



P-ISSN: 2394-1685  
E-ISSN: 2394-1693  
Impact Factor (ISRA): 5.38  
IJPESH 2017; 4(2): 327-331  
© 2017 IJPESH  
www.kheljournal.com  
Received: 19-01-2017  
Accepted: 20-02-2017

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## Adding to economic growth in India through commercialisation of cricket – A case study

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### Abstract

Sports economy came to be developed in the west following the availability of increased leisure with the working class after World War II. Countries who predominantly played cricket, were left out of the advantages which a developing sports economy could offer largely because the Boards of Cricket in these countries lived off the patronage of the state and aristocracy and the game itself was played largely in erstwhile British Colonies who would be looking up to the Cricket Boards in Australia and England to take a lead. These Boards were content in imagining their supremacy in the game and looked at the colonies playing game; indulgently at best. Technology being made use of in the west for increasing the revenue generating streams of a sporting event came to be applied fortuitously. With the unexpected victory of India in 1983 in the World Cup held in England, the vast population in India found for itself a sporting identity to be proud of which triggered an unprecedented adoption of the game across the nations where Indians were situated. The glory of India also rubbed the other erstwhile colonies like Pakistan, Sri Lanka, and Bangladesh as all these former colonies found an instrument to take on their former master through the game of Cricket. Boards of these countries had new found confidence to assert themselves in the apex International Council for Cricket on scheduling the matches and discovered new revenue streams to encash on the increased viewership through the broadcasting medium and sponsorships from corporates. To make the Cricket compete on TV viewership vis a vis Football, the English Board further formatted the game to a 3 hour duration with success.

**Keywords:** Economic growth, commercialisation of cricket, cricket boards, TV viewership

### 1. Introduction

Sport benefits individuals and society. It is an important part of the national economy, contributing significantly in terms of spending, economic activity. The development and diffusion of global sports has been true from the time of industrial modernization considered to be the take - off phase of modern sports, when rules and regulations were formalized, leagues set up, and a calendar of competitions drawn up. This went hand in hand with the industrialization process in Britain, since the labour demands of the industrial revolution produced changes in the patterns of work and leisure. The establishment of modern sports also closely correlates with the high point of European imperial dominance. The first international cricket match was played in 1877, the Olympics were reinstated in 1894, and governing bodies for soccer, cricket and tennis were set up in 1904, 1909 and 1913 respectively.

It was not until after the Second World War that the genuine globalization and commercialization of sports and sports economy would flourish. This phenomenon was triggered off by three key trends. The first of these trends was the extension of annually paid holidays for individuals. This led the engagement by society in many leisure activities in all developed market economies, and sports were now consumed in many forms, such as: sport practice, sporting press and sport shows. The second major trend was the television broadcasting of big sporting events which brought with it a completely new industry which provided access to TV viewers for any significant international competition covered anywhere around the world. The last but not the least evolution was the emergence of new information and communication technologies from internet to mobile phone and so on through which images of sporting events can be instantly transmitted at any moment to any place, throughout the globe.

