

BusinessLine

THURSDAY, MAY 4, 2017

Downside of federalism

With States either dragging their feet on notifying the rules or watering down key clauses, RERA remains a paper tiger

It's an irony that India, which has such elaborate regulations for investor protection in financial assets — making up a small sliver of the savings pie — has none for real estate, the biggest outlay for any investor. Last year, the Centre sought to remedy this by enacting the Real Estate (Regulation and Development) Act (RERA) which proposed a basic governance framework for real estate contracts, requiring registration of players, disclosure of project details and clear segregation of funds with stiff penalties for defaults. But land being a State subject, individual States were expected to give teeth to RERA by notifying rules for active monitoring of real estate projects and players. But despite the Act taking effect on May 1, only nine of the 29 states and six of the seven Union Territories have followed through.

Worryingly, even the States that have notified rules have fought shy of straightaway adopting the Model Act and have seen fit to water down its provisions. A Crisil analysis of the newly notified State rules found that none of the nine States adopted the Act in its entirety. While RERA sought to sweep into its ambit all ongoing projects as on its effective date, Andhra Pradesh, Uttar Pradesh and Kerala have introduced clauses which allow semi-finished projects to slip out of the net. One of the most anti-consumer practices in the realty sector relates to hefty booking advances on nascent projects, with the buyer ending up bearing the risk of delays and over-runs. To curb this, RERA had proposed a 10 per cent cap on booking advances, to be levied only on execution of a sale agreement. It also required builders to rectify structural defects cropping up within five years. But many States have skipped these critical clauses. In a blow to the enforcement of the Act itself, most States have also diluted provisions that call for imprisonment up to three years or fine amounting to 10 per cent of project cost, for non-compliance with RERA. These pro-industry tweaks, taken with the fact that a majority of States are yet to notify the rules, suggests that RERA in its present form may remain a paper tiger.

But it is investors who may have the last laugh yet. In the last couple of years, with developers saddled with unsold inventory and the equity markets taking off, the Indian property market has transitioned from a seller's market into a buyer's one. The Centre's crackdown on black money and withdrawal of tax breaks on second homes have led to some permanent demand destruction and stanching the flow of capital from dubious sources too. It is high time, therefore, that both the State governments and realty players realise that this sector needs to make a tectonic shift in its way of doing business. Unless it turns more consumer-friendly, wooing back buyers and attracting the capital flows that it needs to survive will prove a tall order.

Rivalries sharpening in Afghanistan

Given the strategic nexus between China and Pakistan, it's futile to believe that India has any influence on their policies



G PARTHASARATHY

Ever since the Soviet invasion in December 1979, Afghanistan has been the virtual epicentre of global geopolitical rivalries. Afghans assert that the main cause for their misery and suffering has been the policies and ambitions of their malevolent neighbour, Pakistan. While there was a significant reduction in external rivalries immediately after the post 9/11 American-led military intervention in 2001, the prospects for reconciliation and peace in Afghanistan have now receded.

The US and its Nato allies have deep differences with Russia, China, Pakistan and Iran, on the way forward for restoring peace in Afghanistan. India and Afghanistan's Central Asian neighbours regard the role of the Taliban and its ISI mentors with deep suspicion and misgivings.

There has been no change in Pakistan's policy of seeking a takeover of Afghanistan by the radical Islamist groups it backs, such as the Haqqani Network and the Taliban. India has legitimate concerns, based on past experience, that a Pakistan-sponsored takeover of Afghanistan will lead to Afghanistan again becoming a centre for Pakistan-sponsored terrorism and aircraft hijacking, directed against New Delhi.

China has provided very little economic assistance to the democratically elected government in Afghanistan. Beijing has, however, used the ISI to strengthen ties with the Taliban while backing

Pakistan's efforts to promote a 'dialogue' between the Taliban and the Afghan government. These joint Chinese-Pakistani efforts, earlier backed by the Obama administration and designed to promote the Taliban as an 'equal partner' in its talks with the internationally recognised and elected Afghan government, predictably failed. No self-respecting Afghan government can or will recognise the ISI-backed Taliban as an equal partner in talks about the future of the country.

