



**Analysis of India's
Macro-Economic Performance
in the Last Decade**

**Basel Regulatory Capital Norms:
Impact on Commercial Banks in India**

Act Decisively to Recover



National Institute of Bank Management

Articles

* **Analysis of India's Macro-Economic Performance in the Last Decade**

✉ *Jiji T Mathew*

This study tries to analyze the behaviour of important macro-economic indicators in India and examines the distinct features of five different phases through which the economy has evolved during 2003-13. In the first phase of 2003-08, called the pre-crisis business cycle expansionary phase, the Indian economy witnessed high economic growth and high credit growth with low fiscal deficit, although inflation ruled moderately above the RBI's comfort zone. The second phase of 2008-09, the so-called crisis phase or contractionary phase, witnessed low interest rates; financial instability; steep fall in industrial growth, trade, GDP, credit growth, capital formation; and inflation, but high fiscal deficit. The third phase of 2009-11, which was both a recovery and exit period, saw sharp recovery in domestic and global financial markets followed by dramatic economic recovery reflected in expansion and growth in exports, imports, private investment, private consumption, IIP and GDP close to trend levels and lower fiscal deficit.

However, this phase was very costly in terms of high and persistent inflation, which triggered a series of policy rate hikes by the Reserve Bank of India (RBI) and monetary contraction from 2010. The fourth phase, 2011-12, witnessed low economic growth, high fiscal deficit, high inflation and peaking of policy interest rate hikes in the first half and logical reversal of monetary policy stance in the second half of this period. The last phase, 2012-13, saw economic growth bottoming out, greater financial instability, declining fiscal deficit, and steeply falling WPI inflation.

* **Basel Regulatory Capital Norms: Impact on Commercial Banks in India**

✉ *Ratna Barua, Malabika Roy & Ajitava Raychaudhuri*

Global financial crisis of 2008-09 had adversely affected the banking sector and propelled the Basel Committee on Banking Supervision (BCBS) on revising its existing capital adequacy guidelines in December 2010, termed as Basel III guidelines, to minimise the probability of recurrence of a crisis of such magnitude. Indian banks remained resilient to the crisis to a large extent. In this paper we empirically analyse, through hypothesis testing, whether the performance of Scheduled Commercial Banks (SCBs) was significantly different under Basel II period, and whether global financial crisis had any impact on the performance of SCBs in India. We find that the profitability of SCBs improved after financial crisis: substantiating the argument that Indian banking sector remained stable and emerged largely unaffected by the global financial crisis of 2008-09. Category-wise, the performance of private banks and foreign banks was more prominent, compared to PSU banks. We also estimate regulatory capital requirement of PSU banks under Basel III. As per our estimates, total additional capital requirement of PSU banks would be in the range of Rs 1.6 lakh crore to Rs 4.8 lakh crore during 2015-2019, under various scenarios.

Notes & Comments

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✉ *Deepak Narang*