ICMBF

5th International Conference on Advanced Research in
MANAGEMENT, BUSINESS & FINANCE

Athens, Greece
21-23 October 2022

Consequences Of the Financial Crisis and Capital Adequacy in Greek Banks

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Abstract

Contrary to other countries, the global financial crisis in Greece had serious ramifications in the 2010s where it turned into an economic crisis. This crisis was not so much the result of the banking crisis, as in other countries, but the result of the implementation of policies aimed at reducing the large public debt of Greece agreed by the country and its borrowers, the European Union and the International Monetary Fund. The effects of the economic crisis extended to a large extent to the banking system of Greece, regarding both capital banks and special credit institutions such as cooperative banks. A major component of the banking crisis was the difficulty for banks to meet capital adequacy requirements as defined by the provisions of Basel III. As a result of the difficulties, some banks were unable to meet the requirements and were forced to close or be sold by their parent banks. In a special category of banks, the so-called important for the economy banks, there was significant public assistance in their capitalization in contrast to the other banks that had to find the required capital on their own. In this article, the effects of capital requirements on the evolution of banks are examined, both for capital banks and for cooperative banks, also attempting some comparative presentations between them.

Keywords: Banks, commercial banks, cooperative banks, financial crisis, Greece, Capital adequacy