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Effectiveness of Asset and Liability Management in Financial Performance of Dr. Agarwal's Eye Hospital, Chennai

MS. Vignesh Manikandan

*II MBA, Department of Management Studies
St. Xavier's Catholic College of Engineering (Autonomous)
Chunkankadai, Kanyakumari District, Tamil Nadu, India*

S. Jasmine Suguna

*Assistant Professor, Department of Management Studies
St. Xavier's Catholic College of Engineering (Autonomous)
Chunkankadai, Nagercoil, Kanyakumari, Tamil Nadu, India*

Abstract

This study focuses on the effectiveness of Asset and Liability Management (ALM) in improving the financial performance of Dr. Agarwal's Eye Hospital, Chennai. Asset and Liability Management play a significant role in maintaining financial stability, liquidity, profitability, and efficient utilization of resources in healthcare organizations. The research is based on secondary data collected from the annual reports and financial statements of the hospital for a period of five years. Various analytical tools such as ratio analysis, comparative balance sheet analysis, and trend analysis are used to evaluate the financial performance of the organization. The study identifies key financial strengths and weaknesses relating to liquidity, solvency, and operational efficiency. The findings reveal that effective management of assets and liabilities contributes positively to the financial stability and sustainability of the hospital. The study concludes that strong ALM practices are essential for improving financial performance and supporting long-term growth in healthcare institutions.

Keywords: Asset and Liability Management, Current Ratio, Eye Hospital, Financial Performance, Liquidity, Profitability, Quick Ratio, Trend Analysis.

Introduction

Asset and Liability Management (ALM) has emerged as a critical concept in the field of finance, particularly in response to the increasing financial complexities and risk exposures faced by modern organizations. ALM is defined as a strategic framework used to manage the composition, maturity, and associated risks of assets and liabilities in order to achieve financial stability and profitability. In simple terms, ALM can be described as the effective management of money — ensuring that financial resources are deployed efficiently and prudently to maintain their health and productivity. The hospital sector, being one of the most capital-intensive industries, faces unique challenges in managing its assets and liabilities. Dr.

Agarwal's Eye Hospital, founded in 1957 in Chennai, Tamil Nadu, has grown into one of India's largest specialized ophthalmic networks with over 270 facilities across more than 80 cities in India and several countries in Africa. Given the scale of its operations, understanding how effectively ALM practices are implemented and how they influence financial performance is both academically and practically significant. This study analyses five years of financial data from Dr. Agarwal's Eye Hospital to evaluate liquidity, solvency, and profitability through ratio analysis, comparative balance sheet analysis, and trend analysis. The findings are expected to provide actionable insights for hospital management and financial decision-makers.

Literature Review

Anjani, Y., Fitrijanti, T. & Qadri, R.A. (2024) studied hospital efficiency and its impact on financial performance using financial ratio analysis. The study found that indicators such as current ratio, collection period, and fixed asset turnover play a major role in improving hospital performance. Efficient management of receivables and proper utilization of fixed assets help increase revenue and reduce operational costs. The research concluded that hospitals need to strengthen weaker financial areas to ensure sustainable growth and improved financial outcomes

Bose, D. (2021) emphasized that ALM is essential for achieving long-term financial sustainability by maintaining a proper balance between assets and liabilities. The study highlighted that effective ALM improves liquidity, reduces risks, and enhances resource utilization. Strong financial planning and modern tools support ALM practices, ensuring stable growth and long-term success

Das, S. (2023) explained that ALM improves financial efficiency by managing assets and liabilities properly. The study highlighted that poor management can lead to liquidity shortages and high costs. The findings showed that strong ALM practices increase profitability and efficiency, and the study also emphasized the importance of budgeting and technology in strengthening ALM systems.

Gandhi, W.P. & Pribadi, F. (2025) found that hospitals are increasingly focusing on financial sustainability along with quality healthcare due to rising costs and patient expectations. The study highlights cost efficiency and resource optimization as key priorities, with hospitals using budgeting, cost control, and process improvements to enhance performance. The study identifies a research gap in ALM in healthcare, suggesting the need for further studies to improve hospital financial performance.

Joseph, T. (2024) explained that ALM helps in managing capital structure by balancing debt and equity. The study highlighted that proper liability management reduces cost of capital and improves financial stability. The findings showed that strong ALM practices improve financial performance and flexibility, and integrating ALM with financial planning helps organizations achieve sustainable growth

Khan, F. (2022) highlighted that ALM is an important tool for managing financial risks such as liquidity, interest rate, and market risks. The study showed that effective ALM helps organizations balance risk and return while improving financial stability. Techniques like stress testing and scenario analysis support better decision-making, and strong ALM frameworks enhance organizational resilience and overall performance.

Objectives of the Study

- To study the effectiveness of asset and liabilities management in Financial Performance of Dr. Agarwal's Eye Hospital.
- To assess the relationship between asset–liabilities management and overall financial performance.

Research Methodology

Research methodology is a systematic and scientific approach used to conduct analytical research by examining historical financial data to identify trends, relationships, and factors influencing financial performance. This study is based on secondary data collected from reliable sources such as the official website, annual reports, balance sheets, profit and loss accounts, income statements, and other financial records of Dr. Agarwal's Eye Hospital to evaluate the effectiveness of asset and liability management. The present study employs an analytical research design to examine the effectiveness of Asset and Liability Management in the financial performance of Dr. Agarwal's Eye Hospital, Chennai. The study is based entirely on secondary data collected from the hospital's published annual reports for the five-year period from 2020–2021 to 2024–2025. Financial information was gathered from key documents such as the balance sheet, profit and loss account, and income statements.

