



EBooks: Building Blocks Of India's Knowledge Economy

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Authors: Renjini Rajagopalan, Akshay Agarwal, Shyam Sundar Sridhar

Research Lead: Aparajita Bharti

INTRODUCTION

Compared to print books that have been around for centuries, eBooks have only been around for 47 years or so. 'Project Gutenberg' created by Michael Hart in 1971 was the beginning of the process of book digitization¹. The oldest digital library in the world, Gutenberg was created with the goal of making literary works available for free in the public domain². Though still at a nascent stage of market development, eBooks have slowly gained a foothold, given their many advantages including easy accessibility, lower costs (compared to print books), and portability. The proliferation of the internet and the increasing thrust by governments across the world to move towards a digital economy, have also contributed towards expanding the market segment for eBooks. Reading habits in the digital age mirror the overall consumer preference for personalized, customized and interactive content, which eBooks are capable of delivering. This trend was first witnessed in developed economies but emerging markets are following suit too. A 2014 survey by the Chinese Academy of Press and Publication revealed that 58.1% of China's reading population read digitally, which was an 8% increase from 2013, and more importantly, also marked the first time when digital reading surpassed paper reading by the reading population³. India's reading habits are likely to follow the same trajectory as China as more and more people come online. In fact, the 2015 Nielsen India Book Market Report revealed that 56% of the respondents surveyed in urban India bought at least one eBook a year and nearly half of these bought at least 3-4 eBooks a year, indicating a growing demand for digital books in India⁴.

GLOBAL ePUBLISHING

The term 'ePublishing' has been loosely defined by the Cambridge Dictionary to mean the 'the production of books, magazines, newspapers, etc. that can be read using a computer, for example on the internet or on a CD'⁵. The ePublishing sector consists of both reproduction of existing print content in an online and digitized format, as well as the production of new content exclusively for online consumption. Both are accessible in a variety of formats as well as across a variety of devices. The global ePublishing market segment size is about USD 16.6 billion in 2017 and accounts for one-sixth of the total Digital Media market segment. U.S., China and Europe account for 78.5% of the global ePublishing market and a total revenue of USD 13.0 billion⁶. Of all ePublications, which also include segments like digital magazines and online newspapers, eBooks are the core market segment across all regions mirroring the offline market, with total revenues amounting to USD 8.8 billion in 2017⁷. This amount accounts for 53.0% of the global ePublishing market⁸.

¹ Publishers Law Book, FICCI Report (2013-14), available at <http://ficci.in/spdocument/20194/Publishers-Law-Book.pdf>;

² Marie Lebert, *The Project Gutenberg EBook of Project Gutenberg (1971-2008)*, 26th October 2008, available at <http://www.gutenberg.org/cache/epub/27045/pg27045-images.html>;

³ Gaurab Dasgupta, India's publishing sector: the present and future, Business Standard, New Delhi, 14th March 2016, available at http://www.business-standard.com/article/economy-policy/india-s-publishing-sector-the-present-and-future-116011000310_1.html;

⁴ *With growing e-commerce, Indian book market all set to become Rs 739 billion industry by 2020*, YourStory, available at <https://yourstory.com/2015/12/indian-book-market/>;

⁵ Definition of "ePublishing" from the Cambridge Business English Dictionary, Cambridge University Press, available at <https://dictionary.cambridge.org/dictionary/english/e-publishing>;

⁶ Digital Media Report 2017, Statista Digital Market Outlook – Segment Report (December 2017), available at <https://www.statista.com/>;

⁷ Ibid

⁸ Ibid n. 6

THE INDIAN PUBLISHING SCENARIO

According to the 2015 Nielsen report on the India's Book Market, India is home to both over 9,037 publishers who directly employ over 40,000 people, as well as to over 21,800 organized and unorganized book retailers. India's overall book market, worth INR 261 billion (USD 4 billion⁹) in 2015 is understood to be the 6th largest in the world, the 3rd largest with respect to books in English¹⁰, and is expected to grow at a CAGR of 19.3% to touch INR 739 billion (USD 11.3¹¹ billion) by 2020¹². However due to a lack of regular market analysis¹³, estimates with respect to its worth¹⁴ and its exact growth potential¹⁵ vary. Nevertheless, there is uniform consensus on the sector's upward growth, with the same being attributed to a variety of factors, including India's economic boom¹⁶ and the country's increasing literacy rate predicted to reach 90% by 2020¹⁷.

Apart from English books that lead the pack with a 55% market share, India has organized or semi-organized publishing in 16 languages.¹⁸ Within the regional language market share, Hindi dominates at 35%, while the other regional languages together make up the remaining market¹⁹. The Indian publishing sector is also mostly fuelled by its sale of textbooks and educational content, with the trade books²⁰ only amounting to a miniscule 6%²¹. Of the trade books sold in India however, 25% were children's books, 45% were nonfiction, with fiction constituting the remaining 30%²².

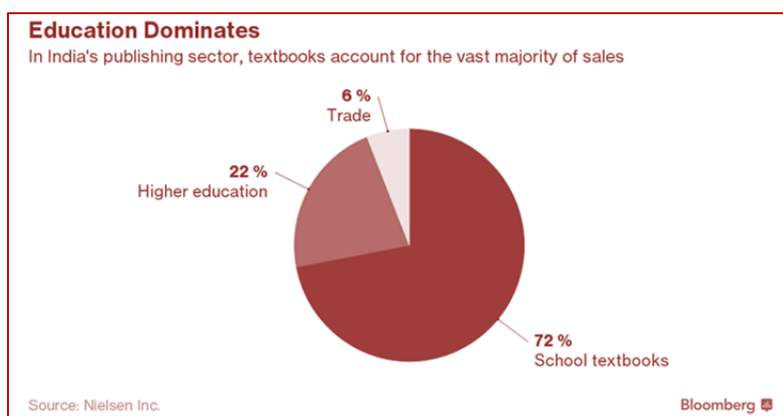


Figure 1: Major market share of books, by segment²³

In terms of book types, physical books and eBooks hold sway while audio books are a small percentage. eBooks²⁴ in particular, have emerged as a game changer in the Indian book industry, estimated to have a

⁹ Note: Conversion from INR to USD based on conversion rate of 1 INR = 65 USD.

