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RESEARCH ARTICLE

ECONOMIC IMPLICATIONS OF INDIA HOSTING THE OLYMPIC GAMES

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Abstract

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Introduction:-

Prime Minister of India, Shri Narendra Modi confirmed at the ceremony of the International Olympic Committee session in Mumbai that India will be bidding to host the 2036 Olympics games in the likes of other countries such as Qatar, South Korea and Indonesia. Athletes, fans, and journalists from all over the world attend the Olympic Games, which are among the most prominent and watched athletic events in the world. Even while sports are the main emphasis of the Games, there are significant implications for the economy. Large investments in services, security, and infrastructure are required to host the Olympics, and these can have an impact on the host nation's economy in the short- and long-term. The choice to host the Olympics would have a number of economic consequences for India, a country with an increasingly growing economy but also substantial developmental challenges. These implications should be carefully considered before taking the decision of hosting such a prestigious and gargantuan event.

India's Economic Situation

It's important to take into account India's existing economic situation in order to comprehend any potential economic effects of the country hosting the Olympics. India has the third-largest purchasing power parity (PPP) and fifth-largest nominal GDP in the world as cited by Business Insider India. Over the past few decades, it has seen strong economic growth driven by a young population, a growing middle class, and a booming service industry. Over the past ten years (2001-2011), India's GDP has grown at an average pace of about 6-7% per year. However, a number of factors, such as changes in domestic policy, the state of the global economy, and unanticipated events like the COVID-19 epidemic, have caused fluctuations in the growth rate. India has developed its infrastructure very well, especially in metropolitan areas. Still, there are still a lot of gaps, particularly in rural areas. The nation's infrastructure requires significant changes in order to satisfy the demands of an economy that is expanding quickly. Poverty and unemployment are still serious problems in spite of economic expansion. Since a significant portion of the economy is made up of the informal economy, inclusive growth techniques are required.

The Bidding Process

Bidding to host the Olympic Games involves a detailed, multi-year process. Initially, the National Olympic Committee (NOC) and stakeholders conduct a feasibility study and secure public and political support. They then submit an expression of interest to the International Olympic Committee (IOC) and engage in dialogue to understand THE requirements. A bid committee is formed to create a comprehensive bid book detailing infrastructure, finances, and legacy plans. The bid is marketed both nationally and internationally. Following submission, the IOC evaluates the proposal through visits and feedback. Final presentations are made at the IOC Session, where members vote to select the host city. Post-selection, the organizing committee takes over, ensuring all plans are executed effectively with continuous monitoring. Key considerations include securing financial

guarantees, emphasizing sustainability, engaging the community, and maintaining transparency and accountability throughout the process. Bidding for the Olympics is costly on its own, with countries spending \$50-100 million, even for unsuccessful bids. Tokyo spent \$150 million for its failed 2016 bid and even more for the successful 2020 bid. Toronto refrained from bidding due to the \$60 million cost for the 2024 bid.

Infrastructure Development

Large-scale infrastructure development is one of the most direct economic effects of hosting the Olympics. India would have to construct or renovate athlete villages, hotels, transportation systems, and other facilities in addition to sporting facilities. For example, infrastructure expenditure for the 2012 London Olympics came to about \$9.3 billion, but the 2008 Beijing Olympics came to almost \$42 billion. Moreover, China spent approximately \$40 billion in infrastructure for the 2008 Beijing Olympics. India may anticipate comparable, if not higher, costs if it were to host the Olympics because of inflation and the size of the necessary developments.

There will be a big increase in the real estate and construction industries. There would be a sharp increase in the demand for labour, building supplies, and associated services, which might lead to the creation of many employments and boost the economy. An increase in construction jobs in the host city during the months preceding the Olympics is usually between 6 and 7 percent, according to a University of Oxford study. India, whose unemployment rate is over 9%, will experience a notable increase in employment.

