
FINANCIAL STABILITY AND SOUNDNESS IN EUROPEAN TOP FOOTBALL CLUBS

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All authors:

Angel Barajas (corresp), Oscar Castro-Limeres

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Synopsis:

The paper analyses the financial stability of top 10 European football clubs using MCDA adapted to football features and considering the UEFA FFP Regulations.

Abstract:

AIM OF THE PAPER

This paper aims to design a methodology for the evaluation of the financial to evaluate financial stability in the football industry. It takes considering the Financial Fair Play Regulations (UEFA, 2012) into account and explores how it work they works with ain a sample of of top the top 10 European football clubs according their to revenues. This method is used to is used to stablish establish a ranking ranking according according to the levels of financial stability and soundness of the clubs in the sample.

THEORETICAL BACKGROUND

This paper is based rests in on two theoretical backgrounds. The first concerns is related to the methodology, based on the and the basic reference is the work by of Ginevičius & Podvieszko (2013). The other line is related concerns to the peculiar features of the football industry. Top European top football is characterized by high revenues and highly paid salaries paid to players, a recurrent financial unbalance imbalance, the emergence of financial doping and 'Sugar Daddies' resulting from the existence of a conflict conflicts between sporting and financial results es that brings financial doping and 'Sugar Daddies' to football (Franck & Lang, 2013), the flexibility in regulation (Morrow, 2013), the heterogeneity in regulation among national leagues (Solberg & Haugen, 2010) and its its social impact. Both sources have been used in order to adapt apply the model and create the ratios that to fit better to the football industry better.

METHODOLOGY, RESEARCH DESIGN AND DATA ANALYSIS

Ginevičius & Podvieszko (2013) developed a methodology to

quantitatively classify quantitatively financial institutions. This paper adapts that this methodology to the football industry. Firstly, it defines and estimates a number of ratios and their corresponding weights are defined and estimated. Then it uses, four Multiple-Criteria Decision Analysis (MCDA) are used: SAW, TOPSIS, COPRAS and PROMETHEE II. . The results from these four MCDAs are then taken into account to finally classify the financial situation of the clubs. Considering the results from the four MCDA, a classification of the financial situation of the clubs is done.

Originally, the paper intended to it was intended to analyze the top ten European clubs in Europe by taking considering the total revenue according to the 2014 Deloitte Report 2014. However, the financial data of Chelsea and PSG were not available and they they were replaced for by the data for Liverpool and Borussia Dortmund (the next two clubs next in on the list). The study was done carried out for the seasons ended ending in 2011, 2012 and 2013. Even though Even when all all the clubs followed the International Accountancy Standards, some adjustments were still have had to be done required.

RESULTS, DISCUSSION AND CONCLUSIONS

The financial situation of the clubs analyzed The ranking of the financial situation of the clubs analyzed considering under the 3 three- years period rank, is from first to tenth place, as follows: Bayern Munich, Arsenal, Manchester United., Borussia, Manchester City, Real Madrid, AC Milan, FC Barcelona, Liverpool and Juventus. The application of the Applying MCDA to the clubs presents revealed that Arsenal, Bayern Munich, Borussia Dortmund, Manchester City, Manchester United y Real Madrid are among the 6 best clubs in for all of the seasons. Considering the Taking the studied ratios and the financial statements into account, results showed that Borussia Dortmund y Manchester City present a clear improvement in their accounts. They pass moved from the 5th and 6th positions in 2011 to to 1st and 2nd positions, respectively, in 2013. , respectively. Even when despite there are differences among clubs, in general their financial situation generally improves improved slightly. The main change is was given in season 2011/12, the time when the FFP rules come into force were enforced.

The The obtained results results present show that big European clubs are financially stable. Moreover, Ssome progressive improvements in stability and sustainability have been found encountered. However, In the sample, AC Milan, FC Barcelona, Juventus and Liverpool have been found to require some additional improvements in their financial statements.

The tool applied in this study, based on financial and economic data, could be used by the stakeholders in this industry. Including more clubs would enrich the study but this will be a next step for further research It is a tool based on financial and economic data. This study would be enriched including a more clubs. That will be a next step for further researches.

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