CHAPTER 1

1.1. INTRODUCTION TO MUMBAI BASED HINDI FILM INDUSTRY

“Pirates are the very essence of profit maximizing entrepreneurs described in neoclassical economics. Yet, whilst films such as ‘The Pirates of the Caribbean’ and ‘Butch Cassidy’ and ‘The Sundance Kid’ have gone a long way to popularize both pirates and outlaw behaviour, the truth of the matter is that piracy is illegal, and it kills.”- Peter Middlebrook.

Entertainment is the reflection of trends, current virtues, social struggles and patterns of living in the society. Culture is the underlying current of the society, which in present era finds its mirror in the form of theatre, folk art and music and the most powerful among all, cinema as cinema dishes out what the youth wants and what youth is inspired from (Bhatia, 2013; Naik).

India is the home to one of the largest film industries in the world with an average of around thousand movies produced every year, while in terms of investment it has second position just after Hollywood with a total investment of Rs. 10 billion. Indian film industry which comprises of Hindi film industry located in Mumbai and regional film industries located at several parts of India, does have the largest share of Hindi films produced in Mumbai both in terms of number and average investment per movie. The regional film industries produce feature films in Gujarati, Marathi, Bengali, Tamil, Telugu, Malayalam, Kannada, Punjabi, Bhojpuri and Nagpuri (a dialect spoken in Jharkhand) etc. Alone the Hindi film industry has an expected turnover of $4.5 billion by 2016 from $3 billion in 2011 (Ghosh, May 03, 2013). (Ernst & Young, 2012). According to annual report published by Central Board of Film Certification (CBFC), under Ministry of Information and Broadcasting, Govt. of India, Mumbai published in 2011 it was noted that in the year 2010 the total number of movies produced in different languages was 1,106 including 215 Hindi films contributing to the maximum number. In the year 2011 also out of 1,089 total films produced in India in different languages, 206 movies were produced in Hindi alone contributing to the largest share in terms of number. Other sources like Advertising and Marketing: Bollywood, Business and Industry had their own estimate on the number of movie produced in year. In 2012 Bollywood vs Hollywood: The Complete Breakdown it estimated around 1,000 movies produced alone by Bollywood as compared to 500 movies produced by Hollywood. A series of 49 periodicals titled Super Cinema weekly published from Clifton Apartment, Oberoi
to further mention that Hollywood is a locality (place) situated at the hill top of Los Angeles, but opposing to this fact, there is no such place existing physically in Mumbai. The comparison between two largest film industries across the world serves the purpose to understand the dynamics of both. Hollywood is known for high tech movies with largest investment per movie on an average, whereas India produces maximum number of films. Hollywood normally produces movies in English whereas India produces movies in several regional languages including Hindi. Hollywood is a single place to produce movies whereas Indian film industry is divided into regional film industries and therefore, located at several parts of India. Other features also make distinction between Hollywood and Indian film industry in general and Bollywood in particular. Hollywood since long had been considered as an industry hence enjoys greater protection from the government whereas until recently film industries in India were denied bank financing and insurance protection leaving producers to borrow money from money lenders at an unusual high rate of interest and even from underworld.

1.1.1. History of Hindi Film Industry (NDTV movies, 2013; Golden Globe Awards; Kothari)

Mumbai based Hindi film industry popularly called as ‘Bollywood’ a portmanteau of ‘Hollywood’ the United States film industry had completed its journey of 100 years from 1913 to 2013. Writing the history of the Hindi film industry in details was neither the purpose of this thesis nor was possible. However a brief introduction with important events and trends could have served the purpose.

India (the erstwhile British India) was the second nation to have the experience of motion picture invented and introduced by Lumiere Brothers as early as in 1896. A pack of six soundless movies were showcased in erstwhile state of Bombay (now Mumbai), just after Lumiere Brothers set up their company in Paris, the capital city of France. However the first Indian movie as per the available record was made by Sakharam Bhatvadekar aka Save Dada. He later made a couple of short movies and documentaries at Hanging Garden Mumbai during 1897 to 1899. The first ever projector to show the movie on screen made up of cotton fabric was ‘Kinetoscope.’ It resembled magic lantern to a great extent. Later in the year 1913, Dhundiraj Govind Phalke aka Dada Saheb
Phalke made and released first indigenous feature film ‘Raja Harishchandra’ with subtitles in Hindi and English. The characters of the movie were silent.

Date and year wise important events in Indian cinema industry:

1. 1920: The year witnessed the film making taking shape of an industry.
2. 1931: The first talkie film Alam Ara was produced and released by Imperial Film Company. Ardeshir Irani was the director. Master Vitthal and Zubeida were the lead actors. This movie revolutionized the entire film industry by giving voice to screen characters and made it much easier to convey message to the audience.
3. 1960s: By the beginning of this decade many film producing companies had owned their own studios with all amenities required to produce films. Most of the artists and technicians were on contract basis opposed to permanent employment in many other film industries. Some even chose to go freelance way. The film industry saw a huge escalation in the cost of movie production and financing was based on money lenders and private financiers.
4. Current affairs: In terms of number of movies produced every year, India is the largest movie producing country with 1,000 movies on a yearly average. Mumbai film industry, a part of Indian film industry alone produces around 800 movies, according to studies conducted by Central Board of Film Certification, annual report, 2011, Ernst & Young, 2012 and Synopsis: Indian Motion Pictures Producers Association. In terms of investment it has second position just after Hollywood with a total investment of Rs. 10 billion. The Indian film industry comprises of both the Mumbai based Hindi film industry (popularly known as ‘Bollywood’) as well as the film industries of regional languages such as Gujarati, Marathi, Bengali, Tamil, Telugu, Malayalam, Kannada, Punjabi, Bhojpuri and Nagpuri (a dialect spoken in Jharkhand) etc. Alone the Hindi film industry has an expected turnover of $4.5 billion by 2016 from $3 billion in 2011 (Ghosh, May 03, 2013).

