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AN ASSESSMENT – ASSET AND LIABILITY MANAGEMENT OF SCHEDULED COMMERCIAL BANKS IN INDIA

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EXECUTIVE SUMMARY:

This paper examines management of asset-liability in banking sector. The main objective of the study is to present the optimal mix of asset and liability of Scheduled Commercial Banks in India. The paper mainly discusses on the SBI Group, Nationalised Banks Group and Private Banks Group selected as the parameter. The increase in the profitability of a bank is always preceded by the composition of assets and liability. Hence, the following ratios are calculated to identify the optimal mix of asset and liabilities in relation to profitability, ratio analysis was used on the sample of 56 banks comprising SBI and its Associate Banks 8, Nationalized Banks group 19 and Private Banks group 29 for the ten years period. The findings suggest that SBI and its associate bank group were better performers as compared to Private Banks group and Nationalized banks group.

Key Words: Management, Optimal mix, Commercial Bank, Asset and Liability and Profitability

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INTRODUCTION:

Commercial banks play an important role in the development of a country. A sound, progressive and dynamic banking system is a fundamental requirement for economic development. As an important segment of the tertiary sector of an economy, commercial banks act as the backbone of economic growth and prosperity by acting as a catalyst in the process of development. They inculcate the habit of saving and mobilize funds from numerous small households and business firms spread over a wide geographical area. The funds so mobilized are used for productive purposes in agriculture, industry and trade.

REVIEW OF LITERATURE:

Kanjana.E.N (2007), "Efficiency, Profitability and Growth of Scheduled Commercial Banks in India" tested (1) whether the establishment expense was a major expense, and (2) out of total expense which is met by scheduled commercial banks is more due to more number of employees. In her empirical study, the earning factor and expense factor which are controllable and non-controllable by the bank.

Ashok Kumar.M (2009) in his study examines how the financial performance of SBI group, Nationalized banks group, private banks group and foreign banks group has been affected by the financial deregulation of the economy. The main objective of the empirical study is to assess the financial performance of Scheduled Commercial Banks through CRAMEL Analysis.

OBJECTIVES OF THE STUDY:

i) To identify the optimal mix of assets and liabilities for the profitability of banks.
ii) To offer suitable suggestions to strengthen the funds position of commercial banks.

PERIOD OF THE STUDY:

The study period is for ten financial years i.e., the period from 2000-2001 to 2009-2010. The financial year starts from 1st April of a year and ends on 31st March of next year.

SCOPE OF THE STUDY:

The scope of the study is wider in nature. It covers all the Indian scheduled commercial banks in India, which are under the control of the Reserve Bank of India.

CONCEPTS AND DEFINITIONS:

Asset-Liability Management

ALM technique aims to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of the assets and liabilities as a whole so as to attain a predetermined acceptable risk-reward ratio.

Profitability

The word profitability is composed of two words 'Profit" and "Ability". "Ability" refers to the earning capacity or power of an enterprise to earn the profit. So, Profitability may be defined as the ability of a given investment to earn a return from its use. Profitability of a concern indicates the financial stability and the greater the possibility of profit-earning the easier it is to attract capital investment. The height of profitability depends on the ability of the management to deal intelligently and effectively to tide over risks and uncertainties through shifting them or hedging benefits, risks involved, policy decision etc.

METHODOLOGY:

The study is based on Census Method. For the purpose of conducting the study, all the scheduled commercial banks functioning as on 31st March 2007 with the age of minimum of 10 years period were selected and grouped into SBI and its Associate banks, Nationalized Banks Groups and Private Sector Banks Group. Based on the criterion the researcher has selected 56 banks.

DATA COLLECTION:

The study is based on secondary information, and all the relevant information is collected from various issues of Statistical Tables Relating to Banks, Report on Currency and Finance published by the Reserve Bank of India, and Database on Indian Banking published by Indian Banking Association. In addition to that some information was also collected from different issues of Economic Survey published by the Government of India and certain important books and journals.

