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A Study On Capital Adequacy Of Public And Private Sector Commercial Banks In India

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In the study of analysing the financial performance of commercial banks, the aspect of capital adequacy is the primary one. Having good performance of commercial banks in terms of capital adequacy will lead to better performance of other aspects financially. In this context, the researchers studied the capital adequacy of both public sector and private sector banks in India. The researchers selected 3 public sector banks (State Bank of India, Bank of Baroda and Canara Bank) and 3 private sector banks, (HDFC Bank, ICICI Bank and Axis Bank). The study period covered ten years from 2014-15 and 2023-24. The researcher collected financial information during the study period of the respective sample banks from their annual reports, which were collected from their official websites. The researchers applied financial ratios for analysing capital adequacy such as, Capital Adequacy Ratio – Tier I Capital, Capital Adequacy Ratio – Tier II Capital, Capital Adequacy Ratio – Total Capital, Own Capital to Total Assets Ratio, Total Liabilities to Share Capital Ratio, Total Advances to Total Assets Ratio, Government Securities to Total Investments Ratio and Debt-Equity Ratio. The study found that the financial performance of sample banks under the aspect of capital adequacy, ICICI bank had performed better in terms of capital adequacy, since it recorded highest 'overall score' of all the ratios measuring capital adequacy, this bank had highest overall score, followed by the State Bank of India, since the financial performance in terms of capital adequacy was good for ICICI bank under private sector banks and it was good for the State Bank of India under public sector banks. HDFC Bank recorded lowest overall score, since its financial performance in terms of capital adequacy was not good during the study period. Other banks secured a moderate score.

Key words: Capital adequacy, debt, equity, deposits, advances, tier – I, tier – II, total assets, total liabilities, investments.

Introduction

The financial performance of commercial banks in India plays a crucial role in the country's economy. These banks are assessed based on key indicators such as profitability, asset quality, capital adequacy, and liquidity. Profitability ratios like Return on Assets (ROA) and Return on

Equity (ROE) are used to gauge how efficiently banks are utilizing their resources to generate profits. Asset quality indicators like Non-Performing Assets (NPA) ratio reflect the health of a bank's loan portfolio. Capital adequacy ratios such as Capital Adequacy Ratio (CAR) ensure that banks have enough capital to cover risks. Additionally, liquidity ratios measure a bank's ability to meet short-term obligations. Monitoring and analyzing the financial performance of commercial banks in India is imperative for investors, regulators, and policymakers to assess the stability and sustainability of the banking sector. Among them study of capital adequacy is getting more importance. The capital adequacy of commercial banks is a critical aspect of financial stability and sound banking practices, particularly in the diverse banking landscape of India. This assessment becomes even more significant when considering the two predominant categories of banks: public sector banks and private sector banks.

Capital adequacy refers to a bank's capital relative to its risk-weighted assets, which serves as a buffer against unexpected losses. It is fundamentally governed by regulatory frameworks such as the Basel Accords, which aim to promote stability in the international banking system. The importance of analyzing capital adequacy in the context of Indian banks stems from several key factors. Firstly, a robust capital adequacy ratio (CAR) allows banks to withstand economic shocks and prevent insolvency. Given the rapidly changing economic environment in India, including fluctuations in interest rates and potential downturns in the economic cycle, maintaining a strong CAR is essential for commercial banks to operate effectively and securely. Secondly, public sector banks, which constitute a significant portion of the Indian banking system, often face unique challenges such as higher levels of non-performing assets (NPAs). Understanding their capital adequacy can provide insights into their ability to absorb these risks and ensure continuity in service delivery. Conversely, private sector banks tend to operate with more capital efficiency and innovation, making their evaluation critical for assessing overall competitiveness in the banking sector. Lastly, studying capital adequacy helps policymakers and regulatory bodies in formulating guidelines and interventions necessary for maintaining financial system stability. As India continues to grow as an emerging economy, the resilience of its banking sector plays a pivotal role in ensuring economic growth and fostering confidence among investors and depositors. The study of capital adequacy in both public and private sector banks in India offers essential insights into the resilience of the banking system, the effectiveness of regulatory frameworks, and the overall health of the financial landscape. As such, it remains a vital component of financial analysis and risk management in the banking sector.

