

ISSN: 2392-5442 ESSN : 2602-540X		<i>Sport system journal</i>
V/13 N/01 Year/2026		<i>International scientific journal published by: Ziane Achour –Djelfa- Algeria</i>
P 188 - 205		<i>Received:2025-10-28 A ccepted: 2025-11-24</i>

Investment in the sports sector and its role in supporting the local economy.

Laouadi Fouzia^{1*}, Ait Ziane Mohamed²

¹Hassiba Ben Bouali University Chlef (Algeria), f.laouadi@univ-chlef.dz

²Hassiba Ben Bouali University Chlef (Algeria), m.aitziane@univ-chlef.dz

Abstract:

This study aims to understand the role of investment in the sports sector in supporting the local economy, as well as highlighting the importance of investment in the sports industry, as it is considered one of the sources of economic diversification for countries. Additionally, it has a health and recreational aspect for the community, as it is considered one of the sectors that attract and nourish many economic sectors. The study also concluded that investment in the sports sector yields profits at various levels, whether in sports facilities, clubs, elite athletes, or the production of sports equipment and media and communication.

Keywords : Sports industry, sports investment, local economy.

*Corresponding author / f.laouadi@univ-chlef.dz



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1. INTRODUCTION

In a world where the economy no longer relies solely on traditional engines, the sports sector has emerged as a sleeping giant that has awakened to become a strategic pillar in the national development plans of countries. Investment in the sports sector has surpassed the narrow view that confined it to funding clubs and national teams for competitions and tournaments only, transforming it into a transcontinental industry where capital flows and intersects with the fields of technology, media, tourism, and real estate. Sports are no longer just a public passion or a field for fair competition; they have become a vital economic engine capable of creating immense added value. Investing in this sector is no longer a luxury; it has become a necessity in the 21st-century economy, representing an investment in human capital, infrastructure, and the country's image on the global map.

Governments and private sectors alike are adopting ambitious visions to transform sports into a productive sector that significantly contributes to the GDP. By building smart sports facilities, developing sports-related industries, and hosting global events, not only is the sports movement activated, but new economic horizons are also opened that benefit the entire community. This approach aims to achieve sustainable and inclusive development, where the sports sector plays a pivotal role in supporting the local economy through multiple channels: creating direct and indirect job opportunities, promoting sports tourism, attracting foreign investments, developing local supporting industries, and enhancing the country's brand value. Therefore, every dollar invested in sports does not only go toward achieving victories on the field, but it is also an investment in public health, tourism, infrastructure, and the national economy as a whole.

In short, investment in the sports field today represents a comprehensive model of success, where tangible economic returns meet social and health benefits, together creating a virtuous circle of growth and prosperity, proving that investment in sports is essentially an investment in the future of the nation and its economy.

2. Problematique

In the midst of the constant pursuit of economic development by countries, investment in the sports sector has emerged as an ambitious strategy on the horizon, promising great potential. It is no longer just about the passion of the fans or the championships; it has transformed into a massive economic scheme where capital intertwines with government policies. This investment is always presented as an "unstoppable locomotive" driving the local economy toward new horizons of growth, creating job opportunities, and enhancing the country's image on the global map. However, behind the facade of lights and media revenues, critical questions surface that cast doubt on this certainty. From here, the issue arises: does investment in the sports field represent a wise investment in the future and a productive sector that sustainably supports the local economy, or has it turned into an ambitious investment lacking flexibility, carrying the risks of wastefulness and adopting policies that prioritize short-term symbolic gains over long-term real development?

3. Main hypothesis:

Investment in the sports sector represents a true driver of the local economy when planned strategically and comprehensively, but it turns into an economic and social burden when implemented impulsively and in the short term, as sustainability and feasibility depend on the balance between the economic and social dimensions and the clarity of the long-term vision.

3.1. Detailed (sub)hypotheses:

The first hypothesis is known as the conditional economic feasibility hypothesis.

- Investment in the sports sector can yield positive economic returns that exceed costs, but only under specific conditions, the most important of which are precise prior planning, the existence of a sustainable operational plan post-event, and the



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integration of sports projects into a broader developmental plan that includes tourism, real estate, and services.

- The second hypothesis is known as the funding priorities hypothesis. Investment in the sports sector achieves a greater and more sustainable economic impact when directed toward "grassroots sports" (community infrastructure, sports for all, local talent development) compared to an excessive focus on "elite sports" (hosting major events, building massive stadiums), which often have high costs and uncertain returns.