EMPIRICAL RESULTS:

The increase in the profitability of a bank is always preceded by the composition of assets and liability. Hence, the following ratios are calculated to identify the optimal mix of banks in relation to profitability. Debt Equity Ratio, Capital Adequacy Ratio, Ratio of Term Deposits to Total Deposits, Ratio of Liquid Assets to Assets, Ratio of Provisions and Contingencies to Total Assets, Cash Deposits Ratio, Ratio of other Assets to Assets, Credit Deposit Ratio, Ratio of Fixed Assets to Assets, Ratio of Priority Sector Advances to Advances and Ratio of Borrowings to Total Assets

1. Debt Equity Eatio

Table 1 depicts the Debt Equity Ratio was more consistent in terms of dispersion for Private Banks group (C.V. 14.50 per cent) followed by Nationalized group (C.V. 8.12 per cent) and less consistent for SBI group (C.V. 7.18 per cent). An insight into the SBI group reveals that this ratio fluctuated between 15.16 per cent in 2000-2001 and 15.34 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 16.69 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (15.16 per cent) during 2000-2001 and maximum (18.60 per cent) during 2003-2004.

Table 1 Debt Equity Ratio

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	15.16	12.64	13.31
2001 - 2002	17.38	14.86	15.36
2002 - 2003	17.20	16.04	14.44
2003 - 2004	18.60	17.10	16.27
2004 - 2005	18.00	16.80	13.94
2005 - 2006	17.40	16.47	13.51
2006 - 2007	16.21	15.69	13.88
2007-2008	16.16	15.28	11.73
2008-2009	15.41	15.28	10.97
2009-2010	15.34	15.16	10.04
Mean	16.69	15.53	13.35
SD	1.20	1.26	1.93
CV	7.18	8.12	14.50

Source: Data calculated from Statistical Tables Relating to Banks in India,

R.B.I.,Mumbai Issues of relevant years

An analysis of this ratio reveals that the Nationalized Banks group varied between 12.64 per cent in 2000-2001 and 15.16 per cent in 2009 - 2010. The average of this ratio was worked out at 15.53 per cent over the period of study. Among this group, this ratio was minimum (12.64 per cent) during 2000 – 2001 and maximum (17.10 per cent) during 2003 - 2004.

The Private Banks group witnessed an average ratio of 13.35 per cent over the study period. This ratio varied between 13.31 per cent in 2000 - 2001and 10.04 per cent in 2009 - 2010. Among this group, this ratio was minimum (10.04per cent) during 2009-2010 and maximum (16.27 per cent) during 2003 - 2004.

Thus, it can be inferred that SBI group, Private Banks group and Nationalised Banks group in that order have Government securities to assets during the period under study. The higher profitability is achieved at the optimal level of debt equity ratio for Private banks group 13.88, Nationalised Banks group 15.69 and SBI group 15.16 during the period of study.

2. Capital Adequacy Ratio

Table 2 depicts the Capital Adequacy Ratio was more consistent in terms of dispersion for Private Banks group (C.V. 12.87 per cent) followed by Nationalized group (C.V. 15.06 per cent) and less consistent for SBI group (C.V. 19.50 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 12.55 per cent in 2000-2001 and 12.23 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 12.45 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (11.89 per cent) during 2001 – 2002 and maximum (13.13 per cent) during 2006 - 2007.

An analysis of this ratio reveals that the Nationalized Banks group varied in between 10.53 per cent in 2000-2001 and 12.20 per cent in 2009-2010. The average of this ratio was worked out at 11.71 per cent over the period of study. Among this group, this ratio was minimum (10.31 per cent) during 2004-2005 and maximum (13.18 per cent) during 2006 – 2007.

Table 2 Capital Adequacy Ratio

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	12.55	10.53	12.84
2001 - 2002	11.89	11.01	12.70

2002 - 2003	12.06	11.08	12.19
2003 - 2004	12.48	11.55	12.11
2004 - 2005	12.96	10.31	12.67
2005 - 2006	13.09	12.28	12.60
2006 - 2007	13.13	13.18	13.79
2007-2008	12.15	12.71	12.51
2008-2009	11.94	12.23	11.39
2009-2010	12.23	12.20	11.40
Mean	12.45	11.71	12.42
SD	0.47	0.96	0.71
CV	0.04	0.08	0.06

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 12.42 per cent over the study period. This ratio varied between 12.84 per cent in 2000-2001 and 11.40 per cent in 2009-2010. Among this group, this ratio was minimum (11.39 per cent) during 2008-2009 and maximum (13.79 per cent) during 2006 - 2007. The least variability in the ratio in terms of dispersion was found.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized Banks group in that order have Government securities to investment during the period under study. The higher profitability is achieved at the optimal level of capital adequacy ratio for Private banks group 13.79 per cent, Nationalized Banks group 13.18 per cent and SBI group 12.55 per cent during the period of study.

