

EXPORT OF SPORTS GOODS AND ECONOMIC GROWTH: AN EVIDENCE FROM PAKISTAN'S SPORTS INDUSTRY

Ishtiaq Khan¹, Dr. Gohar Abbas², Dr. Sadia Shiekh³, Dr. Riffat Aisha⁴

ABSTRACT

Purpose: The main focus of this study is to explore issues and challenges pertaining to the Sports Goods Industry and Economic Growth with reference to Pakistan. **Methods and Materials:** Five years of available data (from 2013-2017) on exports of sports goods from Pakistan was used to conduct this study. The data were collected from the Product Report Sports Goods, Market Research Report: Sports goods exports of Pakistan published by the Trade Development Authority of Pakistan. **Results:** Results revealed that 6.41% of Pakistan's exports of the share of Sports Goods. Men's shirts and balls constituted the main goods that are mainly exported to European countries like Germany, United States and the United Kingdom. **Conclusions:** From the study findings, it is concluded that Pakistan's sports industry exports can be increased by addressing the issues faced in the manufacturing of the export sports goods i.e., overcoming the power shortage issues, government relaxation in tariffs and subsidies, provision of ISO certifications, and serious promotional efforts by country's foreign missions abroad.

Key Words: Sports Goods, Challenges, Pakistan Economic Growth, Sports Industry

INTRODUCTION

Pakistan's sports goods industry significantly contributes to the international sports goods trade and is now exporting products to a number of countries around the world to meet the needs of foreign importers. During the last few decades, Pakistani sports products once have earned international attention as a result of high quality production and the country has been a major exporter of football for FIFA for many decades, However, after strict WTO regulations, many exporters could not qualify as authorized vendors in the international markets. The same issue was faced by few other sports commodities and

¹ PhD Scholar, Abasyn University Peshawar- Pakistan. Ishtiaqkhan2005@gmail.com

² Associate Professor, Department of Business Administration, Sarhad University Peshawar-Pakistan. abbas.ba@suit.edu.pk

³ Assistant Professor, Benazir School of Business, BBSU, Karachi-Pakistan

⁴ Lecturer, Bahauddin Zakariya University, Multan - Pakistan

unfortunately the manufacturers and the government couldn't address these issues proactively and the country's due share in global export market was taken by other international competitors.

The sports goods manufacturing process thus plays a vital role in sports industry. To be precise, the process begins with the adaptation of raw materials and finishes with the distribution of finished products to customers. Quality raw material selection, product design, manufacturing, and timely delivery to customers are the key attributes that can lead to success. In this regard, it is note worth that Pakistan sports goods manufacturers have been labeled as second to none in fulfilling the customized needs of the international customers e.g. Adidas, Nike, Puma, Lotto, Umbro, Mitre, Micassa, Diador, Wilson, Decathlon and other reputed international brands. In the context of sports goods manufacturing and exports, it is very important for the manufacturers as well as government agencies to proactively deal with the challenges in this era of cut-throat competition. In Pakistan, the cost of production has mainly increased due to higher exchange rate, increasing interest rate and inflation (Shakoor & Rehan, 2019). This research endeavor intends to explore the subject issues mentioned with particular reference to Pakistan's exports of sports goods. This study explores the value of the sports goods industry in Pakistan through a SWOT (Strength, Weakness, Opportunity, Threats) analysis of the Pakistani sports goods industry employing various facts and figures.

Objectives:

- i. To assess the share of Pakistan sports goods in the country's total export goods.
- ii. To highlight the exports of Pakistan sports goods to the international market.
- iii. To explore the issues of sports goods manufacturers and exporters of Pakistan.
- iv. To suggest recommendations to various stakeholders with particular stress upon the sports industry for the betterment of Pakistan's economic growth.

LITERATURE REVIEW

Pakistan has a competitive advantage over many other countries in terms of its human capital which can have a direct impact on export performance with particular reference to the Small and Medium Enterprises (Mubarik, Devadason, & Govindaraju 2020; Shaikh & Khoso, 2019). Sports SMEs are abundant in Pakistan but unfortunately, most of these fail to grab their share in the spores market is because of various issues which need a thorough

discussion. A few of the most important issues are lack of R&D, outdated machinery which in turn increases the cost of production as compared to other countries including China, Bangladesh and India (Shakoor & Rehan, 2019). The issues mentioned above are a source of headache not only for the sports industry but also for other manufacturing sectors of Pakistan.