¹⁰ ePublishing in India, available at <https://www.statista.com/outlook/204/119/epublishing/india#>;

¹¹ Ibid n. 7.

¹² As per Nielsen India Book Market Report 2015: "Understanding the India Book Market", taken from <https://economictimes.indiatimes.com/industry/media/entertainment/media/indian-book-market-to-touch-rs-739-billion-by-2020-survey/articleshow/49996781.cms>;

¹³ Before the 2015 release of the "The India Book Market Report" by the global market research firm, Neilson, the last known comprehensive industry report on the Indian book market was "The Survey of Indian Book Industry," published in 1976 by the Delhi think tank the National Council for Applied Economic Research – As taken from <http://www.caravanmagazine.in/reviews-essays/numbers-and-letters-india-publishing-industry>;

¹⁴ According to some estimates, the Indian book market in 2017 was worth USD 6.76 billion. As taken from <https://www.bloomberg.com/news/articles/2017-05-22/india-s-book-buying-habits-say-a-lot-about-the-country-s-economy>;

¹⁵ According to a FICCI article on the Indian Publishing sector, available http://ficci.in/sector/86/project_docs/publishing-sector-profile.pdf, its growth potential was CAGR 30%.

¹⁶ India's book-buying habits say a lot about the country's economy, 23 May 2017, Bloomberg, available at <https://www.bloomberg.com/news/articles/2017-05-22/india-s-book-buying-habits-say-a-lot-about-the-country-s-economy>;

¹⁷ India's publishing sector: The present and the future, 11 January 2016, Business Standard, available at http://www.business-standard.com/article/economy-policy/india-s-publishing-sector-the-present-and-future-116011000310_1.html;

¹⁸ Nielsen's India book market report offers estimates of a complex market, 17 October 2015, PrintWeek India, available at <http://www.printweek.in/news/niensens-india-book-market-report-offers-estimates-complex-market-11702>;

¹⁹ South Asia: World publishing hub, Jaipur Book Mark, available at <http://jaipurbookmark.org/key-facts/>;

²⁰ This refers to a book published by a commercial publisher and intended for general readership.

²¹ India's book-buying habits say a lot about the country's economy, 23 May 2017, Bloomberg, available at <https://www.bloomberg.com/news/articles/2017-05-22/india-s-book-buying-habits-say-a-lot-about-the-country-s-economy>;

²² South Asia: World publishing hub, Jaipur Book Mark, available at <http://jaipurbookmark.org/key-facts/>;

²³ India's book-buying habits say a lot about the country's economy, 23 May 2017, Bloomberg, available at <https://www.bloomberg.com/news/articles/2017-05-22/india-s-book-buying-habits-say-a-lot-about-the-country-s-economy>;

market segment volume of USD 125m in 2018²⁵. Potential revenue growth in eBooks at CAGR of 14.3 % is expected to result in a market volume of USD 214m by 2022²⁶. The Frankfurter Buchmesse Report on Perspectives on Publishing in India (2014-15) highlighted that the electronic consumer publishing sector had been growing at 17%, which is almost thrice the growth of the overall book industry at 6%²⁷.



Figure 2: Estimated growth of eBooks in India between 2016 and 2022

These trends might escalate as India's internet penetration increases, from 28% of the total population in 2016 to an estimated 59% by 2021, according to CISCO²⁸. Urban India already has an internet penetration of almost 60%. Rural India has only 163 million (17%) current Internet users which means that there are another 750 million users yet to come online²⁹.

62% of the publishers are publishing eBooks already, and 69% of them have priced their eBooks lower than the print version, given the lower handling costs and ease of distribution associated with eBooks.³⁰ This can be seen from the illustrative images below where the same publisher offers drastically different packages for printing physical books and eBooks:

²⁴ Note: EBook are digital versions of printed books, which are distributed through the Internet.

²⁵ Ibid

²⁶ eBooks in India available at <https://www.statista.com/outlook/213/119/eBook/india#>

²⁷ Frankfurter Buchmesse Report on Perspectives on Publishing in India (2014-15), available at https://www.buchmesse.de/images/fbm/dokumente-ua-pdfs/2015/india_book_market_2014-2015.pdf_53157.pdf;

²⁸ Internet users in India to double by 2021: CISCO Report, 9th June 2017, YourStory, available at <https://yourstory.com/2017/06/india-internet-users-report/>;

²⁹ Number of internet users in India could cross 450 million by June: Report, 2 March 2017, LiveMint, available at <http://www.livemint.com/Industry/QWzLOYEsfQJknXhC3HiuVI/Number-of-Internet-users-in-India-could-cross-450-million-by.html>;

³⁰ Frankfurter Buchmesse Report on Perspectives on Publishing in India (2014-15), available at https://www.buchmesse.de/images/fbm/dokumente-ua-pdfs/2015/india_book_market_2014-2015.pdf_53157.pdf;

FEATURES	RUBY +GST Rs. 1,49,990 \$2,499.00	Most Popular SAPPHIRE +GST Rs. 89,990 \$1,499.00	DIAMOND +GST Rs. 51,990 \$849.00	GOLD +GST Rs. 35,990 \$599.00	SILVER +GST Rs. 22,990 \$399.00
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Interior	B/W or Full Color	B/W or Full Color	B/W or Full Color	B/W	B/W
Cover	Full Color	Full Color	Full Color	Full Color	Full Color

Figure 3: Cost of publishing print books under various ‘packages’.

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Figure 4: Cost of publishing eBooks.

ADVANTAGES OF EBOOKS

- Lowering costs:** One of the most obvious benefits of eBooks is being able to do away with printing, packing, distribution, and shipping expenses. As discussed earlier, 69% of publishers have priced their eBooks lower than the print version to pass on the benefits of lower input costs to consumers. For example, on Amazon India, the average price of eBooks is INR 187 while that of a physical book is INR 334. To leverage this cost advantage, countries across the world like France and Thailand are experimenting with the use of e-readers and tablets in education. This one-time cost is lesser than buying print books every year which compound during the entire education life-cycle of a student. Several state governments in India have also explored the possibility of providing e-readers/tablets to students. The Indian Government’s own e-Basta project is also geared towards this.