Legitimising the Taliban

With the Americans occupied in presidential elections, Russia entered the scene. Joined by China and Pakistan, Moscow tried to corner the Afghan government by seeking to act as a mediator/facilitator in promoting dialogue between Kabul and the Taliban.

The Afghan government was not amused and rejected Moscow's offer, which echoed Pakistan's strategic priorities. New Delhi also saw these developments as a diplomatic effort by Russia, Pakistan and China, to give the Taliban unacceptable international legitimacy. As Indian and Afghan displeasure and unease became evident, the Russians broadened the talks to include India, Iran, the Central Asian Republics and the US. The US declined to join saying that Russia had not answered its queries on what the precise purpose of the Moscow talks was.

The recent round of talks in Moscow with the expanded membership ended inconclusively. Backed by New Delhi, Afghanistan rejected Moscow's moves to act as the Good Samaritan in brokering talks between the Taliban and the Afghan government. The Taliban, in turn, with a so-called 'office' in Qatar, wants to be treated as an 'equal participant' in any talks with the elected Afghan government. Going bey-



Permanent alert In the theatre of endless wars AP

ond the limits that China has observed in its ties with the Taliban, Moscow has significantly broadened its contacts with the Taliban, in collusion with Pakistan. According to the Americans and the Afghan government, Russia has supplied the Taliban medium weapons, including machine guns. Moscow has also evidently persuaded Iran, its ally in Syria, to back its moves in Afghanistan. Given the American hostility towards it, Tehran has duly obliged Moscow, even though it had earlier worked together with India and Russia to back the 'Northern Alliance' against the Taliban.

McMaster's visit

It was amidst these developments that the US National Security Adviser HR McMaster recently visited Kabul, Islamabad and Delhi. The visit came in the wake of the Trump administration authorising the use of a MOAB (Massive Ordnance Airburst Bomb) against ISIS positions in Nangarhar province of Afghanistan, bordering Pakistan. This bombing may have looked spectacular, but was not particularly mean-

ingful. Speaking in Kabul, McMaster averred that the US was weighing diplomatic, military and economic responses to the Taliban and the ISIL in Afghanistan, adding: "Pakistan must pursue its interests in Afghanistan and elsewhere through the use of diplomacy and not through the use of proxies."

Zalmay Khalilzad, who was the Bush administration's ambassador to Afghanistan and Iraq, is now in touch with the Trump team on developments in Afghanistan. Khalilzad has indicated that the Trump administration will work with Afghanistan to make it self-reliant and prevent the country from becoming a terrorist haven again. As this will involve working closely with US allies, Trump's policies on Afghanistan are to be finalised before the G7 Summit in Italy on May 15.

While it appears evident that there will be no precipitous US withdrawal from Afghanistan, Khalilzad's remarks suggest that while the US and Nato military logistical and training missions and economic support to Afghanistan will continue, the Afghan army will

have to be professionalised and trained for combat to meet national challenges. The brutal killing of over 140 soldiers in the Northern Balkh province by the Taliban should incentivise the Afghan army to raise its levels of professionalism and strike back vigorously.

Diplomatic offensive

Pakistan's continuing links with global terrorism have been reconfirmed by information that Osama Bin Laden's successor Ayman al Zawahiri is now known to be living under ISI protection in Karachi. With US forces still fighting the Al Qaeda in Yemen and elsewhere, India and Afghanistan would be well advised to mount a diplomatic offensive in the US and elsewhere to expose Pakistan's continuing support for radicalism and global Islamic terrorism. Regionally, India will have to engage Iran, the Central Asian Republics and Russia about the need to render unqualified support to the elected Afghan government and back its efforts for internal reconciliation. In the meantime, we will have to await the result of the policy review on Afghanistan by the Trump administration, even as we continue to provide economic and military assistance to Afghanistan.

