



Impact of Recession on Entertainment Industry with Special Reference to Bollywood

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Abstract

The Indian Entertainment Industry is among the fastest growing sectors of the country. This industry comprises of Film Industry and Television Industry. Indian film industry is the largest film industry in the world, producing on an average, close to a thousand films a year in all languages. The main objective of this research paper is to know the co relation between BSE sensx and Box Office revenue collections for the period January 2008-July 2009. The research is based on extensive use of different websites providing information related to these two variables. Statistical tools like Karl Pearson method of Co relation, t-test were applied. The findings show that there is a moderate degree positive co relation between these two. It can also be inferred that the co relation between BSE sensx and Box Office revenue collections is not statistically significant

Keywords: Recession, Entertainment Industry, Bollywood ,Film Industry

1. Introduction

Entertainment industry in India is presently in a consolidation phase as boundary lines between films, music and television are fast disappearing. Skills and resources are being pooled extensively. Besides adaptation to high-end digital technology, the entertainment industry is also witnessing rapid development of state-of-the-art studios and post production facilities.

Several positive developments like the accordance of the 'industry' status to the film industry, satellite channel penetration, the retail boom in the channels for music sales (Music World & Planet M), the use of digital technology in all spheres of entertainment and the growth of multiplexes have contributed to the growth of this sector.

The reverberation of financial crisis on other sectors in India like Banking, Real Estate, IT has been covered widely, there has been limited scope on its impact on the entertainment sector, Hindi film Industry, in particular. Thus, an endeavor has been made to probe the impact of recession on the industry which is not only the largest in the world in terms of number of films produced per year but also a combination of art, industry and showmanship i.e. Indian Hindi Cinema.

2. Objective

The objective of the paper is to outline the development, impact of recession on entertainment sector, Bollywood, in particular. The paper comprises of eight parts including the introductory section. The second part throws light on the Entertainment Industry and to know the future projections. The third part outlines the evolution of Bollywood industry over the years. The fourth part describes the past trend of revenue collection through Bollywood. The fifth part tries to find out the co relation between BSE Sensex and Box Office Collections. The sixth part describes the impact of recession on film industry and its constituents. The seventh part describes the future of Bollywood. The last part concludes the paper.

3. Research Methodology

- The research is completely based on information provided by different web sites

- The performance of BSE Sensex was calculated with the help of www.moneycontrol.com
- The gross box office collection were calculated with the help of www.ibosnetwork.com
- Karl Pearson method of Co relation, student's t-test were applied to analyze the collected data
- Charts, graphs and figures were used to make the data more presentable.

4. Limitations

- The major limitation of this study is that the data compiled for various variables like Number of Movies released, Trends of Box Office, Gross Box Office collections, Performance of Box Office Collections etc are based on different websites. As there is no official website available, we had to depend upon these only.
- While compiling the box office collections, only top fifty films were taken into account. Inclusion of all the films released during the said period may have different results.
- While approximating the data, we were forced to omit the details because of its negligible figure

5. Entertainment Industry

Entertainment industry in India is projected to be one of the major economic driving forces of the country. In terms of employment, an estimated 6 million people earn their livelihood from the entertainment industry and this number is all set to grow. In India, television is the major segment of entertainment industry. Presently, India has the third largest television market in the world behind only China and the USA. Today, television reaches about hundred million Indian households. India has the world's biggest movie industry in terms of the number of movies produced. Presently, the technology of film-making in India is perhaps the best among all developing countries. Indian film industry is now increasingly getting professional and a lot of production houses such as Yash Raj Productions, Dharma Productions, Mukta Arts etc. are now working on corporate lines.

The popularity of Indian entertainment industry goes well beyond the geographical frontiers of the country. Indian television channels and films are viewed and enjoyed across the entire South Asia. Across the Middle East, parts of South East Asia and Africa, large expatriate populations ensure that Indian TV channels and films are a regular part of their entertainment bouquet. In UK and North America (USA and Canada), Indian TV channels and films are increasingly finding a foothold beyond the expatriate pockets as the audience there has started to enjoy and identify with the contemporary Indian culture. Quite a few of Indian film stars like *Aishwarya Rai*, *Naseeruddin Shah* are also getting good offers from Hollywood.

The current challenging global economic environment has led to moderate expectations for the Indian media and entertainment for 2009, but the projections for the coming years are still strong. Over the next five years, the industry is projected to cross the mark of \$21 billion from \$11.68 billion in 2008. The table given below explains how the growth rate is expected to improve again in the year.