Given the high annual expenditure on school books per student in India, it is important that course material be digitized. This also becomes pertinent as the price elasticity of demand for books globally

has been estimated to be between -1.0 and -2.5³¹, which means that a 10% decrease in prices can increase the demand of books by 15% at the minimum and an increase of up to 30% in some cases. Online platforms such as Amazon report that the percentage fall in sales of books due to GST at various price points is estimated to be a minimum of 1-5% fall for inexpensive eBooks (up to INR 50), and a maximum of 90% fall in sales at higher price points. The price elasticity of demand for eBooks is likely to be similar, especially in contexts where eBooks are perfect substitutes for print books. Therefore, eliminating GST of 18% could lead to a significant reduction in prices of eBooks, thereby increasing demand and facilitating better educational outcomes.

Table 1: Annual Average Expenditure on Books in Rupees per Indian Student by School Types, Location and Level

Level of education	School by management					
	Rural			Urban		
	Govt.	Private aided	Private unaided	Govt.	Private aided	Private unaided
Primary	263	1761	2159	380	2103	2521
Upper Primary	438	1642	2597	594	2137	3280
Secondary	909	1610	3064	981	2495	3817
Senior Secondary	1653	2949	3819	1711	3552	5453

Source: NSSO 71st Round

- Improved Access:** All printed books are not available to students, especially those who reside in remote areas where there are demand and supply constraints. Distributors have little incentive to service areas where there is low demand for advanced books. The start of every academic year witnesses reports of delays in distribution of NCERT textbooks in schools across the country. This forces many Indian parents to rely on private publishers who often charge 3 times as much as NCERT for the same books³². These problems of inequitable reach and distribution exist in most developing countries. A 2008 World Bank study found that only one out of nineteen African countries had adequate school textbook provisions³³. Hence many African textbook publishers such as Via Afrika are increasingly adopting the digital route and have been met with impressive demand, from having sold only 1,000 eBooks in 2012, to selling an impressive 65,000 in 2015 alone³⁴. Likewise, since 2015 Indonesia has, through a partnership between their Ministry of Education and Culture, the Ministry of Information and Communications Technology, and local telco giant Telkom Indonesia, begun to support their rural students who have limited access to print books to shift to digital education via its e-Sabak project. The project seeks to convert much of the educational content into eBooks, and disseminates them via tablets³⁵.

³¹ Parliament of Australia, Impact of Tax Package on the Arts, available at

https://www.aph.gov.au/parliamentary_business/committees/senate/environment_and_communications/completed_inquiries/1999-02/gst/report/c05

³² NCERT Books: CBSE circular 'late' as most schools have already placed orders, 22 February 2017, The Times of India, available at

<https://timesofindia.indiatimes.com/city/kochi/cbse-circular-late-as-most-schools-have-already-placed-orders/articleshow/57283204.cms>;

³³ Textbooks and School Library Provision in Secondary Education in Sub Saharan Africa, World Bank, available at

<http://siteresources.worldbank.org/INTAFRREGTOPSEIA/Resources/OtherTextbooks.pdf>;

³⁴ Game-changing arrival of eBooks, 18 January 2015, IOL News, available at <https://www.iol.co.za/news/south-africa/gauteng/game-changing-arrival-of-eBook-1806053>;

³⁵ Indonesian students in remote areas will soon receive tablets to replace textbooks, 8 January 2015, TechInAsia, available at <https://www.techinasia.com/indonesia-education-textbooks-ebooks-esabak>;

Given India's growing internet penetration through government's concerted effort to connect rural areas through Bharat Net and e-Panchayat Mission, digitizing textbooks can prove to be a boon.

- **Space & Portability:** EBooks are custom made to suit the increasing pace of today's life, given the mobility and portability of e-readers and smartphones that carry e-reader apps. The negligible demand on physical storage space could prove to be very useful for educational institutions and public libraries where providing e-readers will allow readers to access a plethora of books, without having to bear the costs of buying and storing the same. The Indian Government's e-Basta project, for instance, has created a framework to make school books accessible in digital form as eBooks to be read and used on tablets and laptops. The objectives of the project clearly highlight the need to reduce the burden of print books on students, in addition to reducing costs of education in the long term³⁶. This initiative was launched as a response to the increasing reportage of health issues triggered by heavy school bags.³⁷ One survey found that the average weight of a school bag is 17% of the average body weight of a student, outside the recommended range of 10-15% of body weight.³⁸ Another survey conducted by ASSOCHAM showed that more than two-thirds of students below 13 years of age run the risk of backaches and hunchbacks due to heavy school bags.³⁹

Case Study: Worldreader bridging the education gap

Worldreader operates as a non-profit in multiple countries and champions digital reading with the aim of creating a world where everyone can be a reader. The goal, according to founder Davin Risher, is to drive down costs of books to the minimum. Worldreader encourages the use of digital readers due to decreasing costs of hardware and other enabling conditions such as telecom penetration. It is currently operational in 46 countries and boasts a strong network of over 500,000 monthly readers.

To assess impact of e-readers, Worldreader designed the iREAD 2 Ghana Study between 2012 and 2014. The study aimed to address the issue of lack of reading material and low literacy through the provision of reading material via e-readers, the implementation of effective teaching practices, and activity-based learning opportunities. Results were assessed through randomised evaluations that measured progress on early literacy skills for students at the treatment schools against that of control schools. The results showed that students who were a part of Worldreader's intervention did significantly better. They also outperformed their peers in oral reading fluency, reading comprehension and developing positive reading habits.

One challenge with e-readers that Worldreader faced in Ghana was that 20% of the devices were reported broken over the course of the 1-year study. This increased costs. However, it should be noted that the technology used in iREAD 2 is now more than three years old, and e-readers have been engineered for greater sturdiness since then.

