# Impact of the Basel I Accord on Credit Expansion in Developing Countries

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*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

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