Hindi cinema since its birth has travelled a long way in the last 100 years. It was the year 1913, when the first fully indigenous Indian feature film ‘Raja Harishchandra’ was made by Dada Saheb Phalke. The movie was not a talkie movie. It was a silent movie with subtitles in Hindi as well as English. Historians believe that this was the rudiment of Hindi films. ‘Raja Harishchandra’ was released on May 3, 1913 at Coronation theatre in the erstwhile Bombay. In the year 2013, Mumbai
based Hindi film industry commemorated its centenary year counting 100 years from the release of ‘Raja Harishchandra.’ This was an important reason behind believing that it was a Hindi movie despite having no dialogues (NDTV movies, 2013). A brief history of Hindi film industry was divided into decades (i.e. 1913 to 2013).

Before the researcher navigated further into the details of the growth and development of Hindi films produced in Mumbai it was interesting to discuss that the said film industry was also known as “Bollywood” a portmanteau of “Hollywood” located in Los Angeles, the United States of America (USA). More interestingly unlike “Hollywood” there is no place called as “Bollywood” existing in Mumbai. The term “Bollywood” was coined by a famous lyricist Amit Khanna (Amit Khanna, “Bollywood Legends). In an article “What is Bollywood?” Andrew Grant mentioned that the term was coined as early as 70s by the author in a magazine gossip column.

The term “Bollywood” is generally referred to as Hindi cinema but often incorrectly used to refer to the whole of Indian cinema, comprising of both Mumbai based Hindi film industry and all regional film industries across the country, where movies are produced in 30 different languages. Despite gaining popularity and space in Oxford dictionary some deplore the name ‘Bollywood’, including iconic star Amitabh Bachchan arguing that it makes the industry look like a poor cousin to ‘Hollywood.’

Giving a 100 years account of Hindi films produced in Mumbai year wise was not the purpose of the researcher and was not possible either. Therefore, the researcher decided to divide the entire period into decades. He has no hesitation to accept that many important events might have left undescribed but the overall journey of the film industry was sketched keeping in mind all constraints.

‘Bollywood’ decade wise:

1900s: The decade witnessed the making and release of ‘Raja Harishchandra’ and ‘Mohini Bhasmasur’ (1913), ‘Satyavan Savitri’ and ‘Lanka Dahan’ (1914). It would also be interesting to discuss that before the happening of ‘Raja Harishchandra,’ ‘Pundalik’ was produced by N G Chitre and R G Torney in the year 1912. But as it was partly produced by a British film production company, it was not considered as the first Indian movie.
1920s: With the dawn of the second decade of 20th century film making started taking the shape of an industry in India. During this period the first ever love story was produced and released by Dhiren Ganguly titled as ‘Bilat Ferat’ in 1921. ‘Bhakt Vidur’ was made in the same era and Kohinoor Studio became a pioneer in producing films based on ancient Indian mythology. Famous film makers V. Shantaram, Ardeshir Irani, Baburao Painter, Chandulal Shah and Suket Singh were the products of this period, ready to register presence with their movies. Up till now there was no star appeal among audience. People were more interested in banners and mythological storyline.

1930s: This decade witnessed a giant leap in film making. 1913 was the beginning of an era through the introduction of feature films and 1931 laid the foundation stone of talky movie, a journey from silent to talkie, those days was not a small achievement. Alam Ara was the first talkie movie. It was a thrilling experience for the audience to see characters talking on silver screen. Technology was also improved with the first Indian film released in colour by Ardeshir Irani in 1937. The movie was Kisan –Kanhaiyya. But still black and white movies were being produced.

1940s: During the decade of 40s an anti-hero was conceptualized and an unmarried woman getting pregnant. Until the happening of Kismat written and directed by Gyan Mukherjee and produced by Bombay Talkies in 1943, there was also a protagonist at the centre of the story but this time it was an antagonist who knocked at the door of audience’s heart. Until 1940s the stories were greatly influenced by the timeless Indian epics like Ramayan and Mahabharat. But now the contemporary social issues were getting prominence as new subject of movie making.

1950s: This decade saw a huge paradigm shift with the entry of Raj Kapoor, who in fact entered earlier than 50s with his first directorial debut ‘Aag’ under the banner of RK Films. Unfortunately ‘Aag’ was bombed at box office but the making and release of ‘Barsat’ in 1949 changed the face of Indian cinema in terms of presentation with grandeur. It was music, which got instant hit before the film hit the silver screen with its official release.

1960s: A significant advancement in cinema making took place during this decade with the introduction of cinemascope film showcased covering entire silver screen. Earlier the movies were produced in 35 mili-meter (mm) prints and a large part of screen remained unoccupied. The visual effect also improved significantly. Around the World starring Raj Kapoor and Rajshree was the
first movie to release with cinemascope print and the music score was recorded by the famous composer duo Shankar-Jaikishan in stereo (multi-track recording with separate track for singers and musicians). Until now the music score of movies had mono or single track recording with no separate track for singers and musicians. Subject of the movies was also changing at a high pace.

1970s: The decade witnessed production of big budget and multi-starrer movies. The formula perhaps was discovered to ensure return on investment. If one actor could not pull crowd to the theatre, the bet was on the other. The most famous film Sholay was released in this decade. The face of Indian cinema in general and Hindi films in particular was changing fast and from light romantic movies and family drama the focus was on action thriller and suspense. If Rajesh Khanna was the gift of 60s to the film industry, it was Amitabh Bachchan who dethroned Rajesh from super stardom. Many remarkable movies were released in this period. At one hand the popularity of Rajesh Khanna was waning, on the other hand Amitabh was giving hit after hits.

