International Journal of Global Economics and Management
ISSN: 3005-9690 (Print), ISSN: 3005-8090 (Online) | Volume 5, Number 3, Year 2024
DOI: https://doi.org/10.62051/ijgem.v5n3.21
Journal homepage: https://wepub.org/index.php/IJGEM/index

New trends and Opportunities for the Integrated Development of China's Sports Finance and Sports Industry

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ABSTRACT

The integrated development of China's sports finance and sports industry is ushering in new trends and opportunities. With the continuous growth of China's economy and the improvement of residents' living standards, the sports industry, as an important part of the national economy, is ushering in unprecedented development opportunities. As a key force to support the development of the sports industry, the necessity of sports finance is becoming increasingly prominent. The driving role of national policies cannot be ignored, and a series of policies are aimed at promoting the deep integration of the sports industry and the financial sector. The innovation of sports financial products and services, such as the development and application of sports insurance products, the innovation of sports credit and investment products, and the development prospects of sports financial derivatives, have provided new financing methods and investment channels for the sports industry. The integration model of sports finance and sports industry, including sports event financing and sponsorship model, financial support for stadiums and infrastructure, and financial management of sports clubs and athletes, has injected new vitality into the sustainable development of the sports industry. The risk management and control of sports finance, as well as the construction of a regulatory framework for sports finance, are the key to ensuring the stable development of the sports finance market. The impact of technological progress on sports finance, the long-term trend of the integration of sports finance and sports industry, and the opportunities and challenges of sports finance in the context of globalization are all important aspects of the future development of sports finance.

KEYWORDS

Sports Finance; Integrated development; Risk management

1. INTRODUCTION

1.1. Background to the Rise of Sports Finance

With the continuous growth of China's economy and the improvement of residents' living standards, the sports industry has ushered in unprecedented development opportunities. According to data released by the General Administration of Sport of China, the total size of China's sports industry exceeded 3 trillion yuan in 2020 and is expected to maintain an average annual growth rate of more than 10% in the next few years. This growth is not only reflected in the vigorous development of the sporting goods manufacturing industry, but also in the rapid expansion of the sports service industry, especially in the fields of sports tourism, sports media, and sports training. For example, the number of participants in marathons has grown from less than 100,000 in 2010 to more than 7 million in 2019, becoming an important force driving the growth of the sports industry . In addition, with the active guidance of national policies, such as the release of the "Outline for the Construction of a Sports Power", policy support and market space have been provided for the integrated development of sports finance and sports industry. The rapid development of the sports industry not only provides a broad market for sports finance, but also brings new opportunities to investors [1].

1.2. The Need for Financial Support for the Sports Industry

With the continuous growth of China's economy and the improvement of people's living standards, the sports industry, as an important part of the national economy, is ushering in unprecedented development opportunities. As a key force to support the development of the sports industry, the necessity of sports finance is becoming increasingly prominent. According to data released by the General Administration of Sport of China, the total size of China's sports industry reached 2.7 trillion yuan in 2020 and is expected to exceed 3 trillion yuan by 2025. This growth trend not only shows that the market potential of the sports industry is huge, but also means that a large amount of capital is needed to support its development. Financial support can provide the necessary capital for the sports industry and promote the upgrading and innovation of all aspects of stadium construction, event operation, sporting goods manufacturing and sports services. The intervention of financial capital can not only help the sports industry achieve economies of scale, but also improve the anti-risk ability of the entire industry through risk diversification and capital operation, so as to promote the sustainable development of the sports industry.

1.3. The Role of National Policies in Promoting Sports Finance

The integrated development of China's sports finance and sports industry has made remarkable progress driven by national policies, such as the "13th Five-Year Plan for the Sports Industry", which provides a clear direction. The policy not only provides macro guidance, but also promotes the innovation of financial products, such as the expansion of the sports insurance market and the innovation of sports event financing models. At the same time, the policy encourages financial institutions to provide a full range of services for athletes and clubs, strengthen market supervision, introduce third-party assessment and risk management, and use big data and other technologies to improve management accuracy. In the future, technological progress will further promote the innovation of sports finance products, and China's sports finance is facing opportunities and challenges, and it is necessary to deepen integration, strengthen risk management, and improve the regulatory framework.

