

Limiting factors of investment activity of the sports industry on the example of international football competitions in Russia

UDC 796.071



PhD **A.D. Dougblay**²

PhD **E.A. Lubyshev**^{2, 3}

PhD **A.V. Titovsky**³

PhD **A.A. Krasilnikov**¹

¹Moscow City University, Moscow

²Peoples' Friendship University of Russia, Moscow

³Plekhanov Russian University of Economics, Moscow

Corresponding author: adugbley@inbox.ru

Abstract

Objective of the study was to identify the limiting factors of investment activity in the organization and holding of international football competitions in Russia.

Results and conclusions. The article assesses the degree of realization of the sports potential of Russia, taking into account the problems of financing priority areas in the field of physical culture and sports, using the example of major international sports projects in Russia.

It is assumed that a cumulative solution to all existing financing problems is possible only on the basis of certain comprehensive actions in all relevant priority areas. Successful activity in the sports and physical culture industry entails the development of related industries, such as the construction industry, tourism. For systematic and rational investment activities in the field of physical culture and sports, it is necessary to resort to a larger-scale implementation of vertical integration mechanisms adjusted for a particular sport, when training centers are created on the basis of professional sports clubs not only in the direction of sports training (preparation of a sports reserve), but also in the direction of sports management, as well as the training of sports coaches and referees.

Keywords: *financing problems, investment activity, physical culture and sports, effective management of the sports industry.*

Introduction. The volume of investments and capital investments aimed at the development and maintenance of professional football in Russia resonates more and more every year with the results of professional teams in the international arena [2].

According to some authors, with fairly large-scale changes in the socio-economic and political systems of Russia over the past 20 years, the structure of football has not had time to rebuild in many ways, for example, in terms of self-financing and effective management, which is one of the reasons for the lag in the development of domestic football. In the structure of this management, the generally recognized problem is "the lack of a full-scale information system that meets the requirements of modern sports and is able to suc-

cessfully solve the tasks of coordinating the activities of the services of scientific and methodological support for the training of young athletes" [1, 4, 7].

Objective of the study was to identify the limiting factors of investment activity in the organization and holding of international football competitions in Russia.

Results of the study and their discussion. In European countries, about 0.2-2% of GNP (≈2 billion euros) is spent on professional sports (medical and biological support, scientific and methodological support, etc.), while funds from the state budget in Denmark and Germany are less than 20% of the funds of local budgets. In the UK, 95% of investment funds earmarked for sports budget expenditures are funds from



municipal and regional budgets, in Sweden this figure is 90%. In Russia, priority is given to financing *major international competitions* (Winter Olympic Games 2014, World Cup 2018), while youth and mass sports are much less affected by the organizational investment model [6]. The combined investment capital of the above two activities was \$80 billion.

In preparation for the 2018 World Championship and in the process of subsequent implementation of its program, in accordance with Decree of the Government of the Russian Federation No. 518 dated June 20, 2013, the *main burden fell on regional budgets, investors and the federal budget* and amounted to 664.1 billion rubles.

The cost of the Winter Olympic Games in Sochi amounted to 1.5 trillion rubles, which exceeded the planned budget by five times. According to Government Decree No. 117 of January 31, 2017, the main items of expenditure were:

- construction and restoration of sports facilities;
- organization of living conditions for the participants of the competitions;
- material support of sports facilities.

The amounts of required investments declared by domestic officials are much higher than those indicated by the initiators of previous sporting events in other countries.

Attracting large capitals to maintain and develop a positive image in the world market has an ambiguous effect. Large investments can be a factor in unpredictable growth in costs for various types of costs during the course of the transaction, as happened more than once in the implementation of projects of a similar size. The reasons for this were partly *inflation*, as well as an erroneous calculation of future expenses [3].

The amount of funds actually spent as a result for the implementation of these projects is much larger figures than previously announced. For example, the estimate of the "Olympic" project from the moment it was approved (beginning of 2008) to the beginning of 2011 increased by more than 250% (initially, Russian officials stated that the cost of this project would not exceed \$12 billion).

Against the background of indicators of some more global international projects, this is not yet critical. But, extrapolating the noted price increase dynamics for the next 2011-2013, even then it could be assumed that the *final cost would exceed the initially approved figures* by more than 400%. And such a forecast was made only for one of the two projects.

Whether these amounts of "unforeseen" expenses were included in the estimate is difficult to say. However, considering that international practice considers an average rise in the cost of a project designed for a five-year or six-year period to be 30-50% of the previously established value, this rise in price looks more than critical.

But the main question is not even in the volumes and reasons for the rise in prices, international practice knows similar motives and examples, but in achieving a positive ratio of "revenues / costs" - a cornerstone indicator of the effectiveness of any investment transaction.

It is known that the *current proceeds* from the "Olympic" project may simply not be enough to cover the investments attracted for it. Approximate amounts of possible "Olympic" income - from the accommodation of foreign tourists, advertising, leasing channels and satellite broadcast networks, selling tickets for matches, sports paraphernalia, and so on - are not disclosed in the domestic media and specialized sources. However, it is known from international practice that income from such sporting events exceeds the corresponding costs, as a rule, by rather modest amounts.

