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**Chhatrapati Shahu Institute of Business  
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Ph: 91-231-2535706/07 Fax: 91-231-2535708 Website: [www.siberindia.co.in](http://www.siberindia.co.in)

Email: [sajmr@siberindia.co.in](mailto:sajmr@siberindia.co.in), [sibersajmr@gmail.com](mailto:sibersajmr@gmail.com)



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## Editorial Note

The Indian film industry is multi-lingual. Films are produced in more than 14 languages every year which is the primary reason for India being the largest producer of films in the world. The first article tries to find out whether the affordability influences the preference of consumers to watch new films along with family and friends in theatres and provide possible solutions to mitigate the situation.

Turmeric is an important commercial crop providing substantial income to the farmers in Belgavi district. The second article discusses the changing scenario of turmeric cultivation in Belgavi District of Karnataka State.

The third article highlights the strategies of talent engagement activities and their impact on employee retention and effectiveness of its execution in the retail sector in Mumbai region.

The fourth article is dealing with the working of mutual fund, the reasons for growth in mutual funds along with the Compounded annual growth rate of Mutual fund Asset Management Company.

The fifth article deals with employee segmentation strategies and talent management practices in I.T. Industry in Chennai

Case study on “Air India Change of Direction” discusses the various aspects of Merger of Air India and Indian Airlines.

At the end we have a book review on “G.S.T. Law Guide”. The reviewer presents detailed highlights of each chapter. It is very helpful to all the students and researchers .

**Dr. C. S. Kale**

Editor

# Empirical Study of Affordability and Viewing in Indian Films

**G. Dhananjayan**

Founder Director BOFTA Film Institute, Ph.D Research Scholar at SIMSREE, University of Mumbai

**Prof. Dr. R.K. Srivastava**

HOD, Research Department, SIMSREE, University of Mumbai.

## Abstract

India is a film crazy nation and after politics and sports, it is Cinema that dominates the minds of people. Cinema is a universal word for entertainment, thrill and fun. Today movies are seen as a medium of entertainment as well as the mode to learn about the actual things happening in the real world. The dominance of cinema in India reflects in the following data: India is the largest producer of films in the world (1,902 films censored in 2015-16 as per Film Federation of India report<sup>1</sup>) and largest in terms of number of tickets sold (2.26 billion tickets in 2016 as per statista report<sup>2</sup>).

The Indian film industry is multi-lingual. Films are produced in more than 14 languages every year which is the primary reason for being the largest producer of films in the world. The objective of this paper is to find out whether the affordability influences the preference of consumers to watch new films along with family and friends in theatres and provide possible solutions to mitigate the situation.

**Key Words:** Film Industry, Growth, Piracy, Ticket Price, Domestic Theatrical, Audience, Screens

## 1.0 Introduction :

The film industry is supported by a vast film-going Indian public and Indian films have been gaining increasing popularity in the rest of the world, notably in countries where large numbers of expatriate Indians live. In the recent past, Indian films also started getting acceptance in different countries through dubbed version in certain overseas markets.

Indian film industry's current size is Rs.142.3 Billion (in 2016 as per KPMG 2017 report<sup>3</sup>). In the last 3 years, the industry has grown cumulatively by 14per

cent or 4.3per cent CAGR. The current CAGR is lower than global film industry's growth (4.5per cent) and US film industry's growth of 4.7per cent. KPMG forecast of the industry is a CAGR of 7.7% from 2016 to 2021 and the industry size estimated at Rs.206.6 billion, which is challenging to achieve at the current rate of growth.

Post the implementation of Goods and Services Tax (GST), which brought in uniform tax rate of 28% for tickets priced higher than Rs.100/- and 18% for tickets priced at Rs.100 and below, in addition to

12% to 18% GST on various services and business activities carried out in the film industry<sup>4</sup>, the business environment in movie business has changed dramatically. This new business environment requires a new approach to solve problems. The increase in taxes<sup>4</sup> and input costs led to increase in overall cost to the consuming audience for tickets and other consumables at theatres. The objective of

this paper is to find out whether the affordability influences the preference of consumers to watch new films along with family and friends in theatres and provide possible solutions to mitigate the situation.

**Indian Film Industry**  
Indian film industry's growth is erratic and not consistent due to various factors as it can be seen from the table below.

