

## **Financial Performance and Sustainability of Indian Premier League (IPL) Franchises: A Comprehensive Analysis**

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### **Abstract:**

Indian Premier League (IPL) is organized by the Board of Control for Cricket in India (BCCI) since 2008. It has come out to be one of the most lucrative T20 cricket leagues with huge viewers and hence enormous revenue. In fact, the financial sustainability of IPL franchises is equal to the issue because team revenues are fluctuating, player costs are shooting up, and over the years, team performance is not consistent while the ownership changes hands. This paper analyses the financial performance of IPL franchises, including sources of revenue, cost structure, patterns of profitability, and influences of ownership. It identifies strategies in terms of revenue diversification, cost optimization, and overall financial sustainability. This research will also evaluate challenges and prospects that IPL franchises need to go through to ensure consistency in profitability. Thus, the present study is to add values to the ongoing discourse of the financial sustainability of sports leagues and teams and shall contribute toward adding in our sum of valuable knowledge on the financial dynamics of IPL franchises being controlled under the BCCI.

### **Introduction**

Launched in 2008 under the aegis of the Board of Control for Cricket in India (BCCI), the Indian Premier League (IPL) soon managed to gain the reputation of being one of the world's leading T20 cricket leagues. The innovative city-based franchise model of IPL, where every team is owned by a business world celebrity or a big name from the film industry, has become a template for the new wave in sports management. Such has been the approach that the league has turned into a star-studded fiesta, luring in spectators from across the globe and has revenue flow too massively.

This is despite the huge commercial success, which, like any other franchise business, IPL franchises do face when it comes to keeping their financials afloat. Among them are fluctuating revenues, increased players' cost, and changing ownerships, not to mention the different performances of the teams—all these only add on complexity to the list of existing complex financial hurdles to be managed and strategically planned.

The following research paper attempts to perform a comprehensive analysis of the financial performance of IPL franchises in relation to detail the revenue sources, cost structures, profitability patterns, and ownership influences. The study is focused on investigating these areas to identify different ways for the

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diversification of revenue, the optimization of costs, and for a sound financial sustainability strategy. Further, the paper examines the stumbling blocks, future scope, and sustainability for profit of IPL franchises, offering useful insights into the financial dynamics of these teams under BCCI guidance.

This paper is going to significantly contribute to the ongoing discourse on financial sustainability for sports leagues and teams by widely discussing the financial landscape of IPL franchises. This will be presented in a way that the decisions to be taken on this platform by the franchises of IPL, BCCI, and all other multiple stakeholders to relentlessly pursue success and long-term growth of this product are evidence-based.

## **Broadcasting Rights - The Bedrock of IPL Finances**

The sale of broadcasting or media rights has emerged as the most significant source of revenue for the IPL franchises. In a way, this has redefined the financial profile of the franchise itself through exponential growth in the value of such rights over the decades<sup>4</sup>. The Indian Premier League (IPL) is a highly lucrative sports league, with its broadcasting rights playing a significant role in its financial success. The IPL's broadcasting rights are divided into four packages, including domestic television rights, domestic digital rights, non-exclusive digital rights, and international television and digital rights. Broadcasters earn from advertisements and subscriptions, with the league's broadcasting rights generating substantial revenue. The exclusivity and high cost of sports rights create significant barriers to entry for potential competitors in the broadcasting market<sup>5</sup>. This journey started when, in 2008, Sony Entertainment bid for the then substantial broadcasting rights with a sum of \$1.026 billion.

This not only reflects the present value of the rights, but it appears on the growth trajectory of the value of the IPL. Like in 2022, the Disney-Star contract won the victory for broadcast rights 2023 to 2027 at ₹ 57,500 crores, and for digital streaming rights, Viacom123 got ₹ 23,758 crore. This is how a total ₹ 81,258 crore has reflected as financials.

According to the financials information, the broadcasting rights deal share to central bodies equals more than ₹300 crores a year payable to the IPL franchises. That rights' revenue share to teams goes to those with a larger fan base, greater achievements in on-field performance, and better brand visibility. For the record, the largest IPL franchise, Mumbai Indians with four IPL titles, has the best brand valuation at \$113mn. Added to this, these franchises have been able to do the effective monetization of the media rights even in the global markets at major cricket-playing countries including Australia, South Africa, and the UK. Leading franchises, which have been working to intensify their work on the international fanbase, are getting earnings dividends from the monetization of the media rights in broadcasting and on digital.

