RESEARCH ARTICLE OPEN ACCESS

A Study on Asset and Liability Management With Reference to Automobile Industry

Karthick Srivatchan* K.Maran**
Student, Sri Sairam Institute of Management Studies, Sri Sairam Enginneering College.
Professor & Director, Sri Sairam Institute of Management Studies, Sri Sairam Enginneering College.

ABSTRACT
Financial institutions require Asset and Liability Management (ALM) to optimise risk-return trade-offs and guarantee long-term stability. The goal of this research is to evaluate TVS Credit Services Limited's ALM procedures, solvency, profitability, and financial situations and to offer suggestions for enhancement. The research uses cash flow analysis, ratio analysis, financial statement analysis, and the Altman Z-score model using annual reports and financial statements. The main conclusions point to a rising debt-to-equity ratio and a constant debt-to-asset ratio, both of which signify increased financial risk. While net profit margins have varied, profitability ratios show an upward trend in gross and operational profit margins. Better liquidity and financial stability are shown by cash flow analysis, notwithstanding difficulties with financial flow management. Persistent financial concerns are shown by the Altman Z-score. Monitoring debt levels, lowering debt dependence, preserving profitability through cost cutting, boosting operational effectiveness, and increasing asset utilisation are among the recommendations. To improve financial stability and reduce the danger of insolvency, thorough financial risk management and strategic debt management are advised. In order to achieve long-term growth and value generation, the research highlights opportunities for improvement in TVS Credit Services Limited's ALM procedures. Future studies might examine how macroeconomic variables affect ALM and compare their results to those of other academic institutions.

KEYWORDS: Asset and Liability Management, TVS Credit services limited, Financial Stability, Solvency analysis, Profitability Analysis, Cashflow Analysis, Long term Growth.

INTRODUCTION

ALM, or Asset and Liability management, is a crucial role in financial institutions. It includes tactics and procedures meant to manage the balance sheet well to maximize risk-return trade-offs and guarantee the stability and profitability of the institution in the long run. ALM is becoming more and more important in today's dynamic and interconnected financial ecosystem as it helps manage the intricacies of market risks, interest rates, and liquidity while adhering to regulatory regulations and stakeholder expectations. Maintaining a sound balance between assets and liabilities is the basic goal of asset-liability management (ALM), which makes sure the organization can maximize returns on its assets while meeting its commitments when they come up. This entails taking a thorough approach to managing a variety of risks, including market, credit, liquidity, and interest rate risk. Financial institutions can improve their ability to withstand economic shocks, minimize possible losses, and take advantage of new opportunities in the market by implementing strong ALM processes. The liberalization of financial markets and the ensuing globalization of banking operations are responsible for the development of alternative liquidity management. Financial organizations encountered increasing complexity in properly managing their balance sheets as they grew in size and range of products offered. The asset management- heavy traditional banking methods were no longer enough to meet the mounting obstacles brought about by

 ©IJSRED: All Rights are Reserved

shifting market conditions and legal mandates. As a result, ALM developed into a specialized field that offers a comprehensive framework for controlling risks throughout the whole balance sheet. ALM's significance has been highlighted in recent years by a number of macroeconomic occurrences, including the global financial crisis of 2008 and the ensuing regulatory changes meant to make financial institutions more resilient. These incidents brought to light how interrelated the risks are in the financial system and how proactive risk management techniques are necessary to reduce systemic vulnerabilities. Consequently, ALM has emerged as a key strategic role in financial institutions, with specialized teams in charge of managing and carrying out ALM strategies and policies.

REVIEW OF LITERATURE:

C.V. Nair prior to the "Favourite treatment to the RRB sector (2022): The difficulties faced by cooperative banks were researched by former RBI director " In regard to the new Economic Policy (NEP) on Co-operative Societies without any discounts or RBI controls, the commercial banking sector, which is opposed to any possibility of a National Cooperative Bank being formed, has requested a consistent silence. The government's goal of demonstrating a return to cooperation in the developing system under the new economic strategy should be taken up by the Committee for Economic Improvement on Cooperative Banking. . **Botshekan, Oprean-Stan, and Takaloo (2023):** In their paper published in Mathematics (June 2023), the authors explore optimization techniques for asset and liability management in banks. They propose a linear model aimed at achieving optimal balance sheet parameters while minimizing changes. The study uses data from an Iranian bank to demonstrate how the model can optimize cash flow and income parameters, showing significant improvements in financial performance compared to actual values (MDPI). . **Corporate Finance Institute (CFI) Team (2023):** This review provides an overview of ALM practices focusing on mitigating financial risks from mismatches between assets and liabilities. The article discusses the importance of strategic asset allocation, risk mitigation, and compliance with regulatory frameworks. It highlights how effective ALM can enhance profitability and stability by addressing interest rate risk and liquidity risk (Corporate Finance Institute).**CalPERS (2024):** The California Public Employees' Retirement System (CalPERS) offers a detailed look at their ALM process, which is designed to balance the expected cost of future pension payments with expected investment returns. This review emphasizes a four-year cycle of integrated asset and liability reviews, including assessments of investment portfolios and demographic trends to ensure the long-term sustainability of the fund (CalPERS). **K Maran,L Sujatha, T Praveen, (2017)**: The research has focused on automobile investment through foreign sources, in this respect investment is one of the most important role to boost business and sustainability in the automobile market.

