



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

December 5, 2012

RBI Working Paper Series 17 / 2012

Asset Liability Mismatches (ALMi) in the Indian Banking Sector – The Extent, Persistence and Reasons

The Reserve Bank of India today placed on its website a Working Paper titled "[Asset Liability Mismatches \(ALMi\) in the Indian Banking Sector – The Extent, Persistence and Reasons](#)". The Working Paper has been authored by Smt. Rakhe P.B.

During the recent years, there has been a consistent increase in the infrastructure loan portfolio of the Indian banking sector. This raises some concern with regard to ALMi as the Indian banking sector primarily depends on short-term deposits for financing the long-term loan requirements. This prompted the study to analyse the extent, persistence and probable reasons of ALMi positive gap in the Indian banking sector.

The study finds that the Indian banking sector created ALMi positive gap in the long-term buckets to the extent of 14 per cent of total long-term assets during the period under study. Further, the ALMi positive gap was the highest in the 'more than five years' category as compared to other long-term buckets. However, the ALMi positive gap was not significantly persistent at the aggregate level. The probable factors resulting in ALMi include low growth in long-term deposits, high growth in long-term loans, high responsiveness of long-term loans to output gap, and insignificant responsiveness of long-term deposits to output gap.

The study opines that it may not be prudent to eliminate ALMi positive gap from the banking sector as credit intermediation is essentially the transformation of maturity and liquidity. However, there is a need to limit it at tolerable levels to safeguard the financial soundness of the banking sector. It may be important to develop other avenues of financing the long-term loan requirements of the economy to limit the burden on the banks. Banks, on the other hand, may also try to mobilise more long-term deposits to expand the prudent lending limit of long-term loans.

Note : The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of RBI and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not that of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.