

**UNIVERSITY OF THE MANAGEMENT & TECHNOLOGY. (UMT)**

**Bridging nexus between the financial returns of the film industry and its  
determinants**

**A case of Pakistan Film Industry**

Submitted to

School Of Business and Economics

In partial fulfillment of the requirements

For the degree of

**MASTER OF SICENCE**

**By**

**Waqar Hassan Randhawa -15009096010**

**DECEMBER, 2017.**

## Research Completion Certificate

It is certified that the research work contained in the thesis “**Bridging the nexus between financial returns of film industry and its determinants. A case of Pakistan Film industry**” has been conducted under my supervision to my satisfaction by Mr. . Waqar Hassan Randhawa ID 15009096010 of MS Finance Program.

Signature : \_\_\_\_\_

Date :- \_\_\_\_\_

Supervisor Name : \_\_\_\_\_

## Examination Sheet

**The Thesis Titled**

“Bridging the nexus between financial returns of the film industry and its determinants. The case of Pakistan Film Industry”

By

Waqar Hassan Randhawa

ID # 15009096010

has been examined by the undersigned panel of examiners and has received full approval for acceptance in partial fulfillment for the degree of

MS \_\_\_\_\_

Dated this -----

-----

-----

Supervisor

Co Supervisor

-----

Examiner

-----

-----

Chairman  
Department of Finance  
School Of Business & Economics  
University Of Management & Technology

Dean  
School Of Business and Economics  
University Of Management & Technology

**School of Business and Economics**

**University Of Management & Technology**

## Declaration

I Waqar Hassan Randhawa ID # 15009096010 Session 2015-17, hereby certify that this thesis is being submitted in partial fulfillment of the requirements for the MS degree in Finance

This thesis is my original work, and the data/material presented herein has not been used for the acquisition of any other degree from any institution.

The Similarity Index is below permissibly limit

---

Researcher Signature \_\_\_\_\_

Date \_\_\_\_\_

Researcher (Name) \_\_\_\_\_

Confirmed by

Supervisor's Signature \_\_\_\_\_

## Table of Contents

<a href="#">Dedication</a> .....	8
<a href="#">Acknowledgement</a> .....	9
<a href="#">List of Tables</a> .....	11
<a href="#">List of Graphs</a> .....	12
<a href="#">Abstract</a> .....	13
<a href="#">Chapter 1</a> .....	14
<a href="#">Introduction</a> .....	14
<a href="#">1.1 Background of the Study</a> .....	14
<a href="#">1.1.1. The global film industry and economy</a> .....	15
<a href="#">1.1.2. The Pakistan film industry – advent and a flight of fantasy</a> .....	19
<a href="#">1.1.3. The beginning of an end</a> .....	20
<a href="#">1.1.4. The downfall continued</a> .....	20
<a href="#">1.1.5. The respite needed</a> .....	21
<a href="#">1.1.6 The cost mechanics of the film industry</a> .....	21
<a href="#">1.2. Rational of the Study</a> .....	23
<a href="#">1.3 Problem Statement</a> .....	23
<a href="#">1.4 Scope of the Study</a> .....	24
<a href="#">1.5 Research Questions</a> .....	24
<a href="#">1.6 Objective of the Study</a> .....	25
<a href="#">1.7 Chapter Summary</a> .....	25
<a href="#">Chapter 2</a> .....	26

<u>Literature Review</u> .....	26
<u>2.1 Film and Cinematic Experience of Audience</u> .....	26
<u>2.2 Film Revenue, Returns and Cinematic Determinants</u> .....	32
<u>2.3 Film Returns and Financial Determinants</u> .....	35
<u>2.4. Hypothesis</u> .....	37
<u>2.5 Chapter Summary</u> .....	38
<u>Chapter 3</u> .....	39
<u>Research Methodology</u> .....	39
<u>3.1 Sample Selection</u> .....	39
<u>3.2 Data Collection</u> .....	43
<u>3.3 Respondents Profile</u> .....	47
<u>3.4. Data Analysis Techniques</u> .....	47
<u>3.5 Operational Model</u> .....	48
<u>Model 1: Regression of financial returns with respect to Cinematic and Financial determinants</u> .....	48
<u>Model 2: Action genre wise Regression of Financial returns with respect to Cinematic and Financial determinants</u> .....	48
<u>Model 3: comedy genre wise Regression of Financial returns with respect to Cinematic and Financial determinants</u> .....	48
<u>Model 4: Romantic genre wise Regression of Financial returns with respect to Cinematic and Financial determinants</u> .....	48
<u>Model 5: Historic Genre Regression of Financial returns with respect to Cinematic and Financial determinants</u> .....	48
<u>Model 6: Model for comparison of Financial Return of each era</u> .....	48
<u>3.6 Variables Explanation</u> .....	49
<u>Chapter 4</u> .....	56
<u>Results and Discussions</u> .....	56
<u>Chapter 5</u> .....	72

<a href="#"><u>Conclusion and Implication</u></a> .....	72
<a href="#"><u>5.1. Overview of Results</u></a> .....	72
<a href="#"><u>5.2 Practical Implications of Results</u></a> .....	73
<a href="#"><u>5.3 Empirical and Theoretical Contributions</u></a> .....	73
<a href="#"><u>5.4 Limitations of the Study</u></a> .....	73
<a href="#"><u>5.5 Delimitation of the study</u></a> .....	73
<a href="#"><u>5.5 Guidelines for Future Research</u></a> .....	74
<a href="#"><u>5.6 Chapter Summary</u></a> .....	74
<a href="#"><u>References</u></a> .....	75

## Acknowledgement

ALLAH is our ultimate creator and to whom we shall all return. Therefore I begin with paying my homage and gratitude for my existence and all the unbound blessings to ALLAH who is the most gracious and merciful.

