

GST Does Not Call For Distress Sales

Clear policy, communication will end confusion

A fire sale ahead of the roll out of the goods and services tax is undoubtedly beneficial for consumers, but disruptive for industry and the overall economy. Retailers have been forced to sell all kinds of products at heavily discounted prices to clear stocks. Nor do they intend to replenish stocks till GST has rolled out. That, in turn, forces a production slowdown as well, to make faltering industrial production even weaker. This kind of disruption arises from misconceptions, lack of clarity on the tax department's part and poor communication of whatever clarity it has. This must change.

Dealers worry that the transition rules will not allow them to claim over 40-60% tax credit on the excise duty paid by the manufacturer on goods in their showrooms after June 30. The tax department is to blame for this fear. The sale invoice that stockists and distributors have from manufacturers will obviously not mention how much excise the manufacturer has paid. But since the manufacturer has sold these goods



with an invoice, there is every reason to assume that the excise duty payable on them has been paid in full, and the stockist/distributor must get full credit for it, and not just 60% of the due. Some banks are reported to be adding to the confusion, advising clients to buy now as GST could push prices up. Other vested interests are also in the fray, to create confusion and mobilise sections of the population against the new tax. Tobacco traders are reportedly instigating farmers claiming that the 5% reverse tax farmers will collect from tobacco buyers will constitute an equivalent reduction in the net price they receive. This, of course, is nonsense, as the buyer can take credit for this 5% tax paid when they pay GST on subsequent value addition to produce tobacco products, all of which now come under the tax net. The government must take a tough stand against those seeking to create confusion over GST.

The first step is for the government's own policies to be logical and clear, giving full credit for the excise paid on stocks. That would put paid to distress sales over GST.

Fed Rate Hike: From Tantrum to Lullaby

America's Federal Reserve raised the federal discount rate by 25 basis points on Wednesday. It would be an exaggeration to say that it produced not even a ripple, but the impact of such a move has been markedly tepid, compared to the virtual storms of volatility earlier hints at, leave alone preliminary moves towards, ending the policy of extra-loose monetary policy used to produce till recently. Yes, the dollar has strengthened against the yen, the euro and the British pound marginally, and dollar-denominated commodity indices have been hit.

Stock markets in Asia and Europe moved down. But markets were more perturbed by weak consumer prices and political uncertainty over investigations into President Trump's conduct than by the Fed's announcement that it would raise rates once again in the current year. India has weathered the Fed rate hike extraordinarily well. The rupee has marginally strengthened, even though the markets saw some slight decline. Now that the Fed has announced both another rate increase and decumulation

of the trillions worth of bonds it had purchased to inject liquidity into the system, the markets are likely to price this information in, rather than be hit by extreme volatility when these developments come to pass. Right now, India has to worry more about domestic economic developments rather than about disruptive external events. World growth remains modest but is pointed in the positive direction and advanced country interest rates are likely to move steadily up.

What all this means is that Indian policymakers have to focus their energies on addressing the twin balance-sheet problem, resolving the banks' bad debt that also double up as unserviceable loans on overleveraged companies' books. The Fed will do what it must and Indian authorities must act likewise.

Lies, Damned Lies And The Internet

Even the best of us can get tempted by the easy availability of the Internet. The recent allegations blowin' in the wind about Bob Dylan plagiarising a website for parts of his Nobel Prize speech may be just that - wind - but there is definitely reason to believe that the Internet can lead people astray, deliberately or unwittingly. And governments appear to be particularly susceptible. Indeed, two examples this week actually show that the bureaucracies of India and Pakistan remain remarkably alike. If India's home ministry has been left red-faced after a photo purporting to be the lit-up border with Pakistan showed a mysterious waterbody that turned out to be the Strait of Gibraltar, New Delhi's Red Fort complete with the Indian tricolour aflutter on the ramparts was sought to be passed off as Lahore Fort by Pakistan at an exhibition in China.

Admittedly, it is easier to mistake one Mughal fort for another than it is to pass off the Spanish-Moroccan border as the India-Pakistan one, but the misleading tendency of the Internet cannot be denied. One wrong or omitted keyword will throw up a myriad of incorrect information. Conversely, as Dylan's speech controversy has demonstrated, the Internet gives also endless enjoyment to those determined to prove nothing is ever original anymore. And that may well be true.

Global innovations force-fitted in India won't make an impact. India-specific ones will

Innovation, with the Nation



Binny Bansal

There are few countries that enjoy the advantages India does when it comes to its ability to stimulate growth. We are in a sweet spot on the demographic curve, with the majority of our population young and productive. Their aspirations, and natural inclination to embrace new technologies, has transformed India into an economic power within just a couple of decades after liberalisation.

