A STUDY ON ASSEST AND LIABILITY MANAGEMRNT AT ICICI BANK LIMITED

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ABSTRACT

This study explores the practices and strategies of Asset and Liability Management (ALM) at ICICI Bank, one of India's leading private sector banks. ALM is a vital risk management tool that aims to mitigate financial risks arising from mismatches between assets and liabilities in terms of maturity and interest rates. The research focuses on how ICICI Bank effectively manages liquidity risk, interest rate risk, and capital adequacy while maintaining financial stability and regulatory compliance. By analyzing financial reports, risk disclosures, and ALM frameworks, the study assesses the bank's ability to adapt to dynamic economic conditions and regulatory changes. The findings suggest that ICICI Bank employs a robust ALM framework supported by advanced risk assessment tools, periodic stress testing, and scenario analysis.

INTRODUCTION

Assets and Liability Management (ALM) is a strategic approach to managing the balance sheet of an organization by synchronizing assets and liabilities to minimize risk and maximize profitability. It is particularly critical in financial institutions such as banks, insurance companies, and investment firms where the mismatch of assets and liabilities can lead to liquidity crises or financial instability.

The essence of ALM lies in ensuring that an organization's assets are structured and timed to meet its liabilities as they fall due. This involves careful monitoring and management of risks such as interest rate risk, liquidity risk, credit risk, and operational risk. By aligning maturities and cash flows, institutions can maintain solvency and profitability under both normal and stress conditions.

Traditionally, ALM focused primarily on interest rate mismatches. However, in today's dynamic financial landscape, it encompasses a broader framework that includes regulatory compliance (such as Basel III norms), market volatility, and strategic business planning. Modern ALM integrates financial analytics, forecasting models, and risk assessment tools to enhance decision-making.

LITERATURE REVIEW

1. **Havrylenko, Y. (2025). in the article titled: Framework for Asset-Liability Management with Fixed-Term Securities.** *arXiv preprint arXiv:2502.19213***.**
   This research addresses optimal investment-consumption problems involving fixed-term securities. The author develops a methodology using the generalized martingale approach to derive semi-closed-form solutions for utility-maximizing investors
2. **Chen, X., Huang, F., & Li, X. (2025). in the article titled: Asset-Liability Management under Uncertain Economic Environment.** *Journal of Industrial & Management Optimization***, 21(3), 789-812.** This study addresses ALM in uncertain economic environments by employing continuous-time uncertain differential equations driven by the Liu process.
3. **Cui, X., & Li, X. (2025). in the article titled: Better than Optimal MeanVariance Portfolio Policy in Multi-Period Asset-Liability Management Problem.** *OpenReview.net***.** This study introduces an enhanced mean-variance portfolio policy for multi-period ALM problems. The authors propose a novel approach that outperforms traditional optimal strategies by incorporating dynamic adjustments over multiple periods.
4. **Consigli, G., Dentcheva, D., Maggioni, F., & Micheli, G. (2025). in the article titled: Asset Liability Management under Sequential Stochastic Dominance Constraints.** *arXiv preprint arXiv:2505.16486***.** This study formulates a multistage stochastic programming model for

financial intermediaries managing assets and liabilities exposed to various risks. By incorporating sequential second-order stochastic dominance constraints, the model ensures financial equilibrium over time.

NEED FOR THE STUDY

In today's volatile and complex financial environment, the need for effective **Assets and Liability Management (ALM)** has become more critical than ever. Organizations, particularly in the financial sector, face constant challenges in managing risks arising from mismatches in the maturity and interest rates of assets and liabilities. A lack of coordination between these elements can lead to severe liquidity problems, interest rate exposure, and in extreme cases, institutional failure.

