

Tactful Management



THE ART MARKET IN INDIA: WITH SPECIAL REFERENCE TO THE PAINTINGS AND ITS PRICES.



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ABSTRACT

This paper studies the total auction revenue generated under the brand name of a particular artist during a given period of time and highest hammer price for a particular painting of an artist in the same time period. The secondary data of global artist is collected on the basis of total auction revenue and highest hammer price for a period of 14 years from 2000 to 2014. It is evident that the global art market is moving in favour of Asia in general and China in specific. The market share of India is 0.5 % of the global market. These changes are witnessed in Asia since 2010. Further, it is observed that, the Indian contemporary paintings are auctioned by internationally reputed auction houses since 2002. Even today, 46% of total paintings are

bought by Indians. The Indian art market witnessed all time lowest revenue turnover in 2009 to Rs.450 corers and the highest was in the 2014 i.e. Rs 1200 corers. Over a short period of just 9 years from 2005 to 2014, Indian art market has seen ups and downs.

KEYWORDS :Art and Art Market.

I. INTRODUCTION

From time immemorial art has been considered as a piece of aesthetic joy, evidence of history

and representatives of mythology. But with passage of time, the use and utility of art has undergone a remarkable change. The spread of general education and economic progress in 20th Century has changed the outlook of the people towards art and art market. The art is treated as economic and marketable commodity in modern times. The Art has drawn the attention of Economists, Economic Analysts, Financial Experts, Investors, Brokers, Traders, and art lovers in modern times.

Though, there are practical difficulties in assessing art and its value, art is one of the most expensive and luxurious items traded in selective continents of the world. The very feature of art i.e. heterogeneity and uniqueness, has not widened the scope of art market across the world. Global Art Market is an international economic arrangement which bridges the gap between the demand for and supply of art products or services. This market happens either on site (virtual) or on specific geographical location (actual).

ART AND ART MARKET

The term "ART" include many forms of human activities either creative or non-creative such as drama, acting, dance, music, sculpture, paintings, photography, lithography, etching etc. through which utility is generated, message is carried, social welfare is empowered. The buying and selling of art is known as 'Art Market'. Like any other market, both buyers and sellers in art market too have their specific objectives i.e. to maximize satisfaction and to maximize profits respectively

The important features of Art Market

- 1) Art market is unregulated.
- 2) The market is dominated by private sector.
- 3) Large number of Artists (sellers) and few buyers
- 4) Each Product is heterogeneous in nature.
- 5) Supply of art is inelastic in case of dead artists.
- 6) Each painting of same artist is heterogeneous and unique.
- 7) Art market is highly volatile.
- 8) Information is asymmetric
- 9) Long time lag in resale
- 10) High transport costs,
- 11) Lack of hedging mechanism

The statements of the problem

The art market is different from other financial market on many such attributes. There is a need to study 'art market' due to some reasons such as Global Art Market is adversely affected by the exports and imports restrictions on art, transport cost, lack of communication, diversified laws across the world. Secondly, there is a potential to harvest art market across the world with the advent of Economic Reforms of 1990s. Thirdly, the Information Technology Revolution (ITR) of 1990s has given wide scope to showcase their art on social sites like Facebook, Twitter, Google Search etc. Fourthly, revolution in the field of communication has reduced the gap between the art buyers and sellers across the globe. Fifthly, the strategic changes witnessed by financial sectors like e-payment and e-banking etc across the globe has given boost to the art market in recent past. Sixthly, though art is heterogeneous commodity, it has its own universal appeal and language.

The stakeholders of the Art Market.

- 1) Artists (Producers)
- 2) Art Galleries (Intermediaries)
- 3) Art Museums (Intermediaries)
- 4) Auction Houses (Intermediaries)
- 5) End buyers (Consumers)

This paper broadly studied into eight sections such as the objectives of this paper are set in section II, a brief literature is reviewed in section III, methodology in section IV, global art market in section V, Indian art market in section V, and the findings, recommendations and conclusion is done in last section i.e.VII.

