

An In Depth Analysis on the Economics of Sports; Special Emphasis with Respect to the Indian Economy

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ABSTRACT

Sports in India can be developed into an economically viable industry that can increase the GDP levels of the country. The linkage effect of this industry is vast, and the government should take cognisance of this fact. Investment has to be initiated by the public sector and with the groundwork being laid; the private sector will definitely start investing. A prime example is the case of the 'Indian Premier League', which is a success story and could and is being replicated with other sports.

Keywords: Sports Tourism, Job Opportunities, Internet Access, Revenue Generation, Broadcasting Rights, Tourism Industry, sports merchandises, healthcare professionals, sports science and data analytics, E-sports

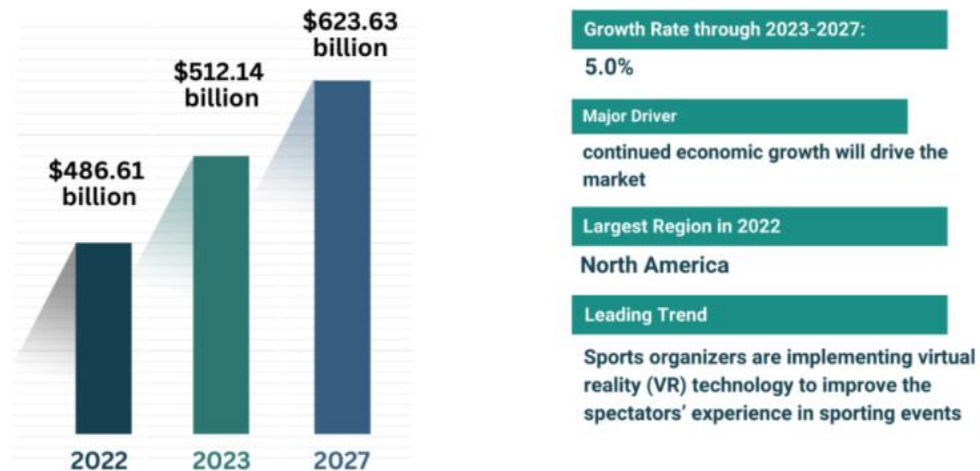
Research Question: The paper attempts to understand the impact of sports on an economy. What is the influence of economic conditions on sports? What are the various economic influences of sports? Is the pursuing of various levels of sports profitable business ventures? How important are these conditions in the Indian Context? What measures have been undertaken by the Indian Government to increase the popularity of the sport? Have they been successful? These and many such questions will be answered in the course of this paper.

1. Introduction

Sports have always been a key part of human culture, bringing people together and creating a feeling of unity and friendship. The thrill of competition and joy of victory makes it the most exciting source of entertainment. But the impact of sports is not just limited to that, especially in today's time. It has a major economic impact on various industries, communities, and even countries by way of generating revenue and creating job opportunities. The global sports industry is valued at around \$506.93 billion in 2024, growing from \$480.12 billion in 2023. This growth

rate is about 5.6% annually. Looking ahead, the industry is expected to reach \$651 billion by 2028 and \$862 billion by 2033, driven by factors like increased internet access, government initiatives, and the rise of sports tourism.

Figure 1: Sports Global Market Report-2023



Source: The Business Research Company.

2. Impact of Sports on the Economic Development of a Country

Figure 2: Linkages of the Sports Industry



Source: www.avonriverventures.com

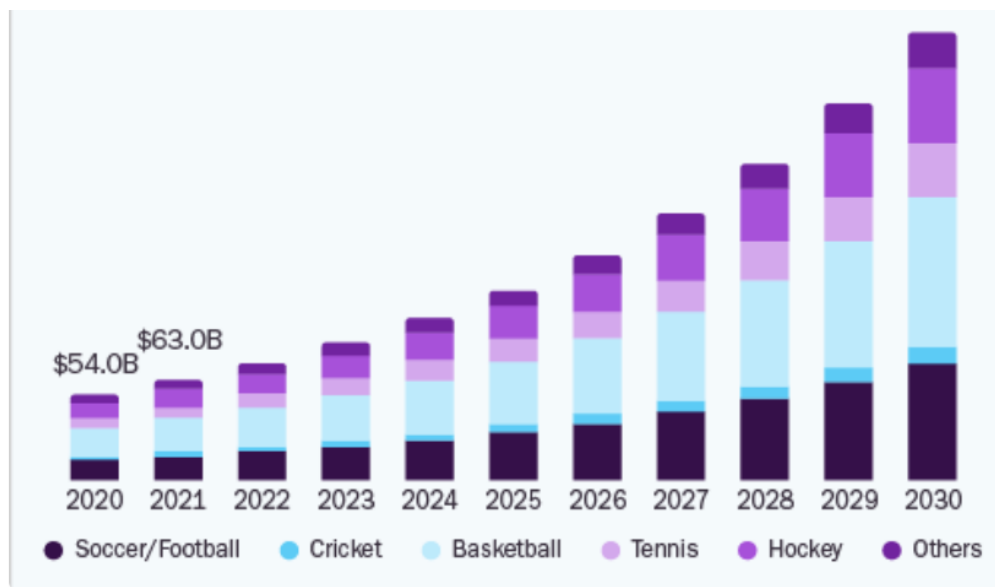
The global sports industry has witnessed rapid development in recent decades, representing a medium for investment with huge potential returns. Let us see the different ways in which sports helps an economy-

