International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 6, No. 05 Sep-Oct; 2024 Page. No. 152-159

To cite this article: Ms. A. Madhumitha and Dr. A. Sudhanraj (2024). EFFECTIVENESS OF ASSET LIABILITY MANAGEMENT IN HI-TECH POLE AT PUDUCHERRY, International Journal of Research in Commerce and Management Studies (IJRCMS) 6 (5): 152-159 Article No. 282 Sub Id 533

# EFFECTIVENESS OF ASSET LIABILITY MANAGEMENT IN HI-TECH POLE AT PUDUCHERRY

**Ms. A. Madhumitha and Dr. A. Sudhanraj**

MBA Scholar, Department Business Administration,
RAAK College of Engineering and Technology, Puducherry.
Assistant Professor, Department Business Administration,
RAAK College of Engineering and Technology, Puducherry.

DOI: https://doi.org/10.38193/IJRCMS.2024.6507

## ABSTRACT

Asset and Liability Management (ALM) is the art of properly managing sustainable financial resources. Infrastructure assets are managed through asset liability management in order to reduce the overall cost of ownership and operation while consistently providing the service levels that customers want. It combines engineering principles with good business practices and economic logic, and it provides the means to enable a more flexible and organized way of making decisions that are required to meet stakeholder and public expectations. In order to accomplish business performance based on its scale and complexity, the organization or firm must be able to manage its assets and liabilities optimally through the determination of a dependable plan. The primary goal of this analysis is to pinpoint the specific ratios that have an impact on the concern's assets and liabilities. The analysis makes it evident that the business hopes to provide a more effective service soon.

**KEYWORDS:** Asset, Liability, Finance, Profitability and Performance

## 1. INTRODUCTION

Asset Liability Management is the process of managing infrastructure assets to keep overall operating and ownership costs as low as possible while maintaining the service levels that customers expect. It is an all-encompassing and systematic strategy for long-term asset management. It describes a methodical process for efficiently maintaining, upgrading, and running assets. It combines engineering principles with good business practices and economic logic, and it provides the means to enable a more flexible and organized way of making decisions that are required to meet stakeholder and public expectations. It entails managing assets, including properties and investments. Several financial tools and techniques are used in an efficient ALM to balance risks and rewards. Together with conventional financial assets and obligations, these instruments may also incorporate derivatives like swaps, futures, and options. Organizations may control how much risk they take on, match their asset and liability

ISSN 2582-2292

Vol. 6, No. 05 Sep-Oct; 2024 Page. No. 152-159

profiles to their strategic goals, and manage how much risk they take on by combining these technologies.

In summary, asset liability management is a comprehensive strategy created to handle the intricate risks involved in managing assets and liabilities. ALM assists firms in achieving financial stability, maximizing performance, and navigating the risks of the financial landscape by combining regulatory compliance, financial instruments, and strategic planning. Coordination between the institution's various departments including finance, risk management, and treasury - is necessary for effective ALM. Each of these roles contributes to the management of assets and liabilities, and in order to meet the financial objectives of the organization, their efforts must be coordinated. To execute a coherent ALM strategy, these functions must cooperate and communicate with one another. Asset-liability management is significantly impacted by regulatory obligations as well. Financial institutions are subject to a number of legal requirements, including those pertaining to risk management, capital sufficiency, and liquidity.

### 1.1 Need of the Study

The company's ability to employ its resources effectively and maintain a stable financial position that determines its success. Only with the use of efficient asset and liability management (ALM) is this feasible. Liabilities and assets together can depict an organization's or company's financial status in financial statements. A company's profitability can increase with well-managed assets and liabilities. An efficient framework for asset management policies can help businesses become more profitable by increasing net interest revenue. In order to reduce the risk, the business needs to understand effective asset-liability management. In order to accomplish business performance based on its scale and complexity, the organization or firm must be able to manage its assets and liabilities optimally through the determination of a dependable plan.

### 1.2 Scope of the Study

a) This study helps in profit planning and growth of the company.
b) It is also helps in analysis of Performance of the company based on the past performance and finds weakness in the operation of company.
c) This study also suggests the ways and means for improving the asset management in the company.
d) This study had practical knowledge of asset and liability management in the company.
e) It also helps to know the proper management of asset &liability management.
f) Its study helps to predict the risk. Therefore, the study will help in operational works done effectively.