II. OBJECTIVES

The objectives of this paper are:

- 1) To study the trends global art market.
- 2) To analyze the status and trends of Indian art market.
- 3) To study the relationship between painting prices and size of the canvas
- 4) To study the demand determinants for paintings

III. REVIEW OF LITERATURE

In spite of the practical difficulties in valuation of art, to know returns from investment in art, many researchers have used Hedonic Price Models (HPMs) and the Repeat Sales Regression Models (RSRMs) to estimate the returns on the sales of art objects (Ventura Charlin(1) and Arturo Cifuentes 2013).

The Wall Street Journal (2010) has made an estimation that the 8% of total wealth in USA is held in "Passion Investment"; art, musical instruments, wine, antiques, cars, race horses etc. Of all these "Passion Investments", art is one of the luxury assets that has greater value appreciations (Christophe Spaenjers, 2010).

"David W.Galenson and Robert Jensen (2002) have re-examined the process by which a market for a new product-modern paintings-emerged in Paris in the nineteenth century. Contrary to the accepted account, in which the monopoly of the official Salon was replaced by a small group of exhibitions organized by artist. The impressionists were thus leaders not only in creating modern art, but also in developing its markets. The reinterpretations by David W.Galenson and Robert Jensen have yielded new understanding that the interactions between artists and market in the late nineteenth and early twenty centuries have affected the structure of the art market during the first half century of modern era.

According to Galenson and Jensen, impressionists were known for both creating modern art as well market for art.

"Auction market records reveal that during the first five decades of Yale School of Art has produced a series of graduates who have achieved greater success commercially and as well critically. The Yale's role, can allow collectors to identify important artists before they become widely recognized, and therefore their early innovative works rises in value (David W.Galenson 2005)".

For David W.Galenson, Yale School of Art is a reputed school for art study and by the virtue of its reputation collectors have an edge to bid on artists who have studied here, well before they achieve popularity.

According to Bocart and Hafner(2011) the heteroskedastic hedonic regression model is adopted to analyse the pricing of art which takes into account time-varying volatility and same is applied to a blue chips art market. The empirical analysis reveals that errors are considerably non-Gaussian and the deviations in actual prices are evident from their expectations. And the student distribution with time-varying scale and degree of freedom does well in explaining deviations of prices from their expectations. Thus the art price index is a smooth function of time and has a variability that is comparable to the volatility of stock indices.

According to Y.R.P.Bocart and Christain M. Hafner, (2011) volatility of art market is the function of time. Few efforts are made to study volatility of art market as function of time and better understanding of this volatility may be useful to market participants either buyer or seller. To study the features of commodities traded in volatile market, Repeat Sale Methodology (RSM) is used. This methodology is used to study the average rate of returns of those goods that are repeatedly sold in the market over a period of time. The Hedonic Regression Model (HRM) is used to study the returns from goods which are heterogeneous by nature.

IV. METHODOLOGY.

a) Collection of Data

The present study has used the secondary data on global and domestic art market, especially paintings traded in selective auction houses. The data does not include all the items and all the time trading in auction house across the world.

b) Scope and limitations of the Study

The study is applicable to only handmade paintings on canvas, paper and board and other forms of art are not included in the study. The study is limited to top 12 high priced Indian paintings traded in Christie's, Sotheby's of London and Pundoles Mumbai between 2010 and 2015. The study does not include other paintings traded in other auction houses or elsewhere in India and abroad during the same time period.

c) Data Analysis Tools.

The percentage method is employed to study top 12 out of 66 Indian paintings auctioned between 2010 and 2015 and listed online catalogue by The Art Trust of Mumbai.

V. GLOBAL ART MARKET.

There are many stakeholder in art market such as Artists (Producers) on one side and galleries, auction houses, investors, brokers, event organizers as mediators (Market Agents) and the end users (Consumers) on other side in the art market. Each of the stakeholders has his/her own economic objectives. The study is focusing on painting prices traded in auction houses.

'Stockholms Auktionsvers' is one of the world's oldest auction houses which were established in 1647. Till 1993, 'Stockholms Auktionsvers' was owned by the City of Stockholm but now it's in private ownership in Sweden and it's has branches across Europe.