But the benefits of liberalisation—increased industry, trade, foreign investments, modernisation and technological advancements—are yet to percolate evenly to marginalised sections of India's population. There are villages that still don't have access to very basic services such as electricity, roads and sanitation.

Which may be why India doesn't need moonshot ideas like drones, self-drive cars, domestic robots for now. What we need is to empower the downtrodden section of society to be more productive. For a country of 1.2 billion, it's not an easy task.

How do we do it? Innovation is the short answer. The nuanced one is India-focused innovation. As a nation and civilisation, we have an early history of innovation—think Indus Valley Civilisation—even if the rest has been largely fragmented. Still, India ranked 60 in the Global Innovation Index 2017 (goo.gl/00oA8V) that was released on June 15, moving

up from 66th position in 2016. While the report necessitates some introspection, inferring our innovation capability solely on its basis may be stretching it a bit. There are scores of examples of great recent innovations that are not only uniquely Indian, but are also innovations that remain unmatched anywhere else in the world.

Home-Developed Techs

Take Isro (Indian Space Research Organisation), which is challenging the might of the US's Nasa (National Aeronautical and Space Administration) and the European Space Agency. Isro has demonstrated with alacrity that it needn't cost the world to send a space probe out of this world.

Its use of home-developed technologies, a less-complicated payload design, simpler mechanics and cost rationalisation are all innovations we are proud of. Isro's odyssey to Mars with the Mangalyaan probe, on a shoestring budget of just ₹450 crore (about \$73 million) isn't something any other space agency can emulate. More recently, Isro's launch of 104 satellites on a single rocket underscored its innovation prowess, the kind India desperately needs in all fields.

Then, there's the unique India-specific innovation our telecom industry made in the early 2000s. Low-cost prepaid mobile telephony—₹50 for a SIM card inclusive of talk time—made little business sense. The cost of telecom licences were steep and mobile penetration, by extension revenue, was low. It also had no other global precedence.

But our telecom industry recognised a critical differentiating factor India had: millions of people at the proverbial bottom of the pyramid. By innovating for them, a market with vast opportunities waiting to be unlocked, the industry turned that demograp-



Branching out: Dada, Subodh Gupta, 2013

hic into its biggest customer base. Innovations like that, and recharge sachets of ₹5 and ₹10 fanned a revolution that transformed India into the world's second-largest telecom market in terms of mobile phone users and, subsequently, Internet users.

Internet penetration in Indian cities and villages has been nothing short of phenomenal, even if we lagged developed nations in terms of speed. When we started Flipkart in 2007, we were of the view that Internet usage in India was on the cusp of a breakthrough. While the start was alright for Flipkart, we quickly hit a major bump when we wanted to scale up. Indian customers weren't willing to pay first and wait for a product to be delivered later. We needed a long-term solution.

Easy Ways to Pay

In 2010, Flipkart launched cash on delivery (CoD) on scale in India, an innovation that ushered e-commerce and helped build trust among customers for shopping online. CoD was a game-changer. It turbocharged our growth, which, in turn, acted as a catalyst for India's nascent startup industry. Flipkart's innovation DNA runs deep to this day, with initiatives such as 'No Cost EMI', which has made quality products af-

fordable and accessible to millions.

The other large-scale India innovation that empowered people is India Stack, on which Aadhaar is based. It is the one innovation that couldn't have been conceived anywhere else. Our 1.2 billion population, widespread illiteracy and population migration necessitated a governance solution to ensure equal and unfettered access to public services for everyone. India Stack has brought millions into the formal economy, ensured government services are delivered efficiently and helped plug leakages that earlier cost the exchequer hundreds of crores of rupees.

Global innovations imported and force-fitted in India are unlikely to make an impact, because they lack the Indian context. India needs innovations in mass transport, healthcare, education, waste management, urban planning and traffic—all of which should be geared to the way we want to develop as a nation, which could be unique and different from how other countries have prospered.

In 2010, the president announced 2010-2020 as the 'Decade of Innovation'. We're well past the halfway mark. This may be a good time to assess how we're doing.

The writer is Group CEO, Flipkart

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WIT & WISDOM

"It's better to be good than evil, but one achieves goodness at a terrific cost."

