

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1982-83)**

(SEVENTH LOK SABHA)

SEVENTY-FIFTH REPORT

ON

**NATIONAL FILM DEVELOPMENT
CORPORATION LTD.**

**Financing of Films & Theatres
(Ministry of Information & Broadcasting)**

Presented to Lok Sabha

and

Laid in Rajya Sabha on 29.4.1983



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1983/Vaisakha, 1905(S)

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CORRIGENDA TO

SEVENTY-FIFTH REPORT OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1982-83)

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1. **Shri T.R. Krishnamachari—*Joint Secretary***
2. **Dr. D.N. Gadhok—*Chief Financial Committee Officer.***
3. **Shri G.S. Bhasin—*Senior Financial Committee Officer.***

STUDY GROUP III ON HINDUSTAN PETROLEUM CORPORATION LTD. NATIONAL FERTILIZERS LTD., OIL AND NATURAL GAS COMMISSION, NATIONAL FILM DEVELOPMENT CORPORATION AND INDIAN ROAD CONSTRUCTION CORPORATION LTD.

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2. **Shri J.P. Mathur—*Alternate Convener***
3. **Shri Nihal Singh Jain**
4. **Shri Krishna Pratap Singh**
5. **Shri S.W. Dhabe**
6. **Shri M.S. Ramachandran**

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Seventy-fifth Report on National Film Development Corporation Ltd.- Financing of Films and Theatres.

2. The Committee took evidence of the representatives of National Film Development Corporation Ltd. on 23 February, 1983 and of Ministry of Information and Broadcasting on 6 April, 1983.

3. The Committee considered and adopted the Report at their sitting held on 26 April, 1983.

4. The Committee wish to express their thanks to the Ministry of Information and Broadcasting and National Film Development Corporation Ltd. for placing before them the material and information they wanted in connection with examination of the Company. They also wish to thank in particular the representatives of the Ministry of Information and Broadcasting and National Film Development Corporation Ltd. who gave evidence and placed their considered views before the Committee.

NEW DELHI;

April 28, 1983

Vaisakha 8, 1905(S)

MADHUSUDAN VAIRALE

Chairman

Committee on Public Undertakings

CHAPTER I

INTRODUCTORY

Historical Background

1.1 The National Film Development Corporation Ltd. had been set up in May, 1975 with the broad objective to plan, promote and organise an integrated and efficient development of the film industry in accordance with the national economic policy and objectives laid down by the Government from time to time. The Corporation remained dormant since its inception. It was activated on April 11, 1980 when two other public sector enterprises viz. the Film Finance Corporation and the Indian Motion Picture Export Corporation were amalgamated with this Corporation. Its Board of Directors was constituted in August-September, 1980.

Role and Objectives

1.2 Enquired about the principal activities of the NFDC and the extent to which the main objectives had been realised, the Managing Director, NFDC stated :

“You are aware that there were two Corporations in the past—the Film Finance Corporation since 1960 and the Indian Motion Picture Export Corporation since 1962. These two were amalgamated with this company with effect from 11th April, 1980. The attempt is to bring all activities and various aspects of the film industry in India under one roof. The second question is to what extent the main objectives have been realised. My answer will be that the objectives are always there for every person or Institution. You never achieve 100% at any stage because by the time you are reaching this situation you are prescribing for yourself a further target. So, it is a constant march towards progress and towards achieving more and more targets. I would not say that the objectives have been realised 100%. We will continue the attempt. I would say that we have partially achieved what we set out to do. Let us go activity by activity. Films completed are now 107. The number of applications sanctioned for theatres is 58. The number of theatres completed is 13. Receipts from distribution of imported films this year will be crossing Rs. 100 lakhs. Last year, it was Rs.55.11 lakhs. In the field of export, the figure of N.F.D.C.'s direct export last year was Rs. 53.84 lakhs. This year, we hope to exceed Rs. 100 lakhs. Last year, the overall financial picture pointed to a loss of Rs. 1.22 lakhs

after providing for administrative expenditure of the Directorate of Film Festivals. This year, by January, 1983, we are already making a profit of Rs. 12.74 lakhs after providing for this expenditure."

1.3 As to the main functions of the NFDC, the Secretary, I&B stated in evidence :

"Broadly the main function of the corporation is to help in the development of the film industry. It tries to fulfil this objective of development by financing good films. It helps in the construction of theatres. It deals with exports of Indian films and import of foreign films into India. It deals with the provision for some infrastructure required for the film industry. It is supposed to help in providing other facilities if people come up with some proposals. The total objective is an integrated development of the film industry on sound lines, on lines which lead to good cinema. With the available funds, the Corporation has been trying to do its best. But the film industry is a big industry. To make a real impact you must provide for more funds. The total fund available with the Corporation is very limited. They are able to help in financing a few films and few theatres. The broader objective of developing a proper sound film industry cannot be easily achieved within the amount made available to this Corporation."

1.4 Asked whether the Ministry was satisfied with the performance of NFDC in fulfilling the objective for which it had been set up, the secretary I&B stated :

"Yes as well as no. Yes to the extent that the fund made available to this Corporation are very limited and with those limited funds, whatever they have done has gone in the direction of achieving the objectives which have been laid down. No, because it has yet to intensify its working. In our opinion, it has to do some more work to establish itself as an effective corporation."

1.5 On being asked whether the micro objectives and obligations of NFDC, which were required to be formulated with the approval of the Government in terms of the recommendation of the BPE of November, 1970, had been finalised, the Managing Director, NFDC replied in the negative. The witness added :—

"It is under consideration. It is an exercise to be done by the Ministry and the NFDC together. After the NFDC came into existence, we have to chalk out all these objectives with due care because this Corporation has been entrusted with various aspects of the film industry activities in a centralised manner."

1.6 The National Film Development Corporation Ltd. was set up in 1980 after amalgamating the Film Finance Corporation and the Indian Motion Picture Export Corporation. The NFDC has been entrusted with responsibilities of a diverse nature encompassing various facets of the Indian film industry. The activities handled by the Corporation range from financing of films and theatres to export, import and distribution of films and canalisation and distribution of raw stock. However, the micro objectives and obligations of the NFDC have not yet been drawn up and were stated to be under consideration. As the Ministry is accountable for the efficient functioning of the Company and a clear definition of the objectives is basic to the evaluation of efficiency, the Committee desire that the statement of objectives and obligations as also the corporate plan of NFDC should be drawn up early and specifically approved by the Ministry. As regards the financial objectives, the Ministry of finance should also be consulted. The Committee hope that Ministry would take action accordingly.

CHAPTER II

FILM FINANCING

No. of films financed.

2.1 One of the main objectives of the Corporation is to promote and develop good healthy cinema in the country. To ensure that the production of good films does not suffer for want of funds, the Corporation has been giving loans for production of feature films and documentaries to deserving film makers.

2.2 The Committee were informed that during the 22 years since the inception of the scheme for financing of films, the Corporation had financed 107 films. The language-wise details of these films are as under :

Language	Films produced
Hindi	56
Bengali	15
Marathi	13
Kannade	6
Gujrati	5
Oriya	4
Malayalam	2
Punjabi	1
Tamil	3
Assemese	1
English	1

2.3 In addition to these 107 films, 18 films were stated to be under production and one of these was in Sanskrit.

2.4 Pointing out that a very large number of pictures were being produced by private producers, the Committee enquired whether there was overlapping of functions and would it not be desirable if NFDC concentrated on other activities and left the field of film production to private producers. The Managing Director, NFDC stated in evidence :

“One of the most important objectives of the Corporation is film production and supporting good cinema. Certainly, its basic activity has to be the production of good films. It has to continue that objective.”

