

**SPORTS INDUSTRY – A POTENTIAL NEW
SOURCE OF ECONOMIC GROWTH**

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The aim of the paper is to study the impact of sports industry on the economic growth of a country, with a further perspective for the Republic of Moldova. The novelty consists in the necessity of a wider research of the activities of sports organizations and their impact on the economic activities within a country, as there are existing worldwide examples that could serve as a strong argument in this case. The results were achieved using the following methods: statistical, analytical, comparison, etc. Understanding that modernization of the sport industry is necessary for any country, including the Republic of Moldova could result in the determination of the linkage between sports and further development of the country.

Key words: *sport industry, investment, economic growth, development.*

Scopul lucrării este de a studia impactul industriei sportive asupra creșterii economice a unei țări, cu o ulterioară perspectivă pentru Republica Moldova. Noutatea științifică rezidă în necesitatea unei cercetări ample a activităților organizațiilor sportive și impactul acestora asupra activităților economice a unei țări, dat fiind faptul că există exemple concrete care pot servi drept un argument forte în acesată situație. Rezultatele obținute s-au datorat utilizării următoarelor metode: statistică, analitică, metoda comparației etc. Înțelegerea faptului că modernizarea industriei sportive reprezintă o necesitate pentru orice țară, inclusiv pentru Republica Moldova, poate duce la determinarea și identificarea legăturii directe dintre sport și dezvoltarea continuă a unei țări.

Cuvinte-cheie: *industrie sportivă, investiții, creștere economică, dezvoltare.*

Целью данной работы является изучение спортивной индустрии и её влияние на экономический рост страны с будущей перспективой для Республики Молдова. Научная новизна заключается в необходимости проведения более обширных исследований в области деятельности спортивных организаций и их влияние на экономическую деятельность страны, учитывая, то что есть конкретные примеры, которые могут служить в качестве сильного аргумента в данной ситуации. Полученные результаты были обусловлены использованием следующих методов: статистический, аналитический, метод сравнения и т.д. Понимание того, что модернизация спортивной индустрии является необходимостью для любой страны, в том числе и Республики Молдова, может привести к определению и идентификации прямой связи между спортом и дальнейшего развития страны.

Ключевые слова: *спорт индустрия, инвестиции, экономический рост, развитие.*

JEL Classification: *L83, F21, F29, F63.*

Introduction. Under the conditions of intensive structural changes that take place nowadays in the Republic of Moldova, the creation of market relations is observed in several new sectors of the national economy. Thus, sports organizations from the Republic of Moldova are lacking in financing, both from public and private sources. They face with the challenge of finding sources of financial resources, which would lead to implementation of innovations in their economic aspect in order to be an active member of the economic process.

Moreover, given the deepening of the commercialization of sport events, it is a strong need to intensively develop sport infrastructure, so that the sport organizations could become an important player

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in the economic processes in the Republic of Moldova.

Material and method. For a wider approach, the article analyses both, national and international data available for sport industries. Within the research, there have been used the following methods: statistical, analytical, comparison, etc. They allowed the author to better present some analysis that was made according on the existing data.

Results and discussions. Over the past decade, the world of sport and leisure activities have turned into a dynamically developing industry, continued to gain more and more popularity and investment attractiveness. The scale of the development of the sports industry is characterized by a steady increase in revenues, which can be seen from Figure 1. Statistics show that the growth of the industry is sustainable even in adverse economic climate and instability of the economy.

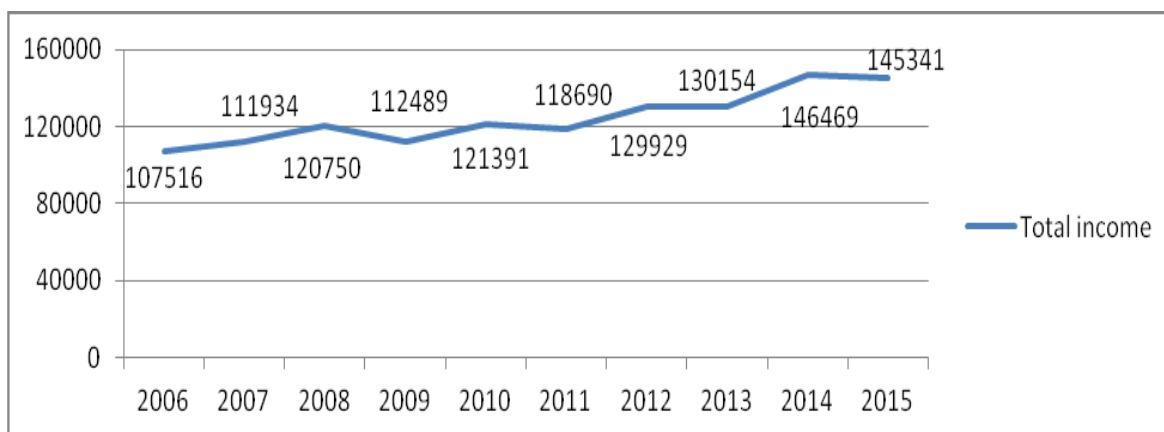


Fig. 1. World sports industry (mil. USD)

