Authorisation Policy' issued by Reserve Bank of India (RBI) *vide* circular no. DBR.BAPD.BC.69/22.0T.001/2016-17 dated 18.5.2017, banks are allowed to set up onsite/ offsite Automated Teller Machines (ATMs) at centres/places identified by them. As and when a proposal is received by the bank for opening and putting ATM facility the same is considered on merit, as per their extant guidelines.

RBI *vide* its circular no. DPSS.COiPD. No.2298/02.10.002/2011-2012 dated 20.6.2012, has also issued guidelines on 'White Label ATMs (WLAs) in India', permitting the non-bank entities incorporated in India under the Companies Act, 1956, to set up, own and operate ATMs in India. Eight non-bank entities have been granted authorization to set up WLAs, of which seven are operational.

As per RBI's data, as on 30.6.2019, a total no. of 2,06,202 ATMs of Scheduled Commercial Banks (SCBs) are working in the country, out of which 33,304 ATMs are in rural areas.

Further RBI *vide* it's circular dated 18.5.2017, has permitted domestic Scheduled Commercial Banks (excluding Regional Rural Banks) to open banking outlets, without seeking prior approval of RBI in each case, subject to condition that at least 25 percent of the total number of banking outlets opened during a financial year being in unbanked rural centres with population less than 10,000.

In pursuance of RBI guidelines, rolling out of banking outlets in uncovered areas is a continuous process and is looked after by State Level Bankers' Committee (SLBC) in consultation with the concerned State Government, member banks and other stakeholders. Banks *inter-alia* consider proposals for opening of banking outlets in the light of RBI's instructions, their business plans and commercial viability.

As informed by RBI, as on 30.6.2019, a total no. of 1,45,632 branches of Scheduled Commercial Banks (SCBs) are functioning in the country, out of which 51,658 branches are in rural areas.

Impact on profitability due to bank mergers

215. SHRIMATI VIJILA SATHYANANTH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that out of the 10 banks that Government has decided to merge to create four, nine have net Non-performing Assets of over 5 per cent;

(b) if so, the details thereof; and

(c) whether it is also a fact that due to high bad loans of the merged entities, profitability could be impacted in the near term?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) to (c) Over the period from April, 2008 to March, 2014, the total stressed assets of Public Sector Banks (PSBs) trebled from 3.3% to 10.4% of their gross domestic advances. Multiple drivers have been attributed by Reserve Bank of India (RBI) for this build-up of stress, including, *inter alia,* aggressive lending, economic slowdown, lack of robust lending practices, wilful defaults, frauds and misconduct in certain cases. However, much of the stress remained hidden as a result of forbearance enabling classification of restructured stressed accounts as standard accounts, for which provision for expected losses was not made.

To address this, Government adopted a comprehensive 4R's strategy of Recognising non-performing assets (NPAs) transparently, Resolution and Recovery, Recapitalisation and Reforms. With initiation of recognition of stress in 2015 under this strategy, the adverse impact of the hidden stress on bank financials became manifest. As a result of successful implementation of the 4R's strategy, aggregate net NPA ratio for PSBs has improved from a peak of 8.0% in March, 2018 to 4.8% in March, 2019. Similar substantial improvement has also been achieved in respect of 10 PSBs for which in-principle approval has been conveyed for amalgamation, with their aggregate net NPA ratio improving from a peak of 8.8% in March, 2018 to 5.9% in March, 2019. Thus, as per their last audited financial statements, the net NPA ratios of PSBs as a whole including the 10 PSBs have been successfully reduced by about three percentage points. At the same time, PSBs, including the 10 amalgamating PSBs, have raised their provision coverage ratio to its highest level in seven years (74% for PSBs as a whole, and 73% for the 10 amalgamating PSBs), recovered a record amount in the last financial year, and returned to profitability in the current financial year. PSB-wise details of net NPA ratio and provision coverage ratio as on 31.3.2019 and recovery during the financial year ending 31.3.2019 are given in Statement (*See* below).

From the above, it may be seen that profitability is a function not only of the level of NPAs but also the level of provisions made against NPAs and the recovery effort of the bank, and PSBs have already returned to profitability while effecting substantial reduction in the level of NPAs.

With the 4R's strategy visibly improving performance within individual PSBs, to harness scale and synergy benefits across PSBs, after considering in-principle approval accorded to amalgamation by the Boards of the 10 PSBs concerned and consultation with RBI, the amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank, Syndicate Bank into Canara Bank, Andhra Bank and Corporation Bank into Union Bank of India and Allahabad Bank into Indian Bank has been approved in-principle. Amalgamation enables banks to harness a number of potential strengths and advantages including, *inter alia,* improved profitability as a result of scale and synergy benefits, and better quality lending as a result of effective say in lending and resolution decisions and operational efficiencies for domain-specific assessment. Thus, amalgamation would enable banks to harness scale and synergy benefits for profitability and better lending.

Statement

PSB-wise details of net NPA ratio and provision coverage ratio and recovery for the financial year ending 31.3.2019

Amount in crore ₹

Public Sector Bank	Net NPA ratio	Provision coverage ratio	Recovery
1	2	3	4
Allahabad Bank	5%	80%	2,827
Andhra Bank	6%	74%	2,073
Bank of Baroda	4%	76%	13,603
Bank of India	6%	77%	8,964
Bank of Maharashtra	6%	81%	2,269
Canara Bank	5%	68%	7,688
Central Bank of India	8%	77%	5,799
Corporation Bank	6%	83%	1,543
Indian Bank	4%	66%	1,566
Indian Overseas Bank	11%	71%	4,409
Oriental Bank of Commerce	6%	76%	5,324

1	2	3	4
Punjab and Sind Bank	7%	59%	1,043
Punjab National Bank	7%	74%	13,973
State Bank of India	3%	79%	35,062
Syndicate Bank	6%	66%	4,262
UCO Bank	10%	75%	3,440
Union Bank of India	7%	66%	5,207
United Bank of India	9%	73%	2,023

Note: Figures cited above for PSBs exclude those for IDBI Bank Limited, which was re-categorised as a private sector bank by RBI with effect from 21.1.2019.

Source: RBI

Smart Contract System

216. SHRI PARTAP SINGH BAJWA: Will the Minister of FINANCE be pleased to state:

(a) whether the Ministry has developed a policy proposal on the smart contracts system; and

(b) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) and (b) Smart contracts involves using of new IT technologies like Block-chain, Machine Learning etc. No such policy proposal has been developed in the Ministry. Development of policies including IT based contract system is a continuous exercise considering the need for bringing in efficiencies, transparency and accountability.

Impact of payment banks on PSBs

217. SHRI ELAMARAM KAREEM: Will the Minister of FINANCE be pleased to state:

(a) the number of payment banks functioning in the country at present;

(b) the payment banks that have already been given approval but are yet to start their operations;