

# IMPACT OF SPORTS ECONOMIC DEVELOPMENT

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## ABSTRACT

*Over the years sports have grown and been a part of people's life. Sports now has not been just mere a recreational sport. With absolute changes sports have become big and now businesses and governments have started investing money in sports, which thus makes sports an industry itself. This study is an attempt to understand the result of investment on the economy as a whole. This study takes into consideration two scenarios one being a mega event which happens once in four years and the other which happens frequently. Olympics in south Africa and football in Europe are taken respectively into consideration to draw conclusion the effect it has on the economy. In this study, different parameters like expenditure, multiplier effect, opportunity cost and GDP are taken into consideration to analyses the impact of sports contribution in economic development. The results show that there has been temporary increment in the economy and does not have long lasting effect in case of mega event and later turns in to a negative effect. The other result is that very few regions or countries have benefited from regular sporting events like the football leagues in Europe, only a few regions benefited whereas the others had negative or no impact. The final conclusion remains that sport is a vanity and investment need to be done taking into consideration the opportunity cost attached investment in sports, however building infrastructure for sports is important for the sports culture to grow.*

**Keywords:** *Opportunity cost; GDP; Economic development; Multiplier Effect*

## INTRODUCTION

Investment has been a vital factor for the development of sports across the globe as it helps the sports to spread it reach more and more people to create awareness. Investing in sporting franchises and the associated ancillary companies that benefit from the multi-billion-dollar sports business can be an appealing and profitable proposition. However, the economic effect of sports development comes at a cost, which is somewhat not measured. The economic aspect of sports is pushed aside and not much attention is given to it. It is important that its effect is studied on the economic development and the trajectory it follows.

Sports has always been vital to every country, it had been mere recreational and community building exercise, this now has changed and it has become an industry of its own. Government and franchises have started pumping in money. Hosting events requires allot of money as the spending is done in multiple phases one being the infrastructure and the second phase where the event is organized.

This study is conducted to understand the contribution of sports in the economic development of an area or a country. The researcher has tried to understand by taking two set of examples which involves huge investments and its impact in the short and long term.

### *Scope of the Study*

The study looks at two examples one being the south African worldcup and other being the European football clubs over a period to analyze the economic impact of the investment done. For this the data from other available literature and other researches been used to perform the analysis and understand the effect of investment and its effect on the economic development.

## ***Economic Development***

Economic development is often used as a public sector term which means the process by which the wellbeing, quality of life is measured, it could be of a nation, region, or a community. It has started to be used habitually in the late 20th century and 21st century, the concept had originated and existed in the west since long. Some words that are used while talking about economic development are modernization, industrialization.

Economic development is a policy framework which has been crucial for government to establish goals and objectives for the country, region or community aiming to improve wellbeing of people.

Economic development originated in the United States of America after the world war. There have been many development theories since 1945. In economics, the study of economic development was derived out of an extension to economics, which in turn is a branch of economics. Economics in general focused on national product, or the aggregate output of goods and services.

Economic development is the study in regard to expansion of people's entitlements, literacy, life expectancy, education, GDP etc. Economic development came out of the shadow of Keynesian economics and neo classical economics and applied that how economies prosper. Albert O. Hirschman, was a major contributor to economic development, he asserted that economic development grew to concentrate on poor regions of the world so as to identify the areas for development.

Economic development is different from economic growth, economic growth related to the level of output whereas economic development is related to output but combined with improvements in the social and political welfare of the people of that nation, region or community.

Theories have argued that countries have experienced economic growth however with a little or new economic development.

Economic development is generally in regard to improvements in a different area of indicators such as literacy rate, life expectancy, poverty rate which may cause the economic development rather than the growth.

There are many development indicators of economic development, however we will be focusing on Gross Domestic product for this paper. As this indicates the expenditure which the government incurs which is crucial for this paper as economic development is directly related to the government expenditure in multiple sectors.

## ***Sports and Sports industry***

The history of sports can be traced back to around 3000 years when it involved preparing for war and training like a hunter. Back then, the sports involved sparring between opponents, throwing rocks and various other instruments like spears to improve your aim. We have evolved a great deal since then. And with us, so have various sports.

We can see that sports have always had a major place in society since as far back as we can remember. They have affected society and human behaviour in a lot of quantifiable and sometimes unnoticed ways. In the modern world, with sports becoming more within reach for all classes of society, they have changed whole economies and societies. They have also contributed to bringing people together in various ways.

While sports is considered to be a physical and theatrical field, the involvement of science and statistics has helped increase player performance and the structure of teams. Scouts and managers have increasingly started to use statistics and data, and not just rely on their judgement while scouting players. This has helped the teams improve on their results by a great margin. Scientists have, through various researches, have determined 'perfect' diets and training regimens to help players improve on the things that matter. This can be noticed by

looking at the world records that the players have held through the decades, which have been broken repeatedly. The mechanical skill and physiques of the players has improved tremendously as well.

All countries have just a sport or two dominating the sphere within the nation. These can be at this position because of history, quality of players, local tournaments, feasibility of the sport for the general population etc. Countries invest millions of dollars every year into sports development. Players are often scouted at young ages and are coached to hone their skills for olympics and other international events. While the local, national, and international leagues organised by the government and other inter-governmental entities are a major part in sports careers, the majority of the income for all sportspersons is sourced from the commercial leagues played and organised by independent bodies. These leagues also help in developing sports at a smaller level and helping talent stand out and be developed. Another role that these leagues play is to help create awareness and support for the local teams.