The world's second oldest auction house Goteborgs Auktionsverk was established in 1681 in Sweden and the third oldest Uppsala Auktionskammare was established in 1731 in Sweden. The most reputed Sotheby's London and Christie's London were established in 1744 and 1766 respectively (Mike Brandly 2010)

Globally the paintings were auctioned since 16th century, but the establishment of Christie's

and Sotheby’s London in 17th century has given a big push to the painting market. It has been the part of cultural economics of Europe and America in recent past.

‘English Auction’ system is practiced across the world, wherein bidding begins at a lower price and auctioneer calls out for higher and higher prices until painting reaches the highest price, auctioneer lower the gavel; the final price is called “Hammer Price”

The most powerful old economies were struggling for further growth in the art market in the recent past, but Brazil, Russia, India, China and South Africa (BRICS) have shown accelerating economic growth during this period. It is interesting to note that the China’s economic progress has brought a remarkable change in global art market. The Governments in these countries have realized the economic potential and thereby have put lots of efforts in creating a favorable environment to encourage art market by organizing art fairs, events, expos, and painting shows in Singapore, Beijing and Honk Kong. (Thierry Ehrmann, 2011).

Table 1: Global Art Market -2013-14 (Auction Revenue in Percentage)

Name of the Country	Art Market Share in %
China	39.2
USA	35.2
UK	6.6
Germany	5.1
Japan	1.7
Italy	1.4
France	0.7
Switzerland	0.6
Brazil	0.6
India	0.5
Rest of the other Countries	8.4
World auction revenue Total	100%

Sources: Annual Art Market Trends (2013-14) pp 27, www.artprice.com

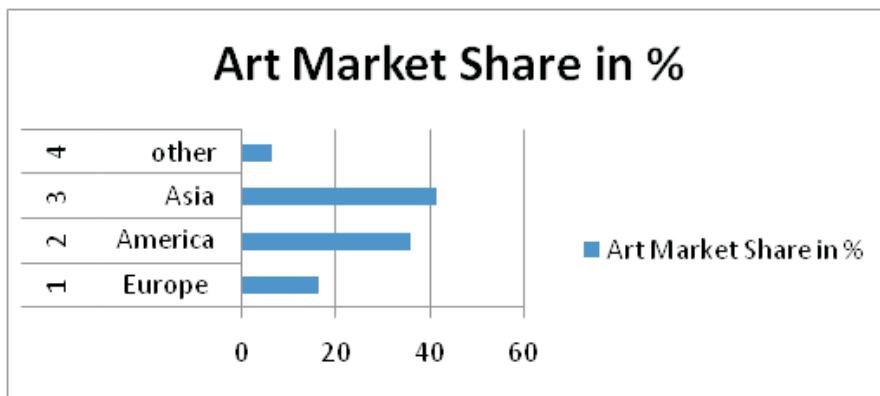
It’s evident from the table that, 41.4 percent of global art market is shared by Asian countries. The second largest share is from USA i.e.35.2 percent of global auction revenue. In order, European countries are sharing 16.4 percent, whereas India shares just 0.5 percent of global art market in 2013-14. Thus, the new and traditional leader of global art market are China and USA respectively.

Table 2: Continent wise art market 2013-14 (Auction Revenue in Percent)

Sl.No.	Continent	Art Market Share in %
1	Europe	16.4
2	America	35.8
3	Asia	41.4
4	Other	6.4

Sources: Annual Art Market Trends (2013-14) Pp 27, www.artprice.com

Figure No: 2



Thus from Table 2 it is obvious that the Asian Continent is dominating global art market with a share of 41.4 of auction revenue followed by America and Europe with a share of 35.8 % and 16.4% respectively.

VI. INDIAN ART MARKET.

Indian art market before 1947 was primitive in nature as compared to Europe and America. Before the entry of the British in India, paintings were mainly produced to represent mythological stories, to add king’s treasure of collections and generate aesthetic sense in the society.

At the end of British Rule, the Bengal famine, forced several artists to carve their paintings in a new visual language. A group of young artists rejected the lyricism and romanticism which was exhibited in earlier Bengal artists. Six of them came forward and formed ‘Bengal Progressive Artists’ group. Though, this group did not make commercial news, they succeeded in reflecting the influence of European Modernism.