3. Ratio of Term Deposits to Total Deposits

Table 3 depicts the Ratio of Term Deposits to Total Deposits was more consistent in terms of dispersion for Private Banks group (C.V. 14.28 per cent) followed by Nationalized group (C.V. 14.64 per cent) and less consistent for SBI group (C.V. 64.09 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 49.86 per cent in 2000-2001 and 43.82 per cent in 2009 - 2010. The average of this ratio for this group during the study period stood at 28.93 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (5.67 per cent) during 2004 - 2005 and maximum (49.86 per cent) during 2000- 2001.

An analysis of this ratio reveals that the Nationalized Banks group varied between 16.77 per cent in 2000-2001 and 11.79 per cent in 2009 - 2010. The average of this ratio was worked out at 16.82 per cent over the period of study. Among this group, this ratio was minimum (11.79 per cent) during 2009-2010 and maximum (20.01 per cent) during 2006 - 2007.

Table 3 Ratio of Term Deposits to Total Deposits

Year	SBI Group	Nationalized Group	Private Banks Group
2000 - 2001	49.86	16.77	18.25
2001 - 2002	8.64	17.05	18.40
2002 - 2003	13.92	19.14	19.32
2003 - 2004	22.35	18.74	15.33
2004 - 2005	5.67	17.91	14.40
2005 - 2006	9.33	16.98	12.61
2006 - 2007	48.21	20.01	13.26
2007-2008	46.71	15.65	15.74

2008-2009	40.84	14.11	14.52
2009-2010	43.82	11.79	16.02
Mean	28.93	16.82	15.79
SD	18.54	2.46	2.25
CV	64.09	14.64	14.28

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 15.79 per cent over the study period. This ratio varied between 18.25 per cent in 2000 - 2001 and 16.02 per cent in 2009 - 2010. Among this group, this ratio was minimum (12.61per cent) during 2005-2006 and maximum (19.32 per cent) during 2002-2003.

Thus, it can be inferred that SBI group, Private Banks group and Nationalised Banks group in that order have Approved Securities to Total Assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of term deposits to total deposits for Private banks group 13.26 per cent, Nationalised Banks group 20.01 per cent and SBI group 49.86 per cent during the period of study.

4. Ratio of Liquid Assets to Assets

Table 4 depicts the Ratio of Liquid Assets to Assets was more consistent in terms of dispersion for Private Banks group (C.V. 29.87 per cent) followed by Nationalized group (C.V. 12.78 per cent) and less consistent for SBI group (C.V. 28.01 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 9.24 per cent in 2000-2001 and 5.16 per cent in 2009 - 2010. The average of this ratio for this group during the study period stood at 6.66 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (4.74 per cent) during 2008-2009 and maximum (9.24 per cent) during 2000-2001.

An analysis of this ratio reveals that the Nationalized Banks group varied between 10.41 per cent in 2000-2001 and 8.14 per cent in 2009-2010. The average of this ratio was worked out at 8.43 per cent over the period of study. Among this group, this ratio was minimum (7.22 per cent) during 2007- 2008 and maximum (10.41 per cent) during 200-2001.

Table 4 Ratio of Liquid Assets to Assets

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	9.24	10.41	12.77
2001 - 2002	9.06	9.95	12.11
2002 - 2003	8.71	9.12	11.08
2003 - 2004	7.35	8.61	10.08
2004 - 2005	7.15	7.92	7.52
2005 - 2006	4.79	7.42	8.03
2006 - 2007	5.50	7.75	8.61
2007-2008	4.88	7.22	7.38
2008-2009	4.74	7.79	5.78
2009-2010	5.16	8.14	4.86
Mean	6.66	8.43	8.82
SD	1.86	1.08	2.64
CV	28.01	12.78	29.87

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 8.82 per cent over the study period. This ratio varied between 12.77 per cent in 2000 - 2001 and 4.86 per cent in 2009 -2010. Among this group, this ratio was minimum (4.86 per cent) during 2009-2010 and maximum (12.77 per cent) during 2000 - 2001.

