



A STUDY ON ASSET AND LIABILITY MANAGEMENT IN

SALEM URBAN CO-OPERATIVE BANK

by

KRISHNAKUMAR.D

Reg. No. 1120400050

Under the guidance of

Mr.SWAMINATHAN.S

Professor, KCT Business School.

A PROJECT REPORT

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BONAFIDE CERTIFICATE

Certified that this project report titled "A Study on Asset and Liability Management in Salem Urban Co-operative Bank" is the bonafide work of **Mr.KRISHNAKUMAR.D, Reg No:1120400050**, who carried out the project under my supervision. Certified project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

Mr.Swaminathan.S

Professor

KCTBS

Director

Dr.Vijila Kennedy

KCTBS

Submitted for the project viva-voce examination held on _____

Internal Examiner

External Examiner

II

IV

DECLARATION

I affirm that the project work titled 'A STUDY ON ASSET AND LIABILITY MANAGEMENT IN SALEM URBAN CO-OPERATIVE BANK' being submitted in partial fulfillment for the award of Master of Business Administration is the original work carried out by me. It has not found the party other project work submitted for award of any degree or diploma, either in this or any other university.

Signature of the Candidate

KRISHNAKUMAR.D

Register No: 1120400050.

I certify that the declaration made above by the candidate is true.

Signature of the Guide

Mr.SWAMINATHAN.S

Professor

KCT Business School.

V

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CHAPTER-1

1.1. INTRODUCTION OF THE STUDY

The Asset and liability management includes all deposits and advances, maturity of deposits and incremental assets and liabilities, etc. It is a decision making responsible for balance sheet planning from risk and return standpoint including the strategic management of liquidity, interest rate risks. The business and risk management strategy of the bank should ensure that the bank operates within the limited parameters set by the Board. Besides monitoring the risk levels of the bank, there should proper review the results and progress in realization of the decisions made. In future business strategy decisions should be based on the banks current rate of interest. In respect of the funding policy, for instance, its responsibility would be to decide on source and liabilities mix or the assets sale. There should be efficient management of short term deposits, medium term deposits and long term deposits, loans and advances, borrowings and investments etc.

NEED FOR ALM:

- ALM units create a properly aligned risk and return management process. The right mix between skills and risk appetite must be identified, expected outcomes of activities known and appropriate metrics established. The approach adopted needs to be aligned to the realities of the market the bank.
- A bank needs to realize that the right level of asset and liability need to be committed to support the function.
- Various techniques are used to examine the mismatch in a bank's balance sheet and it can be a difficult process if not supported with adequate systems. Depending on systems and analytical support the ALM process will undertake a number of analysis designed to identify; static and dynamic mismatch.

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COMPANY PROFILE:

1.2 ABOUT THE COMPANY

In the early 1920s, business and community leaders from the Salem area recognized a need and joined together in a common cause - to establish a bank to serve the community of Salem Depot, its residents and its businesses. As a result of their effort, Salem Co-operative Bank was founded in 1922, the first bank ever headquartered in Salem . The Bank was founded "For the purpose of accumulating savings of its members and the loaning of the funds so accumulated to them to enable them to purchase homes and improve their conditions."

Today, Salem Co-operative Bank is committed to meet the changing financial needs of our customers while keeping sight of the traditional values of integrity, hard work, and our Dedication to Community. We pride ourselves in combining new technology with old-fashioned personal service. Our staff is highly trained and knowledgeable about our products and services and the needs of our customers.

Salem Urban Co-operative Bank (SUCB) was started in the year 11.03.1906 and the Registration was made on 01.03.1906. Reserve Bank of India was issued a license to carry on banking business on 02.03.1906. it is one of the oldest Urban Co-operative Bank in Tamilnadu. The bank is successfully running in the year 106 th. SUCB has got best bank award during the period of 2010-2011. SUCB has maintaining the fifteen branches in around of Salem town. SUCB have one of the more branches in all over Urban Co-operative Banks in Tamilnadu.

Salem Co-operative Bank was founded to, and remains committed to, provide financial services with honesty and integrity, while maintaining its position as a financially sound cornerstone of the community.

