

Exploring Export Potential of Indian Movies: A Comparative Advantage Analysis of the Indian Film Industry

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Abstract : The paper specifically examines the revealed comparative advantage (RCA) that Indian movie industry enjoys globally. Longitudinal time-series data on Export value of Films was collected and Balassa Index (BI) Scores was calculated to exhibit revealed comparative advantage (RCA) of the Indian Film Industry. The paper shows distinctive comparative advantage of the Indian Movie industry. It also suggests that there are growth factors existing in the Indian Film industry that are unique to the Indian conditions and similar factors do not exist in the global industry.

This research reveals great export potential for the Indian film industry, but cautions investors on the growth aspect as the industry itself is in an adolescent stage and has yet to strengthen itself in areas of production, financing and distribution to truly become a globally mature competitive industry.

Keywords : *Indian Film Industry, Balassa Index, Revealed Comparative Advantage (RCA).*

The Indian film industry is the world's largest in terms of number of films produced as well as the number of cinema-goers (Mehta 1979). 'Bollywood' produces almost as many films as the next three - the US, Japan and China - combined. Specifically, the paper examines the structure of comparative advantage enjoyed by Indian Film industry in the global market. Following this, an analysis of the comparative advantage based on the forecasts and trends for the industry is undertaken. The analysis of comparative advantage has been undertaken using the Balassa (1965) index of revealed comparative advantage for four digit level of HS classification. The results indicate distinctive global advantage of the Indian film industry.

Introduction : Films have become synonymous to post-independence modern India. Indian movies not only are a reflection of the Indian culture but also are great entertainers worldwide. Bollywood is now globally seen as 'India's biggest cultural export' (Van Dyk 2015). Indian films usually cater to a niche audience but the industry is coming up with new marketing strategies to attract a wider international audience. Now filmmaking in India is a multi-million dollar industry employing over 6 million workers and over a billion viewers.

As mentioned by Nordenstreng and Varis (1974), the BRIC nations (Brazil, Russia, India and China) have been notable for being the first to produce many of their media and cultural products effectively doing away with import substitution from Hollywood as was being done in the rest of the world and where China, India and Russia did not fit the pattern. Although India imported news but it imported very less film and music. India exported films and music in nearby regions historically but began to go well beyond that in 1990s (Pendakur and Subramanyam, 1996, Ray M and Jacka E, 1996) exporting films throughout many developing countries in Asia and Africa. Indian films trailed its Diaspora and also drew viewers from many countries including USA (Taplin, 2007).

In 2008, the Indian film industry was stated at 107.1 billion rupees which has grown to 126 billion in 2013 implying a growth rate of 13 percent. As per the estimates of Price Water house Coopers, the Indian film industry is projected to grow by 12% over the next two years, reaching to Rs. 217 billion in 2018. (PWC 2014) .). Previously the Indian audio-visual and entertainment industry used to be largely unorganised and concentrated in private hands (Mukharjee, 2002). Indian films were mostly financed by private financiers at exorbitant interest rates inflating the cost of production. Because of its' unorganised and fragmented nature the sector also had huge amounts of black money involved. In order to streamline the financing process, the Government of India gave it an industry status in 1998. The outcome of corporatisation is that private sector and multinationals have started investing in film production in India and the ownership structures have changed which was earlier primarily sole proprietorship or partnerships. With the Indian film industry being conferred the status of an "Industry", the potential of movies as export has also improved.(Aiyar and Chopra 1998,). The paper considers the export potential of Indian films and using the Balissa index shows the comparative advantage of Indian movie industry over its global compatriots.¹

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Export Value of Indian Cinema

Indian film producers over the time have understood the entertainment value that cinemas have outside the Indian borders. Since 1930's Indian films has been exported to its cultural neighbours (Pakistan and Nepal), and countries which were part of British colonies inhabited by substantial Indian immigrants e.g South Africa and Sri Lanka (Lorenzen 2009a). The circuit was traditionally controlled by small, usually family run companies and worked on contracts and commissions. During the 1950-70, Indian movies were a huge craze in the USSR who were strategic allies of India (PTI, 2011). With the end of cold war and improvement

of relationships with USA the Indian film industry became more globalised. This was the time when Indian movie stars started to have a global fan base. Popularity of Indian cine-stars and movie songs were seen as a reflection to the strengthening Indo-USSR relationship.