➤ **Revenue Generation through Sports Events**

- One of the most direct ways in which sports contribute to the economy is through generation of Revenue.
- Every year millions of spectators and viewers watch major sporting events like Olympics, FIFA World Cup, Cricket World Cup, Super Bowl, NBA etc.
- TV networks pay billions of dollars to broadcast games, and this money is then shared among teams. So direct revenue is generated through ticket sales, broadcasting rights, sponsorships, etc.
- Increase in sporting activities boosts the sale of sports merchandises, apparels and licensed products. This in turn leads to growth in revenue for organizations, team and athletes while supporting industries such as retail, manufacturing, and e-commerce.

➤ **Helps Tourism Industry**

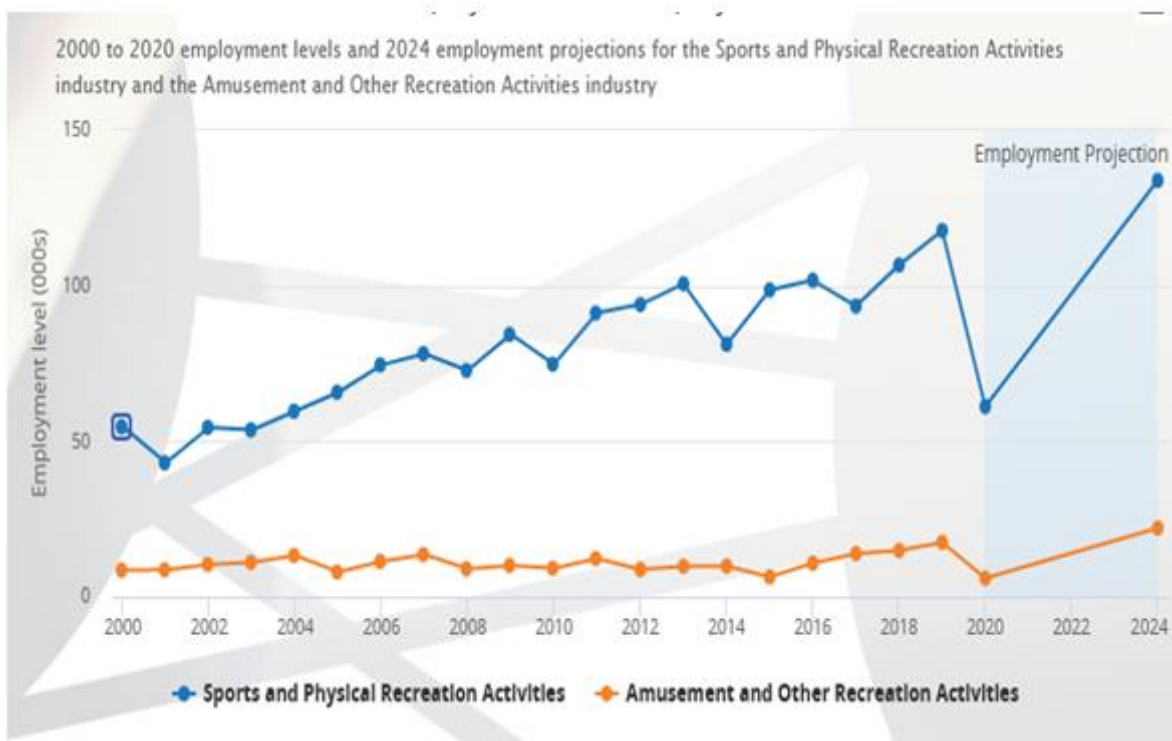
Figure 3: U.S.Sports Tourism Market size, by sports type, 2020-2030(USD Billion)



Source: www.grandviewresearch.com

- Cities and countries that host major sporting events witness a rise in tourists which helps in increasing the revenue of local business, hotels, restaurants, transport service, etc.
 - This in turn helps not only the local economy but also the economy of the country.
 - The global sports tourism market was valued at USD 587.87 billion in 2022 and is expected to expand at a compound annual growth rate of 17.5% from 2023 to 2030.
 - The 2022 Commonwealth Games at Birmingham saw 1.5 million ticket sales and brought over 5 million people into the city centre over a two-week period. This was a 200% increase in the same period in 2021
 - Due to recent improvements in infrastructure, transportation, etc sports tourism in India is steadily rising, with a growth rate of over 12%.
- **Helps in Creation of Job and opening of new opportunities**