The witness added :

"I am not saying that the private sector does not produce any good films at all. They are producing films in very large numbers. Last year, for example, they produced 763 films and earlier 737 films. As against that, we are producing about 10 to 15 films per year. I will not say, this is overlapping. Quantity wise, what we are doing is a fraction."

In the same context the Secretary, I&B stated :

"There is no overlapping of functions... We produce the films and the private sector also produces. But the difference is we are trying to produce certain types of films and to construct cinema theatres so that people see certain types of films. The most important function of the Corporation is to encourage good cinema."

Types of films

2.5 As to the types of films financed by NFDC, the Managing Director, NFDC, stated :

"The films financed by NFDC generally are films which have human interest in the story, Indianness in theme and approach, characters with whom the audience can identify themselves, dramatic content and then problems of social relevance."

2.6 The Committee desired to know whether any steps had been taken to promote production of pictures on epics of India, lives of the great saints, scientists and great men as also the freedom movement and the working of democracy and the democratic institutions in the country. The Managing Director, NFDC stated :

"A feature film is generally woven around a story. If that type of project is presented before us we will certainly be happy to finance it after usual scrutiny."

The witness further stated :

"Our guidelines are already known to the interested film-makers and they come to us with projects which we examine and sanction. We do not generally tell them about specific topics from our side."

2.7 In reply to a question whether any priorities had been fixed on the basis of topics dealt with in a film, the witness stated :—

"It will depend upon the entire project and its totality. There are no fixed priorities."

2.8 Enquired whether the Ministry has issued any formal directive to the Corporation as to the types of films which should be financed, the Secretary, I&B stated :

"No formal directive has been given by the Ministry. The Memorandum and Articles of Association were themselves so laid down as to cover these points. Later on, the Working Group on National Film Policy made certain recommendations which were accepted by the Government and conveyed to the Corporation."

Criterion of a good film

2.9 The working group on National film Policy had *inter alia* recommended that NFDC should provide finance for production of low budget good quality films and to encourage production of films of high artistic intent, NFDC may commission deserving film makers to make films on its behalf. The Committee desired to know what was the criterion of a good film. The Secretary, I&B deposed during evidence :

"There is a long debate on this. We have come to a few conclusions which are agreed. Each has his own idea of what a good film is. I can start with a negative definition that it should not be the type of film that is shown these days, full of crime and sex. It should have social relevance, try to show reality with the objective of reforming the society as far as possible.

Films create certain impact on the younger minds and on older people also. Good films should be shown. There are also films which have artistic content. It means the cinematographic and the thematic quality should be good. Then the standard of film-making goes up. There is no use of trash and useless films which are not even properly edited.

Most of you must have seen Gandhi film. You would straight away say that is a good film. From all points of view, thematic content, cinematographic values and the impact it creates on the mind of people, it is good. This, I would say, is the type of film."

2.10 The Committee pointed out that a common point of criticism against the low budget art films financed by NFDC was that many of these films were not good as they did not depict reality or deal with the subjects which do not reflect the socio-economic changes that the country has undergone. Giving his reactions, the Secretary, I&B stated :

"I am only saying that our view is that the films that are being financed by the Corporation have social relevance, are not produced by people who are interested in only self-indulgence, they have social relevance and realism. Satyajit Ray's pictures are socially relevant. He depicts reality. In certain set up it leaves an impact on the mind. We are trying to encourage the sort of pictures that depict reality and no indulgence and meaningful

films which are based on reality. Here, what is important is that you are financing low budget films, then common outdoor shooting can be done without the help of elaborate sets which cost money. Now many sets come like cabaret scenes and many things like that in our commercial cinema and they cost lakhs and lakhs of rupees. All the glitter has to be arranged and the dresses are costly. That is not so in the low budget films. He shoots it in the ordinary house. These are called low budget films and they have social relevance. Anybody who sees it can appreciate it because he puts himself in that condition."

2.11 The Committee asked whether any complaints had been received in regard to the films financed by NFDC. The Managing Director, NFDC, stated :

"There has always been criticism against NFDC right from the beginning. Some people have gone to the extent of asking that why should the taxpayers' money should be spent on such films which do not succeed at the box office. But we have not received any complaint saying that our films are not good."

2.12 In reply to a question whether the Corporation agreed with the criticism made against the NFDC films, the witness stated :

"I do not agree with it. My reply is that 'very good' is a relative term. When films are sent to various festivals as representative of the country, then our films seem to be included in this category in fairly good numbers. That should indicate that at least the quality is acceptable. Whenever a project is submitted to the Corporation, we have a Script Committee which goes into that project in detail. After that, even the Board examines the project in detail. Films under production are also seen by my officers from time to time; and if they are not satisfied with the quality, we have a right even to stop production. Quality control is maintained to the maximum possible extent and we really strive for that."

2.13 The Managing Director, NFDC informed the Committee that out of the 107 films completed with the help of NFDC, 97 films had been released. As to the audience reaction in general, the witness stated :

"Audience reaction has been from Excellent to Average, depending upon the quality of each film. We feel that the films produced by us have succeeded in having a definite impact. We have not conducted any survey as such about audience reaction, but the Indian Institute of Mass Communications is working on this proposal."

It was further stated :

"If getting an award is a recognition, we have received more than 60 awards at the National level, and more than 20 awards at the International level. Last year, we got three international awards. Last year at Manila, "36 Chowringhee lane" got the Golden Eagle, and at Locarno "Chakra" got the Golden Leopard Award."

Impact of films

2.14 The Committee pointed out that NFDC was financing only a very small number of films as compared to the very large number of films being produced in the country. Asked whether these small number of films were in a position to create an impact on the audience, the Managing Director, NFDC stated :—

"My humble contention is that though the number is small, we have been able to make an impact. Now, the impact can be judged in many ways. One thing is, acceptability by the public at large. As I said more people are wanting to see our films, definitely. That is established by the returns we are getting on our films. There are export possibilities. For our films in many new non-traditional areas they have been received extremely well and we have been able to get sizeable receipts from the non-traditional areas. Again, as I said, the awards that are given to various films at the National Festival show that our films have been dominating the National Scene. Even at the International Film Festivals all over the world, we have been continually getting awards. Because of our sustained efforts some individuals and some film houses are also trying to produce films which are for quality. We started 22 years before and we have completed 107 films whereas the largest film house, Rajshree, a private sector house has not exceeded 40."

In the same context the Secretary, I&B stated in evidence :

"When we are supposed to have 750 films, 10 or 12 good films do make a difference, but not of a big order. Our objective is to see that this trend goes on. Now more and more producers want to produce such films, which have a social objective, an objective of bringing about a social change and perception of social values, which is higher than what you usually find in the prevalent films."

He added :

"Out of the 107 films which have been completed out of the finances given by the NFDC, 59 films have achieved distinction

either at national or international level. So, more than half the films that have been produced have got awards abroad or in India. This shows that the selection of theme on which films are made is of such a nature which is appreciated by people who can judge good films. Of course, in India the box office is governed by other considerations. All these films have not made money, but they have set a good standard."