The US department of trade and commerce projected the global media and entertainment industry to reach 2.3 trillion dollars by 2018 (DaSilva 2015). Expecting a growth of filmed entertainment at 4.1% CAGR the total global revenue will reach 104.62 billion dollars by 2019. Export performance of the Indian film industry over the past years has also been phenomenal. The value of film exports is expected to cross US \$ 2,765 million mark in 5-7 year with Indian producers now looking at exporting films to new markets in regions like New Zealand, Japan, Australia, Singapore, Hong Kong, Mauritius, Tanzania, Kenya, Malaysia and Indonesia besides the established markets of the US, UK, UAE and South Africa (Raina 2000).

Theoretical Foundations

The Indian Media and Entertainment Industry of which Films are a part, according to Ministry of External Affairs is a sunrise sector for the economy and is making high growth strides. Traditionally, exports from Bollywood have accounted for less than 10% of the industry's turnover. However, during the last two decades, Bollywood has been the Indian film cluster that has been fastest in tapping into new global business opportunities. Being the only Indian film cluster that produces in Hindi, Bollywood also has a huge potential audience among non-resident Indians in the US, UK, and Canada, and in countries with a substantial number of people who understand Hindi, such as Pakistan, Nepal, and Sri Lanka. Bollywood films also sell well throughout South Asia, Africa, Russia, East Europe and South America. Home video, combined with more efficient distribution ensuring better deals for production companies, has made exports grow 30-50% annually during the last decade to its 16% of total revenues by its end, and a further exports growth of over 20% was recorded until 2010. Thus recent trends are strongly indicating that Indian Film industry is poised to play a major role in India's international trade(Lorenzen ,2008) .

The exports until 2007 were increased up to 60%. The United States and Canada are the two main export destinations and are calculated almost to 30%. United Kingdom is following with 25% and the Mauritius and Dubai with 10% each. Other equally big markets are South Africa, Russia, Fiji islands, New Zealand and Australia, where a large number of Indian Diaspora dwells (Bauka, Merkouri and Metaxas 2015).

Internationalisation Opportunities for Indian Films: The Strategic Windows

Solberg (1997) discusses the nine strategic windows that are possible for a firm to shape its internationalisation strategy. The framework is based on the two dimensions. Refer figure 1.

Industry Globality – As stated by him, the strategic behaviour of an organisational entity will depend on the international competitive structure of the concerned industry. In a multidomestic environment where markets exist independently, the firm may consider entering foreign markets gradually, with limited concern about competitive retaliation and with a marketing strategy adapted to each market. On the other extreme in a global marketing environment, the interdependencies between the markets affect the strategic deliberations of the main actors in the market. The type of international competitive structure is determined by the number of entry barriers and the strength with which they appear. Scale economies, product differentiation, market control through distribution channels and government intervention all classify as entry barriers. While understanding the evolution of the Indian film industry from an unorganised fragmented economic sector to an organised industry in India, there are globalisation drivers such as demand homogenization, trade and capital liberalization that have all changed and thus affected the entry barriers globally. The film industry can be placed as ‘potentially global’.

The other premise in this framework is based on incremental learning and commitment of the firm towards international markets. Export success is determined by a general pattern of commitment, consistency, proactive attitudes and risk preparedness. Also the better developed marketing networks through customers, distributors and other actors in the market, the better is the entity’s preparation for international expansion. On applying this framework to Indian film industry as an entity, given the present industry structure, the Indian film industry seems to have reached adolescence in terms of its preparedness for internationalisation. Mapping on these two dimensions the strategic window of expansion in international markets opens up for the Indian film industry.