Figure 4: Employment Level and Projection

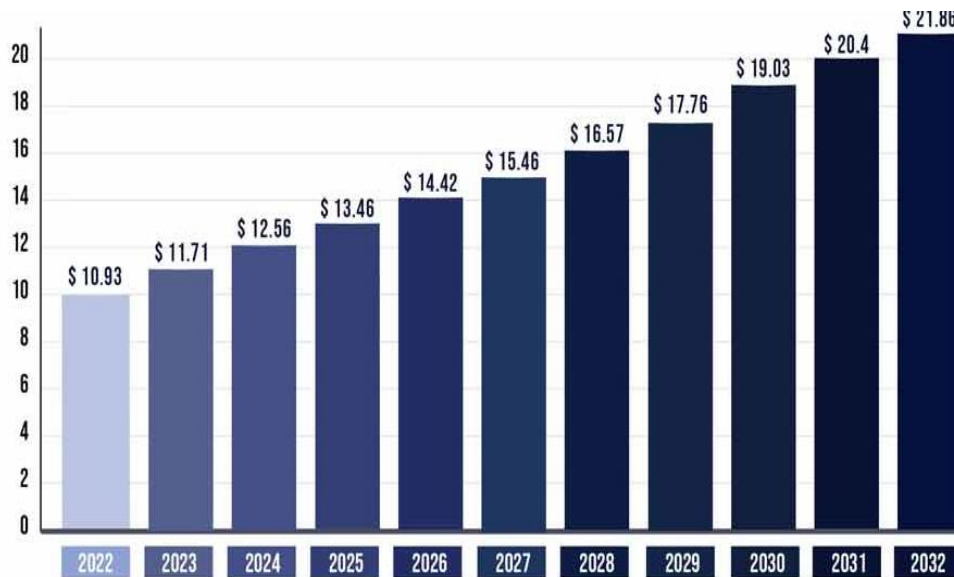


Source: www.simplysport.in

The sports industry helps in job creation for athletes, coaches, commentators, event organizers, marketers, media professionals, ground staff, hospitality, sports management, sports lawyer, etc.

- Healthcare is another field where growth of sports sector is having a major impact. Sports medicine focuses on preventing, diagnosing, and treating injuries. Hence, the demand for it comes from various sources.
- In addition to healthcare professionals, increase in sports injury, demand for wearable technology, growing participation in athletic and fitness related activities has led to rising demand in sports medicine.
- The global sports medicine market size stood at USD 10.93 billion in 2022 and is expected to be worth around USD 21.86 billion by 2032, growing at a CAGR of 7.18% from 2023 to 2032.

Figure 5: Sports Medicine Market Size, 2023 to 2032 (USD Billion)



Source: www.precedenceresearch.com

- Sports also support various related industries, such as sports equipment, apparel, accessories, media, and local businesses.
- As the importance of AI, sports science and data analytics in sports is rising new jobs are being created in sports analytics and technology.

- Nike is an example of how adopting digital technologies can boost sales and enhance brand image. It has successfully integrated technology into its products, such as connected shoes and smart apparel, providing users with real-time performance data and personalized coaching. Nike has nearly doubled its worldwide revenue in last 10 years, showing steady growth from year to year.
- Growth in the digital space in sport in the form of E-sports, Fantasy Sports, and Gaming (Dream 11, MPL, NODWIN Gaming, PayTM First Games, etc) is also expanding the scope of sports.
- All of the above leads to a demand for skill development, training programmes and courses that help to develop the employment opportunities further.

➤ **Helps in Infrastructure Development**

- As sports industry grows, the need for infrastructure related to it also grows like building of new and renovation of old stadiums, training facilities, academies, sports complexes, etc.
- These infrastructure developments help in increased revenue for stadiums and teams as updated facilities and expanded capacity bring in more ticket sales.
- It helps in creating job opportunities as more construction workers and skilled workers are hired.
- It also leads to increased business for local shops, hotels and restaurants as well as boost tourism in these areas.
- In India, public-private partnerships have been crucial in funding and developing sports infrastructure. Private partners provide finance, technology, and managerial knowhow. Below is the table of infrastructure facilities in pipeline in India.

United Kingdom: Sportcity

Sportcity has played an important role in the regeneration of East Manchester and has made a major contribution to the city's broader development strategy. As part of this strategy, iconic buildings and sites have been promoted to revive interest and attract tourists (e.g. the Imperial War Museum North). Since 2002, Sportcity has enabled Manchester to host 216 major sporting events, bringing in revenues of GBP 92 million for the city and investments worth GBP 37 million. The total investment since 2008 has been GBP 300 million, creating 250 new jobs.