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There was another side of the expanding sports economy on the using of technology of communications and TV. It was epitomizing as the most successful export of Western civilization, being of even wider appeal than democracy, egalitarianism and capitalism while for some factions within the world's societies, the meanings of representative political participation, equal employment opportunities, and even basic human rights are often the subjects of heated debates, there seems to be almost unanimous consent to the beauty of sporting victory, the value of gold medal, or the fascination of a new record. However, the celebration of sport as the universal cultural property disguises the political economy of sport in contemporary society and more down to earth corporate interests behind the western sport. First of all, both the wealth of nations and their inhabitants have great impact upon the diversity of sport opportunities, the quality of sport facilities and the issue of access rights. This is the case because a viable sports infrastructure requires a stable allocation of resources, either by public or private bodies, and the arrangement of these players ultimately decides whether sport is rather regarded as public policy or private business. While globalization of sports had been impacting political economy of nations, cricket was nowhere in the reckoning of the process. For some cricket was character building. It taught co-operation, self - sacrifice and team spirit; it extolled comradeship and Christian virtues; honour and sportsmanship were at the heart of the game; and on a 'bumpy pitch' in a 'blinding light' cricket was a test of courage and self - discipline. In 1976, the Australian Cricket Control Board (ACB) refused to accept a bid made by channel 9 owned by Kerry Packer for televising Australia's home test matches for three years for the season commencing with 1976-77 despite his bid amount being Australian Dollar 1.5 million against Australian Dollar 2,10,000 agreed to by the state run Australian Board Casting Corporation (ABC). Determined to get some cricket on channel 9, Packer approached Test and County Cricket Board (TCCB) in England to telecast Australian tour of England scheduled in 1977. However, ACB prevailed on TCCB to accept the offer of ABC even though it was only 14 per cent of the offer made by Packer. Packer's channel 9, in response, launched a cricketing revolution in 1977 in the form of World Series Cricket (WSC), a breakaway series that was innovative in both its format and marketing strategies. Packer attracted key players from the Caribbean's, England and Australia by offering them lucrative terms to play in a three way international competition each summer. He was successful in establishing the concept of exclusive TV coverage of the game of cricket and present to the game an altogether new concept of one day cricket which was to affect the supremacy of the five days contest format. The Cricket changed with coloured clothing with sponsor's logos replacing white flannels, use of flood lights for games that ran into the night, and the rise of international superstars, whose popularity grew with the glamour associated with new series. A truce was arrived at between ACB and Packer in 1979 on ACB conceding exclusive rights to telecast Australian cricket and besides PBL marketing, a company promoted by Packer, was also granted ten year contract to promote and market the game. WSC effectively challenged the national sporting organisation's hegemony over the game. It was able to get players, referees, and the media to popularize the game. The spectacle was carried forward by other media such as newspapers and radio, which were also owned by Packer. Packer created a realization that the sport of cricket is far beyond mere

entertainment but is a form of business of entertainment by demonstrating correlation between sports, corporate sponsorships, television broadcasters and the content providers and thereby boosting revenues for the cricketing events much beyond the gate collections and enabling sports lovers to enjoy the event from their homes, clubs, theatres, workplaces etc. Packer further established that broadcasters and sponsors would have a stake in the formats of the competition in tune with the best interest of revenues which would swell in proportion to the thrill and uncertainties that are bought about in such competitions. Format of one day cricket and later even shorter version has come to be established to make the competition result oriented and that too nail biting. Schedule, timing and duration of the matches were desired to suit the convenience of viewers across the countries with the development of appropriate technologies. However, with the placement of truce between Channel 9 and ABC, the pyramidal structure of ICC and Cricket Controls Boards fell into their usual groove and further potential of the economic activities and consequent economic gains had to await yet another fortuitous and unexpected event of the victory of India in the world cup at lords in 1983. Winning the world cup in 1983, against heavy odds, was a huge achievement; perhaps the greatest in the history of Indian cricket. "The significance of that win is that it changed the course of Indian Cricket forever". Nation regained a sporting identity which it had lost with its dwindling performance in hockey. Cricket picked up popularity and importance after 1983 victory. It became an ambition of boys to play the game; a classic example was Sachin, who has maintained many times that he was inspired by the victory. The feat of Kapil Dev led team gave belief to the administration of the BCCI to go ahead and deal with the traditional power houses of the game—England and Australia. Before that tournament BCCI mandarins sat in ICC meetings as timid participants. Its coffers were empty and to reward the winning team heroes they had to hold a Lata Mangeshkar musical night. The event kick started an Indian Cricket revolution and led to a shift in power. The World Cup was taken out of England and with it went control of the game. The 1983 performance gave Indian Cricket identity.

While cricket would not become a religion until it got a figurehead in the form of Sachin Tendulkar, the wheels had been set in motion by Kapil Dev and Co. Cricket picked up in popularity and importance after 1983 victory. The corporates got behind the team, the media started to give the Indian team the recognition they deserved. Nation's identity got tied up with the sport. Cricket was to experience the phenomenon of Indianisation of the sport and the rise of a non-western power in the cultural sphere to an extent that led Ashish Nandy to proclaim 'Cricket is Indian game accidentally discovered by the English. The colonial structure of ICC where Australia and England enjoyed the status of 'founding members' and without whose consent any decision of the ICC would not be able to go through came to be challenged by India encashing upon the growing anti - colonial sentiment fuelled by newly found supremacy of the erstwhile colonies in the game. Stung by the denial of extra tickets demanded by the BCCI President Salve, he successful fomented a revolt to bring the cricket world cup to India in 1987 with the close of co-operation the Pakistan Board despite the two nations having a military standoff, in their desire to get cricket out of the English hands. The presence of international diaspora that supported the South Asian national sides led to higher viewing figure worldwide for the matches involving Indian and Pakistan

