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# Assets and Liabilities Management in Banks – A Case Study of State Bank of India

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**ABSTRACT:** An asset/liability management is the process that is defined as paying off liabilities from assets and cash flows of a company, and its proper implementation reduces the risk of loss for not paying the liabilities on time. This paper examines management of asset-liability in State Bank of India. The objectives of the study are to understand the concept of assets and liabilities management and to analyse the assets and liabilities position of State Bank of India. The present study has been conducted on the basis of secondary data and is descriptive in its nature. The study period was confined to a period of five financial years from 2017-18 to 2021-22. From the study it is clear that SBI looks forward to generate a more favourable service in the future. The balance sheet of the bank has been consistent and gives a hint of growth and expansion.

**KEYWORDS:** Assets, Investments, Borrowings, Deposits, Liabilities

## I. INTRODUCTION

Banks are the financial intermediary between their customers and future endeavors. Banks take a deposit from their customers for which they are obliged to pay interest. From these deposits, they provide loans for which they receive interest income. Therefore, banks need to implement strong asset-liability management to ensure net interest income and ensure that they can pay off their customer deposits at any given time. Asset Liability Management (ALM) involves taking decisions and actions regarding assets and liabilities in an integrated manner in order to manage the business of the entity and meet the organization's financial objectives. The ALM process is a continuing one that involves formulating, implementing, monitoring and revising strategies related to its assets and liabilities keeping in mind the entity's risk tolerances and constraints.

### Review of Literature:

**Dr. K. Prince Paul Antony and J.Manimegalai (2018)** have conducted A Study on Asset Liability Management in Indian Bank. The study attempts to evaluate the impact of Asset Liability Management on profitability of banks and activity of Asset Liability Management in Indian bank by using Ratio Analysis. The analysis of Asset Liability Management in Indian bank will be carried out for the sample period from 2014 to 2018. From the study it is better to company's liquidity position, the Higher current ratio 3:4, the more capable of bank and the average proportion of current asset to deposits is high in 6.20 in the 2017-2018.

**Dr. D.V. Ingle (2018)** has conducted an Analysis of Assets-Liability Management in Banking: A Case Study of Yes Bank. The study attempts to analyse the performance in terms of profitability position of YES Bank. The study is exploratory in nature. The secondary data is taken on the financial and accounting data of yes bank. The study covered the data collected from the major financial details such as balance sheets, annual reports of the yes bank for the period of 2012-13 to 2016-17. The multivariate statistical technique and ratio analysis was used to interpret the financial statements and analyse the data to know the asset and liability position of the bank. From the study cash deposit ratio, current ratio, capital adequacy ratio, other income to total income was decreasing trend as well as interest expended to interest earned ratio and credit deposit ratio was increasing trend.

**Dr.Hanmanth N Mustari (2018)** has conducted a Study on Asset Liability Management System in Syndicate Bank. The study attains that Asset liability management system used by Syndicate bank and highlights the major tools used to manage liquidity risk and interest rate risk. The study covered the data for the financial year 2015-16 i.e., cash outflows as deposits, borrowings, currency liabilities and cash inflows as advances, investments, currency assets, various financial ratios and impact of interest rate risk on earnings are analysed. The study gives assets liability management



practices relating liquidity is found satisfactory as it maintained its maturities of assets and liabilities as per RBI guidelines.

**SalvinSurjith FP and N. Sathyanarayana (2014)** have conducted a study on Asset and Liability Management in ICICI Bank. The study attains to understand the problems involved in maintaining and managing assets and liabilities, determine the financing pattern of the assets at ICICI bank, enable the efficient utilization of the available funds and proper management of the assets and liabilities. The present study has been conducted on the basis of secondary data and is descriptive in its nature. The study period was confined to a period of five financial years from 2008-09 to 2012-13. The collected data was analysed through statistical tools such as Ratios and percentages and test hypothesizes the correlation was applied with the help of SPSS.21 Software package. From the study Capital turnover ratio of the bank was satisfactory. The cash ratio has not been maintained according to the standard; the net profit has been maintained in the increasing rate which shows that the company has performing well during the study period.

#### **Objectives of the study:**

1. To understand the concept of Assets and Liabilities Management.
2. To analyse the Assets and Liabilities position of State Bank of India.

#### **Research Methodology:**

The present study has been conducted on the basis of secondary data and is descriptive in nature. The study period is confined to five financial years from 2017-18 to 2021-22. To make the analysis meaningful statistical tools like – Ratios and Percentages were applied.

#### **Concept of Assets and Liabilities Management**

Asset/liability management is the process of managing the use of assets and cash flows to reduce the firm's risk of loss from not paying a liability on time.

The concept of asset/liability management focuses on the timing of cash flows because company managers must plan for the payment of liabilities. The process must ensure that assets are available to pay debts as they come due and that assets or earnings can be converted into cash. The asset/liability management process applies to different categories of assets on the balance sheet.

#### **ALM Practices in Banks**

ALM practices aim at reducing various risks to which the banks are exposed. They relate broadly to (i) credit risk, (ii) interest rate risk (iii) liquidity risk (iv) foreign exchange risk and (v) operational risk.