2. THE CURRENT SITUATION AND CHALLENGES OF THE SPORTS INDUSTRY

2.1. The Market Size and Growth Trend of the Sports Industry

With the vigorous development of the global sports industry, the market size continues to expand, and the growth trend is significant. According to the International Sports Industry Association, the total output value of the global sports industry exceeded 1.3 trillion US dollars in 2020 and is expected to grow at an average annual rate of 3.7% in the coming years. This growth is not only due to the commercialization and professionalization of sporting events, but also to the vigorous development of market segments such as sporting goods, sports media, and sports tourism. For example, the market size of China's sports industry reached 3.3 trillion yuan in 2019, becoming a new driving force for economic growth. In this context, the importance of sports finance as a new engine to support the development of the sports industry is becoming increasingly prominent. By providing financing, insurance, investment and other services, sports finance not only promotes the capital accumulation and risk diversification of the sports industry, but also provides strong support for the sustainable development of the sports industry.

2.2. The Main Challenges Facing the Sports Industry

Behind the booming sports industry, the challenges it faces cannot be ignored. First of all, although the market size of the sports industry continues to grow, its growth rate and stability are still affected by a variety of factors. For example, according to the International Sports Industry Report, the global sports industry reached a market size of about $700 billion in 2019, but the market size declined significantly in 2020 due to the impact of the COVID-19 epidemic. The incident highlighted the sports industry's vulnerability to emergencies and the urgent need for risk management and contingency planning.

Secondly, the analysis of the structure and market segments of the sports industry shows that the development of different fields is uneven. In China, for example, while traditional sports such as football and basketball have a huge fan base and commercial value, some niche sports struggle to gain enough attention and investment. This uneven development limits the overall potential of the sports industry, and also poses challenges to the innovation and promotion of sports financial products.

In addition, the sports industry faces challenges in its financing and sponsorship models. Traditional sponsorship and advertising revenue models are being impacted by digital media and social media, with sponsors increasingly demanding ROI. Sports organizations and clubs need to find new revenue streams, such as attracting investors through sports financial product and service innovations. For example, sports insurance products can be developed to provide risk protection for athletes and clubs, while sports credit and investment products can provide financial support for the construction of stadiums and infrastructure [2].

Finally, the integration of sports finance and the sports industry needs to overcome the problem of imperfect regulatory frameworks. Risk identification and management strategies in the sports finance market need to be more refined to cope with the uncertainties and cyclical fluctuations that are unique to the sports industry. Constructing a comprehensive regulatory framework for sports finance can not only protect the interests of investors, but also promote the healthy and sustainable development of the sports industry.

2.3. Analysis of the Structure and Market Segments of the Sports Industry

With the vigorous development of China's sports industry, its structure and market segments show the characteristics of diversification and specialization. According to data released by the General Administration of Sport of China, the total scale of China's sports industry reached 2.7 trillion yuan in 2020, a year-on-year increase of 7.2%. This growth is not only due to the steady development of the sporting goods manufacturing industry, but also closely related to the rapid rise of the sports service industry. In the market segment, service industries such as fitness and leisure, competition performances, and sports training have grown rapidly and become a new engine to promote the development of the sports industry. For example, the market size of the fitness industry has exceeded 150 billion yuan in 2020 and is expected to grow at an average annual rate of more than 10% in the next few years. This trend shows that the sports industry is transforming from a traditional manufacturing industry to a service-oriented industry, providing a broad space for development and investment opportunities for sports finance.

