

FDI's in I&B restricted at 1.64% in 9yrs: ASSOCHAM- Nishith Desai Associates

India Infoline News Service / 02:42 PM , Jan 08, 2010

The world's total expenditure on filmed entertainment amounts to US\$80mn (as of 2009), of which Hollywood receives 90-95%.



AS a result of lopsided media policies that India adapted in first decade of 21st century, total FDI inflow into information and broadcasting sector (including print media) has been Rs72,688.44mn (US\$1,614.11mn), forming a mere 1.64% of the total FDI's into India between calendar 2000 to 2009, according to a study on India's Media & Entertainment industry, jointly brought out by **Nishith Desai Associates and ASSOCHAM**.

This is despite commonly held belief that India's M&E sector is highly prolific while as a matter of fact it constitutes only around 1% of the world's M&E revenues, adds the study.

The world's total expenditure on filmed entertainment amounts to US\$80mn (as of 2009), of which Hollywood receives 90-95%. By contrast, Bollywood, the Indian film industry, makes up for around 2% of the world's filmed entertainment spend (about US\$1.8bn), highlights the study.

Releasing its findings, ASSOCHAM President Dr. Swati Piramal said, "While Hollywood matured into a professional industry many decades ago, Bollywood continues to be plagued by various endemic issues such as shadow finance, financial mismanagement; a shortage of creative and management talent (in part due to the severe lack of training and education institutions); a shortage in the number of screens; a small home entertainment market; piracy; and high taxation rates".

These shortcomings seriously affect a genuine investor's ability to find a predictable, sustainable and, most importantly, profitable film business model in Bollywood, in comparison with Hollywood, added Dr. Piramal.

In order to effectively address the identified issues, ASSOCHAM has suggested that industry players, policymakers and facilitators need to come together and take synchronized, proactive measures. They need to resolve the systemic issues causing the underperformance of India's M&E sector and spur growth to help unlock the latent potential of this sector. Specifically, a further increase in professionalism, a radical shift in marketing strategies, surgical changes in the regulatory framework, improvements in enforcement and rapid dispute resolution can give it the much needed impetus to stabilize the risk-return equation for the M&E investments.

According to ASSOCHAM, a comprehensive media policy is needed to be unveiled, addressing emergent issues to adjust the regulatory directions to the new ground realities and future developments. Such a single national media policy that outlines the vision and strategy for India and the new M&E landscape should be created based on inter-ministerial consultations and the participation of stakeholders including broadcasters, investors, aggregators, distributors and experts in the M&E sector.

The all-in-one media policy should lay down a distinct roadmap covering the various segments of the M&E sector. These would include government initiatives in improving physical infrastructure, creating and streamlining regulations that can govern new media, the liberalization of foreign investments, ensuring affordable access in rural areas, incentives and the development of special media zones on the lines of special economic zones. With reference to the last point, Dubai has successfully developed a media city which may be used as a model for a special media zone.

The policy should adopt a phase-wise approach by setting and achieving chronologically predetermined targets for policy reforms and implementation, thereby strengthening, and where necessary, changing the existing statutory framework

In the M&E sector, both individual and collective creativity drives content and this content, in turn, drives the business. Although India produces a large quantity of content, this content is often unoriginal and does not match international standards. The unavailability of original quality content in films, for example, is one of the main reasons for the box office failure rate of Indian films being as high as 95%. This is also limiting India's outsourcing potential in the areas of gaming, animation, runaway productions and other non-mainstream areas.

The major factors contributing to the poor quality of content are the lack of best-practice processes and unavailability of high quality training and education institutions in this sector. This has resulted in having a workforce that is under-trained and under-performing in comparison with global standards in terms of content-creation and content management processes.

The Indian filmed entertainment sector has over 5 million people working directly and indirectly in the sector. Most of the direct workforce comprises self-taught craftsmen having no formal education or training in their fields of work. Often, only a coincidence brings best of them together on a project and ensures its success. It is no wonder that there is a high failure rate in this space. Therefore, the focus must be on raising world-class creative talent by building world-class inter-disciplinary creative and performing arts' training and educational institutions. Such centers of excellence will be one of the keys to unlocking the potential of the Indian M&E sector in the coming years.