The third hypothesis: The hypothesis of hidden social costs

- Massive sports investment projects, especially those related to hosting global events, are associated with indirect social and economic costs (such as the increase in housing unit prices, neglecting residential areas in favor of project areas, and diverting public resources away from vital sectors) that may, in total, outweigh the announced benefits if mechanisms are not put in place to mitigate these effects.

4. Study objectives:

To achieve this main objective, the study aims to:

1. Identifying and classifying forms and patterns of investment in the sports field (such as investment in infrastructure, clubs, sports industries, major events, and human capital) and analyzing the characteristics of each.
2. Measuring and analyzing the direct and indirect economic impacts of sports investment through: Measuring and analyzing the direct and indirect economic impacts of sports investment through:
 - o Evaluating its contribution to the Gross Domestic Product (GDP).
 - o Analyzing its role in creating job opportunities (direct and indirect).
 - o Determining the volume of foreign investments and tourism it attracts.
3. Revealing the indirect or "hidden" economic and social costs and impacts associated with major sports projects, such as: Revealing the indirect or "hidden" economic and social costs and impacts associated with major sports projects, such aso Its impact on public budgets and public debt.

- o Its impact on prices and real estate in the surrounding areas. Its impact on the distribution of public resources and spending on other social sectors.

4. Study and analyze the factors of success and sustainability of sports investments through: Study and analysis of the factors for the success and sustainability of sports investments, through:

- o Identifying successful and unsuccessful models at the international level.
- o Analyzing the role of strategic planning and the existence of an operational plan post-event.

- o Evaluating the impact of the integration between sports investment and other economic sectors (such as trade, tourism, and technology).

5. Proposing a framework or a set of recommendations to ensure that investment in the sports sector becomes a true and sustainable lever for the local economy, while avoiding potential pitfalls and risks. Proposing a framework or a set of recommendations to ensure that investment in the sports sector becomes a genuine and sustainable lever for the local economy, while avoiding potential pitfalls and risks.

5. Research methodology:

This study relied on the descriptive analytical method, as it is the most suitable for this type of research, aiming to highlight the contribution of the sports sector to the economic development of the state. This approach relies on analyzing information, data, and relevant inputs related to the subject, with the aim of identifying its characteristics and analyzing its dimensions, ultimately reaching generalizable results.

Previous studies

• **Study by Hussein Ali Kanbar Al-Aboudi (2019) titled "The Importance of Sports Investment in Developing Iraqi Sports Facilities"**

This study aimed to clarify the role of sports investment in rehabilitating and developing sports facilities according to international standards, with a focus on how to benefit from the investment law in this field.

Study's results:

The study showed the poor performance of sports administrations in executing investment activities related to sports facilities, which is attributed to a lack of



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expertise in this field. It also indicated the lack of an attractive investment climate due to the inadequacy of the legislative environment, in addition to political, security, and social challenges.

• Study by Mounji Makhlouf (2020) titled "Investment of Economic Institutions in Brand Marketing through Football Sports Clubs—A Field Study in M'sila Province"

This study focused on analyzing the attitudes of heads of economic institutions toward investing in sports clubs as a tool for brand marketing.

Study's results:

The study revealed that the heads of economic institutions in the state of M'sila are not convinced of the importance of investing in sports clubs. It also indicated the absence of a clear investment policy in the short term and that the policies of professional sports clubs are unclear and do not meet the required standards, which does not encourage investment in them.

The study by Habash Faris et al. (2021) titled "Investment of Economic Institutions in Professional Football Clubs in Algeria—A Field Study on First and Second Division Football Clubs"

This study aimed to identify the impact of laws and regulations on the development of sports investment in Algeria and to determine the legislative shortcomings that hinder the achievement of professional sports goals.

Study's results:

The results showed that sports investment was not a priority for economic institutions in the past and still is not in the present. The study also confirmed the existence of legal obstacles that negatively affect the investment of economic institutions in the sports sector.

The study by Rawaa Zaki Younes Al-Tawil and Nabil Mohamed Saleh Al-Hadidi (2022) titled "The Importance of Sports in the National Economy"

This study aimed to analyze the positives and challenges facing sports investment in practical application, with a focus on the reality of Arab countries.

