Chapter Two  
Economic Significance of Sport and Sport Industry:  
Literature Review

2.1 Introduction:

In the research process one of the important steps is “review of literature.” The researcher should familiarize himself/herself with existing knowledge about the research problem and find out whether or not others have investigated the same or a similar problem. No research process can be started without preliminary orientation (Rao 2010: p-42). According to Reed (1990: p-01), “the important concept to grasp is that the literature search is not just one distinct step in a research task. It is both a step and an interactive feedback loop. Defining an unsolved problem determines what kind of literature search is appropriate, and performing a literature search helps define an unsolved problem. Because of this complexity, it is not surprising that many beginning researchers have difficulty.” Therefore the review of literature is an essential element in enunciating a research problem and shaping up the researcher’s thought process. Taking into account the importance of literature search, the present chapter is devoted to reviews of the related literature.

The present study deals with the application of economic analysis in the domain of sport and sport industry. It is trying to bring out the economic significance of sport industry in India. This chapter reviews the pragmatic literatures available on the subject of economic significance of sport and sport industry. Since sport economics is a nascent subject for academics, there is paucity of literature and the number of existing literature becomes more limited and specific for a particular region like India. For better understanding of the subject, the chapter tries to put forward the available related literatures on the topic.

While searching for the literature, we found out that the subject is not very new for the highly developed and sport loving nations like UK, USA, Australia, etc. There have been a significant number of studies done by researchers of these nations. So, the entire literature reviews have been segmented in different sections to make a clear distinction between the ratios of work done on this subject among sport matured nations (developed countries), where sport has become a national religion and the sport industry is a dominant and well recognized industry of the economy as well
as their contribution to the nation’s economic development is highly significant; sport maturing nations (developing countries), where sport has still not been recognized as one of the major industries of the economy due to unawareness while it have a great market and scope that could contribute significantly to their economic development and growth. The last section is dedicated to reviews of work done in this direction in India where this study is confined to.

2.2 Reviews of Sport Developed Nations:

The first contribution to the field of sport economics was approximately fifty five years ago when Rottenberg’s (1956) article “The Baseball Player’s Labor Market” was published as the first professional journal article in sport economics. The author intended to thrash out analytically the problems presented in the baseball labour market (United States) due to its unusual characteristics since its inception in the 1870s. The quantitative data presented in the article mostly covered the period of 1929-1955. It provided an explanation of how the market for players works and why monopolistic restrictions in that market do not cause on field competition to be more balanced. In making his argument regarding demand for players, Rottenberg assumed that teams maximize profits and as a result a team’s willingness to pay for a player is derived from the demand for contests. There was also an introduction at this stage to the uncertainty of outcome hypothesis which Rottenberg elaborated shortly, in his reference to “closeness of competition”. Regarding supply of players, Rottenberg assumed that it is elastic, but some players have superior skills and do not have perfect substitutes. He also assumed that all players have a reservation wage, reflecting their best employment opportunity outside the sport that is below their marginal revenue product in sport, due to roster limits and other restrictions on the number of players who are employed. Finally he assumed that teams have monopsony rights in player but buy and sell players contracts in a competitive market. From these assumptions, Rottenberg derived invariance hypothesis: the allocation of players among the team under a monopsonized player market is the same as under competition. He concluded that the only effect of monopsonizing the player market is to transfer wealth from players to teams and to improve competitive balance among teams. Simon Rottenberg’s (1956) classic paper is a milestone in the field of sport economics. “The paper holds the original ideas behind the many threads of the sport
economics literature such as, the article contains both the invariance proposition (IP) and the uncertainty of outcome hypothesis” (Fort 2005)⁴. Although Rottenberg’s work is confined to sport leagues only, it paved a new path for bringing two completely diverse disciplines together i.e. sport and economics.

Neale (1964)⁵ in his study, “The peculiar economics of professional sport”, done in United States, addressed the economics of the organization of team sport. According to him the sport industry differs from other industries in a way that a single team cannot supply the entire market. Making his argument on sources of demand for the sporting competition, Neale advocated that demand is produced not only by spectators in the stadium and television viewers at home for the direct product of the match, but also by the newspaper and television companies for the indirect product of the same that breed sales and advertising revenues for them.

Although Neale’s paper (1964) addressed the economics of the organization of team sport for the first time, it has been criticized robustly for duplications and no citations (Noll 2006; Fort 2005)⁶. “Neale does not even cite Rottenberg (1956), but the idea of a leagues’ joint production process clearly came first in Rottenberg’s ‘The Baseball Player’s Labor Market’ (1956, pp.254-255). Two teams opposed to each other in play are like two firms producing a single product. And Neale also talks about a ‘league standing’ effect that echoes Rottenberg’s uncertainty of outcome hypothesis” (Fort 2005: p.353).