Some of the restless artists like Francis Newton Souza, Maqbool Fida Husain, Syed Haider Raza, Krishna Halwaji Ara, Hari Amba Gade and S.Bakre formed ‘Progressive Artists Group’ by 1947 and this group is popularly known as “Bombay Progressive Artists”.

“A mystery buyer startled the art world by paying £140,000 for six canvases of 19th century artist Raja Ravi Varma at an auction in London” (Business Standard 1996)

“Famed UK auction house Bonhams has swung £3.2 million in its sale of Indian and Islamic art in London. A historic Raj painting by Raja Ravi Varma created a record sale of £ 602,400 . Interestingly, Ravi Varma’s picture was bought by Neville Tuli chairman of Osian’s” (Ashoke Nag 2007)

“ Ravi Varma was the star draw at an Sotheby's auction of over 120 paintings by India's top artists which fetched £753,000 (about Rs 4.2 crores) on Tuesday. Bidders from around the world battled for canvases by Varma, Jamini Roy, Rabindranath Tagore, M F Husain and other top artists. Patrick Bowring of Sotheby's writes: "This auction has confirmed that there is international demand for modern and contemporary Indian paintings (Business Standard 1996)

The main focus in Indian art market is on Post-War paintings especially produced by Bombay Progressive Artits like F,N,Souza, Tyeb Mehta and others. Sales at Christies have all most doubled every year in last 3 years in New York. According to Yamini Mehta, the head of Modern and Contemporary Indian Art, Christies Auction house has generated \$ 17.8 million by selling 20th century Indian Art.

Table 3: Painting auction revenue in India - 2005-2014.

Year	Rs. in Crores
2005	1000
2006	1500
2007	2000
2008	940
2009	450
2010	500
2011	650
2012	950
2013	1200
2014	1200

Sources: www.theartstrust.com/market_analysis.aspx

The Table 3 reveals the year wise auction revenue generated from 2005 to 2014. The highest auction revenue Rs.2000 corers were generated in 2007 and the lowest Rs 450 corers were generated in the 2009. Thus there are fluctuations in the auction revenues in the painting art market in India since 2005.

Table 4: Buyer wise share in Indian Art Market-2014

Buyers	Share in Percent
Indian	46
NRIs	36
Foreigners	18
Total	100

Sources: www.theartstrust.com/market_analysis.aspxo

Figure No: 3

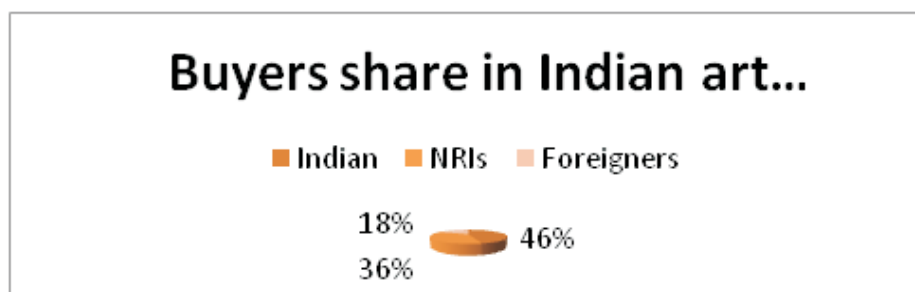


Table 4 reveals, total demand for Indian painting in the country in 2014. According to The Art Trust, the buyers for Indian paintings may be classified as Indian, NRIs and foreign buyers. It is evident from the Table that, 18 percent of Indian paintings are bought by Foreigners, 36 percent by NRIs, and 46 percent by Indians.

Table No.5: Top 12 Indian Paintings and Hammer Price (in Rs.)