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<sup>4</sup> Sawant, Ajinkya, Ajinkya Khadse, Akshay Pidurkar, Kunal Kshirsagar, and Priyanka Kokatnur. "Indian Premier League and Its Impact on India." *International Journal of Creative Research Thoughts (IJCRT)*, vol. 8, no. 4, Apr. 2020, [www.ijcrt.org/papers/IJCRT2004196.pdf](http://www.ijcrt.org/papers/IJCRT2004196.pdf).

<sup>5</sup> Dhillon, Avtar Singh, and Rahul Sharma. "Impact of Covid-19 on Indian Premier League and its Sponsors." *Shodhsarita*, vol. 7, no. 28, Oct.-Dec. 2020, pp. 119-122, [https://www.researchgate.net/publication/348565977\\_Impact\\_of\\_Covid-19\\_on\\_Indian\\_Premier\\_League\\_and\\_its\\_Sponsors](https://www.researchgate.net/publication/348565977_Impact_of_Covid-19_on_Indian_Premier_League_and_its_Sponsors).

As the landscape moves in line with potential new entrants and digital domination up to 2.5 billion, the value of these rights is on an upward channeled course<sup>6</sup>.

For instance, in the 2019 season, Star India had realized Rs 392 crore by selling IPL rights. However, industry experts said on Wednesday that franchisees should intensify further the efforts in creating a fan following and viewer interest in foreign nations if complete exploitation of the potential of the overseas media rights is to be realized.

The second support is proactivity toward long-term financial sustainability. This is where franchises come into play—digital platforms that create wider global dispersal for franchise films, grow international fans, and sit flexibly in the constant evolutions of media environments. Next in line comes a clash of Disney+ Hotstar and Viacom 18, with all influencers put together, in the broadcast vs. digital warfare, for overall eyeballs rivalry and advertising revenues.

The key drivers of revenues for each IPL franchise, without doubt, would be the broadcasting and digital streaming rights, which are of amazingly large value contributions to the league financials. Acquainting oneself and matching the requirements will have to be looked out for in this critical aspect and dimension so that the sustainability of profit for the franchises and this IPL itself in the long run remains guarded<sup>7</sup>.

## **Sponsorships - Going Beyond Traditional Revenues**

This would be the second most significant source of income for the IPL franchisees and come in varied proportions—the lead ones being the main sponsors for the team jerseys apart from going into alliances from other tiers, one that would include the sleeve sponsors, helmet sponsors, umpire sponsors, and the strategic time out.

Since the inception of the IPL, Chennai Super Kings have been sponsored by India Cements, the same company owned by former BCCI President N. Srinivasan. It delineates that the brand build-up of cement has a long history with the team and emphasizes continued association. Likewise, other franchises came up with lengthier relationships with lead sponsors. Gitanjali Gems came on board for Kolkata Knight Riders in 2011, and Odisha Group partnered with Delhi Capitals only last season. Clearly, RCB has always been ahead till now, as the team enjoys above 300 crores of sponsorship income via deals it cracks with prominent brands. Not far behind, CSK stands as a strong contender too, with its sponsorship estimated to be above 250 crores.

Recent developments include:

A major partnership from Etihad Airways, which comes heavily expected from the multi-year roots announced in 2023, percolates down to the interest forthcoming from the internationalized match-day group. To show how senior-level appointments help to enable the use of stadium assets to turn into profits, the Gujarat Titans in 2023 entered into a naming rights deal with the Adani Group.

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<sup>6</sup> Singh, Hansraj. "The Sustainability of Franchise Cricket in Selected Provinces in South Africa." Cape Peninsula University of Technology, 2020, [https://etd.cput.ac.za/bitstream/20.500.11838/3758/1/Hansraj\\_Singh\\_208222979.pdf](https://etd.cput.ac.za/bitstream/20.500.11838/3758/1/Hansraj_Singh_208222979.pdf).

