

Assets & Liability Management Analysis of IDBI Bank

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Abstract

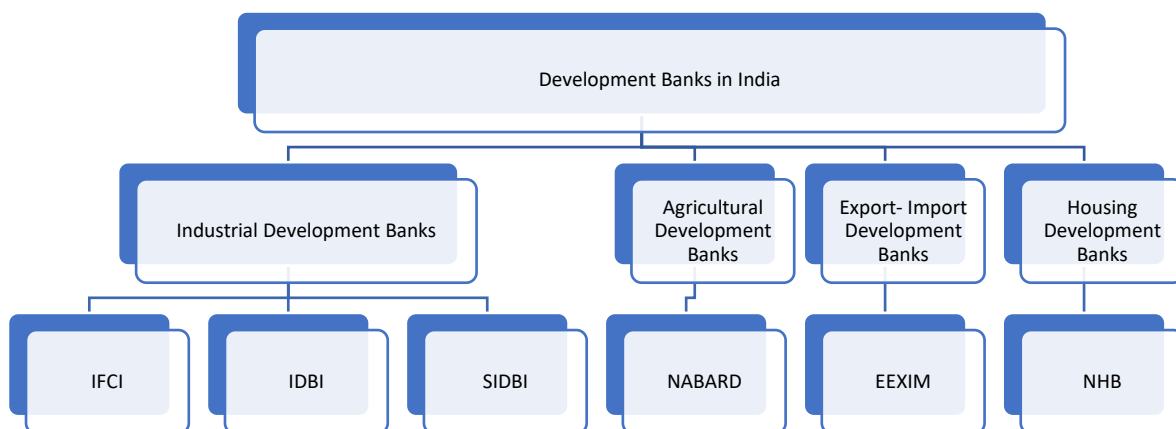
One of the most important tools for risk management in banks is asset liability management. To improve their performance, the banks must implement appropriate Asset Liability Management procedures. Furthermore, asset liability management has purposes beyond mere risk mitigation. The protection that asset liability management provides creates additional chances to increase net worth. Ratio analysis was used to examine the assets and liabilities of IDBI bank. The IDBI Bank asset liability management will be examined during the sample period of 2013–2022. It offers the structure required to identify, quantify, track, adjust, and manage these risks.

Keywords: Asset Liability, Ratio, Bank.

INTRODUCTION

The Indian Companies Act was used to create the bank on March 5, 1907. The nationalization date was July 19, 1969. One of the most important public sectors reforms in Indian banking.

The Industrial Development Bank of India is the full name of IDBI. As a fully owned subsidiary of the RBI, IDBI was established in 1964 to offer financial and credit resources for the expansion of the Indian industry. Its main office is in Mumbai. It is currently one of India's most well-known commercial banks, delivering personal banking and financial planning.



Source: [images of idbi development Banks- Bing images](#)

In essence, asset liability management is a risk-hedging strategy for financial intermediation. It makes an effort to shield the organization from some degree of intermediation risk and elevates that risk to the status of an acceptable insurance policy. Furthermore, asset liability management has purposes beyond

mere risk mitigation. The protection that asset liability management provides creates additional chances to increase net worth. In order to maximize the risk-adjusted return to shareholders over the long term, asset liability management might allow an institution to take on positions that would have been deemed too big in the absence of the protection it offers.

OBJECTIVES OF THE STUDY

- To Study the Assets and Liabilities in IDBI Bank.
- To Evaluate activity of Asset Liability Management IDBI Bank by using Ratio Analysis.

RESEARCH METHODOLOGY

The Analysis of Asset Liability Management in IDBI bank will be carried out for the sample period from 2013 to 2022. 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 IDBI Annual Reports.