The global sports industry is now worth anywhere from \$480 billion to \$620 billion with a CAGR of 5.9%. That number is greater than the GDPs of all countries in the world except the top 18. Combined with TV rights, sponsorships, betting, stadium attendance, advertisements, sports wearables, clothing, player brands, and various other industries, the reach of sports has far exceeded the fields and stadiums it was earlier limited to. The category of sports has even expanded, quite controversially, to Esports as well. These include various online competitive games and carry prize pools of multi-million dollars. The biggest reason that these huge amounts are justifiable in sports is because people often develop emotional connections with the teams they support and can rally around it. Hence, you can see hundreds of thousands of fans filling the stadiums every weekend for every major sport. Just considering the fans of the top 10 sports, there are around 14.3 billion fans (various sports have common fans) of them. This scale has led to the huge amounts of money routed into these sports. Just for perspective, the summer olympics have cost an average of \$5.2 billion to host since 1960 (adjusted for inflation).

Sports have affected economies in ways no one would have imagined. Whole cities and towns have been built around stadiums because the huge influx of fans created thousands of jobs which in turn create more jobs down the line. It's a positive feedback loop which has helped huge economies. There are various other industries like sports tourism, sports medicine, sports memorabilia, sports marketing, sports apparel. All these are multi-billion-dollar industries which have grown multi-fold in the past few decades. People often fly from all over the world to just watch their favourite teams competing. Some huge stadiums have multi-purpose complexes built around them which attract even more visitors and serve as tourist attractions too. Sports marketing has grown along the rise of social media. Sports persons and teams have boosted their efforts to increase their presence online and to solidify their personalities. These sports persons often earn more from sponsorships and advertisements than their wages and hence, marketing is a major part of their careers.

Even ignoring the economic perspective of sports, they have a huge influence on their followers worldwide. There have been various documented instances of large scale violent clashes due to polarisation in sports. Fans of rival teams have clashed leading to injuries and sometimes, even deaths. Sports persons have evolved from being just that, to becoming celebrities.

## METHODOLOGY

The framework includes objective of the study, significance of the study and the method of data collection and analysis.

### ***Significance of the Study***

The study help analyse the economic development through sports for cases where the sports league happens on regular basis and mega events which happens once or twice in a country's history, it could be the Olympics, World-cup etc. Investment in sports, has increased over the years, it is vital to understand the effect these investments has on the development of the country, it can also help understand the decisions of government on their expenditure in sports.

### ***Data Collection***

The research is carried out on secondary data. Klobučník, M., Plešivčák, M. and Vrábel, M. (2019). Football clubs' sports performance in the context of their market value and GDP in the European Union regions. *Bulletin of Geography. Socio-economic Series*, 45(45): 59-74. The following is the link to the data:

<https://content.sciendo.com/view/journals/bog/45/45/article-p59.xml>

Other reports such as KPMG report, Scholar articles were used to get an understanding in terms of the different effects of economic development and its different components.

Researcher also used different websites for to gather current data relating to the sports economy to understand the effect better

## **ANALYSIS OF FINDINGS**

### **1. Economic Impact of the World Cup 2010 in South Africa**

In July 2003, Grant Thornton Kessel Feinstein issued the results of their economic impact assessment, ordered by the South African company that submitted the bid to host the football World Cup to FIFA in September 2003. In their report (Grant Thornton, 2003) they predict that the event will lead to direct expenditure of R12.7 billion; an increase of R21.3 billion (1.2%) in the gross domestic product (GDP) of South Africa; 159,000 new employment opportunities (3.5% of South Africa's unemployed active population); and R7.2 billion additional tax revenue for the South African government. More recently, Grant Thornton estimated that the event will contribute at least R51.1 billion (2.7%) to the country's GDP because more tickets will be available for sale (Gadebe, 2007). These results have been widely disseminated through the media.

A deep look into the numbers and methods raise speculations about the estimates and serious reasons to believe that the numbers are overestimation. The first reason being that it includes that domestic resident's expenditure at the event as direct benefit. They cannot be included as it is just reallocation of expenditure which wouldn't add to the GDP of a country. Secondly, there were many multipliers used in the report which is questionable and leads to overestimation. Thirdly, the report estimates, R1.8 Billion would be spent to upgrade the stadiums and another R500 million on the upgradation of infrastructure, this stands contrary to a report published by international Marketing Council of South Africa(2008) reports much higher investment cost R8.4 Billion for building and renovating all the stadiums in which five had to be totally built and the other five had to be renovated. For example, the Durban stadium and the Cape Town stadium that have to be built cost respectively R2.6 billion and R2.85 billion. The cost of upgrades on the infrastructure, for example, upgrades of airports and improvements of the country's road and rail network, is estimated now at R9 billion.

Fourth, there are issues with the understanding of the reported 159,000 new business openings. The Local Organizing Committee (LOC) plans to enroll volunteers, conventional individuals just as specialists, to work at the World Cup. These volunteers are not paid, which reveals an alternate insight into the understanding of

"work openings". Also, a significant number of the occupations may be temporary. As a result of the irksome monetary circumstance in Zimbabwe, and in light of the declarations of the various activity opportunities, there is an immense relocation stream of skilled and semi-skilled laborers from Zimbabwe to South Africa (Sapa – AFP, 2007). These vagrants may take up an impressive portion of this business.

## **2. Do impacts differ with the level of development of the host country?**

The most obvious point of reference when assessing the likely impact of the South Africa World Cup is to compare it with the most recent World Cup in Germany. However, important differences in the level of income and development between Germany and South Africa complicate such comparison. Thus, we cannot merely transpose the economic impact of the World Cup in Germany to South-Africa (Matheson and Baade 2004).

An important factor to take into consideration is that of cost of infrastructure investment, as it the investment made in South Africa to host the World Cup were much higher than the previous world cup which happened in Germany, primarily because South Africa not being a footballing nation had infrastructure to build. Possible even more importantly, the general infrastructure, for example related to transport, requires much more investment in South Africa.

