



ASSET LIABILITY MANAGEMENT HDFC

¹KOYALKAR SUSHEEL RAJ and ²Dr., R.SOWMYA

¹PG Scholar, ²Associate Professor,

^{1,2}Department of Management, Teegala Krishna Reddy Engineering College (UGC-Autonomous),

Hyderabad,

Telangana, India

ABSTRACT:

Property and liabilities manage (alm) is a unique mind-set of building, getting decrease all over again via, planning and controlling the focal obsessions and liabilities – their blends, volumes, of development, yields and costs to perform a named net interest income (nii). The nii is the department among pinnacle charge remuneration and top rate costs and the focal wellspring of banks restriction. The pulling in of controls on financing expenses has provoked better credit score rating rate tremendousness in india. Proper now, is a want to have a have a study and show the credit score charge introduction of indian paper entitled "a study on the belongings and liabilities manage (alm) practices with cute reference to hobby charge risk control at hdfc economic enterprise" is foreseen looking on the interest price threat in hdfc bank by way of the usage of using the use of hollow evaluation making use of direct open facts, this paper endeavors to don not forget the financing charge hazard surpassed on via the housing development financial corporation in march 2020, 2021, 2022, 2023 and 2023. The exposures exposed that the economic enterprise considers financing charge threat.

Hdfc: housing development financial corporation.

INTRODUCTION

Asset liability management (alm) is a strategic approach of managing the balance sheet dynamics in such a way that the net earnings are maximized. This approach is concerned with management of net interest margin to ensure that its level and riskiness are compatible with the risk return objectives of the.

If one has to define **asset and liability management** without going into detail about its need and utility, it can be defined as simply “*management of money*” which carries value and can change its shape very quickly and has an ability to come back to its original shape with or without an additional growth. The art of proper management of healthy money is

Asset and liability management (alm).

The liberalization measures initiated in the country resulted in revolutionary changes in the sector. There was a shift in the policy approach of from the traditionally administered market regime to a free market driven regime. This has put pressure on the earning capacity of co- operative s, which forced them to foray into new operational areas thereby exposing themselves to new risks.

As major part of funds at the disposal of come from outside sources, the management is concerned about *risk* arising out of shrinkage in the value of asset, and managing such risks became critically important to them. Although co-operative are able to mobilize deposits, major portions of it are high cost fixed deposits. Maturities of these fixed deposits were not properly matched with the maturities of assets created out of them. The tool called **asset and liability management** provides a better solution for this.

Asset liability management (alm) is a portfolio management of assets and liability of an organization. This is a method of matching various assets with liabilities on the basis of expected rates of return and expected maturity patter

In the context of, **alm** is defined as “*a process of adjusting liability to meet loan demands, liquidity needs and safety requirements*”. This will result in optimum value of the, at the same time reducing the risks faced by them and managing the different types of risks by keeping it within acceptable levels.

NEED OF THE STUDY:

The need of the study is to concentrates on the growth and performance of the housing development finance corporation limited (hdfc) and to calculate the growth and performance by using asset and liability management. And to know the management of nonperforming assets.

- To know financial position of the housing development finance corporation limited (hdfc)
- To analyze existing situation of the housing development finance corporation limited (hdfc)
- To improve the performance of the housing development finance corporation limited (hdfc)
- To analyze competition between the housing development finance corporation

Limited (hdfc) with other cooperative s.

Scope of the study:

In this study the analysis based on ratios to know asset and liabilities management under the housing development finance corporation limited (hdfc) and to analyze the growth and performance of the housing development finance corporation limited (hdfc) by using the calculations under asset and liability management based on ratio.

- Ratio analysis
- Comparative statement
- Common size balance sheet.

METHODOLOGY OF THE STUDY

The study of **alm management** is based on two factors.

1. Primary data collection.
2. Secondary data collection **primary data collection:** the sources of primary data were
 - The chief manager – **alm** cell
 - Department sr. Manager financing & accounting
 - System manager- **alm** cell

Due to this pandemic situation of covid19 company officials are not allowing students in organization.. So we done this project work completely based on secondary data.

Secondary data collection:

Collected from books regarding, journal, and management containing relevant information about alm and other main sources were

- Annual report of the housing development finance corporation limited (hdfc)
- Published report of the
- **Rbi** guidelines for **alm**.

LIMITATION OF THE STUDY:

1. This subject is based on past data of the housing development finance corporation



Limited (hdfc)

2. The analysis is based on structural liquidity statement and gap analysis.
3. The study is mainly based on secondary data.