ANALYSIS AND INTERPRETATION

Current Ratio

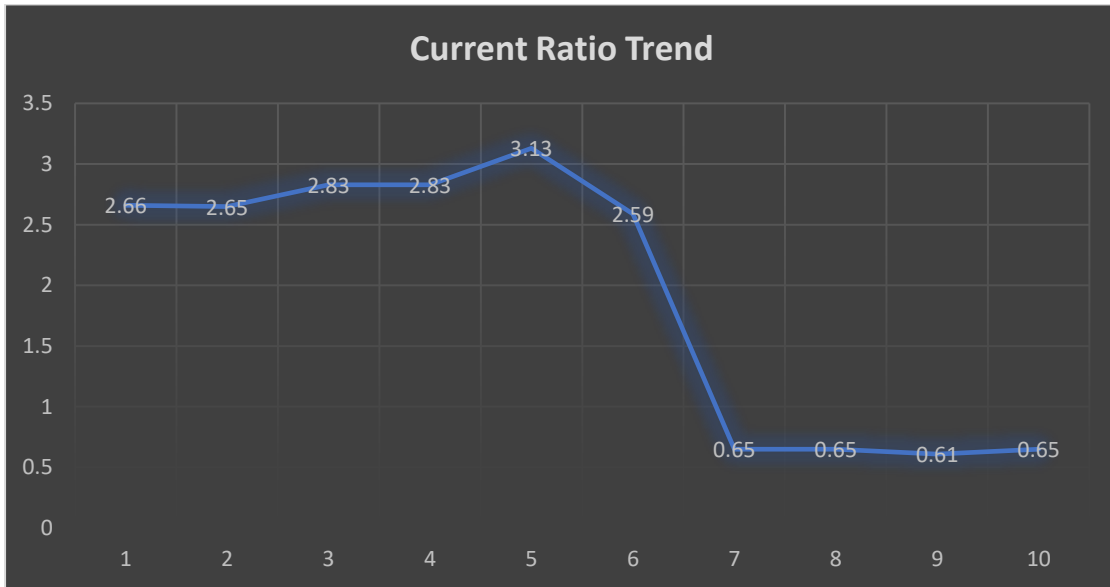
Table 1.1 Calculation of Current Ratio (Rs. In Crores)

Year	Current Assets	Current Liabilities	Ratio
2012-13	1,98,206.50	74,537.80	2.66
2013-14	1,84,451.06	69,709.56	2.65
2014-15	2,03,861.70	71,981.85	2.83
2015-16	2,29,716.36	81,049.73	2.83
2016-17	2,21,723.79	70,832.83	3.13
2017-18	2,10,849.69	81,366.30	2.59
2018-19	1,55,293.67	2,37,379.99	0.65
2019-20	1,49,733.36	2,29,025.17	0.65
2020-21	1,50,359.33	2,45,003.77	0.61
2021-22	1,58,889.06	2,45,311.39	0.65
		Average	1.93

Source: Compiled from Annual Report of IDBI

The above table depicts that the current assets of IDBI Bank is in fluctuating trend during the study period. The current liabilities of IDBI are increased from 2018-19 of the study periods. The current

ratios of IDBI are increasing till first five years. It decreased in sixth year and then after it remain almost same in rest years of the study, the current ratio was highest in the year 2016-17 i.e., 3.13 and lowest in the year 2020-21, i.e., 0.61. The average current ratio of IDBI is 1.93. It helps to conclude that the liquidity position is not better and has less ability to meet its current obligation.



Source: Compiled from Table 1.1

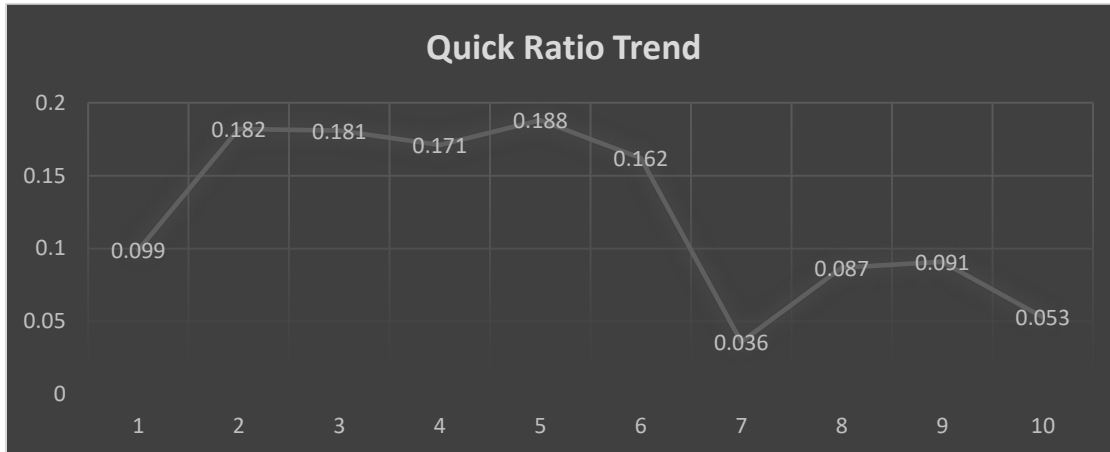
Trend analysis of above chart reflects that IDBI bank Current Ratio has a fluctuating trend.

