In this paper, we have attempted to conduct a mean-test to determine if the Basel I Accord had any significant effect on bank activities. The mean-test indicates that it had significant impact on bank activities. We find that the Accord was successful in raising the capital ratios and equity of banks, paving the way for the financial soundness of commercial banks. Our findings also show limited evidence supporting the “risk-retrenchment” hypothesis. Given that our samples consist of both developed and developing countries, the study finds some evidence of “credit crunch” in developing countries also. Capital regulations resulted in a decline in bank lending.

Keywords: Basel I Accord, Credit Crunch, Capital Requirement, Capital Regulations, Bank Lending and Developing Countries

JEL Classification: E05 Monetary Policy, Central Banking, and the Supply of Money and Credit; G02 Financial Institutions and Services; G 15 International Financial Markets; G28 Government Policy and Regulation

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