teams. This meant better revenues for the Board of these countries and also of those Boards whose teams were playing against these teams which vested increased negotiating power of the Boards of India and Pakistan when it came to negotiating international broadcasting contracts. Thus, as the location of tournaments, choices of venues, and playing times became geared to fit the international diaspora, these Boards exercised influence the way the cricket was to run. This was the emerging dynamics of cricket's globalization, rooted in its unreal (non-Western) global trajectory, given the limited number and skewed geographical distribution of countries playing international matches. This phenomenon of globalization taking place not via the conventional means—expansion outwards from the metropolitan heartlands—but through the pursuit of commercial and media interests in India, is a subject itself for the scholars of the phenomenon of globalization.

Packer had challenged the monopoly of the ACB and ABC in obtaining the broadcasting rights in favour of channel 9; in India, cricket Association of Bengal (CAB) challenged the monopoly of the state television company; *Doordarshan*, by selling the telecasting rights for a five nation contest, Hero Cup, to Trans world International (TWI) and obtained a ruling on 15th Nov, 1993 in its favour. BCCI, taking a cue from this development, went on to obtain an order in 1994 in its favour and was able to grant five year exclusive broadcast right as part of a US \$ 30 million contract. Finally, the Supreme Court ruled in February, 1995 that the airways could not be a state monopoly as constitute public property and were for the advancement of the fundamental rights of free speech, something difficult to achieve under a monopoly. While this opened ways for BCCI to maximize their revenues; Government of India ensured the continued presence of Indian Cricket on free-to-air TV thus enabling continued penetration of Cricket into Indian markets. All these developments led to creating financial clout of the BCCI and the other Boards also started looking forward to Asian teams playing with them in the hope of increasing their own revenue share. In 1996, the ICC agreed to have a rolling post of Chairman, with each country having three years' tenure. Under this scheme, the responsibility fell on the then President of BCCI, Jagmohan Dalmiya to head the ICC for the next three years. He, not unexpectedly, brought about structural changes by devising a schedule where each country was supposed to tour others at regular intervals and inducted many countries as associate members with the promise of schemes that money be spent in these countries where cricket was not widely played. With such changes, control in the ICC became realistic and hegemony of the founder members was dealt with squarely. When Dalmiya took over as ICC President, it had \$ 16000 in its kitty, but when he demitted office three years later, the ICC coffers were bulging with \$ 15 million. Besides, the International body had a cash cow in the form of World Cup and the Champions Trophy.

The business of making money through advertising, television rights, franchises, sponsorships and merchandising by holding one Day Matches involving India, Pakistan and Sri Lanka became so compulsive that between 1984 and 2003, more than 200 OD Matches were played between India, Pakistan and Sri Lanka. Because of political reasons, they could not play matches in their home grounds in early decade of this century, when Abdul Rahaman Bukhatir in Sharjah, UAE undertook to organise tournaments among these countries calling them as The Cricketers' Benefit Fund Series (CBFS) with the professed objective to honour cricketers of the past

and present generations from India and Pakistan, with benefit purses in recognition of their services to the game of cricket. The capacity of the stadium was only 27000 which was packed by cash rich but time-poor people but the target audience was cash poor and time rich spectators on TV in India, Pakistan, Sri Lanka and the diaspora settled elsewhere. However, the venue met its sunset on Government of India banning the participation of Indian Team on the suspicion of match fixing and without the Prince of Denmark; there could be no Hamlet.

