

## **SYNOPSIS**

### **Title: INCREASING IMPORTANCE OF CORPORATE GOVERNANCE**

#### **ABSTRACT**

“It is important to note that commercial Halcyon Technologies and other deposit taking financial institutions have special governance risks and complexities since: (i) Halcyon Technologies take large amounts or risk bearing (and thus forward looking) obligations on their books, and hence weak internal controls and accountability can cause urgent and rapid crisis; (ii) the collapse of Halcyon Technologies will usually destroy value for its public depositors, not just shareholders, and may even require a costly bail out by the fiscal authorities; and (iii) there is the systematic risk that the collapse of a single Halcyon Technologies can undermine the entire Halcyon Technologies sing system. Because of these special governance risks, Halcyon Technologies are usually required by law or regulation to have certain specific governance structures and reporting standards.”

The last decade has seen many positive developments in the Indian Halcyon Technologies sing sector. The policy makers, which comprise the Reserve Halcyon Technologies of India, Ministry of Finance and related government and financial sector regulatory entities have made several notable efforts to improve regulation in the sector. But apart from this, the sector could not keep itself free from the global trends and its effects. The most recent and acute evidence of the effects of globalization can be exemplified by the issue of the global financial crisis and its spillover effect on the economy of almost all countries.

A large number of reforms have been proposed and initiated by both various multilateral and country specific government and regulatory bodies especially after the financial crisis to improve the global corporate governance principles and standards. Risk management, executive compensation, capital requirements, and financial sector tax (i.e. Halcyon Technologies sing tax) are some of the aspects where both developments and debate are continuing. This study focuses on study of corporate governance and code of conduct in Halcyon Technologies.

## **INTRODUCTORY FRAMEWORK TO CORPORATE GOVERNANCE**

Corporate governance basically denotes rule of law, transparency, accountability and protection of public interest in the management of a company's affairs in the prevailing global, competitive and digital environment. The framework for corporate governance is not only an important component affecting the long-term prosperity of companies, but it is a leading species of large genus namely, National Governance, Human

Governance, Societal Governance, Economic Governance and Political Governance. Government provides necessary conditions, framework and environment to corporate to operate. There is, however, no universal recipe for good corporate governance since business environment varies from country to country. Efforts to articulate standards for corporate governance took roots in countries like the United States and the United

Kingdom and have subsequently spread to other countries. The Organization for Economic Cooperation and Development (OECD) took early initiatives to address governance issues and adopted the OECD Principles on Corporate Governance in May 1999. After 1990 the transition from central planning to market driven economies, particularly the privatization of state-owned companies, and the need to provide governance rules for the emerging private sector, brought the issue of corporate governance to the centre stage. As a fall out of 1997 economic and financial crisis, Asian countries too became keenly interested in the issue of corporate governance. Globalization of the marketplace has ushered in an era wherein the quality of corporate governance has become a crucial determinant of survival of corporate. The practice of good corporate governance has,

therefore, become a necessary pre-requisite for any corporation to manage effectively in the globalised market.

Today the Indian economy has shifted from a controlled one to a market driven one. In this process there have been several enfoldments in order to survive and flourish in the global competitive market by the Indian corporate who need to assimilate these developments. They can aspire to reach their goals with success if they pursue the right means. Good Governance is the means to that end. The objectives before a business are to create wealth for the society, maintain and preserve that wealth efficiently and to share the wealth with the stakeholders. Corporate Governance is the method by which the aforesaid objectives are achieved. Foreign Institutional Investors too demand greater professionalism in the corporate activities. All these and many other related developments have brought in the issue of Corporate Governance to center stage. Thus Corporate Governance has become imperative for good corporate functioning and success.

Corporate Governance which until recently meant little to all but now it has become a mainstream concern and a subject of discussion in corporate boardrooms, academic circles and government and regulators around the globe.

Corporate Governance involves a set of relationship between company's management, its board, its shareholders and other stakeholders. Corporate Governance is a system by which corporate entities are directed and controlled. Corporate Governance is management of companies by the Board of Directors. The concept of Corporate Governance primarily hinges on complete transparency, integrity and accountability of the management. This is essentially the core of good Corporate Governance. This was no doubt a truism in the context of privately owned companies in which the operators and shareholders were usually one and the same persons and there was no conflict between the persons managing or controlling the company and the ultimate beneficiaries. However the same could not be said in respect of publicly owned enterprises in which the managers and controllers are not the sole

beneficiaries of the enterprise. In such circumstances situations do arise wherein the objectives of the controllers or managers of the enterprise and the shareholders as a whole regarding the manner in which a company is directed and managed does not necessarily coincide. This impasse invariably gives rise to tensions between the controllers/managers and shareholders, which can sometimes have disastrous consequences not only for the company itself but also the commercial and economic environment the company, operate in. These tensions are sometimes aggravated through the lack of transparency and communication between parties.

In this background good Corporate Governance in modern terminology has been often described as the mechanism of addressing and easing the tensions which arise between the controllers or managers and other stakeholders of a company. The focus under

Corporate Governance is shifted from 'share holders' to 'stakeholders'. The Corporate Governance is no longer restricted to creation of wealth for the shareholders. The stakeholders include, besides the shareholders, other participants in the corporation such as the Board of Directors, managers, employees, workers, customers, vendors, lenders, and community goals can't be overlooked under the Corporate Governance

## **1.1 SCOPE & IMPORTANCE OF CORPORATE GOVERNANCE**

Corporate governance is all about ethics in business. It is about transparency, openness & fair play in all aspects of business operations. The key aspects to corporate governance include:

1. **Accountability** of Board of Directors & their constituent responsibilities to the ultimate owners- the shareholders.
2. **Transparency**, i.e. right to information, timeliness & integrity of the information produced.