Table 1: Indian Film Industry – Segment-wise growth – KPMG Report<sup>7</sup>

Source: KPMG Report 2017 on Indian Film Industry

Indian Film Industry Performance - Rs. In Million	2010	2011	2012	2013	2014	2015	2016	Growth of 2016 over 2015	CAGR (2010-2016)	2017 P	2018 P	2019 P	2020 P	2021 P	CAGR (2016-2021)
Domestic Theatrical	62.0	68.8	85.1	93.4	93.5	101.4	99.8	-1.6%	8.3%	106.6	111.8	117.9	124.20	131.20	5.6%
Overseas Theatrical	6.6	6.9	7.6	8.3	8.6	9.6	10.9	13.5%	8.7%	11.8	12.5	13.4	14.30	15.30	7.2%
Home Video	2.3	2.0	1.7	1.4	1.2	1.0	0.9	-11.8%	-14.5%	0.8	0.7	0.6	0.60	0.50	-11.2%
Cable & Satellite rights	8.3	10.5	12.6	15.2	14.7	15.9	15.3	-3.8%	10.8%	16.2	17.0	18.0	19.10	20.20	5.7%
Digital & Ancillary revenues	4.1	4.7	5.4	7.0	8.4	10.2	15.5	52.0%	24.9%	19.6	23.9	28.3	33.40	39.40	20.6%
Total	83.3	92.9	112.4	125.3	126.4	138.2	142.3	3.0%	9.4%	155.0	166.0	178.2	191.60	206.60	7.7%

Note: 2010 to 2016 numbers are actuals. 2017 P means 2017 projections.

The above data clearly reveals that the poor growth of the film industry is due to lower growth in domestic theatrical, overseas theatrical and cable and satellite rights revenues and the decline in the home video segments from 2010 to 2016. Only digital and ancillary revenues have shown a healthy growth. Home video industry cannot be revived due to the shift of the audience to digital medium. Cable

and Satellite rights revenues are dependent on the performance of domestic and overseas theatrical revenues today and hence to achieve better growth, both domestic and overseas theatrical segments must register substantial growth in the coming years.

As per the above table, in the year 2016, the Indian film industry grew by a mere 3 percent over the previous year to reach

Rs.142.3 billion. Domestic theatricals and cable and satellite rights segments, the two major contributors to the industry's revenues, along with the home video segment witnessed a negative growth. Overseas theatricals along with the sale of digital rights and ancillary revenues became the lifeline for the industry.

Domestic theatrical revenue during 2016 was Rs.99.8 billion, which is almost the same as that of 2015 revenue (Rs.101.4 billion). The overall growth of film industry was negligible at 3per cent due to no growth in domestic theatrical revenues, which contributes to 70% percent of industry.

Domestic Theatrical Revenues - Rs. Bn.

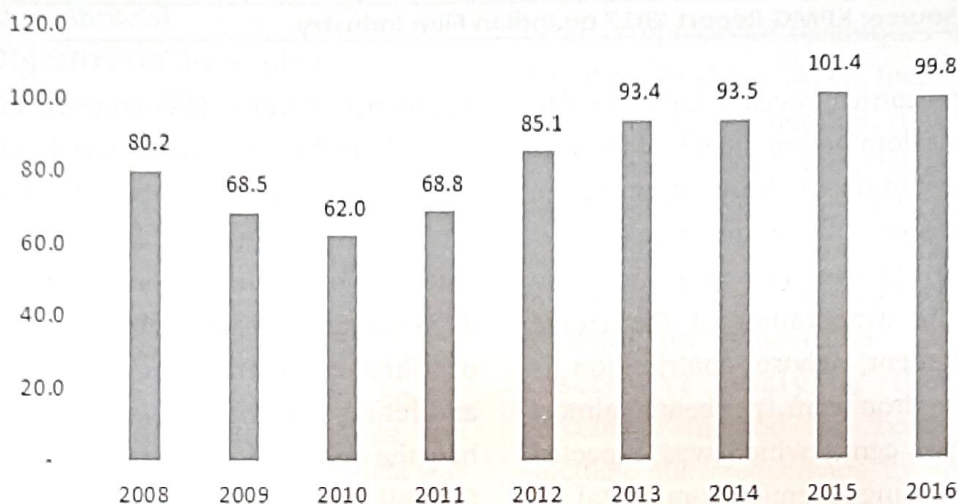


Fig. 1 – Domestic Theatrical Revenue Growth (KPMG Report 2017)<sup>3</sup>

**Importance of domestic theatrical revenues for the growth of industry.**

Major revenue for the Indian film industry comes from domestic theatrical and contributes 70 per cent to the total film industry. In 2016, the overall film industry performance dampened due to the drop in theatre footfalls in the last two quarters and slower growth in average ticket prices (ATP).