Literature Review

Jha S., & Hui X. (2012) analysed the financial performance of commercial banks of Nepal. The study evidenced that public sector banks were significantly less efficient than their counterpart were; however domestic private banks were equally efficient to foreign-owned (joint-venture) banks. Furthermore, the estimation results revealed that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity. **Alsamaree A.H.** (2013) studied the performance of commercial banks. The study found no statistically significant differences between profitability of Kuwait Finance House (KFH) and capital adequacy. **Fatima N** (2014) analysed capital adequacy of scheduled commercial banks in India. The study found out that ICICI bank had maintained highest level of CAR followed by HDFC and Axis bank while Bank of India has the lowest. The study concluded that private sector banks were in good position as compared to public banks in maintaining higher capital adequacy ratio. **Aspal P.K., & Nazneen A.** (2014) analysed capital adequacy of Indian private sector banks. The study found that capital adequacy ratio was negatively correlated with proxy variables of lending (loans), asset quality and management efficiency. However, liquidity and sensitivity were positively correlated. Loans, Management Efficiency, Liquidity and Sensitivity had statistically significant influence on the capital adequacy of private sector banks. However, the independent variable asset quality has negligible influence on capital adequacy.

Karri H.K. (2015) analysed the financial performance of public sector banks in India. The study found that both the banks performed well in terms of capital adequacy and the two banks had succeeded in maintaining CRAR at a higher level than the prescribed level. But the Bank of Baroda had maintained highest across the duration of last five years. **Shukla S.S.** (2015) analysed financial strength of both public and private sector banks in India. The study found that HDFC Bank and Bank of Baroda stood at top position in terms of capital adequacy. In terms of asset quality, HDFC Bank was performed better than other banks. HDFC bank and ICICI bank performed good in terms of management quality and earnings quality. The ICICI Bank was ranked top in liquidity criterion. At the whole, HDFC bank performed well among the selected banks in India. **Ghosh K. (2021)** analysed the effects of Credit Risk Management on Financial Performance of Indian Commercial Banks. The study showed mixed and varied indications about credit risk management and its influence on the financial performance of commercial banks. The study results also indicated that the profitability of Indian commercial banks is declining due to increase in NPAs.

Patra K., & Ankura S. (2022) studied the profitability performance of scheduled commercial banks in India. The study found that GNPA, Credit-Deposit ratio and Capital Adequacy ratio have negative impact on the rate of profit of the Indian banks. The study suggests that the banks must reduce their NPAs and CD ratio to improve their profitability. **Lal T., & Gupta A. (2023)** examined the effects of CAMELS components on the financial performance of Indian commercial banks. The study evidenced that that the financial performance of Indian banking sector as evaluated by ROA and ROE was statistically and significantly affected by capital adequacy, liquidity and sensitivity to market risk, whereas asset quality, managerial efficiency and earning quality was found to have insignificant impact on the financial performance of Indian commercial banks. **Neesha (2025)** studied the Performance Evaluation of Selected Commercial Banks in India. The study found that the majority of the selected banks were complying with Basel minimum capital requirement norms and earning adequately. However, it was also found by the study that as banks earning increased non-performing asset component in bank books also increased.

Objectives

The study has been done with the following objectives.

- To study the capital adequacy of selected public and private sector banks in India.
- To compare and rank the sample banks in terms of various measures of capital adequacy.

