FINANCIAL FAIR PLAY IN EUROPEAN FOOTBALL CLUBS

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Abstract
This research conducts an in-depth analysis of the Fair Play Law as it applies to European Clubs, tracing its origins to its proposal in 2007 and subsequent enactment in 2010. The overarching objective of this legislation is to establish a level and equitable playing field, ensuring that all participating clubs have equal opportunities while concurrently preserving the overall competency and integrity of the sport within the European context. The paper embarks on a comprehensive exploration of the multifaceted concept of fair play within the European football landscape. It seeks to provide a clear and nuanced definition of fair play and to illuminate the intricate web of challenges associated with this concept, with a particular focus on the complexities surrounding club investments and the financial constraints they encounter. Furthermore, the study ventures into the domain of financial and economic dynamics, undertaking a meticulous analysis of the significant challenges precipitated by the Fair Play Law's imposition and subsequent implementation. In doing so, it offers invaluable insights into the profound impact of these regulations on the financial models, budgets, and competitive equilibrium of European football clubs. In essence, this research elucidates the intricate interplay between regulatory measures and the complex economic facets of European club football, underscoring the pursuit of fairness and its profound ramifications on the broader footballing landscape.

Keywords: European, Financial Fair Play, Football Clubs

1. INTRODUCTION
Fair play is one of the concepts promoted by the regulatory and monitory bodies in the European League, aiming to create equal opportunities and fair game for all the clubs in the European Union. The concept is concreted through a law in 2010, which contained two main sections imposing spending caps and regulating the movement of club members to other clubs. Such a law has several financial and technical implications on the clubs' competency and financial status. Through literature and comparison between cases, it is possible to see the issues accompanying fair play. Nonetheless, there are benefits from ethical conduct that allows the clubs to compete based on skill and management rather than a financial advantage.

Throughout the years of law implementation, there have been cases of corruption and unconformity that were present. This raises the question of the law's effectiveness in promoting fair play between European clubs. Furthermore, the law's success is tied to the financial models implemented and the flexibility in the laws that allow clubs to create a competitive advantage while playing by the rules. The upcoming review shows that much financial restriction may hinder the game's growth from an economic perspective. However, there is still a need to work on a regulation that guarantees fair play while allowing growth that satisfies the investors in the European clubs.

When professional team sports leagues are seen as economic organizations, they are remarkable in the degree of coordination permitted among enterprises that are ostensibly in competition. Competitors in sports can agree on the game's rules and
collaborate on managing activities such as selling league media rights in North America and Europe. Courts in Europe and the United States have attempted to differentiate between "sporting rules," which are required to regulate an orderly and attractive contest, and rules intended to restrict competition and benefit the contestants. This is because "sporting rules" are required to regulate an orderly and attractive contest (Budzinski, 2014). Therefore, by way of illustration, the European Commission, in its White Paper on Sport (2007), acknowledged the "specificity of sport" while at the same time reiterating that "Competition law and Internal Market laws apply to the sport since it comprises an economic activity" (Jemson, 2013).

The function governing bodies are expected to perform in American and European sports leagues is one of the most significant differences between the two systems. Governing bodies are often established inside a nation to foster the growth of sports within that nation and manage the preparation for and participation of national teams in international competitions (e.g., the Olympics or the FIFA World Cup). The law in the United States restricts the authority of regulating organizations to the administration of amateur sports; on the other hand, professional leagues are responsible for their self-governance. Five governing bodies in Europe (and most other parts of the world) assert their authority over amateur and professional sports. Most national soccer associations in Europe were formed before the First World War. The English Football Association (F.A.), founded in 1863, was the first association of its kind. Concurrently, professional or semi-professional domestic leagues came into existence.

On the other hand, UEFA was established in 1954 with only a few responsibilities. It is interesting to note that Gabriel Hanot, a soccer journalist working for the French sporting weekly L'Equipe, was the one who first came up with the idea for the European Champion Clubs' Cup in the early years of the 1950s. This idea eventually led to the creation of the Champions League. It was not until much later that year, right before the competition, that UEFA was finally convinced to take over its management (Scoglio, 2014). However, its financial status and prestige are virtually dependent on its ownership of the Champions League, the most prestigious club competition in the world. According to its Financial Report, the European Union Football Association (UEFA) generated €1385 million from selling broadcast and commercial rights to its competitions in 2010/11. After paying out €1001 million to participating clubs, UEFA had approximately 28 per cent of its revenues left over to cover its costs and spending as it saw fit.

