The Fairness Competition Under UEFA Financial Fair Play

Fifi Yusmita[1]*, Muhammad Hafiz[2]

[1]Accounting, Faculty of Economics and Business, Syiah Kuala University, Indonesia
[2]Accounting, Faculty of Economics and Business, Syiah Kuala University, Indonesia
*Corresponding Author: fifiyusmitaaceh@unsyiah.ac.id

ABSTRACT

Financial Fair Play (FFP) is a regulation made by UEFA so that club finances remain sustainable and stable. Current conditions show that the implementation of FFP is still considered sub-optimal because the dominance of the club that won the league still exists. This study aims to determine the effectiveness of Financial Fair Play regulations by looking at Financial Performance, Capital Structure, and Transfer Player Expenses on Competitive Balance under the Union Europe Football Association. By using theoretical review of several articles related to research produce a hypothesis that the relationship between Financial Performance, Capital Structure, and Transfer Player Expenses variables has a positive relationship to Competitive Balance during the implementation of Financial Fair Play regulations in Europe.

Keyword: Financial Performance, Capital Structure, Transfer Player Expenses, Competitive Balance, Financial Fair Play

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

INTRODUCTION

Financial Fair Play (FFP) Regulation is a regulation issued by UEFA as a basis for clubs to conduct their financial activities. The purpose of the regulation is to keep the competition balanced so that all clubs have an equal opportunity to win and maintain the financial stability of football clubs under UEFA (UEFA, 2015). The Club Financial Control Body (CFCB), has an important role in maintaining the financial health of clubs. The CFCB is the Organ for the Administration of Justice and can impose disciplinary measures if it does not fulfil the requirements set out in the UEFA Club Licensing and Financial Sustainability Regulations. Its final decision can only be appealed to the Court of Arbitration for Sport (CAS) in Lausanne. The CFCB has the role to determine whether the licensor (national association or affiliated league) and the licence applicant/licensee (club) have met the licensing criteria or requirements in financial sustainability, and to decide cases relating to the club's eligibility to compete.

Sloane (1971) explains the club's goal in its main business activity is to maximise the profits received during the competition. With this many ways are done by the club to get income. UEFA (2011) explains some of the income that can be obtained by the club, among others:

- Season tickets and similar revenue
- Broadcasting revenue and/or prize money
- Sponsorship and commercial income
- Donations and grants
- Gain on disposal of player registrations and/or Income from disposal of player registrations
- Other operating income
- Surplus proceeds from disposal of tangible fixed assets
- Income from non-football operations not related to the club

And conversely, UEFA describes club expenses as relevantly reported on the financial statements among other things:

- Cost of sales/materials
- Employee benefit costs
- Other operating expenses
- Loss on disposal and amortisation/decrease in player registrations (and/or costs to obtain player registrations)
- Finance costs and dividend

Another regulation in FFP states that clubs should at least report their financial results as meeting the break-even principle and meeting the accounting standards applicable in the country of the competition. There are at least 6 indicators described by UEFA to fulfil this break-even principle, including:

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

- Indicator 1: Financial Sustainability
- Indicator 2: Good Equity Value
- Indicator 3: Break-even Results
- Indicator 4: Sustainable Debt Indicator for T-1
- Indicator 5: Sustainable debt indicator for T
- Indicator 6: Player transfer balance

The UEFA Club Financial Control Board reserves the right to request the licence holder to prepare and submit break-even information for the reporting period T and additional information at any time, in particular if the annual financial statements reflect that:

- employee benefit expenses exceed 70% of total revenue; or
- net debt exceeds 100% of total revenue.

FFP also explains that clubs must fulfil their financial obligations. In ANNEX VII FFP requires clubs to pay all contractual club debts (such as: player salaries, coaches, employees and club solidarity fees) before the start of the season and 30 March after the winter transfer window.

The FFP regulations have been prepared by UEFA with the aim that clubs compete well. Competitive balance is a measure of opportunity in a league where every club has an equal chance of winning (Alwell, 2020). In addition, Downward et al. (2009) explain competitive balance as the absence of dominant teams that can monopolise a sports league in which they compete. UEFA's goal as a football association in improving the balance of competition is considered good for the development of players, clubs and team fans so that they can support each other throughout the ongoing league season. If you look at the past few years, the development of the league only focuses on a few teams such as: Real Madrid, Manchester City, Paris Saint German, and Bayern Munich in Europe, these clubs have become "super teams" that can win the league without having to put in as much effort as other teams. However, when football fans are able to predict matches easily, it can create a boring competition because it removes the uncertainty of the match. In their research, Birkhäuser et al. (2019) mentioned that competitive imbalances increased during the implementation of FFP.

The profits and losses experienced by the club are not only affected by the poor financial management of the club management itself. There are other things that are influenced by FFP in determining the value of the financial ratios owned by this company. Dimitropoulos & Scafarto (2019) said that the financial efficiency promoted by FFP has built a different perspective in the development of a more relevant club business that creates a sustainability in the football business process. These efficiencies are built on the buying and selling of players that create "relevant income" for clubs. However, this is highlighted because of the low profitability received by clubs since FFP was implemented.