Table 1: India's Media and Entertainment Industry

Year	Size(\$Bln)	Growth (%)
2005	7.72	-
2006	8.9	15.28
2007	10.4	16.85
2008	11.68	12.31
2009	12.56	7.53
2010	13.94	10.99
2011	15.82	13.49
2012	18.22	15.77
2013	21.04	15.48

CAGR for 2009-13:12.5%

Source (KPMG-FICCI Report)

6. Evolution Of Indian Cinema

Bollywood has been greatly escalating since the Motion Pictures First came in India in 1896 when the Lumiere brothers unveiled six silent short films in Mumbai. India's first feature film '*Raja Harishchandra*' was released in 1913. The first 'talkie' film released in India was *Alam Ara* in 1931. A detailed time line of events in the Indian cinema is given in Table 2.

Table 2: Time Line of Events in the History Of Indian Cinema

1896	First film screening at the Watson's Hotel, Bombay on July 7 by the Lumiere brothers.
1898	Hira Lal Sen begins making films in Calcutta.
1911	The Durbar of George V in Delhi is the first film extensively filmed in India.
1914	R. Venkaiah and R. S. Prakash build Madras first permanent cinema – <i>The Gaiety</i> .
1925	<i>Light of Asia</i> by Himanshu Rai is the first film co produced with a German Company.
1933	<i>Sairandhri</i> (Prabhat Studios, Pune) is arguably India's first color film (processed and printed in Germany).
1952	First International Film Festival of India held in Mumbai.
1958	The Indian Copy Right Act came into force.
1959	<i>Kagaz Ke Phool</i> , the first Indian cinemascope film was made by Guru Dutt and shot by V.K. Murthy.
1960	The Film Institute of India is founded in Pune.
1960	K. Asif's <i>Mughal –e-Azam</i> , the most expensive feature film in Indian film industry.
1967	The first 70 mm wide screen film is shown in India.
1971	India becomes the largest producer of films in the world with 433 films.
1974	The International Film Festival of India becomes an annual event.
1992	The government greatly liberalized the requirements resulting in a significant increase of foreign films released in India.
1995	VSNL introduced Internet Services in India.

Source: Adapted from Acaharya

By the 1950s, Indian popular cinema had established itself as a form of art, entertainment and industry. Film historians call this period the Golden Age of Indian Cinema. During this era, movies like *Awara* (1951), *Pyaasa* (1957), *Kagaz Ke Phool* (1959), *Sri 420* (1955), *Mother India* (1957) were made.

7. Box Office Trends

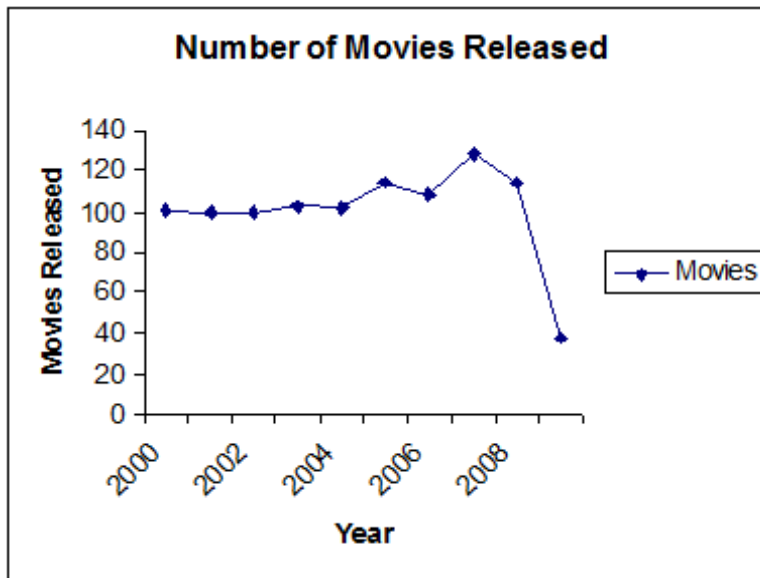
This part constitutes the following:

- Number of Hindi Movie released since 2000
- Top 50 grosses in terms of box office collections since 2000
- Month wise Box office trends since January 2008
- Co relation between BSE Sensex and Gross Box office Collections for the period Jan 2008-June 2009