Jones (1969)⁷ publication, “The economics of the National Hockey League”, was motivated by a Canadian competition policy inquiry that was stirred up by the 1966 expansion of the National Hockey League (NHL), which rejected Canadian cities but placed six teams in the United States. One issue that arose during this enquiry was whether hockey is a profit-oriented business, or whether team owners are motivated by the ‘love of the game’ so that the application of competition policy to the sport is inappropriate. Jones purpose of the study was to describe through simple microeconomics that the prime motive of the professional hockey team owners is profit maximization against the team owners’ saying that their main interest is the love of the game and not the financial benefits.

Sloane (1969)⁸, who is the founder of sport economics in Europe, in his working paper “The Economics of Professional Football: the Football club as a utility
maximizer\textsuperscript{9}, suggested that a sporting league and its constituent teams may be viewed as a cartel. He also argued that team owners may not be profit maximizers but rather try to maximize their utility, which is a function of playing for success, average attendance, competitive balance of the league and a bit higher after-tax profit than the minimum obtainable.

Elhodiri and Quirk (1971)\textsuperscript{9} made a unique contribution in academic history of sport economics through their article, “An economic model of professional sportleague”. The study has been done in the United States. El-Hodiri and Quirk developed the first mathematical model of a sport league that was a formal decision-making model incorporating certain fundamental features of the sport industry. They found that “under current rules of operation, equalization of playing strengths is generally not consistent with profit maximization by teams” (p-1302). They concluded that “under present rules of operation, professional sport leagues will exhibit no tendency toward equalization of playing strengths” (p-1319).

By the end of 1971, these original pieces had built a firm foundation for creating the field of sport economics, but there were some conspicuous gaps. The most obvious was the absence of empirical research. Despite the fact that the works done were great, the early papers were motivated primarily by issues in competition and labour market policies of sport leagues. Nevertheless, they did not address completely many equally important issues such as the economic impact of sport in a community, Sport broadcasting, sport sponsorship, spectators demand for sport, the market for team locations, public subsidies of sport, the organization of teams and leagues, labour supply (including the relationship of professional to amateur sport) and sporting events that do not fit neatly into the category of leagues of professional teams (international mega events, like the world cup and the Olympics). Other sectors of sport industry like sport related manufacturing, distribution and trade were also ignored. Though there exist some gaps in these studies but the undeniable strength of these studies is that it established a lasting conceptual framework for analyzing the economics of sport. So it gave foundation on which to build the concept of economics of sport, some of which has already been explored and some are yet to be explored by others to continuously contribute to broaden the horizons of economics of sport.
Baade and Dye (1988) have investigated the reasons why cities choose to finance new sport stadiums in their article “Sport Stadiums and Area Development: A critical review”. The article analyzed the reasons why publicly financed sport stadiums have been used as a vehicle for economic progress. They made a detailed analysis of the cost and benefits of stadium based development justification and its validity in North America. Their findings were: first, fiscal pressures due to declining federal aid and a loss of economic activity to the suburbs have compelled cities to search for ways to revitalize themselves. Second, Public officials often believed that revenues generated from a new stadium will spill outside the stadium and increase economic activities in other parts of the city to a degree which makes the stadium worthwhile.

Madden and Crowe (1997) in their study on, “economic impact of the Sydney Olympic Games” provided a logical analysis of the potential economic impact of the Sydney Olympic Games. In the study the game period has been segmented into three phases: the pre-games preparation and construction phase; the games year; the post-games phase (2001/02-2005/06). The study considered a range of factors: direct impacts (construction expenditure, additions to tourism, exports of televisions, tickets and souvenir sales), conditions in the labour market, government macroeconomic policy, sources of the finance for the Olympics, the impact of the games on productivity and the impact of the games in terms of increasing the demand for Australian produce. It has been estimated that the New South Wales (NSW) gross state domestic product would be more by half percent in the construction period with a $1.7 billion expansion in NSW gross state domestic product in the Games year and 24,000 additional jobs will be created. This report, by the NSW treasury was based on a range of assumptions which needed to be considered in such type of calculations and outlined a series of measures required to maximize economic returns.