Data Analysis and Interpretation

Ratio Analysis

Ratio analysis is a quantitative method of evaluating a company's financial health, performance, and trends by comparing key line items from financial statements.

Table 1 Current ratio

Year	Current Ratio
2021	0.91
2022	0.94
2023	0.84
2024	0.74
2025	6.41

Source of Annual Report

The current ratio declined from 0.91 in 2021 to 0.74 in 2024, indicating a period of constrained liquidity where the firm struggled to cover its short-term obligations. However, the ratio surged dramatically to 6.41 in 2025, representing a significant shift toward high liquidity. While this ensures the company can easily meet its short-term debts, it also suggests an accumulation of current assets that may not be fully deployed for productive purposes.

Table 2 Quick ratio

Year	Quick Ratio
2021	3.00
2022	3.46
2023	3.75
2024	3.95
2025	4.07

Source of Annual Report

The quick ratio showed a clear and steady improvement, rising from 3.00 in 2021 to 4.07 in 2025. This indicates that even without counting inventory, the hospital always had more than sufficient liquid assets to pay off its short-term obligations, reflecting a very strong and stable financial position. However, such consistently high ratios may also suggest that the hospital is holding idle cash rather than investing for better returns.

Table 3 Asset and Liability Turnover Ratio

Year	Ratio
2021	1.54
2022	1.33
2023	1.41
2024	1.46
2025	1.52

Source of Annual Report

The asset-to-liability ratio declined from 1.54 in 2021 to 1.33 in 2022, reflecting increased dependence on liabilities, possibly due to expansion and higher borrowings. From 2023 onwards, the ratio showed a steady improvement, reaching 1.52 in 2025. This trend indicates that asset growth has outpaced liability growth, leading to better financial coverage and reduced financial risk.

Table 4 Trend Analysis of Revenue and Net Profit

Year	Revenue Trend (%)	Net Profit Trend (%)
2021	100.00	0100.00
2022	202.28	216.84
2023	251.20	316.38
2024	319.37	394.48
2025	395.09	471.95

Source of Annual Report

The trend analysis indicates continuous growth in both revenue and net profit during the study period from 2021 to 2025. Revenue increased from 100% in 2021 to 395.09% in 2025, while net profit increased from 100% to 471.95%. This reflects strong financial performance, improved operational efficiency, and successful expansion activities undertaken by Dr. Agarwal’s Eye Hospital.

Findings of the Study

- The hospital’s continuous investment in fixed assets indicates strong capital expenditure, contributing to long-term growth but necessitating efficient financial planning.
- Rising liabilities reflect increased financial leverage, showing that the hospital relies on borrowed funds, which may increase interest burden if not managed carefully.
- The low current ratio in earlier years (0.74 in 2024) indicates a weak liquidity position, suggesting that the hospital faced challenges in meeting short-term financial obligations.
- The sharp increase in current ratio to 6.41 in 2025 indicates improved liquidity, but may also reflect inefficient utilization of working capital or excess idle resources.
- The consistently high quick ratio (above 3.00 throughout) shows strong short-term solvency, indicating that the hospital maintains sufficient liquid assets without depending on inventory.
- The improving asset-to-liability ratio from 1.33 in 2022 to 1.52 in 2025 indicates a better solvency position, showing that the hospital’s asset base is growing faster than liabilities.
- Growth in equity from retained earnings reflects improved profitability and reduced reliance on external financing, which strengthens the hospital’s internal financial stability.
- Overall trend analysis confirms strong and consistent growth in both total assets (trend index: 395.09) and net profit (trend index: 471.95) over the five-year period.

Suggestions of the Study

- The hospital can improve working capital management by increasing current assets and reducing short-term liabilities to maintain a healthy liquidity position and avoid financial stress.
- It is important to maintain an optimal current ratio by balancing liquidity and efficiency, avoiding both shortage of funds and excess idle resources.
- The hospital can reduce dependence on short-term borrowings by using more long-term financing sources to improve financial stability and reduce liquidity pressure.
- Excess liquid assets identified through the high quick ratio can be invested in profitable opportunities to improve returns instead of keeping funds idle.
- The hospital can adopt better debt management strategies to control rising liabilities and reduce interest burden, ensuring a balanced capital structure.
- Proper financial planning and forecasting techniques should be used to anticipate future financial needs and manage assets and liabilities efficiently.
- The hospital should regularly monitor financial ratios and performance indicators to identify weaknesses early and take corrective financial actions.
- Strengthening internal funding through retained earnings can reduce reliance on external borrowing and improve long-term financial independence.

Conclusion

The study concludes that Asset and Liability Management (ALM) plays a crucial role in determining the financial performance of Dr. Agarwal's Eye Hospital. Over the study period from 2021 to 2025, the hospital achieved steady and significant growth through continuous investment in assets, infrastructure, and advanced technology, which has strengthened its overall financial position. The trend analysis confirms a strong upward trajectory in both total assets and net profit, while ratio analysis reveals improving solvency and liquidity in recent years. However, the analysis also highlights certain financial concerns, particularly in liquidity management, as seen in the low current ratio during earlier years and the heavy reliance on external borrowings. While the hospital maintains strong profitability and improving equity, the increasing level of liabilities underscores the need for more disciplined financial management. Therefore, while Dr. Agarwal's Eye Hospital demonstrates positive financial growth and expansion, it requires more effective management of liquidity, working capital, and liabilities to ensure long-term financial stability and sustainability.

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