PROBLEM FOR THE STUDY:

In today's financial environment, understanding asset and liability management (ALM) is essential for several reasons. First and foremost, ALM is a vital instrument for financial organizations to efficiently manage risks. Interest rate risk, liquidity risk, and credit risk are just a few of the hazards that institutions are more vulnerable to as a result of the financial markets' growing complexity and interconnection. A thorough comprehension of ALM principles provides organizations with the frameworks and tactics they need to reduce these risks and ultimately protect their stability and viability. Second, ALM is necessary for governance and regulatory compliance. Regulators enforce strict guidelines on financial organizations in order to guarantee enough capital and good risk management techniques. By giving institutions the framework, they need to follow rules, test their systems for stress, and have sufficient capital reserves, ALM helps them become more resilient to both regulatory scrutiny and economic downturns. Additionally, ALM is essential to maximizing shareholder value and financial success.

OBJECTIVES OF THE STUDY:

- To study Asset & Liability management of the company.
- To find the Solvency& Profitability of the company.
- To evaluate the Company's financial standing and possible bankruptcy risk.
-

RESEARCH METHODOLOGY:

Research Methodology is blue print for the research outcomes, in this respect the study has adopted descriptive methods and analytical data method has used to find out he inferences hence the research has more focused on secondary data which is based on audited finance statement for the selected study period of 5 years between 2019 to 2023. The researcher has used ALTMAN'S Z SCORE TECHNIQUEs to find out the financial stability of the corporate as well as find out the corporate bankruptcy within the short span of period. Besides, the researcher has analyzed assets and liability performance of the company for the selected study period which is highly relevance to financial stability of the company.The selected company for the study is TVS Credit services Ltd in India.

THE TABLE SHOWING DEBT TO ASSET RATIO

YEAR	TOTALDEBT(in crs)	TOTALASSET (incrs)	RESULT
2019	7,599.00	8750.7	0.87
2020	8,911.70	10284.82	0.87
2021	10,663.64	12229.02	0.87
2022	13,597.36	15463.16	0.88
2023	19,991.79	22752.65	0.88

THE TABLE SHOWS NET PROFIT MARGIN FOR 5YEARS of SELECTED COMPANY(2019-2023)

YEAR	NETPROFIT (inCrs)	REVENUE (inCrs)	RESULT
2019	216.71	1,602.08	13.53
2020	211.02	1,990.36	10.60
2021	106.17	2,238.61	4.74
2022	151.85	2,747.12	5.53
2023	512.07	4,156.35	12.32

 ©IJSRED: All Rights are Reserved

ALTMAN'SZ SCORE TECHNIQUE
THE TABLE SHOWING THAT ALTMAN'SZ SCORE MODEL

Year	Score
2019	0.84
2020	0.93
2021	0.80
2022	0.75
2023	0.85

FORMULA: ζ= 1.2A+ 1.4B+ 3.3C+ 0.6D+ 1.0E
SOURCE: (Secondary Data Annual Report of TVS Credit Services Limited)
ZETA (ζ)= ALTMAN'S Z SCORE A is the working capital. B is the Retained earnings, C is the EBIT, D is the Total liabilities, E is the Total ass

Greyzone	Distresszone	SafeZone

0 1.8 3.0 4.0

INTERPREATATION:
2019 Z-score 0.84: This signifies that the company's financial standing was marginally subpar in 2019. Despite being above the financial hardship threshold of 1.8, the score indicates a moderate amount of risk.
2020 Z-score 0.93: In 2020, the score was marginally better than it was in 2019. It is still below the safe zone, though, meaning that the company's financial situation is still unstable.
55 Z-score for 2021 0.80: The Z-score declined in 2021, indicating a worsening financial situation. A bigger risk is indicated by the score's further departure from the safe zone.
Z-score for 2022 0.75: The Z-score declined even more in 2022, pointing to a serious deterioration in the financial stability of the business. This may indicate worsening financial circumstances and an elevated chance of insolvency.
Z-score for 2023 0.85: In 2023, the Z-score showed a small improvement over the previous year. Even if the score has improved, it is still below the safe threshold, indicating ongoing financial risk.
These Z-scores suggest that the company's overall financial health has fluctuated over time, seeing both periods of improvement and decline. Nonetheless, the persistent existence of scores beneath the safe threshold implies that the business might be vulnerable to financial difficulties or bankruptcy, and more investigation and action might be required to reduce these risks.

