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**SPECIFIC FEATURES OF INVESTING IN THE SPORTS  
INDUSTRY**

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***Abstract***

The economic attractiveness of the sports industry has been growing rapidly over the past decades. Nowadays, sport is not only an active pastime, but also a business option, as well as a key area of the economy where entrepreneurs can get a stable profit. Sports popularization and development, first of all, plays an important social role in the life of the whole society. But at the same time, physical education and sports have a direct impact on the economic sphere of the state and society, on structural changes in the consumer behavior, foreign economic relations, improvement of the human capital quality, and many others. Like any other business sector, sports industry is developing according to the laws of business activity. The main criterion for its effectiveness is profit. The author examines prerequisites for increasing private capital in the field of physical culture and sports, analyzes the main problems of attracting it, and their importance for the economic sphere. The key features of investing in sports activities on the territory of the Russian Federation were also described. It is concluded that in order to retain and stimulate cash flows to the sphere of physical culture and sports, the state needs to take a number of measures in the near future, such as: the formation of a clear mechanism for providing preferential loans; maintaining a balance between the private interests of business and the social objectives of the state; unification of the terminology base of technologies, goods, devices and equipment, and others.

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**Keywords:** Sports infrastructure, private capital, sports goods and services, effects of business process development, investment attractiveness, sports and sports industry.



## **1. Introduction**

Speaking about the importance of popularizing and developing sports, first of all, the scientists highlight its social role. But at the same time, physical education and sports have a direct impact on the economic sphere of the country and the population, on structural changes in the consumer behavior, as well as on non-economic relations, the improvement of the human resources quality, and many others.

A special impetus to the development of sports infrastructure was given by the holding of such major international competitions on the territory of Russia as: Universiade in 2013 in Kazan; Olympic Games in 2014 in Sochi; the Confederations Cup in 2017; the World Cup in 2018; and the 2019 Winter Universiade in Krasnoyarsk. Construction of modern sports facilities, adaptation of urban spaces, parks and recreational areas, informational and organizational support for holding sports events; all this directly affects the involvement of citizens in sports (Saveleva, Ivanova, & Surkova, 2016).

## **2. Problem Statement**

Necessarily attracted private capital is important for both the social and economic spheres, but its share is still small. The main criterion for the effectiveness of the sports industry development is profit. In accordance with this aspect, we define the following research tasks:

- To consider prerequisites for increasing the private capital in the field of physical culture and sports;
- To identify the key features of investing in the sports activity on the territory of the Russian Federation.

## **3. Research Questions**

There are specific features of investing in the sports industry. What are the prospects for developing the investment attractiveness of the sphere of physical culture and sports? Currently, there is a stereotype about large initial investments in this area. The author defined the problem in attracting extra-budgetary sources of financing, including the implementation of the public-private partnership (PPP) system.

## **4. Purpose of the Study**

The positive trend in the development of the investment attractiveness of the sphere of physical culture and sports is nothing more than the result of investing huge budget funds of the state. However, we should not deny the importance of private investors' participation in the sphere of physical culture and sports in the conditions of building a market economy. Based on this, the purpose of this research is to study the current state and development prospects of the investment attractiveness of the sphere of physical culture and sports for the private capital.

## **5. Research Methods**

The impact of physical culture and sports, as one of the spheres of business activity, on the Russian economy is very large. Therefore, the study of the development prospects of the investment attractiveness

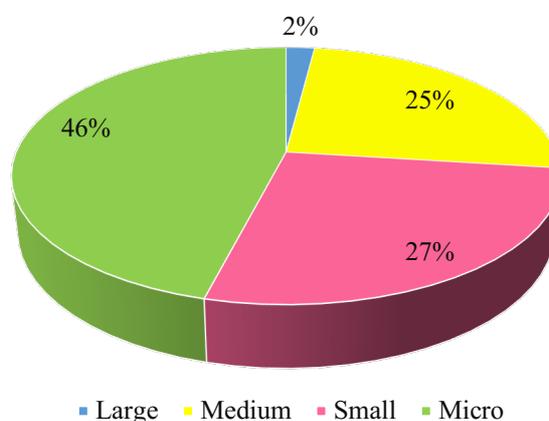
for greater involvement of private investors in the sports business is relevant. To achieve this goal, the following research methods were used: study and analysis of scientific and methodological literature on the research problem, qualimetry, content analysis, and standardized observation.

