
A STUDY ON ECONOMIC IMPACT OF MEGA SPORTING EVENTS

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ABSTRACT

The economic impact of mega sporting events (MSEs) indicates that while they generate significant short-term capital flow and infrastructure development, the long-term net benefits are often marginal or negative for host cities. Independent studies, such as those evaluating the Olympic Games and World Cups, frequently highlight a disconnect between optimistic pre-event projections and actual fiscal outcomes, citing massive budget overruns and the "crowding out" of traditional tourism. For developing nations, these events can accelerate urban modernization and enhance international branding, as seen in the Qatar 2022 model, but they also carry high risks of sovereign debt and the creation of under utilized "white elephant" infrastructure. Ultimately, the economic success of an MSE depends less on the event itself and more on a government's ability to integrate venues into a broader, sustainable long-term urban policy.

Keywords: sporting mega-event; soft power; global visibility; national identity; urban transformation; economic impact; sustainability

INTRODUCTION

“Mega Events are generally short term, onetime events that are usually high profile in nature and are hosted by an entire city”. “Mega events are onetime events that can attract a huge mass of spectators, have a global reach, are expensive (at a significant cost) and have an impact on the host city and its inhabitants”. This means that the events can be hosted by multiple cities each hosting it after a specified time when the event comes next, for example an Olympic game is held once in every four (4) years.

This concept of a Mega event occurring once in multiple years amplifies its importance and arouses a lot of curiosity. The best characteristic feature of these events is that multinational athletes can be aligned in the same manner, under the same umbrella of rules and guidelines without having to worry about the geographic location, language or any other political or cultural differences. There is a logical flow to how a mega sports event happens. It all starts at the pre-event stage where bidding and acceptance or rejection comes into the picture. Then comes the on-going event stage which is very small and is usually the length of the tournament after which we have the post event stage which has the dismantle phase. All the stages are essential because different stakeholders are involved at multiple touch points and making everyone happy or satisfied is what the host country should aim at.

Another important point to note here is that both pre-stage and post stage has long term impacts and take time.

For example, the FIFA Olympics that was held in 2014 at Brazil was decided way back in 2007 so that Brazil could make requisite arrangements and infrastructural improvements. Similarly, the post event stage takes years to fathom the benefits or otherwise that has transpired on a country due to hosting of a mega event.

The event is generally hosted by a parent body or a committee which is not a native of the place where the event is happening. Now this is the body that decides the rules and

regulations, the city that is going to host the event, the time duration for which the event will be operational and so on and so forth. The city that is chosen for the hosting of such an event is critically analysed and proper scrutiny is done in respect of the social infrastructure, safety and security, resources both financially and socially etc.

Some very renowned Mega Sports events are football world cup by FIFA; Olympics Games by International Olympics Committee, Commonwealth games, Cricket World Cup by ICC, UEFA Europa league etc. Now such events force the host country to undertake infrastructural developments by building new stadiums, roads, railways, other necessary facilities like the bandwidth of the Wi-Fi, Sanitation facilities and beautifying public spaces. Another way of describing the way of events is Pre-games, games and post games. The best part is that all the efforts are equally divided, and they overlap in their execution so much so that without one the other will not function. Minute details that have to be kept in mind regarding the organising of a Mega Sporting event is that Sponsors and their visibilities overlap with common organisational goal so much so that the developments align with each other.

Single Sport mega event tends to make future use of the build capacity more than that of an event like Commonwealth games or an Olympic Games where multiple things require varied attentions from the host country's perspective. Another most important and redoubtable factor of such an event is the legacy that they leave behind for the country or the city to reckon with. Another major benefit that the host country experiences is that it gets great media coverage and it becomes a hub of tourism from a large number of fans coming from different corners of the world.

The economic factors are on a high and even the indigenous industries receive a push as most visitors tend to purchase local things as a token of remembrance or souvenir and tend to spend substantially on transportation, accommodation and food items. Now we zoom in a little to find that even the media companies, the broadcasters, stadium rights owners etc. also make a huge sum of money from Sponsors, advertisements etc. Sports Tourism has become a legit business due to such events and we have recently seen the rise of independent companies operating in that space. Sports is something that when viewed or played at a huge scale gives rise to many ancillary tasks or jobs that tend to act as a source of livelihood for many

Direct and Indirect Impacts

Direct and indirect impacts of mega sports events on host cities and regions encompass a wide range of economic, social, and environmental effects, each playing a significant role in shaping the event's overall legacy and benefits.

Direct Impacts

(a). Tourism and Hospitality: Mega events attract a surge in visitors, including spectators, athletes, and media personnel, leading to increased demand for accommodation, dining, transportation, and retail services. This influx of tourists directly stimulates local businesses and generates revenue for the host economy.