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

According to the "Association Coefficient Ranking", issued by UEFA, there are 5 largest football associations in Europe, namely: England, Spain, Germany, Italy and France that consistently compete under their respective leagues. When viewed on the basis of this data, at least each country over the last 10 years has consistently sent representatives to UEFA's inter-association competitions titled "UEFA Champions League (UCL)", "UEFA Europa League (UEL)", and "UEFA Europa Conference League (UECL)". This does not give the view that the competition has been running fulfilling the concept of Competitive Balance. This European level competition is in fact only dominated by most teams that have a large budget in building a club. For example, Real Madrid has consistently won 5 UCL championships over the past 10 years and Sevilla has won the UEL 4 times over the past 10 years. As an illustration, every season, there are at least 32 teams competing in the UCL and 48 teams competing in the UEL (UEFA 2012).

Research by Frick et al. (2022) states that the concentration of this game is caused by high income disparities between clubs. This is indicated by the higher the club's income, the easier it is for the club to spend on players to boost club income through the sale of broadcasting rights and commercial sales of club souvenirs. In addition, by selling high broadcasting rights, the club will directly earn revenue through sponsors who advertise their products either attached to player shirts or simply displayed on stadium advertising boards. Plumley & Flint (2015) explained that the importance of awards for a club does not necessarily increase the club's revenue as a whole or better. In the 2013/2014 UEFA Champions League season where Real Madrid won, they received a grand prize of £ 57.4 million while the second place, Atletico Madrid received £ 50 million. The prize received by Atletico Madrid is in fact lower when compared to Paris Saint German which in that season was only able to penetrate the semifinals with the acquisition of £ 54.4 million. The income received by Paris Saint German was not disputed by UEFA even though in that season FFP was in effect.

Plumley et al. (2019) explained that the main assessment in the development of the league is not only assessed through the same opportunity to win the league, but each club also has the same opportunity to obtain revenue opportunities from various sectors. However, the system set up by UEFA is still relatively easy to be dominated by just a few clubs. From the Deloitte report (2022) the majority of the Premier League broadcasting rights revenue is dominated by clubs in the top 5. This dominance shows that the opportunities obtained by clubs outside the top 5 are still not enough to get the same opportunity. This is not in line with the ideals that FFP wants to realise in its vision.

Financial Fair Play not only regulates how club finances can be healthy UEFA expects football miracles to continue to occur in every match. However, this expectation is not entirely perfect. Some studies such as Ghio et al. (2019) which explains FFP does not improve the average efficiency of Italian first division teams and Berument et al. (2013) which explains the level of risk of failed investment in a club will occur higher if the club loses.

Despite the implementation of FFP regulations for more than 10 years, the fact is that there are still clubs that blatantly violate it. At the end of 2022, the Club Financial Control Board (CFCB) opened an investigation into Juventus FC Juventus was

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

investigated for allegedly violating FFP in article 58 on "Notions of relevant income and expenses" and article 68 on "General provisions for all monitoring requirements". As a result, through a press release, the Federazione Italiana Giuoco Calcio (FICG), the Italian football court, sentenced Juventus FC to a 15-point deduction and sentenced the chairman of the club's board of management Pavel Nedved for 3 months to be inactive in football. In fact, over the past 10 years, Juventus FC has won at least 8 times the Italian League, Serie A. This proves that there is no balance in the competition which is part of the responsibility of the Italian Football Federation and UEFA as the European football association body.

The main objective of FFP is to keep club finances in balance (UEFA 2015). Keeping club finances in balance is believed by UEFA to build a healthy competition so that every club has an equal opportunity to win the competition. If we look at the past 10 years, there are only 11 clubs that have won the top five European leagues, namely, Ligue 1 in France, English Premier League in England, Serie A in Italy, Bundesliga in Germany and La Liga in Spain. In the five biggest competitions in Europe, each league has at least 20 clubs playing and there are at least 100 clubs playing in the five leagues when added together. This shows that during the implementation of UEFA's decision to implement FFP has not been able to run optimally. Moreover, the sanctions given to clubs that violate have not been properly reinforced.

The purpose of this study is to determine the extent of the role of FFP in improving competition stability in Europe through several variables that are assumed to affect the balance of competition, such as: Club financial performance based on player transfer activity, financial performance owned by the club, and club ownership structure in several countries' football competitions under UEFA.

THEORETICAL STUDIES

The success of a football club cannot be separated from the role of good financial performance. Hoye et al. (2018) explained that ideally a successful football club in undergoing the league will manage its financial resources to get maximum profit and good match results. In the end, clubs that get good match results are believed to have a chance to win the league well. This assumption is the main reason for each club to be able to manage and maintain its financial stability (Urdaneta et al. 2021). The following are some of the theories that will be explained in the literature review.

1. The Pecking Order Theory

The Pecking Order Theory is a theory developed by Myers & Majluf (1984) which explains the capital structure theory that suggests that firms prefer internal financing and then debt financing rather than issuing new equity when funding investments (Urdaneta et al. 2021). This theory proposes that when companies need additional financing, they prefer to use retained earnings first, followed by debt financing, and as a last resort, issuing new equity. The main idea behind the Pecking Order Theory is that firms are more comfortable financing their investment opportunities with less risky sources of financing first and then moving up the "pecking order" to riskier sources of financing.