Task and Kesenne (2000) studied; “The economic significance of sport in Flanders”. They measured the share of the sport sector in the regional economy of Flanders, a region in Belgium, by means of expenditure related to active sport participation and spectator sport. This study was based on a representative sample of 512 households and in contrast with the more common cost – benefit approach. It adopted a macro-economic approach. Data were collected on socio-demographic factors, family sport participation profiles and all sport related expenditure
Data at all levels of public expenditure were collected via an analysis of budgets and invoices (again, including PE and school sport). The authors concluded that total expenditure in sport is more than 3 per cent of all consumption and investment in Flanders. Comparing these data with previous work they found that, in the past 15 years, household expenditure on sport has increased (increased participation; increased travel costs for sport tourism). However, the government expenditure has stagnated (reduced capital investment and reduced subsidies). They observed that government intervention remained necessary for setting the legal context, financing the construction and maintenance of a variety of sport facilities and for lowering the price – threshold for low income families.

Sport Scotland (2001) estimated the economic weight of sport in Scotland for 1998 and compared that with the figures of 1995 in “The economic importance of sport in Scotland 1998”. It summarized the available Scottish statistics on local government expenditure and provided an overview of economic regeneration through major events and sport tourism. A spreadsheet model that estimated the economic impact of sport was constructed and a comparative analysis with U.K. was made. The model used the input of published data for the required year then performed all the relevant calculations to derive firstly sport related expenditure, secondly all the relevant sectoral accounts and finally value added and employment. The major findings of the report were:

- Consumer expenditure on sport in 1998 was £ 1,080 million (including £ 264 million of sport related gambling) or 2.55% of total consumer expenditure for Scotland which has shown an increasing trend as in 1995 it was 2.33%. The figure was also higher as compared to U.K. (2.5%).

- Employment in sport accounted for 1.68% of total employment as against UK sport share of 1.6%.

- Value added to the Scotland economy by sport related economic activity was £ 1,041 million or 1.76% of Scottish Gross Domestic product whereas the same figure for UK was 1.69%.

Thus, on the basis of the findings of this study it can be concluded that sport has become an important sector of economic activity and also showed the potential for economic regeneration through sport. The economic contribution of sport events,
sport tourism and the wider quality of life benefits generated by sport participation is quiet significant to be taken into consideration.

Canmac Economic Ltd. (2001)\textsuperscript{14} in its report on, “Economic impact of Prince Edward Island sport and recreation” acknowledged and measured the economic impact of sport and recreation on the labour force and economy of Prince Edward Island. This report calculated the sector’s total economic impact by applying economic multipliers to the sector’s direct expenditures. The major findings of the report were:

- The Prince Edward Island Sport and recreation sector’s direct economic impact was $43.5 million in total expenditure.
- Its share in household income was $32.6 million and $47.4 million in provincial GDP. It represented 2.2% in wages and salaries and 1.9% in provincial GDP in the year 1999.

Austrian and Rosentraub (2002)\textsuperscript{15} in their work, “Cities, sport, and economic change: a retrospective assessment”, outlined the sport-related development patterns of Cincinnati, Cleveland, Columbus (Ohio) and Indianapolis in USA. The study was based on the secondary sources of employment data. It explored the hypothesis of economic stabilization, arguing that the issue was not whether economic activity increased or decreased but whether vitality or centrality of the downtown area was sustained or enhanced. It provided assessment on the impact of sport facilities on the location of people, jobs and longer term economic and tourism activity. The study concluded that a focus on sport and the hospitality sector, coupled with commitments with other business to expand or stay downtown, did refocus some level of development activity into the downtown areas of two cities. However, three critical issues remained untouched. They were- the overall cost of the policy, the opportunity costs and inequitable distribution of economic benefits.

The British council of sport (2003)\textsuperscript{16} popularly known as Sport England report, illustrated the economic impact of sport on England and the main sources of funding for sport in,” The value of sport economy in England in 2000”. The study developed an economic model to identify the value of sport at a particular point of time that can be freely applied to each of the English regions to provide a consistent basis for analysis and comparison. The model was originated on the established concepts of
national income accounting that underpin the UK National Accounts. Thus the model identified the income and expenditure flows between the following sectors/institutions in the region: households, commercial sport and commercial non-sport, voluntary sectors, local government including secondary education. In addition, the model considered the flows to and from these institutions in the local economy and Central Government, the rest of the UK and overseas institutions. The study figured out that:

- In year 2000, a significant number of 400,000 people were estimated to have been employed in sport related activities in England, just fewer than 2% of all employments. This indicated that the employment impact of sport was increasing as in 1998 it was estimated that sport supported around 1 ½ % of employment in the UK.