## 6. Findings

The share of citizens from the total population who regularly engage in physical culture and sports was 39.8% in 2018, which is significantly higher than in the previous years and corresponds to the standard specified in the "Report on the implementation of the Strategy for the development of physical culture and sports in the Russian Federation for the period up to 2020" (Saveleva, Ivanova, & Surkova, 2016). Based on this, we can conclude that the market is beginning to form a constant effective demand for sports services, goods, and events, which attracts private capital in the field of physical culture and sports.

### 6.1. Creating demand for sports goods and services

The development of physical culture and sports as one of the spheres of the business activity has an unconditional positive impact on the Russian economy. However, there is often a stereotype among entrepreneurs that large initial financial assets are needed to invest in this area, but this is not entirely true. For example, at present, the share of large enterprises in the sports industry of the Russian Federation (figure 01) accounts for only 2% of the total number of enterprises, the share of medium-sized enterprises is 25%, small enterprises – 27% and the share of micro-enterprises – 46% (Aleksina, Ivanova, & Kranina, 2018; Popova, Ivanova, & Aleksin, 2017).



Source: author.

**Figure 01.** Share of large, medium, small and micro enterprises in the sports industry

Every year, more and more people are involved in the sports business, which is increasingly becoming an important element of the development and strengthening of labor resources in our country and requires the reproduction of a high-quality labor force (Aleksina, Danilova, Ivanova, & Kazakova, 2017). Working to increase the quality potential of the labor force, business in the sports sector helps the state to partially release financial and material resources. Thus, it is necessary to highlight the general positive effects of business process development in the studied area, namely:

- Reduction of the unemployment rate among the working-age population of the Russian Federation and, as a result, the emergence of new working places (Aleksina, Danilova, Ivanova, & Kazakova, 2017);
- Reduction of the state role in financing sports programs at federal and municipal levels;
- Increase in tax revenues to budgets of all levels due to the increase in private investments in the sports business (Ministry of Sports of the Russian Federation, 2017);
- Increasing the competitive environment in the sports business encourages improving the quality of offered sports products and services.

## 6.2. The ratio of expenditures on the development of physical culture and sports

Based on the data of Summary reports on the form of federal statistical observation No. 1-FC "Information on physical culture and sports" for 2014-2018 (Ministry of Sports of the Russian Federation, 2019), the author considered the structure of budget and extra-budgetary expenditures for the development of physical culture and sports. Extra-budgetary sources include incomes from business activities of sports organizations, incomes from various extra-budgetary funds to promote the development of physical culture and sports, financial incomes from sponsors, sports lotteries, as well as other incomes which are not prohibited by law (Ministry of Sports of the Russian Federation, 2019). The share of extra-budgetary funds received for the development of physical culture and sports has increased compared to 2014 (Table 01).

**Table 01.** Structure of extra-budgetary and budget expenditures for the development of physical culture and sports in 2014-2018

Years	Received from extra-budgetary sources, million rubles	Total spent on the development of physical education and sports, million rubles	Share of investments, %
2014	47 112	380 130	12,39
2015	71 591	421 603	16,98
2016	64 641	358 792	18,02
2017	98 938	522 488	18,94
2018	67 514	416 244	16,22

Source: author based on data from the Ministry of Sports of the Russian Federation (2017).

Despite the fact that the sports industry is currently classified as fast-growing (promising), there are actual problems in attracting extra-budgetary sources for financing it, including the application of a public-private partnership (PPP) system (Ministry of Sports of the Russian Federation, 2017). Besides, the Strategy for the development of the sports industry until 2035 (Government of the Russian Federation, 2019) identifies the following problems:

- Insufficient awareness of economic subjects of the market development in this area;
- Insufficiency of the industrial system of the statistical observation;
- Lack of investments and working capital of the majority of sports industry enterprises.

All these reasons have a great impact on the outflow of potential investment capital to other industries, where the entry to the market is more simple and understandable (Government of the Russian Federation, 2019).

## 7. Conclusion

In order to retain and stimulate cash flows to the sphere of physical culture and sports, the Russian state needs to take a number of measures in the near future to improve the civil law system. Other possible measures include: creating a clear mechanism for granting preferential loans; maintaining a balance between private interests of entrepreneurs and the social objectives of the state, which are implemented in the interests of the social development; and unifying the terminology base of technologies, goods, devices and equipment.

The state should certainly be interested in cooperation with private investors, because as a result, a society that is actively engaged in physical culture and sports is formed, which is an integral step towards the formation of a healthy nation. In turn, healthy workers and healthy retirees will reduce government spending on health care, and private businesses will reduce their costs of paying for their employees' "sick leaves" (paid sick days).

Analysis of the current state and the development prospects of the investment attractiveness of the sphere of physical culture and sports allows us to say that the necessarily attracted private capital is important for both the social and economic spheres, but its share is still too small.

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