Source: http://ec.europa.eu/assets/eac/sport/library/studies/structural-funds-annex-1_en.pdf

Figure 6: Investment Opportunities in Sports in India



Source: www.investindia.gov.in

➤ **It Promotes Public Health**

- As per a report of WHO, physical activity also has economic benefits especially in terms of reduced health care costs, increased productivity, healthier physical and social environments.
- This reduction in healthcare expenditure benefits individuals, businesses and has a positive impact on the economy as a whole.

3. The link between a country’s economy and its sporting performance

There is a direct link between the economic condition/growth of a country and its investment in sports and sporting performance. Sports are a part of lives of people in developed countries and it is regarded as a source of economic growth. In 1994, the U.S. spent \$500 million on tournament hosting. Four years later, France spent \$2.3 billion. Japan spent \$7 billion in 2002. In 2014 and 2018, Brazil and Russia spent a combined \$26.6 billion. In 2022, Qatar allocated an astounding \$220 billion. That includes billions on new stadiums, hotels, and transportation.

However, the sad reality is also that in under-developed or developing economies sports events cannot make people forget underdevelopment, poverty and hunger. There is a sentence in Spanish which was painted on a Mexico stadium - *"No queremos goles, queremos frijoles"* –

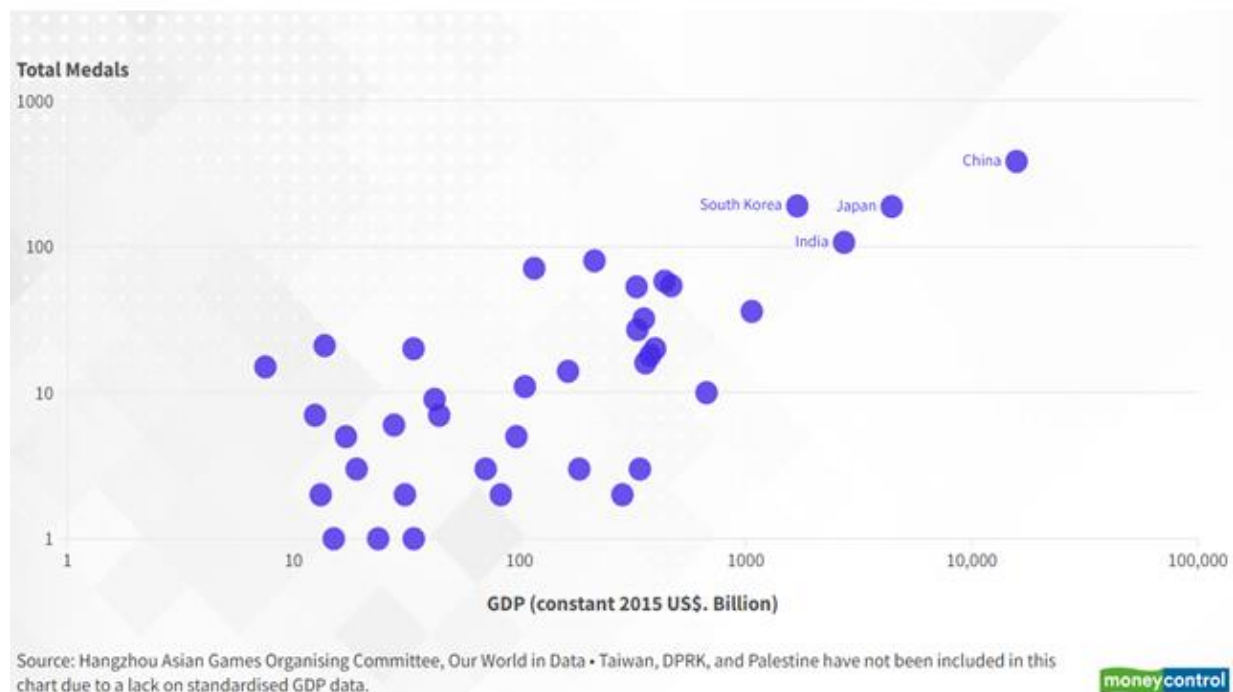
which means "we do not want goals, we want beans". This best reflects the problems of underdeveloped economies. They face a problem of "muscle drain" of their most talented athletes to developed nations. Since they are not able to spend on sport facilities, their economies are unable to get the economic benefits from this sector.

