



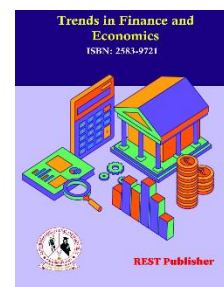
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A Study on Assets Liability Management with Reference to HDFC

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

Bank manages the risk of Asset liability disparity by matching the assets and liabilities according to the maturity pattern or the corresponding period [2016-20], by hedging and by securitization. ALM is concerned with strategic management of Balance Sheet by giving due weight age to market risks viz. Liquidity Risk, Interest Rate Risk & Currency Risk.

Keywords: *Assets, Liabilities, Currency risk, Growth & performance*

1. INTRODUCTION

Meaning of asset liability management: 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. ALM is a comprehensive and dynamic framework for measuring, monitoring and managing the market risk of a bank. It is the management of structure of balance sheet (liabilities and assets) in such a way that the net earning from interest is maximized within the overall risk-preference (present and future) of the institutions.

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."

ALM is the practice of managing a business so that decisions and actions taken with respect to assets and liabilities are coordinated. It is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerances and other constraints. ALM is relevant to, and critical for, the sound management of the finances of any organization that invests to meet its future cash flow needs and capital requirements.

2. REVIEW OF LITERATURE

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.

3. SCOPE OF THE STUDY

- 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 HDFC Bank Limited. It also helps to know the proper management of asset & liability management. This study is helpful to know the financial performance of the HDFC Bank Limited.
- We can gain the practical knowledge and experience of HDFC Bank Limited. The management will be helpful to identify the risk of the firm. The research will help the management to measures to overcome problems prevailing in the firm.

Objectives of The Study:

- To study the Asset Liability Management system
- To study the impact of ALM on the profitability of HDFC Bank Limited
- To know the asset and liability position of the HDFC Bank Limited.
- To know about the factors affecting the asset and liability position of the Bank.
- To study Reserves Cycle of ALM under HDFC Bank Limited

4. RESEARCH METHODOLOGY

Variables under study:

Dependent variable

Asset and Liability Management of HDFC Bank Limited

Independent variable

- Profitability
- Liquidity position
- Asset-liability position

Research Design: Research is the systematic investigation into existing or new knowledge .It is used to establish or confirm facts, reaffirm the results of previous work, solve new or existing problems, support theorems, or develop new theories. A research project may also be an expansion on past work in the field. In order to test the validity of instruments, procedures, or experiments, research may replicate elements of prior projects, or the project as a whole. The primary purposes of basic research (as opposed to applied research) are documentation, discovery, interpretation, or the research and development of methods and systems for the advancement of human knowledge. Approaches to research depend on epistemologies, which vary considerably both within and between humanities and sciences.

Sources of Data: After going through different methods of data collection, it was decided that both primary and secondary data are suitable for this survey.

Primary Data: Primary data is the data and information collected through surveys and interaction with the people.

Secondary Data: The secondary data is collected from published sources like annual reports of the company, media reports and printed text books.

- The data gathering method is adopted purely from secondary sources.
- The theoretical content is gathered from eminent texts books, reference and Internet.
- The financial data and information is gathered from eminent texts books and reference and library.

Limitations of The Study:

- The period of study is limited.
- Project training duration permitted by the bankers was limited.
- This study is based on the secondary data, which involve bank annual.