Comparative Advantage

The concept of comparative advantage has been widely accepted as one of the foundations for international trade. The theory of Comparative advantage is an Economic theory that explains work gains from trade for individuals, firms or nations that arise from differences in their factor endowments or technology processes. A country has a pattern of specialization that is determined by what goods it exports and the volume of each good it exports, both of which change over time (Hoskisson and Yiu, 2003) shows that international trade is not a zero sum

game and that the rise or fall of particular industries reflects changing endowments and the need to shift to new areas of competitive advantage. When a nation enjoys a comparative advantage in a particular industry, it is natural that firms make investments in order to profit from this advantage, resulting in a relatively high degree of specialization within that industry.

There are two prominent theories of trade based on comparative advantage; the Ricardian model and the Heckscher-Ohlin theory. The Ricardian theory assumes differences in technology give rise to comparative advantage across countries, whereas the Heckscher-Ohlin theory connects comparative advantage to differences in factor endowments across countries. Thus classical theories view comparative advantage being derived from relative price determination, underlined by demand and supply factors. According to the Heckscher Ohlin theory a country's comparative advantage is determined by its relative factor scarcity (factor endowment ratios compared to the rest of the world or a set of countries). Measuring comparative advantage on the basis of price differences was a problem as proposed by Balassa (1965), since relative prices under autarky were not observable.

A commonly used measure of industry specialization, based on export data, is revealed comparative advantage, often referred to as the Balassa index (Balassa, 1965). Richardson and Zhang (1999) used the Balassa index for the U.S to analyze the variations in U.S. patterns of trade across time, sectors and regions. They found that the patterns differed by region and over time and also for different levels of aggregation of the export data.

Since industry specialization can be viewed as a proxy for comparative advantage, it is used here to assess one dimension of industry export competitiveness. Underlying the Balassa index (BI) is the notion that the direction of trade flows reveals a country's specialization patterns and hence it's revealed comparative advantage, though not the source of this advantage.

Research Objectives

The paper primarily intends to research the role of Indian Cinema in the national economy in terms of earning as well as its ability to generate export revenues for the country. The paper also intends to look at the Indian Film Industry from a Strategic viewpoint investigating the export competitiveness of the Indian Film industry.

The paper presents an analysis of the revealed comparative advantage (RCA) enjoyed by Indian Film industry in the global market. Besides the Paper also presents an insight into the Indian Film industry, tracing its growth in the recent

past and also forecasting upon its future.

Methodology

For achieving our research objective we have adopted a ‘Longitudinal time-series analysis design’. Recent data from year 2003 to 2015 has been considered for the study. The details of the research design are given as following:

Research Strategy

Time series analysis designs have frequently been used to evaluate strategies; they attempt to assess whether an intervention has had an effect significantly greater than the underlying trend (Matowe et al 2000). The simple logic of the time-series experiment is this: if the graph of the dependent variable shows an abrupt shift in level or direction precisely at the point of intervention, then the intervention is a cause of the effect on the dependent variable (Jaeger 1997). According to Borg and Gall (1983, p. 660), a “time series design is useful when it is not feasible to form a control group and when the subjects can be measured periodically with the same instrument.” (Borg 1983) In the given study the performance of the Indian Film Industry is not measured against any control group and each observations are taken as points on a time scale the time-series analysis design is most suitable for this study.

Data Sources and Collections

In the film industry, globalization has, for more than half a century, brought about a substantial growth of markets (Lorenzen 2009b). Most of earlier literature related to the entertainment industry have been carried out on other of the world’s big film industries (e.g. Blair, 2001; Storper, 1989) but virtually no research has yet been published on Bollywood as a cluster (Lorenzen, Mark and Taeube 2007). Majority of the studies on hindi film industry lies within cultural studies, anthropology or sociology and often focuses upon film texts and their cultural impact upon viewers in India or abroad (see e.g. Rangoonwalla, 1975; Ramachandran, 1985; Valicha, 1988; Kazmi, 1998; Garga, 1996; Gokulsing and Dissanayake, 2004; Nandy, 1998; Prasad, 1998; Vasudevan, 2000; Dwyer and Patel, 2002; Kabir, 2001; Mishra, 2002; Rajadhyaksha and Willemsen, 2002; Kaur and Sinha, 2005; Dudrah, 2006). The ongoing analyses of the Indian film industry (by the Federation of Indian Chambers of Commerce and Industry (FICCI-KPMG 2015), Confederation of Indian Industry (CII), or the Indian business magazines (such as Business Today, BusinessWorld, Indiatimes, India Today, or rediff.com) usually address specific topics such as exhibition or finance rather than giving an overall analysis that also encompasses demand, industry structure, and institutional factors.

