Are Indian Banks Better Placed To Implement Basel III? Challenges and Benefits As Perceived By Bankers

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ARE INDIAN BANKS BETTER PLACED TO IMPLEMENT BASEL III? CHALLENGES AND BENEFITS AS PERCEIVED BY BANKERS

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Abstract
The banking system is very much needed for achieving faster economic growth and sustainable development in the country. After the 2008 financial crisis, banks market risk assets has increased resulting from the deregulation of interest rates and rise of capital markets. The problems of banking sector further increased due to the unavailability of adequate capital to absorb the market risk. Hence, there came the need to update the BASEL norms to further reduce the risk in the banking system. Norms earlier to BASEL III, had considered some of the risks related to credit, the market, and operations. To meet these risks, banks were asked to maintain acertain minimum level of capital and not lend all the money they receive from deposits. This acts as a buffer during hard times. The BASEL III norms also consider liquidity risks. Though the implementation of BASEL III norms, completely and as per original plan, has be deferred due to the ongoing Covid crisis due to widespread of Corona virus severely and adversely impacting the various industries destroying, if not fully at least partially, economies of many stable countries, this paper studies the preparedness of the Indian banks for implementing the BASEL IIInorms. This study also understands the perception of the frontline banking personnel in understanding the effectiveness and benefits of the implementation of BASEL III. The challenges faced by the Banks as identified by the frontline staff are also highlighted in this study.

Keywords: *Banks, Liquidity,BASELIII, Risk Management,Risk, Regression*

INTRODUCTION
To reinforce the stability of the financial system, the BASEL Committee have proposed BASEL III norms to ensure that financial institutions maintain sufficient capital buffers. Hence,BASELIIIwasprepared toaddresstheproblems faced by the banking sector during the2008 financial crisisandtomakethe banking sectormuch stronger and efficient enough to face any crisis. The main focus of BASEL III was improving the quality and quantity of the bank's capital with much stronger supervision, disclosure standards and risk management.

RBI framed the draft regulations of BASEL III in December 2011 for Indian banks. Further guidelines were drafted in February 2012 and March 2014 which were finalized in June 2014. The phased compliance with BASEL III framework began in India as of January 2013 with earlier planned full compliance by the end of March 2018, as compared to January 1, 2019 deadline as envisaged at international level by BCBS for its implementationglobally.However, the enddateforfull compliance with BASEL III capital regulations was extended further by one year (to March 31, 2019),by RBI, to enable banks get time on account of potential stress on asset quality and consequential impact on the performance profitability of the banks. Thus the end date will exceed the globally agreed time line of January 1, 2019 for full implementation of

BASEL III. Though, banks have started disclosing about BASEL III capital scenario in their balance sheets from 2013 onwards yet, its full implementation in terms of liquidity framework, countercyclical and capital conservation buffers will take place by the end of the transition period. The total capital required to be maintained by Indian banks at the end of transition period would be 11.5 per cent of Risk Weighted Assets.

1.1 Significance of theStudy

As Indian banks have started migrating to BASEL III guidelines, a lot of awareness and preparedness at different levels is required. So, the attempt here is to explore the implementation of BASEL III norms in public and private sector banks in India with regard to BASEL III guidelines.

1.2 Objectives of the study

AstheobjectiveofthestudywastoexaminetheBASELIIIimplementationinIndianbanks,

- To study the anticipated benefits of implementation of BASELIII.
- To study the perceived impact of BASELIII.
- To assess the preparedness of Indian banks to fully implement BASEL III and also the cost implications.
- To study the expected challenges of BASEL IIIimplementation.

1.3 ResearchMethodology

The present study is based on the primary data. Questionnaire method has been used to analyze the implementation of BASEL III norms in Indian banks. The data has been collected from various bank managers from branches of public sector and private sector banks in Hyderabad. Also, secondary sources like RBI website, banking websites, articles, and surveysare studied.

The questionnaire includes 34 statements to which respondents were asked to indicate their level of agreement on a five-point Likert scale ranging from strongly agree to strongly disagree.