With the growth in Indian economy, let us look at the recent performance of India at various sporting events-

- **107 Medals including 28 Gold, highest ever in Asian Games, at 2023 Hangzhou, China**
- **111 Medals including 29 Gold at the Asian Para Games**
- **4th in Commonwealth Games at Birmingham, England**

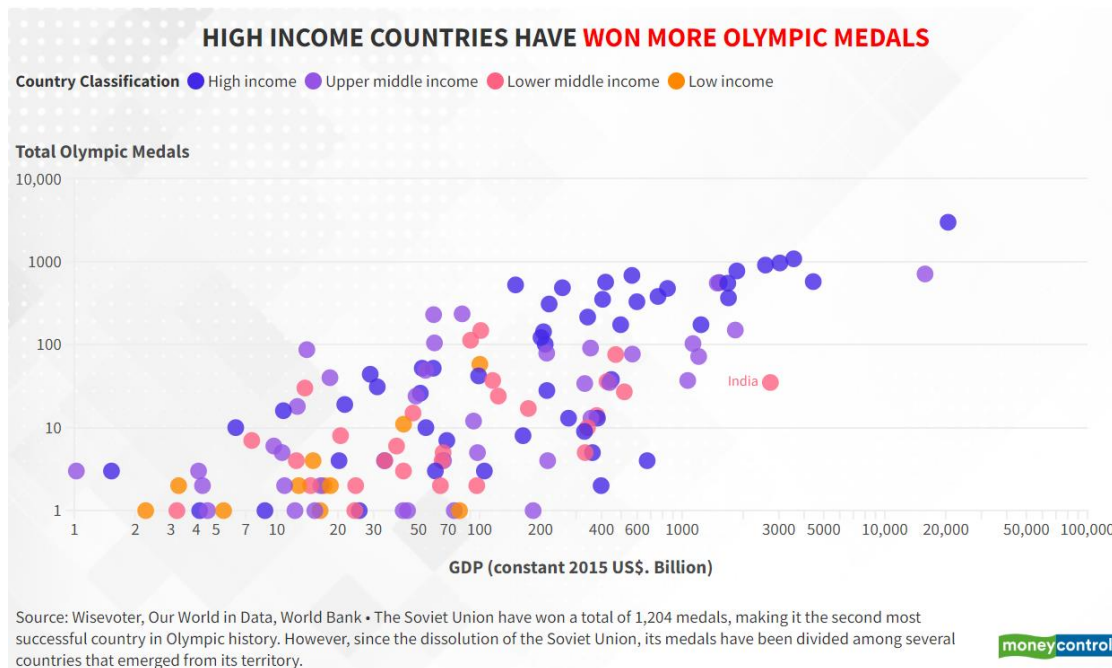
As mentioned above, India crossed the three-digit mark in Asian Games for the first time and finished the tournament fourth in ranking behind China, Japan, and South Korea. By GDP, these four countries are also Asia's biggest economies.

Figure 7: Asian Sports Performance-2023 (Medal Haul Compared to GDP)



An analysis of historical data on Olympic medal hauls shows that countries with bigger GDPs and higher per capita incomes have had better luck winning medals.

Figure 8: Comparison between High Income Countries and the number of Olympic Medals won



- U.S, the world’s biggest economy, is far ahead of others when it comes to the number of Olympic medals won over the years.
- Apart from China and Russia, all the other countries among the top 10 historical Olympic medal winners are high-income countries.
- An analysis shows that more than 80% of the medals have historically been won by high-income countries. Upper-middle-income countries accounted for around 16% of the medals won.
- Low-middle-income and low-income countries accounted for less than 4% and 0.5% medals, respectively, won at the Olympic Games over the years.

4. Impact of growth in sports on Indian economy

In recent years, Indian sports industry has also shown very good growth and has got major investments. These investments have been made in acquisition of sports teams, league partnership, media agreements, manufacturing, advertisement, TV rights, fitness equipment, online apps and technologies from within and outside the country.

By hosting the 2010 Commonwealth Games, India saw a boost in infrastructure development, consumer spending and employment opportunities. The huge success of Indian Premier League besides benefiting the stakeholders directly has also made similar leagues possible for other sports such as football, hockey, tennis, badminton, kabaddi, etc.

Figure 9: List of ‘League Games’, played in India since 2014

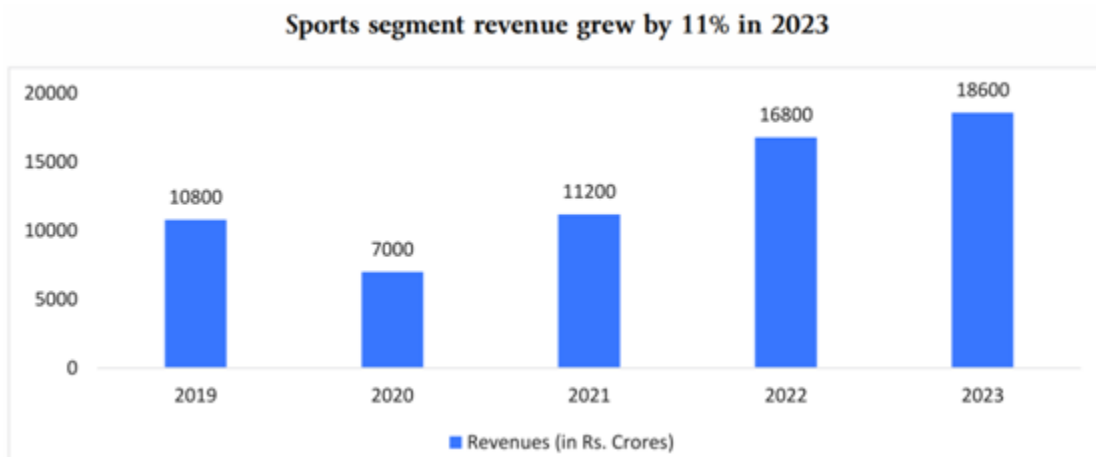
League Name	Sport Played	Launch Year
Indian Super League (ISL)	Football	2014
Pro Kabaddi League (PKL)	Kabaddi	2014
Pro Wrestling League (PWL)	Wrestling	2015
Premier Badminton League (PBL)	Badminton	2016
Ultimate Table Tennis (UTT)	Table Tennis	2017
Women's Premier League (WPL)	Cricket	2023

