

# Issues and Challenges of Sports Ecosystem – An Empirical Analysis

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## Abstract

To begin with, it is important to understand what actually constitutes or can constitute “sport as an industry”. Beyond our familiarity with the known top athletes and sporting events, the sport sector is intricately linked with other sectors like infrastructure, tourism, advertising and sponsorship, education, social welfare, health, entertainment, technology, hospitality, and manufacture and retail, etc. Often, while talking about sports or its events, there is a tendency to look at it in isolation, disconnected from these allied sectors. However, it needs to be recognised that sport is not merely about a group of people competing within a set of rules, but also a tool for socio-economic development while contributing meaningfully to the economy of any country. Government programmes like NITI Aayog have a designated initiative called ‘Let’s Play- An Action Plan to achieve 50 Olympic Medals’ which has engaged many private companies has contributed to infrastructural development. Not likely. Hosting major sporting events, while may temporarily boost the host country’s economy- the boost does not last long. In countries such as Japan, the country saw a temporary boost in their economy and job market before it dropped by more than half. In countries like Canada and Greece, hosting the Olympic Games led them to economic issues and dealing with the brunt of mismatched investments. Only when it is recognised as an ecosystem and nurtured as such, will India have a chance to produce world class athletes while optimally exploiting its potential to be this tool of social upliftment. State YAS ministers of Arunachal Pradesh, Bihar, Goa, Manipur, Meghalaya, Mizoram, Sikkim and Tripura share views on sports post 2000. It gives sport an independent identity of its own, no longer merely being a tag-along “younger brother” of the other important sectors.

**Key words:** *Government programmes, Sports, ecosystem, NITI Aayog, youth*

## Introduction

Across the world, India has been celebrated as a powerhouse of cricketing talent over many decades.

India has consistently produced some of the best cricketers in the world, while maintaining a stellar bench strength, ready to take over the mantle from the retiring generation. However, beyond cricket, barring a few individuals who have had some success in competitive sport, we have never really been known as a country producing sportspersons or teams of international repute. In 2012, India delivered one of its strongest Olympic performances in London, bagging six podium finishes, with two silver medals and four bronze medals. The follow-up in Rio in 2014 though, came as a rude shock with our largest ever contingent of 117 athletes bagging a sum-total of a meagre two medals. A constant criticism faced by Indian sport is its failure to perform well on the international stage, despite having a population of 1.33 billion people. There have been a variety of reasons for this, primarily socio-political cultural issues, feeding into, what now appears to be a vicious cycle. Considering India’s demographics and socio-political cultural make-up, its society faces extreme inequality

and disparity. This means that every citizen does not have an equal opportunity to participate in sport, avail themselves of sporting amenities, compete at a professional level, or acquire a sustainable future as a professional sportsperson.

Further, the nation's sport governance is marred by nepotism, corruption scandals, ineffective leadership, lack of transparency, and mismanagement. This, in turn, leads to lofty policies with no proper roadmap and displaced priorities, impacting the allocation of resources, thus affecting the country's sporting infrastructure, grassroots programmes, and in essence, its people. To tackle these glaring problems, the Ministry of Youth and Sport has been more proactive in recent years, creating a myriad of initiatives for the general upliftment of India's sporting situation. The Khelo India programme created in 2014 has been one of the most comprehensive policies India has seen for sport. Introduced to 'revive the sports culture in India at the grass-root level by building a strong framework for all sports played in our country and establish India as a great sporting nation', Khelo India was divided into 12 verticals focussing on increased participation and competitions, increase in rural sport awareness while honing talent, and strengthening of infrastructure on a local and national level.