Before the club licensing system was implemented in 2004, UEFA did not place many restrictions on clubs. This changed in 2004. Club licensing was designed to impose a minimal set of requirements, and as such, it took on the form of a series of vertical constraints. In the initial research 1999 into the formation of a licensing system, implementing a pay cap was also discussed, even though this was thought impossible at the time. The European Court of Justice's decision in the Bosman case in 1995 indicated that regulation that restricted competition in the market for players and that was not justified by pro-competitive rationale was doomed to fail under E.U. law. Bosman was the case that demonstrated this point (Kuper, & Szymanski, 2018).

The Union of European Football Associations (UEFA) announced in 2010 that the Financial Fair Play (FFP) standards would be implemented into the club licensing structure. These guidelines can be broken down into two distinct pieces. The first one addresses the issue of insolvency, which is an ongoing problem that has afflicted soccer teams in Europe. The second section discusses the break-even rule, which is the primary
topic of our research article. According to this rule, "related expenses" must not be higher than "relevant income." The term "relevant" has a very narrow meaning, and in terms of financial gain, it refers mainly to cash generated through broadcasting, income generated on match days (such as ticket sales), and sponsorship. It does not consider direct subsidies from affluent (Conn, 1997).

The Financial Fair Play laws established by the Union of European Football Associations address two relevant concerns for professional football competitions. One of the problems is the worry that clubs may overspend and then be unable to cover their financial shortfall. According to Conn (1997), "In other industries, a failing corporation goes out of business, but football clubs seldom do." Conn (1997) notes, however, that the failure of a football club imposes not just a cost on the owners of the club but also a financial loss on the business's creditors as well as economic and social consequences on the community in which the team is located. Hamil and Walters (2013) bring up an additional point: although new owners have frequently saved football clubs, this is less likely to be an option now. It is currently a great fear for those involved in the football industry that if support were to be cut off, a professional football team may go through a financial crisis on such a large scale that it would be impossible for the surviving stakeholders to salvage the club (Abd Alia & ALhamad, 2022).

Even while modern football is experiencing unprecedented success and popularity, the future of the modern game as a whole does not look very bright. Over the past three decades, the sport has evolved into a fascinating social phenomenon intimately connected to mediatization and globalization. In 2011, more than 101 million spectators attended matches in the top domestic leagues across Europe. When the FIFA World Cup was hosted in Germany in 2006, 376 channels broadcast the matches, and the cumulative television audience for all matches was an incredible 26.3 billion (Vaanholt, 20114).

This appeal on a global scale was reflected in the fact that European football generated 16.3 billion Euros in revenue during the 2010-2011 season. Despite these record-breaking levels, most teams are contending with serious financial challenges. The level of revenue has expanded rapidly, increasing the pressure placed on the clubs to spend outrageous sums of money to maintain their position in the market. During the 1994 campaign, 5735 transactions resulted in the expenditure of 402.860.000 Euros. During the 2010 campaign, there were a total of 18.307 transactions, which were worth a total of 3,002,198 Euros (Peleters & Szymanski, 2012).

This spending binge has resulted in a snowball effect, which compels teams to spend ridiculous sums of money to maintain their competition level. Teams that do not have the financial resources to spend at this rate are forced to either settle for mediocrity or spend themselves in debt, expecting their achievements to result in a rise in revenue. Although revenues are growing, they cannot catch up with the enormous amount spent. The revenue of the first fifty-three countries to join UEFA rose from 9 billion Euros in 2006 to 16.3 billion Euros in 2010, a significant gain. Butet's losses reached 1.64 billion Euros in 2010 after climbing gradually over the same period (Alhamad, et al., 2015).

Even the most prosperous leagues in Europe are going through moments of intense economic upheaval right now. The three most important leagues in the world—the English Premier League, the Italian Serie A, and the Spanish La Liga—all have significant financial problems. In particular, the English Premier League, generally considered the best League in the world, has racked up a total debt of £3.1 billion. The Spanish La Liga and the Italian Serie A come in at a close second and third place,
respective, with £3 billion and 2.1 billion Euros worth of debt (Faraj, & Alhamad, 2022; Alhamad, Ahmed, Akyürek, & Baadhem, 2023). Due to this fact, the research aims to conduct an in-depth analysis of the Fair Play Law’s impact on European Clubs, including its origins, objectives, and consequences. It seeks to provide a clear definition of fair play, explore the challenges associated with it, particularly in terms of club investments and financial constraints.