Source: www.ibef.org

As mentioned earlier, these sporting activities in addition to benefiting the players and coaches create diverse work opportunities in several fields like sales, transportation, marketing, media, and finances. Infrastructure developments such as construction of modernized stadiums and training facilities along with reducing unemployment, contributes to India’s economic growth.

5. Economics of Indian Sports Industry

Figure 10: Growth of Sports segment revenue in India



Source: www.ibef.org

- The sports industry in India is projected to reach \$100 billion by 2027, up from \$27 billion in 2020.
- The Indian sports media market size is expected to grow over \$13.4 bn by 2027 from \$1 billion in 2020.

Figure 11: Bifurcation of Revenue from Sports Industry (2020-2023)

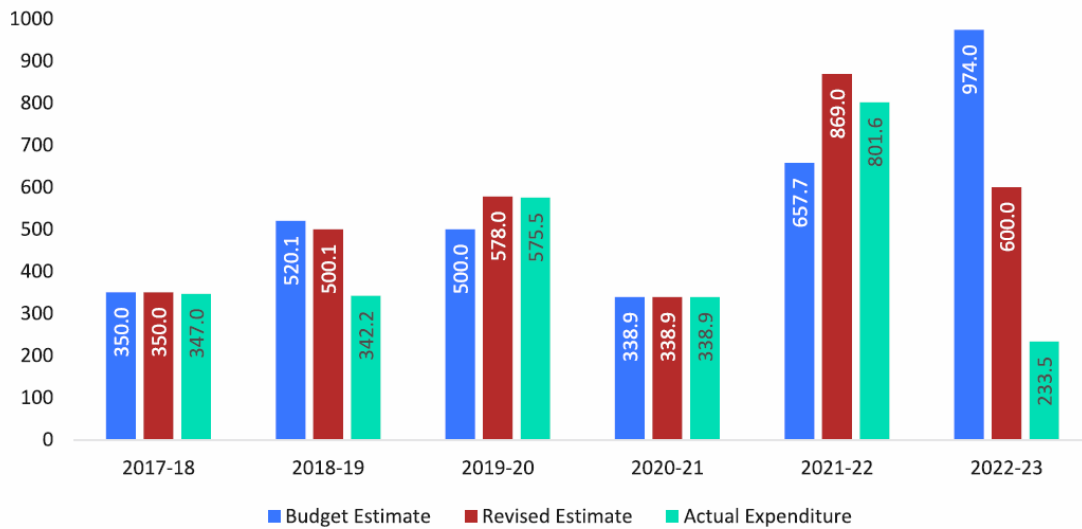
	2020	2021	2022	2023
Media Spends	4,320	7,100	8,910	8,840
Sponsorships	1,970	3,410	6,970	8,670
Endorsements	660	740	890	1,090
Total Channels	6,950	11,240	16,770	18,600

Source: EY Report 2023, in Rs. Crores

- India is one of the largest manufacturers of sports goods and equipment in Asia after China and Japan. The sports goods market was worth \$4.5 billion in 2020 and is estimated to grow to \$6.6 billion by 2027.
- 500,000+ people are employed in India in sports goods manufacturing
- India is the major exporter of table tennis, tennis, badminton, tennis balls, and inflatable balls.
- The Indian sports apparel market (clothing and footwear) was worth \$14 billion in 2020 and is estimated to grow to \$21 billion by 2023, largely growing on the back of menswear products.
- The Indian sports management sector is growing at a rate of 15% annually, far better than the average global rate of 5%.
- 298 Sports infra projects approved under Khelo India Programme by the government.