1980s: This decade saw the entry and success of many new comers like Shahrukh Khan, Amir Khan and Salman Khan also known as Khan Trio. They were the first choice of the younger generation especially among college going youth both girls and boys but Amitabh Bachchan was still there with a few hits. Perhaps by the time Amitabh had successfully surpassed the benchmark of success and became a living legend.

1990s: In 90s Khan Trios continued with their one feature film after the other- some were hit, some were flop. Earlier movies were based on the mythological belief that it was only truth that prevailed. Ramayan and Mahabharat, two great epics of Indian sub-continent were the bases of the subject to be showcased on silver screen. But many hit movies produced and released during 90s had antagonists who succeeded in their plan to destroy their enemies and received huge applause of audience.

2000s: The dawn of 21st century was a new beginning for the Hindi film industry like many others. Regional movies also reached out their audience at a larger scale. Bollywood movies had received the global recognition among Indian Diaspora throughout the world. It’s also true that since 50s Indian films had been participating in International film festivals including the oldest and most recognized Cannes Film Festival organized in France. ‘Boot Polish’ was the movie to be awarded
for best soundtrack scored by the famous composer duo Shankar-Jaikishan way ago in 50s. Later Slum Dog Millionaire made the history by winning Oscar award for music score and sound engineering. This proved the global appeal of Hindi films produced in Mumbai.

The current decade: Since the inception in 1913 the Indian film industry and Mumbai based Hindi film industry celebrated its centenary year in 2013. The film industry in India had grown by leaps and bounds over the years and successfully weathered good and bad phase alike. Not only investment in the film industry grew exponentially, but also the revenue collection at box office. Ticket rates also increased but the crowd at theatres perhaps reduced. Technology had marked its presence and home theatre systems were made available for Indian households. Busy schedule of people living in urban areas big cities left them with no option but to watch movies at home. The emergence of multiplexes in Indian showbiz further added fuel to the rate hike of tickets in the name of better ambience, facilities, and better experience of watching movies. But the issue of affordability could not be ignored. A major chunk of urban population falling under lower middle class was not able to afford a movie at multiplex. Therefore, despite a marginal number of multiplexes even less than 1,000 screens all over the country, the seats at multiplexes remain unoccupied during the show.

Influence:

Hindi films produced in Mumbai had great influence of our epics ‘Ramayan’ and ‘Mahabharat’ reposing faith in the victory of good over evil. Sanskrit play Mrichhakatikam, written by great Sanskrit scholar and poet Kalidas also appealed the film fraternity to have the background of their movies. The traditional styles such as ‘nautanki’, ‘Rajasthani khayal’, ‘manch of Madhya Pradesh’ had also been the centre stage of Hindi films. The impact and influence of Parsee theatre (erstwhile Bombay) was immense. Jatra of Bengal and Ramlila of Uttar Pradesh, once were the subject of people interest and many movies were produced with these themes in the background. For thriller, murder, action, and suspense movies Hollywood also inspired and appealed Indian film makers and Hindi film producers were also not an exception to this (Booth, G).

Genre Convention:
India has always been the land of unity in diversity. People of different religion, ethnicity, and culture enjoy the thread of common understanding. Folk songs and dance have always been an integral part of India’s cultural heritage. Our movies are the reflection of that cultural heritage. Therefore, songs and dance are inseparable from the Hindi movies barring a few examples like ‘Ek Ruka Hua Faisla’, and ‘Kaun’. Movies on social reforms have also been popular among mass and well received like ‘Do Aankhen Barah Hath.’ Light romantic movies had been the like of different era since the rudiment of film in India. ‘Mughal-E-Azam’ was the movie worth mentioning. Revenge was another hot subject on which countless movies were produced in Hindi and regional languages alike. ‘Sholay’ was such a movie. Horror, murder mystery, and family drama were other genres to appeal huge audience base in India and abroad. Perhaps the Hindi films enjoy global appeal and recognition due to diversity of subject. Despite producing movies on a wide array of subjects due to the sheer number of movies produced every single year forced the production houses to make movies on same and similar topics (story lines) and contents. (Synopsis, Indian Motion Pictures Producers Association). In nut shell Bollywood tried its hand across all genres of movie from family drama to musical hits to murder mystery to action thriller to epics. However most of the movies remained as musical movies with songs mostly pictured on protagonists both male and female. Most of the high tech movies stole ideas from the hits of Hollywood. Hollywood which is the largest cinema industry in terms of investment and technology is far ahead of Bollywood cinema industry located in Mumbai, especially science fiction movies like Star Wars of Warner Brothers in the decade of 80s and many more. Hindi film industry recently has started making movies on space and science fiction largely based on imported ideas. Critically acclaimed famous actor Naseeruddin Shah in an exclusive interview given to Super Cinema (a cinema periodical published from Mumbai) opined that Bollywood films were better looking trash.” He further added that marketing promotions were not enough to make a film successful. A movie does well at box office only if it does have substance in theme, musical score, screenplay, direction, editing and many more to appeal mass and class alike (Super Cinema, Saturday, 11 Jan. 2014, Vol. XV, No. XII). Whatever had been the opinion of industry experts and critics about the theme, subject and genre of popular Hindi cinema with a central idea to do business at box office, now the Hindi films are being recognized globally. What could be a better recognition for Hindi films than Vikram Bhatt’s ‘1920 Evil Returns became the first Bollywood blockbuster to feature on Harvard Business Publishing (Super Cinema, Saturday, 4 Jan. 2014, Vol. XV, No. XI, pp 12-13). For the
last two decades the whole world has been facing the heat of terrorism, and religious intolerance towards other religions. Like Hollywood, Bollywood also tried its hands on this topic as a new genre altogether. The experiment was hit and widely accepted across all gentry of audience. On the basis of subject, theme, genre, messages movies are given certificates of fitness to be showcased on silver screens at theatres both in domestic market as well as overseas. The movie certifying body is Central Board of Film Certification working under the Ministry of Information and Broadcasting, Govt. of India. Normally movies are categorized into four categories. U certificate also known as universal certificate is given to movies which are watchable for all section of people and there is no age bar to watch them. U/A certificate stand for Universal/ Adult, which are restricted for audience below the age of 12 years. A certificate stands for Adult audience who have attained 18 years of age, and a few movies are given S certificate means they are strictly watchable for a specific section of audience but not for common man.