Rank s	Artists	Size of canvas/p aper in Inches	Title of the painting	Price in Rs.	Year of Make	Year of Sale	Sale Channel
1	V.S.Gaitonde 1924- 2001 Maharashtra	60 x 40	Untitled	23 70 25 000	1979	2013	Christies
2	Tyeb Mehta 1925-2009 Gujarat	59 x 47	Mahishasura	19 78 25 000	1994	2013	Christies
3	S.H.Raza 1922 Madhya Pradesh	74 x 74	LA TERRE	18 61 91 325	1973	2014	Christies
4	Amrita Sher Gil 1913-1941 Hungary (Indian Natinality)	18 x 13	Untitled (Self - Portrait)	18 28 42 830	1933	2015	Sotheby
5	V.S.Gaitonde 1924- 2001 Maharashtra	60x 40	Untitled	18 15 00 000	1982	2015	Pundoles
6	Tyeb Mehta 1925-2009 Gujarat	69 x 60	Untitled (Falling Bull)	17 54 25 000	1999	2014	Christies
7	Amrita Sher Gil	26 x 21	Untitled (Self Portrait)	17 51 24 620	1931	2015	Christies
8	S.H.Raza	78 x 78	Saurashtra	16 51 34 000	1983	2012	Christies
9	V.S.Gaitonde 1924- 2001 Maharashtra	39 x 49	Devanagari on reverse	15 36 63 004	1962	2014	Sotheby
10	Tyeb Mehta 1925-2009 Gujarat	45 x 38	Figure on Rickshaw	14 40 00 000	1984	2011	Christies
11	V.S.Gaitonde 1924- 2001 Maharashtra	45 x 38	Untitled	14 33 93 863	1963	2015	Sotheby
12	Tyeb Mehta 1925-2009 Gujarat	72 x 60	Untitled (Bull)	13 73 28 500	2000	2014	Christies

Sources: www.theartstrust.com/topindianpaintings.aspx

Table 5, shows the ranks prepared by www.theartstrust.com/topindianpaintings.aspx on basis of highest hammer price for Indian painting since 2010. The painting (size 60" x 40") produced by V.S.Gaitonde in the year 1979 could fetch the highest bid price of Rs 23 70 25 000 in Christies in the year 2013 and Tyeb Mehta got the lowest price of Rs. 13 73 28 500 among the top 12 artists.

The fact is the legendary artist V.S.Gaitonde has occupied four places out of top 12 i.e. 1st , 5th , 9th and 11th. Another important fact is Tyeb Mehta also occupies 4 places out top 12 in terms of getting highest price for individual painting. Whereas, the lady artist Amrita Sher Gil has retained 2 out top 12 ranks i.e. 4th and 7th. The noted artist S.H.Raza has also retained two places i.e. 3rd and 8th of top 12 ranks.

The table shows Tyeb Mehta was sold for Rs. 16 51 34 000 for highest size of the canvas 78”x78” in 2012 and Amrita Sher Gil’s smallest size of canvas 18” x 13” was sold for Rs 18 28 42 830 in 2015. The study reveals that, there is no direct co-relationship between the size of the canvas and the hammer price of the painting.

Table 6: Aggregate Average Hammer Price

Ranks	Artists (1)	Total Sq. Inch (2)	Total Hammer Price in Rs. (3)	Number of Paintings (4)	Average Hammer Price 3÷4= (5)
1	Amrita Sher Gil	780	357967450	2	178983725
2	V.S.Gaitonde	8421	715581867	4	178895466
3	S.H.Raza	11560	351325325	2	175662662
4	Tyeb Mehta	12943	654578500	4	163644625

