

**A STUDY OF THE ASSET LIABILITY MANAGEMENT IN  
COMMERCIAL BANKS**



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Commercial bank's balance sheet has two main sides i.e. the liabilities and the assets. From the study of the balance sheet of a bank we come to know about a system which a bank has followed for raising funds and allocation of these funds in different asset categories. Bank can have others money with it. It can be in terms of shareholders share capita, or depositors deposits. This money is the bank's liabilities. On the other hand bank's own sources of income leads to generation of assets for bank. Balance Sheet of a Commercial Bank. Liabilities. Assets. Asset-Liability Management is a generic term that is used to refer to a number of things by different market participants. We define it as the high-level management of a bank's assets and liabilities; as such it is a strategy-level discipline and not a tactical one. It may be set within a bank's Treasury division or by its asset-liability committee (ALCO). The principal objective of the ALM function is to manage interest-rate risk and liquidity risk. It also sets overall policy for credit risk and credit risk management, although tactical-level credit policy is set at a lower level within cre ALM Assett Liability Asset Management Liability Management ALM. 3 ASSET & LIABILITY MANAGEMENT (ALM) DEFINITION ALM is continuously arranging and rearranging the assets and liabilities of the bank without infringing the liquidity and safety of the bank and with the purpose of maximizing the bank's profits. ALM. 4 ALM bserver@superonline.com LIQUIDITY The ability of a bank to fulfill its obligations, and after doing so having enough cash left to do its normal daily banking business. ALM. 5 ALM bserver@superonline.com SAFETY The ability of a bank's Share Holder's Equity (SHI) to absorb the future possible losses that may arise and after doing so having Simply put, asset/liability management entails managing assets and cash flows to satisfy various obligations; however, it is rarely that simple. This arises because commercial clients represent a far larger portion of the total property and casualty market than in the life insurance business, which is mainly a business that caters to individuals. Insurance companies offer a multitude of products that require extensive plans for asset/liability management by the insurer. The Benefit Plan. A traditional defined benefit plan must satisfy a promise to pay the benefit formula specified in the plan document of the plan sponsor. Accordingly, investment is long-term in nature, with a view to maintaining or growing the asset base and providing