The contribution of various segments to the total film industry in 2016 and the projections from 2017 to 2021 as per KPMG Report 2017 is given below:

Table 2: Indian Film Industry – Segment-wise Contribution forecast from 2016 to 2021<sup>1</sup>

PROJECTION / FORECAST						
Indian Film Industry Performance - Rs. In Million	2016 ACTUAL	2017 P	2018 P	2019 P	2020 P	2021 P
Domestic Theatrical	99.8	106.6	111.8	117.9	124.20	131.20
<b>Share of Revenues:</b>	<b>70%</b>	<b>69%</b>	<b>67%</b>	<b>66%</b>	<b>65%</b>	<b>64%</b>
Overseas Theatrical	10.9	11.8	12.5	13.4	14.30	15.30
<b>Share of Revenues:</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>
Home Video	0.9	0.8	0.7	0.6	0.60	0.50
<b>Share of Revenues:</b>	<b>1%</b>	<b>1%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.2%</b>
Cable & Satellite rights	15.3	16.2	17.0	18.0	19.10	20.20
<b>Share of Revenues:</b>	<b>11%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Digital & Ancillary revenues	15.5	19.6	23.9	28.3	33.40	39.40
<b>Share of Revenues:</b>	<b>11%</b>	<b>13%</b>	<b>14%</b>	<b>16%</b>	<b>17%</b>	<b>19%</b>
<b>Total</b>	<b>142.3</b>	<b>155.0</b>	<b>166.0</b>	<b>178.2</b>	<b>191.6</b>	<b>206.6</b>

**Source: KPMG Report 2017 on Indian Film Industry**

Domestic theatrical revenue is expected to continue its domination in 2021 with over 64% contribution to the total revenues, though the share of other revenue streams will be on the rise. The projection also indicate the evaporation of the Home Video segment, whose contribution is expected to drop from 1 per cent to almost zero (0.2 per cent), which was expected due to increasing revenues from digital.

As per KPMG Report 2017<sup>3</sup> during 2017, domestic theatricals is expected to witness recovery from the impact of demonetization. Films, especially regional, which postponed their release to 2017 are likely to contribute to the revenues of 2017 along with the originally planned releases. The multiplex industry is projected to add screens (150-200 screens per annum) while single screens are likely to recover from the drop in

occupancy levels. The competition for digital rights is anticipated to get intensified, lasting 18-24 months, thereafter the growth is expected to plateau. The Cable and Satellite Rights (C & S) market is expected to resume spends on films, especially in regional markets, and return to initial levels, which should help the segment to grow every year.

Overall, Indian film industry is projected to grow at a CAGR of 7.7 percent till 2021 to be worth Rs.206.6 billion. The growth is expected to be driven by additional new revenue streams in the form of sale of digital rights, resurgence of C&S market in the light of competition from digital platforms, continuing growth of the overseas market and growth of ancillary revenue streams such as in-cinema advertisements.

KPMG Report 2017<sup>3</sup> further states that the

long term sustainability and growth of the industry can be in peril if it witnesses a decline in its most important revenue stream-domestic theatricals. In the long run, a price led growth is unsustainable and hence, the industry must focus on attracting greater number of footfalls, which is possible only through increasing the penetration of screens and making movie viewing in theatres affordable to consumers. While the film industry players have been taking efforts, government support and favourable regulatory laws are crucial for the film industry to succeed.

## **2.0 Objectives of the study :**

The objective of this paper is to find out whether the affordability influences the preference of consumers to watch new films along with family and friends in theatres and provide possible solutions to mitigate the situation.

## **3.0 Data Collection**

For in-depth study, relevant books, articles, journals and websites are referred. Primary and secondary data was collected to understand the consumer (theatre going audience) behavior in the current environment, how social media and digital media is playing an important role in influencing the consumer behavior to visit theatres to watch films, the influence of cultural, subcultural factors, reference groups (word of mouth) and mass media in the behavior of theatre going consumers. Data was collected from 1080 respondents from Mumbai, Chennai, Bengaluru and Hyderabad. The secondary data was collected from the study of numerous research reports,

articles and publications on the factors affecting the theatre viewing audience for Indian films.

## **4.0 Results**

Data analysis was performed in two parts - descriptive analysis and inferential analysis.

### **Descriptive analysis**

For analysis of respondents' data thus obtained, the responses were processed into the computer. The computerized data was then entered into the SPSS 24 and data preparation was done in accordance with the coding requirements of the SPSS 24. The data was inspected and explored in detail. Appropriate techniques and tools for data analysis were then selected, taking into consideration the research objectives, data characteristics and the underlying principles of statistical techniques. Thus, determination of descriptive statistics, ratios and frequency distribution was done. For doing descriptive analysis, the simple percentage method has been used to calculate the frequencies by using Bar Chart and Pie Chart.

