

## **IT Governance**

Before the financial sector reforms in the early 1990s, governing banks was an easy affair for the Board of Directors; the Reserve Bank determined most of the key business decisions - what interest rate should be paid on deposits, and at what interest rate loans should be charged. Which sector should be supported with loans and advances and how much can be lent to each constituent etc were also prescribed. Most of the services were to be offered free of cost; any other services were to be charged as per rate or ceilings prescribed by the Reserve Bank. Thus what the Board of Directors determined was only individual cases of large advances, while rest of the day to day decisions were made by the executive management and the line management.

Post financial sector reforms, the Reserve Bank transferred the decisions on all the above subjects and matters to the boards of banks. Not just the decisions were required to be made by the boards, but also policies governing these and additional areas were required to be framed by the boards. Now any and every aspect of a bank needs a policy to be framed or approved by the boards. Loan Policy, Investment Policy, Funds Management Policy, Liability Products Policy, Non-Fund based services policy, Income policy, Expenditure policy, HR Policy, Asset Liability Management policy, Customer Service Policy etc etc are all to be framed by the boards.

As a part of the reforms, increased competition in the form of new private sector banks was ushered in. With that came the focus on customer satisfaction and service. Strategic requirements demanded wise counsel and policies by the boards. Boards' responsibilities and roles, and also expectations expanded manifold.

Along with the competition and customer focus came the wide spread use of Information Technology(IT). IT emerged as the key, and later, the chief differentiator; not just for customer service, but for the entire business and even non-business activities of banks. Today you cannot think of an aspect of a bank which is not touched by IT.

