Chapter 7:

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7.1 Introduction

The contemporary study entitled “a study on changing perspectives in asset liability management in modern banking”. Researcher has crammed Ascertain the ability of the ALM process to adapt to significant changes in the market, to stabilize the short-term profits, long-term earnings and long-term substance of the bank. Researcher has engaged the data analysis and hypothesis tested by statistic tools, researcher has made a finding and suggestion for the future researcher.

This chapter compact with brief summary of the research study, findings and suggestions which make through the yawning study. At last he made conclusion of the overall research study and guide for future perspectives of researchers. Further, the chapter presents suggestion based on the outcomes of the study and indicated further study areas for future researcher.

7.2 Rationale of the Study

In banking, asset and liability management is the practice of managing risks that arise due to mismatches between the assets and liabilities of the bank. This can also be seen in insurance. This is vital entail of this study for assets-liabilities management of Indian banking sector. Recent time, Banks face several risks such as the liquidity risk, interest rate risk, credit risk and operational risk. Asset Liability management (ALM) is a strategic management tool to manage interest rate risk and liquidity risk faced by banks. Asset Liability management is a very
broad field targeting risk management, which includes assessment of various types of risk the current assets and the forthcoming liabilities are exposed to. This is of major importance to the banking and financial services.

Asset-liability management basically refers to the process by which an institution manages its balance sheet in order to allow for alternative interest rate and liquidity scenarios. Banks and other financial institutions provide services which expose them to various kinds of risks like credit risk, interest risk, and liquidity risk. Asset liability management is an approach that provides institutions with protection that makes such risk acceptable. Asset-liability management models enable institutions to measure and monitor risk, and provide suitable strategies for their management.

The present study attempts to evaluate the changing perspectives of the banks in identifying and facing the risks and maintaining Assets Quality so as to ensure profitability with the help of ALM techniques. It also tries to assess the effectiveness of Asset Liability Management as a strategy vital to the progress and development of the Indian Banking Sector in particular and the economy in general making such a study contextually relevant and prospectively significant. The major problems faced by the banks like recovery of lending, etc needs to be solved. Thus the study is titled as “a study on changing perspectives in asset liability management in modern banking (with reference to public sector banks and private sector banks)”

7.3 Methodologies Applied

Researcher characterized assorted existing literatures related with the study and problems of the title, various objective frames by the researcher, which leads to research phenomenon. For making valuable and considerable work, researcher has undertaken the study in the light of research objectives, information both
from the primary and secondary sources are necessary. However, first, in order to build up theoretical premise, standard textbooks, reference books, domestic journals and other related literature have been collected from annual reports and other official records of the banks.

Researcher defines various existing literatures related with the study and problems of the title, various objective frames by the researcher, which leads to research phenomenon. The study is based of the secondary data and it collected from secondary market.

Researcher employed different tables, figures, charts for proper data analysis and interpretation of the study. There is hypothesis formulated and tested in order to achieve objectives of study. This study is concerned with assets and liability management of banks, liquidity and profitability positions of banks, comparative analysis of private and public banks in respect to assets and liabilities management. Researcher has applied t-test for significant different between sensitive assets and sensitive liabilities of private and public banks for 5 years.

For Hypothesis testing, researched has used t-test for the purpose to investigate significance difference among sensitivity assets and sensitivity liabilities of selected banks. Moreover, t-test employed for investigate significance difference between performance of private banks and public bank for selected tenure.

Consequently, methodologies applied in this research study to investigate the main objectives assets and liabilities management of private and public banks. There is a suitable result found with proper methodologies employed in this research study.

7.4 Findings of study
Finding of study leads to accomplish the objectives of the research study. In this present research study researcher has defined objectives and formulated hypothesis for objectives. Chapter fourth and fifth consist with analysis and interpretation of variables through the descriptive statistical tools. F-test and t-test has used for hypothesis testing. Following finding obtained from this research study.

