ABSTRACT

Financial stability is an essential pre-requisite in any economy especially the one moving towards the path of progress. Modern day financial markets have grown very large with the emergence of non-banking financial companies, private companies diversifying into the banking segment, growth of more and more foreign banks into each country along with the existing regional rural banks, development banks, public and private sector banks, foreign banks, co-operative banks, merchant banks etc. Business environment too has grown equally complex and dynamic compelling these financial institutions to compete hard to earn profits and survive in the market. With a motive to safeguard them from setbacks and crisis in the course to compete, regulatory authorities world over have laid down rules and spelled out procedures to be strictly adhered to. Time has shown that these legal procedures, standards and norms have led to the banking sector becoming more conservative and these norms have also created many hurdles in the routine tenure of banking activities, thus forcing the banks to abide by them only on paper as innumerable instances have shown that banks have not been able to keep to regulatory requirements and survive the market grind. Despite these regulatory standards global financial market has suffered several setbacks and witnessed systemic crisis which are pronounced in the research thereby questioning the efficacy of these norms and the need to abide by them. The research has focussed on several such issues emerging from the internationally acclaimed Basel guidelines which are to be followed across the world with its major implication in the banking industry and yet the financial market in any country is vulnerable to a meltdown impacting the economy of not only their own country but also in other parts across the world which is very evident from the recent US recession which turned into global financial crisis and the Eurozone crisis.