CONCLUSION:

Through analyzing important topics including solvency management, profitability management, and credit risk management, the TVS Credit Services Limited research on asset and liability management (ALM)successfullyachieveditsgoals.Agrowingdebt-to-equityratioanderraticnet profit margins were found during the assessment of solvency and profitability, which indicated financial risks identified by the Altman Z-score. The cash flow and operating efficiency both improved, but the financial situation was still unstable. Suggestions encompass preserving equilibrium debt levels, diminishing reliance on debt, augmenting profitability via cost reduction and effective resource distribution, and refining asset utilization and working capital management. To reduce financial risks and raise the Z-score, smart debt

 ©IJSRED: All Rights are Reserved

management and an all-encompassing financial risk management plan are also necessary. The study's conclusions provide financial managers with insightful information by indicating that TVS Credit Services Limited may improve its operational effectiveness and financial stability, which will support the company's long-term growth and value creation. In order to give further insights and chances for benchmarking, future study might look at how macroeconomic factors affect ALM procedures and compare findings with those of other financial institutions.

REFERENCES:

1. **Adams, K. (2017)**: Adams provides insights into the strategic importance of aligning asset and liability management with overall project goals and objectives. pp. 55-56
2. **Hill, J. (2016)**: Hill discusses the impact of regulatory changes on asset and liability management practices, highlighting the need for compliance and adaptability.
 pp. 29-30
3. **Turner, C.(2018)**:Turner emphasizes the significance of proactive asset and liability management in mitigating financial risks and enhancing project outcomes .pp. 41-42
4. **Collins,B. (2019)**: Collins explores best practices for integrating asset and liability management in to project lifecycles, focusing o practical implementation and benefits.
pp.33-34
5. **P. Venkatesh, T. Ilakkiya, M. Ramu, M. Manikandan and C. R. Senthilnathan,** "An Analysis of the Strategic Approach to Utilizing Deep Learning for the Purpose of Predicting Stock Prices," 2023 Intelligent Computing and Control for Engineering and Business Systems (ICCEBS), Chennai, India, 2023, pp. 1-4, doi: 10.1109/ICCEBS58601.2023.10449085.
6. **K Maran,L Sujatha, T Praveen, (2017)** IMPACT OF FOREIGN DIRECT INVESTMENT ON AUTOMOBILE SECTOR: AN EMPIRICAL STUDY WITH REFERENCE TO INDIA, International Journal of Economic Research 14 (11), 187-196
7. **Kumar, S. D., Soundarapandiyan, K., & Meera, S. (2022).** Sentience of Career Opportunities and Career Development using Social Media–A Study with Reference to Tamil Nadu. Journal of Big Data Technology and Business Analytics, 1(1), 7-14.
8. **K. Murugan, V. Selvakumar, P. Venkatesh, M. Manikandan, M. Ramu and K. M, "**The Big Data Analytics and its Effectiveness on Bank Financial Risk Management," 2023 6th International Conference on Recent Trends in Advance Computing (ICRTAC), Chennai, India, 2023, pp. 313-316, doi: 10.1109/ICRTAC59277.2023.10480831.
9. **Hughes, L. (2017)**:Hughes's analysis highlights the critical role of effective asset and liability management in achieving project efficiency and financial robustness.pp.50-51
10. **Morgan F.(2016)**:Morgan reviews strategies for optimizing asset and liability portfolios, with a focus on maximizing returns and minimizing risks. pp. 14-15
11. **K Maran, V ChandraShekar, (2015)** A STUDY ON STUDENT'S PERCEPTION OF EMPLOYABILITY SKILLS WITH RESPECT TO ENGINEERING INSTITUTION, International Journal of Research in Engineering, Social Sciences 5 (3), 21-34
12. **P. Venkatesh, V. Selvakumar, M. Ramu, M. Manikandan and C. R. Senthilnathan**, "Measure of Well-Being of Freelancers in it Sector," 2023 Intelligent Computing and Control for Engineering and Business Systems (ICCEBS), Chennai, India, 2023, pp. 1-4, doi: 10.1109/ICCEBS58601.2023.10448738.
13. **K Maran, J Badrinarayana, PKumar, (2017**) A STUDY ON BRANDED APPARELS CUSTOMERS PURCHASEBEHAVIOR WITH REFERENCE TO INDIA, International Journal of Applied Business and Economic Research 15 (21), 215-221

 ©IJSRED: All Rights are Reserved