First finding, performance of private banks and public banks have positive upward trend for last decade 2005-06 to 2009-10. Liquidity conditions and profitability conditions of private banks and public banks were optimistic during this tenure. Especially, performances of selected banks were more excellent during the year 2009-10 than previous years.

Second finding, assets and liabilities management of public banks were remain excellence compare to private banks during this tenure. GAP analysis used by difference between sensitive assets and sensitive liabilities of selected private and public banks reveal. The total GAP of selected public banks valued at -81.12, 696.25, 6,573.45, 18,433.68 and -30,890.75 amount in cr. for the year 2005-06 to 2009-10 respectively. This data shows negative sum GAP of public banks which indicates that public banks having more sensitivity liabilities than sensitivity assets.

Whereas, the total GAP of selected private banks valued at 23,191.02, 14,208.76, 38,349.60, 46,047.88 and 8,810.64 amount in cr. for the year 2005-06 to 2009-10 respectively. This data presents positive sum GAP of private banks which indicates that private banks have more sensitivity assets than sensitivity liabilities. This data presents positive sum GAP of private banks which indicates that private banks have more sensitivity assets than sensitivity liabilities.
Third finding, t- test results of study shows that null hypothesis rejected in case of bank of Baroda, HDFC bank, ICICI bank which reveal that there were significance difference among the sensitive assets and sensitive liabilities of bank of Baroda, HDFC bank and ICICI bank. Remain three banks results accepted null hypothesis which reveal that there were not significance difference among the sensitive assets and sensitive liabilities of these banks.

Forth finding, t- test results of selected public banks show s that there would be significance difference among the sensitive assets and sensitive liabilities of selected banks. Here, researcher has used five banks for the study, this testing results show that null hypothesis rejected in case of bank of Baroda which reveal that there were significance difference among the sensitive assets and sensitive liabilities of bank of Baroda. Remain four banks results accepted null hypothesis which reveal that there were not significance difference among the sensitive assets and sensitive liabilities of these banks.

Fifth test, t- test results of selected private banks states that there would be significance difference among the sensitive assets and sensitive liabilities of selected banks. Here, researcher has used five banks for the study, this testing results show that null hypothesis rejected in case of HDFC bank and ICICI bank which reveal that there were significance difference among the sensitive assets and sensitive liabilities of HDFC bank and ICICI bank. Remain three banks results accepted null hypothesis which reveal that there were not significance difference among the sensitive assets and sensitive liabilities of these banks.

Sixth finding, with the application of comparative analysis between private and public banks, the difference between net interest income of selected public banks and selected private banks were valued at 19,919.30 cr., 17,712.41 cr., 15,491.67 cr. 17,481.59 cr. and 20,277.38 cr. in the year 2005-06 to 2009-10
respectively. Whereas percentage changes in net interest income of selected banks were 70.43 %, 57.85%, 48.75%, 44.74%, and 45.24% for the year 2005-06 to 2009-10 respectively. The difference indicates that net interest income of selected public banks more than selected private banks during this tenure. Performance of selected public banks was superb compare to selected private banks for the year 2005-06 to 2009-10. In the year 2005-06, performance of selected public banks was finest 70.43 % compare to performance of selected private banks.

Seven finding, the difference ratio of liquidity and profitability reveals that overall performance of public banks is superior than private banks in terms of cash position, interest income, non-interest income, other income, return on net worth, Earning per shares, net profit etc.

Consequently, through the assets-liabilities management, performance – liquidity and profitability of selected private banks and public banks were excellence during this tenure.

7.5 Brief Chapter wise Summary
The brief chapter wise summary of the research study as follow:

Chapter 1: An Overview of Indian Baking Sector:
The banking sector is a decisive of the financial system. Banking sector provides the livelihood of capitalism to the country. The banking sector concerned with the landings and borrowings of money to Indian financial systems
This research section assists to the researcher or investor to understand the general idea regarding liquidities and profitability of Indian banking sectors. Moreover, this study gives idea regarding mechanism of assets and liabilities management of Indian banking sectors.