1.4 Scope of the study

The present study was conducted to in the public and private sector banks of Hyderabad. The present study is restricted to understand the anticipate benefits and challenges of BASEL III norms.

2. REVIEW OF LITERATURE

A good amount of research has been on BASEL III and various parameters impacting its implementation and success have been studied. Some of the research studies are discussed below.

Went (2010)concluded that to reduce the potentially devastating effects of banking crises, BASEL III hascombined risk-based capital and liquidity standards. The paper explores means such as reducing dividend pay outs, etc.to improve the capital.

Blundell-Wignall and Atkinson (2010a) stated that higher leverage of banks in the industry caused the main damage during the crisis. They suggest that instead of a capital requirement, there should be a leverage ratio which should be appropriately designed.

The Devil and Global Banking' Chorafas (2012) stated that it is bad that BASEL III Accord does not regulate Special Purpose Vehicles (SPVs) which are created to avoid regulatory constraints and could be used by banks to hide failed transactions.Someofthemajorreasonsaccordingtohimbehindthecrisisweregreedfrombankers,bad management and regulatory arbitrage.

Vigneshwara Swamy (2013) estimated that the impact of BASELIIIonbankloanspreadswouldbe31basispointsincreaseforevery1-percentagepointincreasein capitalratioandwouldgouptoanextentof100basispointsfor6percentagepointincreaseinthecapitalr atioassumingthattheRiskweightedassetsareunchanged.

M. Jayadev (2013)
discussedthevariousissuesandchallengessuchasrequirementofadditionalcapital, balancing between growth and stability, decline in Return of Equity (ROE), identification of the trigger point for the release of buffers, etc. faced by Indian banks in implementation of BASELIII.

Shah (2013) examined that Return on Equity (ROE) and profitability are likely to decline due to implementation of BASEL III norms. The reasons stated for the said decline are gradual removal of some of the components of Tier-I capital, increase in the risk weight and higher cost of funds during the transition phase.

Bank of Ghana(2014)stated the risk weighted system used under BASEL III suffers from portfolio variance and some important issues like corporate governance, account manipulationand full disclosures are not addressed properly.

Khan and Winder(2015)analyzed that as per BASEL III norms the ROE and profitability will be adverselyaffected.Therequirementtomaintainsufficientliquidityintheformof LCRandNSFR willforcebankstomovetheirinvestmentsfromshorttermtolongtermavenues.

TripathyandTandon(2015)concluded that Indian PSBs have capital adequacy and the stipulated norms under BASEL III Accord can be complied with by Indian PSBs fairly well within given timelines by Reserve Bank of India.

Bucalossi, Coutinhoetal.(2016) observed that improved level of Leverage Ratio (LR) does not depressingeffectontherepomarketandthemaintenanceofrequiredLRcanbecarriedoutbyindividual market turnover.

Geetika (2016)described the implications of BASEL III norms in Indian banking sector.

Krishan K Boora and Kavita (2018) performed the review of empirical studies and demonstrated that enforcing BASEL norms will be beneficial for banks in terms of advanced risk management approaches, better improvement in operations, safety, and stability and increased operational efficiency.

Jose Fajardo and Layla Mendes (2020), analyzed that banks issuing CoCo bonds are typically large and in case of BRICS and other emerging economies banks are highly leveraged and aiming at replacing debt with equity funding in order to meet the BASEL III rules.

Manisha Manchanda, Kaveri Hanssardana (2020), analyzed the impact of BASEL III on the Indian banking system and identified that overall there is a positive impact. They identified that complexity and the cost involved are two major obstacles of BASEL III implementation.

3.1BASELIII in India

December 2011 witnessed the release of draft regulations of BASEL III by RBI for their implementation in Indian banking sector. The final guidelines were issued in June 2014.The phased compliance with BASEL III framework began in India as of January 2013 and earlier planned to be fully implemented by the end of March 2018, as compared to January 1, 2019 deadline projected at international level by BCBS. The Reserve Bank later extended the end date for full implementation of BASEL III capital regulations by one year (to March 31, 2019) to provide some lead time to banks on account of potential stresses on asset quality and consequential impact on the performance profitability of the banks. With the extension, full implementation of BASEL III in India will slightly exceed the internationally agreed end date of January 1, 2019. Though, banks have started disclosing about BASEL III capital scenario in their balance sheets from 2013 onwards yet, its full implementation in terms of liquidity framework, countercyclical and capital conservation buffers will take place by the end of the transition period. The total capital required to be maintained by Indian banks at the end of transition periodwouldbe11.5percentofRiskWeightedAssets.TherevisedtransitionalarrangementshavebeeN shown in the following table.