SMEs by creating employment opportunities contribute to economic growth and poverty reduction and have gained much attention by the policymakers since the last three decades (Long & Zhang, 2011). The importance of artisanal cities (e.g., Sialkot and Jalandhar) cannot be overlooked with particular reference to their contribution to sports production in Pakistan (Chattha, 2021). In the context of Pakistan, its share of sports goods in overall exports was 1.51 per cent (2015-16), with football being the leading export commodity, accounting for 43 % of total sports goods exported in 2012-13. Sialkot which is one of the most popular cities of Pakistan with reference to sports goods has been producing and exporting sporting products and accessories all over the world for over a century. Nonetheless, Sialkot once catered to 85 percent of the global demand for hand-stitched inflatable balls whereas China is the leader in machine-stitched balls (Lund & Nadvi, 2010). Pakistan's sports products are primarily exported to Europe. The Pakistan Sports Goods and Manufacturing Association is an important player in the industry's growth.

Since Pakistan's independence, Sialkot has been the center of sports goods production with the first factory to produce sports goods was established in 1883. Cricket bats, polo sticks, and hockey sticks were manufactured in the factory at that time. They eventually made their way into the sportswear industry. Sialkot's sports goods and sportswear industries have mostly been at their peak (Elahi, 2013). The researcher suggest that, in order to reverse the decline in sports performance, a focus on grass-roots activities in schools, systematic and scientific coaching, long-term planning and upgrading our competition and monitoring system, as well as provisioning of sports facilities at all levels, should be prioritized. (Mughal, Gujar, & Khan, 2016).

Soccer, sportswear and gloves account for approximately 80 per cent of all sports products exported. The manufacture of sportswear and gloves is often carried out in factories, whereas the manufacture of football is considered exceptional because of the hand-stitching expertise of Pakistani artisans. Football stitching is typically performed within 60 kilometers of Sialkot and is outsourced. Sialkot and the surrounding areas of Sialkot are very important and well known around the world for their production of sports goods. The following is an overview and estimation of the position of sports goods and Sialkot (Karim, 2009):

- The Pakistan Sports Goods Manufacturers and Exports

Association registered 300 or more firms that are currently working (PSGMEA).

- There are at least 20,000 businesses registered with the Sialkot Chamber of Commerce and Industry.
- In 2014-15, Pakistan's annual exports totaled more than USD 338 million.
- Sports goods are being exported by more than 1200 companies in Sialkot.
- Sialkot is 3 times bigger than the Jalandhar (Indian Punjab) cluster in terms of the numbers of firms (Lund & Nadvi, 2010).

The sports goods sector and sub-sectors are very promising that contribute to significant exports of sports goods. Sialkot is the first market for purchasers of sports products imported from Taiwan, South Korea, the United States and other countries. As demand rises and imports from other countries decrease, local exporters have also started to manufacture sportswear, and this trend continued. As demand grew and imports from other countries decreased, local exporters also started manufacturing sportswear, thus resulting in an enormous market (Khan, Haroon, & Bhatti, 2010).

It's not only the domestic problems of Pakistan but globalization has also increased competition internationally, and Pakistan has been observed as a loser in competitiveness in labor-intensive industries (Abbas & Waheed, 2017). Particularly under the WTO regime, few trade policies are not in Pakistan's favor which ultimately discouraged exports growth in Pakistan (Shakoor & Rehan, 2019). Moreover, a uniform-playing arena is supposed to be provided to all manufacturers and exporters and the government should ensure a quick return program of sales tax (Nawaz, Javed, & Ullah 2020). If the authorities concerned as usual focus on delaying tactics, the business community may shift their capital to some other countries and become our competitors.

Top 20 Importing Countries of Pakistani Sports Goods



METHODS AND MATERIALS

This study is basically quantitative and descriptive. Besides being quantitative and descriptive, few of the interviews were conducted with the sports professionals and researchers to have an in-depth (qualitative) understanding of the issues being faced by the manufacturers/exporters related to the sports goods.