Secondly, in regard to cost, differences need to be looked upon in terms of capital and cost of labor. The opportunity cost of capital is generally high in the developing countries in comparison to the developed countries. This means that the money spent here is not being spent elsewhere for the country it could be even the health system. However, wages are comparatively low in developing countries which can lower the operating and infrastructure costs. Labor opportunity costs may also be low in developing countries with large unemployment.

The post-World Cup use (return) of the investments differs as well. Concerning the stadia, these are well used in Germany with a large attendance in the Bundesliga. It is more uncertain what the demand for the football stadia will be in South Africa after the World Cup. In general, one would expect that the demand for these facilities is lower in developing countries, as sport is a luxury good, albeit that South Africa is a very specific country. There appears strong (and high income) demand for other sports (rugby) while less (and low income) demand for football. The extent of use of the stadia for these different demands will certainly affect the benefits. Low use and high maintenance costs may even lead to a negative 'legacy' of the World Cup. Evidence from the post-World Cup 2002 effects in South Korea and Japan indicates that concerns about the low use and high maintenance costs of the stadiums were justified (Watts, 2002).

Regarding general infrastructure investments, one would assume that the potential effects would be large in South Africa. Its infrastructural deficiencies are often cited as a constraint on growth, and improving this because of the World Cup requirements could provide a major reduction in costs and provide a productivity boost to the economy.

## **3. Sports Migration a possible effect**

Migration is very crucial in sports, possibly more than any other economic activity. The percentage of migrants in main sports leagues in Europe and North America is large by average economic standard, in comparison to top leagues, as football is the most played sport, it has the maximum number of migrants in comparison to other sports. Another important thing to notice is that each country has their own league of their home-grown sport and they somewhat have restrictions on migration, as they have a limit set. There are cases where in the team in Europe have played with 100% migrants, and not even with a single native player. There have been many studies on the impact of these migration and they are classified into many categories, many suggests that it has got an adverse effect, one being muscle drain: it refers to the negative effect on education and the competitiveness of the sports system. Related negative effects are argued to be low wages for

developing country players, the illegal nature of the migration and transfers, and the lack of transparency surrounding it (e.g. Andreff, 2004; Magee and Sugden, 2002), inducing some to refer to this as a “modern form of slavery”<sup>17</sup>.

While there appears to be considerable ad hoc evidence on these effects (including on illegal activities and lack of transparency in international transfers) there is in general little representative evidence on these issues. On the other side, few studies suggest positive effects of migration.

Firstly, First, international remittances have in general a positive impact on development (Adams, 2006). Remittances have a positive effect on investment, particularly in education and in entrepreneurial activities, which can help to raise the level of human capital in a country as a whole. (Edwards and Ureta, 2003; Yang, 2005; McCormick and Wahba, 2001; Cuecuecha and Adams, 2008)

Secondly, migration affects the level of human capital in the origin country both in a negative and positive ways, some call it brain drain while other look it as brain gain. In Fact, people migrating for education from developing countries would be an asset as there is an incentive to acquire education, which would result in a brain gain.

These findings seem to conflict with arguments that the ‘muscle drain’ in sports undermines the sporting capacity of developing countries. It is said to divert the most talented sportsmen, leaving the developing countries with the costs of their education without the possibility of regaining this investment in human (or athletic) capital. This muscle drain is also argued to erode the capacity of the home country to use its most talented athletes in international competition, explaining the “poor performances of developing countries in world sport events” (Andreff, 2004).

Third, the creation of sports schools with the explicit objective to prepare local players for playing in rich country sports leagues is the subject of much debate. While some of these schools are quite successful, the models are criticized for an unequal distribution of the gains (with the, often European, owners argued to capture a disproportionate share of the financial benefits), and for leading to a decline in education enrolment, and for creating social problems (Darby, Akindes and Kirwin, 2007).

Fourth, the search for African players by European football clubs is argued to be an example of wage dumping (Poli, 2006). These arguments are very similar to the issues in the general migration literature with migrants taking over jobs at lower wages in the host

country – an issue well studied in other sectors of the economy. Interestingly, one of the world’s leading experts, George Borjas of Harvard University claims that there is no clear evidence either way; and that despite massive immigration from poorer countries in recent decades studies show very little impact on wages in the US (Aydemir and Borjas, 2007).

#### **4. European union clubs and their contribution in the market value and the Gross Domestic Product (GDP)**

The following data is taken from a study Klobučník, M., Plešivčák, M. and Vrábek, M. (2019), wherein they articulated data from 2007 to 2016 of European countries.

The following data is of the average market of value of clubs (in EUR billions) for the 10 years as mentioned above of all the European Leagues as well as the average annual gross domestic product (GDP)(in EUR trillions) over the period.