SCOPE OF THE STUDY

Asset and liability management is a practice used by financial Performance to mitigate financial risks resulting from a mismatch of assets and liabilities. By strategically matching of assets and liabilities, financial performances can achieve greater efficiency and profitability while also reducing risk

OBJECTIVE OF THE STUDY

1) To study the effectiveness of Asset and liability management in financial performance of ICICI BANK Ltd
2) To Know a source and uses of the Asset & Liability.
3) To Examine the liquidity position through various Asset & Liability related ratios.
4) To study the Asset & Liability components such as receivables accounts, cash management, Inventory management.

RESEARCH METHODOLOGY

Research methodology generally refers to the procedure carried out in any project on research study. Methodology gives clear picture of suitable clarification and sequence of the different stages of the study, as to arrive at a proper manifestation of the objective, and the scope.

RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

TYPES OF RESEARCH

Analytical research

In analytical research, on the other hand, the researcher has to use facts or information already available, and analyze these to make a critical evaluation of the material.

METHOD OF DATA COLLECTION

The secondary data are those which have already collected and stored. Secondary data easily get those secondary data from records, annual reports of the company etc. will save the time, money and efforts to collect the data.

The major source of data for this project was collected through annual reports, profit and loss account of 5year period from 2018.

TOOLS FOR DATA COLLECTION

SAMPLING DESIGN

Sampling Unit	: Financial Statements.
Sampling Size	: Last five years financial statements. Tool Used for
calculations	: MS-Excel.

LIMITATIONS OF THE STUDY

1. The study duration is short.
2. The analysis is limed to five years of data study (from year 2018 to year 2022) for financial analysis.
3. Limited interaction with the concerned heads due to their busy schedule.
4. The findings of the study are based on the information retrieved by the selected unit.

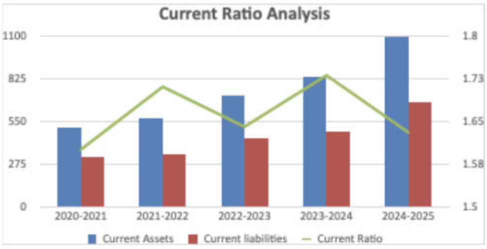
DATA ANALYSIS AND INTERPRETATION
CURRENT RATIO
Table 1: Current Ratio Analysis

Year	Current Assets	Current liabilities	Current Ratio
2020-2021	505.46	315.33	1.60
2021-2022	571.17	334.19	1.71
2022-2023	716.95	437.95	1.64
2023-2024	834.28	481.81	1.73
2024-2025	1,095.97	673.18	1.63

FORMULA:

Current Ratio = Current Assets

Current liabilities



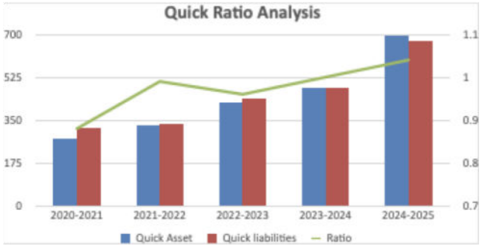
Interpretation

Table 1 : shows that the current ratio seems to be fluctuating between the year 2021 to 2025.The current ratio is high in the year 2024 and decreased in 2025 due to increase in current liabilities.

QUICK RATIO
Table2 :Quick Ratio Analysis

Year	**Quick Asset**	**Quick liabilities**	**Ratio**
2020-2021	276.57	315.33	0.88
2021-2022	330.54	334.19	0.99
2022-2023	421.41	437.95	0.96
2023-2024	479.84	481.81	1.00
2024-2025	699.67	673.18	1.04

FORMULA:
Quick Ratio = Quick Asset/Quick liabilities



Interpretation

Table 2 shows that the liquid ratio goes on increasing an reached a high mark of 1.04 in the year 2025, but the range is above the standard mark. Hence s liquidity position is adequate.