2.15 Dealing specifically with the question of impact of NFDC financed films on the cinema industry in general, the Secretary, I&B stated in evidence :

"When the Government enters business or industry, it is with a view to make an effective impact, and not merely for the sake of simple presence. That sort of impact can be made in a different way. If the steel industry in the country has only a two million plant, they can put up one with a capacity of 4 million tonnes. Similarly, here when the total number of films produced is 700 and odd and we produced 5 or 10 films, what impact we can make."

2.16 On being enquired as to what could be done in this behalf, the Secretary, I&B replied that more funds should be given.

Funds for films

2.17 Asked whether the NFDC made profit on this type of films, the Managing Director, NFDC stated :

"We generally divide our film activity into three different phases. In the beginning most of the films supported were of the commercial category in the sense that the Producers Directors were persons of established merit. After that, the experimental stage started and that is where we started supporting the upcoming, young film-makers. The new NFDC has come in thereafter.

Our experience is that in the past, these films were not very much liked in the sense that they were not box office hits or successes. But, in the last three years or so, people have developed an interest in witnessing these films and quite a few of our films are repaying the loans given to them. The common man has developed a sense of appreciation for this kind of film by now."

The witness further stated :

"Film is a commodity which can be exploited over a large number of years. That way, the loss can be made up. Films which were produced even 22 years ago are still generating revenue. Therefore, the figures of recovery are continuously changing. Another point is that, after the present NFDC came into

existence, we have been negotiating many export deals, especially in non-traditional areas. We have been able to recover a sizeable amount of money from these old films. It would be difficult for me to tell you off-hand the number of films which have yielded profit and which have incurred loss. However, I can say that 39 films have been able to repay their loan in the sense that their loan accounts are closed. The level of recovery from the remaining films would range from 30 to 70%, on an average."

2.18 Asked whether it would not be desirable to finance more pictures so that they could really make an impact, the Managing Director, NFDC stated :—

"It would be a happy day for us if we get money for spending on films. In 1980-81, we spent Rs. 23.86 lakhs, 1981-82 Rs. 44.91 lakhs and in the current year Rs. 77 lakhs."

2.19 Enquired whether NFDC's objective was to earn money out of the films financed by it or to encourage good films, the Managing Director, NFDC stated :—

"We would like to produce good films and if in the process we are able to make money, we will be very happy. The difficulty is that nobody can guarantee success."

2.20 Asked how it was proposed to augment the finances, the witness stated :—

"At present we are managing with whatever Government gave us in the past initially then whatever we were able to recover from loans disbursed and whatever interest we have been able to recover. If, over and above this, we require any money, we have to generate our own surplus money from our other activities where there is a possibility of generating receipts and put that back into film production."

Further it was explained that : -

"The Ministry had given a loan to NFDC in the past. They had also made available about Rs. 100 lakhs by way of equity. There was a small amount by way of subsidy. This forms the base for the Film Financing Activities. Money available to us by recovery of Principal and Interest has again been put back into this Activity. We will be spending around Rs. 77 lakhs on films this year, which is a fairly large amount compared to earlier years' figures. We would be very happy if we can get more money from Government. Some money is coming from Government by way of Plan allocation. We would also try to strive for generating our own resources from our other activities. Though we have started making profits in the current year, I

do not envisage a very big profit for this Corporation which will enable us to invest Rs. 100 or Rs. 200 lakhs extra for film production. But, from the surplus generation we would be able to put something back in the film production. One more possibility is the receipts generated from 'Gandhi' film. As you are all aware, this film is doing extremely well and we hope to get back not only our investment but at least the same amount also by way of profit. This stage will be reached only during 1984-85."

2.21 On an enquiry of the Committee about the plan for generation of internal resources, the Managing Director, NFDC, stated :—

"...I can certainly identify the areas where we expect the income to be generated. Distribution of imported film is one area where we are doing extremely well and there is enough scope to do more and more there. Direct exports by N.F.D.C. is another area. We get 2½% commission, when exports by private parties are canalised through us. Where we export directly there is a lot of money because we do everything ourselves and earn higher percentages. Then we have three plan projects inclusive of the Film Centre at Calcutta. All the three plan projects will start giving us more money from next financial year."

Loans for documentaries

2.22 The Committee were informed that NFDC produced feature films and not documentaries. NFDC was, however, giving loans for documentaries sponsored by the Films Division. Asked why NFDC was giving loans for documentaries sponsored by the Films Division, the Managing Director, NFDC, stated :—

"Probably we are able to supplement what they have. Probably they have their own rules whereby they can make payment only after a certain stage is reached whereas we can give loans in advance to help the producer so that he has some money to invest to start production."

2.23 In the same context, the Secretary, Information & Broadcasting stated :—

"Films Division produces two types of featurttes—one is produced by its own producer and the other is produced by an outside producer. They have got a list of producers in the private sector. Now, these people are given to start with 20% of the cost by the Films Division to produce a film and sometimes after half of the film is completed they give another 40%

finance. So, in this way, the bridging finance is made available by the NFDC. Now, fortunately, in this financing scheme, there is no loss to the NFDC."

2.24 In reply to a question why the Ministry did not take the full responsibility of financing all the documentaries, the Secretary, Information & Broadcasting stated :

"One of the responsibility of the NFDC is also to encourage small film making. Films in 16 mm format are cheap and are better for our interior country. They encourage small films also. They also finance those who were taking contracts from the Films Division for producing films for the Ministry. These two wings are of the same Ministry. The funds are channeled from the same Ministry."

Loans for films

2.25 National Film Development Corporation has since inception, sanctioned loans amounting to Rs. 446.13 lakhs out of which Rs. 391.61 lakhs had actually been disbursed to producers as on 31st January, 1983. The loan amount outstanding was Rs. 115.69 lakhs while the amount written off was Rs. 125.37 lakhs. Of the outstanding loans, Rs. 80.06 lakhs were in arrears.

2.26 The Committee desired to know what were the basic criteria for the sanctioning of the loans. It was stated that the thematic value and scripts artistic and cinematic treatment were the basic criteria for grant of loans. Managing Director, NFDC also explained during evidence :

"The basic criteria for sanction of loans will continue to be the same. Treatment of the script, background of the applicant and other unit members, economic viability of the proposal, reasonableness of the budget and then the ceiling limits of the loans. Generally the loan limit is :

Rs. 4.50 lakhs for 16 mm.

Rs. 5.50 lakhs for 35 mm.

Rs. 3 lakhs for features of one hour duration.

Rs. 1 lakhs or 70% of the cost whichever is less for documentary or short film."

2.27 On the question of control exercised by the Corporation in regard to the quality of films financed by it, the Managing Director stated :—

"Whenever a project is submitted to the Corporation, we have a script Committee which goes into that project in detail. After that, even the Board examines the project in detail. Films under production are also seen by Officers from time to time; and if they are not satisfied with the quality, we have a right even

to stop production. Quality control is maintained to the maximum possible extent and we really strive for that."

2.28 The Committee asked whether within the ceilings for loans fixed by NFDC, reasonably good pictures acceptable to general public could be produced. The Committee also asked whether there was need for modifying the ceiling limits with a view to encouraging production of better films. The Secretary, I&B stated :—

"Earlier the bye-laws of the Corporation provided for loans of 4½ lakhs for 16 mm. and Rs. 5½ lakhs for 35 mm films. In 1980 this figure was raised to Rs. 8 lakhs from rupees 5½ lakhs. This is a part finance and the rest comes from somewhere else."