In the quantitative/descriptive methods, the researcher used five years of secondary data (2013-17) which were collected from “Product Report Sports Goods, Market Research Report: Sports Goods Exports of Pakistan” published on 5-2-2019 by “Trade Development Authority of Pakistan”.

ANALYSIS:

Table 1: % Share of Annually Sports Goods Export in Total Country Exports

Year	Total Exports	Sports Goods Export	% Share
2013	25120883	1410662	5.61
2014	24772182	1583842	6.39
2015	22089018	1459582	6.60
2016	20533795	1403009	6.83
2017	21877787	1479061	6.76

* Amount in PKR

Table 1 shows year-wise % share/contribution of Annual Export of Sports Goods in Total Country Exports. In 2013 the total exports of the country were 25120883 and the net worth of sports goods exports is 1410662, which is a 5.61% share in total country exports. In 2014, 2015, 2016, and 2017 the total export is 24772182, 22089018, 20533795, and 21877787, and on the other hand, the sports goods exports are 1583842, 1459582, 1403009, and 1479061 respectively. In mentioned years the % share in the total export is 6.39, 6.60, 6.83, and 6.76.

Figure 1: Annual total Exports and Sports Goods Export

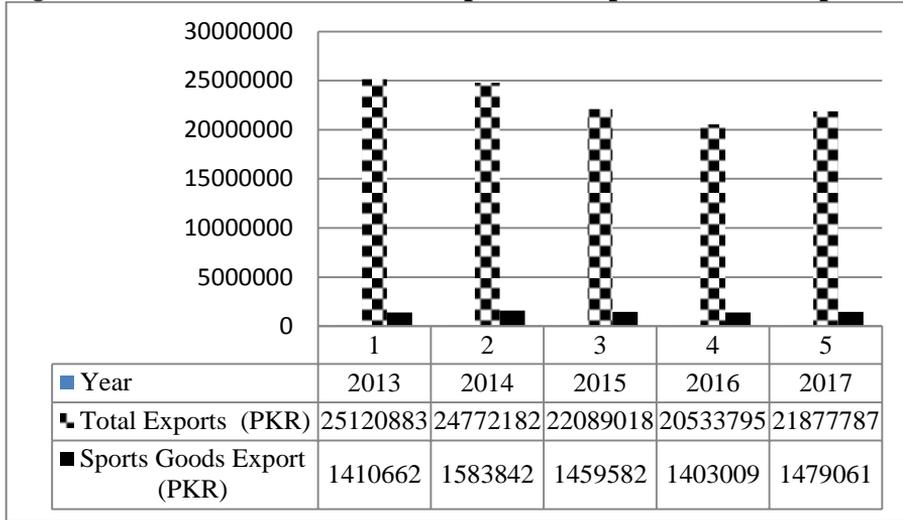


Figure 2: % Share of Annually Sports Goods Export in Total Country Exports

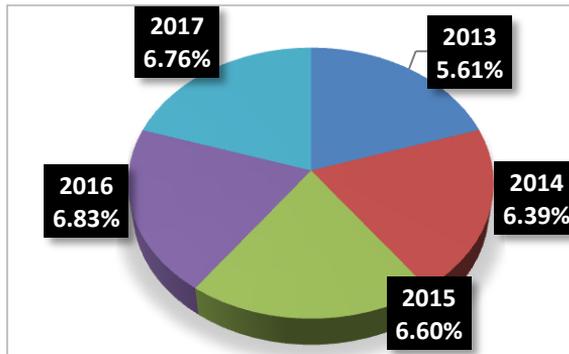


Figure 2 shows a pie chart of % Share of Annually Sports Goods Export in Total Country Exports. Which dark blue part of the chart shows 5.62 in 2013, the orange part shows 6.39% in 2014, the grey part reflects 6.60% in 2015, the yellow part displays 6.83% in 2016, and the last light blue shows 6.76% in 2017.

These figures (approximately equal-sized parts of the pie chart) reveal that the percentage of sports goods exports in total country exports didn't increase appreciably during the period 2013- 2017.