Based on the previous explanation, Fulghieri et al. (2020) explained that based on Pecking Order Theory, it can be assumed that companies have private information

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

about their future income and investment opportunities, and that such information is more reliable than public domain information. This indicates that companies tend to finance investments internally using retained earnings, because internal financing decisions reflect the most accurate assessment of the company's future profit potential. Debt financing, while carrying costs, is seen as less risky than issuing new equity because debt is contractual, and firms can make a fixed number of payments. Therefore, issuing new equity is seen as the most expensive and riskiest source of financing due to the potential dilution of current shareholders' ownership stake.

Pecking Order theory can also be applied to the football industry (Pacheco 2022). This is seen as clubs also have to make financing decisions to fund their investments in player transfers, stadium development, and other capital expenditures. In football, the availability of financing sources can vary across clubs, with some clubs having more internal funds, while others rely more on external debt or equity.

2. The Agency Theory

Agency Theory is the development of research conducted by Jensen & Meckling, (1976) which explains the relationship between the owner of capital (principal) and management (Agency) who have respective interests between the two. Agency Theory provides a useful framework for understanding the relationship between principals and agents in an organisation and the potential for conflicts of interest to arise. By understanding the incentives and monitoring mechanisms that can be used to align interests, principals and agents can work together to achieve their common goals. Vitolla et al. (2020) say Agency Theory suggests that there may be conflicts of interest between principals and agents, as agents may have their own goals and preferences that may not be in line with the principal. For example, managers may prioritise their own career advancement or job security over the long-term interests of the company's shareholders. This conflict of interest is known as the agency problem.

In the football industry, the principal-agent problem can manifest itself in several ways (Sánchez et al. 2017). For example, managers may prioritise their own job security over the long-term interests of the club, leading to a focus on short-term results and an unwillingness to invest in long-term development projects. Similarly, players may prioritise their own individual interests over those of the club, leading to conflicts over contracts, playing time and transfer fees.

3. UEFA Financial Fair Play Regulations

Financial Fair Play (FFP) is a set of regulations introduced by the Union of European Football Associations (UEFA) in 2011 to improve the financial sustainability of European football clubs. FFP aims to prevent clubs from spending more than they earn and encourages clubs to operate within their means. Under FFP rules, clubs are required to balance their books, limit their losses to a certain amount over a three-year period, and disclose their financial information (François et al. 2021).

UEFA introduced its Financial Fair Play regulations designed to regulate the financial behaviour of clubs competing in UEFA club competitions. While there are 734 top division clubs across Europe, only 235 each season are eligible to play in UEFA competitions and thus UEFA's FFP regulations only apply to 235 of the 734 top division clubs each season (Freestone & Manoli 2017). In anticipation of more and

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

more clubs not following these Financial Fair Play regulations, each league started to prepare several sets of regulations related to UEFA's policy on financial health and sustainability (Schubert & Lopez Frias 2019).

Plumley et al. (2021) state the purpose of FFP is to promote financial stability and sustainability in football, which in turn can promote greater competitive balance by reducing the advantage of wealthy clubs over their smaller counterparts. By enforcing financial regulations, FFP seeks to prevent clubs from spending beyond their means, potentially limiting the ability of wealthy clubs to dominate the sport. In theory, this should level the playing field and make it easier for smaller clubs to compete (Dimitropoulos & Scafarto, 2019).

However, the effectiveness of FFP in promoting competitive balance is still a matter of debate. Some argue that FFP has a positive impact on competitive balance by limiting the financial gains of rich clubs and improving the financial sustainability of the sport (Andrea & Masciandaro, 2016; Scelles et al., 2022; Schubert & Lopez Frias, 2019). Others argue that FFP has little impact on competitive balance and the richest clubs continue to dominate the sport (Regoliosi 2016; Rossi et al. 2019). Moreover, there are concerns that FFP regulations can be circumvented by wealthy clubs, which may limit their effectiveness in promoting competitive balance.

4. Competitive Balance

Competitive Balance (CB) is a concept that describes the level of parity or equality among teams in a sport or league (Alwell, 2020; Michie & Oughton, 2004). Alwell (2020) explained in a competitively balanced league, there is a level playing field, and any team has a reasonable chance of winning the championship or competition. In contrast, in an unbalanced league, the dominance of a small number of wealthy or successful teams can lead to a lack of competition and spectator interest.

In many sports, including football, competitive balance is seen as essential for the long-term sustainability and growth of the sport. When there is a high level of competitive balance, fans are more likely to engage and invest in the sport, leading to increased attendance, television ratings and revenue. Conversely, when a small number of teams dominate the sport, fans may lose interest, leading to decreased revenue and potential long-term damage to the sport (Wills et al. 2022).

5. Capital Structure

Maintaining a prudent balance between debt and equity sources of financing is undoubtedly one of the main challenges of the company. The capital structure of a company affects future sources of funds, cost of capital, risk character, liquidity position, investor returns, and company valuation (Bajaj et al, 2020). A theory was proposed by Modigliani & Miller (1958) that laid the foundation for financing decisions in corporate finance. With the basic model of the research, many economists following the theory stream emerged to solve the puzzle of capital structure.