##### **1) Credit Risk**

The management of credit risk includes:

- ❖ Measurement of risk through credit rating/scoring;
- ❖ Quantifying the risk through estimating expected loan losses;
- ❖ Risk pricing on a scientific basis; and

##### **2) Interest Rate Risk**

- ❖ Gap or Mismatch Risk
- ❖ Basis Risk
- ❖ Embedded Option Risk

##### **3) Liquidity Risk:**

- ❖ Funding Risk
- ❖ Time Risk
- ❖ Call Risk

##### **4) Foreign Exchange Risk:**

- ❖ Transaction Exposure
- ❖ Translation Exposure
- ❖ Economic Exposure

##### **5) Operational Risks**

Operation risk according to a practical approach is risk arising out of failed internal process, people and systems or from external events.



**Assets and Liabilities Position of State Bank of India  
Table No.1 Showing Investments of State Bank of India**

Year	Investments (Rs in crore)	Percent
2017-18	1060987	18
2018-19	967022	16
2019-20	1046954	18
2020-21	1351705	23
2021-22	1481445	25
	5908113	100

Source: Annual Report

**Inference:**The above table shows investments of SBI for respective years. There is a continuous increase in the investments of SBI from 2018-19 to 2021-22.

**Table No.2 Showing Advances of State Bank of India**

Year	Advances (Rs in crore)	Percent
2017-18	1934880	17
2018-19	2185877	19
2019-20	2325290	20
2020-21	2449498	21
2021-22	2733967	24
	11629512	100

Source: Annual Report

**Inference:**The above table shows that advances of SBI. There is a consecutive increase in the advances of SBI from 2017-18 to 2021-22.

**Table No.3 Showing Other Assets of State Bank of India**

Year	Other Assets (Rs in crore)	Percent
2017-18	458885	15
2018-19	528015	17
2019-20	579150	19
2020-21	733227	24
2021-22	772185	25
	3071462	100

Source: Annual Report

**Inference:**The above table shows that other assets of SBI. There is a consecutive increase in the other assets of SBI from 2017-18 to 2021-22.

**Table No.4 Showing Reserves and Surplus of State Bank of India**

Year	Reserves and Surplus (Rs in crore)	Percent
2017-18	218236	18
2018-19	220021	18
2019-20	231115	19
2020-21	252983	21
2021-22	279196	23
	1201551	100

Source: Annual Report

**Inference:**The above table shows that Reserves and Surplus of SBI. There is a consecutive increase in the Reserves and Surplus of SBI from 2017-18 to 2021-22.

**Table No.5 Showing Deposits of State Bank of India**

Year	Deposits (Rs in crore)	Percent
2017-18	2706344	16
2018-19	2911386	18
2019-20	3241621	20
2020-21	3681277	22
2021-22	4051534	24
	16592162	100

Source: Annual Report

**Inference:**The above table shows Deposits of SBI for respective years. There is a continuous increase in the Deposits of SBI from 2017-18 to 2021-22.

**Table No.6 Showing Borrowings of State Bank of India**

Year	Borrowings (Rs in crore)	Percent
2017-18	362142	19
2018-19	403017	21
2019-20	314656	16
2020-21	417298	22
2021-22	426043	22
	1923156	100

Source: Annual Report

**Inference:**The above table shows Borrowings of SBI for respective years. There is a change in the Borrowings of SBI from 2017-18 to 2021-22.

**Table No.7 Showing Other Liabilities of State Bank of India**

Year	Other Liabilities (Rs in crore)	Percent
2017-18	167138	19
2018-19	145597	16
2019-20	163110	18
2020-21	181980	20
2021-22	229932	26
	887757	100

Source: Annual Report

**Inference:**The above table shows that Other Liabilities of SBI. There is a consecutive increase in the Other Liabilities of SBI from 2018-19 to 2021-22.

**Table No.8 Showing Both Total Assets and Liabilities of State Bank of India**

Year	Total Assets and Liabilities (Rs in crore)	Percent
2017-18	3454752	17
2018-19	3680914	18
2019-20	3951394	19
2020-21	4534430	22
2021-22	4987597	24
	20609087	100

Source: Annual Report

**Inference:**The above table shows that Total Assets and Liabilities of SBI. There is a consecutive increase in the Total Assets and Liabilities of SBI from 2017-18 to 2021-22.



**Table No. 9 Showing Selected Ratios of SBI**

Year	Return on Average Assets(%)	Return on Equity (%)	EPS (in Rs)
2017-18	-0.19	-3.78	-7.67
2018-19	0.02	0.48	0.97
2019-20	0.38	7.74	16.23
2020-21	0.48	9.94	22.87
2021-22	0.67	13.92	35.49

Source: Annual Report

**Inference:**The above table shows that Return on Average Assets, Return on Equity and Earnings Per Share of SBI. There is a consecutive increase in the Return on Average Assets, Return on Equity and Earnings Per Share of SBI from 2017-18 to 2021-22.

**Conclusion:**

Asset Liability Management is one of the vital tools for risk management in banks. The banks have to work properly with regard to the Asset Liability Management so as to increase their performance. Managing the Asset and Liabilities is crucial for every bank. From the study it is clear that SBI looks forward to generate a more favourable service in the near future. The balance sheet of the SBI has been consistent and gives a hint of growth and expansion. In the study analysed the various assets and liabilities of SBI is increase for the study period.

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