The Selected Urban Co-operative Banks in Salem district has achieved a target at a satisfactory level. But, the Urban Co-operative Banks are gearing themselves up fast to meet the challenge of competition and to build efficiency. They are continuously holding meetings conferences and training their staff at all levels to enhance their knowledge and skills levels and to read them for excellent marketing and customer service. This establishes the UCBs will and determination not only to survive but also to prevail.

FINANCIAL INDICATORS :

YEAR	CRAR(%)	SLR(%)	CRR(%)
2009	19.06	46.4	3.87
2010	16.26	37.51	4.04
2011	14.20	32.72	3.89
2012	14.57	32.75	4.19

The two main objectives of the nationalizations were rapid branch expansion and the channeling of credit in line with the priorities of the five-year plans. To achieve these goals, the newly nationalized banks received quantitative targets for the expansion of their branch network and for the percentage of credit they had to extend to certain sectors and groups in the economy, the so-called priority sectors, which initially stood at 33.3%. Six more banks were nationalized in 1980, which raised the public sector's share of deposits which raised the public sector's share of deposits to 92%. The second wave of nationalizations occurred because control over the banking system became increasingly more important as a means to ensure priority sector lending, reach the poor through a widening branch network and to fund rising public deficits. In addition to the nationalization of banks, the priority sector lending targets were raised to 40%

Besides the establishment of priority sector credits and the nationalization of banks, the government took further control over banks' funds by raising the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR). From a level of 2% for the CRR and 25% for the SLR in 1960, both witnessed a steep increase until 1991 to 15% and 38.5% respectively. Through the CRR and the SLR more than 50% of savings had either to be deposited with the RBI or used to buy government securities. Of the remaining savings, 40% had to be directed to priority sectors that were defined by the government. Besides these restrictions on the use of funds, the government had also control over the price of the funds, i.e. the interest rates on savings and loans.

DEVELOPMENTS AFTER 1991

By international standards, Indian banks were even despite a rapid growth of deposits extremely unprofitable. In the second half of the 1980s, the average return on assets was about 0.15%. The return on equity was considerably higher at 9.5%, but merely reflected the low capitalization of banks. While in India capital and reserves stood at about 1.5% of assets, other Asian countries reached about 4-6%. Reforms covered the areas of interest rate deregulation, directed credit rules, statutory pre-emption and entry deregulation for both domestic and foreign banks.

INDUSTRY ANALYSIS OF BANKING SECTOR

DEVELOPMENT FROM INDEPENDENCE UNTIL 1991

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated. Though originally privately owned, since nationalization in 1949, the Reserve Bank is fully owned by the Government of India. At the time of Independence in 1947, the banking system in India was fairly well developed with over 600 commercial banks operating in the country. After Independence, the view that the banks from the colonial heritage were biased in favor of working-capital loans for trade and large firms and against extending credit to small-scale enterprises, agriculture and commoners, gained prominence. To ensure better coverage of the banking needs of larger parts of the economy and the rural constituencies, the Government of India created the State Bank of India (SBI) in 1955

Despite the progress in the 1950s and 1960s, it was felt that the creation of the SBI was not far reaching enough since the banking needs of small scale industries and the agricultural sector were still not covered sufficiently. This was partly due to the still existing close ties commercial and industry houses maintained with the established commercial banks, which gave them an advantage in obtaining credit additionally, there was a perception that banks should play a more prominent role in India's development strategy by mobilizing resources for sectors that were seen as crucial for economic expansion. As a consequence, in 1967 the policy of social control over banks was announced. Its aim was to cause changes in the management and distribution of credit by commercial banks. Following the Nationalization Act of 1969, the 14 largest public banks were nationalized which raised the Public Sector Banks' (PSB) share of deposits from 31% to 86%.

The objective of banking sector reforms was in line with the overall goals of the 1991 economic reforms of opening the economy, giving a greater role to markets in setting prices and allocating resources, and increasing the role of the private sector

FINANCIAL YEAR 2012

The RBI had to revise its target for credit growth in FY12 a number of times given the external environment. From starting off with a prediction of 19% credit growth in May 2011, the central bank brought this estimate down to 16% in January 2012. Finally non-food credit growth came in at around 17% in FY12 compared to 21.5% in FY11. Against a backdrop of GDP growth deceleration, weak IIP data and persistent inflation banks became more risk averse to lending credit. This deceleration also reflects banks' risk aversion in face of rising NPAs and increased leverage of corporate balance sheets.