Thus, it can be inferred that SBI group, Private Banks group and Nationalised Banks group in that order have Ratio of Liquid Assets to Assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of liquid assets to assets for Private banks group 8.61 per cent, Nationalised Banks group 7.75 per cent and SBI group 9.24 per cent during the period of study.

5. Ratio of Provisions and Contingencies to Total Assets

Table 5 depicts the ratio of Provisions and Contingencies to Total Assets was more consistent in terms of dispersion for Private Banks group (C.V. 17.50 per cent) followed by Nationalized group (C.V. 26.32 per cent) and less consistent for SBI group (C.V. 20.17 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 1 per cent in 2000-2001 and 1.17 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 1.21 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (0.87 per cent) during 2003 – 2004 and maximum (1.59 per cent) during 2006 - 2007.

An analysis of this ratio reveals that the Nationalized Banks group varied between 0.71 per cent in 2000-2001 and 0.74 per cent in 2009 - 2010. The average of this ratio was worked out at 1.05 per cent over the period of study. Among this group, this ratio was minimum (0.71 per cent) during 2000-2001 and maximum (1.54 per cent) during 2006 - 2007.

Table 5 Ratio of Provisions and Contingencies to Total Assets

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	1.00	0.71	1.23
2001 - 2002	1.11	0.85	0.75
2002 - 2003	0.94	0.86	1.07
2003 - 2004	0.87	0.95	1.01
2004 - 2005	1.17	1.15	1.06
2005 - 2006	1.36	1.35	1.44
2006 - 2007	1.59	1.54	1.10
2007-2008	1.53	1.28	0.97
2008-2009	1.35	1.05	1.01
2009-2010	1.17	0.74	1.81
Mean	1.21	1.05	1.15
SD	0.24	0.28	0.29
CV	20.17	26.32	25.68

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 1.15 per cent over the study period. This ratio varied between 1.23 per cent in 2000-2001 and 1.81 per cent in 2009 - 2010. Among this group, this ratio was minimum (0.75 per cent) during 2001-2002 and maximum (1.81 per cent) during 2009 - 2010.

Thus, it can be inferred that SBI group, Private Banks group and Nationalised Banks group in that order have Ratio of Provisions and Contingencies to Total Assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of provisions and contingencies to total assets for Private banks group 1.10 per cent, Nationalised Banks group 1.54 per cent and SBI group 1.00 per cent during the period of study.

6. Cash Deposits Ratio

Table 6 depicts the Cash Deposits Ratio was more consistent in terms of dispersion for Private Banks group (C.V. 12.87 per cent) followed by Nationalized group (C.V. 15.06 per cent) and less consistent for SBI group (C.V. 19.50 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 12.39 per cent in 2000-2001 and 6.63 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 8.60 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (6.05 per cent) during 2007 – 2008 and maximum (12.39 per cent) during 2000-2001.

An analysis of this ratio reveals that the Nationalized Banks group varied between 12.10 per cent in 2000-2001 and 9.61 per cent in 2009-2010. The average of this ratio was worked out at 9.77 per cent over the period of study. Among this group, this ratio was minimum (8.40 per cent) during 2007-2008 and maximum (12.10 per cent) during 2000-2001.

Table 6 Cash Deposits Ratio

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	12.39	12.10	14.90
2001 - 2002	11.81	11.54	14.55
2002 - 2003	11.43	10.51	13.33
2003 - 2004	9.48	9.87	12.07

2004 - 2005	9.15	9.05	11.91
2005 - 2006	6.05	8.53	11.46
2006 - 2007	6.98	9.00	11.79
2007-2008	6.05	8.40	10.03
2008-2009	6.05	9.12	7.70
2009-2010	6.63	9.61	6.12
Mean	8.60	9.77	11.39
SD	2.58	1.25	2.79
CV	29.97	12.82	24.53

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 11.39 per cent over the study period. This ratio varied between 14.90 per cent in 2000-2001 and 6.12 per cent in 2009 - 2010. Among this group, this ratio was minimum (6.12 per cent) during 2009-2010 and maximum (14.90 per cent) during 2000-2001.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized Banks group in that order have Ratio of Cash Deposits Ratio during the period under study. The higher profitability is achieved at the optimal level of the ratio of cash to deposits for Private banks group 11.79 per cent, Nationalized Banks group 9.00 per cent and SBI group 12.39 per cent during the period of study.