5. DATA ANALYSIS & INTERPRETATION

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

Particles	Mar '23	Mar '22	Increase (+) / Decrease (-) (in Cr)	Percentage (%)
Capital and Liabilities:				
Total Share Capital	1294.76	1289.46	5.3	0.409342272
Equity Share Capital	1294.76	1289.46	5.3	0.409342272
Reserves	115,209.65	107,078.59	8131.06	7.057620607
Net Worth	116,504.41	108,368.05	8136.36	6.983735637
Deposits	770,968.99	652,919.67	118049.32	15.3118117
Borrowings	162,896.76	165,319.97	-2423.21	-1.487574093
Total Debt	933,865.75	818,239.64	115626.11	12.38144883
Other Liabilities & Provisions	47,994.99	37,851.46	10143.53	21.13456009
Total Liabilities	1,098,365.15	964,459.15	133906	12.19139191
Assets				
Cash & Balances with RBI	35,283.96	37,858.01	-2,574.05	-7.295241237
Balance with Banks, Money at Call	83,871.78	42,438.27	41,433.51	49.40101426
Advances	645,289.97	586,646.58	58,643.39	9.087912834
Investments	249,531.48	207,732.68	41,798.80	16.75091255
Fixed Assets	8410.29	7931.43	478.86	5.693739455
Other Assets	75977.67	81,852.17	-5,874.50	-7.731877011
Total Assets	1,098,365.15	964,459.14	133,906.01	12.19139282

Interpretation: From the above table and graph Equity Share Capital increased 0.409% , Reserves 7.5%, Net worth 6.9%, Deposits 15.3%, Borrowings decreased to -1.49%, Other Liabilities & Provisions increased 21.13% and overall Liabilities are increase to 12.19% compare to 2023 to 2022.

Coming to Assets Cash in Bank Balance with RBI decreased to -7.29%, Balance with Banks increased 49%, Advances 9.08%, Investments 16.75%, fixed assets 5.69% and other assets are decreased to -7.73%, over all Total Assets increased 12.9% compare to 2022

TABLE 2. Comparative Asset Liability Sheet as On 31st March 2021-22

Particles	Mar '22	Mar '21	Increase (+) / Decrease (-) (in Rs)	Percentage (%)
Capital and Liabilities:				
Total Share Capital	1289.46	1285.81	3.65	0.283064228
Equity Share Capital	1289.46	1285.81	3.65	0.283064228
Reserves	107,078.59	103,873.13	3205.46	2.993558283
Net Worth	108,368.05	105,158.94	3209.11	2.9613064
Deposits	652,919.67	560,975.21	91944.46	14.0820478
Borrowings	165,319.97	182,858.62	-17538.65	-10.60891192
Total Debt	818,239.64	743,833.83	74405.81	9.093400804
Other Liabilities & Provisions	37,851.46	30,196.40	7655.06	20.22394909
Total Liabilities	964,459.15	879,189.17	85269.98	8.841222565
Assets				
Cash & Balances with RBI	37,858.01	33,102.38	4,755.63	12.56175377
Balance with Banks, Money at Call	42,438.27	51,067.00	-8,628.73	-20.33242637
Advances	586,646.58	512,395.29	74,251.29	12.65690324
Investments	207,732.68	202,994.18	4,738.50	2.281056596
Fixed Assets	7931.43	7903.51	27.92	0.352017228
Other Assets	81,852.17	71,726.80	10,125.37	12.37031346
Total Assets	964,459.14	879,189.16	85,269.98	8.841222657

Interpretation: From the above table and graph Equity Share Capital increased 0.28% , Reserves 2.99%, Net worth 2.96%, Deposits 14.08%, Borrowings decreased to -10.60%, Other Liabilities & Provisions increased 20.22% and overall Liabilities are increase to 8.84% compare to 2022 to 2021.

Coming to Assets Cash in Bank Balance with RBI increased to 12.56%, Balance with Banks decreased -20.33%, Advances 12.65%, Investments 2.28%, fixed assets 0.35% and other assets are increased to 12.3%, over all Total Assets increased 8.84% compare to 2020.