REVIEW OF LITERATURE

The Basel II norms (2004) focused on international standard for the amount of capital to be maintained by banks as a safeguard against various risks they come across in the banking business. Basel II proposed setting up rigorous risk and capital management requirements designed to ensure that a bank holds capital reserves appropriate to the risk the bank exposes itself to through its lending and investment practices. It infers that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to ensure solvency and stability.

Marrison (2002) had opined that the major aspect of bank management is not deposit mobilization and giving credit they should also follow the effective credit risk management which reduces the risk of customer default. The survival of a bank depends on its capability to handle credit. Mismanagement of bad lending can lead to bank failure. The author had also suggested that irregular meetings of loan committees, false loan, treasury losses, high sums of unrecorded deposits and money laundering in large amounts also can contribute to bank failures..

Milir Venkatesh and Bhargav (2008) focused on price matching and maintaining spreads. Taking one step ahead, the banks now focus on integrated balance-sheet management where all the relevant factors which effect an appropriate balance sheet composition deserve consideration. Therefore various components of balance sheet are analyzed keeping in view the strengths of a bank. The earlier approach of managing certain deposits, loans and advances has no much relevance. The basic difference in earlier approach and dynamic approach can be described in term of focus on value addition, analysis of different scenarios, comprehensive risk and dynamic approach of balance sheet evaluation in the present ALM system.

Dash and Pathak (2011) proposed a linear model for asset-liability assessment. They found that public sector banks have best asset liability management positions, maintaining profitability, satisfying the liquidity constraints, and reducing interest rate risk exposure. The present study analyses the impact of RBI guidelines on effective management of ALM in banks.

Impact of credit risk management

Kosmas Njanike (2009) had emphasized on the impact of effective credit risk management on banks survival. A number of financial institutions have collapsed or faced financial stress due to the inefficiency in credit risk management systems. The study had described the ways to manage the credit risk faced by the bank. The author

had examined that the main reason lies with a bank towards for poor risk management practice created by high level insider loans, speculative lending, high concentration of credit in certain sectors. In the changing economic environment interest rates charged by banks are fast overtaken by inflation and borrowers find it difficult to repay loans as real income fall. Banks failures were also attributed due to improper lending practice lack of experience, organizational and informational systems to assess the credit risk. The effective credit risk management is important in banks to improve the performance and prevent distress.

Miller (1996) studied the impact of effective credit management for banks survival. He identified certain situations which cause bank failure. Like too many rigid rules making the banks to disregard the rigid system of rule. It can inhibit banks from achieving regulatory goals set for them and serve as a disincentive for improvement.

Ogilo fredrick (2012) had advised that bank should establish certain standards which enable them to monitor the quality of the credit portfolio on a daily basis and take precautionary steps as and when the deterioration takes place. The management had stated that the bank’s policy should provide procedural guidelines regarding credit risk monitoring. The procedure for credit monitoring included frequent monitoring, periodic examination of collateral loan covenants, identification of any deterioration in any loan.

DATA ANALYSIS AND INTERPRETATION

Liquidity ratios current ratio:

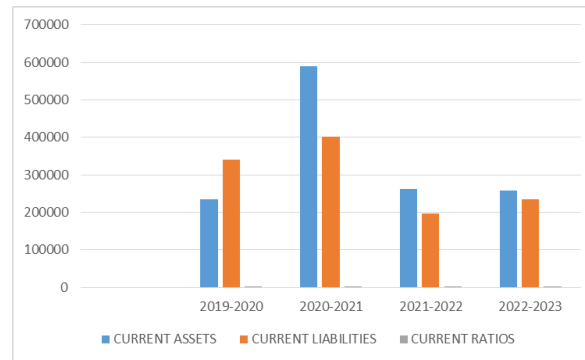
$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITIES}$$

For the calculation this ratio

- Current assets include inventories, sundry debtors, cash and bank balances and loans and advances.
- Current liabilities include current liabilities and provisions.

(RUPEES IN LAKHS)

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIOS
2019-2020	234274	340710	0.687
2020-2021	589973	401302	1.470
2021-2022	263114	196578	1.338
2022-2023	256922	233971	1.098



Interpretation:

The current ratio the significance is 2:1 whereas the company is not able to reach in this 4years it is recommended to increase the current ratio.

Quick ratio (or) acid test ratio:

This is the ratio of liquid assets to current liabilities. It shows a firm's ability to meet current liabilities with its most liquid or quick assets. The standard ratio 1:1 is considered ideal ratio for a concern. Liquid assets are those, which can be converted into cash within a short period of time without loss of value. This can be calculated by using the formula.