2.29 Explaining the procedure followed by NFDC for ensuring the safety and timely recovery of loans, the Managing Director, NFDC stated in evidence :

"Before a loan is sanctioned, all the aspects are fully examined by the Board. Before the disbursement of the loan, collateral security and guarantees are insisted; it is also insisted that they should be insured against fire, theft etc. Until the realisation of the first instalment, without the knowledge and written consent of the Corporation, a release print cannot be taken up by a producer for delivery to the distributor. In terms of the bye-laws of the Corporation, the loan falls due for repayment on the expiry of two years from the date of first disbursement or 30 days from the first lay of the release of the film. A strict and close watch is made on these dates. As soon as a loan become due, a demand notice is issued to the producer, requesting him to make the payment. If there is no response from the producer, a reminder is issued. After 15 days, a final reminder is issued. If it does not evoke any response, the claim is referred to arbitration by the Chairman of the Corpn. and the case is transferred to the Legal Department. Then the award of the arbitrator is filed in the Court and a decree is obtained."

2.30 The amount of bad debts written off right from the inception of the scheme stands at Rs. 125.37 lakhs. Explaining the reasons for such heavy bad debts, the Managing Director, NFDC stated :

"It is true that the amount written off is fairly large. We are quite conscious of this. This is however, over a period of 22 years. Out of this, around Rs 21 lakhs are on account of films which are not going to be completed. There is no possibility of those films being completed. This amount is really written off. Regarding the rest though it is technically written off, it still continues to be looked after by the Legal Section of the

Corporation and we continue our recovery proceedings. As a result we have been able to recover about Rs. 4 lakhs. Thus Rs. 25 lakhs are accounted for. I would certainly say that after the NFDC came into existence, we have been pursuing this matter very vigorously, specially through exports of these films. We hope to recover at least Rs. 10 to 15 lakhs of the written off amount from export in the near future. A few of these contracts will be fulfilled in the current year itself. So, it may be that out of this amount, ultimately we have to actually write off Rs. 75 lakhs. It is difficult for me to pin-point a definite figure, but some amount will have to be written off finally.

2.31 In regard to the heavy amount of loans in arrears, the witness stated :

“Out of the outstanding loans, we hope to recover most of the amount. We have started various proceedings for that purpose. We would rather not go to a Court of Law, get our decree and execute it. We would prefer to sell the films ourselves especially abroad because it has not been done so far. So, out of the outstanding amount of Rs. 108.69 lakhs we hope to recover a major part of it. We are confident that we will succeed.

Review of Film Financing Activity

2.32 It is seen from USQ No.425 answered in Lok Sabha on 22 February 1983 that the NFDC was advised by the Ministry to temporarily suspend film financing activity and to undertake a detailed review and examination of on going policies and practices in respect of this activity. This advise was given in view of the past experience where many loans had to be written off due to accumulation of bad debts adversely affecting the finances of the Corporation. As to the outcome of the review undertaken by the NFDC, the Managing Director stated in evidence :—

“...the Ministry did write to us and expressed concern about the write off of loans and outstanding loans and they advised that we should again have a close look at various procedures followed and the entire Film Financing Activity and then review the whole thing. We put up the entire issue before the Board after that. We conducted a detailed analysis of the film financing activity right from the inception of the FFC in 1960 up to from 1980 when we came into the picture. We had, on our own been reviewing this activity from time to time. This had been done specifically four times in the past and various changes had already been effected.”

Elaborating further, the witness stated :

“The letter from the Ministry came to us in October. That suggested suspension of Film Financing Activity till the entire matter was reviewed. In the Board meeting held on October 8-9-1982 we decided not to sanction any case till a detailed examination of the entire issue is done. Another meeting of the Board took place thereafter on December 21-22-1982. A detailed Note on the entire activity analysing various issues was placed before the Board during this meeting. Shri N.K.P. Salve, Minister of State for Information and Broadcasting had, in the meantime, visited Bombay and advised us that every Project should be accompanied by a Marketing and Income Profile and that in case the Project which otherwise was of outstanding quality, was estimated to make a loss, the decision to support this type of project, should be taken with full consciousness of this possibility. The Board considered all these issues in detail and accepted the concept of a Marketing & Income Profile and the need to take conscious decisions in case the Project was expected to incur loss. In that meeting, we had kept the Marketing & Income Profiles ready for various Projects presented to the Board for scrutiny and the Board considered them duly before taking decisions. The Film Financing Activity was thus resumed in this meeting.”

2.33 Asked whether there had been any change in the policy for financing of films following the Ministry's letter, the Managing Director, NFDC stated :

“There is no change as such except that we want to be very careful at every stage. We will now give the new up coming film makers a chance to produce short features instead of the normal feature films because the risk is less in the case of former Production of short films with a duration of half-an-hour or one hour can train them and thereafter they can make feature films.”

Co-production of films

2.34 Apart from loans to producers and 100% financing of feature films, NFDC also undertakes co-production of feature and T.V. films. One such film was 'Gandhi'. It is seen from the Annual Report of N.F.D.C. that the Government of India accepted the proposal of Sir Richard Attenborough to produce a film on Mahatama Gandhi as a joint venture project and entrusted the same to the Corporation for implementation. A financing and co-production agreement was entered into between NFDC and Indo-British Films Ltd. The total cost of the project was

estimated to be Rs. 17 crores. The share of N.F.D.C. in the investment was Rs. 6.38 crores to be spent entirely in the country and in rupees.

2.35 During evidence the Managing Director, NFDC stated :—

“As you are all aware, this film (Gandhi) is doing extremely well and we hope to get back not only our investment but at least the same amount also by way of profit. This stage will be reached only during 1984-85.”

2.36 Pointing out that the film Gandhi was of great national importance and deserved to be shown to a larger audience specially to the younger generation both in the rural and urban areas of the country, the Committee enquired whether any plan for large scale exhibition of the film had been drawn up. The Managing Director stated :—

“I entirely agree that this film is of permanent value not only to India, but to the entire world. It has already attained that status even abroad. As far as India is concerned we have retained 16 m.m. rights with us consciously and the understanding is that while 35 m.m. exhibition will continue through theatres and all that, after two years or so we have the option to exploit 16 m.m. rights. We have 16 m.m. network under the DFP which reaches the rural areas. This is what we have in mind and we would see to it that this film reaches the farthest corner of India, so that everybody gets the opportunity to see this film. Since the point has been raised I may inform the Committee Members that the film is really doing extremely well abroad and it is winning awards. It has been given five Golden Globe Awards of Hollywood. It has been nominated for Eleven Oscar Awards. The collections are astounding everywhere. In USA & U.K. tickets are not available for 15 days. There are long queues and the tickets are not available and the collection for nine weeks in U.K. has exceeded £ 500,000. We should all be very happy and proud about it.”

100% financing of films

2.37 The Committee have been informed that the Corporation assigns production in full length feature films to outstanding Directors on its own, based on the merits of the script. In that case, the Corporation is responsible for 100% financing and the Director is entitled to get 7½% of the profit in addition to his assignment fee as Director. The Script Writer, also gets 2½% of the profits. The ownership of all rights, assets and liabilities of such films belongs to the Corporation and the money realised from this activity is utilised for the development of good cinema.

2.38 The details of the seven projects approved for 100% financing by NFDC are given below :—

Name of Film	Budget approved	Amount disbursed	Stage of Production
	(Rs. in lakhs)		
ATYACHAR	6.75	6.44	Completed.
ADI SHANKARA- CHARYA	6.73	6.38	Ready upto first print stage.
JANA BHI DO YARON	7.56	6.54	Ready upto background Music stage.
MASSEY SAHIB	8.19	5.93	Shooting completed.
CHAKRY BAIREY	17.87	7.50	Shooting in progress.
PARTY	9.55	Nil	Funds to be released in next financial year.
TARANG	11.87	3.93	Production to start in March.

