EXECUTIVE SUMMARY

A study on Asset & Liability Management was undertaken at State Bank of India, Omkar Layout Branch, Bengaluru, to understand the concept and application of Asset & Liability Management in the bank, the objective of the study is to measure the rate sensitive assets and rate sensitive liabilities, evaluate the impact of asset & liability management on profitability of the bank to give suggestions to reduce the risk associated with the asset the liabilities of the bank.

Asset & Liability Management the risk related to the fluctuations in interest rates, balance sheet mix of asset and liabilities, capital adequacy, foreign exchange rate the use of derivatives. These risk are required to be managed so that in increases the earnings of the bank and limitations the risks.

Management of assets and liability is possible through the policy by the board, which sets limits on the level of interest rate risk, liquidity, market, capital, credit and foreign currency risk as well as the asset and liability mix. Policy also provides guidelines on product pricing of deposits and advances.

The bank follows the GAP analysis to manage assets and liabilities. GAP analysis is a technique used to measure the interest rate risk or liquidity risk. It measures the gap between the rate sensitive assets and rate sensitive liabilities by grouping them into different tome buckets according to their maturity period.

The study shows the rate sensitive liability are more than the rate sensitive assets there is negative gap between all-time buckets. It means there is less in the total assets (inflows) than liabilities (outflows). The Liquidity risk arises when the financial institution loses its capacity to meet up its liabilities as and when they become due. Liquidity management helps in reducing this problem. Non sensitive assets are more compared to the non-sensitive liabilities, Investment of the company is increasing for 2016 to 2018 and decreased for the year 2019, they need to invest in high profit & less risk sectors. Reserves are varying compared from 5 years so they need to maintain consistency for manage uncertain risk in future.