Credit growth decelerated across all bank groups during 2011-12 ranging between 16.3% in the case of public sector banks and 19.7% for private sector banks. The comparable figures for the previous year were 21% and 24.7% respectively.

The RBI's has not yet rolled back its aggressive interest rate policy and rates continue to be elevated. The repo rate currently stands at 8%, with the reverse repo rate at 7%. While inflation continues to remain high the RBI has refrained from any further hikes in order to address the slowdown in growth. It may ease rates once inflation comes under control.

Growth on the deposit front however remained relatively low coming in at around 13% Year on year in FY12; this was as against an RBI target of 17%. Fixed deposits saw good growth, while demand deposits saw a deceleration on lower yields. The outstanding credit-deposit ratio rose from 74.5% FY11 to 76.7% in FY12.

Indian banks, however, saw lower levels of money supply, and deposits as a percentage of GDP in FY12 as compared to that in FY11 on account of the uncertain

economic environment. However credit as a % of GDP was higher as GDP growth slowed.

Most private sector banks had a relatively better outing in FY12. Increased pricing power helped some of these banks sustain their net interest margins. Plus they were also able to sustain their asset quality.

Net non performing assets (NPAs) in the system increased from 0.9% in FY11 to 1.2% in FY12. However for PSU banks this ratio increased from 1% in FY11 to 1.5% in FY12. Increased provisioning affected the profitability of the banks in question. In 2011-12, agriculture loan target was Rs 4.5 trillion, and Rs 4.8 trillion was disbursed. For 2012-13, the target has been set at Rs 5.8 trillion.

Financial inclusion initiatives also need to be taken care of as India fares very poorly on this regard as half the population does not have access to banking services. New banking licenses are expected to be issued by the RBI to private sector players. However, these licenses will only be awarded to certain players meeting strict requirements on the capital, exposures, and corporate governance front. Lots of players including NBFCs, industrial houses, microfinance companies etc are all vying for this coveted license. There has so far been no progress on this issue since the RBI issued draft guidelines in August 2011.

1.4. OBJECTIVE OF THE STUDY

PRIMARY OBJECTIVES

To study about the management of Assets and liabilities of the Salem Urban Co-operative Bank.

To study the importance of ratio analysis and explore its uses in accessing the ALM In the Indian banking industry

SECONDARY OBJECTIVE

. To suggest measures for the improvement of Salem Urban Co-operative Bank.

1.3. SCOPE OF THE STUDY

The importance of Asset and Liability Management in every business operation is inevitable and needs due care attention during the course of operation. The attention would help the firm get into liquidation and can survive in the long run successfully. It can also make the stake holders feel little happy if they could witness the business help them in maximizing their wealth. The study shows that the bank should improve their customer service and technology they will come up with the standard level. . According to the least square method the Net Profit is forecasted for the next five years. This study reveals the findings and recommendations which would be useful for the development and improvement to the bank.

CHAPTER-2

REVIEW OF LITERATURE

Kumar, Ravi T. (2000)¹ in the study, "Asset Liability Management", has discussed the ALM in different models. According to him, ALM is basically a hedging response to the risk in financial intermediation with ALM in place, managers can evaluate the impact of alternative decisions on the future risk profiles. Managing the spread income and controlling the risk associated with generating the spread are the crucial part of the ALM process for any Bank. He concluded that intense competition for business on the Asset and Liability side coupled with increasing volatility in both domestic interest rates and foreign exchange rates is putting pressure on the management of banks to maintain spreads, profitability and long term viability. He further concluded that to remain competitive Indian financial institutions cannot afford to remain aloof and they should evolve necessary system for the adoption of ALM.

Joshi, C. Vasant and Joshi, C. Vinay (2002)² in the study, "Managing Indian Banks: The Challenges Ahead", emphasized on the importance of ALM in the planning process. According to them ALM focused on the net interest income of the institution. The principal purpose of ALM has been to control the size of NII. To achieve transparency a bank must provide accurate, relevant and sufficient disclosure of qualitative and quantitative information activities and risk profiles. In the light of the recommendations of the Basel Committee, the

¹Kumar, Ravi T, Asset liability management, International Journal of finance, Volume 12,3 edition,2000, page no:16-22.