In the market segment of the sports industry, the involvement of sports finance is particularly crucial. Taking the sports insurance market as an example, with the increase in sports events and the increase in participation in sports activities, the demand for sports insurance is growing. According to the China Sports Insurance Market Analysis Report, the sports insurance market has reached 10 billion yuan in 2020 and is expected to maintain an average annual growth rate of 15% in the next five years. The innovation of sports financial products and services, such as insurance products for athletes' career planning and comprehensive insurance solutions for large-scale sports events, not only provides risk protection for the sports industry, but also opens up new investment channels for financial capital. In addition, sports financial derivatives, such as sports event lotteries and sports asset securitization, have gradually become new highlights in the integration of the sports industry and the financial market.

In the analysis of the structure and market segments of the sports industry, it is not difficult to find that the healthy development of the sports industry is inseparable from the support of finance. The innovation of sports finance is the key to promoting the sustainable development of the sports industry. Through financial tools and product innovation, we can effectively solve the problems of the sports industry in terms of financing, investment, risk management, etc., and promote the structural optimization and market segmentation of the sports industry. For example, financial support for stadiums and infrastructure can not only alleviate the pressure on construction funds, but also attract social capital to participate in the construction and operation of the sports industry through innovative financing methods such as PPP (public-private partnership) models. This model not only improves the efficiency of capital use, but also provides a new idea for the deep integration of sports finance and sports industry.

3. INNOVATION OF SPORTS FINANCIAL PRODUCTS AND SERVICES

3.1. Development and Application of Sports Insurance Products

With the vigorous development of China's sports industry, the development and application of sports insurance products, as an important part of the field of sports finance, are receiving increasing attention. Sports insurance not only provides risk protection for athletes, coaches, sports events and stadiums, but also promotes the healthy development of the sports industry [3]. For example, according to data released by the Insurance Association of China, the sports insurance market reached billions of yuan in 2020 and is expected to maintain an average annual growth rate of more than 10% in the coming years. This growth trend is driven by the increase in sporting events, the rise in sports participation, and the expansion of the overall size of the sports industry.

In terms of innovation of sports insurance products, insurance companies have begun to design personalized insurance products according to the characteristics of different sports. For example, for high-risk sports such as football and basketball, special athlete accident insurance has been developed; For marathons, cycling and other sports activities with high mass participation, event cancellation insurance and spectator accident insurance have been introduced. These products not only meet the diversified needs of the sports industry, but also reflect the refinement and specialization of sports insurance product development [4].

The application of sports insurance products has also promoted the deep integration of the sports industry and finance. Taking sports event financing as an example, insurance companies reduce the risk of event organizers and investors by providing event cancellation insurance, thereby attracting more financial capital to invest in sports events. This model not only provides a stable source of funding for sporting events, but also provides investors with a channel for risk diversification. It is through this risk management that sports insurance provides a solid foundation for the sustainable development of the sports industry.

3.2. Innovation in Sports Credit and Investment Products

With the vigorous development of China's sports industry, the innovation of sports credit and investment products has become a key driving force to promote the integrated development of sports finance and sports industry. According to the "China Sports Industry Development Report", the total size of China's sports industry has exceeded 3 trillion yuan in 2020 and is expected to maintain a double-digit growth rate in the next few years. Against this backdrop, financial institutions and investors are looking for more diversified sports credit and investment products to meet the growing financing needs of the sports industry. For example, special loan products for the construction of stadiums and infrastructure, as well as personalized financial solutions for sports clubs and athletes, these innovative products not only provide financial support for the sports industry, but also promote the structural optimization and upgrading of the sports industry.

Risk management and control are equally important in the innovation of sports credit and investment products. By introducing advanced risk assessment models, such as credit scoring models and default probability models, financial institutions can conduct accurate risk assessments of sports events, so as to design more reasonable credit products. At the same time, through in-depth cooperation with the sports industry, financial institutions can better understand the particularities of the sports market, such as the uncertainty of events and the transience of athletes' careers, and then develop investment products that meet the characteristics of the sports industry. Therefore, through innovation and refined management, sports credit and investment products can effectively reduce the financing risk of the sports industry and provide investors with safer investment channels.

