

Article

South Asian Cinema and Cultural Discount Theory: Comparison with Indian Cinema and Expanding the International Impact of Other South Asian Countries

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AIB Insights

While most South Asian nations have a movie industry, Indian cinema tends to dominate due to a combination of economic, cultural, historical, and content-related factors. Examining Indian cinema through the lens of Cultural Discount Theory highlights the impact of three essential business components – adaptation, promotion, and selection – on achieving critical and commercial success across borders. In this study, we argue that the cinema industries in other South Asian countries could increase their impact and compete with Indian cinema by adopting an international approach rather than restricting themselves only to their domestic markets.

INTRODUCTION

Why does Indian cinema dominate the discussion on South Asian cinema? To answer this question, we suggest that a media product's impact diminishes outside its cultural context, in line with Cultural Discount Theory (CDT) (Hoskins & Mirus, 1988). CDT states that a product in the media, such as a television show, film, or song, created within the specific context of one culture will lose its appeal and monetary value when it is exported for consumption by another culture. This loss of value and appeal is a discount because the foreign audience may find it difficult to relate to the content's original cultural context. South Asian cinema, or at least the media covering it, seems to be fascinated by the "wood". Hollywood might have a legitimate explanation for its name, whether it refers to the Holly plants growing in Los Angeles or to a real estate developer coining the name. But what is the reason to call the industry Bollywood (Bombay), Lollywood (Lahore), Kollywood (Kodambakkam, Chennai), Helawood (Sri Lanka), Dhallywood (Bangladesh)? Was it merely a lazy portmanteau for Hollywood, or does it signal CDT (Hoskins & Mirus, 1988), suggesting that every other film industry is following in Hollywood's footsteps? Using Hollywood as a box office benchmark is common across many film industries. In some cases, this would have been detrimental to the quality of the content, as it prioritized quantity over quality and box office success.

By quantity, the Indian film industry is recognized as the largest in the world, with approximately 2000 movies produced annually (Rammal, Kamineni, Pereira, Tang, & Ghauri, 2023), although not in terms of box office dollar

value or quality. Approximately 90% of the Indian film box office is dominated by local content, which is comparable to the 88% of the US box office collection that comes from Hollywood content (Ormax, 2025; UNESCO, 2013). The first Indian movie to come close to collecting US\$150 million domestically was *Bahubali 2* in 2017, and in 2024/25, *Pushpa 2* surpassed it, reaching \$150 million in domestic collections. Although international markets, especially the US, have been increasing their share of Indian films' overall box office, the percentage remains low compared to domestic revenue.

In India, domestic revenue of a movie was eclipsed by overseas earnings only once in the recent past by *Dangal* (2016), a movie that showcases the journey of a family of female wrestlers from India. *Dangal's* overall box office collection was \$340 million, out of which almost 60% (more than \$200 million) was contributed by China alone. This is one of the rare instances, and *Dangal* still ranks among the top 20 foreign films in China. Except for *Dangal*, Indian cinema still relies on domestic box office collections as its primary source of revenue.

In this article, we build upon the experience of the lead author, who has worked in the film industry for close to a decade in financing, production, marketing and continues to work as a consultant. The descriptive information comes from their first-hand experience working on the projects mentioned or from close contact with the key players in marquee projects. We utilize this background to develop recommendations for the South Asian film industry, which may provide guidance to other cultural industries as well.

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SOUTH ASIAN CINEMA

The film industry in South Asia is dominated by India, eclipsing the 40 films produced by Bangladesh and the 100-odd films each year from Nepal, Pakistan, and Sri Lanka. Other countries in South Asia do not have an active film industry. Films produced in India enjoy significant patronage in other South Asia countries, likely due to close cultural ties and the fact that the second- and third-largest nations in the region, Pakistan and Bangladesh, were part of undivided India until 1947. Hindi, one of India's major languages and the primary language of "Bollywood" movies, shares several similarities with Urdu, Pakistan's national language. This makes it easier for Hindi language movies to find acceptance in Pakistan. Similarly, films from West Bengal in India receive wide release and acceptance in Bangladesh because Bengali is the language spoken in both West Bengal and Bangladesh. According to CDT, cultural impact is diminished when it is exported to a different culture. However, because of language and cultural similarities, the impact is not diminished when Hindi cinema travels to Pakistan, or cinema from West Bengal travels to Bangladesh.