Given the growing strategic nexus between China and Pakistan, it would be futile to believe that the Afghanistan policies of either can be influenced by India. Pakistan can be persuaded to change its policies on Afghanistan only if we cooperate with others in raising the costs domestically and internationally for its army's GHQ in Rawalpindi, in co-operation with others who are similarly inclined. New Delhi will, no doubt, be considering what can and needs to be done on this score.

The writer is a former High Commissioner to Pakistan

Trump: Crazy like a fox, or just crazy?

California may hold the key to how best to oppose the US president's idiosyncrasies and lack of responsible leadership



THOMAS L. FRIEDMAN

Have the first 100 days of the presidency made Donald Trump nuts? You read all of Trump's 100-day interviews and they are just bizarre. Out of nowhere Trump tells us he would be "honored" to negotiate directly with the leader of North Korea, after weeks of threatening war. Out of nowhere he says he would consider a gasoline tax to pay for infrastructure. Out of nowhere he says he is considering breaking up the nation's biggest banks.

There's barely a dictator in the world for whom he doesn't have praise. And he repeats a known falsehood — that Barack Obama wiretapped him — and tells reporters they should go find the truth, when, as president, he could get the truth from the FBI with one phone call.

Is this a political strategy unfolding or a psychiatric condition unfolding?

Unpredictable plus

Trump was always going to be an unpredictable work in progress because he did no homework before coming to office and because he didn't know most of his cabinet members. They're bound by a shared willingness to overlook Trump's core ignorance, instability and indecency and serve in key jobs as much to restrain him as to be guided by him.

In his first 100 days, allies and adversaries saved Trump and the country from some of his most extreme, ill-considered campaign promises. His foreign policy team stopped him from tearing up the Iran nuclear deal and moving the US embassy from Tel Aviv to Jerusalem. North Korea's missile-loving dictator saved him from declaring China a currency manipulator and starting a trade war with Beijing, because Trump discovered he needed China to restrain North Korea and avoid a war.

Boeing and General Electric restrained Trump from getting rid of the Export-Import Bank, which



No paradise The world according to the DON A KATZ/SHUTTERSTOCK.COM

would have left US exporters at a big disadvantage. The federal courts prevented him from imposing his Muslim ban. Border-state Republicans blocked his Mexico wall and other Republicans are blocking his draconian replacement of Obamacare. U.S. farmers dissuaded him from walking out of that trade deal.

I am not counting on the Democratic Party. It's too weak. On the issues I care about most, I'm actually counting on California. I believe California's market size, aspirational goals and ability to legislate

make it the most powerful opposition party to Trump in America today. Trump wants to scrap Obama-era standards requiring passenger cars to average about 51 mpg by 2025. But as the Los Angeles Times recently noted, under the Clean Air Act, California "can impose emissions standards stronger than those set by the federal government, and a dozen other states have embraced the California rules".

Rule California

More than one-third of the vehicles sold in the US are subject to the rules California sets. Trump can regulate US automakers to make more gas guzzlers all he wants, but they can't if they want to sell cars in California. Ditto California companies: Apple is now powering 96 per cent of its operations around the world with renewable energy — 100 per cent in 24 countries — including the US and China. Trump's pro-coal — make-America-cough-again — campaign will never get Apple back on coal.

Also, notes Energy Innovation founder Hal Harvey: "California has a renewable portfolio standard requiring that 50 per cent of all elec-

tricity come from wind, solar and other renewables by 2030. Another 15 per cent already comes from existing nuclear and hydro — so our grid will be 65 per cent decarbonized in 13 years."

As Kevin de León, leader of the California state senate, told me: California has far more clean energy jobs than there are coal jobs in all of America, and California's now nation-leading growth rate in jobs gives the lie to everything Trump says: You can have gradually rising clean energy standards, innovation, job creation and GDP growth — all at the same time.

California is also leading the resistance to Trump's draconian immigration policies with a web of initiatives embracing tighter border controls while also creating healthcare, education and work opportunities for unauthorised immigrants who have been living here responsibly and productively.