Table 1: Transitional Arrangements under BASEL III for Scheduled Commercial banks

Minimum capital ratios	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum Common Equity Tier 1(CET1)	4.5	5	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer (CCB)	–	–	–	0.625	1.25	1.875	2.5
Minimum CET1+ CCB	4.5	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6	6.5	7	7	7	7	7

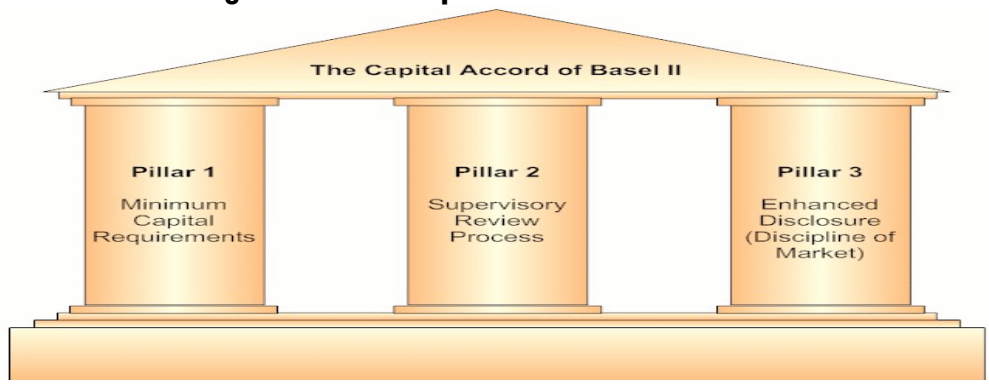
Minimum Total capital	9	9	9	9	9	9	9
Minimum Total capital+CCB	9	9	9	9.625	10.25	10.875	11.5
Phase-in of all Deductions from CET1 (in%)	20	40	60	80	100	100	100

Source: www.rbi.org.in

Need for BASEL norms

Banksfacehigh riskprimarilybecausebankingisoneofthehighlyleveragedsectorsofaneconomy.In view of this, banks are required to take certain strategic decisions to ascertain whether the type and amount of risk assumed by them brings adequate compensation in terms of earnings in the short and long-runsandhelpsthemmaximizetheeconomicvalueinthelong-term,while being inconsonance with their risk appetite. Thus, the more effective the risk management framework of a bank, the more successful it will be in the long-run. Thus, risk management is core to any banking service.

Figure: 1- The capital Accord of BASEL II



Source: www.rbi.org.in

3.2 BASEL III Framework and MajorRatios

BASELIIIisanevolutionratherthanarevolutioninthareaofbankingregulation. Drawinglargelyfrom the already existing BASEL II framework, BASEL III aims to build robust capital base for banks and ensure soundliquidityandleverageratiostoensurefinancialstability.ThenewBASELIII capital requirement aises the minimum core capital stipulation introducing the counter-cyclical measures while enhancing banks' ability to conserve core capital in the event of stress through a conservation capital buffer. The prescribed liquidity requirements, on the other hand, would bring in uniformity in the liquidity standards followed by the banks globally.

Capital conservation buffer

The capital conservation buffer (CCB) has been proposed to ensure building up of capital buffers duringnormaltimes.Thecapitalconservationrulesaretoavoidbreachingminimumcapitalrequirements duringthetimesofcrisis.Asaresult,besidestheminimumtotalcapital(MTC)of8%,bankswillberequiredto hold a capital conservation buffer of 2.5% of RWAs in the form of common equity to withstand future periodsofstress bringingthetotalcommonequityrequirementof7%ofRWAsandtotalcapitaltoRWAs to10.5%.