Table 1.2 Calculation of Quick Ratio (Rs. In Crores)

Year	Quick Assets	Current Liabilities	Ratio
2012-13	7,380.57	74,537.80	0.099
2013-14	12,711.11	69,709.56	0.182
2014-15	13,035.77	71,981.85	0.181
2015-16	13,822.91	81,049.73	0.171
2016-17	13,346.92	70,832.83	0.188
2017-18	13,163.69	81,366.30	0.162
2018-19	8,503.23	2,37,379.99	0.036
2019-20	19,891.57	2,29,025.17	0.087
2020-21	22,209.39	2,45,003.77	0.091
2021-22	13,117.22	2,45,311.39	0.053
		Average	0.125

Source: Compiled from Annual Report of IDBI

The above table and its figure depict that the quick ratios of IDBI was always fluctuating over the study period. The quick ratio of IDBI is constant in second year, and in third year and then increased till 2017-18 of the study periods. It is highest in the year 2013-14, i.e., 0.182 and lowest in the year 2018-19, i.e., 0.36. The average quick ratio in IDBI is 0.125.



Source: Compiled from Table 1.2

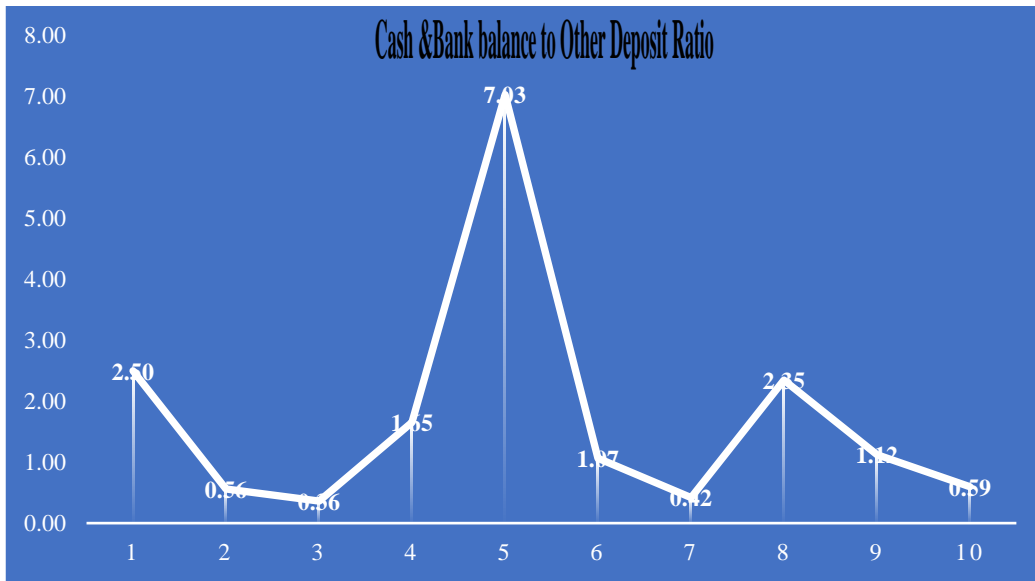
Trend analysis of above chart reflects that IDBI bank Current Ratio has a fluctuating trend.

Table 1.3 Calculation of Cash & Bank balance to Other Deposit Ratio (Rs. In Crores)

Year	Cash & Bank Balance	Other Deposit	Ratio
2012-13	7,411.12	2,967.44	2.50
2013-14	4,134.24	7,380.57	0.56
2014-15	1,485.85	4,106.80	0.36
2015-16	2,460.61	1,489.99	1.65
2016-17	19,382.68	2,757.63	7.03
2017-18	20,611.87	19,337.16	1.07
2018-19	8,572.20	20,522.40	0.42
2019-20	19,955.79	8,503.23	2.35
2020-21	22,294.99	19,891.57	1.12
2021-22	13,206.56	22,209.39	0.59
		Average	1.76

Source: Compiled from Annual Report of IDBI

The above table depicts that the cash and bank balance of IDBI Bank is in fluctuating trend during the study period. And the other deposit of IDBI has fluctuating trend too. This ratios of IDBI were minimum in 2021-22 was 0.59. It was highest in 2016-17 and after that it started decreasing. The average current ratio of IDBI is 1.76. It helps to conclude that the liquidity position is not better and has less ability to meet its current obligation.