7. Ratio of Other Assets to Assets

Table 7 depicts the ratio of other assets to assets was more consistent in terms of dispersion for Private Banks group (C.V. 12.54 per cent) followed by Nationalized group (C.V. 31.05 per cent) and less consistent for SBI group (C.V. 25.90 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 8.18 per cent in 2000-2001 and 5.05 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 5.49 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (3.97 per cent) during 2007-2008 and maximum (8.18 per cent) during 2000-2001.

An analysis of this ratio reveals that the Nationalized Banks group varied in between 6.54 per cent in 2000-2001 and 2.71 per cent in 2009-2010. The average of this ratio was worked out at 4.73 per cent over the period of study. Among this group, this ratio was minimum (2.71 per cent) during 2009-2010 and maximum (6.54 per cent) during 2000-2001.

Table 7 Ratio of Other Assets to Assets

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	8.18	6.54	3.75
2001 - 2002	5.98	6.22	4.34
2002 - 2003	7.79	6.11	4.05
2003 - 2004	5.17	5.91	3.89
2004 - 2005	4.80	5.41	4.15
2005 - 2006	4.87	4.20	5.42
2006 - 2007	4.39	3.87	4.63
2007-2008	3.97	3.34	4.25
2008-2009	4.65	2.97	4.06
2009-2010	5.05	2.71	3.52
Mean	5.49	4.73	4.21
SD	1.42	1.47	0.53

CV	25.90	31.05	12.54

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 4.21 per cent over the study period. This ratio varied between 3.75 per cent in 2000-2001 and 3.52 per cent in 2009-2010. Among this group, this ratio was minimum (3.52 per cent) during 2009-2010 and maximum (5.42 per cent) during 2005-2006.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized Banks group in that order have Ratio of other Assets to Assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of other assets to assets for Private banks group 4.63 per cent, Nationalized Banks group 3.87 per cent and SBI group 8.18 per cent during the period of study.

8. Credit Deposit Ratio

Table 8 depicts the credit deposit ratio was more consistent in terms of dispersion for Private Banks group (C.V. 12.87 per cent) followed by Nationalized group (C.V. 15.06 per cent) and less consistent for SBI group (C.V. 19.50 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 55.57 per cent in 2000-2001 and 58.22 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 54.68 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (51.91 per cent) during 2001 – 2002 and 2001 - 2002 and maximum (58.22 per cent) during 2009-2010.

An analysis of this ratio reveals that the Nationalized Banks group varied in between 43.76 per cent in 2000-2001 and 71.06 per cent in 2009-2010. The average of this ratio was worked out at 51.86 per cent over the period of study. Among this group, this ratio was minimum (43.76 per cent) during 2000-2001 and maximum (71.06 per cent) for during 2009-2010.

Table 8 Credit Deposit Ratio

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	55.57	43.76	50.90
2001 - 2002	51.91	44.01	50.13
2002 - 2003	52.24	45.24	50.40
2003 - 2004	52.62	46.73	50.31
2004 - 2005	53.41	49.54	50.04
2005 - 2006	53.54	50.50	51.88
2006 - 2007	54.67	50.82	52.78
2007-2008	56.98	53.43	58.97
2008-2009	57.65	63.48	63.27
2009-2010	58.22	71.06	71.60
Mean	54.68	51.86	55.03
SD	2.31	8.89	7.33
CV	0.04	0.17	0.13

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 55.03 per cent over the study period. This ratio varied between 50.90 per cent in 2000-2001 and 70.60 per cent in 2009-2010. Among this group, this ratio was minimum (50.04 per cent) during 2004-2005 and maximum (71.60 per cent) during 2009-2010.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized Banks group in that order have credit deposit ratio during the period under study. The higher profitability is achieved at the optimal level of the credit to deposits for Private banks group 52.78 per cent, Nationalized Banks group 50.82 per cent and SBI group 55.57 per cent during the period of study.

9. Ratio of Fixed Assets to Assets

Table 9 depicts the ratio of fixed assets to assets was more consistent in terms of dispersion for Private Banks group (C.V. 30.02 per cent) followed by Nationalized group (C.V. 24.70 per cent) and less consistent for SBI group (C.V. 18.20 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 0.78 per cent in 2000-2001 and 0.63 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 0.69 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (0.55 per cent) during 2007-2008 and maximum (0.91 per cent) during 2001-2002.