<sup>7</sup> Singh, Abhishek, et al. "Indian Premier League (IPL): An Analysis of Factors Affecting Brand Equity." Indian Institute of Management Bangalore, 2015, <https://repository.iimb.ac.in/handle/123456789/10025>.

Experts feel that IPL teams need to keep creating leverage-able assets which could include things like stadium naming rights, academy naming rights, and merchandizing for notching up more sponsorship income. Adding more and more celebrity endorses or getting sponsors from different product categories can also help towards revenue diversification<sup>8</sup>. Beyond financial rewards, it only increases visibility, brand awareness, and audience numbers for franchises. Leveraging social media to activate such campaigns for sponsors delivers massive reach. Though the Covid-19 pandemic had a wavering impact on sponsorships initially, after the return of live matches in 2023, there has been a massive resurgence in space. Sponsorship revenues of all the IPL franchises went beyond 2500 crores in 2023, way above pre-pandemic levels.

### **Ticket Sales - Variable Revenues Dictated by On-Field Volatility**

While media rights and sponsorships rule the IPL roost from a financial point, the role of ticket sales, or rather "gate" revenues perilously at this juncture, cannot be merely cast aside. It forms an important piece of the revenue pie. What about profitability equations, price points, and dynamics that interplay with this volatile business aspect?

The tickets for the IPL matches sell between an average price range of Rs 1,000 to Rs 4,000, varying from stadium to stadium, timings of the matches, and popularity of the team. Besides, it is also armed with plenty of rationale why franchises now need to be seen making good use of its variable ticketing pricing model. The tickets, with example spike over the time when all show-stopper matches including playoffs are taking place, with good reasons always, of course<sup>9</sup>.

Teams playing at larger stadiums with hundreds of ardent home support make more money from the sale of tickets<sup>10</sup>. For example, with the capacity of about 68,000 people at Eden Gardens, this roughly implies that Kolkata Knight Riders get a lot of money from the selling of tickets playing at home venues. But franchises playing at common venues can only make a reasonable amount of money from the sale of tickets.

However, all the teams run the risk of lower ticket sales in away matches played at a venue other than the core home venue. The 'home advantage' would be lost in matches played at neutral venues, affecting

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<sup>8</sup> Shashi Kadapa, How sustainable is the strategy of the Indian Premier League - IPL? A critical review of 10 key issues that impact the IPL Strategy, International Journal of Scientific and Research Publications 3, no. 12 (December 2013), ISSN 2250-3153. <https://deliverypdf.ssrn.com>

<sup>9</sup> Wills, Craig. "A Data-Driven Approach to Evaluate the Worthiness of Markets for Professional Sports Franchises." Worcester Polytechnic Institute, WPI-CS-TR-21-02, 2021. <https://deliverypdf.ssrn.com/delivery>

<sup>10</sup> lumley, D., Wilson, R., & Shibli, S. (2017). The other ISL: analyzing the finances of the Indian Super League (football ...). International Journal of Sport Policy and Politics, 9(1), 1-17

ticket sales for all teams. This was witnessed during the general election's year 2014 when the move to UAE saw the grounds registering a dip in both spectators visiting and the revenues from ticketing.

## **Merchandise Sales and Licensing - Avenues for Market Expansion**

The revenues in merchandise make an infinitely smaller portion for the IPL franchises in comparison to their broadcasting and sponsorship. But apparel, merchandise, and licensing remain a growth mantra for brand building, apart from sticky fans<sup>11</sup>.

Of late, many franchises are waking up to the huge opportunity from merchandise, that still remains largely untapped across the country. The Kolkata Knight Riders have tied up with Myntra for official e-commerce by retailing their official merchandise. The Mumbai Indians, through Puma, which have its physical stores spread across the world, sell their official official player, and team merchandise.

This would include merchandise like accessions, collectibles, and inexpensive youth-oriented goods. The future of growing business in this way depends upon continuing innovation in design and growing the business by bringing affordable price-points with strong social media marketing<sup>12</sup>.

Doubtless, in the process comes enhanced acquisition of sponsorships. Human efforts for this can help the IPL franchises in enhancing team revenues while reaching out to the market. Enhance efforts in this realm also let IPL franchises mirror with European football clubs in terms of leveraging merchandise sales, along with fan loyalty<sup>13</sup>.