Countercyclical capital buffer

Countercyclicalcapitalbufferwithinarangeof0–2.5%ofcommonequityorotherfullylossabsorbing capital would be put into effect according to domestic circumstances. The aim of countercyclicalcapital Buffer is to achieve the broader macro-prudential goal of protecting the banking sector from periods of excessive aggregate credit growth.

Leverage ratio

Leverage ratio is introduced, as a non- risk-based ratio as a supplementary measure to risk-based capital requirements,withtheintentiontoconstrainthebuild-upofleveragingandhelpingavoid destabilizing deleverageprocess.

Liquidity coverage ratio

In the process of identification of liquidity risk, every bank has to define and identify the liquidity risk to which it is exposed for each major on and off-balance sheet position. RBI has advised that liquidity can be measured through stock and flow approaches.

Main Elements of BASELIII

BASEL III combines broad category of reforms to address both institution and system level risks. The emphasis is on the financial stability of the system as a whole along with micro regulation of individual banks. The key elements of BASEL III have been summarized in the following table.

Table 2: BASEL III Norms

BASEL IIINorms	
Micro-Prudential Reforms	Macro-Prudential Reforms
1. Increasing the quantity and enhancing the quality and transparency of the capitalbase. 2. Tier I capital must consist predominantly of common equity and retained earnings. 3. Introduction of Liquidity Coverage ratio. 4. Introduction of Net Stable Funding Ratio. 5. Higher Capital requirements for trading and securitizationactivities. 6.EnhancementstoPillar2'ssupervisoryreview process.	1. Introduction of Capital Conservationbuffer. 2. Introduction of Countercyclical buffer. 3. Addressing systematic risks a 4.Introduction of non-risk –weighted minimum Leverage ratio of Tier I capital to Total exposure.

Source: Compiled from Bank for International Settlements, 2011

BASEL III Timeline - How effective is it?

The timeline proposed under BASEL-III are relatively aggressive,however,in theIndiancontext the banks are well positioned for smooth implementation of new capital standards with an exception of some of the public sector banks. The Indian banks retain advantages in terms of timelines for complete implementation of BASEL III norms as they are not highly exposedtovolatileandtoxicassets.Furthermore,inviewoftheincreaseddisclosurenorms,bankswoul d beguidedbythemarketforcesto be BASELIIIcompliantwellbeforethesuggestedtimelineby RBI.

3.2 Impact ofBASELIII

Impact on the Financial System

The implementationof BASEL III would lead to reducedriskofsystemic crises in bankingastheenhanced capital and liquidity buffers together would lead to better management of probable risks emanating due to counterparty defaults and/ or liquidity stress circumstances. The stricter norms on inter-bank liability limits ensures that there would be reduction of interdependence of the banks and thereby reduced interconnectivity among the banks would save the banks from contagion risk during the times ofcrises.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Cronbach's alpha

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable.

ReliabilityofthescalewasassessedusingCronbach'salpha.Itattemptstomeasuretheconsistencywith

whichrespondentsanswerthequestionswithinascale.Itconsistsofestimatesofhowmuchvariationin scores of different variables is attributable to chance or randomerrors.

As a general rule, the reliability coefficient greater than or equal to 0.6 is considered as an acceptable indication of construct reliability. The Cronbach's alpha for the Anticipated Benefits of BASEL III was found to be 0.6 which indicated good reliability of the scale.

Moreover, the reliability of other individual aspects (as shown in below table) also came out within

acceptablelimitsi.e.,0.6(AnticipatedcostofBASELIIIimplementation),0.711(PerceivedimpactofBASEL III implementation),0.617 (Expected Challenges of BASEL IIIimplementation).

