CHAPTER I
INTRODUCTION

1.1 Importance of Cinema:
For last 90 years, people all over the world have been going to the cinema, drawn by the mysterious fascination of life-like images appearing on a screen in a darkened hall. The growth of cinema during these nine decades as the popular medium of mass entertainment is one of the significant events in the human history of modern times. Within a relatively short period, cinema has emerged as a single largest disseminator of popular culture all over the world. No other medium has acquired so much universal acceptability as the cinema since its advent in 1896.

1.2 Film - An Art and A Commodity:
It is this wide popularity enjoyed by cinema that has made the film production a combination of the intricate elements of art, business and technology. For the creative film maker, film is an art giving expression to his vision and perception of reality. However, it is a commercial art catering to the needs of millions of people who patronise cinema for the sale of entertainment. Therefore, film-making ceases to be just a piece of art for the self satisfaction of the film-maker, but it assumes the character of a commodity produced for the mass consumption. Unlike other forms of art, the film-making involves an extensive use of scarce resources, large investment,
Sophisticated technology and the co-operation of a large number of artistes, technicians, craftsmen and unskilled workers. Naturally, the film producer's main concern is to recover his cost and if possible, to make profits by reaching the maximum number of people. This business aspect of film as a commodity has overshadowed film as an art and has made film making an industrial activity.

1.3 Film Business as An Industrial Activity:

Any industry is basically an area of activity that identifies and defines direct or indirect human needs or wants and then systematically sets out to produce a good or a service that satisfies those needs. The film industry is no exception to this, because like all other industries it accepts inputs, processes them and provides an output. The inputs used in the film industry are artistes, stories and physical materials. The processing of these inputs is the film production. However, the process of film production does not really stop with the output of tangible commodity—film print. But the film print has to be exhibited in the cinema hall to satisfy the recreation need of the consumers. Thus, from the consumers' point of view, the ultimate output of the film industry is the service which they receive in the form of experience and entertainment. There can be no existence of film industry as an economically viable venture unless production and marketing through exhibition outlets are linked with each other, so in film industry, marketing becomes a part of the production process.
industry based on the organic link between production and marketing.

It is true that in India the film production is not yet given a status of an industry by the Union Government. However, the Working Group on National Film Policy had made a plea to recognise the film production and exhibition as an industry. According to the Working Group, the film industry has all the essential elements of an industrial activity. The substantial amount of capital is invested, a large number of people are employed and sophisticated technology is used. The I.D.B.I. Act of 1964 which was enacted for providing credit facilities for important industries, recognises even hotel business as an industrial activity but it does not cover film industry. Of course, some State Governments like Orissa and Andhra Pradesh have already recognised the film production and exhibition sectors as industry, for the various facilities under the state schemes. There is no contradiction between the recognition of film as an art and film industry as an industry. It is in the same way as the book publication is considered as an industry, but the books are treated as the vehicles of literary art and culture. The present study is, therefore, based on the recognition that production, distribution and exhibition of films together form the film industry.

1.4 Film Industry in India

India is among the earliest countries in the world to have
adopted cinema. The Indian audience had their introduction to projected motion pictures in 1896, in the same year as British, American and Russian audiences, and barely 6 months after the first cinema show which was held at the Grand Cafe in Paris. Of course, the first Indian feature film was produced in 1913, when Shri Dadasaheb Phalke produced his ‘Raja Harischandra’. Thus, the history of the Indian film industry is about 74 years old. Since then, the Indian film industry continues to surge ahead by producing large number of films in various Indian languages. At present, the Indian film industry tops in the world in terms of the number of films produced per year. Apart from the large number of Indian films, the film industry in India unfolds the diversity of Indian culture as projected by films in various regional languages. It occupies a prime position in the world of mass entertainment with about 12.5 million people in India watching films in theatres every day.

1.5 Marathi Film Industry

The history of Marathi films is one of the oldest in the regional films in India. The birth of Marathi talkie took place in 1932 when the Prabhat Film Company released the film ‘Avodhyecha Raja’. This was just one year after the release of first Indian talkie ‘Alam Ara’ produced in Hindi by a Bombay producer, Ardeshir Irani. Since then, the Marathi film industry along with the Indian film industry has passed through turbulent times punctuated by the periods of glory and international
acclaim. The pioneer of the Indian film industry, Dadasaheb Phalke was Maharashtrian. The first Indian exhibitor Shri Bhatawdekar (Save Dada) was also Maharashtrian. The first talkie was produced at Bombay in Maharashtra. The first Indian movie to get international award was a Marathi film Sant Tukaram produced by Prabhat Film Company in 1936. The first National Award winning film in India Shyamachi Aai, produced by Acharya Atre was also in Marathi. The only film producer who has found a place in the Guinness Book of World Records is the Marathi film producer Shri Dada Kondke who has a distinction of eight consecutive silver jubilee hits in Marathi.