(b). Infrastructure Development: Hosting mega events often necessitates significant investments in infrastructure, such as constructing or renovating stadiums, transportation networks (e.g., airports, roads, public transit), and accommodation facilities. These developments enhance the host city's capacity to accommodate future growth and improve quality of life for residents.

(c). Employment and Income: The preparation and hosting phases of mega events create employment opportunities across various sectors, from construction and hospitality to event management and security. Job creation helps reduce unemployment rates and boosts household incomes, particularly in regions where economic activity is concentrated around the event venues.

(d). Media Exposure and Marketing: Mega events provide host cities with global media coverage, promoting tourism, business investments, and cultural exchange. Positive media exposure can significantly enhance the city's international reputation and attractiveness as a destination for tourism and business.

Indirect Impacts

(i). Legacy Effects: Beyond the immediate event period, mega events aim to leave lasting legacies in the host community. These can include improved infrastructure, enhanced urban planning, upgraded public spaces, and facilities that continue to benefit residents long after the event has concluded.

(ii). Business Development: The influx of visitors and enhanced infrastructure can catalyze local business development and entrepreneurship. New businesses may emerge to meet increased demand for goods and services, fostering a more diverse and resilient local economy.

(iii). Social and Cultural Benefits: Mega events often promote cultural exchange and social cohesion by showcasing local culture, traditions, and values to a global audience. They provide opportunities for residents to engage in cultural activities, sports participation, and community events, fostering a sense of pride and unity.

(iv). Environmental Impact: While often overlooked, mega events can have significant environmental implications, both positive (e.g., investments in sustainable infrastructure, heightened environmental awareness) and negative (e.g., increased waste generation, carbon emissions from transportation).

Short-term vs long term economic effects

The economic effects of mega sporting events (MSEs) are generally characterized by a surge in short-term activity followed by highly variable—and often disappointing—long-term legacies.

(a). Short-Term Economic Effects

Short-term impacts occur in the 3–5 years leading up to and during the event.

- **Infrastructure Stimulus:** Massive initial spending on stadiums and transportation creates a "pre-event" boost to GDP and the local construction sector.
- **Temporary Employment:** Thousands of jobs are created in hospitality, services, and construction. For example, the 2002 Winter Olympics saw a rise of up to 7,000 jobs, though these often vanished within 12 months.
- **Tourism Influx:** Host cities experience a spike in visitors and high hotel occupancy. During the London 2012 Games, hotel occupancy topped 80%, and nearby retail foot traffic rose by 15%.
- **Crowding Out Effect:** Total tourism gains are often smaller than predicted because regular travelers avoid the host city due to high prices and congestion.

(b). Long-Term Economic Effects

Long-term impacts are the "legacy" effects that persist 5–10+ years after the closing ceremony.

- **Persistent Debt:** Budget overruns are nearly universal; recent Summer Games exceeded budgets by an average of 185%. The 1976 Montreal Olympics took 30 years to pay off.
- **"White Elephants":** Specialized venues (like Beijing's "Bird's Nest") often fall into disuse or require expensive ongoing maintenance, draining public funds.
- **Trade and FDI:** Successfully hosting can enhance a nation's "brand," potentially attracting long-term foreign direct investment (FDI) and improving export balances, particularly for developed nations.
- **Sustainability of Growth:** Studies indicate that the GDP growth seen before the Games typically rapidly diminishes once the event concludes, providing no guaranteed path to sustainable long-term economic expansion.

Feature	Short-Term (0–5 Years)	Long-Term (5+ Years)
Primary Driver	Event preparation & hosting	Infrastructure legacy & global image
Employment	Temporary surge in construction/service	Minimal lasting impact on jobless rates
Finance	Rapid capital injection (spending)	Long-term debt servicing
Tourism	Immediate spike & congestion	Potential for sustained "destination" status

Economic impact assessment models

To calculate the financial ripple effects of mega sporting events, researchers primarily use three distinct modeling frameworks. Each has its own strengths and biases regarding how "new money" is tracked.

1. Input-Output (I-O) Models

This is the most common model used for **pre-event projections**. It measures how spending in one sector (like stadium construction) flows into others (like steel or food services).

- **The Multiplier Effect:** It uses "multipliers" to estimate how many times a dollar circulates locally before leaving the economy.
- **The Flaw:** These models often overestimate impact because they ignore "leakage" (profits sent to out-of-state contractors) and "opportunity costs" (money that could have been spent elsewhere).

2. Computable General Equilibrium (CGE) Models

Viewed as more realistic than I-O, CGE models account for resource constraints and price changes.

- **Market Dynamics:** If an event causes a massive spike in construction, labor prices rise. CGE models factor in how these rising costs might hurt other industries, providing a more balanced net result.
- **Usage:** Frequently used by national governments and organizations like the OECD to assess long-term structural shifts in the economy.