- **Advancing Education:**

At the school level: A 2010 study of 27 countries clearly established the link between reading and education, reporting that children with more access to books and reading materials tended to do

³⁶ E-basta Portal, available at <https://www.ebasta.in/faq-page#t353n94>;

³⁷ Heavy school bags harm students' health, surprise checks must be conducted: Bombay High Court, 26 October 2016, India Today, available at <https://www.indiatoday.in/india/story/heavy-school-bags-physical-harm-students-surprise-checks-bombay-high-court-348671-2016-10-26> ; The consequences of heavy school bags, 12 November 2017, NewsLaundry, available at <https://www.newsLaundry.com/2017/11/12/school-bags-education-system-india>

³⁸ Carrying heavy school bags adversely impacts students, 18 March 2018, available at <http://www.kuenselonline.com/carrying-heavy-school-bags-adversely-impacts-students/>

³⁹ Thanks to heavy school bags, 68% of children in India run risks of backaches and hunchbacks, 6 September 2016, The New Indian Express, available at <http://www.newindianexpress.com/nation/2016/sep/06/Thanks-to-heavy-school-bags-68-percent-of-children-in-India-run-risk-of-backaches-and-hunchbacks-1516556.html>

better at school and pursue 3 more years of schooling on average, independent of all other variables such as parent’s education, background and class⁴⁰. A UNESCO report released around the same time which surveyed mobile reading trends in countries in Africa and the sub-continent, found that younger readers read more on mobiles, and showed higher satisfaction reading books when they used mobile devices to access them⁴¹. Corroborating this, the 2012 Pew Research Centre's Global Attitudes project found that over the course of one year, users reading eBooks read almost double the average number of books read by non-eBook readers⁴². Interestingly, the Pew project also reported that educational books were amongst the most popular books being read on mobile devices⁴³. This causal link between education and mobile access could prove to be a useful tool in widening access to quality education. The Indian government is clearly aware of this. In fact, the E-Pathashala scheme that makes all NCERT books available through a mobile app download is geared towards encouraging e-learning.

Higher education: Some of the most expensive books globally⁴⁴, including in India, are those related to professional higher education. Higher prices of books create barriers for economically weaker sections of society, especially with regard to the much sought after courses under the STM (scientific, technical and medical) segment. eBooks can make STM education more accessible. Globally, academic publications are increasingly focusing on the eBook segment, with key players like Springer, Wiley, and Reed Elsevier claiming 60% of sales volume as coming from the digitally published content⁴⁵.

Table 2: Prices of popular STM higher education books vs. eBooks

Popular STM books ⁴⁶	Price of Print Copy	Ebook Price
Home Birth: The Politics of Difficult Choices (Mary Nolan)	INR 8,058	INR 2,070
Death before Birth: Fetal Health and Mortality in Historical Perspective (Robert Woods)	INR 12,463	INR 2,303
Python Crash Course (Eric Matthes)	INR 2,320	INR 1,450
Electric Power Transformer Engineering (James Harlow)	INR 7,382	INR 3,943

- **Virtual libraries:** Given the net-savviness of library users, libraries are adopting digital content to satisfy user demands. Public libraries across India, especially in schools, colleges, and universities, are exploring virtual libraries where students and members can log in through their e-readers and tablets. Through these libraries, students can have greater access to books from around the world, even the more expensive ones. This had already become the norm for public libraries in developed countries. For instance, 94% of U.S. public libraries now offer eBooks, a significant increase in comparison to the 2010 figure, when only 72% of the public libraries in the U.S. had eBooks available⁴⁷. In 2005, EU considered digitizing much of its content in a way to preserve Europe’s collective memory and with the aim of making Europe’s cultural and scientific resources available to all⁴⁸. Asian governments too have followed suit, with the National Library of China's National Digital Library

⁴⁰ Evans, M & Kelley, Jonathan & Sikora, Joanna & Treiman, Donald. (2010). Family scholarly culture and educational success: Books and schooling in 27 nations. *Research in Social Stratification and Mobility*. 28. 171-197. 10.1016/j.rssm.2010.01.002.

⁴¹ *E-reading is the education tech revolution the developing world has been waiting for*, 20 November 2014, International Business Times, available at <https://www.ibtimes.co.uk/e-reading-education-tech-revolution-developing-world-has-been-waiting-1475797>;

⁴² Ibid.
⁴³ Ibid.

⁴⁴ Which major has the most expensive textbooks?, Priceonomics, available at <https://priceonomics.com/which-major-has-the-most-expensive-textbooks/>;

⁴⁵ Perspectives on publishing in India: 2014-15, Frankfurter Buchmesse, available at https://www.buchmesse.de/images/fbm/dokumente-ua-pdfs/2015/india_book_market_2014-2015.pdf_53157.pdf;

⁴⁶ Note: The prices of books sourced here are from Amazon.in.

⁴⁷ eBooks Facts and Figures, available at <https://www.statista.com/topics/1474/eBook/>;

⁴⁸ As taken from an extract of ePublishing & Digital Libraries: Legal & Organizational Issues, Iglezakis Ioannis, available at https://books.google.co.in/books?id=btXWptKokDIC&dq=ePublishing+%2B+definition&source=gbs_navlinks_s;

Project digitizing its special collections such as books and journals published before 1949, and making these accessible worldwide⁴⁹. Likewise, Taiwan's National Central Library started the Digital Archive Plan as part of the government's National Digital Archives Program launched in 2000⁵⁰. The Indian government too has a similar initiative called the National Digital library of India, under the Ministry of Human Resource Development. The objective of this project is to integrate several national and international digital libraries in one single web-portal⁵¹. The NDL also provides free access to many eBooks in English and the Indian languages. All of this can further the country's knowledge economy, in addition to helping preserve the collective literary memory.