"We have made it very clear — we will protect our economic prosperity and our values from Trump," said de León, whose legislature recently hired former attorney general Eric Holder to defend it against Trump suits. Holder is California's (and my) secretary of defense. **WT**

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Taxing everyone

In the bold article, 'We should tax agriculture. But how?' Madan Sabnavis rightly suggests tax reforms. Compared to indirect tax which is paid by each and every consumer, many manipulate to avoid paying direct tax. Instead of having slabs in IT rates, collection of IT can be based on a progressive rate starting from 1 per cent or so. Direct tax should be collected seamlessly from everyone by doing away with relief, exemption, etc which only provide scope for manipulation. All income generation should attract income tax, however small the income.

The Government, the I-T department and the finance minister should arrive at the best way of enlarging the tax base en masse, but in a progressive manner based on quantum level. Nil tax may only be given by the unemployed.

RS Raghavan
Bengaluru

Taxing every economic activity is not as tough as it is made out to be provided. Agriculture in India is believed to be weak and given sympathetic treatment by every government. But now it's been taken over by politically-motivated mafia. Therefore a lot of illegal transactions happen.

The foremost task is to create land records for every farmer. The move now to create e-mandis will bring some sense to agriculture prices. Once output sale comes under the scanner input can't continue to remain hidden. The subsidy component can be treated as tax deductible.

RK Arya
Faridabad, Haryana

Writing on the wall

AM Jigeeesh makes a spirited argument in 'Can't write off AAP just yet' (From the Viewroom, May 3). The AAP leadership appears to have become nervous after the hu-

miliating defeat in the Delhi civic elections. The writing on the wall is clear; attacking the Government in general and the PM in particular boomeranged.

HP Murali
Bengaluru

The K question

The peace process will work only if the Kashmiris are prepared to find a solution within the framework of our Constitution. India's generosity and tolerance of Pakistan's anti-India activities have led it to believe that India is a soft state. India took the Kashmir issue to the UN but the global community has not responded.

YG Chouksey
Pune

Self-help is best

The beheading and mutilation of Indian soldiers by the Pakistani army and its non-state affiliates is not a new phenomenon. The

Pakistani army denies involvement in the atrocity, but the fact remains that it carried out heavy shelling to provide cover for those who perpetrated the act to cross over across the LoC. Even their press which is always belligerent when the Kashmir issue comes up, is silent. The silence of world nations to the beheading is proof that, ultimately, India has to pursue its interests on its own. There is little likelihood of Pakistan being isolated by other countries or even being told to back off.

KS Jayatheertha
Bengaluru

January to December

The Madhya Pradesh government is the first to change the financial year from April-March to January-December. What if the academic year also starts from January? Instead of giving summer holidays, there could be monsoon holidays. Else, if all the examinations are

concluded before December, students can be given holidays from January. A 15-day break during the peak of summer can also be given.

The government-appointed committee headed by former chief economic adviser Shankar Acharya has recommended a changeover to January-December. If all the States follow suit and the Centre too falls in line, the financial year can start on January 1 and end on December 31. The April-March financial year is a legacy of British rule. Chartered accountants are of the view that the change will not impact the common man. But the taxation period will change. Girish Vanvari, head of tax, KPMG India advocates that the financial year and tax year be the same. A change in the accounting period will automatically change the date and month of presentation of the budget.

KV Seetharamaiah
Hassan, Karnataka

Who'll audit GSTN?

That's a billion rupee question

MOHAN R LAVI

If the GST Council is going to be the most powerful body in the GST era, the GST Network (GSTN) would be the most critical one. GSTN is a not-for-profit company set up primarily to provide IT infrastructure and services to the Centre and States, tax payers and other stakeholders for implementing the GST.

The objective of GSTN is to ensure that there is a strong IT infrastructure and service back bone, which enables capture, processing and exchange of information among the stakeholders, which would include tax payers, States and the Centre, Accounting Offices, banks and the RBI. Even before it could process the first invoice under the GST, GSTN is already hitting the headlines.

