

## A STUDY ON THE IMPACT OF ASSET LIABILITY MANAGEMENT ON RISK MANAGEMENT IN IOB BANK

Y.SAILAJA, R.CHANDRAIAH

23RH1E0063, Department of MBA, MALLAREDDY ENGINEERING COLLEGE FOR  
WOMEN, MAISAMMAGUDA, Via Komapally, Medchal Dist, Telangana,  
DEPARTMENT OF MBA, ASSISTANT PROFESSOR, MALLAREDDY ENGINEERING  
COLLEGE FOR WOMEN, MAISAMMAGUDA, Via Komapally, Medchal Dist, Telangana,,  
[sailajayarra18@gmail.com](mailto:sailajayarra18@gmail.com), [handurapolu027@gmail.com](mailto:handurapolu027@gmail.com)

**ABSTRACT:** This investigation examines the impact of Asset Liability Management (ALM) on the risk management of the Indian Overseas Bank (IOB). Banks can utilize ALM, a critical structure, to oversee monetary dangers welcomed on by confuses in resources and liabilities. Takes a chance with like credit risk, liquidity setbacks, and change in loan fees must be relieved through powerful ALM methodologies.

The investigation examines the manner in which ALM rehearses impact risk for executive results at IOB using subjective and quantitative methods. It analyzes the plan of ALM techniques with the bank's general bet the leaders structure and evaluates the ampleness of these methods in working on money related adequacy and execution.

Key findings indicate that robust ALM practices significantly contribute to improved risk management by reducing interest rate risk, improving liquidity management, and optimizing the bank's balance sheet structure. The study emphasizes the importance of integrating ALM with risk management policies to achieve a balanced approach to managing financial risks. Banking experts and policymakers can glean some significant knowledge from this learn about how ALM reinforces risk the board structures and at last assists monetary organizations with remaining steady and tough.

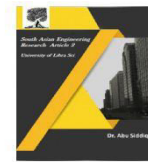
**Keywords:** Asset Liability Management (ALM), Risk Management, Financial Stability, Liquidity Management, Interest Rate Risk

### 1. INTRODUCTION:

In today's banking environment, effective asset and liability management is essential for maintaining financial stability and resilience. Asset Commitment The board (ALM) has emerged as a fundamental practice inside monetary establishments, planned to change and upgrade the association among assets and liabilities. It is difficult to exaggerate how significant it is in

decreasing monetary gamble and further developing gamble the board structures, particularly in monetary business sectors that are continually evolving.

Indian Overseas Bank (IOB), a major player in the Indian banking industry, has significant issues with credit risk, liquidity management, and interest rate swings. To shield the bank's exhibition against expected monetary dangers and keep up with monetary



solidness, strong ALM rehearses should be executed.

This research examines how IOB's risk management and the bank's ability to effectively manage financial risks are impacted by ALM strategies. This study focuses on how ALM practices align with the IOB's overall risk management framework and how these practices mitigate key risks like credit risk exposure, liquidity shortfalls, and interest rate volatility.

Through the analysis of both qualitative and quantitative data, the purpose of this study is to provide a comprehensive understanding of how ALM practices can enhance IOB's risk management. The findings, which are anticipated to provide valuable insights for banking professionals, policymakers, and researchers, are anticipated to highlight the significance of ALM in improving the framework for risk management at financial institutions.

## 2. CONCEPT OF THE STUDY:

This research aims to comprehend the interplay between risk management and asset liability management (ALM) at Indian Overseas Bank (IOB). Banks use ALM, an essential methodology, to oversee gambles welcomed on by jumbles among resources and liabilities. This entails the systematic process of balancing the bank's assets and liabilities to maximize financial performance while maintaining stability and liquidity.

Basic Concepts:

Asset Liability Management (ALM): ALM is a complete framework that includes methods and strategies for managing risks related to

asset and liability maturity profiles, liquidity, and interest rates. The primary objective of ALM is to manage a bank's assets and liabilities in a manner that supports its strategic goals and financial stability.

Risk management: Risk management is the process of identifying, assessing, and mitigating various financial risks in banking. Key risks include liquidity risk, credit risk, and interest rate risk. It is essential to implement efficient risk management procedures in order to safeguard a bank's financial health and ensure its long-term viability.

Interest Rate Danger: Changes in financing costs, which have the potential to affect the bank's profit and financial worth, present this risk. With the help of ALM strategies, the bank can better control how interest rate changes affect its balance sheet.

Liquidity Risk: Liquidity risk refers to the possibility that a bank will be unable to meet its short-term obligations due to mismatches in the timing of cash inflows and outflows. ALM practices aid in ensuring adequate liquidity to meet the bank's operational needs and regulatory requirements.