Capital structure refers to the way a company finances its operations and investments through a combination of debt and equity (Neri et al. 2021). In the football industry, capital structure plays an important role in determining the financial performance and overall competitiveness of clubs. The football industry is unique in that clubs operate

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

in a competitive and unpredictable environment where success on the pitch is closely linked to financial resources. As such, clubs need to balance the need for financial stability with the need to invest in player recruitment, infrastructure, and other areas that can lead to on-field success (Litvishko et al. 2019).

According to Neri et al. (2021) debt is a common way for clubs to finance their operations and investments. For example, clubs may take out loans to finance player transfers or stadium renovations. However, excessive debt can be a problem as it can lead to financial instability and even potentially bankruptcy. This can be particularly true in football, where clubs may have limited revenue streams and may rely heavily on unpredictable sources of income such as prize money, sponsorship, and TV rights.

Litvishko et al. (2019) stated that football is one of the industries targeted by capital owners to invest. Equity provided by capital owners is another way for clubs to finance their operations and investments. For example, clubs can issue shares to investors or seek wealthy owners who can provide additional financial resources. However, equity financing can be challenging in the football industry, as there may be limited opportunities for investors to return their investment.

Research conducted by Ruta et al. (2020) has shown that there is a correlation between capital structure and competitive balance in the football industry. On the one hand, having access to greater financial resources through a well-structured capital base can be beneficial for clubs, as it allows them to invest in better players, facilities, and other resources that can improve their performance and competitiveness on the pitch. This can lead to a more competitive league overall, as clubs with greater financial resources are better able to challenge the dominance of the top teams (Hammerschmidt et al. 2021).

However, if certain clubs have much greater financial resources than others, it can create a lack of competitive balance (Rossi et al. 2019). This could happen if the clubs with the most financial resources dominate the league and win the championship year after year. This could lead to reduced fan interest and ultimately jeopardise the long-term sustainability of the league.

6. Financial Performance

Financial performance refers to a football club's ability to generate and manage its financial resources effectively to achieve its goals. In the context of the football industry, financial performance can be evaluated through a number of key financial metrics, including revenue, profit, and return on investment (ROI) (Carlsson-Wall et al. 2016; Plumley et al. 2021).

UEFA (2015) explains revenue is the total amount of money a club makes from all sources, including ticket sales, merchandise sales, broadcasting rights, sponsorship deals, and player transfers. A club's revenue is a key indicator of its financial performance, as it directly impacts its ability to invest in players and other resources that are critical to on-field success.

Profit refers to the amount of money a club earns after deducting all its expenses from its revenue. A profitable club is generally considered financially healthy, as it has the

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

ability to invest in its operations and maintain financial stability in the long term (Rohde & Breuer, 2016b).

Nicoliello & Zampatti (2016) explain that club financial performance is influenced by various factors, including capital structure, ownership structure, and the level of competition in the market. Financial regulations such as Financial Fair Play (FFP) can also affect a club's financial performance by limiting the amount of money it can spend on transfers and player wages.

The relationship between financial performance and competitive balance in the football industry is complex, and may depend on a variety of factors. On the one hand, financial performance is an important factor in determining the competitiveness of a club. Clubs with greater financial resources can invest in better players, facilities, and other resources that can improve their performance on the pitch, leading to a more competitive league overall (Wills et al. 2022).

However, if certain clubs have much greater financial resources than others, it can create a lack of competitive balance. This can happen if the wealthiest clubs dominate the league and win the championship year after year, making it difficult for other clubs to compete. This can lead to reduced fan interest and ultimately jeopardise the long-term sustainability of the league (Berument et al. 2013).

To combat this problem, some football associations have introduced financial regulations, such as UEFA's Financial Fair Play (FFP) rules, which aim to limit the amount of money clubs can spend on player transfers and wages. This can help level the playing field and create a more competitive league, as clubs with fewer financial resources are less disadvantaged.

7. Player Transfer Expenses

In the football industry, player transfer fees refer to the amount of money a club spends to acquire a new player from another club. This can include the transfer fee paid to the player's previous club, as well as any signing bonus or other fees associated with the transfer (UEFA, 2015).

Player transfer fees can have a significant impact on a club's financial performance and competitiveness. On the one hand, investing in new players can help improve a club's performance on the pitch, which in turn can lead to increased revenue through ticket sales, merchandise sales, and broadcasting rights. This can help create a more competitive league overall, as clubs can invest in their squad and improve their performance on the pitch (Beck et al., 2022).

According to Rossi et al. (2019) Player transfer fees are an important factor in the financial performance and competitiveness of football clubs. Player transfer fees can help improve club competitiveness, as investing in new players can help improve the quality of the squad and improve club performance on the pitch. This can lead to a more competitive league overall, as clubs can invest in their squad and improve their performance on the pitch.