An analysis of this ratio reveals that the Nationalized Banks group varied between 1.54 per cent in 2000-2001 and 0.79 per cent in 2009-2010. The average of this ratio was worked out at 1.08 per cent over the period of study. Among this group, this ratio was minimum (0.79 per cent) during 2009-2010 and maximum (1.54 per cent) during 2000-2001.

Table 9 Ratio of Fixed Assets to Assets

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	0.78	1.54	2.86
2001 - 2002	0.91	1.41	2.66
2002 - 2003	0.86	1.28	2.27

2003 - 2004	0.76	1.18	2.14
2004 - 2005	0.64	1.07	2.77
2005 - 2006	0.59	0.97	2.51
2006 - 2007	0.61	0.89	2.17
2007-2008	0.55	0.85	1.81
2008-2009	0.57	0.80	1.40
2009-2010	0.63	0.79	0.83
Mean	0.69	1.08	2.14
SD	0.13	0.27	0.64
CV	18.20	24.70	30.02

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 2.14 per cent over the study period. This ratio varied between 2.86 per cent in 2000-2001 and 0.83 per cent in 2009-2010. Among this group, this ratio was minimum (0.83 per cent) during 2009-2010 and maximum (2.86 per cent) during 2001-2002.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized Banks group in that order have Ratio of Fixed Assets to Assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of fixed assets to assets for Private banks group 2.17 per cent, Nationalized Banks group 0.89 per cent and SBI group 0.78 per cent during the period of study.

10. Ratio of Priority Sector Advances to Advances

Table 10 depicts the ratio of Priority Sector Advances to Advances was more consistent in terms of dispersion for Private Banks group (C.V. 14.99 per cent) followed by Nationalized group (C.V. 23.01 per cent) and less consistent for SBI group (C.V. 40.95 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 22.48 per cent in 2000-2001 and 1.94 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 18.65 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (1.94 per cent) during 2009-2010 and maximum (23.87 per cent) during 2001-2002.

An analysis of this ratio reveals that the Nationalized Banks group varied between 13.34 per cent in 2000-2001 and 9.79 per cent in 2009-2010. The average of this ratio was worked out at 11.05 per cent over the period of study. Among this group, this ratio was minimum (8.35 per cent) during 2074-2008 and maximum (15.15 per cent) during 2002-2003.

Table 10 Ratio of Priority Sector Advances to Advances

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	22.48	13.34	16.16
2001 - 2002	23.87	13.21	16.76
2002 - 2003	22.25	15.15	21.20
2003 - 2004	21.91	12.72	19.79
2004 - 2005	23.30	12.17	14.32
2005 - 2006	21.18	8.47	13.64
2006 - 2007	20.84	8.38	13.54
2007-2008	21.79	8.35	11.56

2008-2009	6.92	8.88	11.60
2009-2010	1.94	9.79	11.37
Mean	18.65	11.05	14.99
SD	7.64	2.54	3.45
CV	40.95	23.01	22.98

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 14.99 per cent over the study period. This ratio varied between 16.16 per cent in 2000-2001 and 11.37 per cent in 2009-2010. Among this group, this ratio was minimum (11.37 per cent) during 2009-2010 and maximum (21.20 per cent) during 2002 - 2003.

Thus, it can be inferred that SBI group, Private Banks group and Nationalized banks group in that order have Ratio of Priority Sector Advances to Advances during the period under study. The higher profitability is achieved at the optimal level of the ratio of priority sector advances to advances for Private banks group 13.54 per cent, Nationalized Banks group 8.38 per cent and SBI group 22.48 per cent during the period of study.

11. Ratio of Borrowings to Total Assets

Table 11 depicts the ratio of Borrowings to Total Assets of all commercial banks grouped under three heads: SBI group, Nationalized Banks group and Private Banks group. Group-wise, the ratio was more consistent in terms of dispersion for Private Banks group (C.V. 63.42 per cent) followed by Nationalized group (C.V. 33.47 per cent) and less consistent for SBI group (C.V. 40.98 per cent)

An insight into the SBI group reveals that this ratio fluctuated between 3.80 per cent in 2000-2001 and 7.28 per cent in 2009-2010. The average of this ratio for this group during the study period stood at 3.75 per cent, the least amongst all the three groups. Among this group, this ratio was minimum (2.24 per cent) during 2004 – 2005 and maximum (7.28 per cent) during 2009 - 2010

An analysis of this ratio reveals that the Nationalized Banks group varied between 1.22 per cent in 2000-2001 and 3.13 per cent in 2009-2010. The average of this ratio was worked out at 1.77 per cent over the period of study. Among this group, this ratio was minimum (1.22 per cent) during 2000 - 2001and maximum (3.13 per cent) during 2009-2010.