Sources: www.theartstrust.com/topindianpaintings.aspx

Figure No: 4

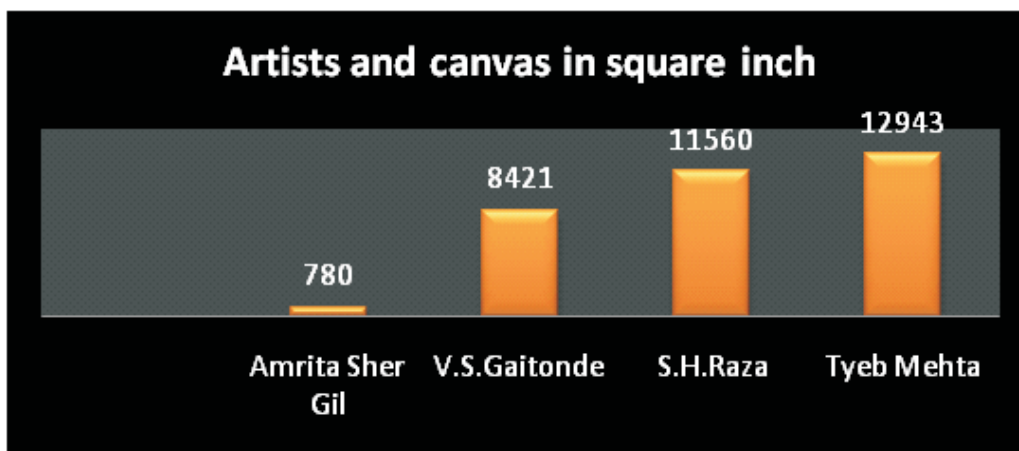


Table 6, shows that the length and width of the painting is converted into space i.e square inches and established an ascending order relationship between the size of the painting and hammer price. It’s evident from the data that, smaller the size of the painting is auctioned for higher price. The Table shows, Amrita Sher Gil’s two paintings “Untitled (Self - Portrait)” total square inches 780 is auctioned for Rs. 178983725. And bigger the size of the paintings is auctioned relatively at lower the price i.e Tyeb Mehta sold 4 paintings whose total square inches 12943 are sold for Rs. 163644625.

DEMAND DETERMINANTS FOR PAINTINGS

Though, the painting is one of the most conspicuous consumptions of modern times, the demand determents for paintings are as follows.

- 1) Ability to buy
- 2) Test of the buyer
- 3) Outlook of the people

- 4) Economic environment
- 5) Education and
- 6) Life style

VII. FINDINGS, POLICY SUGGESTIONS AND CONCLUSIONS

The important findings of this study are as follows:

- 1) Art Market is also like other market, wherein the price is determined by the demand for and the supply of commodity.
- 2) The painting market is an exception to both the Law of Demand and Law of Supply. The law of demand is not applicable to rare commodity or collection such as stamps, old coins, antiques, precious stones and paintings. On the other hand, since auction is an exception to the Law of Supply, law of supply is not applicable to the paintings auctioned.
- 3) The product (paintings) sold herein are heterogeneous by character. Each painting is differentiated on the basis of aesthetic value, theme, innovative and fame of the artist.
- 4) The number of sellers is more than number of buyers dealing with unique product, makes the price most unpredictable.
- 5) There is a shift in art market from west to east in the recent years. China has drawn the attention of the market dealers by creating art environment through art galleries, museums, art fairs, expos, shows etc.
- 6) The Art Market is highly volatile and unregulated.
- 7) Due to lack of Union among the artists and organizations there are no uniform pricing in the art market. Further, the market is driven by private collectors whose sole objective is to make maximum their revenue.
- 8) Artists adopt individualistic approach to fix the price of the paintings
- 9) The hammer price is determined by ability to buy, artist's name, brand name of auction house.
- 10) The toppers in terms of hammer price are not topper in terms of price per square inch.
- 11) Indian art market is not as attractive as China's in global art market.
- 12) Auctions are restricted to only reputed artists.

SUGGESTIONS:

On the basis of findings the following suggestions are made.

- 1) Need for artist's association to generalize painting prices.
- 2) Auction as special market, only reputed artist's paintings are bought and sold. There is need for making a provision for paintings of budding artists by the auction houses.
- 3) The Government has to create an environment to develop and support art market.
- 4) The art market may be developed by encouraging art galleries, auction houses, museums, art fairs and events.
- 5) The standard of the art galleries and museums need to be improved in India.
- 6) The rural artists need to be encouraged to take part in art fairs.
- 7) There is a potential for art market in India.

CONCLUSIONS:

From this study it is clear that the art market in east has drawn the attention of academicians and corporate houses. Though, the percentage share of India in global art market low, there is fairly a good number of sales of paintings at domestic level. The list of top 12 Indian artists shows that there is

no correlation between the hammer prices of the paintings and artists fame, age, gender, size of paintings ,medium and year of make. An important finding is that small sized painting of Amrita Sher Gil has succeeded in getting the higher average hammer price in the market.

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