ABSOLUTE LIQUIDITY RATIO

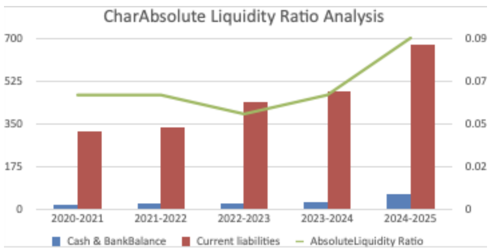
Table 3 Absolute Liquidity Ratio Analysis

Years	Cash & Bank Balance	Current liabilities	Absolute Liquidity Ratio
2020-2021	18.8	315.33	0.06
2021-2022	19.94	334.19	0.06
2022-2023	22.83	437.95	0.05
2023-2024	27.32	481.81	0.06
2024-2025	61.81	673.18	0.09

FORMULA:

Absolute Liquidity Ratio = Cash & Bank Balance

Current liabilities



Interpretation

Table 3 shows the ratio goes on increasing and is always above the standard mark of 0.5. Hence is clear that the liquidity position of the company is satisfactory.

INVENTORY TURNOVER RATIO

Table 4 Inventory Turnover Ratio

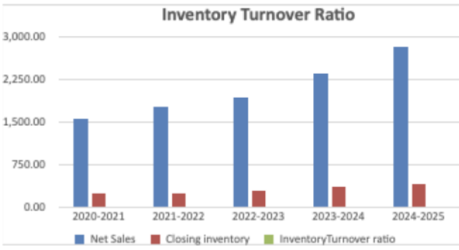
Year	Net Sales	Closing inventory	Inventory Turnover ratio

2020-2021	1,537.19	228.89	6.72 times
2021-2022	1,765.78	240.63	7.34 times
2022-2023	1,930.59	295.54	6.53 times
2023-2024	2,356.19	354.44	6.65 times
2024-2025	2,816.32	396.3	7.11 times

FORMULA:

Inventory Turnover Ratio = Net Sales

Closing Inventory



Interpretation

Table 4 reveals that the company's sales has increased subsequently after a fall in the year 2023.the company has shown higher sales rate in 2022 followed by 2025.

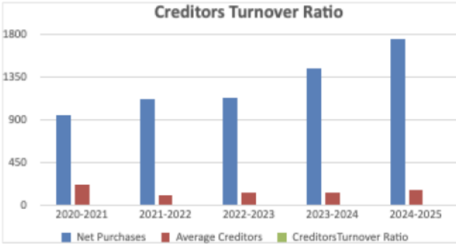
CREDITORS TURNOVER RATIO

Table 5Creditors Turnover Ratio

Year	**Net Purchases**	**Average Creditors**	**Creditors Turnover Ratio**
2020-2021	939.77	206.55	4.55 times
2021-2022	1,109.12	105.54	10.51 times
2022-2023	1,123.77	127.5	8.81 times
2023-2024	1,429.98	130.82	10.93 times
2024-2025	1,742.06	153.67	11.34 times

FORMULA:

Creditors Turnover Ratio = Net Purchases/ Average Creditors



Interpretation

Table 5 shows how many times the company pays s debt in a year. The number of times is very low in the year 2020-2021 and increased in 2021-2022 and a decrease in 2022-2023 and a good improvement after 2022-2023.and a high rate of 11.34 times in 2024-2025.

CREDITORS PAYMENT PERIOD

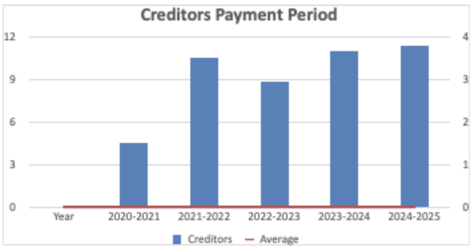
Table 4.9 Creditors Payment Period

Year	Days in a Year	Creditors Turnover Ratio	Average Payment Period
2020-2021	365	4.55	80.2 days
2021-2022	365	10.51	34.73 days
2022-2023	365	8.81	41.41 days
2023-2024	365	10.93	33.39 days
2024-2025	365	11.34	32.20 days

FORMULA:

Average Payment Period = Days in a Year

Creditors Turnover Ratio



Interpretation

Table 4.9 shows the average payment period has decrease due to increase in number of times the debt is paid in a year. In 2020 was 80.2 days and reduced to 34.73 days and again increased to 41.41 days and was 33.39 days later in 2025 was 32.20 days which is a good improvement in settling the debt.