2.39 During the 22 years since the inception of the scheme for financing of films, the NFDC (previously Film Finance Corporation) had financed 107 films, which were in 11 languages. Out of those, 56 films, were in Hindi, 15 in Bengali, 13 in Marathi and 6 in Kannada. So far only 2 films in Malayalam and 3 films in Tamil had been financed by NFDC. In the context of a very large number of films being produced and exhibited in the country every year, the Committee wonder what impact the very small number of films financed by NFDC could have made on the cinema goers in general and the film industry in particular. The committee cannot but agree with the Secretary, I&B that when Government enters some business or industry it should be with a view to make an effective impact and not merely for the sake of simple presence. They accordingly recommend that NFDC should progressively undertake financing of a larger number of films which have some social relevance.

2.40 It was argued that the total funds available with the Corporation were very limited. As a result the Corporation was able to help finance a few films and a few theatres. The Committee are of the view that having regard to the role of NFDC in the matter of promoting good cinema, financial constraints should not be allowed to act as a limiting factor in the realisation of its main objectives. The Committee desire that availability of finance for more films and theatres should be appropriately enlarged and the NFDC should function in a manner that on the whole sufficient surpluses are generated to make the Corporation a self-financing venture eventually.

2.41 The Committee gathered the impression that while selecting films for financing, NFDC mainly relied on the scripts submitted by the interested film makers. It did not generally tell the producers about the specific topics on which the Corporation would like the films to be produced. As a result of this policy no worthwhile effort appears to have been made to promote *inter-alia* production of pictures on Indian epics, lives of saints, scientists and greatmen, freedom movement and working of democracy and democratic institutions in the country. The committee feel that the film producers who have an eye on the box office will not readily venture in any of the above fields and it will ultimately depend on NFDC's initiative to sponsor films on these subjects. With this end in view the Committee desire that suitable subjects and themes may be formed out by the Corporation and in case of inadequate response from the film makers production of films on these subjects may be taken up under the 100% financing scheme of the Corporation.

2.42 The committee wish to express their feelings of happiness at the tremendous success achieved by the film 'Gandhi' which was co-produced by the NFDC. The Committee have been informed that the film 'Gandhi' was doing extremely well and NFDC hoped to get back not only its investment of over Rs. 6 crores but at least an equal amount also by way of profits. The Committee commend financing of such projects, which serve a great national cause. The committee hope that more of such socially meaningful films will be sponsored and financed by NFDC in future. The Committee also desire that in view of the national importance of the film 'Gandhi' particularly for the younger generation, arrangement may be made to exhibit the film dubbed in regional languages in every part of the country so that the largest possible audience gets an opportunity to see and appreciate the film and its theme.

2.43 Out of 107 films completed with the help of NFDC, 97 films had been released for public exhibition. The Managing Director, NFDC has claimed that audience reaction ranged from excellent to average depending upon the quality of each film. It has also been claimed the films produced by NFDC have succeeded in having a definit impact. In the absence of any scientific survey having been made about the audience reaction it is difficult to make any worthwhile assessment of the impact of these films. The Committee would like that a survey now reportedly being conducted by the Indian Institute of mass Communication may be completed early and its findings analysed to draw lessons for the future.

2.44 Incidentally the Committee would like to point out that since film awards are given by professional bodies of experts, the winning of such awards by a large number of NFDC financed pictures should not create a sence of complacency. Ultimately the impact these films make on the common cinema goers and the catalytic effect they produce on the promotion of good cinema will have to be the measure of their success.

2.45 NFDC has since inception sanctioned loans amounting to Rs.446.13 lakhs out of which Rs. 391.60 lakhs had actually been disbursed to producers as on 31st January, 1983. The loan amount outstanding was Rs. 115.69 lakhs while the amount written off as bad debts was as high as Rs. 125.37 lakhs. Of the outstanding loans Rs. 80.06 lakhs were stated to be in arrears. Thus out of the total amount of Rs. 391.60 lakhs disbursed as loans the Company has so far recovered only a sum of Rs. 150.54 lakhs, which represents 38 per cent of the total. The Committee feel concerned about it. The Committee have been informed that at the instance of the Ministry, NFDC had recently reviewed its film financing activity. As a result of this review fresh guidelines have been laid down. These *inter alia* provide that in future every project should be accompanied by a marketing and income profile and in case a project which otherwise was of outstanding quality was estimated to make a loss, a conscious decision to take up such a project will have to be taken. The Committee can only emphasize that with the limited resources available for its multifarious activities the Corporation should manage its affairs in a business like manner. Due care should be taken to ensure that huge amounts are not locked up in arrears, which eventually may have to be written off as bad debts.

2.46. The Committee, however, feel that the ceiling limits for grant of loans under various categories of films need to be reviewed on a continuing basis keeping in view the ever rising cost of production.

CHAPTER III

FINANCING AND DEVELOPMENT OF THEATRES

3.1 Realising the inadequacy of exhibition outlets in the country, in 1979 NFDC started a scheme for construction of low cost cinema theatres with a loan of Rs. 1 crore from the Government of India out of Motion Pictures Export Association of America (MPEAA) funds. To augment the funds, arrangements were entered into with Canara Bank which made a matching contribution of Rs. 1 crore, thus raising total fund for the scheme to Rs. 2 crores. The Government of India allotted further amount of Rs. 2 crores from MPEAA for this scheme. The Committee enquired whether any systematic study had been made to assess the theatre capacity demand vis-a-vis availability both for rural and urban areas. The Committee also desired to know whether any targets for construction of theatres on a planned basis had been laid down. The Managing Director, NFDC stated during evidence :

“The number of theatres, temporary as also permanent in India at present is 11,239. We have not made any systematic study as such to assess the demand vis-a-vis the availability of seats. There has been a study by UNESCO World Communication, and according to them we need about 30,000 cinema theatres. The Working Group on National Film Policy has also examined this question and taking the practical view they have recommended a target of 6750 theatres by 1985. Our position is like this. We know that there is an acute shortage. We have the figures for U.S.A., U.K. Japan. U.S.A. has 49 seats per thousand population. In U.K., it is 15 seats per thousand population; in Japan, it is 10 seats per thousand population. India has only 7 seats per thousand population. We do have a very low number of theatres”

Explaining further the witness stated :

“Our finding is that the shortage of theatres in Eastern and Northern region is much more noticeable. 1787 theatres are in North India and 1090 theatres are in East India as against the South India figures of 6,106. About the western part, it is 2,256. I did not have the break up of 6,750 into rural and urban. In the rural, they do not want permanent theatres.”

3.2 The Working Group on National Film Policy which submitted its Report in May, 1980 had made a broad study to assess the theatre capacity

vis-a-vis availability of cinemas in the country. As on 31.3.80 India had a total number of 10,392 theatres for an estimated population of 64.68 crores. Assuming the average capacity of 600 per permanent theatre, India had about 5.9 seats per thousand of population. In the case of temporary theatres there were only 7 seats per 1000 of the population assuming that such theatres have a capacity of 200 seats. This was one of the lowest average even for Asian countries, where Sri Lanka had 13 seats, Singapore 27 seats, Japan 10 seats and Malaysia 29 seats per 1000 of the population. Considering the extreme shortage of theatres, the Working Group had urged the Government to attain a target of providing 10 seats per 1000 of the population to be achieved within a period of 5 years. This meant an addition of about 1350 theatres every year.