- **Self-Publishing & Author Opportunities:** Due to their cost advantages, eBooks lead to lower entry barriers for new authors resulting in an increase in available content/ information in the economy. In the US, according to bibliographic company Bowker, the number of books self-published in all formats rose from around 80,000 in 2006 to a staggering 800,000 in 2015-16.⁵² It is estimated that as many as two thirds of US adult fiction sales are digital and almost half are released without the input of a traditional publisher⁵³. This however, is not a US phenomenon alone. In the last few years, self-publishing has gained momentum in India too, with many authors choosing to forgo using traditional methods of publishing⁵⁴ to cut costs. On Amazon India, 74% of all self-published books were sold as eBooks. In addition to this being an inexpensive and quicker option, upcoming authors also opt to release digital versions of their books to retain better control over their content. More importantly, self-publishing authors get 50%-70% royalties from the official price of self-published books, which is a substantial leap from the usual 15%-17% royalty they get from traditionally published books.⁵⁵

This trend holds relevance for India. India's publishing has been sluggish, with the *book title output per 100,000 people* at 8 in 2009-10⁵⁶. This figure is much smaller than the corresponding number for countries like the United Kingdom, the United States of America, France, and Germany⁵⁷. A low book title output is especially concerning as India's growing demographic of young and literate citizens are keen to access published content at affordable prices. eBooks and self-publishing can help in bridging this gap by increasing the volume of published content, thereby aiding the growth of India's knowledge economy in the coming years.

- **Promoting local content:** The government has been focusing on promoting content in Indian regional languages through its initiatives such as the E-Pathshala and the National Repository of Open Education Sources to make education more accessible⁵⁸. The Indian government has also made the provision of local languages mandatory on mobile phones to improve the infrastructure around devices compatible with Indic languages. A 2012-13 Report compiled by the German Book Office revealed a growing demand for local content in Indian languages⁵⁹. The per capita number of titles published per 100,000 persons is 6.3 in Bangla, 6.2 in Gujarati, 5 in Hindi, 4.8 in Kannada, 4.2 in

⁴⁹ Global E-Book Snapshot (December 2012), compiled by the members of the Global and Area Studies Department, Perkins Library, Duke University.

⁵⁰ Ibid.

⁵¹ National Digital Library of India Website, available at <https://ndl.iitkgp.ac.in/>

⁵² *Amazon's Kindle turns 10: Have eBooks clicked with you yet?*, 13 November 2017, The Guardian, available at <https://www.theguardian.com/books/2017/nov/13/amazons-kindle-turns-10-have-eBooks-clicked-with-you-yet>;

⁵³ 2016 Trade publishings by the numbers, Author Earnings, available at <http://authorearnings.com/report/dbw2017>;

⁵⁴ Note: A traditional book publisher/ publishing company buys the rights to an author's manuscript. Buying rights from the author is how book publishers have traditionally acquired books. Usually an agent, representing the author, negotiates the deal with the book publisher and in return gets a percentage of any monies earned from the sale of the author's book - as taken from <https://infinitypublishing.com/what-is-traditional-book-publishing/>;

⁵⁵ *Four business trends in 2017 for India's publishing industry*, 3 July 2017, Maxtech, available at <http://www.datahouse.co.in/four-business-trends-in-2017-for-indias-publishing-industry/>;

⁵⁶ Shri Nath Sahai, *The Publishing Industry on a roll*, The Business Standard (January, 2013), available at http://www.business-standard.com/article/opinion/shri-nath-sahai-publishing-industry-on-a-roll-109051700025_1.html;

⁵⁷ BRIC Markets 2012-13, Frankfurt Academy, available at https://www.book-fair.com/img/ebooks/markets_trends.pdf

⁵⁸ Highlights of the achievement of HRD Ministry, 11 September 2014, PIB, available at <http://pib.nic.in/newsite/erelease.aspx?relid=109585>

⁵⁹ BRIC Markets 2012-13, Frankfurt Academy, available at https://www.book-fair.com/img/ebooks/markets_trends.pdf

Telugu, 3.9 in Urdu, with the highest being Assamese at 7.7⁶⁰. These relatively small numbers suggest that despite demand, the local language market segment in India remains niche and small in comparison to the English one, possibly due to associated publication costs. By reducing publication costs and eliminating physical distribution costs, eBooks can lower entry barriers for indigenous authors. Realizing their potential, publishers also seem to be investing more in eBook editions of regional books which are being made available at cheap prices. Data from Amazon shows that 77% regional language eBooks are priced below Rs. 100, making them extremely affordable. This trend is enabling growth of contemporary literature in local languages, a plus in a diverse country like India where Hindi and English have long ruled the roost. In fact, 90% of multinational publishers have noticed a rise in their local publishing program, mainly driven by higher demand for local content in India⁶¹.

- **Piracy:** Piracy has been the bane of the publishing industry worldwide, and the Indian book publishing industry has not been spared either. As far back as 1999, a study of copyright piracy in India sponsored by the HRD Ministry⁶² revealed that piracy in India primarily centred on two factors - the price of the book and its popularity – and was largely confined to foreign books and good indigenous books which were in demand and/or priced high⁶³. In addition to popular fiction, the study revealed that piracy was widespread with respect to professional books/texts for medicine and engineering, and encyclopaedias⁶⁴. This trend also manifested with respect to books published by the National Council of Educational Research & Training (NCERT), the National Open School, and the Board(s) of Secondary Education because despite being priced low, the supply of such books was much lower than the demand for them.⁶⁵ The 1999 study estimated that about 20-25% of the books sold then in India were pirated⁶⁶. The numbers haven't really shown much of a decrease; a 2014 CII study suggests that piracy levels remain between 17-20%⁶⁷. The CII study also attempted to quantify the estimated revenue loss due to piracy. This was understood to stand at INR 83,340 million with the accompanying tax loss due to piracy estimated at INR 6875 million for the same period⁶⁸.

With eBooks, the potential for piracy is reduced. The enforcement of strong Digital Rights Management⁶⁹ protections is done by either encrypting the eBook to be read only through e-readers like Nook and Kindle in specific formats, or by offering them through online, paid, low-cost subscription models like Scribd, Issuu, iBooks etc. Also, unlike the case of print books, those who engage in the supply of pirated eBooks do not always do so for making a profit. Such behaviour is usually driven by the user's attitude to piracy, and the presence of a reciprocity mechanism⁷⁰. Thus, people who illegally download eBooks are largely ordinary consumers, students and working professionals who access eBooks from a wide range of digital sources, including online auction sites and via emails from friends⁷¹. Such people can be incentivized to leave piracy behind and move to reading eBooks legally, particularly if the same is provided to them via subscription models, which

⁶⁰ Shri Nath Sahai, The Publishing Industry on a roll, The Business Standard (January, 2013), available at http://www.business-standard.com/article/opinion/shri-nath-sahai-publishing-industry-on-a-roll-109051700025_1.html;

⁶¹ Perspectives on publishing in India 2014-15, Frankfurter Buchmesse, available at https://www.buchmesse.de/images/fbm/dokumente-ua-pdfs/2015/india_book_market_2014-2015.pdf_53157.pdf;

⁶² Study on Copyright Piracy in India, Report sponsored by MoHRD India, available at <http://copyright.gov.in/documents/study%20on%20copyright%20piracy%20in%20india.pdf>;

⁶³ Ibid

⁶⁴ Ibid.