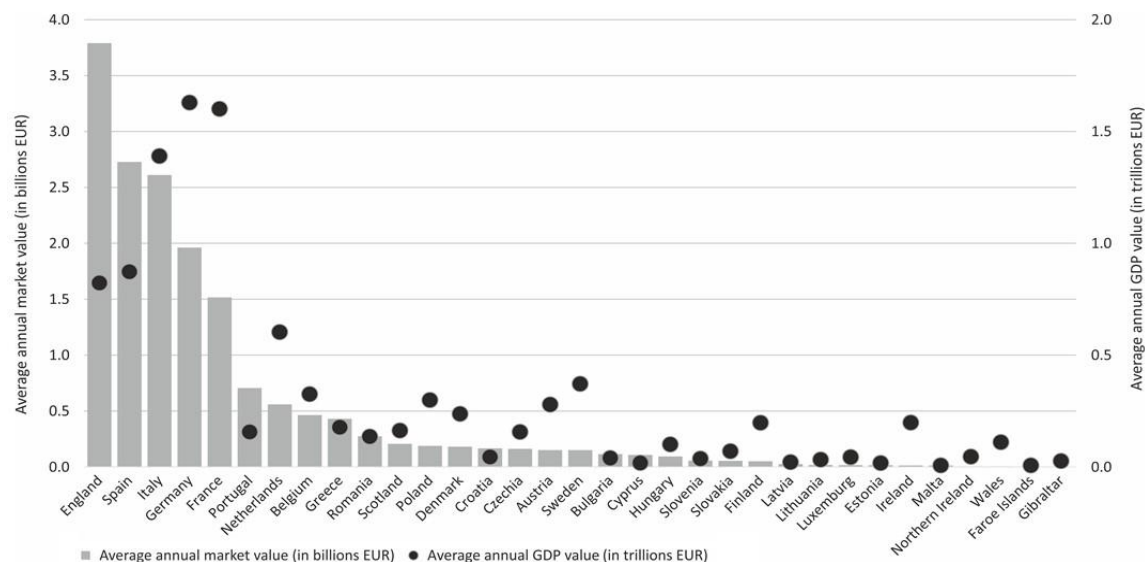


Figure 1 Average annual market value of football and Average annual GDP of EU Countries in 2007-2016

## OBSERVATIONS

- The countries with the most developed league had the highest GDP, a higher GDP was also noticed for Sweden, Austria, Netherlands, Poland, Finland and Ireland.
- The increase in the economic productivity didn't result in higher market values of the football club of the above-mentioned countries, this could be particularly because of low interest in football in comparison to other sports which are played in the country
- A high market value is noticed, despite lower GDP in observed in England
- An important observation would be that the best five football leagues, whose club would obviously have high market value. They are large states by both territory and the population, which thus leads to higher GDP values.

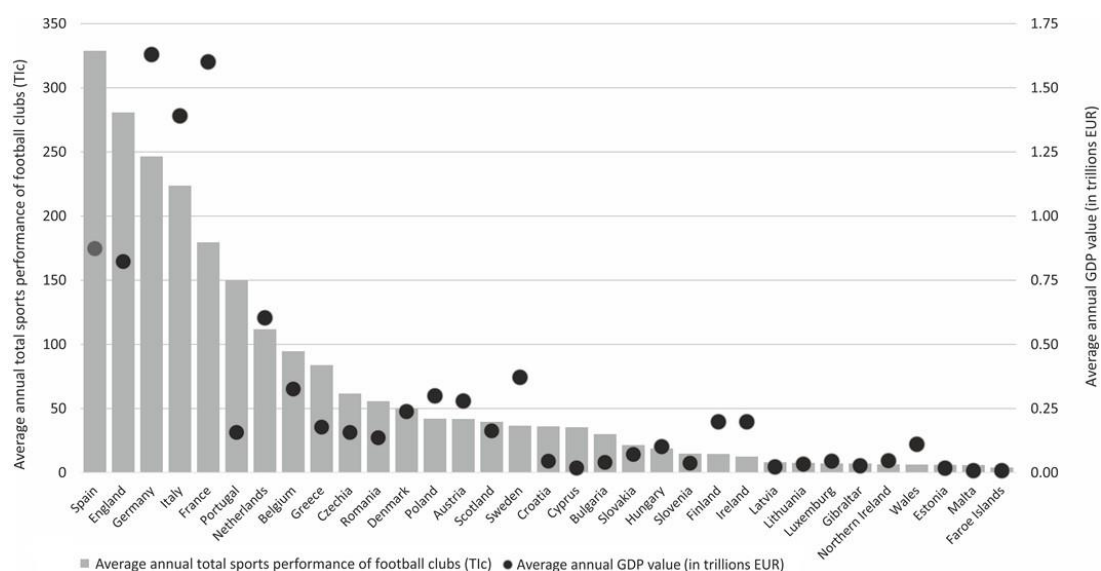


Figure 2 Average Annual total sports performance of football club and average annual GDP of EU countries in 2007-2016

This graph shows the relationship between the performance of football clubs in the context of the GDP of the regions their club are located.

#### OBSERVATIONS

- After looking at the graph it is evident that the clubs in France, Italy, and Germany were less successful
- Other countries where football is played and watched vividly like in countries like England, Spain, Portugal got excellent results in the context of relatively lower GDP.

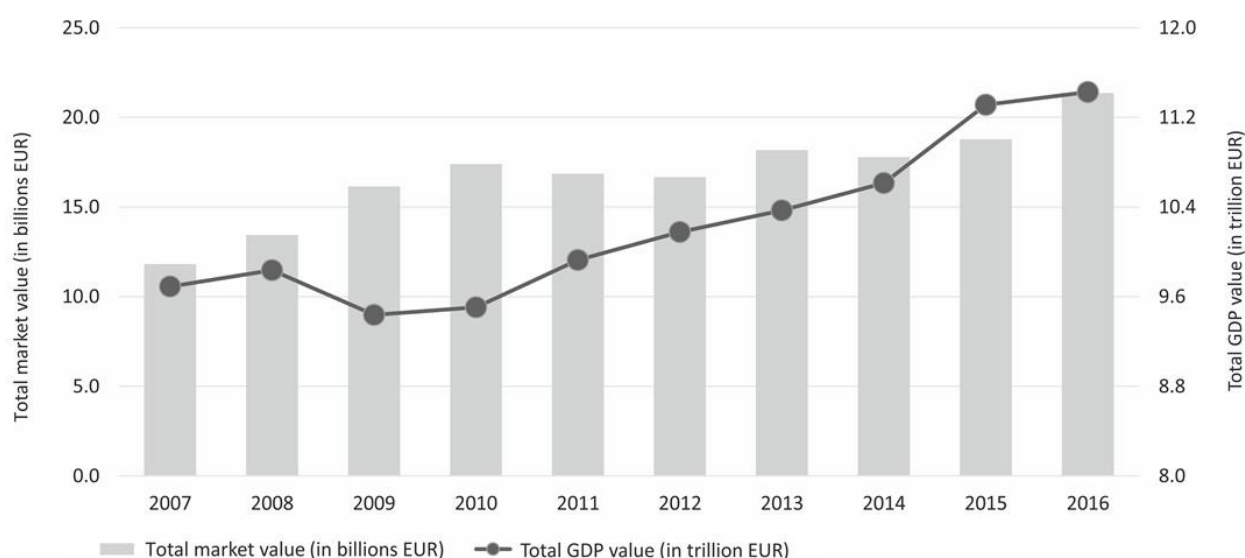


Figure 3 Development of the total market value of football clubs and total GDP of EU countries in 2007-2016