This section consists with an overview of the main subject matters of the research. It related with the various aspect of the Indian banking sectors which includes concept, meaning, nature, and scope of the banks and origin, history, development of the Indian banks. So, chapter defines conceptual frame work regarding Indian banking systems.

It also shows the functions of the banking sectors, Types of banks private and public banks in India, various guidelines of the RBI and banking policy have been explained by the researcher. Moreover, this chapter employed performance of Indian banking sectors.

Chapter 2: A conceptual frame work of assets and liabilities management

Recent time, there are countenance certainty in performance of Indian banking sectors. Asset Liability management is a strategic management tool to manage interest rate risk and liquidity risk faced by banks. Asset-liability management models enable institutions to measure and monitor risk, and provide suitable strategies for their management. Asset Liability management, which includes appraisal of a variety of types of risk the current assets and the approaching liabilities are uncovered to. This is of major importance to the banking and financial services.

This chapter concerned with concept, meaning, significance of assets and liabilities management. In this chapter, different type of term included for
understating of assets and liabilities management. Sensitive assets and sensitive liabilities are significance variables for measuring and controlling liquidity of banks. Moreover, assets and liabilities management process and different type of concern risk also explained in this chapter like as the liquidity risk, interest rate risk, credit risk and operational risk. These different types of risks are incurred due to change in external and internal factors.

The main objective of study is providing conceptual precision of assets and liabilities management of banking sectors.

**Chapter 3: Research Methodology:**

Research methodology chapter shackle with methodology applied for this research study. This chapter explained the calculation of sensitive assets and sensitive liabilities of selected banks. Researcher expresses various existing literatures from different sources which related with the study and problems of the title “a study on changing perspectives in asset liability management in modern banking (with reference to public sector banks and private sector banks)” and various objective frames by the researcher, which leads to research activities. The study is based on the secondary data which covers the period of the five years from 2005-06 to 2009-10. The study is based on secondary data mainly the annual report and accounts of selected banks. Data classified, formulated hypothesis as per the objectives and nature of the data analysis.

Researcher has shown that used and formulated hypothesis which testes by t-test, end of the segment shows significance, important of study, limitation of tools and technique which employed in the researcher study.

Therefore, methodologies employed in this research study to scrutinised the main objectives that is assets and liabilities management of Indian banks.
Chapter 4: GAP analysis – assets and liabilities management for selected public banks and private banks

This chapter included GAP analysis – assets and liabilities management for selected public banks and private banks. Here researcher has used sensitivity assets and liabilities of selected private banks and public banks for the 5 years. The gap analysis for the year 2008-09 to 2012-13 here, Gap calculated by sensitivity assets compare with sensitivity liabilities. Gap shows that managing sensitivity assets and sensitivity liabilities for particular period. Interest Sensitive Gap ratio obtained through sensitivity assets divided by the sensitivity assets. Interpretation shows that private bank and public bank position of assets and liabilities for last five years. Therefore, this fragment analysis of data and interpretation consists with statistical tools and hypothesis testing leads to finding and results of the study.

Chapter 5: Liquidity analysis and profitability analysis for selected public banks and private banks

In this chapter, research has employed vary ratio for measure the liquidity analysis and profitability analysis for selected public banks and private banks. Ratio analysis shows performance of selected private and public banks trend in term of profitability and liquidity trend for five years.

Chapter 6: An overview of Comparative analysis among selected public banks and private banks with respect to assets and liabilities management
This research section presents summary of comparative analysis of selected public banks and private banks for five years. Consequently, this section analysis of data and interpretation consists with statistical tools and hypothesis testing leads to finding and results of the study.

**Chapter 7: Summary, Findings, Suggestions and Conclusion:**

This chapter included brief chapter wise summary of the research study which has been commenced by the researcher. This section is very imperative as part of study, here research shows the outline of the empirical study. A researcher has studied to get done the objectives of the study throughout this researcher dissertation. He has completed findings which derived after deep study of the research and suggested a suggestions for the future researcher which held in this area. At last, Researcher has given conclusion of the research which shows the draw round of overall research study.

