

**Credit Risk Management and Capital Adequacy in Indian Banks**

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Abstract

Building a balanced panel data of size of Indian banks and excess capital held by those banks for their credit risk from 2009 to 2016, we study the relationship between size of banks and excess capital for their credit risk. Size of banks is measured by deposits plus advances. Our findings suggest that bank size has a positive impact on excess capital held by Indian banks beyond the minimum capital required as per Basel norms. Moreover, we examine the relationship between banks ownership (public and private) and excess capital for their credit risk. The findings indicate that there is no any significant relationship between them. This study shows that the level of excess capital is dependent to the size of banks. We state that insufficient attention has so far been paid to research about capital adequacy and size of Indian banks. This study might be of assistance to regulators/policy-makers for assessing and deciding the capital requirements for credit risks while Indian banks are suffering from high and rising non-performing assets since last few years. In addition, this might be of interest to regulators implementing Basel III norms.

Keywords: Credit risk, capital adequacy, Indian banks, risk management, Basel Accord