In spite of this glorious legacy of the Marathi film industry, production in Marathi has remained virtually stagnant. It was expected that with the birth of Maharashtra State in 1960, the Marathi film industry will prosper and flourish but leave alone prosper, it is engaged in the grim battle for survival. This condition of the industry has provoked the present study to highlight the economic aspects of Marathi film industry against the back-drop of the Indian film Industry. Though the literature on the artistic and technical aspects of the film industry abounds, the industry has so far failed to attract adequate attention of the profession of economics. This is partly because the economic aspects of the industry are shrouded in mystery. There is a thick veil of glamour, myths and legends around the industry which makes the objective analysis of the economics of the film industry a challenging task. The
present study is prompted by the consideration to lift the veil, so that the communication gap between those who run the industry and those who want to study the industry can be closed.

1.6 Objectives of The Study

The present study is carried on with a view to follow some important objectives. They are:

1. To examine the organizational structure and behavioural pattern of the firms producing Marathi films with reference to entrepreneurship in the production sector of the Marathi film industry.

2. To analyse the level and structure of the production cost of Marathi films and on the basis of the box-office receipts of the films to find out the profitability of Marathi film production.

3. To assess the capital requirements of Marathi film production and to examine the relative importance of the various sources of finance for the production of Marathi films.

4. To probe into the marketing structure and marketing efficiency of Marathi films on the basis of the existing practices in the distribution and exhibition of Marathi films within the State of Maharashtra, outside the State and abroad.

5. To examine the factors affecting the demand for Marathi films and the extent of competition from the other media of entertainment.

6. To examine the level and structure of the taxation of the film industry with a view to ascertain its impact on the
financial performance and the growth of the industry.

7. To explain, analyse and evaluate various promotional measures initiated by the Government of Maharashtra to foster the development of Marathi film industry.

These objectives of the study are based on the premise that the Marathi film industry deserves protection and purposeful nourishment by the State Government because:

a) It is the most effective medium to preserve and to take the rich literary, artistic and cultural heritage of Maharashtra within the reach of common man.

b) The regional films like films in Marathi, hold the promise to project the reality in a more convincing manner than the Hindi films, which do not represent any specific culture.

c) The Marathi film industry offers opportunity to the Marathi artistes, authors and film-makers to give expression to their talent through the language of their own.

d) It is found that a typical Marathi film is a low-budget film and firms producing them are small sized firms. They require protection against the large-scale firms producing comparatively high budget Hindi films, just as small scale and cottage industries are nursed against the competition of the large industry.

While pursuing these objectives the study endeavours to find out how far with the internal restructuring and with the proper state assistance, the Marathi film industry can regain some of its lost glory and flourish as a commercially viable industrial
activity. The study thus wants to explore the possibilities it offers to find out solutions to the multitude of problems connected with the industry.

1.7 The Scope of the Study:

In order to make the study manageable within the constraints of time and funds available for research, the scope of the study is restricted to the analysis of the film industry in general and Marathi film industry in particular during the period of 12 years from 1974 to 1985. The choice of this period is guided by the significant fact that it represents an era of a conscious attempt by the Maharashtra State Government to increase the number and to improve the quality of Marathi films. It is in 1975 the State Government introduced the scheme to provide financial assistance to the producers of Marathi films by way of the refund of entertainment tax collected from their previous films. Hence, the study of Marathi films produced during the period 1974-85 offers the opportunity to examine the implications of the scheme from the viewpoint of different economic aspects of the Marathi film industry. Of course, whenever necessary and possible, an attempt is made to consider the developments even after 1985 to make the study more relevant for the present conditions.

While concentrating on the Marathi film industry, the reference is made to the Indian film industry in general, mainly to study those problems which are common for all the films. Similarly, reference is also made to films in other regional
languages produced in other states to have comparative perspective of the Marathi film industry.

Moreover, the study confines itself only to the production of feature films and not any other films like short films, news reels, documentaries and advertising films. A feature film is defined as a film with a minimum length of 3000 feet and a playing time of at least 33 minutes. Such film is the main feature of a film-show run by a cinema theatre. It is only the feature film which is a marketable commodity for which the admission charges are directly paid by the audience. Though the technological base of all kinds of films is common, the feature films have their own economic importance in relation to their gigantic costs and box-office pull.