However, overspending on player transfers can create an imbalance in the league, especially if certain clubs have much greater financial resources than others. This can create a situation where a few clubs dominate the league, winning the championship

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

year after year, making it difficult for other clubs to compete. This can lead to reduced fan interest and ultimately jeopardise the long-term sustainability of the league (Plumley & Flint 2015).

RESEARCH METHODS

This research uses a theoretical review that comes from several related literatures. To find out the relationship between variables, this research uses several previous articles that discuss the relationship between independent and dependent variables. Thus, an explanation of the relationship between these variables and the factors inherent in them can be found. Furthermore, the discussion starts with the definition of each variable and how some articles bring up the value of each variable tested.

1. Discussion of Variables based on Literature

Capital Structure

Capital structure refers to the way a company finances its operations and investments through a combination of debt and equity (Neri et al. 2021). In the football industry, capital structure plays an important role in determining a club's overall financial performance and competitiveness. The football industry is unique in that clubs operate in a competitive and unpredictable environment where success on the pitch is closely linked to financial resources. As such, clubs need to balance the need for financial stability with the need to invest in player recruitment, infrastructure and other areas that can lead to on-field success (Litvishko et al. 2019).

In measuring capital structure, referring to the research of Bajaj et al. (2020), which uses Debt to Equity Ratio as a measure of capital structure. The following is the equation used in the Debt to Equity Ratio, among others:

$$DEBT\ TO\ EQUITY\ RATIO = \frac{TOTAL\ DEBT}{TOTAL\ EQUITY}$$

Financial Performance

Financial performance refers to a football club's ability to generate and manage its financial resources effectively to achieve its goals. In the context of the football industry, financial performance can be evaluated through a number of key financial metrics, including revenue, profit, and Return of Investment (ROI) (Carlsson-Wall et al. 2016; Plumley et al. 2021).

To determine the amount of financial performance, Return on Investment is used as the basic calculation. The following is the equation used in calculating Return of Investment (Nasrallah & El Khoury, 2022):

$$Return\ on\ Invesment = \frac{Net\ Return\ on\ Investment}{Cost\ of\ Invesment}$$

Player Transfer Expenses

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

In the football industry, player transfer fees refer to the amount of money a club spends to acquire a new player from another club. This can include the transfer fee paid to the player's previous club, as well as any signing bonus or other fees associated with the transfer (UEFA, 2015).

Player transfer fees can have a significant impact on a club's financial performance and competitiveness. On the one hand, investing in new players can help improve a club's performance on the pitch, which in turn can lead to increased revenue through ticket sales, merchandise sales, and broadcasting rights. This can help create a more competitive league overall, as clubs can invest in their squad and improve their performance on the pitch (Beck et al., 2022).

Competitive Balance (Keseimbangan Kompetisi)

Competitive Balance (CB) is a concept that describes the level of parity or equality among teams in a sport or league (Alwell, 2020; Michie & Oughton, 2004). Alwell (2020) explained in a competitively balanced league, there is a level playing field, and any team has a reasonable chance of winning the championship or competition. Conversely, in an unbalanced league, the dominance of a small number of wealthy or successful teams can lead to a lack of competition and spectator interest.

Competitive Balance (CB) is an economic concept whose economic value can be measured (Scelles et al. 2022). Scelles et al. (2022) explained that the economic distribution provided by CB is a mechanism that creates uncertainty in a league. This gives more interest to fans to keep finding out who will be the winner, as it has been explained that football games are one of the attractive industries in fulfilling the need for entertainment (Perechuda, 2020; Senaux, 2008).

In this study, to determine the level of CB in a league, the Hirschman-Herfindahl index is used by knowing the points, the number of wins during a season, the ranking, and the championships won at the end of the season (Gerrard & Kringstad 2022).

RESULTS AND DISCUSSION

1. Capital Structure and Competitive Balance

The concept of capital structure refers to the way a company finances its operations through a combination of equity and debt. In the football industry, capital structure is closely linked to competitive balance, as the amount of financial resources a club has at its disposal can significantly impact its ability to acquire and retain top talent. This dynamic has become more pronounced since the introduction of UEFA Financial Fair Play regulations, which seek to limit excessive spending by clubs to promote a more level playing field (Litvishko et al. 2019).

Under Financial Fair Play rules, clubs are required to operate within their means and balance their books by not spending more than they earn. This makes it difficult for clubs with fewer financial resources to compete with those with more significant revenue streams. As a result, the capital structure of football clubs has become an important determinant of their competitive position. Clubs with a stronger financial footing are better positioned to invest in top players, increasing their chances of success on the pitch and increasing the potential of generating revenue from it (Sánchez et al. 2021).

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

Financial Fair Play regulations also have unintended consequences on the capital structure of football clubs. For example, some clubs have tried to circumvent the rules by seeking investment from wealthy owners or through creative accounting practices. This has created an unbalanced playing field and undermined the objective of promoting competitive balance. As such, UEFA should monitor the impact of its regulations on capital structure and make adjustments as necessary to ensure that they achieve their intended purpose.