Moreover, India might gain from the infrastructure built for the Olympics in the long run by modernizing its metropolitan areas. Enhancements to sports facilities, transportation networks, and utilities can yield long-term advantages for the community. The need to accommodate a large influx of visitors would drive investments in airports, railways, roads, and public transport systems. These improvements could ease congestion, reduce travel times, and support economic activities beyond the Games. Improved connectivity might benefit cities like New Delhi, Mumbai, or Bengaluru, drawing in more investment and increasing tourists even after the Games are finished. For instance, East London saw tremendous revitalization as a result of the London Olympics, with real estate values there increasing by 71% between 2005 and 2016.

Impact On Tourism And International Recognition

If India hosts the Olympics well, it can improve its reputation and brand image internationally. It can emphasize India's infrastructure, culture, and hospitality while showcasing the nation's capacity to plan and oversee major international events. Increased worldwide awareness has the potential to draw foreign investments in a number of industries, including manufacturing, technology, and tourism as well as hospitality. For instance, China's international profile was greatly enhanced by the Beijing Olympics, which resulted in a surge in foreign direct investment (FDI) inflows that reached \$92.4 billion in 2008—a 23.6% increase from the previous year. The UK attracted an estimated £2.1 billion in additional FDI as a direct result of the 2012 London Olympics. India, already one of the fastest-growing major economies, could see a substantial increase in FDI if it successfully hosts the Olympics. Increased FDI would bring in much-needed capital for various sectors, including manufacturing, services, and technology. FDI often comes with advanced technologies and management practices, which can boost productivity and innovation within the country.

The tourism industry receives a major boost from the global visitors that the Olympics bring. The Olympics attract millions of visitors from around the world, including athletes, officials, media personnel, and spectators. This influx of visitors can significantly boost the tourism and hospitality sectors. Demand for travel, dining, accommodation, and local goods and services, is probably going to spike during the Games. In addition to the immediate economic benefits, the influx of tourists may have long-term consequences as the host city becomes more well-known worldwide as a travel destination. For example, Australia's tourism income increased substantially after the Sydney 2000 Olympics, with an estimated 1.6 million more foreign visitors coming to Australia over the next four years.

Significant economic growth can result from the combination of increased FDI, tourism, and infrastructural development. These activities have a multiplier impact that can strengthen many economic sectors and raise GDP.

Employment Opportunities

There would be thousands of short-term job opportunities across several industries if India hosted the Olympics. There would be a huge need for labour, from construction workers to event coordinators, security guards to hospitality staff. Increased employment has the potential to be a major economic stimulus, especially for lower- and

middle-class households. An estimated 70,000 temporary employment were created during the Rio 2016 Olympics, demonstrating the possibility of job development.

Long-term job creation can also result from the Olympics. The host city may draw in new enterprises and industries as a result of the enhanced infrastructure and greater awareness internationally. Improved communication and transportation systems, for example, might attract foreign companies to the city, which may result in the development of new factories and offices and long-term job prospects. According to a PricewaterhouseCoopers (PwC) analysis, the London Olympics will eventually result in the creation of about 8,000 permanent employments as a result of increased business and tourism.

Long Term Benefits

India's sports industry might benefit greatly from hosting the Olympics. India's standing in the international sports arena can be enhanced by better sports facilities, a greater interest in sports among young people, and the possibility of hosting more international sporting events. This may result in more money being allocated to sports infrastructure and education, encouraging a society that is fitter and more active. Australia's participation in sports has significantly increased as a result of the 2000 Sydney Olympics, especially among youth.

A country's sense of pride and unity can be strengthened by successfully hosting the Olympics. People can come together as a result of the teamwork needed to plan an event of size, strengthening national identity and unity among individuals. The nation's development and general well-being may benefit from the beneficial social and cultural effects. Despite its difficulties, Brazil saw the 2016 Rio Olympics as a source of pride and unification that united the nation's different groups. As people cheer for their countries together, they do create an environment, which will further motivate young people to take this up as careers. This will allow the country to strengthen this aspect, which will allow them to perform better at sporting events, which will help boost the economic growth.