Methodology

In the study of testing the financial performance of commercial banks, the aspect of capital adequacy is the primary one. Having good performance of the commercial banks in terms of capital adequacy will lead for better performance of other aspects financially such as, assets quality, liquidity, profitability management capacity and so on. In this context, the researchers studied the capital adequacy of both public sector and private sector banks in financial aspect. For this purpose, the researchers selected 3 public sector banks namely, State Bank of India, Bank of Baroda and Canara Bank and 3 private sector banks, namely, HDFC Bank, ICICI Bank and Axis Bank. The researcher made the study for the period of ten years from 2014-15 and 2023-24. The researcher collected financial information during the study period of the respective sample banks from their annual reports, which were collected from their official websites. The researchers applied financial ratios for analysing capital adequacy of the sample banks namely, Capital Adequacy Ratio – Tier I Capital, Capital Adequacy Ratio – Tier II Capital, Capital Adequacy Ratio – Total Capital, Own Capital to Total Assets Ratio, Total Liabilities to Share Capital Ratio, Total Advances to Total Assets Ratio, Government Securities to Total Investments Ratio and Debt-Equity Ratio.

Results and Discussion

The study has analysed the capital adequacy of the selected public and private sector banks in India using financial ratios. This section of the paper presents the results and discussion of capital adequacy of the sample banks during the study period from 2014-15 to 2023-24.

Table 1: Capital Adequacy Ratio – Tier I Capital

%

Year	**Public Sector**			**Private Sector**		
	SBI	**BOB**	**CANARA**	**HDFC**	**ICICI**	**AXIS**
2014-15	9.60	9.87	8.02	13.66	12.78	12.07
2015-16	9.92	10.79	8.80	13.22	13.09	12.51
2016-17	10.35	9.93	9.77	12.79	14.36	11.87
2017-18	10.36	10.46	10.30	13.25	15.92	13.04
2018-19	10.65	11.55	9.04	15.78	15.09	12.54
2019-20	11.00	10.71	10.12	17.23	14.72	14.49
2020-21	11.44	12.67	10.08	17.56	18.06	16.47
2021-22	11.42	13.18	11.91	17.87	18.35	16.34
2022-23	12.06	13.99	13.78	17.13	17.60	14.57
2023-24	11.93	14.07	13.95	16.79	15.60	14.20

Mean	10.87	11.72	10.58	15.53	15.56	13.81

Table 1 shows that the capital adequacy ratio (Tier I) of all the sample banks were high during the study period. The mean ratio of State Bank of India (SBI) was 10.87%. It was also found that the ratio was in increasing trend over the study period. Capital adequacy ratio (Tier I) of Bank of Baroda stood at 11.72%, it was higher than SBI. Capital adequacy ratio (Tier I) of Canara Bank was comparatively lower than other public sector banks. The mean value of Capital adequacy ratio (Tier I) of HDFC bank stood high at 15.53%. This ratio of HDFC bank was high during all the years of the study period and therefore its risk level in terms of capital adequacy of tier I capital was low during the study period. Similarly, the Capital adequacy ratio (Tier I) of ICICI bank was high during all the years of the study period (Mean: 15.56%), it was observed that the ratio of ICICI bank was higher than any other sample bank during the study period. The mean value of Capital adequacy ratio (Tier I) of Axis bank was 13.81%, it seems to be high and therefore the risk level of the bank was also low in terms of adequacy of tier I capital.

Table 2: Capital Adequacy Ratio– Tier II Capital

%

Year	**Public Sector**			**Private Sector**		
	SBI	**BOB**	**CANARA**	**HDFC**	**ICICI**	**AXIS**
2014-15	2.40	2.73	2.54	3.13	4.24	3.02
2015-16	3.20	2.38	2.28	2.31	3.55	2.78
2016-17	2.76	2.31	3.09	1.76	3.03	3.08
2017-18	2.24	1.67	2.92	1.57	2.50	3.53
2018-19	2.07	1.87	2.86	1.33	1.80	3.30
2019-20	2.06	2.59	3.53	1.29	1.39	3.04
2020-21	2.30	2.32	3.10	1.23	1.06	2.65
2021-22	2.41	2.50	2.99	1.03	0.81	2.20
2022-23	2.62	2.25	2.90	2.13	0.74	3.07
2023-24	2.35	2.24	2.33	2.01	0.73	2.43
Mean	2.44	2.29	2.85	1.78	1.99	2.91