The scholarly works on the history and/or economics of the Indian film industry

(Jain, 1960; Barnouw and Krishnaswami, 1980; Kohli, 2003; 2006b; and Pendakur, 2003) do not analyze the film cluster in Mumbai as an export oriented industry which can give a strategic impetus to the national economy.

For the purpose of probing into the research problem performance data of the Indian Film-Industry as published by research agencies such as Price Water house Coopers, FICCI (Federation of Indian Chamber for Commerce and Industry) was used. Economic indicators and size of the industry along with the bulk of trade was taken from ministry of commerce’s website. Data for the export value of films and India’s total export was taken from the export-import databank available with the Ministry of Trade and Commerce, Government of India (<http://commerce.nic.in>). Export value of Films was collected under Harmonized System Code (HS Code 3706) which gave relevant data for the commodity head ‘Cine film exposed and developed whether or not incorporating sound track/consisting only of soundtrack’. Data for ‘Global Film Exports’ was collected from the statistics on creative economy available with UNCTAD (<http://unctadstat.unctad.org>), and the total Global Exports was taken from WTO (<https://www.wto.org>). Since data for global film exports was available only till 2012-13 ARIMA model (Autoregressive Integrated Moving Average Model) was used to predict for the next two years.

Analysis for Comparative Advantage

The Balassa Index (BI) is calculated as the ratio of the share of a given industry in a country’s exports to the share of the same industry in that country’s total exports. If it is assumed that the world economy comprises N countries and m industries, then country i exports of industry j are x_{ij} and total exports of country i are given by $X_i = \sum_{j=1}^m x_{ij}$. Total world exports of industry j amount to $X_j = \sum_{i=1}^N x_{ij}$ while total world exports can be seen either as the sum of all industries or as the sum of all countries, i.e. $X = \sum_{j=1}^m X_j = \sum_{i=1}^N X_i$. To evaluate the revealed comparative advantage of country i in the sector or industry j , Balassa (1965) suggested the following index:

$$B_{ij} = \frac{\frac{x_{ij}}{X_j}}{\frac{X_i}{X}}$$

X country $i = 1, 2, \dots, N$; product $j = 1, 2, \dots, m$

If the export market share of country i in industry j is higher than its total market

share, i.e. if $\left(\frac{x_{ij}}{X_j}\right) > \left(\frac{X_i}{X}\right)$, then the country is classified as having a revealed comparative advantage in the industry j . The simplicity and highly intuitive nature of the Balassa index explains its wide utilization in the literature on trade and international business. The formula uses $\frac{X_i}{X}$ to “normalize” $\frac{x_{ij}}{X_j}$, proposing

a threshold level of 1. Besides this dichotomous feature of dividing countries between those that have a revealed comparative advantage and those that do not have one, the BI can also be used as a cardinal and ordinal measure, allowing interpretations either among countries in a given industry or across industries in a given country.

A BI score greater than 1 indicates that a country's domestic industry is relatively more specialized than the world industry. Thus, the BI can be used to compare the relative degree of industry specialization across countries. The index has a lower bound of $BI_{ij} = 0$ in the extreme case where country i does not export any product from the industry j ($x_{ij} = 0$); at the other extreme, it is infinite. Normally, the BI scores range from 0 to +1, but the effective upper bound can be infinite when X_i tends to 0, i.e. when the share of country i in total world exports is negligible. Given that X_i and X vary across time, the upper bound changes not only across countries but also across time.