## **Profitability Patterns – The Elusive Quest for Sustained Profits**

With the buoyancy in revenue growth within the IPL ecosystem, profitability proved elusive for many a franchise. This resonates with financial reports that in most of the session years from 2008-2017, typically, only three IPL franchises could give the consistent numbers of profit – Kolkata Knight Riders, Chennai Super Kings, and Mumbai Indians – in their respective franchises through many sessions. All other franchises are struggling with keeping the costs within control with a view to registering profits.

The main reason that profit margins are contracting is rising amount that needs to be shelled out on players, driven by very high levels of competition influenced by the bidding wars at the IPL auctions. Since there was no application of salary cap, any and every amount could qualify as the players' salaries for the star players. For instance, Royal Challengers Bangalore retained Virat Kohli for 17 cores, highest salary news in IPL. Apart from these, all the top draws from overseas in Pat Cummins, Ben Stokes, and Starc have been bought for worth of crores. That just adds to the brand but brings the bottom line under pressure for the franchisee. But it's hard for franchises to balance and peg down operational costs while

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<sup>11</sup> Dobson, S., & Goddard, J. (2011). *The economics of professional team sports*. Routledge.

<sup>12</sup> Sloane, P. J. (1971). The economic theory of professional team sports. *Journal of Political Economy*, 79(3), 511-524.

<sup>13</sup> Gratton, C., & Taylor, P. (2000). Economics of professional team sports. *Journal of Economic Literature*, 38(2), 439-462

further optimizing expenses in tune within the player budgets with respect to the available finances to enhance profit margins<sup>14</sup>.

## Exploring Ownership Structures – The Influence of the Promoter

The ownership structure of Indian Premier League (IPL) teams significantly impacts the franchises and cricket in India. The IPL's financial success is driven by its business model, which includes centralized and decentralized revenue streams such as sponsorships, franchises, broadcasting, ad space on team uniforms, player auctions, and TV displays to other firms. Franchise owners, with their commercial, financial, and marketing skills, are prominent stakeholders in the IPL<sup>15</sup>. The league's transformative impact on Indian cricket includes attracting significant investments from various corporates, which has led to the growth of cricket as a business in India<sup>16</sup>. The IPL's revenue streams, such as sponsorships and broadcasting rights, contribute significantly to the league's financial success, making it a lucrative platform for sponsors and broadcasters alike. The ownership structure also impacts the teams' performance, as the financial stability and strategic decisions made by the owners can influence the team's success on the field<sup>17</sup>. The patterns of ownership within the various IPL teams help to shape the financial aspirations and decisions made throughout the teams. Many of the businesses are tied to large Indian enterprises like Reliance, Adani, JSW, and GMR. The only exception to this is the ownership by Chennai Super Kings, owned by India Cements.

But meanwhile, two franchises are in possession of celebrities. Kolkata Knight Riders is owned by Shah Rukh Khan and the Punjab Kings are major stakeholders in Preity Zinta. Industry analysts say individual owners with celebrity status can absorb more willing losses in fulfilling their cricket vision or passion projects. On the other hand, corporate like India Cements own the club and run the club with clearly communicated expectations of profit and hence enforce financial discipline. All these varieties of ownership models and motivations define the willingness of the teams to spend on acquisitions of players, infrastructure spending, and expansion of operations.

## Future Prospects and Concerns

While such vantages of money are what IPL franchises are heavily riding upon for their financial health, broadcasting rights and sponsorships are more pressures on them. They need to diversify their revenue

<sup>14</sup> Grant, S., & Shorin, B. (2017). Team Payroll Versus Performance in Professional Sports: Is Increased Payroll Associated with Increased Success? *Duke Journal of Economics*, 1(1), 1-27.