Study's results:

The study concluded that Arab countries possess economic potential that allows them to elevate the sports sector, but they face obstacles, the most prominent of which is insufficient knowledge of sports marketing and its management. It also indicated that the problem is primarily administrative and suggested a solution by leveraging academic expertise in universities and consulting specialists.

Study Recommendations:

The study called on the media to play a larger role in promoting the culture of investment and sports marketing and emphasized that investment in the sports sector positively impacts the national economy through various fields such as tourist villages, hotels, and media marketing. Investment in the sports sector

6. Concept of Investment The concept of investment

6.1 Definition of Investment

The definitions and concepts related to investment have varied, among which are

- The economic concept of investment: It is defined as "any immediate sacrifice of money with the hope of obtaining revenues or cash flows in the future over a certain period, such that the total return is greater than the initial investment expenses" (Ben Massoud Nasreddine, 2010, p. 27).

The essential elements of investment (Ben Massoud Nasreddine, 2010, p. 28):

- Payback period: The time it takes for the institution to recover its invested funds, whether the period is long or short, depending on the surrounding investment environment.

- Investment profitability: An investment decision can only be made if the institution or the investor, based on previous studies, anticipates future revenues greater than the initial investment cost, which means achieving profitability.

- Foreign direct investment: It is defined according to the World Investment Report as "an investment in which the majority of the capital ownership is held by a natural person or a legal entity who is a national of a country other than the host country, and it involves an active role for the investor in managing the investment" (Bashish Walid and Majlah Salim, 2018, p. 03).



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6.2 Characteristics of Investment

The investment climate is characterized by a set of features and advantages, including (Yahi Mesla, 2017, pp. 209-210):

- **The unity of the investment climate:** This is evident through the impact of the investment climate on the institutions operating within it. Each institution has its own specific investment climate, but the investment climate is unified and pertains to all institutions operating in a particular sector or industry, with variations in how each is affected by the aspects that concern them or the information they obtain about it.

- **The interconnection between its variables:** The variables that make up the investment climate are not separate units from each other, but there is interconnection and interaction between them. For example, protectionist practices can be considered to have political dimensions while simultaneously having economic impacts.

Complexity: The investment climate is very complex because the variables that contribute to its formation are numerous and cannot be limited. In the context of their interaction with each other, new situations arise. The investor is concerned with the variables they deem necessary and that affect their decisions, relying on the sector they operate in, the level of competition, and their objectives.

Change and volatility:

The investment climate tends to change and fluctuate, whether at the level of a specific market, industry, or geographical area. This volatility complicates the investment decision-making process and necessitates in-depth study and precise forecasting of potential changes.

Divisibility:

The investment climate can be divided into several levels during the study and analysis process, where the focus can be on the local, regional, national, or international level. The climate can also be analyzed at the level of a specific industry or sector, and this division is related to the investor's activity and the market in which they operate.

Vulnerability and influence:

The investor's behavior is influenced by the business climate through various variables, but conversely, they can also affect this climate, especially if they are a large investor or a monopoly company that has a significant impact on the market.

6.3. Investment Obstacles

Despite the incentive policies offered for local and foreign investment, it faces challenges that hinder its activity and development, which are as follows: (Mansouri Zian, 2005)

• **Bureaucratic obstacles:**

The slow administrative procedures, the difficulty for the concerned employee to understand the details of the investment request, and the overlapping authorities between different departments, which result in conflicting administrative decisions for the same investment request.

• **Variables of administrative corruption:**

The spread of bribery, mediation, favoritism, and discrimination.

• **Legal obstacles:**

The multiplicity of laws and regulations, frequent amendments in legislation, legal issues with workers, competitors, or partners, and corruption in law enforcement.

• **Professional obstacles:**



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The scarcity of qualified workers and the lack of scientific and practical experience.

- **Cost barriers:**

High investment and production costs, insufficient capital.

- **Marketing obstacles:**

Marketing difficulties at the local and international levels.

- **Financing obstacles:**

The lack of sufficient financing guarantees, high interest rates, inadequate granting markets, the absence of specialized financing programs, and the neglect of the project's economic feasibility.

- **Obstacles of taxes and fees:**

High and multiple taxes (high tax burden at the beginning of the project), double taxation, and ambiguity of tax laws.