Contribution of film industry to the national income

The Indian movie Industry is considered part of a larger Media and Entertainment Industry which was Rs 587 billion in 2009 pegging a growth of 1.4% despite a global recession (Raghvendra 2010). Today the media industry stands at Rs 1,157 Billion set to grow at a CAGR of 14.3 per cent to Rs 2260 billion by 2020. The Media and Entertainment industry covers 9 categories of services i.e Television, Filmed Entertainment, Print Media, Radio, Music, Animation-Gaming & VFX, Out of home Advertising, and online advertising. It can be well understood that all these segments are very closely knit and often it is hard to differentiate one from the other. Amongst all these industry segments Filmed entertainment is the third biggest earner after television and print entertainment.

At the beginning of the decade the industry was projected to grow at a compound annual growth rate of 13% to reach the size of Rs 1,091 billion by 2014. Coming true to its expectation the industry earned Rs 1,026 billion which was about 94% of the projected figures. TV has been the largest gainer in the past half decade amongst the pure entertainment segment. However Films have shown a fair growth of 9.3% during the same period. An interesting trend that has come up with Indian films is that the revenue generated by films are due to substantial contribution by other streams such as satellite and home video rights, music rights and product placements.

Overall Industry Size (INR billion) (For Calendar Years)	2010	2011	2012	2013	2014	2015	Growth in 2015 over 2014(%)
TV	297.0	329	370.1	417.2	474.9	542.2	14.2
Print	192.9	208.8	224.1	243.1	263.4	283.4	7.6
Films	83.3	92.9	112.4	125.3	126.4	138.2	9.3
Radio	10.0	11.5	12.7	14.6	17.2	19.8	15.3
Music	8.6	9.0	10.6	9.6	9.8	10.8	10.2
OOH	16.5	17.8	18.2	19.3	22.0	24.4	10.9
Animation and VFX	23.7	31.0	35.3	39.7	44.9	51.1	13.8
Gaming	10.0	13.0	16.3	19.2	23.5	26.5	12.8
Digital Advertising	10.0	15.4	21.7	30.1	43.5	60.1	38.2
Total	652	728	821	918	1026	1157	12.8

Table 1: Growth of Indian Media and Entertainment Industry (Source: KPMG India analysis 2016)

Globalization and Comparative Advantage of Indian Film industry

Entertainment is now, after ICT, India's fastest growing sector, and the movie industry currently grows by 9.3% annually. After a century of mainly serving the home market, Bollywood is now, projected with a 78.5% export growth in 2014-15, collecting still more revenues abroad and is well on its way to becoming integrated in the global economy. The export potential of Indian films has been acknowledged since the last decade. (Lorenzen, Mark and Taeube 2007).

The Indian film industry has also been recognized as a potent sector for attracting Foreign Direct investment (FDI). In the year 2005, the government of India in a bid to attract FDI in this industry, allowed 100% investment. Some of the major FDI inflows in Entertainment and Media in 2008 were into Nimbus Communication, Zee Telefilms, Balaji Telefilms Ltd and Times Broadband Services, mainly routed via Mauritius. Filmed Entertainment generated the most interest from Foreign investors.

Year	Indian Film Exports (Million USD) ^a (X_j)	% Share in Total Exports ^a	Indian Film Exports Growth % YOY ^a	India's Total Exports ^a (X_i)	Total Export Growth % YOY ^a	Creative industries –Film exports globally (million USD) ^b (X_{ij})	Creative industries –Film exports globally Growth % YOY	Total Global merchandise Exports ^d (million USD) (X_{ij})	BI Score
2003-04	13.93	0.0218	-10.51	63842.60	-10.51	568.65	-	7590000	2.91
2004-05	18.22	0.0218	30.80	83535.90	30.85	664.86	16.93	9223000	3.03
2005-06	16.3	0.0158	-10.54	103090.50	23.41	667.34	0.37	10509000	2.49
2006-07	18.34	0.0145	12.52	126414.10	22.62	736.65	10.38	12131000	2.39
2007-08	15.25	0.0094	-16.85	162904.20	28.87	786.79	6.80	14023000	1.67
2009-10	28.54	0.0154	87.15	185295.00	13.74	766.14	-2.62	16160000	3.25
2009-10	23.63	0.0132	-17.20	178751.40	-3.53	733.35	-4.28	12555000	2.26
2010-11	19.37	0.0077	-18.03	251136.20	40.49	633.96	-13.55	15301000	1.86
2011-12	23.6	0.0077	21.84	305963.90	21.83	493.49	-22.15	18338000	2.87
2012-13	15.25	0.0051	-35.38	300400.70	-1.82	138.97	-71.84	18496000	6.76
2013-14	8.02	0.0026	-47.41	314415.70	4.67	81.59 ^c	-41.29	18948000	5.92
2014-15	14.28	0.0046	78.05	310352.00	-1.29	71.64 ^c	-12.19	18995000	12.92