<sup>15</sup> The Indian Premier League (IPL) and its Transformative Impact on Indian Cricket: A Comprehensive Review of Available Literature. (2023). ResearchGate. Retrieved from [https://www.researchgate.net/publication/374010936\\_The\\_Indian\\_Premier\\_League\\_IPL\\_And\\_Its\\_Transformative\\_Impact\\_On\\_Indian\\_Cricket\\_A\\_Comprehensive\\_Review\\_Of\\_Available\\_Literature](https://www.researchgate.net/publication/374010936_The_Indian_Premier_League_IPL_And_Its_Transformative_Impact_On_Indian_Cricket_A_Comprehensive_Review_Of_Available_Literature)

<sup>16</sup> "IPL's public filings: Who owns the teams, how they run them & what issues they face." *The Economic Times*. (2024-03-30). Retrieved from <https://economictimes.indiatimes.com/ipls-public-filings-who-owns-the-teams-how-they-run-them-what-issues-they-face/articleshow/20531295.cms>

<sup>17</sup> awant, A., Khadse, A., Pidurkar, A., Kshirsagar, K., & Kokatnur, P. (2020). Indian Premier League and its Impact on India. *International Journal of Creative Research Thoughts (IJCRT)*, 8(4), 1498-1506. Retrieved from <https://ijcrt.org/papers/IJCRT2004196.pdf>

sources and explore growth in merchandise, strategic partnerships, monetizing stadiums, and reaching out to the wider global audience for growth<sup>18</sup>. Thus, in theory, the cost of control over the costs of the players would be incurred by an informed auction strategy and nurturing Indian talent. Franchises would necessarily find innovative ways of creating a loyal fan base for the product being sold in an aggressively digital environment both on-ground and in the market through performance and marketing<sup>19</sup>.

Such market saturation concerns, created by an increasingly cluttered sporting landscape, are valid threats. The growing number of additional T20 leagues around the world could well lead to further audience fragmentation. On the back of such changing landscapes, the IPL's competitive edge and freshness will have to come from far more aggressive mindshare initiatives.

Another concern was the dependence on the Indian market and the kind of impacts that such reliance would draw during economic downturns on the revenues. Global fans base the IPL through international broadcasting deals, signings of overseas players and activities that make foreign fans feel part of the IPL will therefore cushion this overreliance of foreign markets on the Indian market.

With two new franchises it certainly means that there may be murmurs about how it would dilute the sharing of IPL's central pool of revenues, like broadcasting income, among more teams. But at the same time, an increased number of teams can also be believed that would go hand in glove with being used as a ploy to expand the overall revenues. But however, the two new teams can also be given a dual challenge and excitement to hit the ground running and make a quick impression to develop a big following.

Other serious financial implications are that COVID-19 led to the suspension of matches for two seasons by battering at the revenue generated. Therefore, getting sponsors to recommit post-pandemic and convincing broadcasters to pay competitive rights fees are all very complex tasks when economic uncertainty is high.

## Conclusion

In conclusion, the financial performance and sustainability of Indian Premier League (IPL) franchises are pivotal for the league's overall success and longevity. A comprehensive analysis reveals that the financial health of IPL teams is intricately linked to various factors such as ownership structures, revenue-sharing models, and regulatory frameworks.

The IPL's business model, characterized by substantial investments, diverse revenue streams including broadcasting rights, sponsorships, and player salaries, offers significant growth opportunities for franchise owners. However, challenges such as regulatory complexities, ownership disputes, and financial

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<sup>18</sup> Raman, S. (2023-11-23). The Business of Cricket - Indian Premier League (IPL) Explained. GreenVissage. Retrieved from

<https://greenvissage.com/the-business-of-cricket-indian-premier-league-ipl-explained/>

<sup>19</sup> Sreekumar, A. (2013). How Sustainable is the Strategy of the Indian Premier League - IPL? A Critical Review of 10 Key Issues that Impact the IPL. SSRN Electronic Journal. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2365587](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2365587)

irregularities, exemplified by incidents involving teams like the Rajasthan Royals, underscore the critical need for transparent governance and sound financial management practices within IPL franchises.

Moving forward, sustaining the financial performance of IPL teams necessitates a strategic approach that includes prudent financial decision-making, adherence to regulatory guidelines, and a focus on revenue diversification. As the IPL landscape evolves and encounters new economic challenges, franchise owners must prioritize financial stability, operational efficiency, and ethical practices to ensure the continued success and sustainability of their teams in the competitive realm of professional sports. By addressing these key aspects, IPL franchises can enhance their financial resilience and contribute to the enduring prosperity of the league.