TABLE 3. Comparative Asset Liability Sheet as On 31st March 2019-20

Particles	Mar '21	Mar '20	Increase (+) / Decrease (-) (in Rs)	Percentage (%)
Capital and Liabilities:				
Total Share Capital	1285.81	1165.11	120.7	9.387078962
Equity Share Capital	1285.81	1165.11	120.7	9.387078962
Reserves	103,873.13	98,785.97	5087.16	4.897474448
Net Worth	105,158.94	99,951.08	5207.86	4.952370193
Deposits	560,975.21	490,039.06	70936.15	12.64514879
Borrowings	182,858.62	147,556.15	35302.47	19.30588233
Total Debt	743,833.83	637,595.21	106238.62	14.28257438
Other Liabilities & Provisions	30,196.40	34,245.16	-4048.76	-13.40808838
Total Liabilities	879,189.17	771,791.45	107397.72	12.21554174
Assets				
Cash & Balances with RBI	33,102.38	31,702.41	1,399.97	4.229212522
Balance with Banks, Money at Call	51,067.00	44,010.66	7,056.34	13.81780798
Advances	512,395.29	464,232.08	48,163.21	9.399619969
Investments	202,994.18	161,506.55	41,487.63	20.43784211
Fixed Assets	7903.51	7805.21	98.30	1.243751194
Other Assets	71,726.80	62,534.55	9,192.25	12.81564213
Total Assets	879,189.16	771,791.46	107,397.70	12.2155396

Interpretation: From the above table and graph Equity Share Capital increased 9.38%, Reserves 4.89%, Net worth 4.95%, Deposits 12.64%, Borrowings increased to 19.30%, Other Liabilities & Provisions decreased -13.40% and overall Liabilities are increase to 12.21% compare to 2021 to 2020.

Coming to Assets Cash in Bank Balance with RBI increased to 4.23%, Balance with Banks increased 13.81%, Advances 9.39%, Investments 20.43%, fixed assets 1.24% and other assets are increased to 12.81%, over all Total Assets increased 12.22% compare to 2020.

TABLE 4. Comparative Asset Liability Sheet as On 31st March 2019-20

Particles	Mar '20	Mar '19	Increase (+) / Decrease (-) (in Rs)	Percentage (%)
Capital and Liabilities:				
Total Share Capital	1165.11	1163.17	1.94	0.166507883
Equity Share Capital	1165.11	1163.17	1.94	0.166507883
Reserves	98,785.97	88,572.42	10213.55	10.3390694
Net Worth	99,951.08	89,735.59	10215.49	10.22048986
Deposits	490,039.06	421,425.71	68613.35	14.00160836
Borrowings	147,556.15	174,807.38	-27251.23	-18.46837966
Total Debt	637,595.21	596,233.09	41362.12	6.487206828
Other Liabilities & Provisions	34,245.16	34,726.44	-481.28	-1.405395682
Total Liabilities	771,791.45	720,695.12	51096.33	6.62048407
Assets				
Cash & Balances with RBI	31,702.41	27,106.09	4,596.32	14.49832994
Balance with Banks, Money at Call	44,010.66	32,762.65	11,248.01	25.55746721
Advances	464,232.08	435,263.94	28,968.14	6.240012539
Investments	161,506.55	160,411.80	1,094.75	0.677836286
Fixed Assets	7805.21	7576.92	228.29	2.924841228
Other Assets	62,534.55	57,573.70	4,960.85	7.932974652
Total Assets	771,791.46	720,695.10	51,096.36	6.620487871

Interpretation: From the above table and graph Equity Share Capital increased 0.17%, Reserves 10.34%, Net worth 10.20%, Deposits 14.00%, Borrowings decreased to -18.47%, Other Liabilities & Provisions decreased -1.40% and overall Liabilities are increase to 6.62% compare to 2020 to 2019. Coming to Assets Cash in Bank Balance with RBI increased to 14.49%, Balance with Banks increased 25.56%, Advances 6.24%, Investments 0.67%, fixed assets 2.92% and other assets are increased to 7.39%, over all Total Assets increased 6.62% compare to 2018.