3.3 The Managing Director, NFDC, informed the Committee that no targets for construction of theatres had been set down by NFDC as they entertained applications and projects as they came. As on 31st January, 1983, loans amounting to Rs. 346.5 lakhs had been sanctioned by NFDC for construction of 58 theatres and Rs. 160.9 lakhs, had been actually disbursed.

3.4 It has been stated that NFDC has not sanctioned any loan for construction of theatres in rural areas. 11 loans had been sanctioned for semi-urban areas and 47 for urban areas.

3.5 The Committee enquired whether NFDC was satisfied with the progress made in the matter of sanctioning of loans for cinema theatres when even the response from the entrepreneurs appeared to be lukewarm. In a note, NFDC stated:

“Considering the availability of funds, we are satisfied about the number of loans sanctioned so far. In order to encourage new entrepreneurs to construct cinema theatres, many State Governments are coming forward in giving concessions by way of incentives. NFDC is negotiating and working out arrangements with such State Governments. It is hoped that with the participation of State Governments/Film Development Corporations/-Nationalised Banks, more loans will be sanctioned in future.”

3.6 The Secretary, I&B informed the Committee during evidence that in the last meeting of the State Ministers of Information it had been agreed that construction of 5,000 cinema houses over a period of five years should be aimed at. Since this target could not be realised by NFDC alone State Governments should come forward.

3.7 For overcoming the shortage of cinema theatres in the country, NFDC is reported to have formulated two schemes.

- (i) The low cost theatre designs and
- (ii) Loans for construction of cinema theatres.

3.8 The low cost design provides for a theatre having a seating capacity of 410. Enquired whether the low cost theatres design had become popular with the entrepreneurs, the Managing Director, NFDC stated:

“It is difficult to say whether this has become popular. But we can certainly say that 115 copies of the designs have been supplied to various parties. The people do take advantage of this. We have supplied these copies on payment; they are not supplied free. Since it implies, preparation of sets of blue prints. So, we charge money. If they have been asking for it, on payment, we presume that they are being utilised.”

3.9 The committee desired to know whether a theatre with a capacity of 400-500 seats would be economically viable. The Managing Director, NFDC, stated:

“That is why people prefer capacity of 700-800 seats. It is true that a theatre capacity of 400 to 500 seats will be less viable economically than with 700 to 800 seats.”

The witness further added:

“We want to construct a chain of theatres all over India where good films can be shown. But the number of cinegoers is not commensurate.

That is why there are no applications from the rural areas.”

3.10 With the growing use of video/television, there has been a revolution in the matter of designing cinema houses in the West. The Committee enquired whether NFDC had made any in-depth study of the changes taking place in Western countries in this behalf with a view to modify their plans for development of cinema houses and if so, what was the results of the study and what action had been taken on the basis thereof. In a note NFDC stated:

“No such in-depth study has been made. In India, the situation is different than that prevalent in the Western Countries. There is an acute shortage of theatres in our country and there are only 11239 theatres to serve 683 million people who live in India. In view of this, there is no visible impact as yet in our country on the theatre-going population because of Video/Television. The situation is, however under continuous observation.”

3.11 In the same context Secretary, I & B stated during evidence:

“Video and T. V. are bringing a big change, in the method of seeing films. For example Pakistan does not allow import of Gandhi film. But Gandhi film is being seen in Pakistan on video. The moment video becomes cheaper, it will be there in every village. This will bring about a great change.”

3.12 Asked whether there was any move to modify the plan for development of cinema houses, the Secretary, I & B stated:

“We have taken only this view that smaller cinema-houses 400 to 600 capacity...would be less expensive and even if Video and other things come, small cinema-houses would be still useful.”

3.13 The Committee enquired whether in view of the growing use of video system, NFDC had considered the question of producing short duration films. The Managing Director, NFDC stated :—

“We are very much conscious of this possibility and we have been prompted to think of short features because of this also. We have decided to associate representatives of Doordarshan with this activity so that right at the selection stage of the Project there would be acceptance by them and we can show them on various Doordarshan outlets. We have also examined these possibility of showing short films in theatres and we intend to try screening short films in the theatres in future. We have a Video Centre at Madras and the intention is not just to execute external jobs but also to have our own recorded cassettes for sale. We would certainly think of the short featurettes being recorded for sale. We would also consider producing special programmes on Video Cassettes for sale in local market as also abroad.”

3.14 In a note furnished at the instance of the Committee on the question of action taken by NFDC to restructure their policies for film financing and development of cinema theatres in the light of larger use of T. V. and video, which were gaining popularity, NFDC stated :

“In regard to Film Financing, the Corporation now encourages production of short featurettes to fit into acceptable slots for Television. These short films will be produced in consultation with T. V. Authorities. Indian Feature Films have come to be accepted for telecast in many countries of the World by now. Realising that the foreign T.V Authorities prefer shortened versions of our films, the Corporation encourages production of feature films with the possibility of a shortened version in mind right from the initial stages.

Recorded Video Cassettes of Indian Feature Films are also popular all over the world. Since this generally implies transfer of a normal feature film on to a Video Cassette, no specific change in Film Financing is necessary *vis-a-vis* the Video Technology.

• Realising the growing importance of Videos, the Corporation has set up a Video Centre at Madras.

In regard to the policy on Cinema Theatre, the position has

already been explained above. There is no change contemplated in the present policy in the immediate future."

Loans for construction of theatres

3.15 Under the scheme for grant of loans for construction of theatres, NFDC advances loans to entrepreneurs for construction of theatres in rural semi-urban and urban areas as follows :

Rural areas	Rs. 1 lakh
Semi-urban areas	Rs. 3 lakhs
Urban areas	Rs. 7.50 lakhs

3.16 Loans are limited to above figures or to 50 per cent of the actual cost of the project whichever is less. The rate of interest is 12½ per cent per annum.

3.17 Referring to the amounts of loans advanced under the scheme, which *prima facie* appeared to be meagre, the Managing Director NFDC stated :

"Our cost is exclusive of the cost of land. Secondly, we do not envisage construction of a permanent theatre for a rural area. Assuming that we are willing to give Rs. 7.50 lakhs for a rural area, the theatre cost will be Rs. 15 lakhs; In the rural area, the population is very limited. The question would be whether a theatre with that capacity can sustain itself in that area with that much input. It will be difficult to do that. So we do not generally envisage permanent construction for a rural area."

3.18 The Committee asked whether the amounts of loans were not inadequate for the construction of reasonably decent cinema theatres in view of the present cost of land and construction. The Managing Director NFDC stated :

"I would also concede that our ceilings are low. We are conscious of that.

It is a question of managing within the available resources. Either we give what is due to every person but then cover less people or give less and cover more people."

In the same context the Secretary, I&B stated :

"This true because the funds available are meagre; they are trying to distribute loans to as many people as possible. If they have got more funds they give loans of larger amounts."

3.19 Pointing out that the ceiling limits were very low and loan amounts were not sufficient, the Committee wanted to know whether these limit would be raised the Secretary, I&B stated :

"We agree that this cost was fixed in 1979. The point is that if

you raise it to Rs. 5 lakhs, only a few persons will get the benefit."

3.20 On pointing out that more funds should be provided the Secretary, I&B stated :

"Practically speaking the funds are not available."

