



ASSET LIABILITY MANAGEMENT PRACTICES OF INDIAN COMMERCIAL BANKS

DR MONITA*

* Punjabi University Regional Centre for IT and Management,
Mohali.

ABSTRACT

The invasion of Indian banking by deregulation, integration, competition, technology etc. has led to increased diversity and complexity and risks faced by banks. A macro level framework for risk management is provided by Asset Liability Management (ALM). ALM has specially gained prominence after two special events In India . One was the introduction of guidelines on ALM by RBI in 1999. Another was the inflation and drop in interest rates. The present treatise examined the ALM practices, interest rate risk and liquidity risk practices of banks. The results highlighted that ALM is being given due consideration in all the banks under study . Of the prevalent ALM practices – documented ALM policy, constituting a ALCO, incorporating Senior Management Perspective for ALM, etc. have been successfully introduced and practiced by banks. However, there have been some critical areas of observation, which are part of ALM practices and are important from risk profile perspective of banks. These areas are inadequate training facilities, sub optimum utilization of software, lack of computerization etc. These areas needs to be further worked upon for the improvement of ALM in banks .

KEYWORDS: *Asset Liability Management, ALCO, Liquidity Risk, Interest Rate Risk.*