Table 11 Ratio of Borrowings to Total Assets

Year	SBI Group	Nationalized Banks Group	Private Banks Group
2000 - 2001	3.80	1.22	2.49
2001 - 2002	3.57	1.68	5.60
2002 - 2003	3.15	1.60	5.28
2003 - 2004	2.83	1.38	5.30
2004 - 2005	2.24	1.49	21.44
2005 - 2006	2.35	1.37	13.96
2006 - 2007	3.06	1.51	11.03
2007-2008	3.79	1.82	10.31
2008-2009	5.43	2.48	8.64
2009-2010	7.28	3.13	4.69
Mean	3.75	1.77	8.87

SD	1.54	0.59	5.63
CV	40.98	33.47	63.42

Source: Data calculated from Statistical Tables Relating to Banks in India, R.B.I., Mumbai Issues of relevant years

The Private Banks group witnessed an average ratio of 8.87 per cent over the study period. This ratio varied between 2.49 per cent in 2000 - 2001 and 4.69 per cent in 2009 - 2010. Among this group, this ratio was minimum (2.49 per cent) during 2000-2001 and maximum (21.44 per cent) during 2004 - 2005.

Thus, it can be inferred that SBI group Private banks group and Nationalized banks group in that order have ratio of borrowings to total assets during the period under study. The higher profitability is achieved at the optimal level of the ratio of borrowings to total assets for Private banks group 11.03 per cent, Nationalized banks group 1.51 per cent and SBI group 3.80 per cent during the period of study.

SUMMARY OF MAJOR FINDINGS:

With regard to the assessment of Optimal Mix of Assets and Liabilities, it is found that debt Equity Ratio of SBI and its Associates is 16.69%. It is found that SBI and its associate banks of Capital Adequacy Ratio has 12.45 % more than private bank group (12.42 %), Ratio of Term Deposits to Total Deposits is 28.93 % for SBI and its Associate banks, Ratio of Liquid Assets to Assets is 8.82 % for private bank group, SBI and its associate banks have 1.21 % under Provisions and Contingencies to Total Assets ratio. The Cash Deposits Ratio of Private bank group is 11.39 %, Ratio of other Assets to Assets of SBI and its Associate banks is found to be 5.49%, Credit Deposit Ratio of private bank group has 55.03%, Ratio of Fixed Assets to Assets is found to be 2.14% by private bank group, Ratio of Priority Sector Advances to Advances of SBI and its associate banks is 18.65% and Ratio of Borrowings to Total Assets is 8.87% for private bank groups. When the overall position is judged, it is found that SBI and its associate bank group has secured the first place and private bank group got the second place.

SUGGESTIONS:

- In this new millennium the functional efficiency in respect of profitability of a bank can be determined on stability of professional management. Profits are to be generated by way of high volume of business coupled with better services. However while marching towards this, the bank has to come across various risks such as Credit risk, capital risk, liquidity risk, market risk etc.
- The manufacturing sector has been hit in the recent years due to limitations of the banks in their lending pattern. Studies on credit deposit ratio of private banks group (47.99 %) and nationalized bank group (45.82%) which are in operation a couple of years only. Because of these limitations, there are sectors like handicrafts, hospitality, construction and tourism industry making profit, though are not exploited. For self employment projects which there will be more entrepreneurs who will be more job generators rather than job seekers.

CONCLUSION:

The researcher has applied the ratios relating to the assessment of optimum asset liability mix. It is clear from the table that Capital adequacy point of view SBI group and private bank groups are performing better than the nationalized banks group. Liquidity position of the bank groups revealed that the nationalized banks group stands first followed by private banks group and SBI group. It is witnessed that borrowings of private banks group have the least variability in terms of dispersion. The research has concluded that banking sector has to take greatest care on the variables which relate to Asset Liability Management. All the banking groups have to take necessary steps to improve the over all performance of the banking sector.

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