**Syllabus subtopic:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Prelims and Mains focus:** about the amendment and its significance; about steps taken in banking sector

**News:** The Parliament is likely to clear a Bill to amend Banking Regulation Act during the second leg of Budget session. The session ends on April 3.

**Cooperative Banks in India**

There are 1,540 co-operative banks with a depositor base of 86 million having total savings of about Rs.5 lakh crore.

**Objective of the amendment**

- To bring multi-state co-operative banks under effective regulation of RBI, in order to address weaknesses in co-operative banking sector.

- The proposed legislation will help prevent a repeat of Punjab and Maharashtra Cooperative Bank-like crisis.

**Steps taken by the government in banking sector**

In the last couple of years, the Department of Financial Services has taken several steps to promote responsive and responsible banking.

- As part of clean banking initiative, project cash flows were ring-fenced, enforcement of terms of loan agreements and prior validation of backward and forward linkages were made integral to lending processes.

- Besides, the number of banks in loan consortium was capped, reducing borrowers' ability to play one lender off against another.
This was accompanied by **data driven risk scoring and scrutiny**, comprehensive diligence across data sources and strengthened credit assessment.

To ensure financial health of public sector banks (PSBs), **recapitalization of Rs.4 lakh crore was undertaken in the last five years**. Provision coverage ratio reached a record high of 77 per cent. NPA and slippages are declining with improved asset quality.

As a result of various initiatives taken by the government the **number of PSBs under Prompt Corrective Action (PCA) is down from 11 in 2017 to four**.

As many as **12 out of 18 banks are in profit this year** as against 19 out of 21 in loss just two years ago with the help of record recovery and reduction in bad loans.