

A Study of Liquidity Ratios: With Special reference to IDBI Bank

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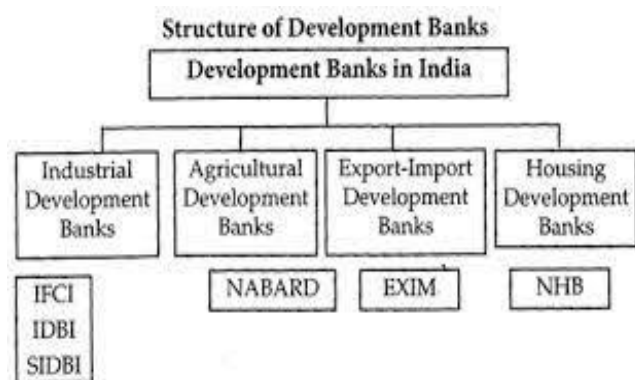
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Abstract: Asset liability management is one of the most important tools banks use to keep risk under control. For the banks to do better, they need to put in place the right Asset Liability Management processes. Also, asset liability management is used for more than just lowering risks. Asset liability management protects you and gives you more chances to improve your net worth. Ratio analysis was used to look at IDBI bank's assets and debts. From 2013 to 2022, a sample of IDBI Bank's asset debt management will be looked at. This gives you the structure you need to find these risks, measure them, keep track of them, make changes, and handle them.

Keywords: Asset liability management, Banks, Risk control, Ratio analysis, IDBI Bank

1. Introduction

On March 5, 1907, the Indian Companies Act was used to set up the bank. The date it became a country was July 19, 1969. In Indian banks, this was one of the most important changes to the public sector. When you put all of these letters together, you get IDBI. This bank, IDBI, was set up in 1964 as a fully owned subsidiary of the RBI to help Indian businesses grow by providing them with loans and financial resources. Mumbai is where its main office is now. It is one of the best-known business banks in India and offers personal banking and financial planning.



Source: https://www.rbin_current.com/development-banks/11956

Asset liability management is basically a way to protect yourself from financial risks. It tries to protect the company from some level of intermediation risk and raises that risk to the level of an acceptable insurance policy. Also, asset liability management is used for more than just lowering risks. Asset liability management protects you and gives you more chances to improve your net worth. Asset liability management might let a company take on risks that would have been too big without the safety it provides in order to get the best long-term risk-adjusted return for its shareholders.

Objectives of the study

- To Study the Assets and Liabilities in IDBI Bank.

- To analyse activity of Asset Liability Management IDBI Bank by using Ratio Analysis

2. Research Methodology

The Analysis of Asset Liability Management in IDBI bank will be carried out for the sample period from 2013 to 2022. This study is purely based on the secondary data, the sources of data were collected through various journals, books etc. Financial details of the Indian bank and IDBI Annual Reports.

3. Analysis and Interpretation

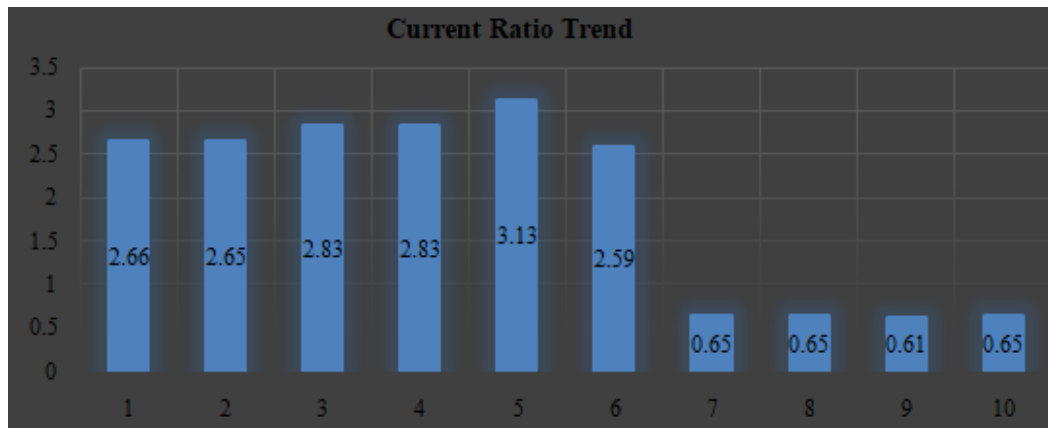
Current Ratio

Table 1.1: Calculation of Current Ratio (Rs. In Crores)