This particular graph shows the total market value and is mapped parallelly to the GDP. These are the averages taken all together to observe it in totality, as 2008 marks the year of crisis.

#### OBSERVATIONS

- It is noticed that the crisis had minimal effect on the growth to the market values of the clubs.

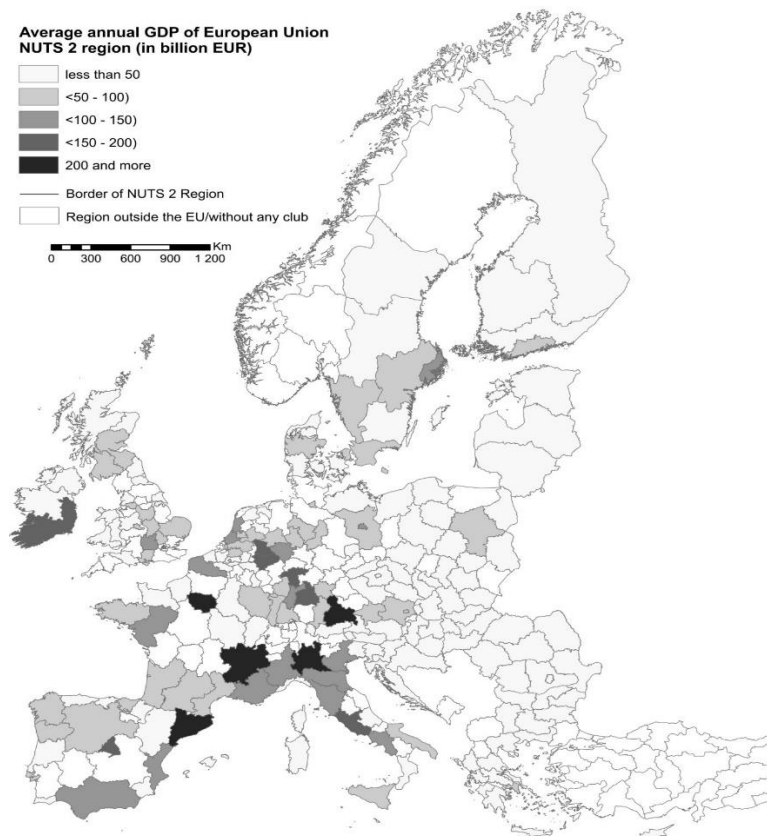


Figure 4 Average annual GDP of European Union NUTS 2 regions in 2007–2016

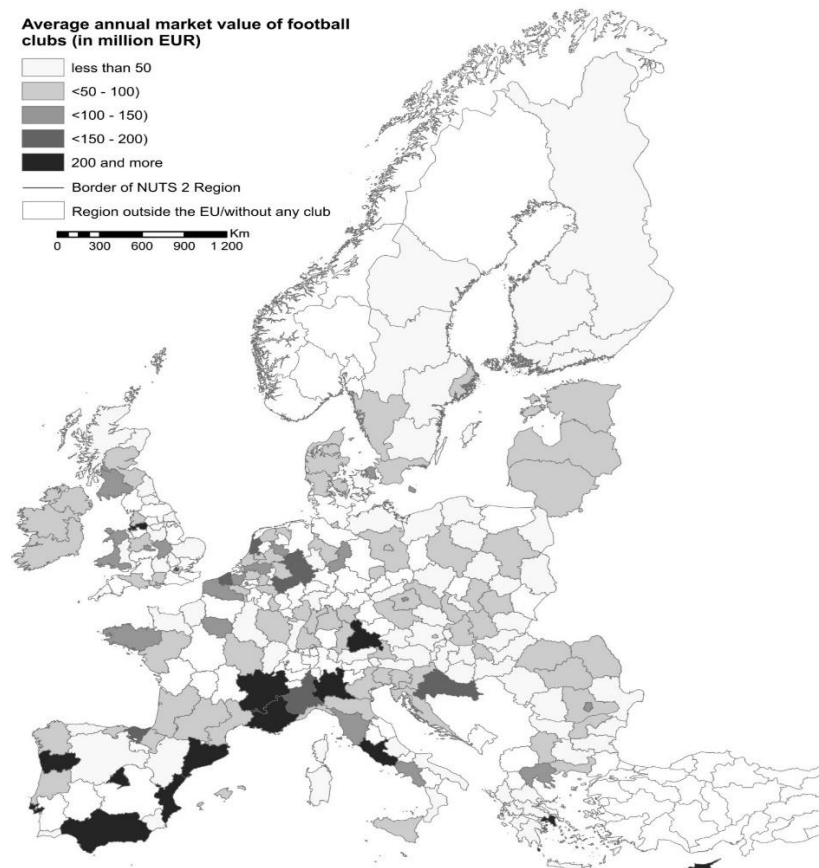


Figure 5 Average annual market value of football clubs in European Union NUTS 2 regions in 2007–2016