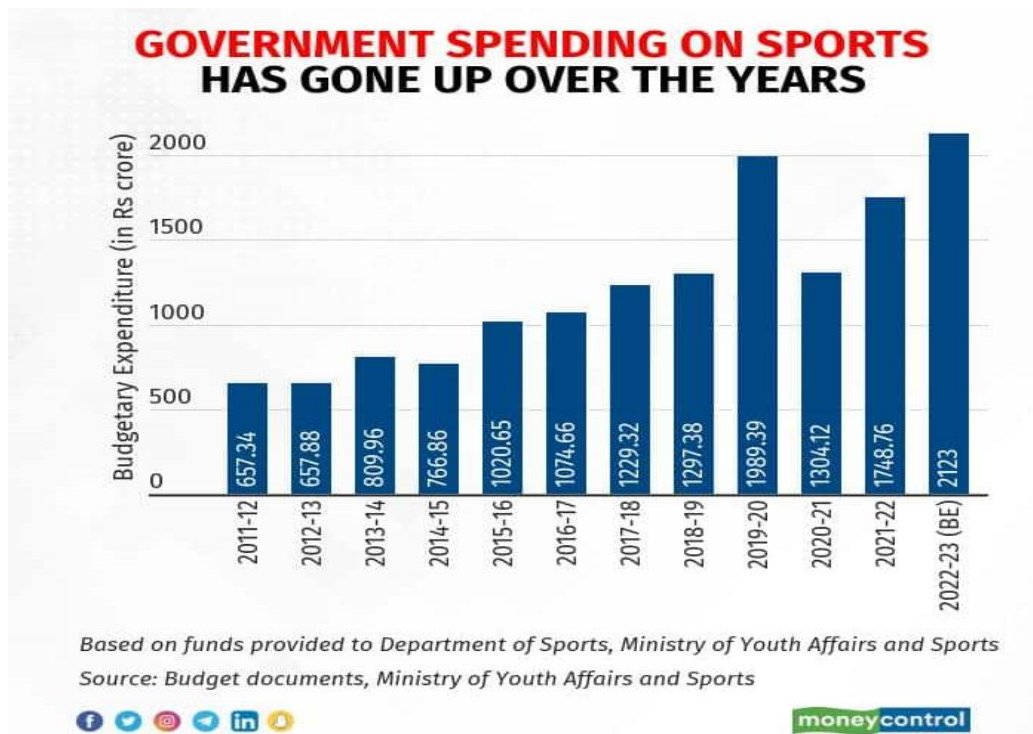
Figure 12: Analysis of expenditure by the Indian Government on ‘Khelo India’

Below is the budget allocation and utilisation of the Khelo India Scheme (Rs. Crore)



Source: Ministry of Youth Affairs and Sports Annual Report 2022-23

Figure 13: Growth of Expenditure by the Indian Government



- India hosted 141st International Olympic Committee (IOC) Session in Mumbai where Hon'ble Prime Minister Narendra Modi announced India's interest in hosting the Youth Olympics 2030 and the Summer Olympics in 2036.



However, contribution of sports sector to the national GDP and employment generation is much lower as compared to the global average. Globally, the average contribution of sports sector to GDP is 0.5% while in India it is 0.1%. In terms of employment opportunities, the global average of contribution to total employment is around 2-4%. While in India its 0.5%. **This indicates there is a lot of potential for sports industry in India.**

5. Negative Impact of Sports

Despite a host of positive impacts of sports on an individual level and on an economy as a whole, there are some aspects to sports and sporting events which need to be monitored closely to avoid having any far-reaching negative impacts. These negative impacts can be broadly categorised into two – **Environmental Impact** and **Economic Impact**.

5.1 Environmental Impact

One of the major concerns around sporting events is their environmental impact. Sports events contribute to carbon emissions due to transportation, energy usage, and waste generation. According to the Rapid Transition Alliance's report, the global sport sector contributes the same level of emissions as a medium-sized country. According to a study, the average visitor to a large sporting event creates a footprint seven times larger than an individual doing normal activity. The carbon footprint from transportation to/from events, the construction and use of various sporting venues, and the supply chains for sport-related equipment all play an important role in affecting

the world's climate. For example, it has been estimated that the 2016 Rio Olympics released an estimated 3.6 to 4.5 million tons of carbon dioxide, while the 2018 Russia World Cup released 2.16 million tons. From the moment an athlete begins to utilize equipment, clothing, or facilities, there is an "ecological footprint". And when combined with a larger group, this footprint expands.