Table 3:Reliability of implementation aspects

IMPLEMENTATION ASPECTS	CRONBACH'S ALPHA
ANTICIPATED BENEFITS	0.6
ANTICIPATED COST	0.6
PERCEIVED IMPACT	0.712
EXPECTED CHALLENGES	0.617

Source: Author's Compilation

4.2 Correlationanalysis

Correlation is used to test relationships between quantitative variables or categorical variables. In other words, it's a measure of how things are related. The study of the relationship between the variables is called correlation analysis. A correlation coefficient is a way to put a value to the relationship. Correlation analysis is used to understand the relationships among independent variables and toidentifywhether there is any problem of multicollinearity. So, before applying regression analysis, correlation analysis was conducted to study interrelationships between variables. As a thumb rule it is expected that the correlation among independent variables

should not exceed 0.70. The below tables show the correlation coefficient among independent variables. The examination of results of correlation showed that all the independent variables have correlation within acceptable limits and there is no problem of multicollinearity. So, regression analysis can be conducted to show the relationship between the dependent variable and independent variables.

Table 4:correlation analysis for public sector banks

	Anticipated Benefits	*Anticipated cost*	*Perceived impact*	*Expected challenges*
Anticipated Benefits of BASEL III	1			
Anticipated cost of BASEL III implementation	-0.8660	1		
Perceived impact of BASEL III implementation	-0.8660	1	1	
Expected challenges of BASEL III implementation	-0.6547	0.1890	0.1890	1

Source: Author's compilation

It is observed from the above table that anticipated benefits and anticipated cost, perceived impact and challengesofBASELIIIimplementationarenegativelycorrelated.Itisalsoobservedthatanticipatedcosts ofBASELIIIandperceivedimpactofBASELIIIarepositivelycorrelatedwithexpectedchallengesofBASEL III implementation in case of public sectorbanks.

Table 5:correlation analysis for private sector banks

	Anticipated Benefits	*Anticipated cost*	*Perceived impact*	*Expected challenges*
Anticipated Benefits of BASEL III	1			
Anticipated cost of BASEL III implementation	0	1		
Perceived impact of BASEL III implementation	-0.8660	0.5	1	
Expected challenges of BASEL III Implementation	-0.8660	-0.5	0.5	1

Source: Author's compilation

It is observed from the above table that anticipated benefits and anticipated cost of BASEL III have no correlation in case of private sector banks. It is also observed that anticipated benefits of BASEL III is Negatively correlated with perceived impact and challenges of BASEL III. The table also shows that anticipated cost of BASEL III and impact of BASEL III implementation are positively correlated whereas anticipated cost and expected challenges of BASEL III

implementation are negatively correlated. The perceived impact and expected challenges of BASEL III are positively correlated in case of private sector banks.

4.3 Regressionanalysis

To study the effect of different variables on preparedness of commercial banks in India with regard to BASEL III, multivariate regression analysis was used. BASEL III implementation was taken as dependent variable and other variables, i.e. anticipated benefits, anticipated cost, perceived impact and expected challenges of BASEL III implementation were taken as independent variables.

Y_i = Dependent Variable

$X_1, X_2, X_3 X_n$=Independent Variables

Y_i=BASEL III implementation in Banks

X_1=Anticipated Benefits of BASEL III implementation

X_2=Anticipated Cost of BASEL III implementation

X_3=Perceived Impact of BASEL III implementation

X_4=Expected Challenges of BASEL III implementation

ALTERNATIVE HYPOTHESIS (Ha): There is significant relationship between theBASEL III Implementation in Indian banks and anticipated benefits, cost, impact and challenges of BASEL III.

Table 6: ANOVA Analysis

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	3.904761905	0.976190476	10.25	0.22961808
Residual	1	0.095238095	0.095238095		
Total	5	4			

Source: Author's compilation

ANOVA analysis provides the statistical test for the overall model fit in terms of the F ratio. The above table shows the results of ANOVA with a significance level of F statistic. The computed value of F statistic has observed significance level more than 0.05 which indicates that regression model is not a good fit and hypothesis of no linear relationship between the predictor and dependent variables is rejected.

