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EFFECT OF RISK AND RETURNS ON CAPITAL ADEQUACY RATIO WITH REFERENCE TO SELECTED COMMERCIAL BANKS IN INDIA

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ABSTRACT

The Study attempts to examine the effect of risk and returns on Capital Adequacy Ratio of Commercial Banks in India. The Study is based on Secondary data. The data was collected from 20 commercial banks for the period of 2016-2020 leading to 100 observations. The stratified random sampling technique is used to selection of sample of study as the population of the study was known to Researcher. The descriptive statistics, correlation and regression Analysis is used for data analysis. The study assumes that capital adequacy ratio of banks depends on specific variables: Risk (NPA and NPA to Advances), Returns (ROE, ROA, Net Profit, ROCE). The findings of the study reveal that there exist a negative correlation between risk and capital adequacy ratio of banks and there exist a positive correlation between returns and capital adequacy ratio. The study conclude that two variables that is Return on Asset and Return on Capital Employed will have major impact on capital adequacy ratio of banks.

KEYWORDS: Capital Adequacy Ratio, Risk (NPA and NPA to Advances), Returns (ROE, ROA, Net Profit, ROCE).

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