- Sport generated £ 9.8 billion in value added in England, around 1 ½ % of England’s total value added. This share in value addition was same which was earlier estimated for the UK as a whole in 1998.

- Sport related employment provided households in England with £ 5.8 billion as disposable income, just over 1% of total household’s disposable income. Most sport related income has come from commercial and non-commercial sport as these were the sources of most employment. Together these sectors accounted for around 75% of all household’s earned income from sport.

- Sport contributed £ 5.5 billion to central government through taxes against a grant of £ 660 million to this sector. So, the net tax revenue generation was much larger.

- People in England spent £ 2.7 billion each year by participating in sport, considerably more than £ 600 million they spent attending spectator sport event.

Mintel (2004) in its report, “Sport Sponsorship UK”, has found that between 1981 and 2001 the UK sport sponsorship market increased by over 80 percent. According to the available data for the year 2004 expenditure on sport sponsorship was estimated at $ 695 million with football achieving the greatest amount of sponsorship so far. The study is succumbed to only one area of sport services sector i.e. sponsorship and does not give a clear idea about the whole sport industry.
International Olympic committee (2006)\textsuperscript{18} in its study illustrated that in 1960, broadcast revenue for the summer Olympics was US $1.2 million. Twenty years later, it was US $88 million and it increased tremendously to US $286.9 million in 1984. Athens 2004 raised US $1494 million and was further expected to increase at Beijing in 2008.

Kleissner (2006)\textsuperscript{19} in a case study of Austria considered the manifold economic effect of sport on the macro-economic level such as the contribution of sport to the Gross Domestic Product (GDP), job creation and health promotion. She also referred to the monetary, employment related and qualitative effects of large scale sporting events as well as the emerging and fast growing sport tourism sector with its high economic potential. She came to the conclusion that, “the macro-economic impact of sport is persistently underestimated.” That was mainly due to statistical and methodological shortcomings. To identify these macro-economic effects in a most objective way, the study suggested three different definitions of the term sport. The first and narrowest one limited to sport facilities and services. Second was a broad definition that added all sectors directly affected by sport activities such as the sporting good manufactures and retailers, the entertainment/media and sport education/training. The third definition in the broadest sense took into account all other sectors with relation to sport activities such as tourism, health, insurance and advertisement. Her findings were:

- The value addition due to sport in Austria was found to lie in between 0.46\% (narrowest definition) and 3.65\% (broadest definition) of the GDP.
- The full time employment was estimated between 0.83\% (narrowest definition) and 5.4\% (broadest definition)

Kleissner advocated that these figures could be confirmed for other European Countries too. The conclusion from the study indicated that sport had an enormous employment potential and could be useful for regional development policies. The study provides good and useful information on the classification of the whole sport sector for future researchers.

Sport Industry Research Centre (SIRC)(2007)\textsuperscript{20} as a part of its ongoing commitment to build the evidence of the economic value of sport prepared a report “The economic importance of sport in East of England, 2000-2005” for Sport
England. The report has assessed the economic value of sport across England as a whole and separately for each region. This report focused on the economic importance of sport to the East of England region in 2004 and 2005. It made a comparison with the estimates of 2003, 2000 and with other English regions. The methodology employed in this report was based on national income accounting and the income and expenditure flows between sub-sectors of the economy. The report concluded:

- In 2004 and 2005 consumers spent £7,762 million and £1,946 million on sport respectively. Consumer expenditure on sport as percentage of total expenditure in East England was 2.6% in the year 2005.
- There has been 26.4% increase in consumer’s spending (current prices) on participation, subscriptions and fees over the period 2003-05. Despite that, there has been marginal decline from 23% on total sport related consumption in 2000 to 22% in 2005.
- Sport related economic activity generated £1,763 million and £1,894 million in 2004 and 2005 correspondingly. This is equivalent to 1.8% of total value-added in the region (2005).
- 56,500 people were employed in sport related employment corresponding to 2.1% of total employment in the region (2005). In which commercial sector was contributing 77% of the total sport-related employment.
- During the period 2002-05, England’s gross value-added from sport increased by almost 60%.
- The sport economy in the East of England showed a strong presence of health & fitness clubs. There was considerable investment by both the private and public sector.

