ANALYSIS OF CAPITAL TO RISK ASSETS RATIO

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ABSTRACT

Capital to Risk Assets Ratio (CRAR) is the ratio of a bank's capital to its risk. It is minimum CAR discipline that every bank has to maintain. Reserve Bank of India (RBI) being a regulatory authority of Indian banks has adopted best international practices and has introduced reforms improves the financial health of the banks. RBI has adopted Basel III norms to improve the regulation, supervision and risk management within the banking sector. In this paper, Need of maintaining minimum CRAR, method of CRAR calculation in India, guidelines regarding CRAR have been analysed. The case study is made on The National Co-operative Bank, Bangalore, to understand the effect of NPA on capital adequacy by considering capital to assets ratio as a measure of a bank’s solvency risk.

KEY WORD: Basel III, Capital fund, CRAR, NPA, Tier 1 Capital, RWA.

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