1.8 Methodology of Study:

The theoretical framework of the study is based on the structural approach towards the industrial economics, as developed by Sargent P. Florence. This approach recognises the fact that the question of 'What' is logically prior to the question of 'Why' and 'How'. Unless one knows the existing structure of the film industry as revealed by the data of the recent past, it is not possible to explain why this structure has emerged and what could be its possible consequences. Hence the discussion under the study has three aspects.

a) The descriptive aspect:

It explains the bare facts of the film industry as they are.
b) The analytical aspect:

It highlights the underlying forces beneath the surface of these facts and on its basis it discusses the problems faced by the film industry and tries to discover the inter-relationship between these facts.

c) The evaluative aspect:

It offers critical comments about the present functioning of the industry and proposes reforms to strengthen its organisational, financial and marketing base.

As there have been very few previous studies on the topic selected for this research work, it was not possible to use much secondary data in the published form. Therefore, the primary data was the main source of information for the study.

For the purpose of data regarding production and marketing of Marathi films, the primary data was collected from producers, distributors and exhibitors and their trade associations. To collect such data, the methods of structured and non-structured interviews and questionnaires were used. Similarly, the opportunity was taken to stay with the production unit of a Marathi film 'Tuzya Vachun Paramena' throughout the period of its shooting. This field observation was in the form of non-controlled and non-participant observation. This was helpful to get a ringside view of the actual production process of a Marathi film.

It was also possible to get access to the vast pool of information available with the Maharashtra Film, Stage and
Cultural Development Corporation, Collectorate of Bombay and the Department of Cultural Affairs of the Government of Maharashtra. This information was useful to get further details about the production cost, box-office receipts and tax collected from Marathi films.

The primary data collected from the National Film Development Corporation, Commercial and Co-operative banks and the production managers of the film producing firms was useful to study the structure of financing of Marathi films.

For the inter-regional comparison of the films produced in various languages and the promotional activities of the various State Governments, the primary data was collected by visiting the centres of film production in the South and in Gujarat. In this respect, useful information was furnished by the Film Development Corporations and representative trade bodies in these states.

In order to understand the pattern of demand for the Marathi films, a sample survey of the cine-going habit of adults in Pune city was conducted. For this survey, a random sample of 540 male and female adults was used by contacting the respondents at various public places like bus-stops, cinema and drama theatres and shopping areas. As the survey was of the nature of market research, the method of directive interviews was used on the basis of predetermined questions.

During the period 1974 to 85, 143 producers produced 230 Marathi films. Out of them 75 producers approached the State Government to get the eligibility certificate of tax collected
from their films. These producers between themselves produced 112 films. The information regarding all these films was used to draw conclusions regarding the Marathi films in general. Besides, the producers of some more films, like National Film Development Corporation, Children’s Film Society of India, and Doordarshan, Bombay and a few private producers were independently contacted for the collection of primary data because these producers had not approached Government to get the eligibility certificate. Thus, the survey covers more than 50% films and 50% producers in the Marathi film industry. It was found during this period, 62 black and white and 168 colour films were produced. The films covered by the study included 28 black and white films and 87 colour films about which specific data could be obtained. This composition is similar to the composition of the entire population of 230 films. Of course, for some elaborate details not available with all the producers, a smaller sample was used; but in no case, the size of the sample was less than 20% of the population.

The primary data was supplemented by the secondary data in the published form of various books on the film industry, trade journals, film magazines, and the official publications of different trade associations as well as government. Similarly, the annual reports of the corporations like National Film Development Corporation, and the reports of various committees appointed by the Government were used to consolidate the data base of the study. Reference was also made to the Budget
Estimates of the Union and the State Governments for more information about taxation and other policy measures.

1.9. Limitations:

In spite of sincere efforts to collect the authentic data and to interpret it scientifically, certain difficulties were encountered in the present research work.

First, the constraints of time and funds prevented the collection of primary data from a large number of film producers in other regional languages.

Secondly, while collecting the information through the medium of non-structured interviews, the possibility of some subjective bias of the interviewees can not be ruled out.

Besides, the film industry is known for its dubious accounting practices and so the information given by the producers, distributors and exhibitors has some element of over or under-statement in relation to their costs and receipts.

Despite these difficulties, the study can still claim to be a reasonably objective account of the economic aspects of the film industry and it can throw light on some important economic problems which were hitherto neglected.