²Joshi, C. Vasant; and Joshi, C. Vinay (2002), *Managing Indian Banks – The Challenges Ahead*, Response books, New Delhi.

balance sheet must truly highlight the state of the bank's health. They concluded that bank should take some amount of risk on their asset liability management, but it should never be on interest rate predictions.

Raj wade, A. V. (2002)³ in the study, "Issues in Asset Liability Management – III: More on Regulatory Framework", emphasized on different issues involved in ALM by bank and focused mainly on points arising from the regulatory framework. The study showed that deregulation of interest rates, itself was a recent idea and that RBI had an inflation as well as exchange rate target or objective. Again RBI's mechanism for implementing monitoring policy was undergoing changes and refinement. The study found that of the reserved money, around 72% came from holding of foreign currency reserves and around 28% from RBI holdings of government securities. The study concluded that for predicting changes in interest rates, one will have to take a view of the exchange market demand supply in future and this was a very difficult exercise as it depended on many factors such as sentiment, other political or economic scenario, which are beyond anybody's control.

Sehgal, M. and Kher, R. (2002)⁴ in the study, "Asset Liability Management in the Indian Banks", stressed on the objective and aspects of ALM in bank, and to some extent, on the broader aspects of risk management. They viewed that a sound ALM system for the bank should encompass review of interest rate

³ Rajwade, A. V. (2002), "Issues in Asset Liability Management – III: More on Regulatory Framework", EPW, March 2, pp 832-833

⁴ Sehgal, M. and Kher, R. (2002), "Asset Liability Management in the Indian Banks", in P. Mohana Rao and T. A. Jain (eds.), Management of Banking and Financial Institutions, Deep and Deep Publications Pvt. Ltd., New Delhi, pp – 90-100

objective of the study was to review the interest rate, credit portfolio, investment portfolio, credit risk management, risk management and management of liquidity risk. In the study four principal approaches were used to quantify the risk i.e. Gap Method, Duration Method, Simulation Method and Value at Risk Method. The study concluded that there was a need of ALM in India because to maximize income with acceptable risk there was need to emphasize on interest margin/spread, liquidity and capital which were having desired maneuverability.

Raghavan, R. S. (2005)⁷ in the study, "Risk Management – An Overview", discussed the implication of Basel-II Accord on the capital structure of banks. The purpose of Basel-II is to introduce a more risk sensitive capital framework with incentives for good risk management practices. Under Basel-II approach, capital requirements will increase for those banks that hold high risk assets/ low quality assets and those with low risk assets (high quality assets), a balanced portfolio as well as effective risk management control systems may need less capital requirements. He concluded that the financial system has to cope constantly with changes in the broader environment in which it operates and face new challenges that those developments impose on it.

Sharma, K. and Kulkarni, P. R. (2006)⁸ in the study, "Asset Liability Management Approach in Indian Banks: A Review and Suggestions",

⁷ Raghavan, R. S. (2005), "Risk Management – An Overview", in S. B. Verma (ed.) Risk Management, Deep and Deep Publications Pvt. Ltd., New Delhi, pp – 321

⁸ Sharma, Kapil and Kulkarni, P. R. (2006), "Asset Liability Management Approach in Indian Banks: A Review and Suggestions", The Journal of Accounting and Finance, Vol. XX, No. 2, April – September, pp. 314

outlook, fixation of interest, product pricing of both assets and liabilities, review of credit portfolio and credit risk management of foreign exchange operations and management of liquidity risks. In the present context, ALM exercised should comprise of prudential management of funds with respect to size and duration minimizing undesirable maturity mismatch to avoid liquidity problem and reducing the gap between risks sensitive assets and rate sensitive liabilities with the given risk taken capacity.

Gurumoorthy, T. R. (2004)⁵ in the study, "Analysis of Income and Expenditure in Banks", attempted to analyze the income, expenditure and operating profit of public sector banks, foreign banks, old private sector banks and new private sector banks. The new private sector banks have been in the stage of branch expansion and have spent for full fledged internet banking. Thus, the percentage rise in expenditure of the new private sector banks has been greater than that of the other banks. As far as operating profits are concerned the new private sector banks stand first, followed by old private sector banks, public sector banks and foreign banks. In this competitive environment the efficient asset liability management, project appraisal and recovery mechanism will help to earn the interest income substantially.