Thus, proceeds from the organization of the World Cup in South Africa, according to some sources, covered the investment costs of the initiating party by only 50%. Of course, these profitability indicators depend on the scale and advertising of the planned event, the infrastructural capabilities of the host country, and other circumstances. However, due to the increase in the cost of the "Sochi" project, the proceeds from this event should have covered the costs not two, but about five times. Is this dynamics economically possible and acceptable when implementing mass cultural events in the context of an international scale? - the answer to this question is rather ambiguous. But, given that in Russia there are *difficulties in controlling budget expenditures* on large government contracts and projects, it could be assumed that this dynamics of expenditures in comparison with revenues could become critical.

The volumes of the projected attraction of declared funds for the noted "sports" projects contrast sharply with the stagnation situation that is observed in the field of investments in the real sector of the Russian economy. To what extent is the fact of holding the Olympics and the world football championship a sufficient basis and prerequisite for a sharp growth of for-



eign investment in the host state, devoid of economic leverage?

If we take into account the statistics of the football championship in South Africa, the volume of foreign investment in recent years before the start of the event increased by a total of 15-20%, which made it possible to settle costs through private capital by only 30%. The remainder of the required expenditure appears to have been covered by South Africa from public sources. Since its "country" investment rating is at a rather low level (lower than that of Russia), it was probably not possible to attract larger "outside" resources.

However, even if we start from the amount of the "Olympic project" of 30 billion US dollars, its value already allows us to speak about the unprecedented scale of the transaction in comparison with the existing realities of attracting investment resources to the domestic economy. By the way, this is almost seven times more than the volume of foreign direct investment that came into the Russian economy in 2009, and almost the same amount as when converted into foreign currency came from total domestic financial reserves in the same period. We also note that this amount is equivalent to the cost of the Sakhalin-2 project, which is obviously the largest among all domestic oil and gas projects, investment resources for which have been mobilized for ten years.

Conclusions. A cumulative solution to all existing financing problems is possible only on the basis of certain comprehensive actions in all relevant priority areas. Successful activity in the sports and physical culture industry entails the development of related industries, such as the construction industry, tourism. For systematic and rational investment activities in the field of physical culture and sports, it is necessary to resort to a larger-scale implementation of vertical integration mechanisms adjusted for a particular sport, when training centers are created on the basis of professional sports clubs not only in the direction of sports training (preparation of a sports reserve), but also in the direction of sports management, as well as the training of sports coaches and referees.

References

1. Abalyan A.G., Fomichenko T.G., Shestakov M.P. *Sovremennyye podkhody k sovershenstvovaniyu sistemy nauchno-metodicheskogo obespech-*

eniya podgotovki sportivnykh sbornykh komand Rossii [Modern approaches to improving the system of scientific and methodological support for the training of sports teams in Russia]. *Vestnik sportivnoy nauki*. 2010 No. 5. pp. 5-6.

2. Alekseev V.N. *Stanovleniye, sostoyaniye i razvitiye futbola v Rossii* [Formation, condition and development of football in Russia]. St. Petersburg: Rost publ., 2004. 295 p.
3. Barinov A.E. *Prodzhekt faynensing: Tekhnologii finansirovaniya investitsionnykh proyektov* [Project Financing: Technologies for financing investment projects]. Moscow: Os-89 publ., 2007. pp. 232-233.
4. Evtukh A.V. *Informatsionnoye obespecheniye mnogoletney podgotovki yunyykh sportsmenov (postanovka problemy)* [Information support of long-term training of young athletes (statement of the problem)]. *Vestnik sportivnoy nauki*. 2010. No. 1. pp. 12-14.
5. Karpelson A.A. *Otrasl sporta i fizicheskoy kultury v Rossii: organizatsionno-finansovyye aspekty* [The branch of sports and physical culture in Russia: organizational and financial aspects]. ANI: *Ekonomika i upravleniye*. 2016. - No. 2 (15). pp. 108-110.
6. Murzabulatova G.B. *Problema finansirovaniya massovogo sporta* [The problem of financing mass sports]. *Teoriya i praktika fizicheskoy kultury*. 2011. No. 5. pp. 31-32.
7. Popov A.Yu. *Problemy podgotovki sportivnogo rezerva v Rossiyskoy Federatsii* [Problems of sports reserve training in the Russian Federation]. *Vestnik sportivnoy nauki*. 2010. No. 1. pp. 15-18.
8. Ratnikova I.P. *Obespecheniye kompleksnoy bezopasnosti sportivnykh obyektov chempionata mira po futbolu 2018 goda i yeye ekonomicheskaya sostavlyayushchaya* [Ensuring the integrated security of sports facilities of the 2018 FIFA World Cup and its economic component]. *Sovremennyy menedzhment v igrovyykh vidakh sporta* [Modern management in team sports]. Proceedings national scientific-practical conference with international participation. Moscow: RGUFKSMiT publ., 2018. pp. 318-325.