Sport Scotland (2007)\textsuperscript{21} in its research update “The economic importance of sport in Scotland 2004” provided data on the economic importance of sport in Scotland for 2004 and made comparisons with the figures for 1995, 1998, and 2001. This report dealt with economic impact using a spreadsheet model developed by the sport industry research centre (SIRC). It was based on published data which allowed the necessary calculations to derive sport related expenditure, the relevant sectoral accounts, value addition and employment. The main areas of research have been: the economic value of sport at the national or regional level, the economic
impact of particular sporting events, sport specific work, for example the value of hill walking to the regional economy. The research attempted to place values on health benefits resulting from sport and physical activity. The study advocated that sport makes a substantial contribution to the economy of Scotland and this contribution has increased in recent years as the findings of this report were:

- Sport related consumer expenditure was found to be £1.6 billion in 2004. It made up 2.7% of total consumer expenditure in Scotland while it was 2.5%, 2.2% and 2.5% in 1995, 1998 and 2001 respectively.

- Employment in sport has been found to be 45,500 in 2004, 1.8% of total employment while it was 1.7%, 1.5% and 1.7% in the years 1995, 1998 and 2001 respectively.

- Value added to the Scottish economy was £1.5 billion, 1.9% of gross value added, showing an increase if compared with previous years shares of 1.6%, 1.5% and 1.7% in 1995, 1998 and 2001 respectively.

Sport Northern Ireland (2007) in “economic importance of sport in Northern Ireland” evaluated the economic impact of sport on the region in 2004 and provided comparisons with estimates from 1998. The methodology used was based on national income accounting and the income and expenditure flows between sub sectors of the economy. The major findings of the study were:

- In 2004 consumers spending on sport related goods and services in Northern Ireland was $446 million. Consumer expenditure on sport as percentage of total expenditure was estimated at 2.8%.

- There was 75% increase in sport related consumer expenditure during the period 1998 – 2004.

- Sport related activity added $452 million to the economy, corresponding to almost 2% of total value added in the region.

- Sport related employment in 2004 was 13.7 thousand that was 1.9% of the economy’s total employment.

Robinson (2008) in his paper “Business of Sport” said that “The Olympic Games are perhaps the clearest example of the direction that sport has taken in the last few decades. A fundamentally different event from their amateur beginnings the
Athens 2004 Olympics accommodated over 11,000 athletes from 201 nations; hosted 12,000 media personnel and coordinated a workforce of more than 57,000 volunteers. The total surplus from staging the game was $155ml, although this reduced to $8 million when government subsidies were repaid. Domestic sponsorship rose over $600ml, more than 3.5 million tickets were sold, generating $228 ml. An estimated 3.9 billion people watched on average 12 hours of coverage. The television rights from the games generated $1,476,911,634. Hence, it could be clearly seen that sport is a big business now. Robinson (2008) concluded his study by outlining that:

- Sport was no longer a pastime, run and organized by amateurs with no financial profit involved but it was a business that competed scarce resources and used professional management techniques.

- The commercialization of sport has been driven by the search for profit.

- A number of factors made professional sport a distinctive form of business including the irrational passion generated, the tension between making a profit and winning a competition or league and the existence of general tolerance of cartels.

- Sport sponsorships have grown dramatically in recent years bringing both additional revenue and greater publicity.

- Online betting was one of the fastest growing sectors of the sport business which raised significant ethical concerns.

Andreff (2008) in his study, “Globalization of the sport economy”, advocated that “the relationship between sport and economy is as old as the first Olympic Games. Only in the 19th Century, gambling on sporting outcomes and the development of first professional sport paved the way for a sport economy. The attractiveness of sporting events to the press emerged in the early 20th century when sport events have began to be broadcast on radio. It was, however, not until after the Second World War that the genuine globalization of the sporting economy took off. The said globalization was triggered by three key trends:

- The first was the extension of annually paid holidays for individuals. This led to the engagement by the society in many leisure activities in all developed market economies and sport was then consumed in many forms such as: sport practice, sporting press, and sport shows.
➢ The second major trend was the television broadcasting of big sporting events which brought with it a completely new industry which provided access to TV viewers at any significant international competition convened anywhere around the world.

➢ The last evolution was the current emergence of new information & communication technology-NICT (From Internet to mobile phone and so on) through which images of sporting events could be instantly transmitted at any moment to any place throughout the globe (Andreff 2008: pp-13-14).”

The result of the analysis of Andreff’s study expressed clearly an increasing economic significance of sport, measured by its economic weight compared to GDP. He took the example of a macroeconomic aggregate, defined as the *gross domestic sport expenditures*, published in France, which summed up the amounts spent by residents and households in sporting goods and services with sport budget of state government, Sport expenditure by local authorities, sport sponsorship expenses and TV broadcasting rights raised by sport event organizers (Andreff 2008: pp-14). According to these data, the said aggregate has risen from 0.5% of GDP in 1971 to 1.77% in 2005, which means Euro 30.4 billion (the same ratio is between 1 and 2% in most developed countries). Hence, considering the diagnostics of Andreff’s (2008) work it can be concluded that all the dimensions involved in globalization of the sport economy, in particular the fragment of professional sport, shows how promising this area is for a research on economic significance of sport sector.