Thimmaiah, G. (2004)⁶ in the study, "Asset Liability Management in Post Indian Banking Sector Reforms", focused on Asset Liability Management in the bank and to some extent on broader aspects of risk management. The

⁵ Gurumoorthy, T. R. (2004), "Analysis of Income and Expenditure in Banks", *Business and Economic Facts for You*, June, pp 27-31.

⁶ Thimmaiah, G. (2004), "Asset Liability Management in Post Indian Banking Sector Reforms", *Indian Banking a New Millennium* (eds.), in M. P. Srivastava and S. R. Singh, J. L. Kumar Publications Pvt. Ltd., pp 293-300

emphasized that Assets Liability Management should ensure a proper balance between funds mobilization and their deployment with respect to their maturity profiles, cost, yields and risk exposures. For this Indian Banks need to reorient their credit deployment strategies. They suggested that Bank should diversify the portfolio suitably between the small and large borrowers as this will help in reducing risks. Bank should withdraw their exposure to sunset industries as their loans may turn into NPA's. Bank should think in terms of loan exposures to different regions in the country

CHAPTER-3
RESEARCH METHODOLOGY

Research Design

The methodology used in the study is analytical and descriptive in nature where the researcher has to use facts (or) information already and study the characteristic of a particular group respectively and there by analyze to make a critical evaluation of the study.

Types and Sources of data

The research is primarily based on secondary data, with addition information gathered from the finance department. The main sources are company's previous year's annual reports and schedules.

Data collection method**Secondary data**

The secondary data has been collected from the Annual Reports of the Salem Urban Co-operative Bank.

Tools Used for Analysis of data

1. Least square analysis
2. Correlation analysis
3. Ratio analysis

CHAPTER-4
ANALYSIS AND INTERPRETATION

RATIO ANALYSIS**TABLE NO:4.1.****NET PROFIT TO NET WORTH RATIO**

YEAR	NET PROFIT (in lakhs)	NET WORTH (in lakhs)	RATIO
2009	181.64	1756.14	0.103
2010	197.02	1894.92	0.103
2011	180.39	1943.27	0.092
2012	314.11	3774.91	0.083

SOURCES: Secondary data (collected from bank annual report).

INTERPRETATION:

From the table it can be seen that the net profit to net worth ratio is decreasing over the year and it affects the profitability of the bank, however during the year 2012 there is a steep increase in profit, but the overall ratio has come down due to possible increase in share capital.

TABLE NO: 4.2.**CASH TO CURRENT ASSETS RATIO**

YEAR	CASH(in crores)	CURRENTASSETS (in crores)	RATIO
2007	49.56	81.31	0.609
2008	59.84	91.93	0.650
2010	42.68	83.9	0.508
2011	31.85	100.87	0.315

SOURCES: Secondary data (collected from bank annual report).

INTERPRETATION:

From the table it can be seen that the cash to current asset ratio is fluctuating over the years.

TABLE NO:4.3.**GROSS NPA**

YEAR	GROSS NPA AMOUNT (in lakhs)	GROSS NPA%
2009	735.24	5.92
2010	536.70	3.36
2011	620.86	3.37
2012	482.62	2.39

SOURCES: Secondary data (collected from bank annual report).

INTERPRETATION:

From the above table , it can be seen that the gross NPA percentage decreases over the years which shows that the bank has been performing efficiently.

TABLE NO: 4.4.**TOTAL ASSETS TO SHAREHOLDERS FUND RATIO**

YEAR	TOTAL ASSETS (in crores)	SHAREHOLDERS FUND (in crores)	RATIO
2007	189.55	35.34	5.36
2008	194.43	35.57	5.47
2010	260.11	38.44	6.77
2011	303.58	40.93	7.42

INTERPRETATION:

From the above table it can be seen that the total assets to shareholders fund ratio has been constantly increasing.