Table 7:Regression model

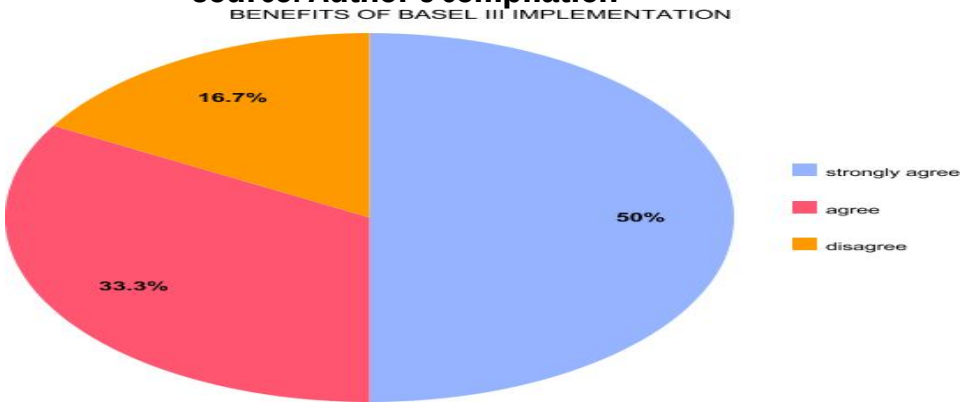
Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.98802352	0.76190476	0.880952381	0.3086067

Source: Author's compilation

The above table displays the results of the regression model. Firstly, R-Square which is also referred as "coefficient of determination" accounted for 0.761 which indicates that nearly 77% of total variation in dependent variable (BASEL III implementation in Banks) is explained by the regression model consisting of four independent variables.

Figure 1: Benefits of BASEL III Implementation

Source: Author's compilation

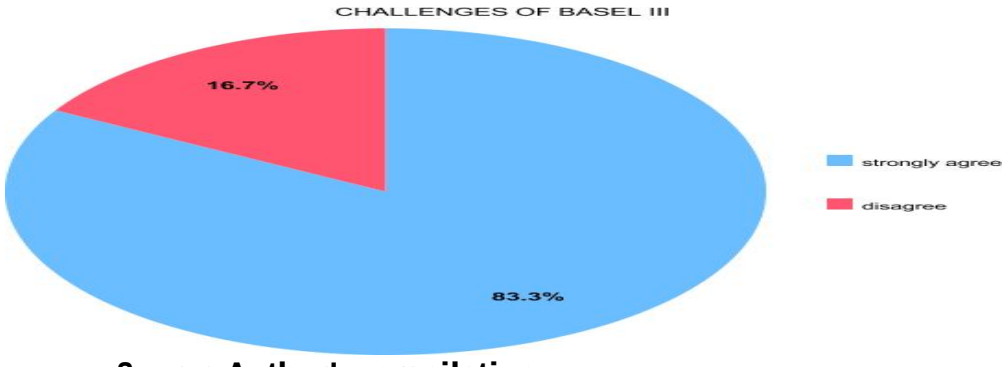


Further, the Adjusted R^2 which is adjusted for number of independent variablesincludedintheregressionmodelshowedthevalueof0.88.Thisindicatedthat88%ofvariation in dependent variable is accounted for by the independent variables. Apart from it, R i.e. coefficient of correlation has a value of 0.988 which indicates that a strong relationship exists between dependent and independentvariables.

4.3.1 Anticipated benefits of BASELIII

The above pie chart shows majority of the banks strongly agree that there are benefits with implementation of BASEL III norm asdue to the higher capital requirement and liquidity standards the Indian banks will be placed better in managing the pressure onliquidity in a stress scenario more effectively.