Number of Hindi Movie Released since 2000

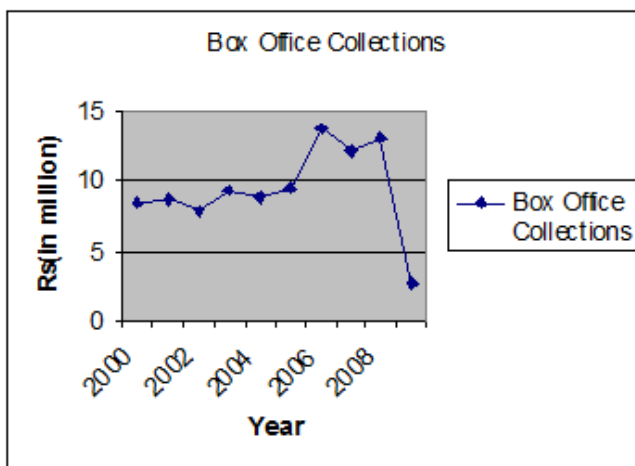
The graph below reveals that on an average, Indian cinema witnesses the release of around 108 movies per year. The release of movies for the period 2009 is only upto June 2009.

Figure 1: Number of Movies Released



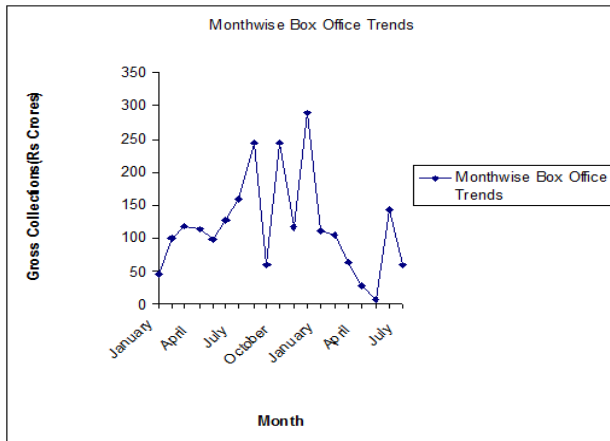
Source: Compiled from www.filmyduniya.in/bollywood/movies/2000-09/

Figure 2: Top 50 Grosses In Terms Of Box Office Collections Since 2000



Source: <http://www.ibosnetwork.com/asp/topgrossersbyyear.asp?year=2000-09>

Figure 3: Box Office Trends since January 2008



Source: <http://www.ibosnetwork.com>

Table 3: BSE Sensex and Gross Box Office Collections for the Period Jan 2008-June 2009

Month	*Performance of Sensex (%)	**Gross Collections (in crores)
January	-13.06	46
February	-2.29	99
March	-11	118
April	10.63	113
May	-5.04	97
June	-17.99	127
July	10.76	159
August	-.63	245
September	-11.30	59
October	-25.03	245
November	-7.10	116
December	9.13	290
January	-4.84	111
February	-5.65	104
March	9.19	64
April	15.16	27
May	28.26	8
June	-2.34	143
July	7.00	59

* Computed from www.moneycontrol.com

** <http://www.ibosnetwork.com>

Correlation Value:

The value of **Karl Pearson correlation (r)** is found to be -.28. It means that there is moderate degree positive correlation between the BSE Sensex and Box Office collections. To test it further statistically, **student's t-test** has been used. The following hypotheses were developed.

H_0 : There is no correlation between BSE Sensex and box office collections ($r=0$)

H_1 : There is significant correlation between BSE Sensex and box office collections ($r \neq 0$)

Value of t has been calculated by applying the following formula:

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

The table value of t at 5% level of significance for 17 degree of freedom is 1.74. The calculated value of t is 1.20. Since the calculated value of t is less than the table value of t, we accept H_0 .

Thus, it can be inferred that the correlation between BSE Sensex and Box Office Collection is not statistically significant.

8. Impact Of Recession On Bollywood

The question arises is who will be the most affected actors, producers, distributors or exhibitors. Tanuj Garg, Head, U.K and Europe (International Marketing, Distribution & Syndication), observes, "With the credit crunch, the situation deteriorated as the principal revenue generators for a distributor became cash strapped. Consequently, boutique producers and actors on a honeymoon phase are among the most affected with the pricing nose diving and an inevitable correction on the anvil.

Most of the large **production houses** (Ad labs, Balaji, Ashtavinayak, Mukta Arts, NDTV, UTV, TV18) have lost between 50%-80% of their market caps in last twelve months. These production houses were the ones funding and signing the multi crore block deals with 'A' list actors and directors. Such erosion in market caps will call for cuts in the companies including a lot of such production deals. It has already happened in Hollywood with time Warner significantly putting back New Line to save about USD 50 million a year. Assuming that we have gotten away from the 'conventional' funding models of 'black money' and underworld, this would mean there is going to be a reduction in number of films bank rolled.