TABLE NO: 4.5.**TOTAL ASSETS TO DEBT RATIO**

YEAR	TOTAL ASSETS (in crores)	DEBTS (in crores)	RATIO
2007	189.92	91.06	2.08
2008	194.70	96.36	2.02
2010	259.88	159.8	1.62
2011	303.78	184.4	1.64

INTERPRETATION:

From the above table it can be seen that the total assets to debt ratio is decreasing upto the year 2010 and the next year it starts increasing.

TABLE NO:4.6.

NET PROFITS TO SHARE HOLDERS FUND RATIO

YEAR	NET PROFIT (in crores)	SHARE HOLDERS FUND (in crores)	RATIO
2007	1.34	35.34	0.038
2008	1.5	35.57	0.042
2010	1.97	38.44	0.051
2011	1.80	40.93	0.044

INTERPRETATION:

From the above table it can be seen that the net profits to share holders fund has increased upto the year 2010 and then experience the short fall.

TABLE NO: 4.7.

FIXED ASSETS TO NET WORTH RATIO

YEAR	FIXED ASSETS (in crores)	NET WORTH (in crores)	RATIO
2007	2.38	4.64	0.51
2008	2.73	4.2	0.65
2010	3.63	3.67	0.98
2011	5.6	3.58	1.56

INTERPRETATION:

From the above table fixed assets to net worth ratio shows that the owners funds are more than total fixed assets and a part of the working capital is provided by the shareholders.

TABLENO: 4.9.

PERFORMANCE RATIO

YEAR	EMPLOYEES PER DEPOSIT (in lakhs)	EMPLOYEES PER LOAN (in lakhs)
2009	81.74	58.35
2010	101.85	78.77
2011	120.71	96.57
2012	134.52	107.99

INTERPRETATION

There is an increasing trend in the employees per deposit and employees per loan and the overall performance ratio is good.

TABLE NO:4.8.

OUTSTANDING LOANS TO DEPOSIT RATIO :

YEAR	LOANS OUTSTANDING (in crores)	DEPOSITS (in crores)	RATIO
2009	124.27	174.10	0.713
2010	159.90	206.75	0.773
2011	184.44	230.54	0.800
2012	201.93	251.56	0.802

INTERPRETATION:

The outstanding loans to deposit ratio is increasing over the years and is good.

TABLE NO: 4.10

TREND IN INTERESTS:

YEAR	INTEREST RECEIVED (in lakhs)	INTEREST PAID (in lakhs)	NET INTEREST
2009	1765.09	1463.64	301.45
2010	2928.41	2013.29	915.12
2011	3275.49	2279.10	996.39
2012	3686.82	2639.61	1047.21

INTERPRETATION:

There is an increasing trend in the net interest rate received over the interest rate paid.

TABLE NO: 4.11.

CURRENT RATIO:

YEAR	CURRENT ASSETS (in crores)	CURRENT LIABILITIES (in crores)	RATIO
2007	81.31	15.02	5.41
2008	91.93	14.18	6.48
2010	83.9	12.43	6.74
2011	100.87	30.4	3.31

INTERPRETATION:

The ideal current ratio is 2:1. The current ratio of the bank is decreasing which is favorable for the bank.

TABLE NO: 4.12.

LEAST SQUARE ANALYSIS

$$\text{Least square (y)} = a + bx$$

$$a = \frac{\sum y}{n}$$

$$b = \frac{\sum XY}{\sum X^2}$$

YEAR	NET PROFIT(Y)	X	X ²	XY
2007-08	151.08	-2	4	-302.16
2008-09	181.64	-1	1	-181.64
2009-10	197.02	0	0	0
2010-11	180.39	1	1	180.39
2011-12	314.11	2	4	628.22
	1024.4		10	324.81

SOURCES: Secondary data (collected from bank annual report).

EXPANSION

$$a = \frac{\sum y}{n}$$

$$= \frac{1024.24}{5}$$

$$= 204.8$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{324}{10} = 32.4$$

TABLE NO:4.13.

FORECASTING FOR THE FUTURE NET PROFIT

YEAR	Y = a + bx	NET PROFIT (Rs.in crores)
2012-2013	204.8+32.4(3)	302
2013-2014	204.8+32.4 (4)	334.4
2014-2015	204.8+32.4 (5)	366.8
2015-2016	204.8+32.4 (6)	399.2
2016-2017	204.8 +32.4(7)	431.6

SOURCES: Secondary data (collected from bank annual report).