### 1.3 Limitation of the Study

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 6, No. 05 Sep-Oct; 2024 Page. No. 152-159

(a) The study is mainly based on secondary data.
(b) The analysis is based on Comparative balance sheet, common size balance sheet and ratio.
(c) The findings may not be generalized because the study used only past five-year data.
(d) As per the organizational practice of keeping data confidential collection of Relevant data needed for the study was difficult.
(e) Although and in-depth study is not possible because of time constraints.
(f) The study is limited only for a duration of 8 weeks.

### 1.4 Objectives of the Study

(a) To compare the Asset and Liability of Hitech Pole.
(b) To examine effectiveness of ALM on the profitability of the Hitech Pole.
(c) To identify the Asset Liability Performance of the Hitech Pole.

### 1.5 Statement of the Problem

The process of creating an organizational structure to perform better and make the best financial decisions is known as asset and liability management. The management of assets and liabilities becomes crucial in assessing the risk that the firm faces in preserving its assets and liabilities in order to guarantee its profitability. Evaluating the quality of assets is critical to the growth and development of the business's performance, which may be reason a review of asset and liability management is important. Since ALM directly affects a company's financial performance, it is necessary to have an efficient ALM process in place inside the organization that closely monitors and balances the management of both assets and liabilities.

## II. REVIEW OF LITERATURE

Sudirman Yudih, Asyraf Mustamin (2024) The purpose of this study is to investigate how listed banking companies on the Indonesia Stock Exchange's dividend policy and firm value are affected by asset and liabilities management. Panel data from annual IDX statistics and banking statistics reports were used in this investigation. The structural equation model was employed in this study's data analysis. The study's findings indicate that asset management significantly and favorably affects both firm value and dividend policy. Liability management, on the other hand, has a negligible and detrimental impact on the dividend policy and the value of the company.

Olga Pisarenko (2023) the study has ideas of funding costs, funds transfer pricing systems, and asset and liability management. Banks, hedge funds, and finance corporations in general are involved in intricate capital market operations that entail the trading of instruments in cash or derivative forms. The success of a firm depends on its capacity to effectively manage its asset and liability profile, which is influenced by all of these operations. The purpose of this article is to present many terminology and market practices that are essential to the development of a successful asset and liability management

(ALM) strategy. With some stylized aspects in the data, it offers instances of an ALM technique that is practically achievable. The suggested ALM strategies can be used by the reader to create more intricate management methods.

Rishikaysh Kaakandikar (2022) Asset liability management is the strategic management of balance sheet risks resulting from fluctuations in interest rates, exchange rates, credit risks, and industry liquidity. Managing net interest margin to make sure that its level and riskiness align with industry risk/return goals is known as asset liability management. It involves more than just handling each person's assets and liabilities. Asset liability management also necessitates a comprehension of the market in which the sector functions. To match asset liabilities, reduce liquidity issues, and lower market risk, asset liability management is necessary. The goal of an efficient asset liability management strategy is to achieve a specified acceptable risk/reward ratio by managing the volume mix, maturity, rate, sensitivity, quality, and liquidity of assets and liabilities collectively.

Dr. K.Prince Poul Antony, J Manimegalai (2018), An Analysis of Asset Liability Management in Indian Bank, In the banking industry, it became the main focus, with every bank attempting to minimize risk and maximize performance. In banks, asset-liability management is a crucial instrument for risk management. The banks must operate correctly in relation to the management of the bank. To improve performance, all banks must manage their assets and liabilities.

Dr.Veena.K.P, Ms. Pragathi. K.M (2017), an investigation of asset liability management in the banking industry using Kotak Mahindra Bank as a case study. The study's goals are to evaluate Kotak Mahindra Bank's profitability situation and comprehend the theoretical underpinnings of assets and liabilities management.

S.P. Joshi & Dr. R.V. Sontakay (2017), research on asset and liability management in banks. ALM is essential to the banking sector, according to a study done on all of the cited publications. Each bank needs to establish a suitable ALCO Committee to assess the risk involved in every decision it makes or expands.

## III. RESEARCH METHODOLOGY

A research design is just the structure of a study plan that directs collecting information and analysis. The research design, which is analytical research in this study, is actually the conceptual framework within which research is carried out. It serves as a guide for the collecting, evaluating, and interpretation of data. The secondary data for this study were gathered from previously conducted research, as well as from published and unpublished sources that were accessible both inside and outside the organization, including libraries, websites, journals, books, and companies. The study

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 6, No. 05 Sep-Oct; 2024 Page. No. 152-159

adopts profit and loss accounts for the balance sheets for the five years 2019–20–2023–24. Financial instruments used in the study include ratio analysis, common-size balance sheets, and comparative balance sheets.