⁶⁵ Ibid

⁶⁶ Ibid n. 61, at p. 12

⁶⁷ Socio-economic impact of piracy in publishing sector, CII, available at <http://tari.co.in/wp-content/uploads/2014/07/Study-on-Piracy-in-Publishing-Sector.pdf>;

⁶⁸ Study on Copyright Piracy in India, Report sponsored by MoHRD India, available at <http://copyright.gov.in/documents/study%20on%20copyright%20piracy%20in%20india.pdf>;

⁶⁹ Note: Digital Rights Management or DRM is a scheme that controls access to copyrighted material using technological means. It may refer to the usage of proprietary software, hardware, or any type of content: music tracks, video files, eBook, games, DVD movies, emails, documents, etc. DRM is all about copyright protection.

⁷⁰ Socio-economic impact of piracy in publishing sector, CII, available at <http://tari.co.in/wp-content/uploads/2014/07/Study-on-Piracy-in-Publishing-Sector.pdf>;

⁷¹ Ebook piracy costs publishers \$315 million in lost sales, 14 March 2017, PR News Wire, available at <https://www.prnewswire.com/news-releases/e-book-piracy-costs-publishers-315-million-in-lost-sales-300423534.html>;

allows them to access numerous books at one go, without the hassle of having to pay for each individual book separately.

- **Environmental Sustainability:** Since eBooks require no printing, they are also environment friendly, and ensure a sustainable way of enlarging readership. The carbon released from the amount of paper used for books in one year was estimated at 1.5 million metric tons, and each book produced, gave off an estimated 8.85 pounds of carbon dioxide.⁷² In contrast, according to estimates by the National Geographic, it takes 14 eBooks to produce as much carbon as is needed to produce a paper book⁷³. Thus, eBooks clearly emerge as the more environmentally sustainable option.
- **Inclusivity:** Recognizing that different readers have different needs and preferences, eBooks have the potential to meet a wide range of accessibility needs, such as Braille and large font sizes (to those who are visually impaired), text-to-speech (to those having learning disabilities such as dyslexia) and lightweight devices (to those unable to hold a printed book due to physical disabilities). eBooks also hold the potential to reach people in remote places which are not serviced by printed books due to cost implications.

Case Study: Breaking Barriers through Kindle

In order to expand the accessibility of eBooks, Amazon's Kindle has incorporated additional features which make it useable by people with visual disabilities as well. Its latest feature 'VoiceView' provides spoken feedback to describe the actions taking place on the screen. This is coupled with features such as control over VoiceView speed and convenient navigation that make it easier for people with visual impairments to gain access to the titles available on the platform. This feature can also be used by people suffering from physical disabilities which make it difficult for them to hold or use physical books.

Case Study: Bookshare: A library for everyone

Bookshare is an online digital library for people with print disabilities. With a collection of more than 600,000 titles, 820 publishers around the world donate their digital files ensuring that content is available to people with print disabilities at the same time as their peers. A Global Literacy initiative of Benedict, a non-profit technology company based in Silicon Valley, Bookshare operates in the United States under a copyright exemption – the Chafee Amendment – which grants non-profits the ability to make books available to people with print disabilities without publisher permission. Bookshare receives publisher permission to provide books to members outside the US.

Bookshare's titles are accessible in many ways targeting those who cannot read traditional books because of a visual impairment, physical inability or severe learning disability, through text-to-speech, digital Braille, and large font.

The impact of Bookshare is massive in the US. It has reached more than 500,000 members who have read more than 1 crore books since the initiative was launched. It has also partnered with over 25,000 schools across the country to better serve their students. While their primary members are in the US, they service members from 80 countries at the moment.

⁷² Carbon footprint in knowledge sector: An assessment from cradle to grave, University of Nebraska-Lincoln, 2014, available at <https://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=2924&context=libphilprac>;

⁷³ Reinventing libraries: Considering a new and green identity, European Parliament Research Service Blog, 26 July 2012, available at <https://epthinktank.eu/2012/07/26/reinventing-libraries-considering-a-new-and-green-identity/>;

CURRENT STATE OF TAXATION OF EBOOKS & RESULTANT ISSUES:

The GST rate tariff in India has six categories of goods and services with the most essential goods and services attracting zero rate of GST or falling under exempted categories. The Indian Government has made a concerted effort to not tax print books (nil rated) acknowledging the positive externalities of affordable education, and to promote the knowledge economy⁷⁴. In contrast, eBooks are classified as a service (SAS 998431) taxed at 18% under India's GST regime⁷⁵, which is in line with the earlier classification under India's erstwhile Service Tax regime. In a similar (discriminatory) vein, while public libraries that offer "services of lending of books, publications and other knowledge enhancing content or material" have been exempt from GST, those that run "operations of public and historical archives, including digital ones" (SAS 998452 & 998453) have not been afforded a similar exemption, and continue to be taxed at 18% similar to eBooks. While the former creates an unequal playing field between eBooks and print books, the latter disincentivises public libraries from going digital, maintaining digital libraries, or offering digital content, and will also put a hold to further digitization of rare and/or endangered texts by public archives.

EBOOK TAXATION AROUND THE WORLD:

EBooks are classified and taxed differently around the world, owing to the absence of a universally adopted definition. While some countries classify them as digital goods, some others bucket them within electronic services. The lack of a concrete definition has also led to policy debates in many countries on whether or not eBooks must be taxed at the same rate as printed books given that both serve a common social and cultural purpose.