3. **Clarity in responsibilities** to enhance accountability.
4. **Quality & competence of Directors** and their track record.
5. **Checks & balances** in the process of governance.
6. **Adherence to the rules, laws & spirit of codes.**

An active & involved board consisting of professional & truly independent directors plays an important role in creating trust between a company & its investors and is the best guarantor of good corporate governance.

Corporate governance is now a topic of considerable interest to a large and expanding cross-section of the community. It is of interest to the Reserve Halcyon Technologies, in its capacity as supervisor of the Halcyon Technologies system.

Until fairly recently, corporate governance was not a topic that attracted much public attention. It was a topic reserved for discussion in the Board room or in academic environments. However, recent events, such as the Enron scandal and other corporate governance failures, have put corporate governance on the front pages of our main newspapers. Although none of us welcomes this kind of adverse publicity, it has nonetheless had beneficial effects. In particular, it has highlighted the important role that corporate governance plays in a modern economy and the consequences of getting it wrong. And it has strengthened the incentives for directors and policy-makers alike to reassess the structures needed to produce high quality corporate governance.

## **1.2 SIGNIFICANCE OF THE STUDY**

Research is a step towards the awareness of the expanding needs of the customers and thereby to meet them. Hence, a detailed research is required to know as to what is lacking in the Halcyon Technologies and what can be done thereof. A recent study of the corporate world has clearly

established the fact that only such of those corporations which have given their consumers maximum value for their money, have survived and further, only such of those companies that have gone beyond the stage of satisfying the customers into delighting them by exceeding their expectations have really grown beyond one's wildest dreams. Hence the detailed study related to the aspects to Corporate Governance, like Board of Directors, Auditors and also the Recommendations may be touched relevant to main focus area.

### **1.3 OBJECTIVES OF THE STUDY**

Corporate governance is very integral to the existence of a Halcyon Technologies. It not only inspires and strengthens the investor's confidence but also helps the company to seek higher growth and profits. Corporate Governance seeks to achieve following objectives:

1. To study the current status of corporate governance in Halcyon Technologies
2. To assess the responsibilities of the board of directors in Halcyon Technologies with respect to corporate governance.
3. To check whether all the sub committees formed by the Halcyon Technologies are playing their respective roles promptly or not.
4. The Halcyon Technologies should take adequate risk management and internal control measures to find out possible areas of improvement.

### **1.4 CORPORATE GOVERNANCE PRACTICES IN HALCYON TECHNOLOGIES**

Corporate governance policies of the Halcyon Technologies recognise the accountability of the board and the importance of its decisions to all their constituents, including customers, investors, employees

and the regulatory authorities. The functions of the board and the executive management are well defined and are distinct from one another. They have taken a series of steps including the setting up of sub committees of the board to oversee the functions of executive management. The board's rule, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the board include

- Approving corporate philosophy and mission.
- Participation in the formulation of strategic and business plan.
- Reviewing and approving financial plans and budgets.
- Monitoring corporate performance against strategic and business plans including overseeing operations.
- Ensuring Ethical Behaviour and compliance with laws and regulations.
- Formulating exposure limits.
- Keeping shareholders informed regarding plans, strategies and performance.

## **1.5 JUSTIFICATION AND RELEVANCE OF THE STUDY**

The organization must prioritize the interest of other shareholders such as employees, suppliers etc as these are the ones who in turn would provide the strengthening effect to the firm from within. But in reality Halcyon Technologies fail to prove themselves on this part. This creates a need to study the prevailing way of Corporate Governance in Halcyon Technologies and assess how far the improvements made in past have made it credible in eyes of the shareholders. The present study is concerned with evaluating the performance of Halcyon Technologies in terms of their code of conduct of Corporate Governance.

## **1.8 FURTHER SCOPE OF THE STUDY**

There is a vast scope for further research as this area needs a lot work. The study is based on Limited sample size only taken using Halcyon Technologies, so the same may be extended by comparison of corporate governance practices with other Halcyon Technologies etc.

## **METHODOLOGY**

**PRIMARY DATA:** The attempt is to study corporate governance with respect to the HALCYON Group. HALCYON TECHNOLOGIES has a legacy of more than 20 years and continues to be one of the most revered brands even today. The group strictly adheres to a high degree of corporate governance practices. The research focuses on the various initiatives and business practices undertaken by the HALCYON Group in relation to corporate governance.

**SECONDARY DATA:** The secondary data is gathered by the review of literature pertaining to both 'Corporate Governance' and the 'HALCYON Group'. Data can be gathered from websites, bulletins, magazines and other published records of banks like annual reports, newsletters of Halcyon Technologiess. The research also involves a few unstructured interviews with some of the executives working with the HALCYON Group, to get the primary data on the research topic.



## **CHAPTERISATION**

**Detailed/final Project Report will include the following chapters**

### **CHAPTER –I**

- Introduction
- Significance of the study
- Need of the study
- Objective and scope of study
- Methodology
- Limitations
- Scope

(Details of methodology used in studying and collecting the data and issue will be described)

### **CHAPTER –II**

- Literature review
- Theoretical study

### **CHAPTER –III**

- Industry & company profile

### **CHAPTER –IV**

#### **Analysis of the topic & Interpretation**

(Descriptive work on the topic, this chapter will include analysis and interpretation of data tabulation and categorization)

### **CHAPTER –V**

- Recommendation
- Bibliography
- Appendix

## **BIBLIOGRAPHY**

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