Table 2 reports that the mean value of capital adequacy ratio (Tier II) of State Bank of India (SBI) was 2.44%. The level of ratio of SBI was good during all the years of the study period. Mean value of the ratio of Bank of Baroda was 2.29%, this ratio of Bank of Baroda was lower than SBI. Capital adequacy ratio (Tier II) of Canara Bank was comparatively higher than other public sector banks (Mean: 2.85%). The Capital adequacy ratio (Tier II) of HDFC bank was lower than other sample banks during the study period (Mean: 1.78%). This ratio of HDFC bank fluctuated during the study period. Similarly, the Capital adequacy ratio (Tier II) of ICICI bank was also low during the study period (Mean: 1.99%), it was observed that the Capital adequacy ratio (Tier II) of ICICI bank was in decreasing trend and this ratio was very low during the second half of the study period. The mean value of the ratio of Axis bank stood at 2.91%, it seems to be higher than other sample banks.

Table 3: Capital Adequacy Ratio – Total Capital (Tier 1 & Tier 2)

%

Year	Public Sector			Private Sector		
	SBI	BOB	CANARA	HDFC	ICICI	AXIS
2014-15	12.00	12.60	10.56	16.79	17.02	15.09
2015-16	13.12	13.17	11.08	15.53	16.64	15.29
2016-17	13.11	12.24	12.86	14.55	17.39	14.95
2017-18	12.60	12.13	13.22	14.82	18.42	16.57
2018-19	12.72	13.42	11.90	17.11	16.89	15.84
2019-20	13.06	13.30	13.65	18.52	16.11	17.53
2020-21	13.74	14.99	13.18	18.79	19.12	19.12
2021-22	13.83	15.68	14.90	18.90	19.16	18.54
2022-23	14.68	16.24	16.68	19.26	18.34	17.64
2023-24	14.28	16.31	16.28	18.80	16.33	16.63
Mean	13.31	14.01	13.43	17.31	17.54	16.72

Table 3 exhibits that the Capital Adequacy Ratio (total capital) of all the selected commercial banks was more than the standard, i.e., 12%, hence the risk level in terms of adequacy of capital of all the banks was low during the study period. In particular, the capital adequacy ratio of private sector banks was higher than the public sector banks. Among them the capital adequacy ratio of ICICI bank was highest among the sample banks (Mean: 17.54%), followed by HDFC bank (Mean: 17.31%). Among the public sector banks, Bank of Baroda held highest capital adequacy ratio (Mean: 14.01%) among the public sector banks, the ratio was comparatively low for State Bank of India.

Table 4: Own Capital to Total Assets Ratio

%

Year	Public Sector			Private Sector		
	SBI	BOB	CANARA	HDFC	ICICI	AXIS
2014-15	6.27	5.57	5.81	10.50	12.45	9.67
2015-16	6.12	5.99	5.72	10.25	12.45	10.12

2016-17	6.96	5.80	5.77	10.36	12.95	9.27
2017-18	6.34	6.03	5.77	9.99	11.96	9.18
2018-19	6.00	6.53	5.21	11.99	11.24	8.32
2019-20	5.87	6.21	5.43	11.17	10.61	9.28
2020-21	5.60	6.67	5.10	11.66	11.99	10.30
2021-22	5.62	6.72	5.39	11.61	12.08	9.80
2022-23	5.94	6.73	5.47	11.36	12.67	9.52
2023-24	6.10	7.08	5.83	12.17	12.74	10.23
Mean	6.08	6.33	5.55	11.11	12.11	9.57