First, it was in the news for its shareholding pattern—the Centre and States each hold 24.5 per cent in GSTN; LIC Housing Finance holds 11 per cent; while HDFC, HDFC Bank, ICICI Bank and NSE Strategic Investment Company hold 10 per cent each. Questions are already being asked as to what business private companies have with an organisation mainly supporting the Government in managing a large tax database. Principally, it centres around a concern over data security.

The Government says the data would be confidential but right now it is nothing more than an assurance. Another question is whether the Comptroller and Auditor General of India (CAG) can audit the GSTN. The CAG feels it has all the powers to do so; while the GSTN says it is best audited by a third party.

Choose your auditor

Sections 139 and 143 of the Companies Act, 2013 categorically mention that the CAG can audit a company which is either owned or controlled by the state. The GSTN

website is full of facts as to how several measures of strategic control of the Government over GSTN have been envisaged and included in the Articles of Association of GSTN.

An audit of GSTN can be segregated into three areas: GSTN's own books, the GST tax data, and the IT infrastructure created by the GSTN. The CAG and GSTN have no dispute on the technology bit but disagree on the rest. Technically, the CAG can audit all receipts and expenditures of a body or an authority if it receives substantial grants and loans from the governments.

In its startup phase, the GSTN has funded itself with grants from the Government as well as some bank borrowing. Once the GST is rolled out, GSTN has a revenue model in place and would not depend on the Government. On the contentious issue of tax data, the



GSTN says it holds the data in fiduciary capacity and that the CAG can gather the data from the States and the Centre or the Central Board of Excise and Customs.

This argument may not fly with the CAG because past experience in terms of accuracy of tax data from State governments has not been good. The Centre had to get into long and protracted negotiations with States to settle their promise of compensating them loss of revenue due to reduction of Central Sales Tax—primarily due to lack of authentic data with both on the quantum of revenue loss.

The solution to this impasse between CAG and GSTN on audit doesn't need much deliberation. The arithmetic accuracy of the books of account of the GSTN can be audited by any firm of accountants. Since the CAG mostly do proprietary audits, it is necessary that the tax data and infrastructure be audited by the government auditor.

The writer is a chartered accountant

Equalisation levy: tread with caution

Government must ensure that its efforts to tax the digital economy do not stymie India's startup growth

VIKAS VASAL

Thanks to the internet, information and services industries today addresses a world without boundaries. In an increasingly connected world, geographic proximity or nearness to customers — importance of which is taught in most business textbooks — has lost its relevance.

This, however, poses many challenges while taxing and regulating industries even as governments struggle to augment revenue collections. The situation has reached an alarming stage after the financial crisis of 2008, bringing developed and emerging economies together to review business models and usher in more tax transparency.

BEPS action

The Organisation for Economic Corporation and Development (OECD), at the behest of G20 countries, prepared an action plan against the tax avoidance strategy of Base Erosion and Profit Shifting (BEPS). In its first action plan, 'Addressing tax challenges in digital economy', OECD proposed options to overcome tax challenges the digital economy brings.

These include a new nexus approach in the form of a significant economic presence, withholding tax on certain types of digital transactions and equalisation levy.

Globally, nations have tried to tax the digital economy through a combination of measures such as introduction of specific provisions under their domestic tax law, anti-avoidance rules and levy of consumption tax.

The UK has introduced Diverted Profit Tax (DPT) — 25 per cent on profits generated in Britain. Similarly, Turnover Tax has been introduced in Argentina at the rate of 3 per cent on off-shore foreign companies providing e-services.

Australia and Japan have also started taxing digital transactions

under their domestic value-added tax/ Goods and Services Tax law which were earlier not taxable in absence of a foreign company having local presence.

Our efforts

In 2001, India's Central Board of Direct Taxes set up a high-powered committee on e-commerce taxation. The panel recommended that the Government should take steps to find an alternative to the concept of Permanent Establishment (PE) as it does not ensure certainty of tax burden and maintenance of equilibrium in sharing of tax revenues between countries of residence and source for taxpayers in e-commerce.