The innovation of sports financial products and services is not only reflected in product design, but also in the innovation of service models. For example, through the Internet financial platform, new financing models such as crowdfunding for sports projects and P2P lending can be realized, which can directly connect the sports industry with the majority of investors and improve the liquidity and use efficiency of funds. At the same time, with the application of big data, artificial intelligence and other technologies, financial institutions can more accurately predict the trend of the sports market and provide investors with more scientific investment decision-making support. Under the new trend of integrated development of sports finance and sports industry, innovative credit and investment products will become an important force to promote the sustainable and healthy development of the sports industry.

3.3. The Development Prospects of Sports Financial Derivatives

With the vigorous development of the sports industry, the development prospects of sports financial derivatives as a bridge connecting sports and financial markets have attracted much attention. Sports financial derivatives not only provide investors with diversified investment channels, but also bring new financing methods to the sports industry. For example, the development of the sports betting market has provided more possibilities for betting on sports events through the introduction of financial instruments such as futures and options. According to market research institutes, the global sports betting market reached a size of about $200 billion in 2020 and is expected to grow at an average annual rate of about 10% in the coming years. This not only reflects the huge potential of the sports financial derivatives market, but also shows the broad prospects of the combination of sports industry and financial innovation.

In the development of sports financial derivatives, risk management and control are particularly important. Taking sports insurance products as an example, their innovation not only provides risk protection for athletes and clubs, but also provides investors with a tool to diversify risks. For example, insurance products for an athlete's career can effectively mitigate the financial losses caused by injuries and illnesses. In addition, financial support for stadiums and infrastructure, such as through the issuance of bonds or asset securitization, provides financial guarantees for the holding of major sporting events. The innovation of these financial derivatives not only promotes the capitalization of the sports industry, but also provides a solid foundation for the stable development of the sports financial market.

Looking forward to the future, with the advancement of big data, artificial intelligence and other technologies, sports financial derivatives will be more intelligent and personalized. For example, big data analysis is used to predict the outcome of sports events to provide investors with more accurate decision support. Therefore, the development of sports financial derivatives must rely on a deep understanding of the sports industry and accurate market analysis. Under the long-term trend of the integration of sports finance and sports industry, sports financial derivatives will continue to innovate and inject new vitality into the sustainable development of the sports industry.

4. THE INTEGRATION MODEL OF SPORTS FINANCE AND SPORTS INDUSTRY

4.1. Financing and Sponsorship Models for Sports Events

With the vigorous development of China's sports industry, sports event financing and sponsorship models have become an important way to promote the integration of sports finance and sports industry. In 2019, for example, the total scale of China's sports industry reached 2.95 trillion yuan, a year-on-year increase of 10.9%, showing a strong growth momentum. In this context, sports events are the core components of the industry, and the innovation of their financing and sponsorship models is crucial to the sustainable development of the entire industry. For example, Alibaba Group's sponsorship of the Chinese Super League has not only brought huge funds to the event, but also promoted the deep integration of sports with e-commerce and big data.

In addition, through the introduction of financial instruments such as venture capital and private equity funds, event organizers can more effectively diversify risks and achieve optimal allocation of capital. In terms of analysis model, the "sports event value evaluation model" can be used to quantitatively analyze the commercial value of the event and provide decision-making support for sponsors and investors. Therefore, through innovative financing and sponsorship models, we can not only provide financial support for sports events, but also further promote the deep integration of sports finance and the sports industry, and jointly open up a new world for the sports industry.

4.2. Financial Support for Stadiums and Infrastructure

With the vigorous development of China's sports industry, the construction and upgrading of stadiums and infrastructure has become a key area to promote the integration of sports finance and sports industry. According to the "China Sports Industry Development Report", in recent years, the scale of investment in the construction of sports venues in China has continued to expand, and the total investment in stadiums and related facilities in 2020 has exceeded 100 billion yuan. This growth trend not only reflects the rapid development of the sports industry, but also highlights the importance of financial support in the construction of sports venues. Financial institutions provide financial guarantees for the construction and operation of stadiums by providing a variety of financial products and services such as loans, bond issuance, and PPP (public-private partnership) models. For example, the PPP model was adopted for the construction of a well-known sports stadium, and through the cooperation between the government and private capital, it successfully attracted a large amount of investment, which not only alleviated the financial pressure of the government, but also brought stable returns to investors. In terms of risk management, financial institutions use credit evaluation models and risk diversification strategies to ensure the soundness of sports venue investment. The financial support of stadiums and infrastructure is a vivid embodiment of the new trend and opportunity of the integrated development of sports finance and sports industry.