Financial Burden

Even though there are a lot of potential advantages, there are a lot of financial expenses associated with hosting the Olympics. It can cost billions of dollars to make the initial investments needed for event management, security, and infrastructure construction. India's finances may be put under pressure by this, particularly if final expenses turn out to be more than projected—as has been the case with multiple past Olympics. For example, the official cost of the Tokyo 2020 Olympics was reported to be \$15.4 billion, but some estimates place the real cost as high as \$25 billion. This was 130% higher than the estimates released when Tokyo won the bid in 2013. 62% of this cost was covered either by the Tokyo government or the Japanese central government

The cost of holding the Olympics can result in large debt if not handled correctly. Due to the massive amounts of debt incurred, nations like Greece and Brazil have experienced economic troubles since the Olympics. A little over \$11 billion was spent on the 2004 Athens Olympics, which made Greece's debt issue worse. To avoid such dangers, India will have to plan and manage its budget very carefully. These risks could be reduced with careful planning, effective project management, and the use of public-private partnerships.

It is possible to reallocate the taxpayer's money allotted for the Olympics to other vital sectors like poverty reduction, healthcare, and education. The opportunity costs of hosting the Games must be properly taken into account.

Long Term Fate Of Infrastructure

The Olympics are immeasurably larger than any other sporting event on the planet in terms of sheer scope. More than 11,000 competitors competed in 42 different Japanese venues at the Tokyo Olympics. Additionally, they hosted some 80,000 foreign officials, journalists, and support personnel; it is anticipated that this number will rise as more sports are played. Furthermore, these figures did not include the fans who were not present when COVID-19 struck Japan. The Paralympics, which happen right after, feature 4403 more participants in addition to officials and media. Although the pandemic-imposed absences did not severely test Tokyo's hotel occupancy, which had already climbed by 6.4% prior to the outbreak, or public transportation, they have had an impact elsewhere. Before the 2016 Games, Rio de Janeiro, for example, built 31,960 rooms, a 16.8% increase over the previous capacity and this was after an increase for the 2014 FIFA World Cup. Then, Airbnb properties added even more to this.

Paris, the 2024 Olympic host city, boasts one of the highest hotel room volumes globally, with 160,000 hotel rooms currently reserved, and more to come. In the meantime, the city anticipates that its public transportation system will convey 600,000–800,000 Olympic guests every day. The French minister of transportation described it as "like being in constant rush hour." An express train service is scheduled to begin from the main airport, and a new metro line has opened that connects the city's second airport to an Olympic centre. They anticipate operating considerably more shuttle buses and trains.

Just to put things in perspective, there are just under 15,000 hotel rooms in New Delhi; that number drops to roughly 23,000 if we include Noida and Gurugram. Currently housing 4,350 rooms, Ahmedabad collapsed under the pressure of hosting a single cricket match between India and Pakistan for the 2023 CRICKET World Cup. The cricket match between India and Pakistan may be only one of the many, many high-profile competitions at the Olympics. More facilities opening up in the host city would, of course, solve this, but that raises a significant issue—one that Rio is still dealing with—of who would use them when the Games are over.

Let us assume that the host city is Ahmedabad. If the city's hotel and accommodation infrastructure is increased by 5x, what happens to all of it after the rush of the Games? Would the city of Ahmedabad be able to provide sustainable volumes of occupancy? For instance, the additional rooms created in Rio have been a major problem for the hotel industry in the city.

And that's only the backend system. What becomes of the athletes? Many of the smaller, purpose-built stadiums in Beijing that were constructed for the 2008 Games have been abandoned, but the main venue, Beijing National Stadium, is now a popular tourist destination that holds everything from concerts and exhibitions to friendly football matches in the off-season. Even the football stadiums constructed for the 2014 World Cup in Brazil are now abandoned and in poor condition. Even though the IOC is now concentrating on locations with sustainable infrastructure, not every space will be used to its full potential.