1.1.2. Financing in Bollywood

Movie making is not only a cumbersome task but also very expensive affair. Right from the selection of story to the music score to star cast to dress designing to a large crew of people at various levels to film distribution to the release of movie on theatre screen the entire affair requires a huge investment without a guarantee of return in timely manner. Until the last century, the Indian film industry was not recognized as an organized sector. This was perhaps the biggest reason behind the reluctance of banks and other financial institutions like insurance companies to extend their financial assistance (loan) and underwriting risks associated with film making. Another valid reason behind the reluctance of banks and other financial institutions to lend money to the venture of making feature films was the nature of risk involved in this business. A movie print was worth a million dollar if well accepted by the audience, else was scrap. It could better be understood that once a movie was a flop and the print of the movie was scrap, how difficult it could be for the money lender to recover its loan. Often the blurred demarcation between fixed and variable expenses on producing movies also defies the economies of scale. Now a days the studio culture is vanishing fast leaving producers to shoot their movies at different locations including foreign locales. The equipment like camera and other accessories might be counted as fixed cost but they are negligible in comparison to variable expenses like remuneration to star cast, crew members, and other sections of film making. Almost everything is outsourced from costume design to set
design to music to choreography and many more. One can better understand the expenses incurred on every single item without guaranteed return on the investment (Ekbote, 1987). Two nationalized banks namely Canara Bank and Indian Bank had reportedly lost heavily in film financing (Indian Motion Pictures Producers Association).

Until recently before the Govt. of India decided to allow 100 percent foreign direct investment (FDI) in media and entertainment industry to boost it up further and take it out from the grip of money lenders and indigenous bankers whose terms and conditions were too stringent for the borrowers (movie producers) to follow. The rate of interest was too high. It was believed that the rate of interest was as high as four percent per month i.e., equal to 48 percent in a single year. These money lenders were called financiers, who used to finance movies. In the decade of 60s the rise of Mumbai underworld made its unceremonious entry into film making by way of financing movies. But the pressure on producers was immense. Undue interference in star cast, story and music score left film producers think twice before seeking financial assistance from these underworld Supremes like Karim Lala, followed by Haji Mastan, then Waradrajan Mudaliar and later Dawood Ibrahim, one of the most wanted fugitives of India for his alleged role in Mumbai serial blast in 1993. They had their nuisance value and used to dictate the film producers their own terms and conditions.

Over the years with price rise in the market the film making went even costlier. Bollywood films were multimillion dollar productions Right from the sets to costumes, special effects, cinematography to star cast. In present scenario aa small budget movie costs around $1.75 million whereas the cost of a big budget Hindi film comes somewhere near US$30 million. Since the film making had always been very expensive in a risky environment, the banks were reluctant to finance. Even insurance companies were least interested to underwrite risk associated to film production. Therefore if a movie could not do well the producer became bankrupt. Today the Govt. of India is keen to bring financially weaker section under financial inclusion to ensure basic financial services to all. But there was time that even film producers were denied bank loan and insurance underwriting. The reason behind the reluctance of banks and insurance companies may be due to the risk involved in the film production. Most of the early production houses were running as a family business. The whole industry was unorganized. The time between investment (during the production) and return on that investment were also unknown. To arrive at break-even
a movie needed to run for weeks in a theatre. Earlier the Govt. levied on the movie prints. Therefore, the film production houses used to release limited number of prints and it took years for a movie to reach remote areas of the country. But the threat of movie piracy forced to government to revoke levy from the number of movie prints for release and now it was found that more than 1,000 prints were released the same day across the world. Now there was no concept of silver jubilee (25 weeks on silver screen) or golden jubilee (50 weeks on silver screen) celebration to realize investment on film production to distribution to theatrical exhibition. The pay-back period had been shortened significantly minimizing the potential risk on investment. Earlier movies either used to be hit or flop. A flop movie was one which was unable to realize its total investment. But now a days even a below average movie does not fear of such loss due to other channels of distribution and movie promotion (game on mobile phones). Later the scenario got changed drastically with the entry of big corporate houses like Reliance entertainment with huge money to invest in the film project. Most of the small production houses gradually also got registered as Pvt. Limited company to maintain transparency. Apart from this the movie rights are sold to TV channels, satellite distribution for watching movie at home. This way film production companies collected 40 percent of total revenue and rest 60 percent was the share coming from screening at theatre (Film industry in India: New horizons, Ernst & Young). Apart from these the movie production houses had the opportunities to monetize their content through mobile phone games relating to their movies. By allowing100 percent FDI in film sector the Govt. of India opened new doors to the collaboration with foreign studios like Warner Brothers, Walt Disney, Sony Entertainment, UTV, and Fox and Dream Works, a few to name (CBFC annual report, 2011), Ernst & Young, 2012), and (Synopsis: Indian Motion Picture Producers Association). This welcome change in the sources of finance blocked the road ahead for underworld and gradually Mumbai film industry started coming out of its clutch. Before the bank- finance and insurance underwriting India’s most wanted fugitive Dawood Ibrahim had a huge stake in Bollywood film industry. Now the face of Bollywood started changing. Today if the whole industry is yet to be organized, a large part of it being operated by big business houses has made the industry blossom as an organized sector. Banks now found the industry to be less risky to finance production houses on their projects. Even many production houses like Mukta Arts were found to have raised finance through public issues to avoid murky financing options.
The summary of sources of finance to Mumbai film industry:

1. In past before the FDI was allowed followings were the chief sources of finance:
   a. Conventional moneylenders (who lent money @36 to 40 percent per annum);
   b. Non-conventional (corporate sources): Promissory note (locally called as hundi);
   c. Underworld money: Until recently the huge chunk of total investment in Mumbai based Hindi film industry used to come from the underworld. The undue influence and interference of underworld Supremes and their men left the film fraternity to look for safer financing options. Especially, the arrest of Bharat Shah in 2001-2002, a leading financier for his alleged links with underworld shook the whole industry. This was the time when the Govt. of India brought a bill of FDI in media and entertainment industry and made the law with 100 percent foreign direct investment (FDI).

The United States of America’s (USA) film industry ‘Hollywood’ is the largest film industry in the world in terms of total investment employed, whereas Mumbai based Hindi film industry also called ‘Bollywood’ is second to known in terms of number of movies produced on a yearly basis. In terms of investment Bollywood is the second largest film industry following ‘Hollywood.’ The unprecedented popularity and global appeal of Hindi films was the reason to do a comparison between the two.

**Table 1: Bollywood versus Hollywood**

<table>
<thead>
<tr>
<th>Bollywood</th>
<th>Versus</th>
<th>Hollywood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Around 1,000 movies</td>
<td>Films produced</td>
<td>Around 500 movies</td>
</tr>
<tr>
<td>3.6 billion</td>
<td>Tickets sold at box office</td>
<td>2.6 billion</td>
</tr>
<tr>
<td>$3.4 billion</td>
<td>Worldwide revenue</td>
<td>$51 billion</td>
</tr>
<tr>
<td>12.6 percent</td>
<td>Annual growth rate</td>
<td>5.6 percent</td>
</tr>
<tr>
<td>$1.5 million</td>
<td>Average production cost perr film</td>
<td>$47.7 million</td>
</tr>
<tr>
<td>$500,000</td>
<td>Average marketing cost perr film</td>
<td>$27.3 million</td>
</tr>
</tbody>
</table>

*Source: Advertising and Marketing Bollywood, Business and Industry (2007).*
The above table shows the prominence of Mumbai based Hindi film industry in all over the world. In terms of number of movies produced Bollywood stands far ahead of any film industry in the world including regional film industries within India. In terms of investment this is next only to Hollywood as studies suggest. Though the number of movies produced on yearly basis as per the report of National Board of Film Certification (2011) had a different records showing 1,000 movies on an average for the entire Indian film industry including Mumbai based Hindi film industry as a part of it. Despite having contradictions between the data and information furnished by different competent bodies at least one thing is common that Indian film industry is the largest in terms of number of movies produced every year.

1.2. SWOT AND PESTEL ANALYSIS OF MUMBAI BASED HINDI FILM INDUSTRY

1.2.1. SWOT Analysis (Marketing 91)
SWOT analysis is the abbreviation of strengths weaknesses, opportunities, and threat. The SWOT analysis was used in this research to develop a preferred future by enhancing Hindi film industry’s strengths and transforming inherent weaknesses into strengths. Similarly opportunities were analysed to explore in the benefit of the industry. The proper analysis of threats could either help minimize it or to avoid it. Whatever might be the possibility SWOT analysis helped the researcher develop insight about the potential growth of the film industry (SWOT Analysis).

Strengths

- Mumbai based film industry is no more a ‘Made in India’ brand. It has become an international brand with its global appeal

- In terms of number of movies produced on an annual average Hindi film industry produces around 1,000 movies more than any other film industry across the world.

- More than 14 million viewers are the biggest strength of Hindi film industry. Indian diaspora is now spread all over the world and with its global presence the like for Hindi films also transcended the boundary of home country and reached out every nook and corner.
• In India Bollywood movies have almost 80 percent slot for screening at theatres, rest are divided between regional language films and foreign movies with maximum releases of Hollywood movies. On foreign lands especially the United States of America (USA) Hindi movies are competing with their Hollywood counterparts (English movies) because of the strong presence of Indian diaspora.

• The above table suggests that the volume of Hindi films released worldwide has been twice the number of Hollywood films.

• Unlike Hollywood, Bollywood is labour extensive and gave employment to more people than any other film industries across the world. Contract employment, regular pay role, and freelance were the popular forms of employment offered to people interested in working for the film industry. Since the labour in India is much cheaper, it could easily be understood that this helps in keeping control over the cost of producing movies.

• Many low budget movies (not very tech savvy or multi starrer, or science fiction) had also been making sizeable profit. Their low budget helped producers to make more money because the rate of ticket remains unchanged.

Weaknesses

• If comparing between ‘value vs. volume’, Bollywood stands with volume but not value in terms of quality and investment on movie projects. It’s true that India produces maximum number of movies in the world but the technology, despite a spectacular improvement is not at par with that of Hollywood movies. That’s why maximum science fiction and high tech movies are the forte of Hollywood. Picture quality, quality of sound and theatres all are far better in the USA and other developed countries if compared with the existing facilities in India.

• Because of sheer number of movies every month many movies hit the silver screen in India and abroad. It’s not possible for individuals to watch them all. Many movies
come and go away unnoticed leaving producer, distributor and theatre owner suffer loss.

- Plagiarism had been a big problem with Hindi films. Lack of innovative ideas and storylines force producers and story writers to steal idea and theme of making movie from Hollywood and other popular movies. Such Hindi movies appear on theatre screens as a pale repetition of the original ones. Many Hindi films are known to have copied theme and stolen ideas from famous Hollywood or other foreign films.