4.3. Financial Management of Sports Clubs and Athletes

In the financial management of sports clubs and athletes, innovative financial products and services are becoming a new engine to promote the development of the sports industry. In the case of football clubs, clubs in Europe's top leagues are increasingly investing in the player transfer market, which not only reflects the growth of the sports industry, but also highlights the importance of financial management. For example, in the summer of 2019, FC Barcelona signed Dutch midfielder Frenkie de Jong from Ajax for €120 million, a transfer fee that involved a complex financial structure, including instalments and bonus clauses linked to the player's future performance. This financial arrangement not only alleviates the immediate financial pressure of the club, but also reflects the application of sports financial product innovation in practical operation.

Financial management is also crucial at the individual level. Athletes' incomes are often unstable and their careers are short, so how to rationally plan their finances and ensure their financial security after retirement is a problem that athletes must face. Take NBA star LeBron James, for example, who is not only excellent on the court, but also exemplary in financial management. James has reportedly managed to turn the income from his athletic career into long-term and stable wealth growth through a variety of channels, including investments in real estate, tech companies, and brand endorsements. This diversified financial management strategy provides athletes with a sustainable financial planning model.

The integration of sports finance and sports industry has brought new opportunities and challenges to the financial management of clubs and athletes. With the rapid development of the sports industry, clubs and athletes need more professional and refined financial management services. For example, using big data analytics to predict the market value of athletes, or using financial derivatives to hedge the risk of injury or illness for athletes. These innovations in financial tools and services not only help clubs and athletes better manage risk, but also generate additional benefits for them. As a result, through professional financial management, clubs and athletes can have a clearer picture of their financial situation and thus make more informed decisions.

5. RISK MANAGEMENT AND CONTROL OF SPORTS FINANCE

5.1. Risk Identification in the Sports Financial Market

In the process of risk identification in the sports finance market, we must recognize the peculiarities of the sports industry, which is not only affected by the economic cycle, but also by unpredictable factors such as sports performance, athlete performance, and even weather. For example, the cancellation or postponement of a major sporting event may result in significant fluctuations in the value of the underlying sports financial product. According to data from the International Sports Finance Research Institute, the value of financial products related to sports events can drop by an average of 30% to 50% when the event is cancelled or significantly changed. Therefore, risk identification must cover these non-traditional risk factors to ensure the stable development of the sports financial market.

In risk management in the sports finance market, it is essential to adopt appropriate analytical models. For example, the use of stochastic models such as Monte Carlo simulations can help financial institutions assess the impact of uncertainty in the outcome of sports events on the value of financial products. By simulating different market scenarios, financial institutions are better able to predict potential losses and develop risk control strategies accordingly.

In addition, the risk identification of the sports finance market should also pay attention to the structural risks within the sports industry. The market segments of the sports industry, such as football, basketball, golf, etc., each have different market characteristics and risk characteristics. When designing sports financial products, financial institutions need to deeply analyze the characteristics of each market segment and identify potential market risks. For example, the financial health of football clubs is often closely tied to the player transfer market, while basketball clubs rely more on ticket sales and television rights. Therefore, financial institutions must carefully assess and manage the risks of these market segments when providing credit or investment products.

5.2. Risk Assessment and Management Strategy

In the process of integrated development of sports finance and sports industry, risk assessment and management strategies are the key to ensuring sustainable development. With the vigorous development of the sports industry, there are endless innovations in sports financial products and services, but at the same time, they also bring many risks. For example, while sports insurance products provide protection for athletes and clubs, they also face uncertainties such as the risk of athletes' injuries and illnesses and the risk of event cancellation. According to the statistics of the Blue Book of Sports Industry, the scale of China's sports insurance market reached 15 billion yuan in 2019, but compared with the overall scale of the sports industry, there is still huge room for growth and risk control needs.

