



## The Concept Note for the High Level Training Program Above Board: Enhancing Governance in Regional Rural Banks



Given the vital role of banks and other financial institutions catering to the rural population, in financial and economic stability and the stakeholders' interests including the inclusive and equitable development of rural communities, the issues of corporate governance are extremely important in banking industry with special reference to Regional Rural Banks (RRBs).

A number of studies have un-equivocally concluded that the **“boards” are shareholders’ first line of defence** in governance, focusing on factors that influence the board effectiveness and thus performance of the Bank.

In the eco-system that RRBs operate and the government agenda of inclusive growth poses the most important challenge and opportunity for RRBs. Profitable Financial Inclusion (FI) for RRBs is the over-arching target. **Financial performance of RRBs is intricately linked to the economic prosperity of rural India and ability of RRBs to deliver banking services and products efficiently.** Once rural economy in India starts looking up and funds flow to villages, RRBs will be able to reap rich dividends. Ability to leverage technology and efficiency in delivery will be key differentiator. **That is where the role of Boards of RRBs comes into play to provide RRBs a road-map and leadership in implementation of key strategies.**

The stakeholders have a keen interest in sound good governance as it is an essential element in the safe and sound functioning of a bank and may affect the bank’s existence if not implemented effectively.

The key functions of the board of directors and senior management is the setting of policies, implementing those policies and monitoring compliance. An effective oversight of the business and affairs of a bank by its board and senior management contributes to the maintenance of an efficient and cost-effective supervisory system.

In these turbulent times strengthening Good Governance can usher in profound changes in the bank leadership. The banks need to move beyond laud indicators like sustained profitability, lower level of non-performing assets, improved return on assets etc and focus higher towards sustaining policy of operating sound banking system and thus inclusive and equitable rural development and prosperity of the Nation.

Therefore, an attempt is proposed to be made to bring a sustainable intervention to prepare the “Boards” of RRBs for better governance and sustainable and inclusive rural development by effectively delivering the vision of the RRBs through a high level training program under the caption **“Above Board: Enhancing Governance in Regional Rural Banks” at National Institute of Rural Development and Panchayati Raj, Hyderabad.**