Here are some of the unsustainable practices in sport that affects the environment:

- **Travel:** Events lead to the mass movement of players, spectators and officials. Major international events that require significant air travel are the largest culprits, but road travel also plays its part, including even at the grassroots level.
- **Energy consumption:** Energy is needed for lighting, heating, cooling, and powering equipment, facilities and stadiums. The reliance on non-renewable energy sources contributes to climate change.
- **Water consumption:** Sports fields, golf courses, and other outdoor facilities require water for irrigation. Sports like swimming and water polo also contribute to water usage. In regions already facing water scarcity, these demands can strain local water resources and contribute to ecological imbalances.
- **Waste generation:** Events generate substantial waste, including packaging, food waste, and discarded promotional materials. Without proper waste management systems this can end up in landfills, contributing to methane emissions. The production and disposal of sports equipment and merchandise also creates waste.
- **Deforestation and land use change:** The construction of new sports facilities often requires land development, which can lead to deforestation, habitat destruction and lost biodiversity. Major international sports events, such as the Olympics or World Cups, also require the development of additional infrastructure, including highways and hotels, adding to the environmental harm. This is in addition to the energy use, deforestation, pollution, and waste associated with the construction of parking spaces, houses, and other long-term constructions. Construction requires raw materials, freshwater, energy, and wood is harvested for non-fuel purposes. Non-recycled steel is also still utilized in conventional stadiums.
- **Un-utilized facilities and structures:** Many of the newly constructed vast and specialized sports facilities for global sport events are left underutilized or abandoned, as is the case of the Maracanã Stadium of the Rio 2016 Olympic games or of the Swimming Pool of Athens 2004 Olympic games.

- **Plastic Waste:** The sports industry relies extensively on the use of plastics. From the materials used in the fields, and stadiums to sports equipment, gear and clothing, plastics is ubiquitous in the sports industry. High levels of single-use plastics are employed by sports in the form of plastic bottles, merchandise, tickets and other hidden forms.
- **Noise and Water pollution:** Tweeter and the audience's bustle and water sports such as water skiing and motorboat racing can cause noise and water pollution, respectively.
- **Ice sports –** The environmental impact of ice-sports may be considerable if artificial rinks are used. Sports like ice-skating, ice-hockey, etc. almost always require ice-making technical equipment which uses large amounts of energy and may contain pollutant gases.

5.2 Negative Economic Impact

Sometimes, the economic impact of hosting a mega event like Olympics tends to be less positive than anticipated. For cities without the necessary infrastructure, hosting games may be overly expensive, leaving cities and nations with massive debts and economic woes.

- **Debt Resulting from Creating Facilities -** Many of the arenas constructed for the sporting events are not one-time costs. Rather, they represent ongoing expenses. For example, Sydney's stadium costs \$30 million annually in maintenance. Similarly, Beijing's Bird's Nest arena costs \$10 million in annual maintenance. Sometimes, cities are burdened for a very long time with repaying the debt they borrowed to finance such construction activities. For example, Montreal finished paying off its debt for the 1976 games in 2006. Facilities created for the Athens Olympics in 2004 contributed to Greece's debt crisis while the arenas remain empty.
- **Inadequate Income Generation -** In most situations, revenue from the games covers a portion of the costs. Take the London 2012 Summer Olympics as an example. The city earned \$5.2 billion but spent \$18 billion. In 2010, Vancouver Canada, made \$2.8 billion after putting \$7.6 billion into the Winter Games. Beijing took in \$3.6 billion and shelled out over \$40 billion to host the Summer Olympics in 2008. As of 2016, Los Angeles stands out as the sole host city to make money from the games because it already had the needed infrastructure in place.
- **Other Concerns** include price inflation, increase in local tax (to construct facilities needed for the event), and mismanagement of public funds, real estate speculation, and Short-term contract work.

6. Conclusion

The impact of sports on the economic growth and development of a country is undeniable. From job creation and industry growth to infrastructure development, tourism, branding opportunities, and community development, the economic benefits of sports are vast and varied. However, as discussed above, even if the mega sporting events are considered to have any negative effect on the environment, they also have the potential to raise awareness of environmental change. The FIFA World Cup's "Green Goal" and Olympic Games' "Green Games" are examples of efforts to raise environmental awareness and education among nations hosting future large sporting events. Several sports now provide event coordinators with environmental management guidelines and plans intending to host events. IOC now considers the environment, along with sport and culture, to be the third pillar of the Olympic movement. Much can also be learnt from the economic lessons of Greece Olympics and other huge sport events. A city without the required infrastructure capacity should be careful before going for aggressive facility building. Though, each host country's experience is unique, and careful planning and management are crucial to maximizing benefits while minimizing drawbacks. A country is the best judge to decide how far or how much it would want to spend on sports and sporting facilities. The cost benefit analysis has to be done by the respective governments. For example, the governments in the developing or under-developed economies have to consider that should they provide the population with sport events or with grass root sport practice? Should they attract more money to organise big sport events or should they allocate a greater share of state and municipality budgets to the development of a "sport for all" or a school sport practice? Sport events and sport shows cannot make people forget underdevelopment, poverty and hunger. The growth potential of sports industry is huge and by leveraging it, governments, communities, and businesses can find umpteen opportunities that lead to economic prosperity in the long term. Hence, we can safely conclude that if India continues to invest in infrastructure and talent development, then it can also reap high potential benefits from sports industry.

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