INTERPRETATION:

From the above table it can be analyzed that, through least square analysis the bank's net profit is in a good position and is expected to increase for the next five years.

TABLE NO:4.14.

CORRELATION ANALYSIS

CALCULATION OF CORRELATION BETWEEN NETPROFIT TO TOTAL ASSETS

Year	Net Profit In Crores	Total Asset	X	Y	XY
2009-10	1.81	189.92	3.2761	36069.6	343.75
2010-11	1.97	194.70	3.8809	37908.9	383.55
2011-12	1.80	259.88	3.24	67537.6	467.78
2012-13	3.14	303.78	9.85	92282.2	953.86
TOTAL	8.72	948.28	20.24	233798.3	2148.94

$$r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{n(\sum x^2) - (\sum x)^2} \sqrt{n(\sum y^2) - (\sum y)^2}}$$

$$r = 0.826$$

INTERPRETATION:

From the table 4.3., it can be seen that the net profit and total assets has 80% correlated and has a very high positive correlation. Net profit increases when the total assets increases.

TABLE NO: 4.15.

CALCULATION OF CORRELATION BETWEEN NET WORTH AND TOTAL ASSETS

Year	Net worth In crores	Total Asset In crores	x ²	y ²	XY
2008-09	17.56	189.92	308.35	36069.6	3334.9
2009-10	18.94	194.70	358.72	37908	3687.6
2010-11	19.43	259.88	377.52	67537.6	5049.4
2011-12	37.74	303.78	1424.3	92282.2	11464.6
TOTAL	93.67	948.28	2468.8	233796.8	23536.5

$$r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{n(\sum x^2) - (\sum x)^2} \sqrt{n(\sum y^2) - (\sum y)^2}}$$

$$r = 0.845$$

INTERPRETATION:

From the table 4.4. it can be seen that the net worth and the total assets has a positive correlation of above 80%.

5.2. SUGGESTIONS:

- It is suggested to increase the profitability of the bank which would be gained through increase of advances and reduction of expenses.
- The net profit and the total assets are correlated positively and they should maintain it in the future
- The investments of the bank must increase which will give them high revenue.
- The bank must avoid investing in low revenue securities.
- The bank must still try to reduce the NPA for an efficient asset and liability management.
- The current ratio of the bank does not meet the standard ratio. It would be suggested that the bank to take necessary steps to increase the current assets of the bank.

5.3. CONCLUSION

The bank's performance is satisfactory. If they improve their customer service and technology they will come up with the standard level. This study reveals the findings and recommendations which would be useful for the development and improvement to the bank. The financial performance of the bank is good since they have very good asset liability management and the net profit is forecasted to increase during the coming years which is very good.

**CHAPTER-5
FINDINGS AND CONCLUSION**

5.1. FINDINGS

- Through least square analysis the bank's net profit is in a good position and is expected to increase for the next five years
- It can be seen that the net profit and total assets has 80% correlated and has a very high positive correlation. Net profit increases when the total assets increase.
- It can be seen that the net worth and the total assets has a positive correlation of above 80%.
- It can be seen that the net profit to net worth ratio is decreasing over the year and it affects the profitability of the bank, however during the year 2012 there is a steep increase in profit, but the overall ratio has come down due to possible increase in share capital.
- It can be seen that the cash to current asset ratio is fluctuating over the years.
- It can be seen that the current assets to shareholders fund ratio has been constantly increasing.
- the total assets to debt ratio is decreasing up to the year 2010 and the next year it starts increasing
- It can be seen that the net profits to share capital ratio has increased up to the year 2010 and then experience the short fall.
- Fixed assets to net worth ratio shows that the owners funds are more than total fixed assets and a part of the working capital is provided by the shareholders.
- It can be seen that the gross NPA percentage decreases over the years which shows that the bank has been performing efficiently.
- The outstanding loans to deposit ratio is increasing over the years and is good.
- There is an increasing trend in the employees per deposit and employees per loan and the overall performance ratio is good.
- The ideal current ratio is 2:1. The current ratio of the bank is decreasing which is favorable for the bank.

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