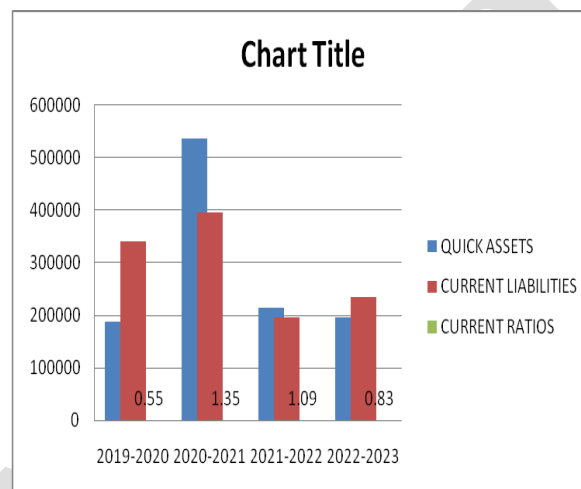
$$\text{QUICK RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

For the calculation of this ratio

- Liquid assets of quick asset includes sundry debtors, cash and bank balance and loan and advance.
- Current liabilities include current liabilities and provisions.

(RUPEES IN LAKHS)

YEARS	QUICK ASSETS	CURRENT LIABILITIES	CURRENT RATIOS
2019-2020	188182	340710	0.55
2020-2021	536531	395877	1.35
2021-2022	214366	196578	1.09
2022-2023	195500	233972	0.83



Interpretation:

The significance of this ratio is 1:1 whereas the company is able to reach this in the year 2019- 19, 2020-21, all other years it is below the ratio.

Leverage ratios

Debt equity ratio:

This ratio examines the relationship between borrowed funds and owner’s funds of a firm. In other words, it measures the relative claims of creditors and owners against the assets of a firm. This ratio is also known as debt to net worth ratio. It is calculated as follows:

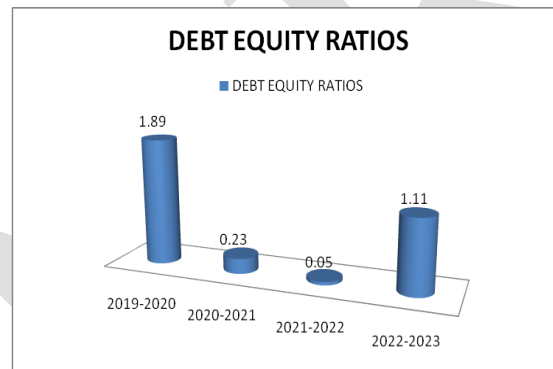
$$\text{DEBT EQUITY RATIO} = \frac{\text{LONG TERM LIABILITIES}}{\text{SHARE HOLDER'S FUNDS}}$$

for the calculation of this ratio

- Long –term liabilities included secured loans, unsecured loans and deferred credits.
- Shareholder’s funds include share capital and reserves and surplus.

(RUPEES IN LAKHS)

YEARS	LONG TERM LIABILITIES	SHARE HOLDER’S FUNDS	DEBT EQUITY RATIOS
2019-2020	662910	350000	1.89
2020-2021	79700	350000	0.23
2021-2022	8248	164512	0.05
2022-2023	54743449	49093096	1.11



interpretation: explains the relationship between long term debts to share holder’s funds which is gradually decreasing from 2021-22.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. **Alm** technique is aimed to tackle 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 maturity profiles and gap analysis.
3. Alm presents a disciplined decision making framework for while at the same time guarding the risk levels.

4. Turnover ratio is gradually decreasing and thereafter increased in a year 2022-23.
5. 2022-23 this ration is decreased and thereafter it has decreased to the maximum existent.

SUGGESTIONS

1. 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.
2. It is essential that remain alert to the events that effect its operating environment & react accordingly in order to avoid any undesirable risks.
3. Hdfc requires efficient human and technological infrastructure which will future lead to smooth integration of the risk management process with effective business strategies.

CONCLUSION

the burden of the risk and its costs are both manageable and transferable. Financial service firms, in the addition to managing their own risk, also sell financial risk management to others. They sell their services by bearing customers financial risks through the products they provide. A financial firm can offer a fixed-rate loan to a borrower with the risk of interest rate movements transferred from the borrower to the. Financial innovations have been concerned with risk reduction than any other subject. With the possibility of managing risk near zero, the challenge becomes not how much risk can be removed.

REFERENCE

www.hdfc.in

www.googlefinance.com

www.assectindia.com