This very idea of this project wouldn't have come to existence without the intrepid supervisions and guidance of my two mentors namely **Dr. Safia Nosheen & Sir Mobeen Ajmal**. It is due to their indefatigable mentoring and guidance that I was able to cling and work with the inexorable exigencies of this project. I feel extremely privileged to have both of them as mentor who would always find time in their hectic schedules and instilled the requisite vim and vigor into the project. While my mentors nutured the idea of this work, but the strong support needed to carry such idiosyncratic work was extended by **Sir Abdul Rafay (Former chairman department of finance)** who not only supported this idea at various forum but also took a keen interest and added value in my work through his adroit expertise in research area. I am also grateful to **Sir Tahseen Mohsin Khan (Director MS Finance Program)** for his continuous patronage and support for my project. I would also like to thank the worthy faculty members of Finance, SBE and my peers of MS finance for their constructive critique that bolstered and brushed up my work to a more pragmatic and holistic level.

Whist my mentors are the one that nourished this idea of this project but practically envisaging on this project would have been a Kafkaesque without the kind support of the association of Pakistan motion pictures. I am also thankful to the members of Pakistan cinema distributor association for their vibrant and heartfelt support. This project would have ended in its inception

if I was not extended the brisk and valiant courtesy by the Pakistan film industry actors , directors , producer , script writer , song writer , composers , singers , set designer , action director , casting director , choreographer , editing staff, location manger , makeup artist , costume designer , director of photography , digital imaging technicians, boom operators ,art directors and even the *chaiye walas* for which one gratitude is simply not enough .

I would be failing my moral duty not mentioning the valuable discussion and brainstorming sessions with worthy film critics that enabled to appreciate the critique framework. These include the media watch desk staff of Dawn, The news, Express tribune & the daily times. In addition the editing staff of Aurora & Herald magazine deserves a special kudos for their continuous encouraging feedback on the some tedious aspects of the project

My family probably deserve the most special gratitude especially My father **Prof. Dr. Mukhtar Hassan Randhawa** , who continue to believe in me and my dreams and whose love and prayers have gotten me so far in my life. My wife **Dr Sadaf** and my daughter **Faryal Hassan** also deserve a warm thank you for bearing with my odd time work pressure and reciprocated it with their kind love. I would like to take a moment here to pray for the departed soul of my mother, whose love and prayers cradle me and whose absence would be felt in every moment of my life.

## List of Tables

<a href="#">Table 1: Descriptive Statistics</a> .....	55
<a href="#">Table 2: Correlation Matrix</a> .....	56
<a href="#">Table 3: Jerque- Bera Skewness/ Kurtosis Tests for Normality</a> .....	57
<a href="#">Table 4: The Link Test of Model Specification</a> .....	58
<a href="#">Table 5: Regression Results of Financial Returns on Cinematic and Financial Variables</a> .....	59
<a href="#">Table 6: Independent Sample T-Test Results of Financial Returns Relating to the Old and New Era</a> .....	60

## List of Graphs

<a href="#"><u>Graph 1: Movies Release Pattern Old Era</u></a> .....	40
<a href="#"><u>Graph 2: Movies Release Pattern New Era</u></a> .....	41
<a href="#"><u>Graph 3: Sample Genre Wise Population Pattern</u></a> .....	42
<a href="#"><u>Graph 4: Genre Investment Fund</u></a> .....	60
<a href="#"><u>Graph 5: Trend of Return Genre Wise</u></a> .....	61

## **Abstract**

The purpose of this study is to discern the determinants of the returns of movies in its distinctive genre in context of cinematic factor and financial impact factors. We further tested the adequacy of the current return being a success story in comparison to past.

A total of 900 movies sample has been chosen and stratified into equivalent number relating to the old era (1980-2006) and new era (2007-2016). The data demographically relates to the major cities of Pakistan; Lahore, Karachi, Islamabad, Rawalpindi, Peshawar & Quetta. The data is further stratified into Returns (Based upon Box office collection and Investment) and with respect to their perceived determinants, cast, direction, story & Music. We have also tested perceived Financial Determinants (Cast remuneration, variable production cost and promotional expenses). For determining the quantum of returns independent sample T statistics was applied. In order to test the significance of perceived determinants of returns of the movies OLS regression was applied. Our study indicates a surge in returns. Furthermore it reveals that cast and direction are the most significant predictors for the returns, whereas music and story has only shown partial predictability. We have established empirically that for Pakistan film industry the financial returns heavily bank on the financial determinants in which more prominently the cast remuneration and the direct variable cost have major to contribute.

***Keywords:* Pakistani cinema, Returns, cast, story, Direction Music, Cast remuneration, variable production cost, theatrical promotional cost.**

## Chapter 1

### Introduction

#### 1.1 Background of the Study

The twentieth century is the “first age of Mass media,” Cinema as a prevalent conduit of entertainment is now over a century old. But it was not until now that society realized cinemas marked potential as a mechanism of entertainment, infusion, infotainment and edutainment. Even with the advent of other contemporary emerging media avenues like television, radio, internet communication and satellite, the critical imperativeness of cinema and its myriad manifestations are yet to be discovered. Cinema is globally and unanimously perceived as medium and interacts with the world at large and relay its effect on society. The spell of this art form is so mesmerizing to enchant the entertaining spell on people and also transpose them to a visual euphoria of their dream into a realm of new imaginary landscape. In the words of renowned filmmaker Ingmar Bergman “*Film as dream, film as music. No art passes our conscience in the way film does, and goes directly to our feelings, deep down into the dark room of our soul.*”