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Capital Adequacy: A Financial Soundness Indicator for Banks

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Abstract: *A robust banking system is essential to sustaining economic activity, providing for the financial requirements of all societal segments, and so advancing the nation's overall development. Banks must be financially stable in order to satisfy the diverse needs of different industries and ensure the seamless flow of credit in an economy. One metric that guarantees banks' ability to withstand a fair level of loss is the capital adequacy ratio. Although there have been capital adequacy standards for a long time, the Basel committee of the Bank for International Settlements established the two most significant ones. This research outlines the fundamentals of Basel's standards for banks' minimum capital needs and illustrates the many elements of regulatory capital. Additionally, the research examined the CAR value trends for India's top ten scheduled commercial banks. According to the survey, Bank of India had the lowest place while ICICI Bank retained the highest CAR.*

Keywords*:* Capital Adequacy Ratio, Bank Solvency, Banking Supervision