TABLE 5. Comparative Asset Liability Sheet as On 31st March 2018-19

PARTICLES	Mar '19	Mar '18	Increase (+) / Decrease (-) (in Rs)	Percentage (%)
Capital and Liabilities:				
Total Share Capital	1163.17	1159.66	3.51	0.301761565
Equity Share Capital	1163.17	1159.66	3.51	0.301761565
Reserves	88,572.42	79,269.70	9302.72	10.5029534
Net Worth	89,735.59	80,429.36	9306.23	10.37072359
Deposits	421,425.71	361,562.73	59862.98	14.20487136
Borrowings	174,807.38	172,417.35	2390.03	1.367236326
Total Debt	596,233.09	533,980.08	62253.01	10.44105251
Other Liabilities & Provisions	34,726.44	31,719.86	3006.58	8.657898708
Total Liabilities	720,695.12	646,129.30	74565.82	10.34637504
Assets				
Cash & Balances with RBI	27,106.09	25,652.91	1,453.18	5.361083063
Balance with Banks, Money at Call	32,762.65	16,651.71	16,110.94	49.17471572
Advances	435,263.94	387,522.07	47,741.87	10.9684873
Investments	160,411.80	186,580.03	-26,168.23	-16.31315776
Fixed Assets	7576.92	4725.52	2,851.40	37.63270564
Other Assets	57,573.70	24,997.05	32,576.65	56.58251945
Total Assets	720,695.10	646,129.29	74,565.81	10.34637394

Interpretation: From the above table and graph Equity Share Capital increased 0.30%, Reserves 10.50%, Net worth 10.37%, Deposits 14.20%, Borrowings increased to 1.36%, Other Liabilities & Provisions increased 8.65% and overall Liabilities are increase to 10.35% compare to 2019 to 2018. Coming to Assets Cash in Bank Balance with RBI increased to 5.36%, Balance with Banks increased 49.17%, Advances 10.97%, Investments decreased -16.31%, fixed assets 37.63% and other assets are increased to 56.58%, over all Total Assets increased 10.34% compare to 2018.

6. FINDINGS

- HDFC Bank Equity Share Capital Increased from 1159.66 in the year of 2018 to 1294.76 in 2023.
- Reserves of HDFC Bank increased from 2018 to 2023. The value of 2018 is 88,572.42 and 2022 is 115,209.65.
- Total Net worth of HDFC Bank Limited is increasing trend in 2018 the net worth value is 89,735.59 and 2021 Net worth Value 116,504.41 and Deposits also increased from 2018 to 2022.
- Total Liabilities of HDFC Bank Limited Increased to 646,129.30 in 2018 to 1,098,365.15 in 2023.
- HDFC Bank Limited Fixed assets 24,997.05 in the year of 2018 decreased to 8410.29 in the year of 2023.
- Investments and advances are increased from 2018 to 2023. Investments in the year of 2018 186,580.03 Crores increased to 249,531.48 Crores in 2023. Overall Total Assets are also increased.

7. SUGGESTIONS

- They should strengthen its management information system (MIS) and computer processing capabilities for accurate measurement of liquidity and interest rate Risks in their Books.
- 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.

- It is essential that remain alert to the events that effect its operating environment & react accordingly in order to avoid any undesirable risks.
- HDFC Bank Limited requires efficient human and technological infrastructure which will future lead to smooth integration of the risk management process with effective business strategies

8. CONCLUSION

The two types of banks' balance sheet risks include interest rate risk and liquidity risks. Their regular monitoring and managing is the need of the hour. Banks should use the information about these risks as key input in their strategic business planning process. While increasing the size of the balance sheet, the degree of asset liability mismatch should be kept in control. Because, the excessive mismatch would result in volatility in earnings. Banks can also use sensitivity analysis for risk management purpose. This study used gap analysis for measuring the interest rate risk under different assumptions such as introduction of negative and positive interest rate shock, adjusting and counter balancing the portfolio. It is found that the bank is exposed to interest rate risk.

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