Figure 2: Expected challenges of BASELIII

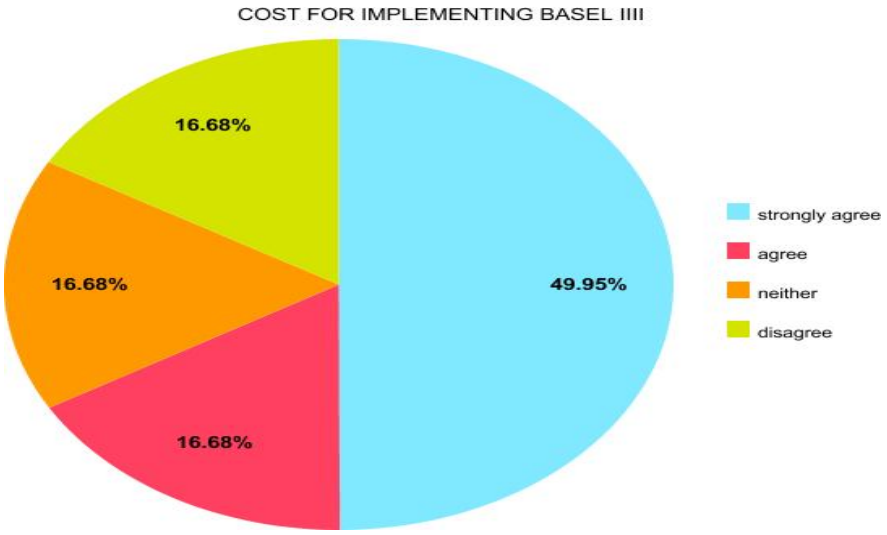


Source:Author's compilation

The above pie chart depicts majority of the banks strongly agree that BASEL III is a challenging task for them to implement. The biggest challenge is to maintain the huge capital to meet higher capital requirements. Also the banks need to upgrade their risk data architectures, databases and structures and integrate risk models and methodologies into a company's strategic and

annual planning process, performance management, and capital allocation process as well as implementing more flexible reporting and simulation tools.

Figure 3:Anticipated costs of BASELIII

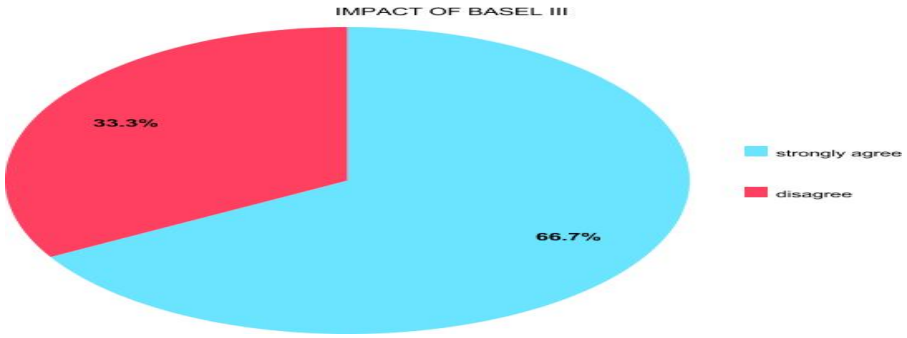


Source: Author's compilation

As shown in the above pie chart 49% i.e., of the banks strongly agree that BASEL III requires huge cost for its implementation like additional cost involved with regard to maintaining liquidity position and developing internal models of data in the banks. ThoughBASEL III could lead to a stronger, more resilient banking industry yet, these measures could be expensive in terms of the new investment in technology and infrastructure needed for compliance. Further, within the capital, proportion of more expensive core capital could also increase. This would ultimately put an additional cost burden on banks. These stricter short-term liquidity and long-term funding requirements will also add to costs, and some institutions will have to revise their business. Thus, banks have to be cautious while implementing BASEL III as huge implementation cost would slow down the preparedness ofbanks.

Perceived impact of BASELIII

Figure 4: Impact of BASELIII



Source: Author's compilation

As shown in the above pie chart, 66% of the banks strongly agree that there will be a positive impact of BASELIIInormsonIndianBanks.TheimplementationofBASELIIIcould lead to a stronger and resilientbankingindustry.

FINDINGS

- Raisingtheminimumcorecapital along with introduction ofcounter-cyclical measures while enhancing banks' ability to conserve core capital in the event of stress through a conservationcapitalbuffer BASEL III would have a positiveimpactforpublicaswellasprivatesector banks in India.
- Implementation of BASEL III framework's will have profound impact on the financialsystem,asit wouldleadtoreducedriskofsystemic bankingcrises. The enhancedcapitalandliquiditybufferstogetherleadtoimprovedmanagement of probablerisks.
- Thereduced interdependenceand interconnectivity among the banks will avoid a contagion.