3.21 The Committee were informed that so far NFDC had sanctioned 58 application for theatre construction and only 15 theatres had been completed so far. Asked whether sufficient publicity to the scheme had been given to attract entrepreneurs from rural and semi-urban areas, the Managing Director, NFDC stated :

"We try to give publicity to this scheme by various ways. Our regional offices in Delhi, Madras and Calcutta—our headquarters are in Bombay—try to publicise. We also write to the State Governments and request them to help us through their Collectors at the district level. We also write to various film bodies in different States giving them the applications forms and sending them the brochures that we have produced on the scheme, so that they come to know about it. We have also tried to write to Members of Parliament through letters addressed by our Deputy Minister at that time. We keep on giving press releases on the scheme so that people are constantly in the know of what is happening."

3.22 Referring to the difficulties involved in the construction of more cinema theatres, the Secretary I&B stated :

"It (cinema) has been treated very bad industry by all. We have recommended to the State Governments to relax those norms. Cinema houses can be constructed when the rules are relaxed; and we are trying to do Simultaneously, we are financing cinemas to the extent we can."

3.23 Explaining the implications of the State laws in regard to construction of cinemas, the Managing Director, NFDC stated :

"Some sort of priority must be given to this subject. The Industry is demanding that they have to be 'recognised' as an industry. If that is done, our difficulty about construction of theatres will be largely solved because Banks will then give loans. This gets included in priority items, re-finance from IBRD and so on. Also films is a concurrent subject. Some aspects are with the Centre; some others are with the State Governments. Every State should make suitable laws concerning their own sphere. Then there is the Cinematograph Act. There is a rule about parking space, saying you must have so much parking space for cars; there is a rule saying, that the whole thing must be fire-proof;

some of these concepts are based on the presumption that films are inflammable. This is wrong they are no longer inflammable. There are rules that theatres are not to be built near schools, near hospitals etc. We should not think of a theatre as something bad. Sometime back I remember certain attempts were made to bring in some model laws and Rules but nothing much was done."

The witness added :

"Again unless priority is given the land, the Town Planning Authorities will not provide for plots of lands for construction of theatre in their own Town Plans. Then entertainment tax is another hurdle because everybody feels that film going people have enough money and you must charge the film goer every time he goes to see film. That is another bottleneck in the whole process. Then there are other difficulties like availability of cement, steel and other raw materials for construction of theatres. So, there are difficulties about films, there are difficulties about theatres and both need to be developed together. These difficulties must be solved."

3.24 Considering the extreme shortage of cinema theatres and the need for more exhibition outlets, NFDC started a scheme for financing theatre construction by giving loans. Under the scheme NFDC advances low interest loans to entrepreneurs for construction of theatres in rural, semi-urban and urban areas subject to an overall ceiling on the cost of construction. Loan are limited to Rs. 1 lakh for a theatre in rural areas, Rs. 3 lakhs for semi-urban areas and Rs. 7.50 lakhs for urban areas. Even though the loans advanced by NFDC represent only 50% of the total cost of construction, the rest of which has to be provided for by the entrepreneur himself, the overall ceiling limits laid down are admittedly on the low side and need to be reconsidered in the context of the present cost of land, construction, furniture and machinery.

3.25 The plea put forward for keeping the ceiling limits at low level was that the Company was required to manage with the available resources and was trying to distribute loans within the ceiling limits to as many people as possible. This does not appear to be logical because such half-hearted efforts lead nowhere. It is better to give adequate amounts to a smaller number of entrepreneurs to enable them to complete the construction rather than dole out small amounts to a large number of people, who may not be able to take advantage of that amount on account of lack of their own resources. The Committee desire that keeping this aspect in view, the Company should review its loan advancing policy.

3.26 The Committee were informed that NFDC has sanctioned only 58 applications for theatre construction and only 13 theatres had been completed so far. Considering the extreme shortage of theatres, Government should set a target for the NFDC and make available necessary finance to enable it to

reach the target in a phased manner if a dent has to be made in the problem of shortage of theatres. the NFDC will have to be encouraged to meet the challenge in a pragmatic manner.

3.27 The working Group on National Film Policy, which made a broad study to assess the requirements of theatre capacity in the country had urged Government to attain a target of providing 10 seats per 1000 of the population to be achieved within a period of 5 years. They wanted an addition of about 1350 theatres every year. The Committee were informed that in the last meeting of the State Ministers of Information it had been agreed that construction of 5,000 cinema houses over a period of five years should be aimed at. Even this would appear to be too ambitious a target. More realistic targets may be laid down and sincere efforts be made to reach the target by involving State Governments, State Film Development Corporations and the Nationalised Banks. NFDC may be brought in as a coordinating body.

3.28 For overcoming the shortage of cinema theatres in the country, NFDC is reported to have approved a low cost theatre design, which can be utilised by the prospective entrepreneurs. With the growing use of video/television there has been a revolution in the matter of designing cinema houses in the West. The Committee feel that NFDC should make an in-depth study of the changes taking place in the western countries in the respect with a view to modify their plans for the development of cinema houses. The Committee envisage that small hall with a seating capacity of 200-300 persons and fitted with a video recorder could be a viable alternative for a full fledged cinema theatre at least in rural and semiurban areas. The Committee would like this to be examined.

3.29 Apart from the shortage of funds which has reportedly hindered the growth of cinema theatres, the Cinematograph Rules of State Governments, which govern the construction of cinema houses are stated to be cumbersome and restrict and make cinema construction extremely difficult. In order to overcome the problem, the Ministry of Information and Broadcasting should attempt formulation of a model law at Rules and the State Governments may be persuaded to adopt them. The Committee would await the action taken in the direction.

NEW DELHI

April 28, 1983

Vaisakha 8, 1905 (Saka)

MADHUSUDAN VAIRALE

Chairman,

Committee on Public Undertaking

APPENDIX

Statement of Conclusions/Recommendations of the Committee on Public Undertakings Contained in the Reports

Sl. No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
(1)	(2)	(3)
1.	1.6	<p>The National Film Development Corporation Ltd. was set up in 1980 after amalgamating the Film Finance Corporation and the Indian Motion Pictures Export Corporation. The NFDC has been entrusted with responsibilities of a diverse nature encompassing various facets of the Indian film industry. The activities handled by the Corporation range from financing of films and theatres to export, import, distribution of films and canalisation and distribution of raw stock. However, the micro objectives and obligations of the NFDC have not yet been drawn up and were stated to be under consideration. As the Ministry is accountable for the efficient functioning of the Company and a clear definition of the objectives is basic to the evaluation of efficiency, the Committee desire that the statement of objectives and obligations as also the corporate plan of NFDC should be drawn up early and specifically approved by the Ministry. As regards the financial objectives, the Ministry of Finance should also be consulted. The Committee hope that Ministry would take action accordingly.</p>
2.	2.39	<p>During the 22 years since the inception of the scheme for financing of films, the NFDC (previously Film Finance Corporation) had financed 107 films, which were in 11 languages. Out of those, 56 films were in Hindi, 15 in Bengali, 13 in Marathi and 6 in Kannada. So far only 2 films in Malayalam and 9</p>

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films in Tamil had been financed by NFDC. In the context of a very large number of films being produced and exhibited in the country every year, the Committee wonder what impact the very small number of films financed by NFDC could have made on the cinema goers in general and the film industry in particular. The Committee cannot but agree with the Secretary, I&B that when Government enters some business or industry it should be with a view to make an effective impact and not merely for the sake of simple presence. They accordingly recommend that NFDC should progressively undertake financing of a large number of films which have some social relevance.