Table 4 shows that Own capital to Total assets ratio of State Bank of India recorded a mean value of 6.08%. It shows that the bank had invested 6% in their total assets out of its own capital and 94% out of borrowed capital. The ratio of Bank of Baroda recorded a mean value of 6.33%, it is higher than other selected public sector banks. It was noted that this bank also funded around 6% to its total assets out of its own capital and remaining 94% were funded through borrowed capital. The mean value of Own capital to Total assets of Canara Bank ranged was 5.55%, it is lowest among the selected public sector banks and also among all the sample banks. Own capital to Total assets ratio of HDFC Bank recorded a mean value of 11.11%, it is higher than selected public sector banks. The mean value of the ratio of Own capital to Total assets of ICICI Bank stood at 12.11%, it is higher than all the selected commercial banks. It was noted that this bank also funded around 12% to its total assets out of its own capital and remaining 88% were funded through borrowed capital. The ratio of Axis Bank recorded a mean value of 9.57%, it is higher than selected public sector banks, but lower among the private sector banks.

Table 5: Total Liabilities to Share Capital Ratio

Year	Public Sector			Private Sector		
	SBI	**BOB**	**CANARA**	**HDFC**	**ICICI**	**AXIS**
2014-15	15.95	17.95	17.20	9.52	8.03	10.34
2015-16	16.34	16.70	17.50	9.75	8.03	9.88
2016-17	14.37	17.24	17.32	9.66	7.72	10.79
2017-18	15.77	16.59	17.33	10.01	8.36	10.90
2018-19	16.66	15.32	19.20	8.34	8.90	12.01
2019-20	17.03	16.11	18.42	8.95	9.43	10.77
2020-21	17.86	15.00	19.59	8.57	8.34	9.71
2021-22	17.81	14.88	18.56	8.62	8.28	10.20
2022-23	16.84	14.85	18.28	8.80	7.89	10.50
2023-24	16.38	14.13	17.15	8.22	7.85	9.78

Mean	16.50	15.88	18.06	9.04	8.28	10.49

Table 5 shows that the ratio of total liabilities to share capital ratio of State Bank of India recorded a mean value of 16.50. It shows that the ratio was high and therefore the bank operated with more liabilities relative to its assets, which can imply increase financial risk during the study period. Similarly, the ratio of total liabilities to share capital ratio of Bank of Baroda had a mean value of 15.88. It indicates that the ratio was considered high and therefore the bank operated with more liabilities compared to its assets during the study period. The mean value of total liabilities to share capital ratio of Canara Bank was 18.06. The bank held highest ratio among the sample commercial banks. It indicates that the bank was operating with more liabilities relative to its assets, which may increase its financial risks. The ratio of total liabilities to share capital of HDFC Bank recorded a mean value of 9.04. The ratio was low and therefore the bank was operating with moderate liabilities relative to its assets, hence its financial risk was low. Mean value of the ratio of ICICI Bank was 8.28. The ratio was found to be lowest among the sample commercial banks during the study period. Therefore the bank was operating with low level of liabilities relative to its assets, hence its financial risk was low. Mean value of the ratio of Axis Bank was 10.49. The bank recorded highest ratio among the private sector commercial banks.

Table 6: Total Advances to Total Assets Ratio

%

Year	**Public Sector**			**Private Sector**		
	SBI	**BOB**	**CANARA**	**HDFC**	**ICICI**	**AXIS**
2014-15	63.48	59.87	60.23	61.90	59.98	60.85
2015-16	62.08	57.16	58.72	65.54	60.40	64.47
2016-17	58.06	55.16	58.61	64.20	60.15	62.03
2017-18	56.01	59.37	61.88	61.88	58.28	63.59
2018-19	59.38	60.03	61.56	65.84	60.83	61.77
2019-20	58.85	59.60	59.70	64.93	58.75	62.44
2020-21	54.02	61.13	55.39	64.85	59.63	62.26
2021-22	54.82	60.81	57.34	66.17	60.87	60.22
2022-23	57.99	64.52	61.73	64.90	64.36	64.17
2023-24	59.94	67.21	62.46	68.69	63.29	65.33
Mean	58.46	60.48	59.76	64.89	60.65	62.71