CONCLUSION

BASEL III is an evolution rather than revolutionformanybanks as is an improvement over the existing BASEL II framework. The most significant changes aretheintroductionofliquidityandleverageratios,andenhancedminimumcapitalrequirements.

BASELIIIprovidesforatimelineofimplementationthatisquiteacceptableto Indianbanks.The higher Capital Adequacy Ratio coupled with betterhuman resources of private banks assures them of speedier implementation of theBASELIIInormsincomparisontothePublicSectorBanks. One of the main challenges faced by BASEL III apart from the increased capital standards is that of creating a new risk management culture with a greater accountability. In order to achieve better risk management and to comply with the revised regulatory reporting requirements, the riskmanagementteamswould requirequickandspeedyaccesstoqualitydatathatiscleanandaccurate.Thiswouldcallforproperdataflow and management systems. Effective data management systems are not going to be cheap as they involvehugecostsintheiracquisition,upgradationandmaintenance.

FUTURE SCOPE OF RESEARCH

This research study can be extended further to cover the study of the possible effects of BASEL III regulations on banks by employing industry level variables like average industry growth rate, overall GDP growth and probable loss due to systematic crises based on past data. Further, the use of much advancedtechniquelikescenarioanalysiscangiveaclearerpictureofthesituationpostimplementation of BASELIII.

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Annexure

QUESTIONNAIRE

Name oftheBank: _____

Typeof Bank:_____(Public/Private)

AddressofBranch: _____

Name and DesignationofPerson:_____

Age: _____

PART A GENERAL INFORMATION

The following statements relate to the assessment of your bank's preparedness in BASEL III implementation.

1. Is BASEL III implemented in yourbank?
   i. Yes
   ii. No
2. If Yes, what is the stage ofimplementation? i. 25%
   ii. 50%
   iii. 75%
   iv. 100%
3. What ratios have beenimplemented?
   i. Capital AdequacyRatio
   ii. LeverageRatio
   iii. Liquidity CoverageRatio
   iv. All of theabove
4. Do you think BASEL III was a challenging task for yourbank?
   i. Yes
   ii. No

PART B

1.Please tick the option that best shows your opinion about the perceived benefits of BASEL IIIon the scale given below.

STATEMENTS	**Strongly Agree (5)**	**Agree (4)**	**Neither agree Nor Disagree (3)**	**Disagree (2)**	**Strongly Disagree (1)**
BASEL III ensures better liquidity risk management with increase in short term liquidity coverage					
Market disclosures are more detailed					

and transparent under BASEL III					
Risk of excessive leverage is reduced through introduction of backstop leverage ratio under BASEL III					
BASEL III will provide opportunity to enhance risk management in banks					
Better quality of capital under BASEL III will improve loss-absorption capacity of banks					
BASEL III will ensure more resilient and flexible banking sector					
BASEL III will help in enhancing banking sector stability					

2. Please tick the option that best shows your opinion about anticipated cost of BASEL III implementation on the scale givenbelow.

STATEMENTS	**Strongly agree**	**Agree**	**Neither agree Nor Disagree**	**Disagree**	**Strongly Disagree**
Information Technology software and hardware development for BASEL III involves huge cost					
Expenditure on recruitment and training of personnel required for BASEL III implementation has increased.					
Cost of complying with multiple regulators has increased under BASEL III					
There is increase in cost of raising additional capital to meet BASEL III requirements					
Banks have to meet cost of preparing additional reports under BASEL III					

There is much time and cost expended to meet increased disclosure requirements under BASEL III					

3.Please show the extent to which you think BASEL III will impact the Indian bankingsystem.

STATEMENTS	**Strongly agree**	**Agree**	**Neither agree Nor Disagree**	**Disagree**	**Strongly Disagree**
BASEL III will provide better foundation for future development in risk management					
BASEL III requirements will put pressure on bank's yield on assets					
Pressure on Indian banks will increase to raise additional capital to meet new requirements					
BASEL III implementation will put significant pressure on banks profitability & Return on equity					
BASEL III implementation will improve quality of capital base in Banks					
There is significant increase in risk weighted assets for different categories of risk under BASEL III					