3.

2.40

It was argued that the total funds available with the Corporation were very limited. As a result the Corporation was able to help finance a few films and a few theatres. The Committee are of the view that having regard to the role of NFDC in the matter of promoting good cinema, financial constraints should not be allowed to act as a limiting factor in the realisation of its main objectives. The Committee desire that availability of finance for more films and theatres should be appropriately enlarged and the NFDC should function in a manner that on the whole sufficient surpluses are generated to make the Corporation a self-financing venture eventually.

4.

2.41

The Committee gathered the impression that while selecting films for financing, NFDC mainly relied on the scripts submitted by the interested film makers. It did not generally tell the producers about the specific topics on which the Corporation would like the films to be produced. As a result of this policy no worthwhile effort appears to have been made to promote *inter-alia* production of pictures on Indian epics, lives of saints, scientists and greatmen, freedom movement and working of democracy and democratic institutions in the country. The Committee feel that the film producers who have an eye on the box office will not readily venture in any

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of the above fields and it will ultimately depend on NFDC's initiative to sponsor films on these subjects. With this end in view the Committee desire that suitable subjects and themes may be formed out by the Corporation and in case of inadequate response from the film makers production of films on these subjects may be taken up under the 100% financing scheme of the Corporation.

5. 2.42 The Committee wish to express their feelings of happiness at the tremendous success achieved by the film 'Gandhi' which was co-produced by the NFDC. The Committee have been informed that the film 'Gandhi' was doing extremely well and NFDC hoped to get back not only its investment of over Rs.6 crores but at least an equal amount also by way of profits. The Committee commend financing of such projects, which serve a great national cause. The Committee hope that more of such socially meaningful films will be sponsored and financed by NFDC in future. The Committee also desire that in view of the national importance of the film 'Gandhi' particularly for the younger generation, arrangements may be made to exhibit the film dubbed in regional languages in every part of country so that the largest possible audience gets an opportunity to see and appreciate the film and its theme.
6. 2.43 Out of 107 films completed with the help of NFDC, 97 films had been released for public exhibition. The Managing Director, NFDC has claimed that audience reaction ranged from excellent to average depending upon the quality of each film. It has also been claimed the films produced by NFDC have succeeded in having a definite impact. In the absence of any scientific survey having been made about the audience reaction it is difficult to make any worthwhile assessment of the impact of these films. The Committee would like that a survey now reportedly being conducted by the Indian Institute of Mass Communication may be completed early and its

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		findings analysed to draw lessons for the future.
7.	2.44	Incidentally the Committee would like to point out that since film awards are given by professional bodies of experts, the winning of such awards by a large number of NFDC financed pictures should not create a sense of complacency. Ultimately the impact these films make on the common cinema goers and the catalytic effect they produce on the promotion of good cinema will have to be the measure of their success.
8.	2.45	NFDC has since inception sanctioned loans amounting to Rs.446.13 lakhs out of which Rs.391.60 lakhs had actually been disbursed to producers as on 31st January, 1983. The loan amount outstanding was Rs.115.69 lakhs while the amount written off as bad debts was as high as Rs.125.37 lakhs. Of the outstanding loans Rs.80.06 lakhs were stated to be in arrears. Thus out of the total amount of Rs.391.60 lakhs disbursed as loans the Company has so far recovered only a sum of Rs.150.54 lakhs, which represents 38 percent of the total. The Committee feel concerned about it. The Committee have been informed that at the instance of the Ministry, NFDC had recently reviewed its film financing activity. As a result of this review fresh guidelines have been laid down. These <i>inter-alia</i> provide that in future every project should be accompanied by a marketing and income profile and in case a project which otherwise was of outstanding quality was estimated to make a loss, a conscious decision to take up such a project will have to be taken. The Committee can only emphasize that with the limited resources available for its multifarious activities the Corporation should manage its affairs in a business like manner. Due care should be taken to ensure that huge amounts are not locked up in arrears, which eventually may have to be written off as bad debts.
9.	2.46	The Committee, however, feel that the ceiling limits for grant of loans under various categories of

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films need to be reviewed on a continuing basis keeping in view the ever rising cost of production.

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& 3.25

Considering the extreme shortage of cinema theatres and the need for more exhibition outlets NFDC started a scheme for financing theatre construction by giving loans. Under the scheme NFDC advances low interest loans to entrepreneurs for construction of theatres in rural, semi-urban and urban areas subject to an overall ceiling on the cost of construction. Loan are limited to Rs.1 lakh for a theatre in rural areas, Rs 3 lakhs for semi-urban areas and Rs.7.50 lakhs for urban areas. Even though the loans advanced by NFDC represent only 50% of the total cost of construction, the rest of which has to be provided for by the entrepreneur himself, the over all ceiling limits laid down are admittedly on the low side and need to be reconsidered in the context of the present cost of land, construction, furniture and machinery.

The plea put forward for keeping the ceiling limits at low level was that the Company was required to manage with the available resources and was trying to distribute loans within the ceiling limits to as many people as possible. This does not appear to be logical because such half-hearted efforts lead nowhere. It is better to give adequate amounts to a smaller number of entrepreneurs to enable them to complete the construction rather than dole out small amounts to a large number of people, who may not be able to take advantage of that amount on account of lack of their own resources. The Committee desire that keeping this aspect in view, the Company should review its loan advancing policy.

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The Committee were informed that NFDC had sanctioned only 58 applications for theatre construction and only 13 theatres had been completed so far. Considering the extreme shortage of theatres, Government should set a target for the NFDC and make available necessary finance to enable it to reach the

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target in a phased manner. If a dent has to be made in the problem of shortage of theatres, the NFDC will have to be encouraged to meet the challenge in a pragmatic manner.

12. 3.27 The Working Group on National Film policy, which made a broad study to assess the requirements of theatre capacity in the country had urged Government to attain a target of providing 10 seats per 1000 of the population to be achieved within a period of 5 years. They wanted an addition of about 1350 theatres every year. The Committee were informed that in the last meeting of the State Ministers of Information it had been agreed that construction of 5,000 cinema houses over a period of five years should be aimed at. Even this would appear to be too ambitious a target. More realistic targets may be laid down and sincere efforts be made to reach the target by involving State Governments, State Film Development Corporations and the Nationalised Banks. NFDC may be brought in as a coordinating body.
- 3, 3.28 For overcoming the shortage of cinema theatres in the country, NFDC is reported to have approved a low cost theatre design, which can be utilised by the prospective entrepreneurs. With the growing use of video/television there has been a revolution in the matter of designing cinema houses in the West. The Committee feel that NFDC should make an in-depth study of the changes taking place in the Western countries in the respect with a view to modify their plans for the development of cinema houses. The Committee envisage that small hall with a seating capacity of 200.300 persons and fitted with a video recorder could be a viable alternative for a full fledged cinema theatre at least in rural and semi-urban areas. The Committee would like this to be examined.
14. 3.29 Apart from the shortage of funds which has reportedly hindered the growth of cinema theatres, the Cinematograph Rules of State Governments, which govern the construction of cinema houses are stated

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to be cumbersome and restrict and make cinema construction extremely difficult. In order to overcome the problem, the Ministry of Information and Broadcasting should attempt formulation of a model law a Rules and the State Governments may be persuaded to adopt them. The Committee would await the action taken in this direction.