COUNTRY	PHYSICAL BOOKS	EBOOKS	CASE FOR TAXING / PROVIDING EXEMPTION
<i>Americas:</i>			
Brazil	Zero rated always	Zero rated	Basis a 2017 Brazilian Supreme Court Judgement that opined eBooks to be indistinguishable from physical books, reading devices (provided they are not multifunctional like smartphones, laptops or tablets) also provided tax immunity ⁷⁶ .
Argentina	Zero rated	Zero rated	Argentina enjoyed reduced VAT rates (2.5% in 2015 ⁷⁷) for digital services including eBooks. But in 2017, they completely exempted the access and/or download of electronic books from VAT.

⁷⁴ Note: In all countries the book market is highly price-sensitive. Any increase in cost, however small, can inflict serious damage to the 'book chain' — from the authors and publishers to distributors and retailers. For example, in Kenya a 16% VAT rate imposed in 2013 has caused nationwide book sales to fall 35%, driven down public school performances and ushered in an era in which pirated textbooks now outsell their legitimate counterparts.

⁷⁵ Note: EBook can be found under heading 9984 "Telecommunications, broadcasting and information supply services", within the grouping 99843 of "Online Content Services", set against No. 998431 "On-line text based information such as online books, newspapers, periodicals, directories etc".

⁷⁶ Supreme Court grants tax exemption to eBooks and readers, 8 March 2017, Agencia Brasil, available at <http://agenciabrasil.ebc.com.br/en/economia/noticia/2017-03/supreme-court-grants-tax-exemption-electronic-books-and-reader>

⁷⁷ 'Argentina' - International VAT & GST Rates, 2018, available at <https://www.vatlive.com/vat-rates/international-vat-and-gst-rates/>

US	Varies across states	Varies across states	The US does not have a national sales tax system. Sales taxes are imposed at a sub-national level – individual states, cities or counties. ⁷⁸ EBooks are generally categorised under digital products along with movies, music, ringtones etc., and the taxation varies from one state to another ⁷⁹ . For ex: in California, digital products such as eBooks are not taxable (unless provided with a backup version on a physical device) while print books are taxed by the state at 7.5% ⁸⁰ .
<i>Non-EU Europe</i>			
Switzerland	2.5%	2.5%	Printed books, newspapers and journals benefit from a reduced VAT rate of 2.5%. In 2017, Switzerland has reduced the VAT rate on eBooks, audio books & e-papers from 8% to 2.5% bringing them at par with their physical counterparts ⁸¹ . This became applicable starting 2018.
Turkey	8%	8%	Turkey applies a standard VAT of 18% and a reduced rate of 8%. Physical books have always attracted a reduced VAT rate of 8%, and as of December 2013, eBooks too became classified at the same rate as physical books at 8% ⁸² .
<i>Africa:</i>			
South Africa	14%	14%	EBooks stand at par with their physical counterpart, because South Africa applies a standard VAT of 14% to all goods with exemptions being granted only to the most basic of necessities.

⁷⁸ 2016 Americas indirect tax country guide, KPMG, available at <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/02/indirect-tax-americas-country-guide.pdf>

⁷⁹ Sales Tax by State, TaxJar Blog, available at <https://blog.taxjar.com/sales-tax-digital-products/> ; Sales tax for digital products in the US, Quaderno, 1 May 2017, available at <https://quaderno.io/blog/sales-tax-digital-products-us>

⁸⁰ California buyer's guide to tax, California State Board of Equalisation, available at <https://www.boe.ca.gov/pdf/pub452.pdf>

⁸¹ Switzerland: The first European country to match the VAT treatment of eBooks to paper books, 27 September 2017, Alvarez and Marsal, available at <https://www.alvarezandmarsal.com/insights/switzerland-first-european-country-match-vat-treatment-eBook-paper-books>

⁸² Turkey lowers VAT rate on eBooks, 17 December 2017, Meridien Global Services, available at <https://www.meridianglobalservices.com/blog/2013/12/17/Turkey-Lowers-VAT-rate-on-eBook> ; Turkey enacts law to lower tax on eBooks, 13 December 2013, Good EReader, available at <https://goodereader.com/blog/e-book-news/turkey-enacts-law-to-lower-vat-on-eBook>

<i>Asia:</i>			
South Korea	Zero rated	Zero rated	South Korea has a standard VAT of 10%. Though there is no provision for reduced VAT rates, some goods and services are exempt from VAT and this includes books as well as eBooks (classified as electronic publications) ⁸³ .

Case Study: EU tax rate on eBooks

The European Union (EU) classified eBooks as ‘electronically supplied services’ which invited, till mid-2016, a VAT of 15% under its VAT directive. However, France and Luxembourg applied a lower tax rate and made a case in the European Court of Justice (supported by Belgium) arguing that providing eBooks should be seen as the supply of books on which a reduced tax rate is permitted.⁸⁴ However, the Court ruled against this argument and said that eBooks cannot be classified as books and must remain under electronic services.

The Court noted that the list for reduced taxation expressly referred to ‘supply of books...on all physical means of support’ and while a device on which an eBook is read can be considered as a physical medium, the same cannot be said about the eBook. The Court also maintained that eBooks cannot be classified as goods since the VAT directive interprets supply of goods as a ‘transfer of the right to dispose of tangible property as owner’ and since eBooks do not qualify as tangible property, the supply of eBooks must be classified as a supply of services.

After this judgment, the EU parliament in 2017 endorsed a proposal to reduce the VAT rate for eBooks to bring them at par with printed books, usually around 5% in different countries.⁸⁵ This was done to adopt technological neutrality and treat all formats of books, newspapers and magazines the same way⁸⁶, noting that differential tax rates create a ‘disadvantage for electronically supplied publications, holding back the development of this market segment’ and impeding development of the digital economy of the EU.⁸⁷

ASKS FROM THE GST COUNCIL:

1) Create level playing field for physical books and eBooks in India

Currently in India, physical books do not attract GST, keeping in mind the social, educational and cultural value that books carry in a civilized society. The imposition of tax on physical books is rightly understood to be a tax on knowledge, education and literacy, and so the GST, like its predecessor tax regime, continues to keep physical books untaxed in India. As eBooks are just as, if not more impactful than physical books in today’s digital age, they should be treated at par with physical books in terms of indirect taxation. Given the elasticity of demand for books, this can have a huge impact on the consumption of books, while the revenue that the government will have to forego is likely to be miniscule.

