FINANCIAL PERFORMANCE APPRAISAL OF INDIAN BANKING SECTOR IN CONTEXT OF CAPITAL ADEQUACY

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ABSTRACT:
A strong banking infrastructure is an impetus in supporting economic activity and meeting the financial needs of all the sections of society. The banking sector is contributed in the overall growth of the country. For the smooth flow of credit in an economy, it is essential that banks should be financially sound so as to meet the various requirements of other fields. Capital adequacy ratio (CAR) is one of the measures which ensure the financial soundness of banks in absorbing a reasonable amount of loss. Capital adequacy requirements have existed for a long time, but the two most important are those specified by the Basel committee of the Bank for International Settlements. This study highlights the various components of regulatory capital and outlines the basics of Basel’s norms in respect to minimum capital requirements for banks. Moreover, the study analyzed the trend in CAR values for top 10 scheduled commercial banks in India. The study found out that ICICI bank maintained the highest CAR while Bank of India accounted the least position.

KEYWORDS: CAR, basel, soundness, international settlements.

References