### **Inferential analysis**

Inferential analysis has been used to derive the logical conclusions of the samples. The following techniques has been used in the inferential analysis

Chi-Square test, Kolmogorov Smirnov test, Pearson Correlation and Factor Analysis is used for analysing the more than two variables simultaneously.



### Development of Research Hypotheses

The following null hypotheses was set for the study to understand the Affordability to watch films by using Kolmogorov Smirnov Test.

Affordability doesn't influence the preference of consumers to watch new films along with family and friends.

Higher the ticket prices and other costs to visit theatres, lower the footfalls was witnessed in India as affordability influences the preference of consumers. Sreedhar Pillai in his report in The Hindu (2017)<sup>7</sup> stated that post the implementation

of GST, the ticket prices went up by almost 33 per cent (including online reservation cost) which resulted in the biggest ever drop in footfalls. The audiences are unable to accept the rise in ticket prices and hence the interest to visit theatres has come down.

In the present research, the proposed hypotheses was tested to the level of statistical significance, so that it could be accepted or rejected, as the case may be. The procedure undertaken for hypotheses testing along with the statistical tools used to find out the results is shown below:

**Table 1 : Kolmogorov-Smirnov Test**

Description		Decisions	
	N	1080	
Normal Parameters	Mean	3.68	
	Std. Deviation	1.237	
	Most Extreme Differences	Absolute	.192
		Positive	.149
		Negative	-.192
	Kolmogorov-Smirnov Z	7.290	
	Significance (2-tailed)	0.00	

Source: Compiled from the questionnaire

**Inference:** It can be seen from the Table 1 above that the significance (0.00) is less than the assumed value (0.05). So we reject  $H_0$ . This means that Affordability influences the preference of consumers to watch new films along with family and friends in theatres. Most of the people want to watch the movies along with family and friends in theatres. Due to the affordability factors like high ticket prices, high cost of eatables, parking, distance of the theatre and limited number of screens, the interest to watch movie in the theatre decreases and these factors influence the decision of consumers. Due to high ticket prices and other costs involved, people find it unaffordable to enjoy the movies along with family members and friends in theatres is clear from the above finding.

### 5.0 Findings :

Growth of Indian film industry is constrained by perceived high cost of viewing (affordability) and limited number of screens. The prices in the multiplexes are relatively high and most of the people belong to middle class can't afford it. In addition to the high price, the limited number of screens is another component of the movie viewing life style, which prevents the people to watch the movie along with family members in theatres.

The affordability to view a new film either in theatres or through other modes

influences the film viewing habits. Most people would like to watch the movies in theatres and when that is not possible or affordable due to various issues, they start using other modes like using pirated DVD, Online, Cable telecast etc. The distance of the theatres may also be one of the reasons that influences the people to watch the new films in other modes like DVD, cable, online etc. Affordability influences the preference of consumers to watch new films along with family and friends in theatres. Due to the high ticket prices, people are unable to enjoy the movies along with family members and friends in theatres.

### 6.0 Conclusions

Cinema is an important industry, which dominates the attention of Indian population after politics and sports. Indians spend a large part of their time consuming films, film related programs, and film based contents through various media namely theatre, television, home video, online, mobile and radio. Cinema as a medium attracts almost 80% of the population in India and people associated with cinema are most spoken about personalities after politicians in the country. Despite getting such a large attention, Indian film industry is worth just US\$2.19 billion against India's GDP of US\$2,264 billion in 2016, which is just 0.1% contribution. Hence, it is not getting the kind of attention it deserves from the Government.

*India is the largest film-producing nation*

in the world and though Indian population heavily consumes films, it is largely done without paying for it legally, through pirated DVDs and online piracy links and illegal telecast of films through Cable. That is the reason why even a blockbuster Hindi hit film like 'Dangal' was watched by just 4% of the population. Coupled with limited options to view the films as the number of screens is limited in India; the online and physical piracy thrives and dominates in movie viewing habits of the people.

The audiences are looking for the movie experience at reasonable cost and when that is denied, they resort to the alternate options available immediately (piracy through online or physical or cable) as they also wish to join the elite group of audience who watched that film the same weekend, who can view the films at higher cost in theatres. In order to increase the percentage of the population viewing a film in theatres, it is important, the cost of tickets and other services at a theatre are reasonably priced, while curbing the piracy with the help of the Government.

To conclude, offering the film content, meeting the expectations of the audience at affordable cost is the need of the hour in the current environment, to increase the movie viewing habits in theatres, in India.

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