Source: a. Ministry of Commerce databank, Govt of India, b. UNCTAD, c. Estimates using ARIMA model, d. WTO database

Table 2: Export Performance of Indian Films

The performance of the Indian film industry has been encouraging in areas of export as can be seen with high years like 2009-10 contributing roughly .015% to national exports. Although the same cannot be said about the growth of the Indian film Industry's export which has seen many ups and downs in this decade. However this trend is likely to change fast with the Indian Film Industry becoming a more corporatized.

The table 1 presents the Balessa Index (BI) scores of the Indian Film Industry. It can be seen that the scores are well over 1 (μ BI = 4.02, BI = 3.2). This clearly shows that the Indian film industry exhibits a distinct industry specialization and has a comparative advantage in Indian exports. The BI scores of the film industry also reveal that the Indian film industry's export performance has been greatly affected by the global economic cycles. Periods of global recessions have brought down the relative exports of the industry.

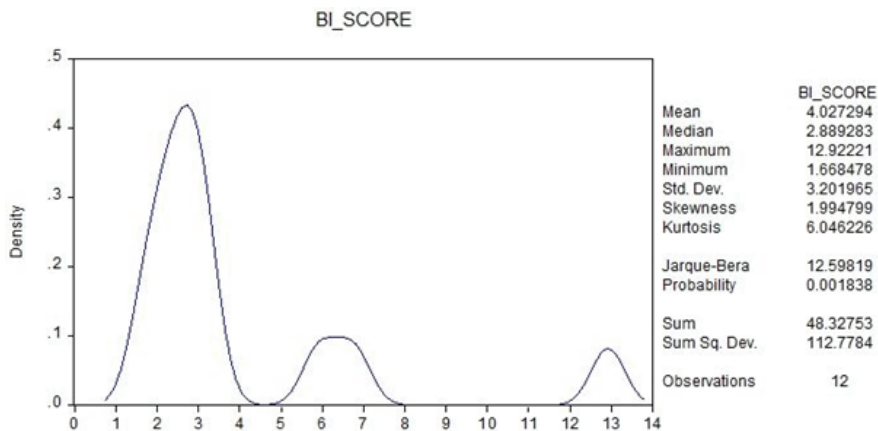


Chart 1: Probability Density Distribution of BI

The Probability density distribution of BI scores the mean is above the median so that the distribution is skewed. The distribution is not monotonically declining and the density is unevenly distributed with three distinctive peak periods. Since the mean BI scores are greater than the median scores high values of BI scores may be over-weighted as is in years 2014-15. The probability distribution also suggests that there are growth factors existing in the Indian Film industry that are unique to the Indian conditions and similar factors do not exist in the global industry.

Another interesting aspect that is revealed in the table 2 is the independence of growth in film exports from overall growth of exports. The correlation value of growth of film exports and growth of overall exports is 0.04. This strongly indicates that the film industry in India is an independent industry which is self-driven and is in contrast to other industry which show export growth because of favourable government policies. Although there have been years in which the export growth has been poor (as in years 2012-14), but this has been negated with a resurgence in the current year. Further on comparing the export performance of the Indian film industry with the global industry, it can be observed that though the trade volumes globally has been far higher with Indian contributions remaining low however the overall growth of Indian exports has been steady compared to global exports. Chart 2 shows that there has been a slump in the global exports since 2009, while Indian exports have shown growth in these period indicating strong export potential and comparative advantage.