3. Cost-Benefit Analysis (CBA)

While I-O and CGE focus on cash flow, CBA looks at **social welfare**.

- **Tangible vs. Intangible:** It weighs hard costs (taxpayer dollars) against both tangible gains (new transit lines) and intangibles (national pride or "the feel-good factor").
- **The Outcome:** A CBA often reveals a negative net present value for host cities, suggesting that while the "activity" is high, the "profit" to the public is low.

Role of government and policy

Governments play a decisive role in the economic success or failure of mega sporting events (MSEs), transitioning from passive observers to primary financiers and strategic planners. Their role spans from early bidding through long-term "legacy" management.

- a. **Economic Development:** Leveraging events to boost tourism, sports manufacturing, and startups.
- b. **Infrastructure Legacy:** Strategically planning venues that can be repurposed for community or commercial use post-event to avoid "white elephants".
- c. **Social Inclusion:** Using events to promote sports among marginalized groups and integrate physical activity into national health goals.
- d. **Soft Power:** Using global events to enhance national prestige and diplomatic relational capital.
- e. **Public Funding:** Large portions of event budgets come from public spending, which can divert resources from healthcare or education.
- f. **Budget Overruns:** Governments are legally the "payer of last resort." Recent Summer Games have exceeded budgets by an average of **185%**, often leading to post-event tax increases to cover losses.
- g. **Special Legislation:** Governments frequently pass "exception laws" during events to modify taxation, immigration, and property rights for international organizers.
- h. **Model Types:** Common structures include Build-Operate-Transfer (BOT) and **Renovate-Modernize-Operate (RMO)**, where private firms manage facilities for a set period to recover their investment.
- i. **Risk Sharing:** These models aim to transfer construction and operational risks to the private sector while the government provides land and regulatory support.
- j. **Governance Acts:** Reforms like India's National Sports Governance Act 2025 introduce mandatory athlete representation and stricter anti-doping frameworks to align with global standards.

Case studies

Research on mega sporting events (MSEs) reveals starkly different outcomes based on a host's planning and existing infrastructure.

(i). **London 2012** is frequently cited as a successful example of strategic urban regeneration; the UK government focused on transforming East London, resulting in a net £4 billion benefit for the city and long-term housing legacies, despite the total budget nearly doubling to £9.3 billion.

(ii). In contrast, the **Rio 2016 Games** serve as a cautionary tale of "white elephants." Brazil faced massive cost overruns reaching upwards of \$13 billion, leaving behind abandoned venues and a state-level financial crisis that diverted funds from essential public services like healthcare and security.

(iii). For emerging economies, the **Qatar 2022 FIFA World Cup** demonstrated a "nation-building" model, where the event acted as a catalyst for \$220 billion in infrastructure development, including a new metro system and city expansions. While this spurred a 4.1% GDP growth, the long-term economic return remains debated due to the high maintenance costs of specialized stadiums.

(iv). Conversely, the **Paris 2024** model focused on "fiscal sobriety," utilizing 95% existing venues to minimize public debt. While successful in controlling costs, the city still experienced a **14% drop in museum attendance**, highlighting how the "crowding out" effect can temporarily stifle traditional tourism sectors.

Criticism of economic impact studies

Independent economists often refer to official impact studies as "advocacy exercises" rather than objective science. The primary criticism is that these reports are frequently commissioned by groups—such as organizing committees or chambers of commerce—with a vested interest in securing public funding.

- **The Flaw:** They assume that a dollar spent by a tourist stays in the local economy. In reality, much of that money "leaks" out to international hotel chains, out-of-state contractors, and global food suppliers.
- **The Result:** Initial projections often triple the actual realized benefit.
- **The Reality:** High prices and congestion deter business travelers and traditional tourists who would have visited anyway. During the 2012 London Olympics, theatre ticket sales and non-Olympic museum attendance plummeted.
- **The Trade-off:** Economists argue that the billions spent on a stadium could have yielded higher long-term returns if invested in **education, healthcare, or general infrastructure**.
- **Budget Creep:** Reports often omit "hidden" public costs like **security, emergency services, and infrastructure maintenance**.
- **The Statistic:** Every Olympic Games since 1960 has experienced a cost overrun, with an average increase of over 150% from the initial bid

CONCLUSION

Mega sports events wield substantial influence beyond their athletic spectacle, impacting economies, infrastructure, tourism, and cultural exchange globally. While these events promise economic growth and international visibility, realization often hinges on effective planning and evaluation. Methodological advancements in impact assessment are essential for accurate forecasting and optimization of outcomes. By addressing challenges and leveraging opportunities, stakeholders can enhance the sustainability and legacy of mega sports events, ensuring enduring benefits for host communities a

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