Table 2: Sports Product-wise Structure of Pakistan Exports

Product Name	2013	% Share	2014	% Share	2015	% Share	2016	% Share	2017	% Share
Men's Shirts	2259		2757		2620		2525		3108	
Special Gloves	31	3.08	30	3.76	20	3.57	19	3.44	07	4.24
Other Items	1109		1024		1071		1003		1023	
	84	1.51	92	1.40	24	1.46	42	1.37	16	1.39
	1549		1917		1677		1630		1547	
	49	2.11	04	2.61	54	2.29	30	2.22	11	2.11

* Amount in PKR

Table 2 demonstrates Sports Product-wise Structure of Pakistan Exports, from 2013-2017 the men shirts were exports 3.08 %, 3.76%, 3.57%, 3.44%, and 4.24% which was found lite bit inflow during the years wise in men sports shirts. Similarly, the special gloves which export to a foreign country from 2013-2017 were 1.51%, 1.40%, 1.46%, 1.37%, and 1.39%. The table also displays the other item of the sports goods which is export to the out of homeland from 2013-2017 were 2.11%, 2.61%, 2.29%, 2.22%, and 2.11% respectively.

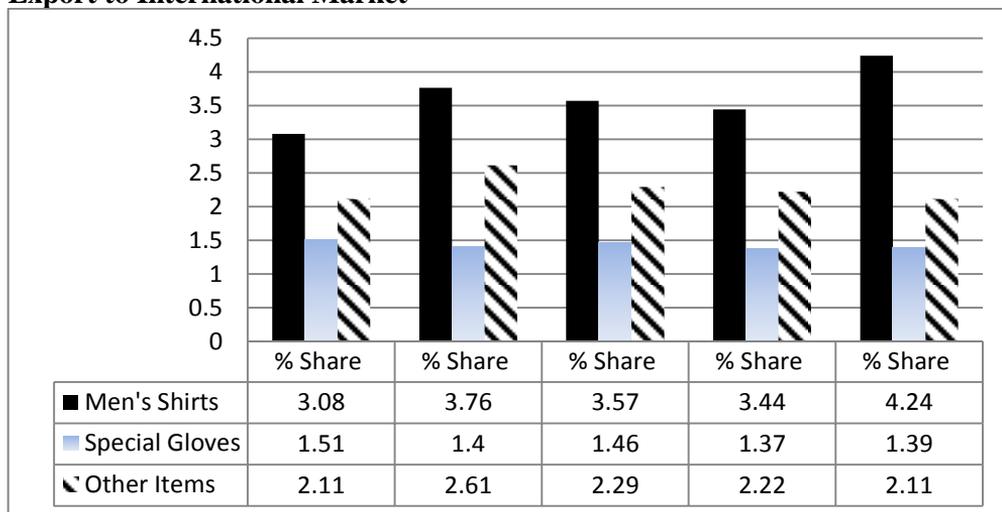
Figure 3: Men's Shirts, Special Gloves and Other Sports Items Export to International Market

Figure 3 shows a bar graph of Men's Shirts Export to International Market. In which they show five years (2013, 2014, 2015, 2016 and 2017) data and their result are 3.08%, 3.76%, 3.57%, 3.44% and 4.24% respectively. In the end the highest export in 2017 i.e., 4.24%, and the lowest export in 2013 i.e., 3.08%.

Figure 3 shows the bar graph of Special Gloves Export to International Market. In which they show five years (2013, 2014, 2015, 2016 and 2017) data and

their result are 1.51%, 1.4%, 1.46%, 1.37% and 1.39 respectively. In the end, the result shows the highest export in 2013 i.e. 1.51%, and lowest export in 2016 i.e. 1.37%.

Figure 3 shows a bar graph of Other Sports Items Export to International Market. In which they show five years (2013, 2014, 2015, 2016 and 2017) data and their result are 2.11%, 2.61%, 2.29%, 2.22% and 2.11% respectively. In the end, results indicate the highest export in 2014 i.e., 2.61%, and lowest export in 2013 & 2017 i.e., 2.11%., however, the difference is not appreciable

As discussed earlier, a few of the interviews were also conducted to get hold of the issues related to the manufacture and exports of sports goods from Pakistan across the world. The interviewees were posed with a simple open-ended question i.e. "What are the challenges being faced by the sports goods industry of Pakistan. Respondents responded to this question in different ways which can be summarized as under.