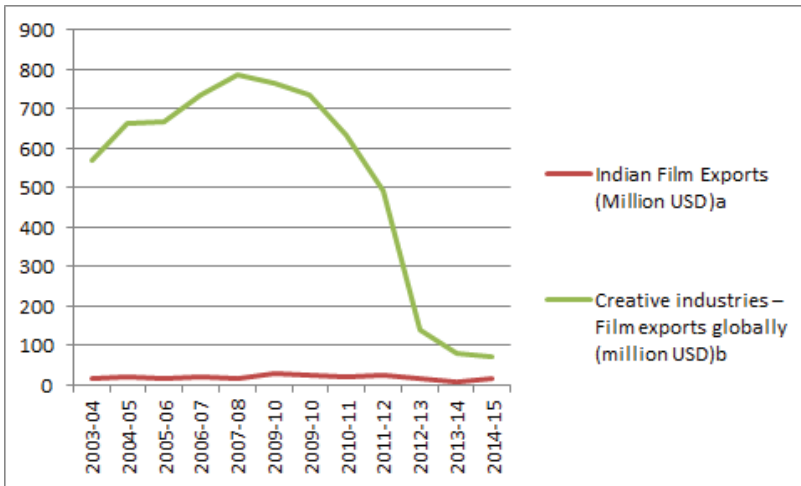


Chart 2: Comparative Export Performance of Global and Indian Film

The current decade is also witnessing a great change in the entertainment industry due to digitisation and propagation of entertainment through the internet. This has led to two opposing forces to act upon the industry. Growth of international viewership through global distribution of films has on one hand helped the vernacular films while at the same time earnings due to video-rentals (home videos) has come down which does not provide the convenience of internet viewing.

Observing the total global merchandise export, there are strong indications of an economic slowdown in this decade. The economic slowdown has led to film projects being scaled down, artist costs have witnessed corrections, and film producers are charting out new strategies. The Indian film industry is looking to move towards a risk-sharing model, in which costs and benefits are spread across the value chain. With funds for investments drying up, film production companies are more cautious about their selection of movies and their acquisition price and production costs. Examples of cost cutting in film distribution include limited number of languages in which an international film is dubbed; distribution in select markets thereby savings on print costs as well as local marketing and promotion costs and others (*PWC 2014*).

Strategic Implications -Industry Globalism and Preparedness for Internationalisation

The paper has clearly shown a distinctive comparative advantage of the Indian Movie industry. If we consider the global movie industry, the level of internationalisation is yet restricted. The raising of financial capital has been one of the important aspects in internationalisation of the movie industry. Several major Hollywood studios including Disney have been major financiers of films

in Bollywood, similarly when Hollywood struggled for funds following the 2008 recession it received loans and financing from Indian sources. This is in an attempt to harness the massive potential of Indian audience. In many countries, the government has posted quotas or imposed tariffs on foreign films to limit their dominance domestically (Siwinski 2015).

The Industry dynamics at the global level in reference to export has also not been very smooth. The global film industry is still dominated by few film making countries like USA(Hollywood). Other aspects of globalization of the film industry, as stated by Lorentzen (2008) namely globalization of 1) involvement in filmmaking; 2) film consumption; 3) film production; and 4) organization of filmmaking have started to move beyond internationalisation where it not just the spread of products, people or practices from one or few countries, but also entails interconnectedness between a multitude of countries, leading to their integration into one (or several) global economic, cultural, and to some extent also political, systems or networks (Lorentzen 2008). Thus it can be conclusively inferred that the film industry is showing high potential for globalism but has yet to attain the stage of being completely global as is the case with other established industries such as telecom, automobiles and semiconductors.

The industry preparedness of the Indian Film Industry is still at an adolescent stage because of a number of reasons. Financing for Indian movies is still mostly by private parties or through family businesses. Raising of capital through public funds as is the case with matured industries is still unheard of in Indian Film industry. This severely affects the distribution, production and other technical aspects of filmmaking by restraining the level of professionalism that is required for mature industries. The funding aspect of movies is also going through a sea change. By and by institutional funding are becoming the norm, IPOs are possible and the advent of large corporate houses like the Aditya Birla group or Anil Ambani in the movie fray are making filmmaking more affordable than before (Dasgupta 2006). Further, the Indian film industry is also criticised for the content. Bollywood movies are still seen as a “song and dance affairs” amongst international audiences. The established star-system in Indian movies are targeted at audiences that are escaping the realities of life in to a world of fantasy that these movies rake up. However off late serious movies that have been internationally acclaimed have started to be produced in India. Audiences in India are also appreciating alternative- context movies. Brooks Tom (2011) BBC quotes “Although there are divisions within the Indian film industry over storytelling and content a workable equilibrium appears to have been established.” Indian film industry which is becoming more diverse rather than uniform aptly represents today's globalizing culture characterized by “organization of diversity rather than a replication of uniformity” (Banerjee, 2002).