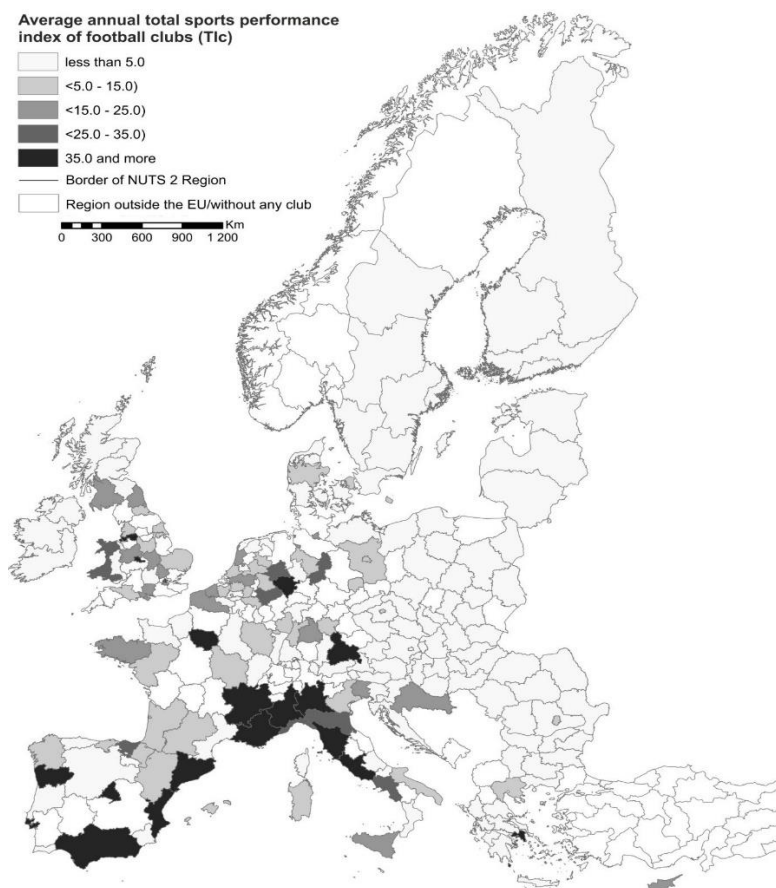


Figure 6 Average annual total sports performance index of football clubs in European Union NUTS 2 regions in 2007–2016

## OBSERVATIONS

- The economic performance of the regions is measured, Fig 4 shows the aggregate GDP value of regions where the first leagues were popular at least once.
- According to that, it shows that Spain, Italy, Germany, France were the richest regions who got average annual GDP of minimum 200 billion EUR
- In fig 5, the annual market value of clubs is observed
- The figure suggests that Western Europe dominates the Eastern Europe in terms of market value.
- Highest market value clubs are situated in regions in England, Spain, France, Germany, Italy.
- Portugal and Greece show high market value of the clubs situated there even though they are economically less developed.
- Fig 6 shows that with few exceptions as mentioned above, regions those who had successful clubs were also economically successful.
- An important observation would be that the regions that didn't do economically well didn't have a first-league club during that period.

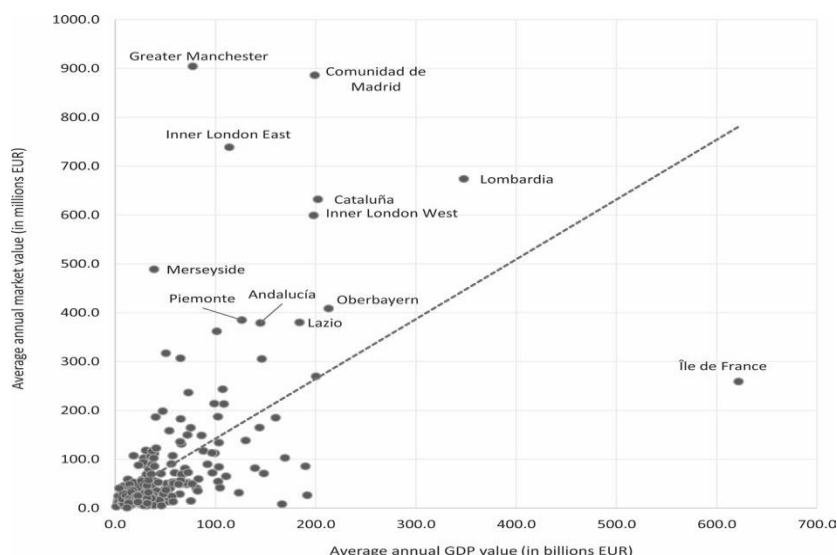


Figure 7 Regression between Average annual market value and average annual GDP value

## OBSERVATIONS

- This fig shows that there is a moderate relationship between the two, which is the market value and the average GDP of the region.
- An exception to this is Ille de France which is now known as Paris Saint Germain which shows high GDP value but the average market value of clubs in that region is lagging behind.
- On the other hand, there is relatively lower GDP and higher market value of the clubs in greater Manchester region which consist of clubs like (Manchester United, Manchester City, Bolton&Wigan Athletic).

## 5. Economic Development and Sports

On the outside it may seem that sports facilities and franchises to the prime reasons for the economics development as they are concentrated at redevelopment of areas. Sporting events are popular worldwide and are appreciated by the people of the country. However, instances say otherwise that sports facilities or clubs in the region they are situated in may not be the indicators of economic growth in that region. On the other hand, it has been observed that a net negative economic impact is there on income and employment. What they provide is non-monetary benefits in major reasons like civic pride, sense of community, privilege.