Table 6 reports that the total advances to total assets ratio of State Bank of India recorded a mean value of 58.46%. It shows that about 58% of the total assets of SBI were contributed by advances provided by the bank. Similarly, the ratio of Bank of Baroda was also high (Mean: 60.48%). Total advances to total assets ratio of Canara Bank was spanning from 55.39% to 62.46% with the mean value of 59.76%, hence this bank also had 60% of their total assets in the form of advances. The ratio of HDFC scored a mean value of 64.89%. The results show that total advances of the bank occupied around 65% of its total assets. Total advances to total assets ratio of HDFC bank was found to be highest (Mean: 65.65%). The ratio was found to be high during the last three years of the study period. The ratio of Axis bank recorded a mean value of 62.71%, this bank recorded second highest mean ratio next to HDFC bank.

Table 7: Government Securities to Total Investments Ratio

%

Year	Public Sector			Private Sector		
	SBI	BOB	CANARA	HDFC	ICICI	AXIS
2014-15	76.29	82.95	88.36	79.39	66.79	69.12
2015-16	79.83	83.38	89.16	76.71	68.98	69.70
2016-17	75.10	85.62	90.28	75.73	68.36	70.34
2017-18	79.96	86.27	88.59	77.77	68.57	65.87
2018-19	78.79	87.17	88.49	82.61	71.21	66.77
2019-20	76.72	88.87	91.28	82.44	75.47	77.79
2020-21	78.07	86.82	92.02	79.13	75.94	79.91
2021-22	78.45	86.53	93.36	80.46	82.64	79.50
2022-23	78.86	86.86	95.05	84.60	84.39	75.92
2023-24	81.72	87.11	95.84	91.80	81.31	71.91
Mean	78.38	86.16	91.24	81.06	74.37	72.68

Banks invest their surplus funds in various types of investments. Investments have risks, but the quantum of risk varies from type to type. Investments in government securities is considered low risk, hence having more proportion of investments in government securities is considered low risk. Table 7 shows that the mean value of the ratio of government securities to total investments of the State Bank of India stood at 78.38%. The results show that the bank invested more than three fourth of their total investments in government securities, it will give more financial protection and reduce risk in investments. Mean value of the ratio of Bank of Baroda stood at 86.16%, it is more than the State Bank of India, since the bank preferred more to invest in government securities. The ratio of Canara bank was found to highest among the sample banks (Mean: 91.24%). Government securities to total assets ratio of HDFC bank had a mean value of 81.06%, it shows that the bank invested about 80% of its investments in government securities, it may reduce their financial risk. The mean value of the ratio of ICICI bank was 74.37%. The bank had lower proportion of government securities on its total investments in the beginning of the study period, but latter on the proportion of government securities was increased by the bank. Axis bank recorded lowest ratio of government securities to total assets among the sample banks (Mean: 72.68%). The bank invested less proportion compared to total investments of the bank during the study period.

Table 8: Debt-Equity Ratio

Year	Public Sector			Private Sector		
	SBI	BOB	CANARA	HDFC	ICICI	AXIS
2014-15	1.60	0.89	0.81	0.73	2.14	1.79
2015-16	2.24	0.83	0.85	0.73	1.95	1.87
2016-17	1.69	0.76	1.17	0.83	1.48	1.88
2017-18	1.65	1.44	1.09	1.16	1.74	2.33
2018-19	1.82	1.32	1.13	0.78	1.53	2.29
2019-20	1.36	1.30	1.09	0.85	1.40	1.74
2020-21	1.64	0.87	0.85	0.67	0.62	1.41
2021-22	1.52	1.21	0.70	0.77	0.63	1.61
2022-23	1.51	1.04	0.79	0.74	0.59	1.49
2023-24	1.58	0.84	0.66	1.50	0.52	1.30
Mean	1.66	1.05	0.91	0.88	1.26	1.77

