a researcher. The size of sample should neither be excessively large, nor too small. It should be optimum. An optimum sample is one, that fulfils the requirements of efficiency, reliability and flexibility. While deciding the size of sample researcher must determine the desired precision as also an acceptable confidence level for the estimate. Here ICICI Bank Ltd's last five years financial statements during from 2019-20 to 2023-24 balance sheet and profit and loss accounts are used.

Analytical tools and methods

The following tools are used in this study.

- Ratio Analysis
- Comparative Balance Sheet
- Common size Balance Sheet

V. FINDINGS

- The assets turnover ratio has decreased to 0.08 in the year of 2021-22. It has increased to 0.09



in the year of 2022-23. It has decreased to 0.07 in the year of 2023-24.

- The capital turnover ratio was 0.09 in the year of 2019-20. It was remain stable in the year from 2020-21 to 2022-2023.
- The working capital ratio has increased to 0.73 in the year of 2021-22. It has decreased to 0.72 in the year of 2022-23. It has increased to 0.73 in the year of 2023-24.
- The cash deposit ratio has decreased to 0.06 in the year of 2021-22. It has increased to 0.07 in the year of 2022-23. It has further increased to 0.10 in the year of 2023-24.

VI. SUGGESTIONS

- The cash balance of the bank should not be kept idle and it must be utilised to lend properly to earn interest. The current liabilities have to settle properly in order to have good perception among the stakeholders.
- The interest earned by the bank must be increased and it must be monitored the yearly growth. The total debt of the bank and its ratio must be in the standard. It must frequently monitor by the management to prevent to reduce below the average level.
- The total assets of the bank must be effectively utilised in order to earn higher income. The net working capital of the bank must be in appropriate level. It should not be too low as well as too high.
- The bank must maintain the liquid assets in order to meet emergency circumstances and transactions. The liquid asset must be appropriate portion from the total assets.
- The bank must attract new depositors to increase the deposit funds as well as it needs to utilise properly to earn income for the bank. The interest income must be gradually increased since it is the major source for the bank.

VII. CONCLUSION

The main objective of the present study is to identify the individual ratios which are affecting the assets and liability of the bank. The return on assets and payable against liability must be enabling to the concern. The concern's interest income to total asset is satisfactory one. It has to keep monitor on current assets and fixed assets in order to get fair return. The concern's cash deposit ratio is also favourable to the concern. It should keep monitor in

the forthcoming years on current liability and long term liabilities. The cash ratio has not been maintained according to the standard, the cash has been maintained less than the standard which indicates that company should maintain more cash balance. The net profit has been maintained in the increasing rate which shows that the bank has performing well during the study period. From the study it is clear that the bank looks forward to generate a more favourable service in the near future.

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