Stephen King
Writer

Work Life: Gender Gap

Gender gap is one of the most pressing labour market challenges facing the world. In fact, women are substantially less likely than men to participate in the labour market: the current global labour force participation rate for women—at just over 49%—is nearly 27 percentage points lower than the rate for men in 2017 and likely to remain unchanged in 2018, according to an ILO report. Here's a region/income-wise picture...

Region/Income	Men (%)	Women (%)	Gap (%)
World	76.1	49.4	26.7
Developing countries	82.6	70.3	12.3
Emerging countries	77.5	46.9	30.6
Developed countries	68	51.9	16.1
Northern Africa	74.1	22.9	51.2
Sub-Saharan Africa	76.3	64.6	11.7
Lat Am & the Caribbean	78.3	52.7	25.6
Northern America	68.3	56.2	12.1
Arab States	76.4	21.2	55.2
Eastern Asia	76.8	61.3	15.5
South-Eastern Asia and the Pacific	81.2	58.8	22.4
Southern Asia	79.4	28.6	50.8
Northern, Southern & Western Europe	63.8	51.3	12.5
Eastern Europe	68.1	53	15.1
Central and Western Asia	73.5	44.1	29.4

*Projections; Lat Am: Latin America

MEME'S THE WORD



Till the Cows Go Home



Abheek Barman

On April 1, 55-year-old Pehlu Khan, who was transporting cattle to his dairy farm, was beaten to death by cow vigilantes in Alwar, Rajasthan. Exactly a week later, a three-judge bench of the Supreme Court asked the Centre and the governments of Rajasthan, Gujarat, Maharashtra, Karnataka, Jharkhand and Uttar Pradesh to respond to an appeal to ban gau rakshak groups within three weeks.

Never mind. In May, the Union government banned trading of all cattle for slaughter: including buffaloes. Most states in India, except Bengal, Kerala and in the north-east, have some sort of ban on killing cows. Buffaloes—or carabeef—was exempt from the ban and acts as a dietary substitute for beef.

The hide of buffaloes is tanned and used to produce high-quality leather to make shoes, bags, belts and so on. The leather business is concentrated in Agra and Kanpur in UP and parts of Bengal.

Cattle bones are a principal source of gelatin, a colourless, flavourless collagen that is widely used in a range of industries. Its utility was first discovered in the processed food business, where gelatin acts as a stabiliser and thickener. When you eat jelly, marshmallow, yogurt, cream cheese, margarine among other things, remember the contribution of cattle to these delicacies.

Later, gelatin became extensively used in photographic film and paper to make medical capsule shells as a binder for matchstick heads and sandpaper. And, it is a major component in many cosmetics, including

lipstick. The human cost of cattle vigilantism has been terrible. Its economic costs are equally high. On June 14, Reuters reported large-scale layoffs in the leather industry in UP. Its government closed down all abattoirs, except those sanctioned by municipal authorities. Tanneries have been hit hard by the shortage of leather. Large trading markets, which earlier saw 1,000 cattle change hands every day, now see volumes down to barely 100 daily.

With income losses, overall demand for everything is shrinking. As supplies of cattle fall rapidly, two things have happened: one, the price of carabeef is headed northward. For example, before Maharashtra enacted sweeping bans on cattle slaughter, 100kg of animal weight sold for ₹10,000 to ₹11,000. Today it sells for ₹13,000 to ₹14,000.

Two, with a sharp reduction in supply, India's exports of carabeef—or buffalo—have shrunk. In 2014-15, India was the world's largest exporter of buffalo meat. The major markets were China, Southeast Asia and Africa. During the UPA-2 regime, these exports rose from \$1.16 billion in 2009-10 to \$4.78 billion in 2014-15. Since 2014, India's buffalo exports shrunk to \$4.07 billion in 2015-16. India lost its Number 1 rank to Australia.

There's another problem: a cow is useful as long as it yields milk. Once it goes dry, what is the dairy farmer going to do with it? The cost of feeding each animal is roughly ₹100 every day. Earnings from a barren animal is zero. Selling it off for slaughter would fetch ₹15,000 to ₹20,000 per head of cattle.

Now, with around 80% of India's states banning cow slaughter, the dairy farmer has no option but to let barren cows roam free and forage for whatever they can find to eat. Unsurprisingly, since comprehensive bans were imposed in many states, conflict simmers between dairy farmers and those who grow cereals, lentils and vegetables.

Feral cows now barge into cropland, eating whatever is growing. Farmers are furious at this new source of pestilence. Dairy men throw up their hands and say they have no option but to let dry cattle forage for themselves. Both are correct. It's a losing proposition for everyone.