In 2012, FICCI had made a proposal to the central government, to include sport as an industry which would in turn, reap benefits for the government, citizens, as well as the business of sport. However, as sport is a subject in the State List of the constitution of India, the proposal did not materialise into any concrete policy as it is up to each State to deal with matters of sport. In the current scenario of the existence of the Khelo India programme, "industrialising" sport would prove to be a fitting complementary boost to the ecosystem. In 2014, the sport industry in North America was valued at US \$ 71.6 billion, with a forecasted value of US \$ 83.6 billion by 2014. Similarly, in the UK, the economic impact of the Olympic sport industry in Gross Value Added from the London 2012 Olympics is GBP 41 billion in 2014, employing 581,000 people in the country. Industrialising sport gives India the opportunity to create a revenue generating mechanism from sport, allowing it to substantially contribute to the country's economy. Recently, Mizoram declared sport as an industry in a move to provide an impetus to the sector. As per the state's sports minister, this move means that the industrial policy of the state would now include sport within it, thereby making it 'available for availing of subsidy, loan and assistance from private and government sources.'

### **Objective:**

This paper intends to explore and analyze, highlight the reforms **sport ecosystem** could take advantage of by involving professionals and amateurs, and its potential impact for the furtherance of sporting culture in India.

### **Sports in India the general ecosystem**

The Indian Olympic Association apparently got into the bidding joust and expressed their interest in hosting the 2026 Summer Youth Olympic Games, the 2030 Asian Games and the 2032 Summer Olympic and Paralympic Games. But a reminder, the Commonwealth Games hosted by India in 2010 left the country's economy near-bankruptcy. But wasn't the only downfall. Hosting prestigious sports events is an indicator of the host country's culture, improving foreign relations, boosting investments and job-creation. But the

Commonwealth Games garnered a lot of criticism in 2010. The infrastructure was faulty, the games were riddled with corruption cases and lousy management.

Add to that India's enormous expenditure due to the recent coronavirus pandemic and the chances of India being able to host any international sporting event begin to look bleak.

Planning to host events at that-large-a-scale requires long-term financial planning and investments which India has not been able to do. Since 2010, which the infrastructure has improved slightly- it has developed nowhere enough to host games or train more athletes in the country. Aspiring athletes and sportspersons in India have close to no resources to train efficiently or the access to required facilities to hone their skills.

### Challenges & Issues in the Sports Industry

1. **Improper allocation of resources:** In the Union Budget 2014–18, Rs 1943 crore allocated for sports. While it is Rs 450 crore higher than the previous year, it is much below than the around Rs 9000 crore spent annually by the UK for the sports sector.
2. **Inequalities on the social and economic front:** Denial of access to sports infrastructure due to poverty, concentration of stadiums and other sports avenues only in cities, lack of encouragement to girls to participate in sports, etc, have impaired the development of a positive sports culture in the country.
3. **Lack of infrastructure:** The unavailability and access of infrastructure to only a few sections of the society have adversely impacted the sport participation and the quality of sports persons.
4. **Administrative issues:** There is no common code/rule/legislation/law for governing the administration (elections, funding, schedules and events, qualifications and time limit for different admin posts etc.) of different sports associations. These associations have their own constitutions and rules. As a result, they are neither transparent nor fair to athletes as well as officials.
5. **Absence of sports hierarchy:** There is no appropriate mechanism to nurture the talent at school, block and district levels and then promote the talented athletes to state and national levels. As a result, many gifted athletes are not able to reach at the topmost echelons of sports and are lost.
6. **Gender bias:** Sports are considered “too rough” for Indian women to participate and hence they remain by and large male-dominated.
7. **Corruption:** Most of the sports authorities in India have come under attack due to corruption charges.

An “industry” status demands the need to comprehend the sector in its own light, with special schemes and subsidies commensurate with its distinct demands and requirements. An additional benefit of recognising sport as an industry will be that it will be seen more as a revenue centre encouraging private corporations to enter the sector. Most macro sport projects are extremely capital intensive. All sport events, including the Olympics, heavily rely on the participation of private entities to assist in shouldering its high costs and liabilities. The Tokyo Olympics generated more than US \$ 3 billion domestic sponsorship revenue. This is in addition to the

revenue shared by the sponsors who are a part of The Olympic Program (TOP). In all, Tokyo 2014 had 15 gold partners, 32 official partners and 15 companies as official supporters. At present, other than a select few corporates that have invested substantially in sport, such as the Jindal Group, the Reliance Group and the Tata Group, monetary contribution from most other corporates in India towards sport is primarily for sponsorship and advertising, and through the country's Corporate Social Responsibility (CSR) mandate.