Credit Risk: Credit risk is the possibility of loss caused by borrowers failing to repay loans or meet financial obligations. ALM strategies assist in managing credit risk by ensuring adequate provisioning and maximizing the asset-liability mix.

## 3. REVIEW OF LITERATURE:

In a focus on resource responsibility jumble, P.M. Joshi (1998) mentions that numerous concepts and expressions have permeated the



financial sector since the beginning of the change cycle[16-21]. Banks should be extremely vigilant about the development example of their liabilities because resource-obligation crisscross stand apart clearly with the development cycle in order to avoid any confusion when assets are sent in different directions in different assembling or exchanging units.

4. SCOPE OF THE STUDY:

It will be helpful to know about this study's asset-liability management and management profitability.

Additionally, best practices in asset and liability management are discussed and suggested in this study for bank asset management. This study is helpful for learning more about the bank's financial performance.

We are able to acquire the knowledge and practical expertise of the bank. The administration will be helpful in determining the bank's wager. The assessment will help the organization to measures to vanquish issues winning in the bank.

4.1 Objectives of the study:

Primary objective:

To concentrate on the Resource Responsibility The board framework

Secondary objective:

To contrast the differences between assets and liabilities.

To concentrate on how ALM affects banks' benefit.

To ascertain the performance of the Asset Liability of the Indian Overseas Bank.

4.2 Limitations of the study:

There isn't much time to study. The bankers only gave project training a certain amount of time. The secondary data for this study are based on the annual bank data.

Overview of the Research Methodology:

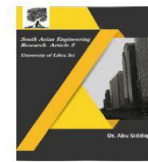
The research focuses on a method for asset liability management. The research used an analytical research design. The data are gathered using secondary data. The data come from the five-year profit and loss account and balance sheet. The statistical tools used are the comparative statement, ratio analysis, mean, standard deviation, and coefficient of variation.

Tools Used For The Study: Co-Efficient of variance:

A Comparative Balance Sheet Ratio Analysis: Operating net profit ratio, Interest expense ratio, Operating net profit ratio, Expenses ratio, Selling and distribution expenses ratio, Gross profit ratio, Operating ratio, Mean, Standard Deviation, Co-Efficient Of Variance A useful statistic for comparing the degree of variation between data sets is the coefficient of variation, even when the means are significantly different.

√σ × 100X

Overall Calculation Of Asset Liability Management, Mean, Standard Deviation, Co-Efficient Of Variation



Particulars	Mean	Standard Deviation	Co-Efficient Of Variation
1)Net Profit Ratio	11.52	22.72	21.31
2)Interest Expenses Ratio	60.44	122.32	49.46
3)Operating Net Profit Ratio	15.54	30.47	24.48
4)Expenses Ratio	10.33	20.50	20.25
5)Selling And Distribution Expenses Ratio	0.216	0.433	2.94
6)Gross Profit Ratio	85.66	419.66	9.61
7)Operating Ratio	24.43	49.71	31.53

**Inference:**

The table displays the mean, standard deviation, and working proportion for a variety of net benefits, including interest costs, working net benefits, costs, selling and dissemination costs, and net benefits. The lower the net benefit, the lower the selling and circulation costs, as evidenced by the mean and standard deviation. When interest costs are high, co-productive variety selling and appropriation costs are low.

**Findings:**

Comparative Statement:

Indian Abroad Bank utilized the same assertion of momentum resources and capital from 2007 to 2011. shows that it was more profitable in 2011 than it had been in previous years.

**Ratio Analysis:**

In 2007, it was found that the bank's net benefit proportion, or by and large net benefit, had expanded.

Between 2007 and 2011, it was discovered that the interest expense ratio increased in 2008 and decreased in 2007.

The operating net profit ratio's percentage was too low in 2010; however, in 2011, it was within a normal range.

2011 saw higher expenses than 2008 in terms of the expenses to income ratio; Particularly, the ratio of selling and distribution costs rose in 2010 and slowly fell in 2011.

In terms of the gross profit ratio, the IOB made the most money in 2008 and the least in 2010, respectively.

In the functioning extent, the cost of goods sold and working costs extended in the year 2010 and bit by bit decreased in 2011.

**Suggestions:**

This study, as suggested, contributes to improved management of assets and liabilities.

To suggest that the bank ought to raise the level of its interest income in order to generate more revenue.

Normalizing the bank's ongoing tasks will be recommended for the purpose of decreasing undesirable costs.



By increasing customer deposits to the bank's good money fluctuations, the risk will be reduced.

### Conclusion:

This ALM is a routine procedure that should be handled with care and avoided whenever possible. It might cause irreparable damage to the liquidity, profitability, and solvency of the banks. Assuming the perception is erroneous. In India's banking industry, which is divided into public, private, and cooperative banks, ratio analysis is used to balance or optimize these items' maintenance.

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