### Types of Economic impact

Sports facilities can bring three types of economic benefits namely

1. Direct Expenditure
2. Indirect Expenditure
3. Psychological benefits

Direct expenditures are often referred to the money spent by the sports franchises , government on its employees and it patrons, The procedure that is used to estimate the economic benefits provided by a team or a facility is first to estimate the direct expenditures by the team for goods and services in the city, and then to add to this expenditures by fans on goods and services (other than game tickets) purchased in the city, together

with expenditures by players on purchases of goods and services in the city. The resulting sum is the amount of direct expenditure benefits to the city provided by the team (Quick & Fort, 1992)

Direct expenditures are on restaurants, hotels, food, transport which are received by the businesses, these businesses and their employees then spend a percentage of their income on other services and goods within that area, and the same chain reaction happens and this happens for subsequent rounds of spending which makes up the indirect expenditure which profits a particular region.

So, the indirect expenditures are a result of direct expenditure therefore they are referred to as “multiplier effect” in economics. Economists have failed to calculate the multiplier effect for a given level of direct expenditures, but higher multipliers indicate higher levels of economic impact. Psychological benefits, are less quantified as they are a result of behavior, personality.

### **How direct and indirect expenditure can become net benefits?**

In Economics it is assumed that economic growth is resulted from new export sales or import substitution. Increased export sales result from new inflows of expenditure from outside the area as it would add additional money in that region. Now for case, people from other regions come to attend a match in another region rather than go to a pub or sports bar. People of other region spend money on stadium tickets or other areas in stadium than sports bar or pub, it is simply a shift in the spending from one region to another and no new spending has actually happened it is a mere shift.

Import substitution happens when the residents of a community or region keep money that they might have spent elsewhere. If residents choose to go to watch match in a stadium instead of an entertainment event outside the area, it can be said that the stadium has become an import substitute. If, however, residents spend money at the stadium rather than at other local businesses, the stadium causes only a shift in spending, and no import substitution occurs.

The additional local spending that may result from increased export sales and import substitution may multiply and accelerate an increase of locally produced subordinate goods and services. The multiplier depends on the locus of the succeeding spending. If the additional or the new income is to be spent on local produce there is likelihood that the multiplier will be large as it will out of the new inflow of cash in that region. How high are the multipliers in sports? The answer to it is that it varies greatly, as some studies suggest that the multiplier is three while other findings say it is less than two.

## **6. Financing of Stadium Construction**

Financing of stadiums is usually done through public of that region or country, for example the construction of facilities or stadiums, be it for mega event or region is primarily done through the government, the additional expenditure for clubs may also be financed through government and over the years there has been an enormous boom in publicly financed sports stadium. The following data depicts the new construction facility in US since 1998 to 2003.

City and State	Professional Sport	Year Opened	Total Cost	Public Subsidy	Age of Facility
Cincinnati, OH	Baseball	2003	\$297 mil.	\$297 mil.	34

Detroit,MI	Football	2002	\$306 mil.	\$199 mil.	27
Houston, TX	Football	2002	\$374 mil.	\$257 mil.	37
Boston, MA	Football	2002	\$332 mil.	none	31
Seattle,WA	Football	2002	\$408 mil.	\$306 mil.	26
San Antonio, TX	Basketball	2002	\$179 mil.	\$179 mil.	9
Denver, CO	Football	2001	\$417 mil.	\$313 mil.	41
Pittsburgh, PA	Football	2001	\$263 mil.	\$183 mil.	31
Dallas, TX	Basketball	2001	\$438 mil.	\$219 mil.	21
Milwaukee, WI	Baseball	2001	\$410 mil.	\$317 mil.	48
Pittsburgh, PA	Baseball	2001	\$273 mil.	\$231 mil.	31
Cincinnati, OH	Football	2000	\$479 mil.	\$479 mil.	31
Atlanta, GA	Basketball	2000	\$227 mil.	\$195 mil.	3
Detroit, MI	Baseball	2000	\$319 mil.	\$122 mil.	88
Houston, TX	Baseball	2000	\$266 mil.	\$191 mil.	35
San Francisco, CA	Baseball	2000	\$351 mil.	\$11 mil.	40
Cleveland, OH	Football	1999	\$311 mil.	\$311 mil.	53
Nashville, TN	Football	1999	\$319 mil.	\$319 mil.	--
Denver, CO	Basketball	1999	\$187 mil.	\$10 mil.	24
Los Angeles, CA	Basketball	1999	\$363 mil.	\$65 mil.	32
Indianapolis, IN	Basketball	1999	\$201 mil.	\$87 mil.	25
Seattle, WA	Baseball	1999	\$587 mil.	\$409 mil.	23
Baltimore, MD	Football	1998	\$251 mil.	\$251 mil.	44
Tampa, FL	Football	1998	\$190 mil.	\$190 mil.	22
Miami, FL	Basketball	1998	\$197 mil.	none	10
Phoenix, AZ	Baseball	1998	\$392 mil.	\$267 mil.	--

Table 1 Construction facility in US from 1998 to 2003

On average, public financing accounts 65% of the cost of construction of stadiums which is also relevant to the data provided above. Siegfried and Zimbalist (2000) point out that the effective useful economic life of a sports stadium appears to be about 30 years.

## 7. Opportunity cost of Stadium Construction

Economic analysis would be imperfect without taking into consideration that a city, country or state government forgoes other opportunities when it builds a stadium or otherwise subsidize. This in economics is referred to opportunity which means the next best alternative foregone.

An intensive evaluation of the value of sports as a public investment requires not only assessment of whether a sports subsidy would have any net impact on that region or area's economic development. What needs to be taken into consideration is the net impact of the available money in alternatives it could be that the same amount of money could have been invested in other sectors like the health care, education yielded better returns. The alternative of not taking the money from citizens in the first place should always be included in such evaluations.

Resources are scarce, each government has limited budgets so the funds need to be applied wisely, the political capital to sell projects to those who pay the taxes or lose from the economic redistribution is limited. So, it is important short term and long-term planning is taken into consideration.