**7.6 Future perspectives of the Study**

The study is titled as “a study on changing perspectives in asset liability management in modern banking (with reference to public sector banks and private sector banks)”.

The study would be supportive for more expressive studies on the thoughts that will be explored. Furthermore, it would be beneficial to gain knowledge concerning to

The present study attempts to evaluate the changing perspectives of the banks in identifying and facing the risks and maintaining Assets Quality so as to ensure profitability with the help of ALM. It also tires to assess the effectiveness of
Asset Liability Management as a strategy vital to the progress and development of the Indian Banking Sector in particular and the economy in general making such a study contextually relevant and prospectively significant. The major problems faced by the banks like recovery of lending, etc needs to be solved.

Researcher has used the five private banks - public banks for study and investigated mechanism of assets and liabilities management of selected banks for the year 2005-06 to 2009-10. Moreover, the study is dynamic in nature. It is not end of this research study. It is quite wider in nature. So the future research can more research activity regarding sensitivity assets and sensitivities liabilities management of private banks and public banks. So, research result gives the logical analysis by the different time lags which will be provided trend of FIIs investments and performance of Indian stock market. Thus research gives diagnostic result at particular time lags like as 3 years, 5 years, 10 years etc.

Research study might be more analytical and excellent with consideration Indian banking sectors. The performance of banking sectors is change owing to many unforeseen variables in the future. Researcher can use different variables for assets and liabilities management like as bank rate, Cash reserve ratio, Repo rate, statutory liquidity ratio, government policy, RBI policy, etc.

Due to changes in Indian financial system, there are drastic changes shown in the liquidities and profitability of banking sectors. So it will be changes in continues in the Indian financial system. Researcher has to consider all the future changes in banking issues. There will have many opportunities as well challenges for the research to more study about this topic.

7.7 Conclusion

The function of banking sector in promoting economic growth has straight considerable concentration in India since independence. But the liquidity
management and profitability management is very difficult of banking sectors in the economic development of India is a recent topic of discussion among economists and development planners.

This empirical study is endeavoring to appraise the changing perception of the banks in recognize and conflicting the risks and maintaining Assets-liabilities management. Recent time, it is very difficult to management assets and liabilities of banks in multifaceted environment. There is a trade of facts among profitability and liquidity of private and public banks in India.

The financial strength of the Indian banking sector, it plays an effective role in propelling the economic growth of the country. Now recent period due to vulnerable banking policy in India, there have been facing problem for maintain assets-liabilities management as well as profitability and liquidity management of banking sectors.

It exhausts to assess the effectiveness of Asset Liability Management as a strategy of the essence to the growth and expansion of the Indian Banking Sector in the economy in general making such a study significant. It is with this aim an attempt has been made in this empirical research study.

This empirical research study examined the mechanism of assets and liabilities of selected private and public banks, to study critical position to manage liquidity and profitability of selected banks. This study was bounded for 5 year 2005-06 to 2009-10 respectively. Researcher delineates various existing literatures related with the study and problems of the title, various objective frames by the researcher, which leads to research occurrence. There were used many literature of review for this research study and formulated appropriate methodology for accomplish objectives of the study.
Researcher used different ratios for measure the profitability and liquidity position of selected five public and private banks. Moreover, study shows assets and liabilities situations of selected private and public banks for five years. This study also evaluated comparative analysis of selected private banks and public banks. Besides, an applied methodology relieves from effective analysis and interpretation of study which furnishes apposite fallout and findings of study.

The study would be perceptive for supplementary forthcoming studies on the thoughts that will be explored. Afterward it will be changes in continues in the Indian banking sectors and Indian financial system. Researcher has to consider all the future changes in banking policy regarding assets and liabilities management as well as profitability and liquidity management of Indian banks. There will have many opportunities as well challenges for the research to more study about this topic.