In terms of sports credit and investment product innovation, financial institutions need to conduct rigorous financial and market analysis of sports projects to identify potential risk points. For example, the construction of stadiums and infrastructure often requires huge investments, and its return cycle is long and the cash flow is unstable, which requires financial institutions to use modern financial engineering techniques and risk assessment models, such as Monte Carlo simulations and credit scoring models, to predict and quantify risks and formulate corresponding risk mitigation measures.

In addition, although sports financial derivatives such as futures and options provide investors with new investment channels, their complexity and high leverage also bring high market risks. Therefore, regulators and financial institutions must establish a sound regulatory framework and internal control mechanism to prevent the occurrence of systemic risks. Therefore, through scientific risk assessment and management strategies, risks in the field of sports finance can be effectively identified and controlled, providing a solid guarantee for the healthy development of the sports industry.

5.3. Construction of a Regulatory Framework for Sports Finance

With the deep integration of China's sports finance and sports industry, the construction of a regulatory framework is particularly important. The regulatory framework needs to not only ensure the compliance of financial activities, but also promote the healthy development of the sports industry. For example, according to the market size of China's sports industry, the total output of the sports industry reached 2.95 trillion yuan in 2019, a year-on-year increase of 10.9%. This data shows that the sports industry has become an important part of the national economy, so the regulatory framework must be able to adapt to the rapid growth of the size of the industry. Regulators can draw on international experience, such as the provisions on sports finance in the Dodd-Frank Wall Street Reform and Consumer Protection Act of the United States, and combine China's national conditions to develop a regulatory system that meets international standards and has Chinese characteristics.

In addition, the construction of the regulatory framework should take into account the specificities of sports financial products, such as sports insurance and sports credit products, which often involve long-term investment and high risk, and therefore require special risk assessment and management strategies. The regulatory framework should also include the regulation of sports financial derivatives, which provide new investment channels but also introduce market volatility and systemic risk. By establishing a comprehensive regulatory framework, it can provide a stable environment for innovation in sports finance, while protecting the interests of investors and promoting the positive interaction between the sports industry and the financial market.

6. CONCLUSION

6.1. The Long-Term Trend of the Integration of Sports Finance and Sports Industry

Sports finance is booming with the growth of the sports industry, and the global sports industry market size is expected to grow from $700 billion in 2020 at an annual rate of 3.7% to more than $900 billion by 2025. Innovations in sports finance products and services, such as sports insurance and credit investment products, have been key to driving growth. Technological advancements, particularly big data, artificial intelligence, blockchain, and 5G technology, are changing the way sports finance operates, improving transaction transparency, security, and market insights. However, the integration of sports finance and the sports industry also faces challenges such as market risk management and regulatory framework construction, which requires professional risk assessment, government supervision and industry cooperation. Drawing on international experience and formulating regulatory policies in line with Chinese characteristics will promote the healthy and sustainable development of sports finance and the sports industry.

6.2. Opportunities and Challenges of Sports Finance in the Context of Globalization

In the context of globalization, sports finance is facing both opportunities and challenges. The international influence of sports events has been enhanced, providing market space for financial product innovation, such as the World Cup and the Olympic Games, attracting global attention and bringing investment and financing opportunities. However, globalization also brings risks, such as industrial fluctuations, competition uncertainty and changes in the international environment, the impact of which has been highlighted by the pandemic. Therefore, sports financial institutions need to establish a risk assessment mechanism, strengthen supervision, and ensure that the market is transparent and fair. Technological advances such as big data, AI, and blockchain have brought new opportunities to sports finance, improved ticket anti-counterfeiting capabilities, provided a safe and transparent trading environment, helped accurate investment decisions, and promoted the deep integration of sports and finance.

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