7. The concept of the sports industry The concept of the sports industry

7.1 The Evolution of the Sports Industry

The estimated value of the sports industry reached approximately 1.3 trillion dollars worldwide in 2017. Therefore, experts confirm the existence of numerous opportunities and significant investment potentials in this sector, as various entities seek to maximize their benefits from it.

Sports have transformed from a purely athletic endeavor into a comprehensive project that transcends the athletic aspect to become an investment generating income for participants and investors. Sports clubs have become like investment projects after sports transcended the traditional concept of playing a game solely to achieve victories, moving toward achieving economic goals. This development has led to the evolution of visual and audio sports media to

cover important sports events and market them optimally, which requires qualified personnel who use the latest innovations to achieve results. (Entrepreneurs Magazine, 2020)

7.2 Definition of Sports Investment

Sports investment is defined as "an action aimed at increasing an individual's capital or increasing resources by utilizing or exploiting money with the goal of increasing it," meaning that the function of investment is to operate assets, and it is one of the basic means to implement development programs in general or sports programs in particular. (Habbash Fares et al., 2018, p. 191)

7.3 Requirements for Sports Investment

Sports investment requires obtaining the maximum possible returns from the resources used, so economic feasibility must be adopted in selecting and building projects and minimizing waste of material and human resources. It also requires:

- Coordination between different investments to achieve the most efficient results
- Fully benefiting from the external savings caused by some investments
- Moving toward games and championships that allow the incorporation of scientific and technological advancements

7.4 Planning Sports Investment

Investment planning addresses a set of key points: (Rawa and Nabil, 2007, p. 313)

- **The minimum investment:** which allows national income to grow at a rate equal to the population growth rate

- **The maximum level of investment,** which keeps consumption at the subsistence level

- **The absorptive capacity of the national economy:** so that the size of the

investment aligns with the available opportunities in society without a decrease in the return on investment beyond a certain threshold. It is worth noting that determining the total size of investment is often more of a political decision than an economic one.



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8. Definition of the sports market

There are many ways to define the sports market, as economists specialized in the field of sports have presented various models that include the sub-sectors of the sports market. Hofacre and Mahony developed a comprehensive model in which the sports industry is defined as consisting of: (Hrbaji Abdel Ghani, 2017, p. 13)

- Companies and organizations that provide products and services to support the production of sports activities
- Companies and organizations that produce sports activities
- Companies and institutions that sell commercial products related to sports activities

8.1.Components of the sports industry:

Based on this definition, we have a model of the sports industry consisting of two main sectors:

8.1.1. The first sector: The sector of productive sports activities

This sector includes all companies and organizations that produce sports games, events, and services, and professional teams. Therefore, the sector of sports activity production is considered the core of the sports industry.

8.1.2. The second sector: Sports Support Sector

Companies and organizations in this sector either provide products and services to support the production of sports activities or sell and trade in products related to sports activities. The sub-sectors of support include:

- Associations for sports management and organizations (e.g., UEFA)
- Sports goods companies
- Wholesale and retail trade
- Sports facilities and establishments
- Sportsmedia
- Sports management companies

- Local and regional sports authorities

9. Concept of sports marketing The concept of sports marketing

9.1 The Emergence of Sports Marketing

The beginning of the relationship between sports and marketing dates back to 1870, when one of the tobacco companies in the United States printed cards of the most famous baseball players and included them in cigarette packs for promotional purposes. This campaign led to an increase in cigarette sales, and these cards were considered the beginning of sports promotion for the industry. (Herbaji Abdel Ghani, 2017)

9.2 Definition of Sports Marketing

Sports marketing is relatively recent and does not have a definition independent of general marketing, but attempts to define it do not deviate from the general context of marketing definitions. Operational definition: "By marketing in the sports field, we mean the dynamic and integrated work that aims to design and implement activities related to the brand, its position, promotion, and distribution to persuade consumers in every sports business, without contradicting educational sports values." (Mnaji Makhlouf, 2013, p. 92)

Sports marketing is defined as "an intertwined process aimed at planning, pricing, promoting, and distributing the product, in addition to the service or sports activities that satisfy the needs and desires of current and potential beneficiaries or consumers." (Herbaji Abdel Ghani, 2017, p. 3)

9.3 Characteristics of Sports Marketing

Sports marketing is characterized by the following features: (Herbaji Abdel Ghani, 2017, pp. 5-6)

A market for sports products and services:

- Sports organizations compete and cooperate at the same time.