2. Financial Performance and Competitive Balance

Several studies have examined the correlation between return on investment (ROI) and competitive balance in the football industry under UEFA Financial Fair Play regulations. One such study, conducted by Rohde & Breuer (2016), found that there is a positive correlation between ROI and competitive balance. The study analysed the financial performance of 35 European football clubs and found that those with higher ROI tended to perform better on the pitch, suggesting that financial success translates into success on the pitch.

Another study, conducted by Garcia-del-Barrio & Rossi (2020), found a more nuanced relationship between ROI and competitive balance. Using a dataset of 560 observations (20 teams per season, from 2009/10 to 2015/16, of teams playing in the Premier League, La Liga, Serie A, and Ligue 1), this paper examines how UEFA Financial Fair Play (FFP regulations) may have changed football clubs' decisions regarding their sporting and financial priorities. Based on a simple theoretical description, the paper suggests that the increased financial stability promoted by FFP regulations may actually be interpreted as an undesirable side effect, a decrease in competitive balance affecting European football leagues.

Overall, this research shows that ROI is an important factor in determining competitive balance in the football industry under UEFA Financial Fair Play regulations. Clubs with stronger financial performance are better positioned to invest in top players, increasing their chances of success on the pitch. However, other factors, such as team strategy, management, and coaching, also play an important role in determining competitive success. Therefore, while financial success can translate into success on the pitch, it is not the only determinant of competitive balance in the football industry.

3. Player Transfer Expenses and Competitive Balance

Research conducted by Beck et al. (2022) using qualitative analysis of sports economics literature and other sources. Covering a number of factors, insights and empirical results considered systematically analysing the options for reforming European professional football. In the current league system, the competitive balance decreases which reduces welfare. In a system with a Super League, the competitive balance could be higher. The latter system also has other advantages and disadvantages, related to issues such as the quality of play, the role of star players, the chances of lifting important trophies, regional and national sentiments and rivalries, and sports meritocracy. After discussing these issues, it was concluded that the Super League system could improve welfare in the future. However, if the current system regains a higher level of competitive balance, it will probably result in a higher level

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

of welfare than the Super League. Two measures to improve competitive balance are a more equitable distribution of broadcasting revenue and a progressive luxury tax (Beck et al. 2022).

Depken & Globan (2021) meneliti dengan mengambil lebih dari 5000 sampel obeservation of player transactions between clubs spread across the 5 largest leagues in Europe in different countries. The results show that special conditions such as the purchase of star players can boost the popularity of the league well. This player transfer is believed to be able to improve the club's performance well. So that it can compete at the top of the league. However, in other cases Rossi et al. (2019) explained, with this assumption, many clubs in Italy manipulate their financial statements to be able to transfer freely without fear of sanctions. This will benefit teams that have enough capital so that they can spend more. This player shopping activity shows that FFP can create a balanced competition if FFP regulations are not violated.

CONCLUSIONS

Financial Fair Play (FFP) is a set of regulations introduced by the Union of European Football Associations (UEFA) in 2011 to improve the financial sustainability of European football clubs. FFP aims to prevent clubs from spending more than they earn and encourages clubs to operate within their means. Under FFP rules, clubs are required to balance their books, limit their losses to a certain amount over a three-year period, and disclose their financial information. This research shows that a balance of competition can be achieved if the guidelines of the UEFA Financial Fair Play rules are properly implemented in each of the 5 major leagues in Europe.

It can be seen from several theoretical studies conducted, it is known that the influence possessed by Capital structure, Financial Performance, and Costs incurred by clubs to transfer players can increase balanced competition. This is supported by several related studies and well-implemented regulations. However, there are still studies that show these three factors have little or no effect on the balance of competition under certain conditions such as financial violations committed by the club.

He emphasised that in implementing FFP, UEFA and CFCB must work together to take strict action against clubs that violate the financial regulations. With the strict implementation of FFP, every club will have an equal chance to win the league, and interest in the football industry can be increased. As envisioned by former UEFA President Michel Platini, FFP was created to bring back the "magic" in the game of football.

REFERENCES

Alwell, K. (2020). Analyzing Competitive Balance in Professional Sport. *Honors Scholar Theses*, *650*. https://opencommons.uconn.edu/srhonors_theses/650

Andrea, A. D., & Masciandaro, D. (2016). Financial fair play in European football: Economics and political economy. *BAFFI CAREFIN Centre Research Paper Series*, *15*.

Ayambire, R. A., Amponsah, O., Peprah, C., & Takyi, S. A. (2019). A review of practices for sustaining urban and peri-urban agriculture: Implications for land use planning in rapidly urbanising Ghanaian cities. *Land Use Policy*,

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

84(February), 260–277. https://doi.org/10.1016/j.landusepol.2019.03.004

Bajaj, Y., Kashiramka, S., & Singh, S. (2020). Application of capital structure theories: a systematic review. *Journal of Advances in Management Research*, *18*(2), 173–199. https://doi.org/10.1108/JAMR-01-2020-0017

Balls, P. (2009). Phenomenology in nursing research: methodology, interviewing and transcribing. *Nursing Times*, *105*(32–33), 30–33.

