



THE HINDU

ANALYSIS

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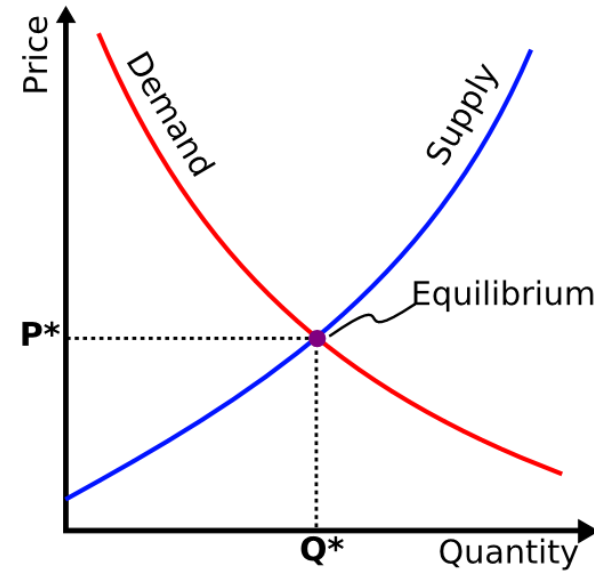
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Oil's rout

- Impact of **Coronavirus** on **global markets**
- **Saudi Arabia**: cut oil prices and increase output
- **OPEC** and **Russia** (**OPEC+**) failed to reach an **agreement** to deepen existing production cuts to cope with the falling demand.
- Oil prices crashed overnight: **\$31 a barrel**

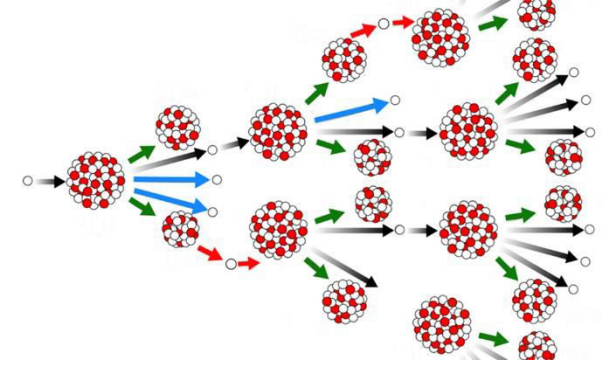


- **China** has cut its imports by a **third** from Saudi Arabia.
- If **Russia** joins the battle, oil will be around **\$20 a barrel**
- **Good news** for major consumers such as **India**.
- Bad news for the **Centre's disinvestment programme** as the sale of **BPCL** could run into headwinds.

- **Bad news** for the **big oil companies** and the **smaller shale oil players**.
- A collapse of oil producers may set off **defaults** in the **bond markets**.

The cost of a yes to a bank rescue act

- Revival package announced by SBI
- SBI Chairman Rajnish Kumar has announced that his bank is willing to outlay as much as **₹10,000 crore** to recapitalise ailing Yes Bank and restore it to health.
- Mr. Kumar's assumption is that Yes Bank would need about **₹20,000 crore**.
- There are depositors **big and small** involved who were attracted by the higher interest rate offered by private banks like Yes Bank and who would lose hugely if Yes Bank is allowed to collapse.



➤ **Firms and agents dependent** on Yes Bank for credit to **keep them in business** may find their operations disrupted and new credit lines difficult to find.

➤ Danger arises because the intervention has been much **delayed**.

➤ **Investors other than the SBI** must play an **important role** in the revival of Yes Bank.

Beneath the 'Yes mess', some stark truths

- The collapse of Yes Bank is the tale of a promoter **who ran amok**, treating a **publicly listed** bank as his **private company**.
- The bank's story is **similar to many recent stories** of large listed companies that went bust.
- **Yes Bank:** Companies Act + Securities and Exchange Board of India + Reserve Bank of India.
 - It failed in spite of all these.



- Listed companies are run by **Boards**.
- There is a CEO and Managing Director who **runs the company** but is answerable to the Board.
- But the **Board of Directors** is perfunctory.
- The Board has ‘**independent directors**’ Usually, retired top-level bureaucrats, former public sector heads, former diplomats and former generals.





➤ These independent directors **rarely perform their function** of questioning the decisions of the CEO, upholding probity, and protecting the minority shareholders' rights.

➤ It all works on **tacit** understanding.

➤ It is all **hunky-dory** and **everyone** is happy till the **cookies crumble**.

- The **real malaise** in the **system** that is causing these repetitive disasters.
- The market regulators, the RBI and other statutory authorities must now introspect and ask themselves some **hard questions**.
- You cannot have **one set of rules** when companies have a bull run and **another set** when they are floundering.

- Corporate transgressions happen in the **West** too but the regulators do not spare the promoter, howsoever **iconic** they may be.
- **Elon Musk** was recently punished and asked to step down as Tesla Chairman by the U.S.'s Securities and Exchange Commission and penalised for issues related to insider trading.
- Regulators should not punish the **company** for the sins of its promoters.

A health scheme sans clout

➤ Major focus under the **Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)**

- A. Mainstreaming transformative technologies in the healthcare ecosystem
- B. Boosting innovation in delivery

➤ **Three intentions**

1. Containing costs
2. Improving care quality
3. Bridging existing gaps in service provision



- **15th Finance Commission report** estimated that total costs for AB-PMJAY in 2019, taking then levels of hospitalisation rates and expenditure and assuming full coverage, would range between **₹28,000 crore** and **₹74,000 crore**.
- **For 2023:** more than double this range
- The implementing body of AB-PMJAY, National Health Authority, set up an “**innovation unit**” last year to promote indigenous cost-effective technologies.

- **Range of solutions:** healthcare technology startups showcase an impressive range of solutions.
- But not all innovative solutions work for **cost-control**.
- A discourse on innovation revolving around items like **telemedicine** and **drone technology** disregards other simpler, fundamental, but highly impactful items, like operational processes and business models.

- Multiple sporadic but successful precedents of such healthcare innovations already exist in India.
 - These include, for example, thorough standardisation of hospital procedures.
- **Reducing costs** through robust **procurement systems** for supplies; **cost minimising-substitutions** like using generic medicines.
- AB-PMJAY, despite having an apparently **formidable beneficiary base**, still has a **small share** in the **overall scenario of inpatient care provision**.

- This is due to low empanelment of hospitals; a **general reluctance of private providers** towards dispensing AB-PMJAY benefits; and limited **contribution** of AB-PMJAY to the overall business of hospitals.
- Government health insurance schemes have traditionally been characterised by **limited coverage of targeted population** and low utilisation rates and claims ratios, owing to such factors as **low awareness** and **bureaucratic barriers**.

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