- Many blame the Hindi films for spoiling the culture and ancient value system in Indian society. Youth is found to be blindly following the western culture without realizing that our social fabric is different from that of western world.

- Promotional activities (advertisement/Promos/clips/trailer) are very crucial to pull audience to cinema theatres. Film production itself is a costly affair. Once a movie is ready to release on silver screen, its promotional activities are very costly to be borne by small producers. In past also many good movies worth watching could not get box office collection because the promotion of the movie was compromised because of huge cost.

Opportunities

- The global appeal of Hollywood can’t be denied but at the same time Hindi films produced in Mumbai are also well received because of their songs and dances. Barring a few most of the Indian films in general and Hindi films in particular have songs and dances. This flavour of song, dance, and romance is the unique sales proposition (USP) of Hindi films and witnessing an increase in the audience base throughout the world.

- India is a huge market for consumer goods. High demand of consumable items (including watching movies and listening to songs and music) has created ample of opportunities for the cine producers to produce movies of different genre to cater to the varied taste of audience. Demographic dividend is perhaps the single largest
opportunity for the Indian film industry as more than 60 percent of India’s population is youth below the age of 35.

- 100 percent FDI allowed by the Government of India in media and entertainment industry was also viewed as an opportunity. Tie-ups with foreign film production studios have not only opened up free flow of funds but also allowed movie production on subjects of varied interest.

- Reliance Big Entertainment signed deals with Brad Pitt, George Clooney, Tom Hanks, Nicholas Cage, and Jim Carrey etc.

- The overall Indian movie market was expected to grow at the rate of 14 percent on yearly basis

- FICCI-KPMG report mentioned that revenues from media and entertainment industry in India would reach INR 1.3 trillion by the year 2015.

**Threats**

- Censor board and Government regulations sometimes go to be detrimental for the movies in a queue of getting released. This is not totally unwarranted though because of the increase in adulthood and violence scenes in films but a movies with such contents face delay in release and sometimes with significant cut in the scenes.

- Pirated CDs/DVDs impose a major threat for the movie industries across the world.

- Access to internet has revolutionized not only the life of individuals but also film fraternity. Easy access to internet, availability of pirated movie prints at illegal websites like torrent and bit-torrent have made legitimate the stakeholders of film world lose their share of earnings to movie pirates/counterfeitors/bootleggers. The threat of online piracy was much bigger and grave than it was expected to be. If a person downloads movie the downloaded movie is circulated among all friends, relatives, and colleagues with any discrimination. This spreads like virus and grabs
the potential market share of earning at box office collection as many people by now would have watched the movie.

- Negative reviews and feedbacks about a new flick at social network sites and social media is spread like the fire of jungle glooming the prospect of an average movies with not so big star cast neither was produced by a big banner.

1.2.2. **PESTEL analysis** (Study Mode; India Movie Industry-UK Essay)

PESTEL analysis is the abbreviation of ‘Political’; ‘Economic’; ’Social’; ‘Technological’; ‘Environmental’; and ‘Legislative’ factors influencing an industry. This describes the macro environmental factors

![Figure 1: Mumbai Film Industry: PESTEL Analysis](image-url)
Political factors

The entertainment tax levied upon theatrical screening of cinematographic work significantly varies from state to state throughout India. It ranges from 0 percent in the states like Punjab, Rajasthan, Assam, Uttarakhand, Jammu & Kashmir and Himachal Pradesh to as high as 110 percent in the state like Jharkhand. Jharkhand has the highest tax rate across the country with benefit of zero entertainment tax for the movies produced in local dialect called Nagpuri. In rest of the states entertainment tax rates were found ranging between 15 percent to 45 percent. The tax rate is 45 percent in the state of Maharashtra with 100 percent entertainment tax rebate on Marathi movies. In other states also tax rebates are given to the films released on silver screen (The Film and Television Producers Guild of India) by the respective state governments if they find the movie worth watching not merely from entertainment point of view but also the message the movie sends to the audience. Apart from the tax rate rebate some movies are allowed to release tax free by the respective state governments depending upon their subject of social awareness. Amitabh Bachchan’s ‘Paa’ was made tax free by the erstwhile Narendra Bhai Modi government in Gujarat and recently Amir Khan starrer ‘PK’ was also given tax-free status in the state of Uttar Pradesh. The entertainment department is a major source of revenue for the government. The revenue collected from the entertainment tax on cinematographic exhibition is utilized in promoting Indian art and ancient culture. A computerized ticket booking system at box office and also online ticket booking has significantly increased the transparency of ticket booking history and record in order to avoid theft of entertainment tax at box offices (India Movie Industry).

Economic factors

Economic liberalization introduced in early 90s paved new ways and means to boost the Indian economy. The dawn of 21st century further witnessed many government policies friendly to the industry, trade and commerce. One of them was permission to 100 percent FDI in media and entertainment industry. This initiative of the government opened new vistas for the film industry as a whole in India and particularly Hindi film industry with its base in Mumbai. Many tie-ups
with Hollywood film studios took place in the last decade making Hindi films truly global. Paramount Pictures tie-up with Viacom 18 Motion Pictures for the sequel of ‘GI Joe: Rise of the Cobra’ for its release in India on Wednesday (two days ahead of release of the movie on Friday). The other way round is equally true when the Bollywood movies are marketed overseas with the help of film industries in foreign countries (Udasi, March 31, 2013). In either of the situation Bollywood is also benefitted. If Hindi movies are promoted overseas with studios like Warner Brothers and Walt Disney Film Production houses, their audience base increases exponentially. Similarly if Hollywood movies are promoted in India with the help of Hindi film production houses, our production houses are also benefitted for partnering promotional activities. According to a report published in Times of India (TOI) Walt Disney and UTV Motion pictures announced a creative tie-up with each other to coproduce movies (Dubey, 2011). Other Hindi film production houses also tied-up with Hollywood studios for the co-production and promotion of their films. The producer of ‘Khosla Ka Ghosla’ was one such tie-up which resulted in a huge box office collection for the movie and encouraged the producer to announce two Hindi films simultaneously (India FM News Bureau, October 27, 2006). A few more Hindi films produced in collaboration with Hollywood like ‘Saawariya’ with Columbia Tristar, ‘Jaane Kahaan Se Aayi Hai’, ‘Saas Bahu Aur Sensex’, ChandniChowk To China’ with Warner Brothers, and Roadside Romeo, and Atithi Tum Kab Jaoge’ with Walt Disney. These couple of live examples show a symbiotic relationship between two giants in the field of film making and screening. Needless to say this win-win situation has brightened the prospect of Bollywood multifold (Banerjee, 2010).