Source: Changing the game: outlook for the global sports market to 2015, PwC, 2011.

At the same time, Republic of Moldova has a low sport culture that is diminishing its impact on economic activities year by year. The lack of investments in sport complexes leads to the existence of a poor sport infrastructure that is barely changing through years, and even if there are any changes, the situation is getting worse.

Table 1

**Sport buildings, sports and recreation
gymnastics centers for health in the Republic of Moldova**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sport buildings - total	4848	4882	4907	4918	4906	4891	4885	4910	4901	4901	4806
stadiums with stands for 500 seats and above	47	48	54	55	53	52	51	51	51	51	50
plan sport buildings (lands and fields)	3017	3051	3051	3067	3047	3019	3017	3020	3022	3025	3026
sports hall	1229	1251	1270	1281	1269	1274	1273	1267	1267	1268	1268
swimming pools	22	25	25	25	25	25	25	24	24	25	25
other buildings for sports activities	533	507	507	490	512	521	519	548	537	532	437
Centre of physical culture and health recovery	10	9	6	6	6	6	6	6	7	8	9

Source: Database of the National Bureau of Statistics, Republic of Moldova, www.statistica.md

The issues related to sports organizations and culture problems in the Republic of Moldova are widely important. On one hand, the complexity of relations between sports and economy for the national level has as consequence the stagnation for the development process and the promotion of sport, explained by the limited financial resources, thus the absence of a well defined policy that may prolong and promote the sport movement. On the other hand, the world sport moment is given considerable financial resources for maintaining physical culture system and sport. Applying for these types of grants and projects for the sport development and promotion requires the achievement of concrete actions not only for managers and sports organizations but also for the active involve of the state for the sport national system [1].

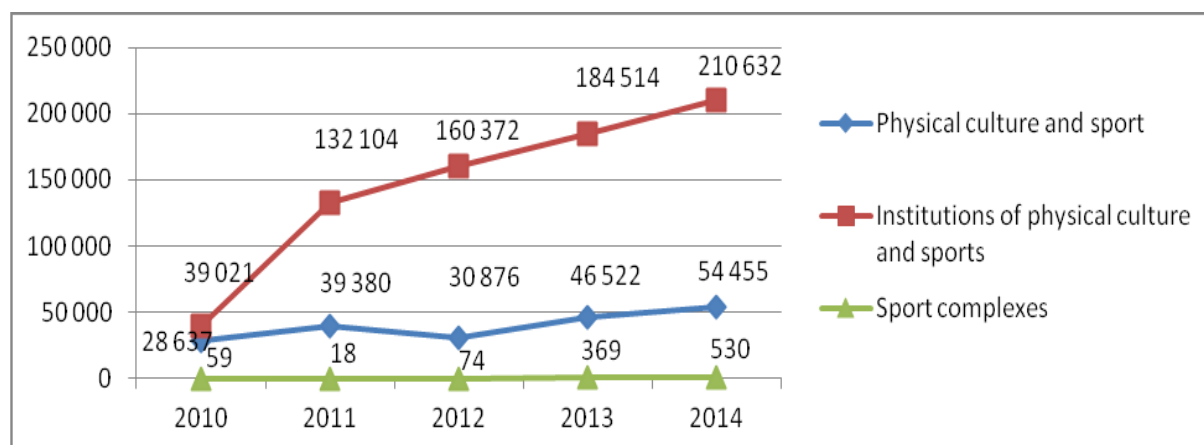


Fig. 2. National budget expenditures for physical culture and sports in the Republic of Moldova, 2010-2014, thous. MDL

Source: BOOST database of the Ministry of Finance of Moldova, 2010-2014.