Nishio, T. and et al. (2009) examined the economic impact of the Summer Olympic Games on the host cities using the stock market approach in their study, “Analyzing the Economic impact of the Olympic using stock market indices of host countries”. The purpose of this paper was to examine the impact of the host city selection announcement date on the stock market returns by using several host countries stock market indices as proxies. A dynamic model was used to estimate the announcement impact of the Olympic Games from 1988 to 2004. It was hypothesized that impact differs depending on the country’s economic status. For large economies the economic impact compared to the total size of the economy is likely to be relatively small and vice-versa. Five Summer Olympic Games were analyzed. They estimated a single equation model by OLS. The results provided some support to the argument that mega sport events like the Olympic Games had a significant economic
impact on small economies but less on large economies. The stock market returns are usually affected by different risk factors such as corporate earnings, economic indicators (change in GDP, inflation and interest rates), political risk, labour strikes and so on. A mega sporting event like Olympic Games was one of the many market factors that could affect the stock returns.

Khoshaba, T. in, “The changing nature of work: A study of the sport industry in Australia”, advocated that sport should not be considered a pastime or a leisurely activity. Based on secondary data sources the study concluded that sport industry in Australia is now a “big business” which created opportunities for entertainment, manufacturing endorsement, the printed media and employment. This paper also argued that industrial relation would benefit by recognizing sport as a modern form of work. Although it discusses some important economic dimensions of the sector, however the study period and its publication date has not been found.

2.3 Reviews of Developing Sport Nations:

Maquila Solidarity Network (2008) prepared a report, “Clearing the Hurdles: step to improving wages and working conditions in the Global Sport Wear Industry”, on behalf of Play Fair 2008 campaign. The researchers interviewed over 320 workers from factories in China, India, Indonesia and Thailand about their wages, experience and working conditions. The major findings of the study were:

- The wages for sportswear workers were still well below a local living wage.
- In some cases, researchers discovered, workers were not even receiving the legal minimum wage, despite working 12-13 hours a day and home based workers faced a total lack of income security.

Rather than merely rehashing a list of criticisms, this report tried to identify solutions to these problems, focusing on three central hurdles, if not overcome, can inhibit the industry’s progress. The hurdles were recognized as:

- Lack of respect for freedom of association and the right to bargain collectively,
- Insecurity of employment caused by industry restructuring, and
- Abuse of short-term labour contracting and other form of unstable employment.
The study has done a pretty commendable work in bringing the attention of mass towards outrageous fact that while the sportswear industry of the world is booming, the major and most important factor (labour) of production is being neglected and they are working under a shoddier condition which raises a very important socio-economic concern. However, the analysis covers a limited area of study and presents the developing world’s picture where supply of labour is much more than its demand.

Yusuf, A., and Shah, P. Mohd. (2008) have done a study on “Globalization and the Malaysian sport industry”. They found that the sport industry in Malaysia was in its infancy. They argued that small businesses usually do not have the means to employ specialists, to conduct research and development. They also face difficulty in responding to challenges posed by globalization and creating new opportunities in foreign markets. They have suggested a set of strategies to overcome these difficulties and few of them were:

- developing business networks,
- exploiting the benefits of e-commerce obtaining accreditation for sport goods and services,
- Capitalizing on the promotion power of world class sporting events held in Malaysia.

The paper also discussed the role of university in providing quality education and training programme through developing sport and leisure education package and certification, establishing sport management training programmes and providing athletes and coaches with sport business management skills. Although the paper is influential to bring our attention towards the opportunities and hidden capacity that lies in Malaysian sport industry, the research work was unable to provide a clear idea about the competitiveness of the same. An economic impact assessment could have been of greater help in understanding the scenario.

Loiz, J., and Fadal, R. (2010) in their research paper, “An Economic Analysis of Sport Performance in Africa”, argued that a nation’s performance in sport is directly related to the available economic resources for it. They also explained that the factors used to determine the level of sporting success for developed countries
might not necessarily be the same or bear same weight as for developing countries. The purpose of the study was to identify specific factors that could increase sporting success in developing countries by means of several econometric specifications, using cross-sectional data for African countries. The study concluded that country’s performance in sport was not only dependent on financial resources, but also on the level of investment in education and health and on a range of socio-economic factors. The authors have found that there was lack of research in the field of sport and organizational economics especially in emerging nations.