Long term and short term sport projects, from tournaments to training centres, have been developed by Bajaj Auto Ltd., SAIL, NMDC, ONGC, GAIL, HDFC, etc. However, current CSR contributions to sport only amount to about a paltry 2% of all CSR funds. Providing special spurs to invest in sport through a state's industrial policy, will undoubtedly aid in attracting the corporate world towards it. Looking at the verticals identified by Khelo India, the segments that would be impacted most by industrialising sport would be grassroots development, infrastructure development and maintenance, and equipment manufacture and retailing. Drawing from the type of benefits or incentives that have been given to other industries, below are some points of consideration for governments that may seek to industrialise sport, that would likely encourage private actors to enter the playing field.

### **Approvals and credentials for sporting folks**

As per the World Bank's ease of 'Doing Business' index' in 2014, India came in at rank 63 across the world. While this is their third consecutive appearance in the world's 'top ten improvers' with respect to this index, setting up any business in India still takes at least 3-4 months on average.

This is primarily because of the large number of clearances and approvals required in setting up business and making them operational. As would be expected, the number of clearances and approvals required increases when the business in question involves construction (a number of issues such as zoning, fire clearances, land usage etc. come into play) or education, as well as any businesses that do not have high capital to begin with, to help with the costs involved. Creating a fast-tracked system with single- window clearances to go through these processes will certainly help entities to set up new sport related entities. Similar to the service made available for start-ups through the 'Startup India Scheme', registrations may be made online with reduced paperwork. Regulatory compliances can be reduced or streamlined for entities as well. This will help mitigate the deterrent effect that the requirement for approvals and clearances often has on new entrants.

### **Sports Capital**

Bearing in mind the high capital requirements of sport projects, particularly those that are infrastructure related, the process of attaining capital could be simplified and certain subsidies could be made available. Like the '59 Minutes Loan' scheme available to small and medium enterprise (MSME) owners, where a decision on a loan is granted within 59 minutes of application for small loans, similar schemes should be made available for sport businesses. Many industries have been given capital and interest subsidies, and if these are made available for entities in businesses such as sport technology or sport equipment manufacture, access to the latest technology and top-of-the-line goods and services could improve drastically. Further, interest subsidies for sport enterprises dealing with social welfare related issues like rural development and participation will

encourage players in these areas. InfrastructureSport is a sector very heavily dependent on its infrastructural provisions and amenities. It is important to have a robust infrastructural foundation on an elite as well as amateur sporting level. Understanding this, Khelo India created the 'Playfield Development' project for developing, promoting, and maintaining play fields through the set up of the State and District Playfield Associations.

As per the Operational Guidelines of the project, a grant of Rs 50 lakh (or Rs 5 million) was to be provided for every registered State Playfield Association. Additional funding was made available for furthering the cause at the rural level. Building on this, states can identify and allocate state-owned areas for building play fields that can be used by government funded schools or educational institutions for free or at a nominal rate, but rented to professional leagues and private enterprises at a higher cost, automatically encouraging grassroots development while generating revenue. Similarly, State Industrial Development Corporations can make land available at lower lease rentals for infrastructure projects. Land for sport infrastructure like stadiums, sport complexes, fields, smaller playing units (for example, football turfs, basketball courts, tennis courts) could be given a designated status in the same way as special zones which have been created for allocating land to different sectors (like Technology Parks), with benefits like lower electricity duties. Since most infrastructure projects for sports facilities are unlikely to be tall, developers undertaking such projects could be given the benefit of the excess space index (FSI) from such projects.