CULTURAL DISCOUNT THEORY AND SOUTH ASIAN CINEMA

Drawing on the context of US television programs, Hoskins and Mirus (1988) explained that content, when presented in a different cultural setting, diminishes in impact due to the cultural discount. Nonetheless, US television programs tend to dominate in foreign markets because their content is of higher quality, thanks to higher budgets and better production values, which tend to negate the cultural discount. Additionally, the "soft power" (Nye, 2004) of television and films was used by the US to achieve cultural dominance across the globe and again negate cultural discount. For example, in X country, if 90% of the visual media content being consumed is produced locally, the remaining 10% tends to be from the US. Additionally, Hoskins and Mirus (1988) note that the cultural discount tends to be lower for US program exports than for US imports. This means that if content from the US enters a foreign market, it will not be discounted or diminished as much as content from foreign markets entering the US. This is due to the nature of the US market and the organizational attractiveness of US filmmakers/studios (Newbury, Gardberg, & Belkin, 2006), where US films often gain acceptance in other markets but the US market tends to be less accepting of films from outside the US. To explain further, US studios like Disney, Warner Bros, Universal, and Fox have a very strong global footprint, with distribution and marketing offices in many countries, enabling their content to be extensively marketed and showcased there. Whereas foreign production houses, especially those from South Asia, do not have a significant presence in the US, which limits their appeal to the US audience.

Indian cinema's growing box-office returns in the US market do not indicate that the general American audience

is embracing Indian content, as the numbers are heavily skewed toward the Indian diaspora. Five million permanent residents, plus an equal number of temporary residents and students residing in the US, tend to patronize Indian movies. The highest collection for an Indian film in the US is \$22 million for *Bahubali 2*, which is hardly 3% of the highest collection for a Hollywood movie (\$937 million for *Star Wars: The Force Awakens*). Whereas *Avatar: The Way of Water* collected \$59 million in India, which is almost 40% of the box office total of the highest-grossing Indian movie, *Pushpa 2*. This reinforces CDT, which posits that content from the USA is less discounted when exported to foreign markets. In contrast, content from foreign markets is heavily discounted when imported into the US.

Extending CDT to South Asia and replacing the US with India shows that content from India receives extensive patronage in countries such as Pakistan, Bangladesh, and Nepal. In contrast, content from these countries receives negligible patronage in India. This results in limited space to showcase content from other South Asian countries in India. In the US market, residents of South Asian origin (excluding India) account for less than 1%, thereby reducing the impact of diaspora as a market segment. An example is the highest-grossing Bangladeshi movie, *Toofan* (2024), which collected nearly \$5 million, with negligible contributions from the Indian and US markets.

Pan-Indian content is a phrase that has gained popularity at the Indian box office over the past decade. Movies like *Bahubali*, *Bahubali 2*, *KGF*, *KGF 2*, *Pushpa*, *Pushpa 2*, *RRR*, and *Kantara* have been made in languages other than Hindi but have performed very well at the box office across India, hence the term 'pan-India'. Earlier, films in India were confined to regional pockets, with only Hindi-language films having a wide pan-India release. But market dynamics have changed, and regional Indian-language films have gained acceptance nationally. The fact that *Bahubali 2*, a regional language film, is the highest-grossing Indian film in the US indicates a shift in trends. Echoes of this trend can also be found in Pakistan, where a Punjabi-language film, *The Legend of Maula Jatt*, is the highest-grossing Pakistani film of all time, grossing \$14 million, significantly higher than earlier Urdu-language blockbusters. However, the impact of Pakistani films in the US market is negligible, and this is the same trend for Sri Lankan and Nepali films. Bhutan, the Maldives, and Afghanistan do not have an active film industry. The film industries in Pakistan, Bangladesh, Sri Lanka, and Nepal all face significant and often similar developmental challenges, centered on infrastructure deficits, regulatory hurdles, funding issues, market saturation by foreign content, and systemic governance problems. In both Bangladesh and Pakistan, there is an acute shortage of cinema screens that showcase local content, and investors view the film business as high risk, thereby leading to a funding shortage. Nepal and Sri Lanka's film industries suffer from significant structural gaps and a lack of essential infrastructure, compounded by political and economic instability. [Table 1](#) lists strategies to overcome challenges and enhance the international competitiveness of South Asian