The study seems to achieve its goal of establishing an inter relationship between the performance in sport and Economic resources. It discussed sport in a broader sense (considering Kleissner A. (2006) view, discussed earlier in the chapter), but the area of study is limited and period of study is not mentioned that does not help significantly in a clear presentation of the situation. However, it is capable to become a successfulendeavor in this specific subject especially in a developing world.

2.3.1 The Indian Scenario:

Parker, D. and et al. (2008)\textsuperscript{30} have tried to explore the determinants of “Player valuations in the Indian Premier League (IPL)”, by employing standard OLS regression techniques. The study recognized a tentative set of factors for both the situations that matter and that did not matter in determining player’s valuation. They concluded that the valuations depended to a large extent on measurable performance and experience factors but rules of the competition also led to ample payment for certain players (particularly young Indian players). The study is confined to a small portion of sport industry that is significant and growing but does not give an idea about the size and value of the whole sport industry.

ArpitaMukherjee et al. (2010)\textsuperscript{31} in their working paper, “Sport retailing in India: opportunities, constraints and way forward” presented a systematic study of retailing side of the sport industry. The paper looked at the sport retailing business in India highlighting the opportunities and constraints. This report is based on a nationwide survey of 371 respondents and interviews with the companies like Reebok India Company, Puma Sport India pvt.Ltd., Nike India pvt.Ltd., etc. It examined the potential for sport retailing in India. It focused mainly on the sport sector of India reviewing its recent trends and developments, government structure and policy, role
of federations, status of selected sport in India among others and also discussed India’s international policies related to sport and sport products retailing. It worked on an in-depth analysis of the type of sport retailing in India, its sourcing and distribution channels and provided an analysis of the consumer profiles including their choice of retailers, sport products, etc. Major findings and suggestions of this study were:

- Sport retailing was a small segment of retailing in India, but its share in total corporate retail was approx 10 percent. Around 30 percent of the sport products retailing was through corporate retail and remaining 70 per cent was family owned small businesses.

- The sector was growing at an annual average rate of 20-25 per cent and many Indian corporate and foreign retailers were keen to enter this segment.

- The study also found that the present FDI restrictions were not an entry barrier. It only restricted the ability of foreign retailers to choose their most preferred route of entry. Foreign retailers and brands have entered and were present in India through various modes like franchising, wholly-owned subsidiaries, distribution and licensing agreements, etc.

- Another finding of the study was that sport was a less sensitive segment of retailing unlike food and grocery and the products sold by corporate and traditional retailers are different. Both traditional and corporate retailers have their own strengths which help them to co-exist. The entry of corporate in this segment has created employment. The growth of organized retailing in India has helped mitigate the adverse impact of the global slowdown in the manufacturing segment. The study outlined that the core problems of this sector such as infrastructure, multiple regulations, etc., were same for both corporate and traditional retailers. Once these are addressed, the efficiency and productivity of the sector would increase.

- It suggested that the role of the government should be that of a facilitator for the development of the sector rather than monitoring and controlling market access through FDI while foreign players were entering through other routes.
This study also pointed out that although India is a sourcing hub for sport products the country does not have an integrated production chain, strong domestic brands, and different export promotion councils in this sector.

The study provided effectively a comprehensive discussion about the sport retailing market in India though the other sectors of sport industry that have considerable bearing on the retailing part have been ignored. It also put too much emphasis on policy framework and has been hazy to explain about the economic implications of the theme which could have added more valuable information to the work done as well as could become an excellent source of reference for policy makers and researchers of the field.

Economic Services Group, National Productivity Council (NPC), New Delhi (2010) submitted a report on “Competitiveness of Indian Sport Goods Industry” to the department of industrial policy and promotion (DIPP). The report examined the sport goods sector based on a detailed analysis of the data from both primary and secondary sources such as the field interaction, surveys and suggestions from manufacturers, industry associations, policy makers, and research and development institutions. The major findings of the study were:

- The total number of workers employed in the sector constantly increased from 2004-05 to 2008-09. Almost similar growth trends have been observed in case of both skilled and unskilled workers. It has been found that nearly 60% of the work force was skilled in sport goods sectors.

- The total export of sport goods recorded by the sport goods export promotion council (SGEPC) based on the export returns submitted by the members for year 2008-09 was over INR 586 crores. This indicated a growth of around 13% over the previous financial year.