Source: Compiled from Table 1.3

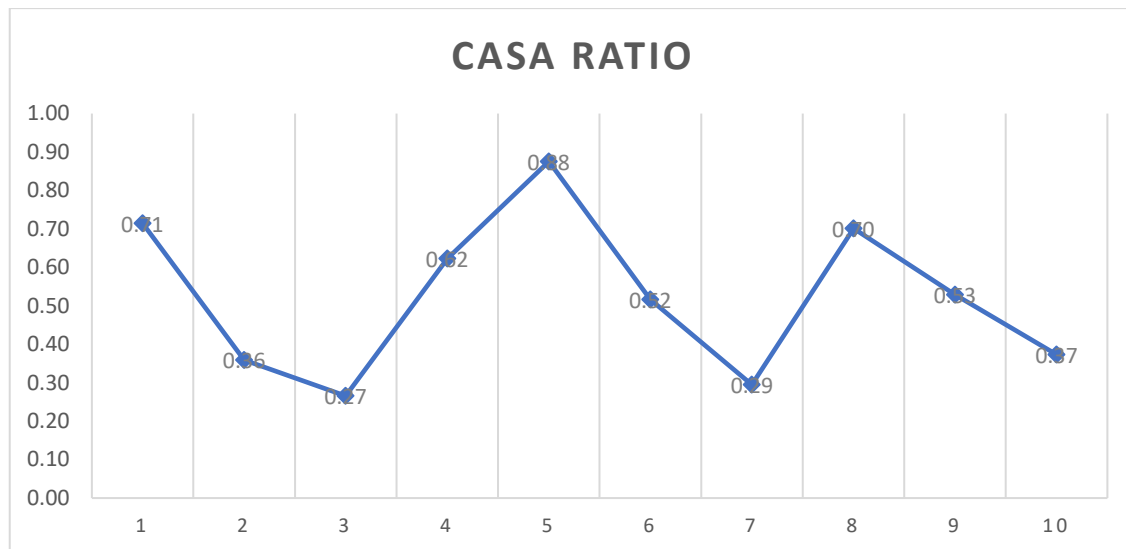
Trend analysis of above chart reflects that IDBI bank has a fluctuating trend.

Table 1.4 Calculation of CASA Ratio (Rs. In Crores)

Year	CASA Deposit	Total Deposit	Ratio
2012-13	7,411.12	10378.56	0.71
2013-14	4,134.24	11514.81	0.36
2014-15	1,485.85	5592.65	0.27
2015-16	2,460.61	3950.6	0.62
2016-17	19,382.68	22140.31	0.88
2017-18	20,611.87	39949.03	0.52
2018-19	8,572.20	29094.6	0.29
2019-20	19,955.79	28459.02	0.70
2020-21	22,294.99	42186.56	0.53
2021-22	13,206.56	35415.95	0.37
		Average	0.53

Source: Compiled from Annual Report of IDBI

The above table depicts CASA Ratio of IDBI Bank is in fluctuating trend during the study period. And the other deposit of IDBI has fluctuating trend too. This ratios of IDBI were minimum in 2014-15 was 0.27. It was highest in 2012-13 0.71. The average CASA ratio of IDBI is 0.53. A higher CASA Ratio indicates a lower cost of funds as because bank do not usually give any interest on Current account deposits and the interest on savings Accounts is usually very low.



Source: Compiled from Table 1.4

Trend analysis of above chart reflects that IDBI bank has a fluctuating trend.

CONCLUSION

In the financial sector, it has taken centre stage, with all banks attempting to maximize income while lowering risk exposure. One of the most important tools for risk management in banks is asset liability management. To improve their performance, the IDBI must implement appropriate Asset Liability Management procedures. For every bank, managing its assets and liabilities is essential.

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