Table 8 exhibits that mean value of debt-equity ratio of the State Bank of India was 1.66. It shows that the bank had more debts rather than equity in their capital structure, this may increase financial risk of the bank in future. Debt equity ratio of Bank of Baroda recorded a mean value of 1.05. It was observed that the bank lower debt equity ratio with less than one during four years out of ten years of the study period. The bank had moderate level of debt in its capital structure as shown by the results of debt equity ratio. The mean value of debt equity ratio of Canara bank was 0.91. The results show that during six years out of ten years the debt equity ratio of the bank was less than one, hence the bank had lower quantum of debt than its equity in majority of years. HDFC bank recorded lowest debt equity ratio among the sample banks (Mean: 0.88). The bank had debt equity ratio with less than one during eight years out of ten years of the study period. The debt equity ratio of ICICI bank was high (Mean: 1.26). It was observed that the bank had high debt equity ratio during first half of the study period, since during such period, the bank had more debts than equity and during the second half of the study period the bank reduced its debt drastically, since the debt equity ratio was less than one. The mean value of debt equity ratio of Axis bank stood at 1.77. The bank recorded highest debt equity ratio during the study period. The bank had more debts in its capital structure. This may lead to high financial risk.

Table 9: Combined Result of Capital Adequacy

SN	Bank	CAR Tier I	CAR Tier II	CAR Total	OC/TA	TL/SHF	Ad/TA	Govt/Invst	DER	Combined Score	Combined Rank

1	SBI	V	III	VI	V	II	VI	IV	V	30	II
2	BOB	IV	IV	IV	IV	III	IV	II	III	28	III
3	CANARA	VI	II	V	VI	I	V	I	II	28	III
4	HDFC	II	VI	II	II	V	I	III	I	20	IV
5	ICICI	I	V	I	I	VI	III	V	IV	34	I
6	AXIS	III	I	III	III	IV	II	VI	VI	28	III

Table 9 shows that the financial performance of sample banks under the aspect of capital adequacy, ICICI bank had performed better in terms of capital adequacy, since it recorded highest 'overall score' of all the ratios, this bank had highest overall score (34), followed by the State Bank of India (30), since the financial performance in terms of capital adequacy was good for ICICI bank under private sector banks and it was good for the State Bank of India under public sector banks. HDFC Bank recorded lowest overall score (20), since its financial performance in terms of capital adequacy was not good during the study period. Other banks secured a moderate score.

Conclusion

The importance of capital adequacy position of banks cannot be overstated. It plays a crucial role in ensuring the stability and resilience of financial institutions. Adequate capital levels serve as a cushion to absorb potential losses, safeguard depositors' funds, and maintain overall financial health. A strong capital position instills confidence among investors, regulators, and customers, signaling the bank's ability to weather economic downturns and unforeseen risks. Moreover, regulatory authorities closely monitor banks' capital adequacy to mitigate systemic risks and promote a sound and stable banking system. By maintaining a healthy capital adequacy position, banks can enhance their credibility, competitiveness, and long-term sustainability in the dynamic financial landscape. In order to know the capital adequacy position of both public and private sector banks in India, the researcher studied the aspect with the sample banks of SBI, Bank of Baroda, Canara Bank, HDFC Bank, ICICI Bank and Axis Bank. The study found that the financial performance of sample banks under the aspect of capital adequacy, ICICI bank had performed better in terms of capital adequacy, since it recorded highest 'overall score' of all the ratios measuring capital adequacy, this bank had highest overall score, followed by the State Bank of India, since the financial performance in terms of capital adequacy was good for ICICI bank under private sector banks and it was good for the State Bank of India under public sector banks. HDFC Bank recorded lowest overall score, since its financial performance in terms of capital adequacy was not good during the study period. Other banks secured a moderate score.

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