		Industry globalism		
		Local	Potentially global	Global
Preparedness for internationalization	Mature	3. Enter new business	6. Prepare for globalization	9. Strengthen your global position
	Adolescent	2. Consolidate your export markets	5. Consider expansion in international markets	8. Seek global alliances
	Immature	1. Stay at home	4. Seek niches in international markets	7. Prepare for a buyout

Source: Solberg, 1997, p. 11. Reprinted with kind permission. In the original article Solberg has used the concept 'globality' instead of 'globalism'.

Figure 1 : Internationalisation opportunities

Indian film/television software production companies have a cost advantage over their global counterparts, as the cost of production is lower in India given the availability of trained manpower. In the long run India can develop as a post-production hub for Hollywood movies. Since the post-production budget for these movies are much higher, it would be profitable for Indian companies to be an outsourcing hub for film producers of developed countries. Indian government provides various initiatives to promote the growth of film exports. The revenue earned from exports of film software is exempted from income tax. The duty paid towards the import of raw stocks is refunded back to the exporters by the way of duty drawback. On an average, an exporter receives approximately Rs 1200-1400 as duty drawback per prints. The government has allowed 100 per cent foreign direct investment in film production and distribution through automatic routes. India has made significant progress in production of animation software, special effects and computer graphics, India has the potential for exporting entertainment software both for the film and television industry. The Balassa index shows that the Indian film industry has a Revealed Comparative Advantage and the industry must thus look at the various strategic options including exports to encash upon this strategic position which it currently holds.

Conclusion and future agendas

Being the largest film producing country in the world the economic contributions of the movie industry has yet to be felt. With the largest movie audience in the world and the cheapest tickets, movies in India are considered for their social connect. The Indian Film industry undoubtedly has grown over the years not

only as a major revenue earner for the nation but also as a highly specialized indigenous industry. With the growth of the GDP, the spending power of Indians is also changing. Lifestyle changes brought about by changes in economic activity are also spurring growth of the Indian Film industry.

Through this paper it has been established that Indian film Industry is going to be one of the key drivers in the Indian economy. The paper also shows that the Indian movie industry is an indigenous industry which is taking shape to be a highly specialized corporate conglomerate. With the efforts of the government the industry is poised to attract high inflows of FDI.

Findings in the paper reveal that the Indian film industry is a mixed bag full of promises. On one hand it has a lesser evolved industry structure, and 'run of the mill' creative features which are the negative forces for globalisation while cost leadership, output volumes, mass appeal and readiness for change are the strong growth forces. Also the growth of allied sectors such as gaming and animations are bound to further the growth of this industry. The export value of the industry is bound to grow further acceptance of Indian movie stars abroad. Success of Indian movies abroad has also prompted Indian entertainment companies in developing and co-producing Hollywood films intended for Western audiences (Hindu 2011).

The paper focuses upon the export potential of Indian Movie industry along with its ability to be a major contributor to the Indian economy. Future research in this area should be directed at the (1) industry structure and (2) industry processes. The need for doing research on industry structure lies in the fact that the industry till now had been operating in a very unorganized manner. But if the Indian Film industry intends to be a formidable globalised industry it must adopt a structure that will help its international growth. Moreover film industry has interconnection with a lot of allied industries such as fashion and textiles; printing and leisure industry including tours and travel. Further research on the integration of allied industry for leveraging export can add value to the overall theme of the current paper. Similarly research has to be initiated for the different processes involved in the making, distribution and screening of the Indian Film industry.

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