Year	Current Assets	Current Liabilities	Ratio
2012-13	1,98,206.50	74,537.80	2.66
2013-14	1,84,451.06	69,709.56	2.65
2014-15	2,03,861.70	71,981.85	2.83
2015-16	2,29,716.36	81,049.73	2.83
2016-17	2,21,723.79	70,832.83	3.13
2017-18	2,10,849.69	81,366.30	2.59
2018-19	1,55,293.67	2,37,379.99	0.65
2019-20	1,49,733.36	2,29,025.17	0.65
2020-21	1,50,359.33	2,45,003.77	0.61
2021-22	1,58,889.06	2,45,311.39	0.65
		Average	1.93

Source: Compiled from Annual Report of IDBI

IDBI Bank's current assets showed a varying pattern during the study period, as seen in the preceding table. IDBI's current liabilities have grown in the 2018–19 time period under consideration. IDBI's existing ratios are expected to rise during the next five years. The present ratio peaked in 2016–17 (3.13), dropped to 0.61 in 2020–21 (the lowest point in the study), and then stayed relatively constant in the next years. IDBI has a current ratio of 1.93 on average. This supports the inference that the liquidity position has worsened and is now less able to meet existing commitments.



Source: Compiled from Table 1.1

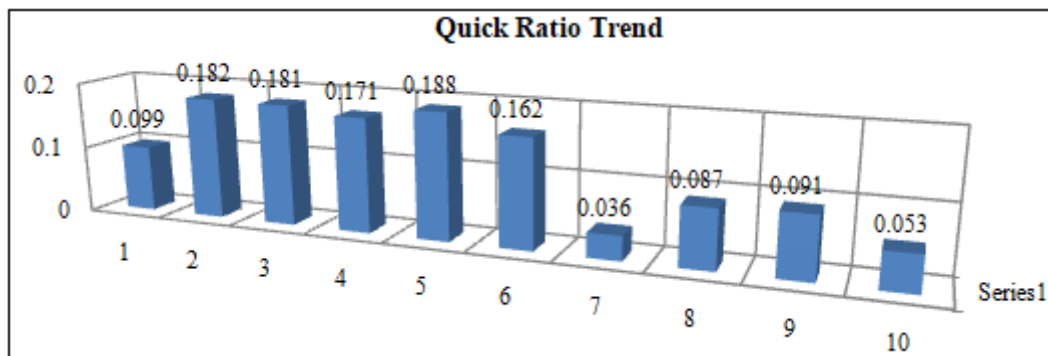
Trend analysis of above chart reflects that IDBI bank Current Ratio has a fluctuating trend.

Table 1.2: Calculation of Quick Ratio (Rs. In Crores)

Year	Quick Assets	Current Liabilities	Ratio
2012-13	7,380.57	74,537.80	0.099
2013-14	12,711.11	69,709.56	0.182
2014-15	13,035.77	71,981.85	0.181
2015-16	13,822.91	81,049.73	0.171
2016-17	13,346.92	70,832.83	0.188
2017-18	13,163.69	81,366.30	0.162
2018-19	8,503.23	2,37,379.99	0.036
2019-20	19,891.57	2,29,025.17	0.087
2020-21	22,209.39	2,45,003.77	0.091
2021-22	13,117.22	2,45,311.39	0.053
		Average	0.125

Source: Compiled from Annual Report of IDBI

Over the course of the study, the quick ratios of IDBI were always changing, as shown in the table and picture above. In the second and third years of the study, the quick ratio of IDBI stayed the same. From 2017 to 2018, it went up. With a value of 0.182 in 2013–14, it is the best and 0.36 in 2018–19. This bank's quick ratio is usually 0.125.



Source: Compiled from Table 1.2

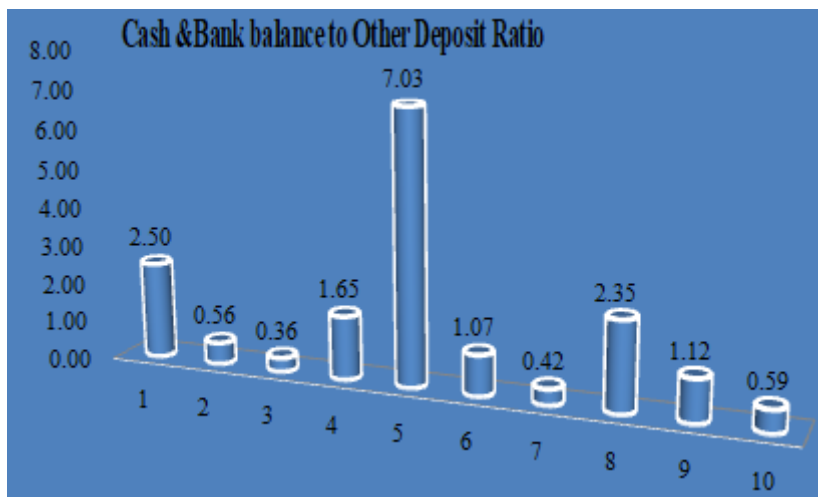
Trend analysis of above chart reflects that IDBI bank Current Ratio has a fluctuating trend.