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- Cooperation and competition are partly due to the unpredictability of sports outcomes and the strong personalities of sports consumers who consider themselves experts.

9.3.1. The sports product:

- Sports are always intangible and subjective.
- Sports are inconsistent and unpredictable.
- Marketing should focus on product accessories instead of the core product.
- Consumption of sports is direct, and consumer satisfaction is influenced by the

9.3.2. Social environment

- Both sports and industrial products are consumer goods.
- Sports evoke a strong sense of identity and emotional attachment.
- Sports have a global appeal and permeate all aspects of life.

9.3.3. The price of sports:

The price paid by the consumer is very small compared to the total cost.

- Indirect revenues (such as television) are often greater than direct operating revenues.
- Sports programs have rarely been required to be profitable.
- Pricing is often determined by what the consumer can bear rather than the full recovery of costs.

9.3.4. Sports promotion:

- The widespread dissemination of sports through media has led to a low focus on sports marketing.
- Due to the high visibility in sports, many companies want to partner with sports.

9.3.5. Distribution system for sports:

- Sports in general do not engage in the physical distribution of their products.

Most sports products are produced, delivered, and consumed at the same time and place.

- Exceptions in sports goods, retail, and sports broadcasting

10. Objectives of sports investment

One of the most important goals of investment in sports institutions is to increase the capital of those institutions by employing capital through various sports activities, thereby increasing the number of practitioners of diverse sports, whether amateurs or professionals. (Hussein Ali Kanbar Al-Aboudi, 2016, p. 221)

Main objectives:

- Increasing and expanding the base of sports practitioners and enhancing the incentives for amateur athletes to improve their performance as a result of the support provided to them and bringing them to a professional level.
- Embracing professionals as an investment value that benefits both the institution and the professional athlete
- Achieving financial returns or profits through various projects in the fields of civic and sports education
- Maintaining the value of assets or preserving the original capital value of the investor in the project
- Continuity of income generation and efforts to increase and develop it
- Obtaining secondary projects to support the goals of physical education through agreements and contracts concluded with investors
- Employing labor in sports projects, especially construction projects, and helping to reduce poverty caused by unemployment
- Hiring employees to manage the investment work during the implementation period and after the commercial operation of the investment project

Conclusion

The sports sector is witnessing a radical transformation in its concept and roles, as



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it is no longer limited to entertainment and competitive aspects alone but has become a promising economic sector that actively contributes to supporting the local economy. This has become evident through the unprecedented surge in the volume of investments and revenues generated by sports events and institutions at both the local and international levels, which have become an important contributor to the GDP in many countries. Sports activity has transcended its traditional concept of promoting physical health and providing entertainment, becoming a comprehensive industry managed by market economy mechanisms. It contributes to job creation, attracting investments, and revitalizing related sectors such as tourism, trade, and media. Although the sports investment market is still in the growth phase in many emerging economies, it has proven its ability to achieve significant profits, making sports a worthwhile investment rather than just a recreational activity. Challenges and obstacles

Despite these capabilities, the sports industry still faces a number of challenges that prevent it from realizing its full potential, the most prominent of which are:

- Weak marketing expertise: Many sports institutions suffer from limited expertise in the field of sports marketing, which affects their ability to attract investments and maximize returns.

- Lack of a clear strategic vision: There is a noticeable absence of clear strategies and policies from official bodies in many countries, including Algeria, regarding the development of the sports sector and the encouragement of investment in it.

Results

- Sports investment is one of the fundamental pillars of national economies, as it contributes to diversifying income sources and financing budgets.
- Sports marketing is an effective tool for overcoming many of the obstacles facing the sports industry by attracting sponsors and audiences and achieving profitable partnerships. The development of the sports sector stimulates the local economy by creating direct and indirect job opportunities and increasing the demand for related goods and services.

Recommendations

- **Encouraging private investment:** Adopting policies that promote the privatization of sports facilities and the professional management of clubs, and benefiting from successful models in developed countries.
- **Professionalism in management:** Enhancing the professional approach in managing clubs and sports facilities and encouraging the signing of sponsorship contracts and strategic partnerships.
- **Developing the media infrastructure:** Establishing specialized media channels in the sports field to highlight events and sports institutions and enhance their marketing value.
- **Transitioning to commercial enterprises:** Developing well-thought-out strategies and plans to transform sports bodies and clubs into sustainable commercial entities, capable of generating financial returns and adding value to the local economy.

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