The global recession snipped off 65% of the **satellite rights**. Take a movie like *Chandni Chowk to China*. Though it had an offer of Rs 11 crore a week before its release, the price fell to Rs 5 crore after its crash landing. Contrast this with *Singh is King* which was successful at the box office but even more in its satellite rights negotiations, snagging Rs 25 crore on syndication.

Music rights, slip sliding away for many years, got to rock bottom a 25 % fall, with even a globally acclaimed score like *Slum Dog Millionaire* fetching only Rs 25 lakh from T Series. The overseas box office fared no better, dropping by 30 % with film going clearly down in diaspora priority.

With the industry in the grip of recession, remuneration for its **stars** is also dwindling- Kareena Kapoor , Priyanka Chopra and Katrina Kaif, who were commanding Rs 3.5 crore a film, are now said to be taking home Rs 1.5 crore. Male stars have also taken a 50 % salary hit. The total number of films (roughly, 110 a year) that the industry produces may also drop by 15 %.

9. Future

The CAGR during 2009-13 is pegged at 9 percent, with the size of the industry moving up to \$ 3.8 billion in 2013 from \$ 2.18 billion in 2008. The Indian Film Entertainment Industry is projected to grow from the present size of Rs 8400 crore to Rs 17 500 crore by 2011, implying a 16 % cumulative annual growth over the next five years, according to FICCI Pricewaterhouse Coopers' annual report.

TABLE 4: Present and Projected Growth in E & M Industry

	2006	2007	2008	2009	2010	2011	CAG R %
Television	19,100	21,900	26,600	33,100	43,100	51,900	22
Print Media	12,700	14,400	16,200	18,200	20,600	23,200	13
Film Entertainment	8,400	9,600	11,200	12,600	14,600	17,500	16
Radio	500	600	800	1,100	1,400	1,700	28
Music	700	740	750	760	800	870	4
OHH Advertising	1,000	1,200	1,400	1,600	1,900	2,100	17
Live Entertainment	900	1,100	1,300	1,600	1,800	1,900	16
Internet	160	270	420	600	820	950	43
Total	43,600	50,000	58,800	69,700	8,500	100.10	18

Source: Industry Estimates & PwC analysis

Domestic theatrical business will continue to be the largest chunk of the contributing more than 70 % of total business of film industry. Domestic theatrical business is expected to grow almost double in this period, to \$0.38 billion in 2013 from \$0.2 billion in 2008. Film industry revenue from home video is also expected to move up to \$0.32 billion in 2013 from \$18 billion in 2008.

There are number of reasons to be optimistic about India's entertainment industry. Despite the high growth achieved during recent years, almost all the segments of entertainment industry have a low penetration compared to the international average. For example, the cable and satellite penetration in the country is just about 50 % leaving half the market untapped. Besides this, the growing middle class, young population and increasing discretionary spending are the factors that not only help the overall economy to grow at a healthy pace but also create a conducive environment for the entertainment industry.

Due to the growth prospects couple with low valuations, Indian entertainment industry offers attractive investment avenues to foreign investors. This is shown in the following illustrations:-

- Walt Disney has partnered with Yash Raj Films to make animated movies; the Warner Group is funding the Sippy's film projects.
- Viacom has a joint venture with TV 18 group to form Viacom -18
- Sony Pictured Entertainment has co produced *Saawariya* with Sanjay Leela Bhansali Films
- Anil Ambani's Reliance ADA Group has entered into a production deal with DreamWorks Studios promoted by production deal with Dream Works Studios promoted by Holly wood director, Steven Spiel berg, to produce films with an initial funding of US\$ 825 million for the first three years
- Fox Star Studios, a joint venture between 20th century Fox and Star has entered into a multiple film deal with producers Vipul Amrit Lal Shah, making its foray into the Indian Film industry.

10. Conclusion

The Indian entertainment industry today has everything going for it –be it regulation that allows foreign investment, the impetus from the economy, the digital life style and spending habits of the consumers and the opportunities thrown open by the advancements in technology. All it has to do is to cash in on the growth potential and opportunities. The government on its part needs to play a more active role in sorting out the policy – related impediments to growth. The industry needs to fight all roads blocks such as piracy in a concerted manner, while churning out high quality, world class end products. The entertainment industry has all that it takes to be a star performer of Indian company.

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