In terms of budget expenditures for physical culture and sports, Republic of Moldova has a low level of state support. Sport activities are often combined with cultural ones, and their share in the total national budget expenditures accounts for 2,06% in 2014. But if we have a look just at physical culture and sports expenditures, their share in the executed national public budget is very low – 0,09% in 2014. At the same time, most of the expenditures in sport area are found in financing of institutions of physical culture and sport – 210632 thous. MDL in 2014.

According to the international literature, there can be identified two models of financing the sports industry: American and European. The first involves the minimization of state security, and the second – mixed financing with a greater share of government intervention. The existing Moldovan sports industry is closer to the European standards, as well as all sports industries from CIS countries, but there is a steady trend of reducing financing from budgetary sources. An effectively built organization allows managing financial flows and intelligent marketing policy, accumulating large profits, purchase of expensive players and use of their professional skills to achieve high results. This contributes to the increase in audience of fans, leading to an increase in sales of tickets, etc.

The effectiveness of the sports organization today depends on the ability to organize a commercial basis for its existence. This leads to competition between sports clubs for fans and good conditions for business development.

In such a case, the revenue from selling tickets remains the same, but there appear new opportunities, like sponsorships and rights for broadcast. If we are looking at the situation worldwide, we can observe a trend of investments in sport organizations from banks and big companies, as they consider it a good opportunity for promoting their own brands.

Data from Figure 2 show that the periodic slowdown in sponsorship revenue does not go beyond the trends of development of this sector. Another important segment of the business development in the sports industry is the selling of rights to broadcast sporting events. In this case, the impressive growth rates hide periods of recession and reflect the effect of the major international competitions. Nevertheless, the market has a clear prospect of development through new technologies implemented in the format of broadcasts.

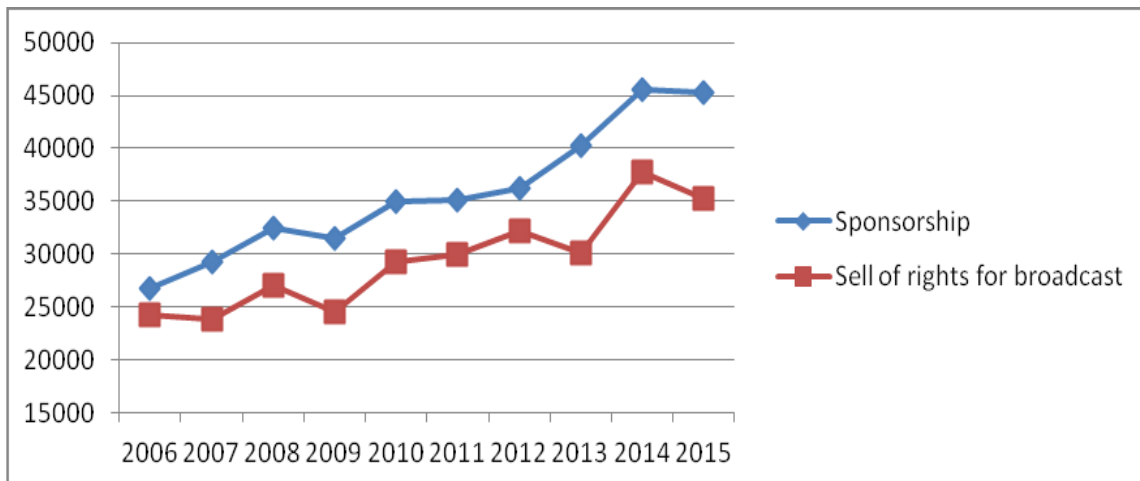


Fig. 3. World revenue from sponsorship and rights for broadcast, mil. USD

Source: Changing the game: outlook for the global sports market to 2015, PwC, 2011

Investments represent an important part of the development of sports industries. But besides just the economic aspect of this process, here is also a social one. Investors require sport clubs to follow certain rules, to have a good behavior in the society and promote sports among people of all ages. In addition to the interest of private investors in the sport, it worth mentioning the role of the state. State is the main actor that can promote the sport culture among the population through schools, kindergartens, etc. Also, it can participate in various international competitions for organization of international sports events in the country.

Conclusions. In light of the above, we can conclude that today the Moldovan sports organizations are still at a low level of development in order to have a direct contribution to the economic growth of the country. In this case, at the beginning, it is necessary the state to have a better involvement in promotion of sport organizations. On the other hand, it is important to take into account that the preservation of the dominant role of the state in the financing of the sector could lead to the potential situation where the state could become an inhibiting factor. However, with the right approach of the sport events and other processes and the timely adoption of the necessary measures for their modernization, sports industry could become a branch of the Moldovan economy which will provide resources for further growth.

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