FINDINGS

1. Asset & Liability of the ICICI BANK was increasing and showing positive Asset & Liability per year.
2. The ICICI BANK maintains sufficient amount of current assets.

Inventory turnover ratio is very low in the year 2020-2021. In the year 2021-2022 has increased by 7.34

times as compared to 2020-2021 and has again increased to 7.11times in 2024-2025.

3. Debtor's turnover ratio is very low in the year 2020-2021. In the year 2021-2022 has increase by 9.14 times as compared to 2020-2021 and keep increasing in the last year 2023-13 up to 18.01 times
4. Creditor's turnover ratio is very low in the years of 2020-2021. And has increased to 10.51 times in the year 2021-2022.And was 11.34 times in the year 2024-2025.

SUGGESTIONS

1. Asset & Liability of the company has increasing every year. Profit also increasing every year this is good sign for the company. has to maintain further, to run the business long term.
2. The company has sufficient Asset & Liability and has better liquidity position. By efficient utilizing this short-term capital, then should increase the turnover.
3. The company can maintain the proportion of current assets and current liability which helps to improve better Asset & Liability management.
4. The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.

CONCLUSION

The financial status of ICICI BANK is good. In the last year the inventory turnover has increased, this is good sign for the company. The company's liquidity position is good. With regards to the investments in current assets there are adequate funds invested in. Care should be taken by the company not to make further investments in current assets, as would block the funds, which could otherwise be effectively utilized for some productive purpose. On the whole, the company is moving forward with excellent management.

REFERENCES

BOOKS

Asset and Liability Management for Banks and Insurance Companies" *Author:* Jean Dermine *Publisher:* Wiley *Description:* Offers a practical framework for understanding ALM, covering duration gaps, interest rate risk, and regulatory aspects like Basel norms.

1. **"Financial Risk Management: A Practitioner's Guide to Managing Market and Credit Risk"** *Author:* Steve L. Allen *Publisher:* Wiley *Description:* Covers broader financial risk topics, including ALM, derivatives, and risk metrics applicable in banking.

3. **"Asset and Liability Management Handbook"** *Author:* G. Mitra, K. Schwaiger *Publisher:* Palgrave Macmillan *Description:* A comprehensive reference for modeling, decision support, and ALM best practices.

WEBSITES

1. **ICICI Bank Official Website**
   a. For annual reports, risk management disclosures, ALM policies, investor presentations.
2. **Reserve Bank of India (RBI)**
   a. Circulars, ALM guidelines, financial stability reports.
3. **Bank for International Settlements (BIS)**
   a. Basel norms, ALM principles, liquidity risk frameworks.
4. **Investopedia**
   a. Simplified explanations of ALM concepts, ratios, and models.

RESEARCH ARTICLES

1. **Chen, X., Huang, F., & Li, X. (2025). in the article titled: Asset-Liability Management under Uncertain Economic Environment.** *Journal of Industrial & Management Optimization*, **21(3), 789-812.** This study addresses ALM in uncertain economic environments
2. **M. Guru Santhosh & Prof. V. N. Prakash Sharma – January–February 2016** – "Interest Rate Risk Management: A Comparative Study of Bank of Baroda and ICICI Bank" – appearing in *IOSR Journal of Economics and Finance*, Vol. 7 No. 1, pp. 1–4
3. **Suman Chakraborty & Subhalaxmi Mohapatra – 2009** – *IUP Journal of Bank*

Management – "An Empirical Study of Asset Liability Management Approach by the Indian Banks" – August–November 2009; **7 pages** iupindia.in

4. **Rahul Kilari – 2021** – *International Journal of Management (IJM) – "Asset Liability Management in Commercial Banking: Theoretical and Practical Aspects"* – May 26, 2021; **pp.186–193**