## IV. FINDINGS DISCUSSED

a) The comparative statement of the year 2019 and 2020, current assets increased by 12.3%, but fixed assets fell by 14.8%. Total assets grew by 0.6%. Current liabilities and long-term liabilities decreased by 12.4% and 7.2%, respectively, while capital and reserves rose by 4.0%. Total liabilities and capital remained stable.

b) The comparative statement of the year 2020 and 2021, current assets rose by 7.2%, but fixed assets fell by 14.8%, causing a slight total asset decline of 0.7%. Current liabilities increased by 19.3%, while long-term liabilities decreased by 15.9%. Capital and reserves grew by 4.2%, leading to a 0.7% decrease in total liabilities and capital.

c) The comparative statement of the year 2021 and 2022, current assets increased by 14.3%, while fixed assets fell by 4.6%. Total assets rose 8.3%. Current liabilities decreased slightly by 2.9%, but long-term liabilities grew by 20.4%. Capital and reserves grew by 0.5%, with total liabilities and capital up 8.3%.

d) The comparative statement of the year 2022 and 2023, current assets increased by 6.8%, while fixed assets declined by 14.8%. Total assets grew by 9.1%. Current liabilities dropped 47.6%, and long-term liabilities fell 91.2% due to loan repayments. Capital and reserves rose 5.4%, and total liabilities and capital decreased by 18.9%.

e) The common size statement of the year 2019-2020 current assets at 56.7% of total assets, with fixed assets at 43.3%. Current liabilities are 1.6%, long-term liabilities are 28.1%, and capital and reserves constitute 70.3%, indicating a strong equity base and stable position.

f) The common size statement of the year 2020-2021 current assets are 63.5% of total assets, with a major share in closing materials and stock. Fixed assets are 37.5%, mostly plant and machinery. Current liabilities are 1.4%, long-term liabilities are 26%, and capital and reserves make up 72.6%, highlighting strong equity and stability.

g) The common size statement of the year 2021-2022 current assets are 68.6% of total assets, with significant stock holdings. Fixed assets are 31.3%, mainly plant and machinery. Current liabilities are 1.6%, long-term liabilities are 22%, and capital and reserves are 76.4%, indicating strong equity and stability.

h) The common size statement of the year 2022-2023 Current assets are 72.4% of total assets, with major holdings in stock. Fixed assets are 27.6%, mainly plant and machinery. Current liabilities are 1.5%, long-term liabilities are 24.4%, and capital and reserves are 74.1%, indicating strong equity and stability.

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 6, No. 05 Sep-Oct; 2024 Page. No. 152-159

i) The common size statement of the year 2023-2024 Current assets are 76.8% of total assets, with significant stock holdings. Fixed assets are 23.2%, mainly plant and machinery. Current liabilities are 0.9%, long-term liabilities are 2.6%, and capital and reserves make up 96.5%, indicating strong equity and stability.
j) The current ratio in the year 2019-2020 is 1.92, in the year 2020-2021 is increased 42.38, in the year 2021-2022 is increased 2.91, in the year 2022-2023 is decrease 2.8 and the year 2023-2024 is increased 3.4.
k) The cash ratio in the year 2019-2020 is 0.64, in the year 2020-2021 is increased 0.85, in the year 2021-2022 is increased 1.4, in the year 2022-2023 is increased 0.25 and the year 2023-2024 is increased 0.52.
l) The debtor turnover ratio in the year 2019-2020 is 6.27, in the year 2020-2021 is decreased 6.06, in the year 2021-2022 is decreased 5.15, in the year 2022-2023 is increased 6.75 and the year 2023-2024 is decreased 6.29.
m) The fixed asset turnover ratio in the year 2019-2020 is 1.23, in the year 2020-2021 is increased 1.45, in the year 2021-2022 is increased 1.79, in the year 2022-2023 is increased 2.83 and the year 2023-2024 is increased 3.49.
n) The asset turnover ratio in the year 2019-2020 is 0.53, in the year 2020-2021 is same 0.53, in the year 2021-2022 is increased 0.56, in the year 2022-2023 is increased 0.78 and the year 2023-2024 is increased 0.81.
o) The trend percentage of debtor in the year 2019-2020 is 100, in the year 2020-2021 is increased 104, in the year 2021-2022 is increased 124, in the year 2022-2023 is decreased 114 and the year 2023-2024 is decreased 112.