Beck, H., Prinz, A., & van der Burg, T. (2022). The league system, competitive balance, and the future of European football. *Managing Sport and Leisure*, 1–24. https://doi.org/10.1080/23750472.2022.2137056

Berument, M., Ceylan, N., & Onar, B. (2013). Football and the risk-return relationship for a stock market: Borsa Istanbul. *Emerging Markets Finance and Trade*, *49*(2), 19–30. https://doi.org/10.2753/REE1540-496X490202

Birkhäuser, S., Kaserer, C., & Urban, D. (2019). Did UEFA's financial fair play harm competition in European football leagues? *Review of Managerial Science*, *13*(1), 113–145. https://doi.org/10.1007/s11846-017-0246-z

Carlsson-Wall, M., Kraus, K., & Messner, M. (2016). Performance measurement systems and the enactment of different institutional logics: Insights from a football organization. *Management Accounting Research*, *32*, 45–61. https://doi.org/10.1016/j.mar.2016.01.006

Deloitte. (2022). *A new dawn Annual Review of Football Finance 2022*. *August*. www.deloitte.co.uk/sportsbusinessgroup

Depken, C. A., & Globan, T. (2021). Football transfer fee premiums and Europe's big five. *Southern Economic Journal*, *87*(3), 889–908. https://doi.org/10.1002/soej.12471

Dimitropoulos, P., & Scafarto, V. (2019). The impact of UEFA financial fair play on player expenditures , sporting success and financial performance : evidence from the Italian top league. *European Sport Management Quarterly*, *0*(0), 1–19. https://doi.org/10.1080/16184742.2019.1674896

Downward, P., Dawson, A., & Dejonghe, T. (2009). *Sports economics*. Routledge.

Ebrahimzadeh, S., Rezaei Sharifabadi, S., Karbala Aghaie Kamran, M., & Dalkir, K. (2020). Triggers and strategies related to the collaborative information-seeking behaviour of researchers in ResearchGate. *Online Information Review*, *44*(5), 1077–1096. https://doi.org/10.1108/OIR-12-2019-0380

François, A., Cetaps, L., & Rouen, U. De. (2021). *L ' analyse du fair-play financier au prisme de son efficacité : regards croisés entre la Ligue 1 et la Premier League anglaise Nadine Dermit-Richard Daniel Plumley Robert Wilson*. *3*, 1–37.

Freestone, C. J., & Manoli, A. E. (2017). Financial fair play and competitive balance in the premier league. In *Sport, Business and Management: An International Journal* (Vol. 7, Issue 2). https://doi.org/10.1108/SBM-10-2016-0058

Fulghieri, P., García, D., & Hackbarth, D. (2020). Asymmetric information and the

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

pecking (Dis)order. *Review of Finance*, *24*(5), 961–996. https://doi.org/10.1093/rof/rfaa005

Garcia-del-Barrio, P., & Rossi, G. (2020). How the UEFA Financial Fair Play regulations affect football clubs' priorities and leagues' competitive balance? *European Journal of Government and Economics*, *9*(2), 119–142.

Gerrard, B., & Kringstad, M. (2022). The multi-dimensionality of competitive balance: evidence from European football. *Sport, Business and Management: An International Journal*, *12*(4), 382–402.

Hammerschmidt, J., Durst, S., Kraus, S., & Puumalainen, K. (2021). Professional football clubs and empirical evidence from the COVID-19 crisis: Time for sport entrepreneurship? *Technological Forecasting and Social Change*, *165*, 120572. https://doi.org/10.1016/j.techfore.2021.120572

Hoye, R., Smith, A. C. T., Nicholson, M., & Stewart, B. (2018). *Sport management: principles and applications*. Routledge.

Jensen, M. C., & Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360.

Litvishko, O., Veynberg, R., & Bodrov, I. (2019). Investment potential of the football industry. *Journal of Physical Education and Sport*, *19*(4), 2390–2399. https://doi.org/10.7752/jpes.2019.04362

McKeown, B. J., & Rankin, S. C. (1994). Aortocaval fistulae presenting with renal failure: CT diagnosis. *Clinical Radiology*, *49*(8), 570–572. https://doi.org/10.1016/S0009-9260(05)82940-X

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American Economic Review*, *48*(3), 261–297.

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, *13*(2), 187–221. https://doi.org/10.1016/0304-405X(84)90023-0

Nasrallah, N., & El Khoury, R. (2022). Is corporate governance a good predictor of SMEs financial performance? Evidence from developing countries (the case of Lebanon). *Journal of Sustainable Finance and Investment*, *12*(1), 13–43. https://doi.org/10.1080/20430795.2021.1874213

Neri, L., Russo, A., Di Domizio, M., & Rossi, G. (2021). Football players and asset manipulation: the management of football transfers in Italian Serie A. *European Sport Management Quarterly*, *0*(0), 1–21. https://doi.org/10.1080/16184742.2021.1939397

Nicoliello, M., & Zampatti, D. (2016). Football clubs' profitability after the Financial Fair Play regulation: evidence from Italy. *Sport, Business and Management: An International Journal*, *6*(4), 460–475. https://doi.org/10.1108/SBM-07-2014-0037

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

Pacheco, L. M. (2022). Capital structure of Iberian football clubs: does sport performance matter? *International Journal of Sport Management and Marketing*, *22*(5–6), 336–360.