In November 1966, 10 months after Indira Gandhi became prime minister, the RSS and other Hindu organisations launched a massive agitation to ban cow slaughter. Indira Gandhi refused to give in. A mob of 10,000 people tried to storm Parliament but were repelled. They then rampaged through Delhi, burnt down the home of Congress president K Kamraj, until a 48-hour curfew was called and the protest petered out.

Today, the BJP is trying to woo Dalits. Cow vigilantes should realise that Dalit Hindus play a major role in the cattle and leather business also—as skimmers and tanners of hide, cleaners of carcasses and so on. 'Sabka sath, sabka vikas' (With everyone, development for everyone) was one of Prime Minister Narendra Modi's campaign slogans. It's time he reined in cattle vigilantes to keep that promise.

Citings

Unhealthy Tendency

ELISABETH ROSENTHAL

I trained as a physician and then came to The New York Times in the 1990s to cover the Clinton Health Reform Act...Whether it's the Affordable Care Act or a Republican replacement, until we get these prices and costs under control, nothing is going to work very well for patients. Patients are and should be the focus of this endeavour we call medicine. But more and more, it's the business incentives that has become the primary driver. As someone who trained as a physician, and my dad was a doctor, I found it really disturbing. It's fine for me if people make profit, but they should make profit out of doing things that are best for patients. Instead, what we see is often profit without regard to whether there's actual medical benefit, and that's a sad state to be in. That's a big part of why our costs are so high. I think this is a horrible burden to put on patients, especially when they're sick, to say, "Oh yeah, shop around. Ask your doctor how much it's going to cost. Say no if you think you're not getting good value." No other country puts that kind of burden on patients, frankly. Before I dug into this system and understood what levers I could push, I would just throw up my hands and write the check and think, "Oh my God, this is crazy. But what can I do?" I think the first point of information is for people to understand that you can question bills in healthcare as you would in any other sector.

From: More Money, More Problems: How Profit Hijacked US Health Care



Leather forecast



Vedantic Wisdom

PRANAV KHULLAR

The Ramayana is the story of Rama. But more significantly, the epic provides a peephole into Vedantic wisdom on the nature of existence, reality and governance. Vasishta's sagacious discourse to Prince Rama was offered at a moment of confusion and crisis in the young prince's life, when he was beginning to feel a surge of vairagya at a tender age. While extolling the vairagya state of Rama, Vasishta initiates Rama into the deeper ontological questions of existence and the nature of the mind. Vasishta begins by emphasising moral excellence, a pre-requisite for any true seeker.

The world of phenomena is nothing but a creation of the mind, a jugglery which is to be detected through self-inspection and analysis. Vasishta postulates some aspects of Vedanta. He details the position of the individual soul vis-a-vis Brahmam, comparing it to a universal mirror which reflects the world as it is, with Brahmam alone being the substratum of this existence. Vasishta reinforces the imaginary nature of the universe by narrating this story: A meditating Sukracharya gets distracted by a celestial nymph, and slips into a reverie that leads him to attachments, a series of births, till he is 'rescued' from the true state and shown his true nature as the meditating Sukra.

Rama is called upon to follow the example of Uddalaka, the Upanishadic sage who practiced pranava yoga to master his mind and senses and who attained pure consciousness by withdrawing into the self.

Chat Room

Make Farming Profitable

Apropos 'The Great Indian Crop Trick' (Jun 15). Loan waivers undoubtedly put finances of states governments in disarray, and therefore governments must come up with strategic solutions to tackle agrarian distress. Some states have granted and others are in the process of announcing such waivers to keep up with their poll promises. Agitations only create chaos, and the need is to look at alternate solutions such as relaxing the repayment tenure.

MONIKA ADWANI
Indore

Anti-Profitteering Rule: Scrap It

The proposed anti-profitteering rule in the goods and services tax is arbitrary and will hurt businesses that need to grow and make profits. An authority to check whether manufacturers and service



providers pass on the benefit of a lower tax burden on their supplies to consumers raises the scope for subjectivity, given that complaints can also be triggered by business rivals. The competition regulator can always step in if there is collusion to prevent competition. Let's not go back to the bad old days of raid raj.

CL SURI
New Delhi

A Rich Diet Needed

Suggestions such as a pregnant women should shun non-vegetarian food are bizarre, even if they are based on wisdom accumulated over the centuries in the practice of yoga. Nutritional deficiencies afflict millions of pregnant women in the country. They need diet rich in folic acid, calcium, iodine and protein. Shunning non-vegetarian food does not appear to be a pragmatic solution to the lingering problem of maternal malnutrition in the country.

M JEVARAM
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