In 2013, while analysing taxability of payments made for online advertisements in the case of Right Florists, the Kolkata tax tribunal has noted that the traditional concept of PE was conceived when internet and e-commerce were not even on the radar. In modern day, virtual presence through internet can be as effective as physical presence for carrying on businesses.

In 2015, India set up another committee on taxation of e-commerce. Taking a cue from options analysed in OECD's BEPS Action Plan 1, it proposed an 'equalisation levy' on 12 digital services. This was introduced on online advertisement and some related services as a separate chapter in the Finance Act 2016.

Since, it was not a part of the Income Tax Act, equalisation levy was independent of taxability of the income embedded in the said services.

However, to avoid double taxation, the income tax Act was amended to provide that the income which is chargeable to equalisation levy shall be exempt from levy of corporate income tax in the hands of the service provider.

A person carrying on business or profession in India or a non-resident



The e-com boom Let's make it less taxing. BLOOMBERG

ident having a PE in India is required to deduct equalisation levy at the rate of 6 per cent on the consideration paid or payable for the specified services.

However, if the non-resident service provider has a PE in India, through which such services are rendered, equalisation levy shall not be applicable. Exemption has been provided for small payments where the aggregate payment for such services by the remitter during a year does not exceeds ₹1 lakh.

Have a clear agenda

Introduction of equalisation levy serves the need for collection of tax on digital transactions without getting into the tedious task of amending existing income tax regulations and tax treaties.

On the other hand, it would increase cost of doing business in India for non-residents service

providers, as they may face difficulty in claiming credit for this unilateral levy against the taxes paid in their home jurisdictions.

This problem is further compounded by the fact that tax rate of 6 per cent on the gross receipt would mean that profits to the extent of 15 per cent of the sales are allocated to the Indian customer base. Depending on profitability of each enterprise, this may be on a higher side as compared to a situation, where non-resident carries business through a PE in India.

Further, given that the responsibility of deduction of equalisation levy has been fastened on the remitter, there is a high probability that non-resident service provider may seek net of tax payments i.e. any tax cost may have to be borne by Indian customer.

On account of limited bargaining power, this could prove to be a

setback for startups since they would be required to incur higher advertising cost, thus increasing their cost of doing business.

There are other implementation challenges as well, such as lack of mechanism for determination of nature of service, lack of clarity on the mode of determination of PE of the service provider, etc. While equalisation levy is currently levied on online advertisement, etc., its scope may be expanded over time, as recommended by the expert committee, to cover online sale of goods and services, software, movies, music, etc.

Considering the impetus of the Government on enhancing 'ease of doing business' in the country, it is important that we tread this path with caution.

The writer is Leader-Tax, Grant Thornton in India. With inputs from Gaurav Mittal

5 THINGS to WATCH OUT for TODAY

- The National** Company Law Appellate Tribunal will consider the maintainability of ousted Tata Group chairman Cyrus Mistry's petition alleging "mismanagement and oppression of minority" at Tata Sons, along with waiver of shareholding requirement rules.
- Sanitation** rankings of 434 cities and towns in the country will be out today. This follows the field inspection of 17,500 locations to determine the impact that the Swachh Bharat Mission has made on the ground.
- A one-day** special session of the Haryana Vidhan Sabha is scheduled today to take up six bills including the State Goods and Services Bill 2017. While concerns are being expressed by the Congress about how it will impact the revenue of Haryana, the BJP government says it will prove beneficial for Haryana's economy.

Toyota is planning to add a new variant to the multi purpose vehicle with the new Innova Crysta Touring Sport today. The Crysta was launched in India a year ago, replacing the popular MPV, the Innova. The car was launched as Innova Crysta Venturer in Indonesia.

The SC order to conduct medical examination of Calcutta HC judge CS Karnan will have to be executed today. A seven-judge bench headed by Chief Justice of India JS Khehar passed the unusual order as the court felt that Justice Karnan is not "medically fit" to defend himself in the controversial case against him.