Table 1.3: Calculation of Cash & Bank balance to Other Deposit Ratio (Rs. In Crores)

Year	Cash & Bank Balance	Other Deposit	Ratio
2012-13	7,411.12	2,967.44	2.50
2013-14	4,134.24	7,380.57	0.56
2014-15	1,485.85	4,106.80	0.36
2015-16	2,460.61	1,489.99	1.65
2016-17	19,382.68	2,757.63	7.03
2017-18	20,611.87	19,337.16	1.07
2018-19	8,572.20	20,522.40	0.42
2019-20	19,955.79	8,503.23	2.35
2020-21	22,294.99	19,891.57	1.12
2021-22	13,206.56	22,209.39	0.59
		Average	1.76

Source: Compiled from Annual Report of IDB

The above table shows that IDBI Bank's cash and bank amount changed over the course of the study. The other IDBI account also has a trend that changes. In 2021-22, this IDBI ratio was at its lowest point, at 0.59. It was at its highest point in 2016–17, and then it began going down. This bank's current ratio is 1.76 on average. It helps to know that the liquidity situation isn't better and that it has less power to meet its present obligations.



Source: Compiled from Table 1.3

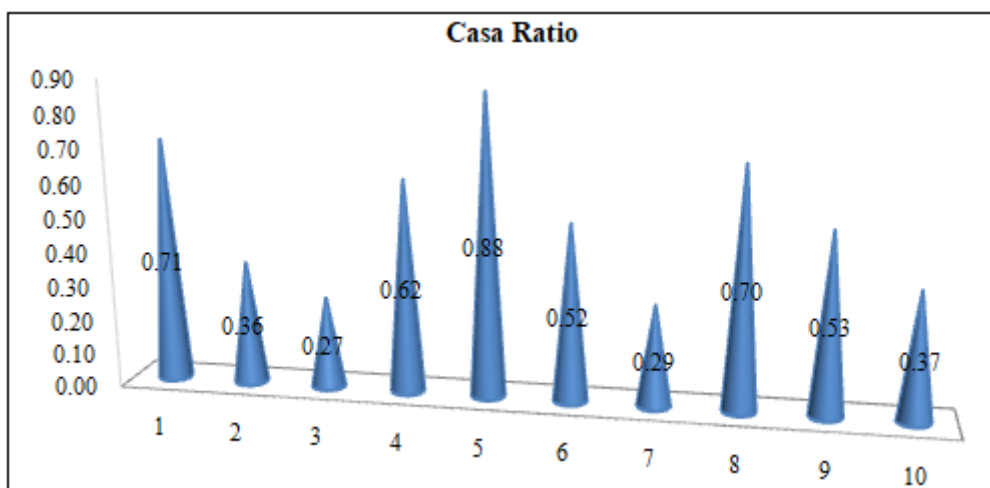
Trend analysis of above chart reflects that IDBI bank has a fluctuating trend.

The above table shows that IDBI Bank's CASA Ratio changed over the course of the study. The other IDBI account also has a trend that changes. It was the lowest for IDBI in 2014–15, at 0.27. The most it ever was in 2012–13. Each IDBI has an average CASA ratio of 0.53. The cost of funds is cheaper when the CASA Ratio is higher. This is because banks don't usually pay interest on current account deposits and savings account interest is usually very low.

Table 1.4: Calculation of CASA Ratio (Rs. In Crores)

Year	CASA Deposit	Total Deposit	Ratio
2012-13	7,411.12	10378.56	0.71
2013-14	4,134.24	11514.81	0.36
2014-15	1,485.85	5592.65	0.27
2015-16	2,460.61	3950.6	0.62
2016-17	19,382.68	22140.31	0.88
2017-18	20,611.87	39949.03	0.52
2018-19	8,572.20	29094.6	0.29
2019-20	19,955.79	28459.02	0.70
2020-21	22,294.99	42186.56	0.53
2021-22	13,206.56	35415.95	0.37
		Average	0.53

Source: Compiled from Annual Report of IDBI



Source: Compiled from Table 1.4

Trend analysis of above chart reflects that IDBI bank has a fluctuating trend.

right Asset Liability Management processes to improve their work. Keeping track of a bank's assets and debts is very important.

4. Conclusion

It has become very important in the financial sector, where all banks are trying to make as much money as possible while minimizing their risk exposure. Asset liability management is one of the most important tools banks use to keep risk under control. The IDBI needs to put in place the

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