- Estimation of the partial productivity and total factor productivity growth at an all India level for sport goods sector (registered manufacturing) revealed that gross value added and gross value of output have increased considerably during 1995-96 to 2000-01. However during 2000-01 to 2005-06, it observed a decline in gross value added.
There were about 1250 registered and 2000 unregistered large/medium and small sport goods manufacturing units providing direct and indirect employment to 1,70000 persons. Many of the workers belonged to weaker section of the society and most of them were women.

More than 90% sport goods manufacturers have reported that the availability and quality of basic infrastructure in the country was very poor.

During the study period import content was found to increase over the years from 10.21% in 2004-05 to 18.64% in 2008-09.

This study revealed successfully the economic importance of sport goods sector of Indian sport industry. It could be seen as a loop showing the direction in which the sport sector is going but it told the half story and gave us an opportunity to endeavor in presenting the whole scenario of Indian sport industry i.e. sport good plus sport service sector.

2.5 Research Gaps:

The available literature on the subject, reviewed in the chapter (that enhanced our awareness about the economic significance of sport and sport industry), reveals that most of the work has mainly focused on the one particular aspect of the industry in contrast to a more comprehensive and wide-ranging measure of economic significance; for example, measuring the economic value of a single sporting event or discussing only about the partial sector of the industry. We further observe that most of the studies on this subject have been done in highly developed nations and developing nations are far behind and India also falls in line. Although developing nations have great scope to acquire larger benefits of this new opportunity but due to unawareness they are not in a position to do so. The reason for unawareness can be assigned to the lack of literature on the subject in these countries. It must be noted that the tools or methodologies generated and used by developed nations to study the problem are not much efficient for developing economies due to differences in their sport infrastructure, tastes and preferences of consumers, and other available resources. Another important fact that comes out of this literature search is that in India studies on economic significance of sport and sport industry are very limited and focused only on the sport goods sector as if sport services are not providing a more extensive market whereas this is not the reality. In India sport service sector
grew largely and rapidly during last decade, for instance sporting mega events are the most common feature for our national capital. The Commonwealth Games of 2010, Formula-1 race, Indian Premier League (IPL) are few examples of these. All these events involved huge economic transactions for example DLF, a Delhi based leading real estate developer of India, bagged the title sponsorship rights of IPL for a period of five years at a massive amount of INR 200 crores (SportKeeda 2011). As per a study of PwC\(^1\) (2011)\(^3\), the sport revenue in India would grow annually at the rate of 5 percent to reach a level of $1.89 billion in 2015, primarily accelerated by the income from sport services like TV media and sponsorship. Inclination of people towards sport has increased largely which is not only a means of entertainment or spending leisure time but also a source of heavy investment, employment and income generation. According to the BCCI\(^2\) annual report for the year ended on 31\(^{st}\) March 2011, the surplus of the board has increased to INR 189.72 crores, that was an increase of 200 percent over the previous year which was chiefly boosted by the 2010 IPL, generating a surplus of INR 118.76 crores (BCCI 2011)\(^3\). A few mega sport events that took place in Delhi during last few years not only generated income to individuals and different business sectors but also changed the outlook of the National Capital Territory (NCT) of Delhi. During the last few years, as preparing itself for 2010 Common Wealth Games, Delhi transformed itself into a world class city by improvising Delhi metro, airport, flyovers, roads, high capacity buses, hotels, most importantly huge sport infrastructure (see table 1.1, ch-01). All this resulted in generation of income and employment in both sport goods and sport services industry. But surprisingly no systematic study covering the whole sport industry i.e. sport goods and sport services, has been done so far in India and no significant efforts (till date) have been done to find the economic implications of high sport fevers in the NCT Delhi (as per available information). The present thesis tries to fill this gap by studying economic significance of sport goods sector along with sport services in NCT Delhi. This study is likely to turn out to be a signpost among the work done so far in our country on the subject. In the future the thesis will be a great source of support to identify that sport is a big business and its value to India is more

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1 PwC is the abbreviation for PricewaterhouseCoopers, a multinational professional services firm headquartered in London, United Kingdom.
2 BCCI is the abbreviation for The Board Of Control for Cricket in India, a national governing body for all cricket in India.
substantial than just the entertainment. This research work will be helpful to scholars in the field as well as to entrepreneurs, professional players and the like to understand the structure of Indian sport industry as this study intending to develop a hierarchical model of sport industry of India. Above all, as the thesis brings attention towards the economic significance of the sport industry, not only of sport goods sector but also about the sport services, it will be of great source of information for government and facilitate policy makers of the economy to focus on the importance of the sport sector while thinking about economic growth and development of the country.
References