Patočka, J. (2019). What Is Phenomenology? *Husserl: German Perspectives*, *19*(2), 84–109. https://doi.org/10.5422/fordham/9780823284467.003.0004

Perechuda, I. (2020). Utility of financial information in managing football business model: Case from central eastern Europe. *Journal of Physical Education and Sport*, *20*(2), 1257–1264. https://doi.org/10.7752/jpes.2020.s2175

Plumley, D., & Flint, S. W. (2015). The UEFA Champions League: Maintaining the status quo? *Team Performance Management*, *21*(5–6), 247–258. https://doi.org/10.1108/TPM-01-2015-0003

Plumley, D., Serbera, J. P., & Wilson, R. (2021). Too big to fail? Accounting for predictions of financial distress in English professional football clubs. *Journal of Applied Accounting Research*, *22*(1), 93–113. https://doi.org/10.1108/JAAR-05-2020-0095

Regoliosi, C. (2016). The accounting treatments in professional football clubs in Italy from a business model perspective. . *Rivista Italiana Di Ragioneria e Di Economia Aziendale, 5*(6), 7.

Rohde, M., & Breuer, C. (2016a). Europe's elite football: Financial growth, sporting success, transfer investment, and private majority investors. *International Journal of Financial Studies*, *4*(2), 10–12. https://doi.org/10.3390/ijfs4020012

Rohde, M., & Breuer, C. (2016b). The Financial Impact of (Foreign) Private Investors on Team Investments and Profits in Professional Football: Empirical Evidence from the Premier League. *Applied Economics and Finance*, *3*(2), 243–255. https://doi.org/10.11114/aef.v3i2.1366

Rossi, G., Goossens, D., Di Tanna, G. L., & Addesa, F. (2019). Football team performance efficiency and effectiveness in a corruptive context: the Calciopoli case. *European Sport Management Quarterly*, *19*(5), 583–604. https://doi.org/10.1080/16184742.2018.1553056

Ruta, D., Lorenzon, L., & Sironi, E. (2020). The relationship between governance structure and football club performance in Italy and England. *Sport, Business and Management: An International Journal*, *10*(1), 17–37. https://doi.org/10.1108/SBM-10-2018-0081

Sánchez, L. C., Barajas, A., & Sanchez-Fernandez, P. (2021). Fans in the ownership of Big Five leagues: lessons for better football governance. *Soccer and Society*, *22*(4), 355–371. https://doi.org/10.1080/14660970.2020.1819800

Sánchez, L. C., Barajas, Á., & Sánchez-Fernández, P. (2017). ¿Juega Al Fútbol La Teoría De La Agencia? *Universia Business Review*, *2017*(53), 18–59. https://doi.org/10.3232/UBR.2017.V14.N1.01

Scelles, N., François, A., & Dermit-Richard, N. (2022). Determinants of competitive balance across countries: insights from European men's football first tiers, 2006–

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/

2018. *Managing Sport and Leisure*, *27*(3), 267–284. https://doi.org/10.1080/23750472.2020.1784036

Schubert, M., & Lopez Frias, F. J. (2019). Walk the Talk: Financial Fairness in European Club Football. *Sport, Ethics and Philosophy*, *13*(1), 33–48. https://doi.org/10.1080/17511321.2017.1371790

Senaux, B. (2008). A stakeholder approach to football club governance. *International Journal of Sport Management and Marketing*, *4*(1), 4–17. https://doi.org/10.1504/IJSMM.2008.017655

Sloane, P. J. (1971). Scottish Journal of Political Economy:the Economics of Professional Football: the Football Club As a Utility Maximiser. *Scottish Journal of Political Economy*, *18*(2), 121–146. https://doi.org/10.1111/j.1467-9485.1971.tb00979.x

Talja, S., & Hansen, P. (2006). Information sharing. *New Directions in Human Information Behavior*, 113–134.

UEFA. (2015). *UEFA Club Licensing and Financial Fair Play Regulations Edition 2015*. *21*(1), 1–9. http://journal.um-surabaya.ac.id/index.php/JKM/article/view/2203

Urdaneta, R., Guevara-Pérez, J. C., Llena-Macarulla, F., & Moneva, J. M. (2021). Transparency and accountability in sports: Measuring the social and financial performance of spanish professional football. *Sustainability (Switzerland)*, *13*(15). https://doi.org/10.3390/su13158663

Vartanian, T. P. (2010). *Secondary data analysis*. Oxford University Press.

Vitolla, F., Raimo, N., & Rubino, M. (2020). Board characteristics and integrated reporting quality: an agency theory perspective. *Corporate Social Responsibility and Environmental Management*, *27*(2), 1152–1163. https://doi.org/10.1002/csr.1879

Wills, G., Tacon, R., & Addesa, F. (2022). Uncertainty of outcome, team quality or star players? What drives TV audience demand for UEFA Champions League football? *European Sport Management Quarterly*, *22*(6), 876–894. https://doi.org/10.1080/16184742.2020.1836010

Received: January **Accepted**: February, **Published**: March
This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.
https://creativecommons.org/licenses/by-sa/4.0/