The revenge of the papyrus and other trends

JINOY JOSE P

THE CHEAT SHEET

What happened to good old paper?
It's making a comeback. Or so it seems.

Where?
In publishing, in the form of physical books. The numbers suggest their sales are growing.

Oh. What about our new-gen e-books?

Their prospects don't look rosy as things stand now. The Publishing Association of the UK, an important market for books, show the sales of e-books have fallen 17 per cent, while the sales of physical books are up 8 per cent. Granted the numbers don't include self-published books which form a decent chunk of the e-publishing market. Experts say the trend is more or less the same across the globe. Not many people are buying e-books now. And all the signs suggest that the hype around e-books is sort of settling down.

But why? I like my Kindle. Besides, carrying and reading e-books is very convenient.

In a way, the writing's been pretty much on the wall for e-books. Just a couple of months ago Nielsen released the 2016 figures on book sales: the numbers suggested physical sales were up in the UK and the US, two major book markets. The Nielsen survey found that UK e-book sales had declined 4 per cent in 2016, the second consecutive year digital has shrunk. The five biggest general publishers in the UK — Penguin Random House, Hachette, HarperCollins, Pan Macmillan and Simon & Schuster — said their e-book sales collectively fell 2.4 per cent in 2015.

And there were other early signs as well from other parts of the world. If you remember, services such as Oyster, which many dubbed the Netflix for books, shut shop in 2015. Kindle Unlimited is also struggling to attract more users. Yes, e-reading devices are convenient, but many point out that even a decade after

Kindle was introduced by Amazon, not much has changed in its form or user-friendliness. Plus, many suffer from 'screen fatigue' using e-readers.

That's true.

But at the same time, partially thanks to competition from e-books, physical books have seen a massive transformation in their production, distribution and pricing departments. Thanks to advancements in printing technology, physical books are now more beautiful than they ever have been. They have added more colours, developed layers and folds, and even gone 3D, making them popular among young and emerging readers who in the past were the first to take to e-reading. Publishers across the globe, especially those of children's books such as Scholastic, now produce books that look better, read better and interact better with children.

That's cool. I have noticed that physical books have become more affordable of late.

Yes, that's also a factor. Today, the price difference between a new book's physical and electronic editions is not significant. So in markets such as India, where consumers always look for some value addition, physical books, if affordable, become the primary choice of consumers.

Makes sense. But is this going to be the end of the road for e-books?

Unlikely. Digital reading is witnessing saturation across advanced markets where all those who could afford to buy a smartphone have one already. Publishers want to stay positive and say the current trend is about e-books finding their "natural level". It's a season of correction. With literacy levels and access to technology improving in the developing world, e-books will eventually find more takers thanks to their affordability and availability. Either way, this is only going to help the publishing industry, which has found a new rhythm.

A weekly column that helps you ask the right questions

BusinessLine TWENTY YEARS AGO TODAY

MAY 4, 1997

Experts say farmers will lose out

In contrast to the farmer leader Mr. Sharad Joshi's demand for discarding the present cost-based minimum support price (MSP) system for foodgrains and replacing it with a market-determined and world price-linked procurement price regime, there are many experts who feel that such a move would adversely affect the farming community's long-term interests. Those who disagree with Mr. Joshi's views primarily question his assumption that the international wheat price is synonymous with the free-market "equilibrium" price. The fact is that world foodgrain prices are as distorted as domestic prices. These, in turn, result from the high subsidy levels enjoyed by farmers of major Western grain producers as well as the limited size of the global trade in these commodities.

UCO Bank to dispense with casual employees

Uco Bank has decided to dispense with the services of casual employees in its branches and offices throughout the country. A beginning has already been made. The zonal manager of the bank in Bihar has stopped employing casual workers in branches under his jurisdiction. "Other zones will follow suit. We have already issued instructions to different zonal offices, branches and others in this regard," said a spokesman for the bank.