Possible Negative Impact On Tourism

Choosing to host the games in a city that is already well-known will have an impact on tourism in general. For example, net tourism declined by 20% in 2008 and by 5% in London in 2012. There's a reason why numerous in-city voting referendums compelled cities to withdraw from consideration to host the Olympics at different times, including Rome, Hamburg, Boston, and Bern. Corporate sponsors have always only paid a portion of the associated expenditures; ticket sales can only make up so much. As can be easily observed in the case of Greece, hosting a game is a financially unprofitable endeavour.

Challenges Faced By Locals

The massive infrastructure upgrades needed for the Olympics may result in social instability. Families may need to relocate in order to build roads, sports facilities, and other amenities; this could cause social disruption and financial hardship for those impacted. It would be essential to guarantee compensation and sufficient amenities for these locals. Due to infrastructure improvements associated to the Olympics, almost 1.5 million people in Beijing were displaced, creating serious socioeconomic difficulties.

There is a possibility that the development phase and the actual Games will cause inconveniences to local businesses. Large multinational corporations that frequently open offices in Olympic host towns may pose competition to small enterprises. However, local companies can also profit from the increased number of visitors and worldwide exposure with the right planning and assistance. For example, local businesses experienced varying effects from the London Olympics; some reported higher sales, while others experienced brief disruptions. Moreover, increased competition may encourage these businesses to increase their innovation and productivity, in order to be distinguishable in the market, to generate greater profits.

Environmental Impact

There may be major environmental effects from both the building and the increase in tourists. Potential worries include rising pollution, problems with waste management, and depletion of natural resources. To lessen these effects, India will have to enact strict environmental protection laws and make sure sustainable development principles are adhered to. The Rio 2016 Olympics drew criticism for its impact on the environment, with reports of major water contamination and deforestation.

However, India may be encouraged to invest in sustainable practices and green technologies as a result of hosting the Olympics. Establishing sustainable waste management practices, encouraging public transit, and building environmentally friendly infrastructure can all serve as models for future growth. Long-term advantages for India's environment and public health may result from this. For instance, the London 2012 Olympics attempted to be the "greenest" Games ever, implementing a number of sustainability initiatives, such as sourcing 45% of their energy from renewable sources.

Inflationary Pressures

China experienced significant inflationary pressures leading up to and during the Beijing 2008 Olympics. The inflation rates of the years prior to the Olympics, when preparations of the Olympic games were going on, and 2008, when the Olympics were held.

1. 2006: 1.5%
2. 2007: 4.8%
3. 2008: 5.9%

Large-scale building projects, including the construction of new stadiums and transportation infrastructure, were undertaken prior to the Olympics. The construction industry experienced an increase in prices due to the increased demand for labour and materials. Significant demand-pull inflation resulted from this. Furthermore, supply chains were pressured by the rapid rate at which infrastructure and building were developed, which resulted higher costs for essential goods like steel and cement, which increased cost-push inflation. Food costs significantly increased during the Olympics, partially because of increased demand from the large number of visitors and because of broader economic issues that affected agricultural output and transportation. When planning for the Olympic games, India should carefully assess the price changes, in order to prevent a sudden rise in prices, which will reduce the purchasing power of its consumers.

Conclusion:-

India will face many challenges as well as great opportunities as it plans to hosts the Olympic Games. There are a number of possible economic advantages, such as increased foreign investment, job growth, infrastructure development, and tourism. These advantages are not without expense, though, as there is a chance of unused infrastructure, economic displacement, inflationary pressures, and security issues.

To guarantee that the economic effects of hosting the Olympics are favourable and equitable, a strategic strategy emphasizing public-private partnerships, legacy planning, sustainable development, social inclusion, and transparency is crucial. India can try to host an Olympics that not only highlights its cultural and athletic skills but also promotes fair and sustainable economic growth by taking lessons from past host cities and adapting the strategy to the nation's specific needs.

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