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A Study on Assets and Liability Management with Reference to ICICI

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Abstract: *The study is to concentrate on the growth and performance of ICICI and to calculate the growth and performance by using asset and liability management and to know the management of nonperforming assets. 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.*

Keywords: *Assets, Liability, Growth and performance, Ratio Analysis*

1. INTRODUCTION

Asset-Liability Management (ALM) can be termed as a risk management technique designed to earn an adequate return while maintaining a comfortable surplus of assets beyond liabilities. It takes into consideration interest rates, earning power, and degree of willingness to take on debt and hence is also known as Surplus Management. But in the last decade the meaning of ALM has evolved. It is now used in many different ways under different contexts. ALM, which was actually pioneered by financial institutions and banks, are now widely being used in industries too. The Society of Actuaries Task Force on ALM Principles, Canada, offers the following definition for ALM: "Asset Liability Management is the on-going process of formulating, implementing, monitoring, and revising strategies related to assets and liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints."

2. OBJECTIVES OF THE STUDY

- To study the concept of ASSET & LIABLITY 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.

3. LIMITATIONS OF THE STUDY

4. This subject is based on past data of **INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)**
5. The analysis is based on structural liquidity statement and gap analysis.
6. The study is mainly based on secondary data.
7. Approximate results: The results are approximated, as no accurate data is Available.
8. Study takes into consideration only Last Traded Price and issue prices and their difference for Concluding whether an issue is overpriced or underpriced leaving other.

9. The study is based on the issues that are listed on NSE only.

4. DATA ANALYSIS AND INTERPRETATION

TABLE 1. Comparative Asset Liability Sheet as on 31st March 2022-23

Particulars		Mar '22	Increase (+) / Decrease (-)	Percentage
				(%)
	Mar '23		(in Rs)	
Capital and Liabilities:				
Total Share Capital	1,153.64	1,152.77	0.87	0.07547039
Equity Share Capital	1,153.64	1,152.77	0.87	0.07547039
Share Application Money	4.48	2.39	2.09	87.4476987
Reserves	65,547.84	59,250.09	6,297.75	10.6290978
Net Worth	41,830.00	60,405.25	6,300.71	10.4307324
Deposits	2,92,613.63	2,55,499.96	37,113.67	14.5259005
Borrowings	1,45,341.49	1,40,164.91	5,176.58	3.69320681
Total Debt	4,37,955.12	3,95,664.87	42,290.25	10.6884015
Other Liabilities & Provisions	32,133.60	17,576.98	14,556.62	82.8163883
Total Liabilities	5,36,794.68	4,73,647.10	63,147.58	13.3322003
Assets				
Cash & Balances with RBI	19,052.73	20,461.29	-1,408.56	-6.88402344
Balance with Banks, Money at Call	22,364.79	15,768.02	6,596.77	41.8363878
Advances	2,90,249.44	2,53,727.66	36,521.78	14.394087
Investments	1,71,393.60	1,59,560.04	11,833.56	7.41636816
Gross Block	4,647.06	9,424.39	-4,777.33	-50.6911323
Accumulated Depreciation	0	4,809.70	-4,809.70	-100
Net Block	4,647.06	4,614.69	32.37	0.70145557
Other Assets	29,087.07	19,515.39	9,571.68	49.0468292
Total Assets	6,46,410.29	4,73,647.09	63,147.60	13.3322048
Contingent Liabilities	8,02,383.84	8,58,566.64	-56,182.80	-6.54379024
Bills for collection	0	64,457.72	-64,457.72	-100
Book Value (Rs)	578.21	524.01	54.2	10.3433141

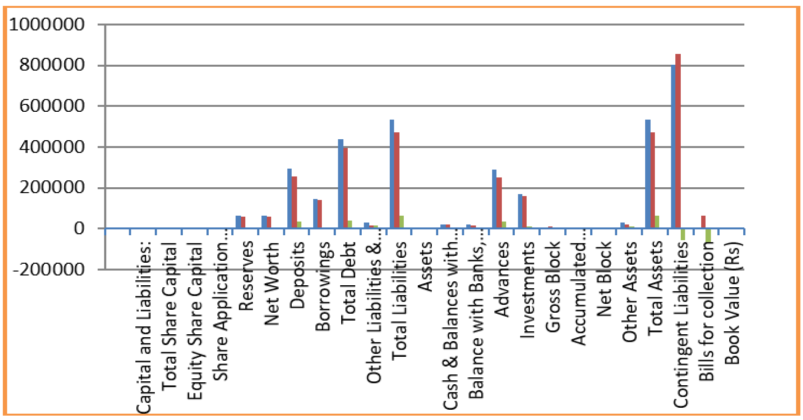

FIGURE 1

Interpretation:
The total current liabilities for the year are Rs.32133.60 in the year 2023 is less than the total current assets of 29087.07 for the year. Therefore, the assets are more than the liabilities. So, there is a positive gap of Rs.63147.60 i.e. 13.33%.

Findings:
1. **The ALM** technique is aimed at tackling the market risks. Its objective is to stabilize and improve Net interest Income (**NII**).
2. Implementation of ALM as a Risk Management tool is done using ma turity profiles and GAP analysis.
3. ALM presents a disciplined decision-making framework for s while at the same time guarding the risk levels.
4. Perform Division realization has increased by 8.5% even though the Turnover has come to 2548.35 Cr from 1024.54 Cr in last year. The profit After Tax has come 8325.47 Cr to 6465.26 in Current year because of slope in Industry.
5. The PAT is in an increasing trend from 2017-2018 because of increase in sale prices and also decreases in the cost of manufacturing. In 2021 and 2022even the cost of manufacturing has increased by 7% because of higher sales volume PAT has increased considerably, which leads to higher EPS, which is at 578.21 in 2017.
6. The company also increased considerably the number of investors in the coming period. The company has taken up a plant expansion program during the year to increase the production activity and to meet the increase in the demand.
7. Because of the decrease in non-operating expenses to the time of 1114543.34 Cr the Net profit has increased. It stood at in current year increase because of redemption of debenture and cost reduction. A dividend of Rs.159560.04 Cr was declared during the year at 7.85% on equity.

Suggestions
1. They should strengthen its management information system (MIS) and computer processing capabilities for accurate measurement of liquidity and interest rate Risks in their Books.
2. In the short term the Net interest income or Net interest margins (NIM) creates economic value of them which involves upgradation of existing systems & Application software to attain better & improvised levels.
3. It is essential that remain alert to events that affect its operating environment & react accordingly in order to avoid any undesirable risks.
4. **ICICI** requires efficient human and technological infrastructure which will future lead to smooth integration of the risk management process with effective business strategies.

5. CONCLUSION

The purpose of ALM is not necessarily to eliminate or even minimize risk. The level of risk will vary with the return requirement and entity's objectives. Financial objectives and risk tolerances are generally determined by senior management of an entity and are reviewed from time to time. All sources of risk are identified for all assets and liabilities. Risks are broken down into their component pieces and the underlying causes of each component are assessed. Relationships of various risks to each other and/or to external factors are also identified. Risk exposure can be quantified 1) relative to changes in the component pieces, 2) as a maximum expected loss for a given confidence interval in a given set of scenarios, or 3) by the distribution of outcomes for a given set of simulated scenarios for the component piece over time. Regular measurement and monitoring of the risk exposure is required. Operating within a dynamic environment, as the entity's risk tolerances and financial objectives change, the existing ALM strategies may no longer be appropriate. Hence, these strategies need to be periodically reviewed and modified. A formal, documented communication process is particularly important in this step.

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