## V. SUGGESTIONS

a) The company should focus on its effective management of cash and bank balance. As they are fluctuating over the years.
b) The company should maintain or increase efforts to grow capital and reserves to support future expansion and investment opportunities.
c) To improve operational efficiency, HiTech Company should refine its inventory management and receivables processes. This will help balance the current ratio and reduce unnecessary holding of assets.
d) To optimize cash utilization, the company should review and adjust its cash management strategy to ensure that reserves are not excessively high, which might otherwise lead to missed investment opportunities.
e) The company should focus on stabilizing its receivables management. This could involve tightening credit policies to ensure that credit is extended only to reliable customers and enhancing the collections process to accelerate receivables.

f) The company should implement strategies to optimize inventory levels and expedite receivables collection will enhance asset utilization and contribute to more effective financial management.
g) The company should ensure regular maintenance of existing assets to keep them operating at peak performance and contributing effectively to revenue generation.
h) The company should focus on enhancing operational efficiency and optimizing asset utilization to generate more revenue from its assets and strengthen its financial outcomes.
i) The company should focus on stabilizing and improving its debtors' management by implementing more effective credit control measures and enhancing collections processes to reduce the amount of outstanding receivables.

## VI. CONCLUSION

A company's market risk can be measured, tracked, and managed using the complete and dynamic framework of asset liability management. The functions of asset liability management include funding and capital planning, profit planning and growth projection, trading risk management, market risk management, and liquidly risk management. The primary goal of this analysis is to pinpoint the specific ratios that have an impact on the concern's assets and liabilities. For the concern to be enabled, the return on assets and payable versus obligation must be positive. The firm has a moderate return on its assets. To obtain a just return, it must continuously monitor both current and fixed assets. The firm is likewise at ease with its payable against liabilities. It should continue to examine both short-term and long-term liabilities in the upcoming years. The company's asset turnover ratio was adequate. The corporation needs to keep a higher cash balance because the cash ratio has not been maintained in accordance with the norm, and the cash has been maintained less than the standard. The fixed asset has been maintained at a rising rate, indicating strong performance from the company over the study period. The analysis makes it evident that the business hopes to provide a more effective service soon.

## REFERENCE


- Abirami, K. (2018). Financial soundness of Indian banking industry bankometer analysis. International Journal of Applied Research, 4(3), 357-362.
- Adam, Alexandre. (2007). Handbook of Asset & Liability Management - From Models to optimal return strategies. Pp.6-7.
- Africa, L. A. (2018). Bankometer Models for Predicting Financial Distress in Banking Industry. Junal Keuangan Dan Perbankan, 22(2), 373-379. https:/doi.org/10.26905/jkdp.v22i2.2050
- Anita Erari, A. E. (2013). Financial Performance Analysis of PT. Bank Papua: Application of Cael, Z-Score and Bankometer. IOSR Journal of Business and Management, 7(5), 8–16.

- Anjili, Anjichi. (2014). Effects of Asset Liability Management on the financial performance of Commercial Banks in Kenya. A Research Project.
- Antony, K.P., & Manimegalai, J. (2018). A study on Asset Liability Management in Indian Bank. International Journal of Business Administration and Management, 8(1), 1-9.
- Arif, A. & Anees, A. (2012). Liquidity risk and performance of Banking System. Journal of Financial Regulation and Compliance, 20(2), 182-195.
- Baber, H. (2016). Risk Mitigation Practices in Banking: A Study of HDFC Bank. International Journal of Risk and Contingency Management, 5(3), 18- 32.
- Bace, E. (2016). Bank profitability: Liquidity, Capital and Asset quality. Journal of Risk Management in Financial Institutions, 9(4), 327-33 1.
- Baldan, C., Zen, F. & Rebonato, T. (2012). Liquidity Risk and Interest Rate Risk on Banks: Are They Related? 7The IUP Journal of Financial Risk Management, IX (4), 27-51.
- Belete, T. (2013). Asset Liability Management and Commercial Banks Profitability in Ethiopia. Research Journal of Finance and Accounting, 4(10), 77-91.
- BharathVajan, R., Thooyamani, K. & Vignesh, A. (2017). A Study on Asset Liability Management. International Journal of Pure and Applied Mathematics, 116(14), 249-253.