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RESEARCH TRENDS IN MULTIDISCIPLINARY SUBJECTS

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39 | DETERMINANTS OF CAPITAL ADEQUACY RATIO: AN EMPIRICAL STUDY ON JHARKHAND GRAMIN BANKS

Dr. Aftab Alam

ABSTRACT

CAMEL is basically ratio-based model for evaluating the performance of banks. It is a management tool that measures capital adequacy, assets quality, efficiency of management, quality of earnings and liquidity of financial institutions. Capital adequacy ratio is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. It is decided by central bank and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process.

Keywords: *CAMEL, JGB, Capital adequacy ratio,*

INTRODUCTION

The growth and financial stability of the country depends on the financial soundness of its banking sector. For a decade and half, since liberalization the Indian banking sector has been working in a more open and globalize environment. The liberalization process of Indian Economy has made the entry of new private sector banks possible and allowed the foreign sector banks to increase their branches in the banking sector. Besides, its India's commitment to the WTO, foreign banks have been permitted to open more branches with effect from 1998-99. With the increased competition and the emphatic on profitability, the public sector