The Cricket Control Board come up with their own version of the league naming it as Indian Premier League in 2007 on the blueprint of ICL and cementing a format of the tournament which would ensure the loyalty of viewers of the cricket crazy nation assuring the sponsors, advertisers and other stake holders value for their money responding to their fears arising out of early exits of India and Pakistan from the World Cup 2007. Indian Premier League was launched on 12 September, 2007 in a high profile ceremony in New Delhi in the presence of its Board of Governors who included three former captains of Indian National Team and four BCCI officials, several players of international stature including Sachin Tendulkar, Rahul Dravid, Sourav Ganguly, Anil Kumble, Australia's Glenn Mc Garth, and New Zealand's Stephen Fleming were also on hand to support the league, as were the Chairmen of various Cricket Boards and the ICC. All of India's major television networks and newspapers covered the event. Challenge before Modi, Vice President of BCCI and Commissioner was to build a sustainable business model which would create the proper incentives to motivate players, broadcasters, franchisees, and the various cricket boards to join this effort. He was provided \$ 25 million as seed money by the BCCI to recruit players. There were many risks and uncertainties. Would Indian viewers enjoy a fast speed truncated version of the ODI game limited to show of hours? Would they root for city based teams instead of a national team? And above all would the cricket boards discover the congruence of their own interests? The biggest convincing for selling the T20 format was to be done with BCCI and the Indian spectators who had a packed schedule of ODI's and Test Matches to satisfy the former on sufficiency of revenue and the latter on the entertainment aspect. Each telecast of ODI was fetching on an average \$7.5 million to BCCI and thus for them there was no compelling reason to yield ground to an untested format of T20 which would require the players to maintain best of fitness and established players may face problems arising out of probable injuries. There were, of course, believers of shorter version as it would be appealing to younger generation and also to vast population of casual fans who did not care much about the finery of conventional cricket and would also be suitable for viewing in PVR's etc. competing with Bollywood entertainment of corresponding duration of hrs. The format of hours cricket would also appeal to women and children which would increase eye balls for TV as well as those who would view the game at clubs, pubs and PVR's.

Fortuitously for the future of IPL, inexperienced Indian Team won the Championship by defeating its arch rival Pakistan in a nail biting finish. The faith of Indian viewers to this format of the game was won over decisively and their viewership was assured for years to come. The viewers loved the winners and the format which brought them glory. On the sidelines of the tournament, Modi was selling the league to participating players in the tournament assuming them minimum salaries of \$1,00,000 to \$4,00,000 in the different categories and further

priming that the players would earn additional money from sponsorships. Almost all the players reacted favourably as they were assured that they would be free to fulfill their national commitments notwithstanding their IPL commitments.

Before the launch of the bid for seeking franchisees for eight teams for different cities as envisaged in the scheme of things, the potential investors needed to be convinced about the returns they could be getting as they owned a particular team as the concept of equity investment in the sports was alien to Indian Investors. As the IPL wished to include men and women from the glamour world, the prospective investors were not the usual risk taking investors in the new ventures. An explicit and detailed revenue sharing model and format among the promoters, the franchisees, and the players in the form prize money was spelt out assuring them that over a period, every participant would be in a win position. Fundamental idea to IPL's business plan was the idea of inviting private enterprise to own a slice of the cricket business which had till then been a closed club. When franchisees were sold in perpetuity, the corporate world was told it could invest in, own, and in future even trade on key component of Indian Cricket. Over the years, this proposition turned out to be a commercial masterstroke. Before the IPL, Indian cricket had no real, meaningful relationship with industry and commerce, though there were big TV deals and sponsors paying serious money to put their logo on Tendulkar's chest. The BCCI was quite content so far to let a few big sponsors compete for the available rights on paying the asking price.

By creating an arm of Indian cricket that could be run as a purely commercial enterprise, corporate India was allowed to enter the Indian Cricket dressing rooms. The sale of the IPL franchisees was the game changing event. Limiting the number of teams in the tournament maintained a simple economic balance that of demand outstripping supply, translating into rise in value. For example, GMR is reported to be seeking a valuation of between \$150 and \$200 million for their team Delhi Daredevils for which they obtained rights at \$84 million in 2008. During the initial bidding, Mukesh Ambani led Reliance Industries bid the most (\$119 million) for the Mumbai franchise-Mumbai Indians. Subrato Roy-led Sahara had to settle for an amount of \$370 million for Pune Warriors two years down the line. At the time of initial auction for the franchise rights in 2008, the total base price for 8 franchisees was US \$400 million whereas auction fetched US \$723.59 million. Tournament rules have been carefully crafted to balance the interest of all stake holders including those of International players and domestic players of different grades. Every team plays each other in IPL both at home and away - in a round robin system. Rules regarding team composition include; a minimum squad strength of 16 plus one physio and one coach; no more than 11 foreign players in the squad and not more than 4 such players in the final eleven; a minimum of 14 players must be in the squad and minimum of six players should be from the BCCI Under 22 pool. No franchisee would have spent more than \$5 million in the first IPL on the auction of players. Under 22 players were to be numerated with a minimum annual salary of US \$20,000 and for others it was to be \$25,000. Time outs were allowed in the match to provide for advertisements on TV for earning revenues.