Table 1. Internationalization strategies for South Asian Cinema

Issues Identified	Recommendations to address the Issues	Stakeholders to address the issues
<i>Financial Constraints and Funding Shortage</i>	Pursue international co-productions as a pathway for collaboration, risk mitigation, and market expansion.	Film Producers, Government/Industry Regulators, International Partners
	Utilize technology and Artificial Intelligence (AI) to overcome resource crunch	Film Producers, Technicians
	Tap into a collaborative network that uses foreign shooting locations for a useful competitive advantage in the international market	Film Producers, International Partners
<i>Cultural Discount and Limited International Appeal</i>	Implement Adaptation. Tailor scripts and content to suit a global audience to increase relevance and appeal.	Film Producers, Screenwriters
	Follow the RRR template for product, marketing, and business practice adaptation (e.g., easy-to-replicate titles, multiple soundtracks/subtitles, external distributor handling international campaigns)	Film Producers, Distributors, Marketing Teams
	Embrace universal themes (love, trauma, identity, social issues) by juxtaposing them with local culture in storytelling.	Film Producers, Screenwriters
<i>Limited International Reach Beyond Diaspora</i>	Implement Promotion. Move beyond the diasporic comfort zone and target mainstream international audiences.	Film Producers, Marketing Teams
	Customize international promotional campaigns, paying careful attention to language, imagery, and cultural symbols. Hire consultants initially	Marketing Teams, Consultants
	Dangal success model in China by highlighting shared universal values to build connections with local audiences.	Film Producers, Marketing Teams
<i>Insufficient Distribution and Market Strategy</i>	Implement Selection. Strategically select target markets to minimize cultural discount.	Film Producers, Distributors
	Target markets closer to home, such as Asia and the Middle East, where cultural distance is manageable and dedicated screens exist.	Film Producers
	Partner with strong local film distributors as international partners instead of part-time diaspora members, as they possess intimate knowledge of the local culture and market.	Film Producers
	Follow the Crouching Tiger Hidden Dragon template: use a multi-national distribution chain (e.g., Sony Pictures) and leverage major international film festival awards/nominations for content quality assurance	Film Producers, International Distributors
<i>Dependence on Theatrical Release and Lack of Showcasing</i>	Harness the reach of international streaming platforms like Netflix and Amazon Prime to bypass dependence on theatrical release.	Film Producers
	Increase visibility by showcasing content at international film festivals, including smaller ones like Busan, Hong Kong, and Sydney, to gain the attention of distributors and agents	Film Producers
<i>Structural Gaps, Regulatory Hurdles, and Political Instability</i>	Focus on the international market to overcome the limitations of the small and congested domestic market.	Government/Industry Regulators, Film Producers
	Overcome the severe constraints in terms of financial resources, production facilities, and distribution networks through international business strategies.	Government/Industry Regulators, Film Producers

cinema organized around six issues that stem from prior discussion.

For Pakistani, Bangladeshi, Sri Lankan, and Nepali films to achieve critical and commercial success across borders, we suggest that following the internationalization strategies highlighted in [table 1](#) in conjunction with three essential international business components – adaptation (Bartlett & Ghoshal, 1989), promotion (Theodosiou & Leonidou, 2003), and selection (Dunning, 1988) is necessary.

ADAPTATION

The strategic requirement of local responsiveness is adaptation. Adaptation is almost a mandatory capability for competing effectively in diverse international markets (Bartlett & Ghoshal, 1989). Hence, adaptation is the primary tool for combating the cultural discount. By tailoring scripts and content to suit a global audience, South Asian filmmakers can increase their relevance and appeal. The Indian film *RRR* (2022) is a good example of this adaptation. In partnership with Netflix, the producers of *RRR* ensured that the film had multiple soundtracks and subtitles in over

15 languages. It helped blur regional boundaries in the movie and was a key factor in its Academy Award success. *RRR* set a new template for adapting product, marketing, and business practices. Product adaptation included the title – *RRR*, which was easy to replicate and market in any language. This template by *RRR* can serve as a replicable model for other films from Pakistan, Bangladesh, Nepal, and Sri Lanka, as effective adaptation has been shown to reduce the cultural discount by narrowing the gap between the film's country of origin and the target market's cultural context.

PROMOTION

A comprehensive literature review conducted by Theodosiou and Leonidou (2003) established that, though a product can be standardized, to achieve higher sales and sustained profitability, promotion is almost always customized to connect with the local consumers. Promotion is critical for communicating the entertainment value of films and visual content from foreign markets to local audiences. Targeting the diasporic market is like plucking low-hanging fruit, and this market grows slowly. Almost all South Asian film producers target only their diaspora in foreign markets. There is no need for extensive promotion to the diaspora, as they tend to follow developments in their country of origin. The invisible diaspora hand (Elo, Minto-Coy, Silva, & Zhang, 2020) ensures that there is a ready base of customers willing to serve as distributors/channel partners and marketers through word-of-mouth, community WhatsApp groups, and grocery stores. However, for South Asian films to make an impact and expand their reach, they must move beyond their all-in-one diasporic comfort zone. International promotional campaigns require careful consideration of language, imagery, and cultural symbols. Initially, consultants with expertise in this field can be hired until South Asian producers develop their own expertise. *Dangal* (2016) is a classic example of how the Chinese market was won over with a campaign that built connections with local audiences by highlighting shared values and addressing local concerns, resulting in a blockbuster due to its relevance and desirability within the local Chinese cultural context (Gupta et al, 2024).