CHALLENGES OF SPORTS GOODS INDUSTRY IN PAKISTAN:

Power/Energy Shortage

Pakistan's energy resources are inadequate to meet the country's industrial sector's energy demands, which is a major challenge for Pakistan's sports goods industry. Artificial energy sources are very expensive, and the industry is based on a small scale, so that alternative sources cannot be provided. This has raised the cost of production.

Labor/Union Problems

Labor concerns in the sporting goods industry include labor unions, labor shortages, and labor inefficiency due to employees' lack of enthusiasm for their jobs. There is no labor training institution in our country.

Lack of Technology

The sports goods industry's lack of technological acceptance is a significant source of concern for the industry. Since the sports goods industry operates on a small scale, it finds it difficult to implement high technology costs. This sector is largely based on a labor force that is less acquainted with the use of technology, which is a challenge for this sector in modern times. Since this sector is largely dependent on a labor force that is less familiar with the use of technology, as technology is crucial in today's cut-throat competitive market.

Security Risk for Manufacturers & Delegates

Since Pakistan is at risk of terrorism and instability, which is detrimental to the growth and development of any sector and security risk has been a major concern for the sports sector/industry as well in Pakistan for the last 15 years or so.

Terrorism has harmed Pakistan's reputation, as foreign companies and traders

are unwilling to visit the concerns of the sport and lack confidence in dealing with Pakistani officials. Manufacturers also have the fear of the unknown (because of the Bhatta Mafia) and kidnapping issues against ransom.

Insufficient Regulators' Role Regulatory authorities play an important role in the development of the sports goods industry, and the Pakistan Sports Goods Manufacturers and Exporters Association (PSGMEA) is helping to develop and expand the industry.

Lack of Infrastructure/Facility

Infrastructure, such as roads and transportation facilities etc. aids in industrial development by allowing raw materials to be transported and manufactured goods to be delivered using the country's resources. Pakistan's transportation and road facilities are inadequate to meet the needs of the country's sports goods industry.

No Government Subsidies

The Pakistani government does not offer any subsidies to the sports goods industry. In order to compete with the immense foreign competition, this sector is self-dependent (Nawaz, 2016).

No Role of Foreign Missions of Pakistan

The embassies/consulates of Pakistan across the globe have the commercial attachés there but are not working with addict zeal and zest to help the Pakistani exporters in identifying new markets for their products.

CONCLUSION AND RECOMMENDATIONS

It is concluded that the sports goods industry has played a critical role in Pakistan's economic development, despite the fact that it has been largely ignored by Pakistan's regulators and government. Based on the study findings, the following recommendations are submitted to boost the sports' sector production and growth:

- Policymakers in Pakistan must address the issues of sports related labor- intensive industries which are experiencing disparity for decades.
- As identified, the export orders are also decreasing due to load shedding issues and such issues should be managed by the government by introducing subsidies on alternate energy resources. Alternative sources of energy usage by manufacturing factories increase the cost of production and thus the prices as well.
- Security agencies must ensure security not only for the business community but also for the tourists (foreign delegates, sports teams

etc.) who in turn will pave out the way for a congenial atmosphere for sports events, tourism and exports.

- The Pakistan Sports Goods Manufacturers and Exporters Association (PSGMEA) should fully support and boost the sector's efficiency in mutual consultation with the federations of the chamber of commerce and industry in the country.
- The sector should be equipped with affordable/subsidized credit facilities so that better and advanced technology can be used in the manufacture of sporting goods and the government should take serious measures in order to provide subsidy to this industry such as lowering the machinery import and raw material import tariff.
- To deal with the labor issues, fully equipped labor training institutes should be established under the patronage of the government. Outdated technology and unskilled workers as being identified as one of the main reasons for inefficiency should be taken seriously both by the manufacturers and government agencies.
- Foreign missions of Pakistan across the world should be given targets to contact the importers of sports goods and convince them to buy sports goods from authorized Pakistani vendors.
- Government should provide full support and trainings to the sports goods manufacturers regarding ISO certifications to overcome the issues they are facing in the wake of WTO policies.

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