Even if expenditure and multiplier estimates suggest that subsidized sports development is better than other options, the long-term impact of a sports strategy must still be considered. Since the presence of a stadium or

sports team may change the structure of the local economy, the long-run impact may be less desirable than that suggested by the direct expenditure-multiplier approach. If money spent on sports shifts resources from the manufacturing sector, and if manufacturing sector jobs are higher-wage and more stable, then pursuit of a sports development strategy may ultimately slow a region's economic growth. A great example for the same would be 2012 London Olympics as they had done legacy planning.

### **8. Explanation for the Negative economic impact of sports**

Household spending on sports – the direct spending on sports which includes tickets, licensed merchandise etc and the indirect spending on the things that surrounds sports which includes food, drinks, transportation is easily substituted by other forms of entertainment spending like movie ticket, food etc in areas of the city which are far from stadium. Sports doesn't not induce residents to increase their spending on it, as sports is not an essential which might induce them to draw from their savings or borrowing against future earnings. A report quoted that earnings and employment in the sports sector rise and earnings and employment at eating and drinking establishments and retail trade establishments fall with the size of the professional sports environment in cities. (Coates & Humphreys ,2003). Impact analysis suggests that's the entertainment shifts from other modes to sports and does economic harm to other business in the entertainment sector of the local economy.

Impact analysis studies claims that new facilities will draw new people to the city, leading to additional economics benefits like hotel occupancy or eat meals and the direct spending on sports made by these visitors would have gone to other entertainment establishments. There have been no or little increase in hotel occupancy rates, retail sales or airport traffic. (Porter & Fletcher 2002)

Money spent on subsidizing the sports facility or building a stadium may come at an expense of other services which could be highly important. For example, there is fewer police on the street, weaker education system, less developed infrastructure in terms of road and public utilities. These may result in lower productivity and thus lead people having lower incomes and the spending lesser. This primarily be seen that the effect may be temporary and have long lasting effect on the economy which remains an important topic for future research

The multiplier effect in sports may be lower than that of other forms of entertainment as sport events happen live and are one-time consumption. Also, the majority of the revenues from professional sports go into the salaries for player I case of league and in case of mega events, it is mere getting what the government has invested to host that mega event. The multiplier effect is lower as the players earn and not the citizen thus the money does not spin the same region or country as a player would not be able to spend as the citizens as they would keep circulating the money in the market in comparison to players as the size of multiplier also depends where the money is being spent.

### **9.Non-pecuniary benefits (Subsidizing)**

A common justification for subsidizing professional sports is that there are substantial positive externalities from sports and that these would not be available without subsidies. For example, proponents of sports led development frequently refer to the "world class" city status conferred on a city by the presence of professional sports franchises. It is also common to point out that citizens of a community may derive enjoyment from following the exploits of the local teams on television, the radio, or in the newspaper, but never attend a game. The difficulty is in measuring these benefits, whether from the world class city effect or the enjoyment of the fans, because these are not traded in a market where their value is determined.

## 10. Mega Event Impact

The overall sports environment has minimal impact on the local economy, it could be that the employment or expenditure for that duration may increase which will result in higher multiplier, however it would be only temporary as the mega event is hosted the employment created is gone as the event is finished, which thus creates major problem. There is temporary increase in per capita income. Indirect expenses increase which are through spending shift, sports tourism as such doesn't get in allot of money. This temporary effect is often measured and regarded as how sports contribute in economic development, but the sad part here is that it is temporary, but mega events do help in setting infrastructure which is the only advantage for the hosting country.

Porter and Fletcher (2002) examined hotel occupancy, hotel room rates and traffic at the local airports for the effects of the Olympic Games held in Atlanta and Salt Lake City. If the Olympics generate the economic development the proponents claim, measured perhaps by the increased sales, then one should see that hotel occupancy rates climb and that arrivals at the local airports are larger than otherwise. What they found is that the rent on hotel rooms climbs dramatically, by 138% in Atlanta and 123% in Salt Lake City, but that occupancy rates and arrivals at the airports are essentially unchanged. Sales increased in Atlanta by \$122.6 million, relative to a monthly average of \$2.42 billion, but fell in Salt Lake City by \$78.4 million

## 11. Sporting Team Effect on a Region

With above mentioned reasons, it is evident that sports team generally have no or minimum impact on a region's economy as the services like stadium, etc are either exported or imported by the government, in other words on national basis. Construction of a new stadium does not increase the per capita income and rather state governments are likely to exploit benefits.

Spending spurred by sports events may represent spending that would still occur elsewhere in the area. Attending a sporting event is but one possible use of an individual's leisure time and money, it is possible that no connection between professional sports and per capita income growth emerged because sports spending simply substitutes for other forms of leisure spending

## CONCLUSION

There have been many economic studies relating economic impact of new sports facility. New stadium construction is in the midst of a boom period as many countries bid to host mega event and there has been a significant increase in trend to do so. Governments may be willing to invest tons of money in public subsidies on such projects. Despite a body of growing researches that try to provide supporting evidences that the sporting facilities are an important factor of economic growth. The flawed multiplier approach remains an important factor to consider before building the stadiums on subsidies.

The findings are particularly clear that using public funding for construction of professional sports facility is not a good economic investment as the opportunity cost that is included in cost benefit considerations, public investments in stadium may be more than just insignificant; they could be negative too.

For professional sports to contribute significantly to an economy it is important that it should promote large net increase in spending of the population, the myth is that it does but it doesn't. The reality is that sports doesn't not expand spending, but serve only to realign it.

Further in regard to employment and formation of new business; the required amount of data has to be significant no concrete findings were found as such, however an observation was noticed that sports leagues or mega events provide temporary employment which doesn't not significantly add to the economic development as the situation goes back to what it was as soon as the events ends.

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