Drug industry awaits verdict on price control

The pharmaceutical industry awaits a final verdict from the Ministry of Chemicals and Fertilisers on the review of the applications sent by over 30 companies for the removal of price control on 19 drugs. Though the applications have been scrutinised by the Department of Chemicals and Petrochemicals way back in the latter half of 1995, a final nod is still awaited from the Ministry.

EASY

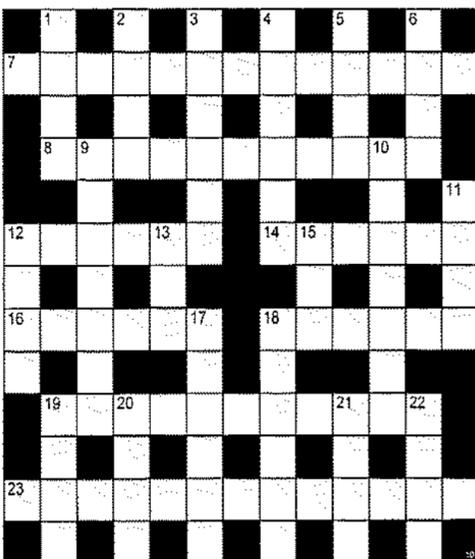
- ACROSS**
07. Fire-screen lowered in theatre (6,7)
08. G and T (3,3,5)
12. Dietetic drink (6)
14. Tends the sick (6)
16. Behaves as pendulum (6)
18. Stock of wine (6)
19. Punishing, rebuking severely (11)
23. Benevolent, doing good to others (13)
- DOWN**
01. After-taste (4)
02. Bracken (4)
03. Young swan (6)
04. Sheep meat (6)
05. Knock out (4)

06. Bluish-white metal (4)
09. Influence the mind artistically (7)
10. Extract used for diabetes treatment (7)
11. Former Russian monarch (4)
12. Drive forward (4)
13. Ovum (3)
15. Central American rubber (tree) (3)
17. Woman-headed Greek mythological creature (6)
18. Way batsman may be dismissed (6)
19. Black eye-colouring used in Asia (4)
20. Slippery fishes (4)
21. Do laundry-work (4)
22. Broad smile (4)

SOLUTION: BL Two-way Crossword 841

ACROSS 1. Harpsichord 7. Recluse 9. Port 11. Found 12. Beaten 14. Attribution 18. Hectic 20. Opera 22. Rare 23. Eye-wash 24. Reticulated
DOWN 2. Account 3. Item 4. Roost 5. Graft 6. Stone 8. Underpin 10. Dextrose 13. Ebb 15. Operate 16. Charm 17. Maths 19. Curve 21. Beau

BL TWO-WAY CROSSWORD 842



NOT SO EASY

- ACROSS**
07. Sort of match the drape that comes down in the theatre (6,7)
08. Is into dancing with spirit and its mixer (3,3,5)
12. Sheriff's men come to top of trail for old health drink (6)
14. Nannies are certain to be upset when among Poles (6)
16. Is hanged if one will find them in a playground (6)
18. Underground store may have salt in it (6)
19. Old naval punishment like a lung he may have damaged by it (11)
23. Contributing to general welfare could put Philip on chart (13)
- DOWN**
01. A distinct flavour of something biting that arises (4)
02. Plant first of roses in a boggy tract (4)
03. Seal ring soundly for a young mute (6)
04. Whiskers found on this meat

- chop (6)
05. The street of the peacemakers will be astounding (4)
06. The 26th in the third metal (4)
09. Give one the artistic impulse to take a breath (7)
10. Protein hormone gives us nil in the mixture (7)
11. One such as Ivan involved in the arts (4)
12. Press against us in a public house initially (4)
13. It has a shell, or it may be a bomb (3)
15. Crude rubber turning up among the lumber (3)
17. Riddle poser taking ship around north before ten (6)
18. Hug cat trapped in such a way (6)
19. Eye-black can soundly be burnt (4)
20. Fishes in creels lack credit (4)
21. Neither alternative one puts up for the club (4)
22. Look amused and ring the last first (4)