**Social factors**

Entertainment is the reflection of trends, current virtues, social struggles and patterns of living in the society. Culture is the underlying current of a society, which in present era finds its mirror in the form of theatre, folk art and music and the most powerful among all, cinema as cinema dishes out what the youth wants and what the youth is inspired from (Le Mauricien, July 29, 2011). Entertainment in India has taken the shape of an organized industry with a huge size of foreign direct investment, comprising of film industry, music industry and television industry.
With bank financing now accessible to the entertainment industry of India, 100% FDI is allowed in the film sector (Nendick & Balsara, 2011).

Mumbai based Hindi film industry has a huge impact on society. If the findings of a recent survey are to believe we need to fall back on entertainment at least four to five times a day. If we stay back at home TV channels are scrolled. Often we watch movies, sometimes at home and sometimes we choose to go to cinema theatres. It is believed that what we see, watch or hear is how we grow up. The invention of internet revolutionized the world of entertainment. What was inaccessible for youngster until the internet was discovered and made accessible to a child of as young as 10 year old. On internet he does have the access to adult and explicit stuff of entertainment. It sounds ridiculous but this has made a sea change the way we earlier perceived entertainment. This is how the entertainment industry has grown up. This is often perceived as a paradigm shift in our value system Thus it could safely be concluded that the entertainment industry in general and film industry in particular has shaped our social structure. No one could ever deny the side effect of the changing face of entertainment industry but the positive effects are much more. Today’s generation, being tech savvy is better informed about the ever changing world at a fast pace than what we had been. Earlier films were watched at theatres only but now the internet has made it readily available at households.

**Technological factors**

The role of technology in entertainment industry had been vital. It had redefined the production, distribution and even screening of a movie. Earlier celluloid films were used to shoot a movie. Now that was replaced by high definition digital movie prints. In old days big spools were used to carry film prints from one place to the other. Today a movie print is so portable that it could be stored in a small pen drive. This had not only made the film production much more advanced with the better quality of prints but also easy to carry and transport. Needless to say this significantly reduced the cost of transportation and storage.

In the area of territory wise distribution of movie prints both within the country and overseas, the modern technology replaced the physical distribution of movie prints by satellite distribution. In the modern cinema theatres (especially multiplexes) where digital projection facilities are available movie prints are sent through satellite in real time. This significantly reduced the time
of distribution and also the threat of theft of movie prints in transit. Until the satellite distribution facilities were available movie prints were often destroyed, mutilated, and stolen from transport offices. Distribution through satellite had also stopped the screening of movie before the stipulated date of its official release. In past many theatres were found guilty of the screening of movies prior to their official release. Normally a celluloid print of movie reached the theatre one of two days prior to the official release date and sometimes the theatre owners out of greed screened them to earn extra profit, which was unethical. The picture quality also got poor eventually because of running on conventional film projectors and cut marks were experienced during the show time. Now the digital projection with the help of satellite distribution was free from all such errors, no matter how many times the movie print was screened at theatre. Not only the print quality but also the sound quality improved significantly by this new technology. The threat of piracy also reduced with the help of modern technology of distribution via satellite and digital projection facilities. Now- a- days a dynamic water mark is embossed on the movie print. Different water marks are given to prints distributed theatre wise. Even with every screening day, date and time of screening could also be identified. Earlier during the theatre screening movies were camcorded. If today a movie is camcorded from a theatre where digital projection facility is installed the theatre with day, date and time could easily be identified. This had made the industry people to identify the source of piracy at theatres with the help of pirated CDs/DVDs made up of camcorded movie. ‘TASHN’ a Hindi film released in the year 2007, and ‘WHATS YOUR RASHI?’ another Hindi movie was discovered to have camcorded from theatres. The details of these two movies are given in the subsequent part of this thesis using case study in qualitative analysis.

Legislative factors

Film, television, and entertainment industry in India is governed and regulated by several laws like Trade Related Aspects of Intellectual Property Rights Act (TRIP), 1995, Copyright Act 1957, Cable Television Networks (Regulation) Act, 1995, Copyright Amendment Act 2012 etc. (Entrepreneurship Development and IPR Unir, BITS Pilani, 2007; Indian Copyright Act 1957 with the 2012 amendments; Banerjee, 2012).
Piracy of movies has been a major concern for movie industries across the globe. The global appeal of Hindi films produced in Mumbai with no uniform legislations across countries (Acharya, 2004) has also made it difficult to bridle the phantom menace of piracy. These laws and legislations were enforced but poor implementation could not have prevented piracy as expected by the law makers. A weak or non-existent implementation of export and import policy of India could not have served the purpose to protect intellectual property and copyright of movie producers from movie pirates. Import and export of any pirated films are prohibited in India with a provision of maximum jail term of three years on a convicted person. But the custom officers reluctance to nab these importers of pirated movies have raised question on the regulatory bodies (Banerjee, 2010). The reluctance of Indian authorities to exercise laws to protect copyright of cinema producers, distributors and theatre owners and resulted into huge loss of revenue.