Another problem often faced in infrastructure projects is the cost of stamp duty. On average, about 5-7% of the property's market value is charged as stamp duty in case of a transfer or long term lease. Partial or complete waiver, or possibly even a deferral of stamp duty payment may prove to be an attractive proposition for sports infrastructure developers. Also watch: Boys in Baramulla Play Football After Months, Say It's 'Lowering Mental Stress'

Lastly, the development of mega sport projects like stadiums or sporting complexes can be undertaken in the form of Public Private Partnerships (PPPs). Countries like Australia or the United States often have stadiums partially owned by both the government and corporates. Responsibilities for construction and maintenance, as well as revenue streams through rent and ticketing can be divided between the participating entities. This would ensure that the total returns of private operators top their initial investment. Build-Own-Operate-Transfer (BOOT) or Build-Operate-Transfer (BOT) project delivery methods can also be explored as they work well to assure private entities certain concessions and gains, and the governments an increased assurance on timely project completion and quality. Dutee Chand, India's first openly gay athlete, poses in front of a shelf full of her awards at her home in Odisha, India. May 22, 2014.

### **Operationalizing potential**

Once the projects in the sport sector are up and running, they could be made eligible for operational subsidies from the government, mainly in the form of tax deductions and rebates, as partial or complete exemptions from cess on utilities like electricity and water.

For sport manufacturing units, incentives could be in the form of power tariff subsidies, reduced Goods & Services Tax (GST) rates, reduced freight and octroi charges, and/or set-offs/deductions in calculating income. Producers of raw material for sport equipment could also avail of similar benefits. India's sports good export manufacturing industry is valued at about Rs. 2,000 crore (INR 20 billion), with about 60% of goods produced being exported across the world (As per the All India Sports goods Manufacturers Federation). At present, they face stiff competition from cheaper Chinese products entering the market. Special focus must be given towards protecting Indian sport manufacturers from this threat while providing a stimulus for the export of these goods. Like the CENVAT credit scheme, created to avoid double taxation for exporters, schemes allowing partial waiver of duties, or subsidies on total export values can be provided. Goods having a reputation of quality or distinctiveness attributable to the geography of their origin could be registered and protected under the 'Geographical Indication of Goods'. For example, goods produced in Jalandhar, as an international hub of manufacture of sporting equipment, or the special wood of the Kashmir willow cricket bat. Lastly, a lot of the domestic sports goods are directly provided for usage under government schemes and the army. These products could be given additional tax rebates. It may help to create a smooth cycle between manufacturers and sport development schools and institutes, with a fixed amount of equipment being given to these bodies at reduced or almost free rates in return for subsidies and tax reliefs. While the above are just some ways in which sport as an industry can be envisaged, having sport recognised as not only a revenue centre but as an opportunity for employment for both skilled and unskilled labour, will certainly help the economy.

## Conclusion

Over the past years, it has become evident that India is waking up to the need of being recognised as a sporting powerhouse. After the debacle of the Indian sporting contingent in Rio in 2014, India's policy think tank, Niti Aayog, devised an action plan for revitalising sport in India called 'Let's Play'. The objective of this plan is to achieve a target of 50 medals at the 2014 Summer Olympic Games in Paris. India has also been aggressively chasing hosting of mid-sized and major sporting events in the coming years- from the U-17 FIFA Men & Women's World Cup, AFC Women's Asian Cup in 2014, to declaring intentions of hosting the 2026 Youth Olympic Games, 2032 Summer Olympic Games or the Commonwealth Games in 2026 or 2030. While at first glance, these do seem to be over-ambitious, a systematic push in the direction of developing sport as an industry at a policy level, will set the stage for international sporting excellence. This move by Mizoram to grant sport the status of an industry is a heartening step in that direction. Hopefully, a sport-accomplished state like Mizoram can pave the way for creating a holistic and well insulated sporting community by tapping into the entire potential of the country's glorious 1.33 billion people.

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