SELECTION

According to the eclectic paradigm (Dunning, 1988), companies will engage in foreign direct investment only if the why, where, and how questions are adequately addressed. Therefore, the USA is not the only international market for South Asian films. Strategic selection of target markets and distribution channels is essential for minimizing the impact of cultural discount. Markets closer to home for Sri Lanka, Pakistan, Bangladesh, and Nepal are in Asia and the Middle East; the first step can be to target these markets. The Middle East, Malaysia, and Singapore have dedicated cinema screens to showcase South Asian content. By targeting these markets, South Asian film producers can prioritize areas where the cultural distance is manageable and

where there is a strong potential for acceptance of South Asian content and products. The Tamil language film *Kabali* (2016) took it one step further by shooting the entire film in Malaysia, thereby narrowing the cultural distance even further. One common trend among South Asian film producers is that they often hand over the distribution rights of their films to a member of the diaspora or community who is doing it as a part-time hobby. This restricts the scope of content marketing because such part-time distributors lack the clout or expertise to reach target consumers. It is always an advantage to choose strong local film distributors as international partners, as they possess intimate knowledge of the local culture and market. Selection with a clear vision helps film producers choose markets where the cultural discount is likely to be low.

PRACTICAL INTERNATIONAL BUSINESS RECOMMENDATIONS

Before offering recommendations, it is important to consider how an industry that has not developed domestically approaches international reach and success. The Born Global theory (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Rennie, 1993) explains that when any industry in general and the film industry specifically, because of its juxtaposition of art and commerce, operates in a weak domestic market, due to small size, low purchasing power, or lack of infrastructure, it must treat the international market not as one of its options but as its strategy for survival. Film industries from countries like Bangladesh, Nepal, Pakistan and Sri Lanka are forced to compete internationally because their small and weak domestic markets cannot sustain growth financially or technologically and hence internationalization is a pathway. It is essential to have a strategy that focuses on the international market, in addition to the limited, congested domestic market. Employing the adaptation, promotion, selection framework and the recommendations mentioned in [Table 1](#), the following strategic pointers are recommended:

1. Adaptation recommendation to address the issue of financial constraints and funding shortage: Successful international films tend to juxtapose their local culture with universal themes. South Asian filmmakers should embrace this storytelling strategy
2. Adaptation recommendation to address the issue of cultural discount and limited international appeal: It is widely acknowledged that cinema in Pakistan, Bangladesh, Sri Lanka and Nepal suffers due to financial constraints. Using technology, artificial intelligence and leveraging a collaborative network of foreign shooting locations can offer competitive advantage in the international market.
3. Promotion recommendation to address the issue of limited international reach beyond diaspora: Move beyond the comfort zone of diasporic audiences and target mainstream international audiences through customized international campaigns that pay careful attention to language, imagery, and cultural symbols.

4. Selection recommendation to address the issue of insufficient distribution and marketing strategy: Non-Indian South Asian cinema should pursue international co-productions that offer a pathway for collaboration, risk mitigation and expanding the market.
5. Selection recommendation to address the issue of dependence on theatrical release and lack of showcasing: Harness the reach of international streaming platforms like Netflix and Amazon Prime. These platforms are hungry for content and films from Bangladesh, Nepal, Pakistan and Sri Lanka. South Asian film companies should tap into this appetite and hence bypass their dependence on theatrical release.
6. Selection recommendation to address the issue of structural gaps, regulatory hurdles and political instability. Nepal and Sri Lanka have already tasted success at international film festivals. Selecting film festivals that offer a good opportunity to showcase content as well as gain the attention of distributors and agents who can market the films internationally can assist in overcoming the structural gaps in domestic market.

CONCLUSION

Answering the research question of why Indian cinema dominates discussions of South Asian cinema, the Indian film industry will always be the elephant in the room due to its domestic market size and commercial strength, making it harder for other South Asian film industries to gain a foothold in the region. The existence of a well-defined, geographically concentrated social network among key industry players, including producers, directors, and artists, in Mumbai, Chennai, Hyderabad, and other cities supports a distinct Indian model of filmmaking, which, combined with crucial changes in government regulation, has enabled its recent export growth. Lorenzen and Täube (2008) assert that Indian cinema's growth is a case for studying how paradigms can be shifted in emerging economies. The recent international success is not simply due to talent or artistic merit, but a result of strong internal social network struc-

tures that define the unique production model, combined with the change in government policy that recognized filmmaking as an industry, hence bringing in legitimate capital, and the existing diaspora demand that provided an export launchpad. By ensuring the impact of three essential international business components: adaptation, promotion, and selection, the film industries in Pakistan, Sri Lanka, Bangladesh, and Nepal need to enable the growing visibility of their films at international film festivals and in building niche international audiences. These recommendations may also have applicability to other cultural industries as well.

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