**Environmental factors**

100 percent foreign direct investment in entertainment industry in general and film industry in particular has changed the entertainment environment of India. The Indian media and entertainment industry registered an unprecedented growth in the year 2013 by 11.8 percent. In monetary term it has touched INR 918 billion or $14.43 billion, according to a report published by FICCI-KPMG (India Brand Equity Foundation, 2013) and Invest in India.

India’s entertainment industry has grown by multi-fold in recent time and reached out the audience at global level. The growth in its scale, reach and influence has been unprecedented. India has become the second fastest growing economy and the fourth largest economy in terms of purchasing power parity. Therefore, the growth of entertainment industry is obvious. Today we have more than 600 TV channels, 100 million paid TV households, 70,000 newspapers in Hindi, English, and other regional languages, and 1000 movies produced on an annual basis (Ernst & Young). Cable TV network has changed the face of entertainment that a large number of population, which seldom go to cinema theatres to watch movie sits back and watches latest movies at home. Prior to 1984 when there was no TV network across the country this was almost impossible. Economic liberalization which took place in the country as early as the dawn of 90s
paved the new way for India’s entertainment industry by reaching out the common mass. Today a movie is released in cinema theatres and after a short span of time is telecast on TV channels for the households. The internet has further added fuel to the growth of India’s entertainment industry. Despite having a very low penetration of internet in the country i.e., seven percent as compared to Brazil (31%), Russia (41%), and China (34%) many illegitimate website are launched from where pirated movies are downloaded by internet users and are watched well before their official release at cinema theatres. The FDI in media and entertainment industry has also helped in its growth, especially domestic film production houses’ collaboration with foreign film producing studios. Hollywood has been running in the fore front for such collaborations. Many movies have been produced and marketed in Hindi and other Indian languages in collaboration with foreign movie production companies. This miraculous story of growth was attributed to our growing middle class, rising disposable income, and high volume of content consumption, a perfect blend to attract foreign direct investment to the entertainment industry (Ernst & Young).

1.3. Movie Piracy

Movie piracy is the act of stealing, copying, and distributing movie prints either by way of counterfeit compact discs/ Digital video discs (CDs/DVDs) or in soft copy format uploaded in internet for the subscribers without giving due credit and benefit to their original source, i.e., production houses (film banners), distributors, and cine theatre owners who buy them for theatrical screening (Film piracy explained, Kudzjafilmlopasellen).

Movie piracy has become the biggest nightmare not only for Indian film industry but other film industries across the world including Hollywood, the largest film industry in terms of investment and budget. Though it has been very difficult to quantify the real loss to respective movie industry caused by piracy and the percentage loss may vary from country to country but several reports and empirical studies have unanimously found piracy a serious threat to the entertainment industry.

If sources were to believe alone in the year 2009 the famous Hollywood movie flick ‘Startrek’ was downloaded by 10 million down loaders from illegal websites like Mega upload, Torrent,
and others. It could easily be understood that had those 10 million down loaders not downloaded the movie from illegal websites would have ended up in cinema theatre to watch the movie, hence were the lost revenue at the box office collection. They watched the movie without paying even a single penny to the legitimate players of film industry. Was that not done the collection would have been shared among the parties of supply chain from cine theatre owners, distributors, and movie producers. The statistics discussed in this section of thesis about a single movie ‘Startrek’ gave a scary picture that had made the movie industries lose their revenue to the movie pirates throughout the world. This happens almost with every single movie, which is stolen and the revenue thus is lost. If the total number of movies on a yearly basis was taken, the illegal down loaders number would reach in billions. It’s very easy to understand the dire consequences if number of movies are multiplied by the total frequency of down loading. But this is the one aspect of movie piracy and its consequences. Other form of movie piracy is the piracy in the form of counterfeit CDs/DVDs. Though there is no official record available about the production of pirated CDs/DVDs, but certainly this adds significantly to online piracy making it even murkier. When the movie goers were approached on field survey to collect primary data, it was found that many who confessed that they downloaded movies from movie streaming sites were ignorant that they committed any crime. They believed that it was a victim less crime and were unaware about not only the legal consequences but were also not aware about the financial loss caused to the movie industry. Many surveys and studies conducted on movie piracy argued that the availability of pirated CDs/DVDs at a much cheaper price as compared to their licensed version with same quality attracted many subscribers to buy pirated one. Online piracy was found to be convenient for those who had internet access. This internet piracy was even cheaper to the pirated CDs/DVDs.

1.4. Defining Economic/Financial Loss To Mumbai Film Industry

Financial loss/ economic loss to the Mumbai Film Industry: The quantification of financial loss to the legitimate stakeholders of Mumbai Film Industry had been done on the basis of box office collection. Similarly the Govt. of Maharashtra’s loss had also been calculated on the basis of box office collection as it was obvious and an established fact that the governments earned revenue from entertainment tax levied on movie exhibition at box office collection. Several empirical studies conducted all over the world had also taken the same as the basis of collecting financial
and economic loss (OECD, 2008; Siwek, 2006; Deloitte, 2014; Poddar, 2005). However, a few studies have developed models to show the ripple effect of piracy across industries, but that had not been the area of this research. The said research was strictly confined to the box office collection and the financial loss had been calculated on the following basis:

1. Average occupancy rate of seats at theatres;

2. Rate of ticket for entry to a movie show on the basis of weighted average of differential pricing at multiplexes. Single screen theatres don’t have differential rate of ticket. It was found during survey that the ticket rate for entry to the movie show is fixed at single screen theatres.

3. The vacant seats at theatres were estimated and thus treated as the loss of revenue at box office.

4. The loss of entertainment tax to the state government was calculated on the basis of estimated box office collection administering the rate of entertainment tax within the state.