

CAPITAL ADEQUACY IN THE ROMANIAN BANKING SYSTEM

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Abstract:

The purpose of this paper is to studying the existing national and international criteria and methodologies related to the banking capitals measurement. We examine the minimum requirements for banking capital and the actual status of Romanian banks in terms of solvency ratio. The paper analyzes the risk-based capital ratios through a case study at the level of a banking society from Romania. We quantify the capital charges by reference to the regulatory capital expressed as a percentage of total risk-weighted assets and by reference to the Tier 1 capital expressed as a percentage of risk-weighted assets. Our research reveals that the level of capitalization is relevant for the ability of banks to absorb the losses generated by either exogenous shocks induced by the domestic and international macroeconomic environment, or by the inappropriate management of the endogenous risks associated with banking activity.

Keywords: Solvency Indicators, Adequate Banking Capitalization, Regulatory Capital

JEL codes: G21, G24