Franchisees have been assured revenue share as follows: 80 per cent of the Television revenue over the first two years, 70 per cent of in the third and fourth year, and 50 per cent from the 11th year onwards. In addition they would receive 60 per

cent of the sponsorship revenue during the first ten years, after which they will receive 50 per cent of the total amount to be so distributed, 20 per cent will be divided among these franchisees on the final league positions while the 80 per cent would be shared equally.

Under this model BCCI's own revenue streams are secure. Every year it gets franchisee fee payments besides its share of central revenue, mainly from broadcast rights and from commercial sponsorships. Its surplus from IPL activities had increased to 265.14 crores in the year 2011-12 from 119 crore in the preceding year.

For Indian players, the IPL is a major leap towards making cricket a viable career. The game offers incentive, insurance, compensation and a certain amount of job security. Of all the IPL's stakeholders, the players are most critical. The players contract reflects this and is completely pro player—all players are assured performance-delinked-guaranteed payment, and there is no penalty clause. Even 50 per cent of the prize money is shared with players. A player's wage cannot be lowered during the contract period. Besides players are entitled to enticing peripherals such as travel by business-class, five star hotel stay and a \$100 daily allowances. The franchisee picks up service tax liability, and in case of foreign players, it also contributes 10 per cent of salary to their national boards.

IPL has turned out to be a cash cow for its promoters i.e. BCCI and has generated huge surplus every year of its existence through a host of streams of earnings created by IPL. It can boast to be among the richest sporting bodies and had a turnover of 5,300 crores during the year 2011-12 as per its annual report. Its kitty for the year 2011-12 stood at roughly thrice the revenue generated by ICC, five times the revenue clocked by Cricket Australia and 12 times the income of Cricket South Africa. 1200 crore income was earned from IPL and Champion League.

Players of the game have also immensely benefitted by playing in the league with handsome earnings which if well invested would stand them in good stead when they cease to play competitive cricket. A survey of Australian players who had retired or forced out of cricket at international or state level since 2005 found that a quarter of them experienced depression and feeling of helplessness after quitting cricket. As many as 43 per cent of the retirees felt they had lost a sense of their identity after finishing their cricket career. With the Boards getting richer, they have schemes on the anvil to assist and rehabilitate such players. Cricket Australia set apart 1 million US dollars for such programmes. BCCI has also disbursed over `110 crores to former players in the form of onetime payment and the present lot of domestic and international players are also being incentivized. BCCI has decided to insure all U-16, U-19 and U-25 cricketers, besides senior domestic players as well as women players. The scheme also covers match officials and umpires. Beside 37 players have been put on contract by placing them in three groups A, B and C for amounts of 1 Crore, ₹50 lakhs and 25 Lakhs respectively.

According to a survey conducted by Lagardère Unlimited at the instance of A.T. Kearney; the global sports industry is growing much faster than national GDP rates around the World. The global sports value chain—its size, make up and revenues has significant growth prospects for the future. The world wide sports events market, defined as all ticketing, media and marketing revenues for major sports, was worth \$64 billion in 2009 and out of this \$28 billion were generated by the sport of soccer alone and exceeding the revenues of

\$23 billion generated by all the sports of formula 1, Tennis and Golf. In Europe alone, football is \$22 billion business. All other sports which would include cricket also contributed over \$3.6 billion in revenue generation. This survey finds that the sports industry is growing faster than GDP in fast growing economies including India. Structured around the four pillars of sports value chain, namely, properties, rights management, events and contest; a virtuous circle is created reinforcing each such pillar. It has been summarized that demand for the events would increase but supply would not always keep up fuelling a race for longer and more exclusive contracts among sponsors. The wave of new stadiums around the globe, the growing size of television contracts and the continued proliferation of sports advertisement protends an industry that continues to soar, even as global economy climbs out of recession. Already, encouraged by the success of IPL, Hockey India League has been operationalised by Hockey India. It has found a sponsor in Hero Motor Corp and therefore officially, the league is known as Hero Hockey India League or HHIL. All India Football federation has also been encouraged to rope in IMG-Reliance to conceptualize a similar league for football. Thus commercialisation of cricket and professionalization of its players has set an example for other sports people in the country to follow for a win-win situation for the players and the economy in general.

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