⁸³ South Korea Tax Essentials, KPMG, available at <http://www.akit.ru/wp-content/uploads/2016/05/%D0%9E%D1%82%D1%87%D0%B5%D1%82-KPMG-%D0%9D%D0%94%D0%A1-%D1%80%D0%B5%D0%B3%D0%B8%D1%81%D1%82%D1%80%D0%B0%D1%86%D0%B8%D1%8F-%D0%B2-%D0%AE%D0%B6%D0%BD%D0%BE%D0%B9-%D0%9A%D0%BE%D1%80%D0%B5%D0%B5.pdf>

⁸⁴ Judgement of the European Court of Justice, Case C479/13, European Commission v. French Republic, 5 March 2015, available at <http://curia.europa.eu/juris/document/document.jsf?text=&docid=162685&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=660297>

⁸⁵ MEPs vote to lower tax on eBooks, aligning them with print books, European Parliament News, available at <http://www.europarl.europa.eu/news/en/press-room/20170502IPR73133/meps-vote-to-lower-vat-on-eBook-aligning-them-with-printed-books>

⁸⁶ European Parliament Resolution available at <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2017-0233>

⁸⁷ European Parliament Resolution available at <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&mode=XML&reference=A8-2017-0189&language=EN>

The GST collection from eBooks in the year 2018-19 is estimated to be INR 146.8 crores, which comprises less than 0.02% of the total GST revenue estimate of INR 7.44 lakh crores for the same year. Thus, exempting eBooks from GST will cause only a negligible revenue loss to the exchequer and the positive externalities of eBooks is likely to far outweigh the costs.

Table 3: Estimated revenue foregone in case of exempting eBooks from GST

Year	Ebook market size (in crores INR)	GST Revenue from eBooks (in crores INR)
2018	815.75	146.835
2019	954.85	171.873
2020	1097.85	197.613
2021	1244.1	223.938
2022	1391.65	250.497

2) Make both eBooks and physical books zero rated

The current tax structure for physical books is not without its own problems. Under the present system there is no tax on physical books but the inputs that go into its publishing have not been accorded the same courtesy; this runs counter to earlier practice where both books and inputs that go into book publishing were kept exempt from tax payments.

For publishers, this means that inputs such as royalties to authors now attract 12% GST. They are forced to operate under the reverse-charge mechanism⁸⁸, but with books (the final output) being exempt from GST, publishers are unable to avail themselves of any input tax credit⁸⁹ on this cost. Earlier, where service providers were unable to utilize their input credit, they were able to claim a refund; now they are unable to do so, since refunds have been confined only to those services specified under the zero rated duty structure or the inverted duty structure, neither of which apply to physical books. All of this automatically drives up costs, forcing them to be passed to customers in the form of higher prices.

In an ideal scenario, eBooks and physical books should be made zero rated - a system that will allow publishers to avail of the benefits of input credit, thereby bringing down their costs and in turn benefitting the end consumer. But in the event that physical books and eBooks aren't made zero rated, eBooks should at least be afforded the same courtesy given to physical books.

ASKS FROM THE GOVERNMENT:

The Ministry of Human Resource & Development (MHRD):

- 1) **Incentivising Digital Curriculums:** The MHRD should encourage all boards in India to digitize their content to make it available to students in remote areas. This will not only improve access to the not so easily available books (e.g.: model test papers, exemplar editions, etc.) in such areas, but also reduce printing, packaging and transportation costs for the government. Additionally, making textbooks available in interactive formats (.azw3, .mobi, etc.) that can be displayed on e-readers

⁸⁸ Things classified under 'reverse charge', are those wherein the service recipient (the publisher) is charged with collecting and depositing tax for a service (the book) they get from the service provider (the author).

⁸⁹ This allows one to subtract the tax already paid on inputs, from the tax to be paid on the final output/product.

will also enhance the reading and learning experience. To incentivize this, the government can provide (subsidized) access to reading devices to schools. This can be initially started as a pilot, and later scaled up as the program strengthens.

- 2) **Virtual Libraries:** Educational institutions are epicentres of our country's knowledge economy. However, there are several longstanding inequities in dissemination of knowledge. The government must encourage schools, colleges, and universities to partner with private players to develop virtual libraries where students and members can log in through their e-readers and tablets. This will allow students to have greater access to books from around the world, including some of the more expensive books available abroad.
- 3) **Teacher Training:** Teacher training curriculums should also be overhauled to train new teachers in integrating technology into their classrooms. This will help classrooms become more engaged and immersive.

The Ministry of Culture:

Revitalizing Public Libraries: Public libraries have for long been places to access critical information and knowledge, as well as repositories of resources for disadvantaged groups. However, many public libraries across the country today have fallen into despair and disuse. The use of technology in such instances can help revitalize these institutions. The Ministry of Culture can incentivize organizations and private entities to take up, under their Corporate Social Responsibility (CSR) frameworks, the process of converting our public libraries into virtual ones, thereby fortifying their capacities and ensuring their preparedness in the digital era.

CONCLUSION:

With eBooks reducing the costs of publishing, there is a huge opportunity to address the inequity in access to education both at the school and the higher education level. Cheap availability of eBooks can also significantly contribute to growth of regional language content and promotion of Indian authors. Therefore, taking a technology neutral approach, a level playing field must be created between eBooks and physical books in terms of taxation. Neither should attract any indirect tax; the positive externalities of making books available at cheaper rates far outweigh the revenues that the government can collect out of their sales.

The government should also strengthen its efforts to encourage the use of eBooks in education; this can be done by incentivising education boards to digitise their curriculums and by training educators to use digital content effectively as a part of their teaching methods. With their obvious benefits in terms of lower cost and increased accessibility, eBooks are an affordable and adaptable medium that can aid India's goals for education, digital literacy, and regional content creation, thereby becoming the building blocks of India's knowledge economy.