1.10 Plan of the Study

The thesis titled 'Economics of the Indian Film Industry with special reference to Marathi Film Industry (1974-85)', is divided into following chapters:

Chapter I - Introduction.

This Chapter introduces cinema as a major industrial
activity and on and on the background of the Indian Film Industry refers to the present state of Marathi film industry. The Chapter spells out the objectives, scope, methodology and limitations of the present study.

Chapter II - Attributes of Film as a Commodity and Characteristics of Film Industry.

This chapter distinguishes film as an art from the other forms of art. It highlights some significant attributes of film as a commodity and discusses the peculiar features of the film industry.

Chapter III - Historical Perspective of the Film Industry in India and Abroad.

This Chapter presents an overview of the historical development of the industry in the Western countries as well as in the socialist countries. It elaborates the important stages in the history of Indian film industry and against its background, it discusses important landmarks in the history of Marathi film industry.

Chapter IV - Present Position of the Indian Film Industry.

This Chapter gives statistical profile of the Indian film industry in relation to the production of feature films, the availability of cinema theatres and the seating capacity, the box-office receipts from the Indian feature films along with the estimates of investment and employment in the industry. The Chapter also provides information regarding the contribution
made by the industry to the Government exchequer in the form of
entertainment tax.

Chapter V - Anatomy of Marathi Film Production.

This Chapter incorporates the analysis of the nature of
Marathi films produced during the period 1974-85. It also
discusses the nature of entrepreneurship in the production of
Marathi films, the organization of the film production and stages
involved in such production. It studies the efficiency of
Marathi film production in relation to time taken to complete a
Marathi film, the time interval between two films of the same
producer and the degree of vertical integration by Marathi film
producers. The chapter traces locational pattern of Marathi film
production and gives estimates of investment in the production
of Marathi films during the period under study.

Chapter VI - Cost Analysis of Marathi Films.

This chapter is devoted to the comparative study of the
production cost of Marathi and Hindi films and to the
explanation of factors affecting the size of production budget
of Marathi films. The Chapter investigates into the trends in
the level and structure of production cost of Marathi films
produced since 1974.

Chapter VII - Financing of Marathi Films.

This Chapter mainly deals with the various sources of
finance for the production of Marathi films. In this context,
the Chapter highlights the role of the State Government in
financing Marathi films through the scheme of entertainment
tax-refund to the producers.

Chapter VIII - Marketing of Marathi Films (Part I).

This Chapter contains the analysis of the gross and net box-office receipts of Marathi films and their profitability. It refers to the region-wise and district-wise break up of the box-office receipts and traces various sources of income to the producers of Marathi films. The Chapter briefly discusses the marketing of Marathi films in other Indian states as well as in the foreign countries.

Chapter IX - Marketing of Marathi Films. (Part II).

The discussion in this Chapter is based on the analysis of the factors responsible for poor box-office performance of Marathi films as compared to other Indian films. It explains the degree of competition encountered by Marathi films from the other entertainment avenues like Hindi films, Marathi stage, television and video. It traces the impact of certain policy measures of the Maharashtra State Government on the marketability and profitability of Marathi films.

Chapter X - Taxation of Film Industry.

This Chapter refers to various taxes imposed by the Union and the State Government as well as local Government on the film industry. It reviews the incidence of these taxes on the industry and examines the rate-structure of the entertainment tax in Maharashtra as compared to other states. It also discusses some proposals for the rationalisation of the entertainment tax.
Chapter XI - State Assistance to the Film Industry.

This Chapter deals with various promotional measures initiated by the Government of Maharashtra to help Marathi film industry. In this context, it makes a detailed analysis of the scheme of entertainment tax-refund to the producers of Marathi films. It makes comparison of the promotional measures of the Maharashtra Government with similar measures in the other Indian states. It briefly discusses the role of the Union Government and the bodies under its control in fostering the development of the Indian film industry.

Chapter XII - Summary, Findings and Recommendations.

This Chapter reviews the main findings of the study and makes some constructive suggestions to improve the economic performance of the Marathi film industry.

The study also includes following:

Appendices

I - (Appendix to Chapter VI)
Imports, Consumption and Prices of Raw Stock

II - (Appendix to Chapter VIII)
Exports of Indian Feature Films

III - (Appendix to Chapter IX)
Survey of Cine-going Habit of Adults in Pune City.

IV - Glossary of the Terms Used in the Film Business.

V - Bibliography.

References

1. The term 'Cinema' is used here to mean viewing of films on the
screen.


6. This observation is made by Shri Sunil Dutt, M.P., in his speech in the Lok Sabha in 1986.