2. LITERATURE REVIEW

Fair play is not universal but can be utilized in various contexts. Its meaning might vary from region to region, country to country, and even between different sports and religions. This theory is somewhat researched, and what was found indicated that fair play is interpreted differently in soccer played in Finland, the United Kingdom, and Sweden. Fairness and acceptable treatment methods are the second most commonly broached subject in justice (Vaanholt, 2014). It is possible that a particular treatment would be just for individual A but not for a person. This demonstrates how crucial it is to maintain a context of fairness and always play fairly (Peeters, & Szymanski, 2012). Both procedural and interactional justice can be considered aspects of the concept of justice.

From this perspective, the question of whether or not one is directly impacted by legislation or something analogous is of the utmost importance (Peeters, & Szymanski, 2012). The concept of fairness can accommodate the addition of one more facet. According to findings from studies carried out in Indonesia and Hong Kong, a distribution of sources that accounts for both their merits and their requirements can be considered equitable (Commission of the European Communities, 2007).

The concept of a level playing field includes the concept of fair play. The expression "all players on the same level" is frequently heard in sports. One way to look at fairness and constitutive laws working together to provide a level playing field is as a combination. The first is required to make a game work (for example, by allowing players to score goals), and the second is what players should do when playing a game. Adhering to the regulations as they have been formally stated is essential when playing the game (Evans, 2014).

On the other hand, this does not guarantee that there will be no rule violations and that everyone will compete on an equal playing field. It is possible to think of a level playing field where one side does not have to play uphill while the other plays downhill. However, the term "fair level playing field" most commonly refers to regulations favouring one competitor "unfairly" over another. This assertion is supported by the understanding that fair play is predicated on equal opportunities, which lends credence to the preceding argument. It is essential for a level playing field in which both sides can pit their respective skills against one another and for the game to be won by the group with a unique overall skill set. An interpretation backed by the remark explained that in the United States, fairness is equivalent to spending on evenly balanced talent (Medhi, 2016).

The idea of Economic Fair Play (FFP) in European football clubs links corporate governance procedures with the effectiveness and long-term viability of these sporting entities (Alabdullah et al., 2014; Alabdullah et al., 2023; Chechan et al., 2020; Alabdullah, 2017; Housian et al., 2023; Alabdullah and Zobun, 2023; Almashhadani & Almashhadani. Football clubs are required to handle their financial affairs responsibly and honestly under UEFA's FFP laws, which are similar to corporate governance standards in the business
world. Clubs can preserve financial discipline, improve their accountability to stakeholders, and reduce the risk of financial instability by following to strict financial regulations (Alabdullah et al., 2023; Alabdullah et al., 2023; Chechan et al., 2020). Due to their ability to spend in top-tier players, youth development, and cutting-edge infrastructure without incurring significant debt, this in turn improves their on-field performance (Alfadhal & Alabdullah, 2016; Alfadhal & Alabdullah, 2013). Since clubs that practice transparent and responsible financial management are more likely to experience long-term profitability and competitiveness in the extremely fiercely competitive European football scenery, the relationship among corporate governance and business performance also applies to the world of football (Ahmed et al., 2023; Alabdullah, 2023).

A definition of an uneven playing field in the context of a country's democracy is presented as: 'one in which incumbent abuse of the state generates such disparities in access to resources, media, or state institutions that opposition parties' ability to organize and compete for national office is seriously impaired'. This definition is illustrated by elaborating on the examples of Tanzania and Botswana. In both countries, opposition parties do not have the (financial) resources and access to mass media, enabling the ruling parties to win the elections for over 20 years. In a level playing field, independent of sports or politics, equal opportunities are of significant importance to a fairly level that was playing field (Long, 2012). A metaphor like a fair playing field is only effective when it conveys its meaning unambiguously. If level playing does not work or does not operate well enough, the playing field can be improved using shared standards (Vaanholt, 2014). It is also exceedingly difficult to determine whether or not there is a level playing field.

In the context of a country's democracy, an uneven playing field is defined as follows: "as one in which incumbent abuse of the state generates such disparities in access to resources, media, or state institutions that opposition parties' ability to organize and compete for national office is seriously impaired." This definition of an uneven playing field is presented in the context of a country's democracy. An explanation of this definition can be found in the following passage, which elaborates on the instances of Tanzania and Botswana. Both countries' opposition parties lack the resources (financial and otherwise) necessary to compete with the ruling parties in elections, allowing them to maintain their hold on power in both countries for more than 20 years. Equal opportunities are critical in maintaining a level playing field, regardless of whether the arena in question is political or sporting. This is the case whether we talk about sports or politics (Knight, 2013).

One definition of fair play is having respect for the game that is being played. One concise explanation that explains "respect for the game" is not supplied; however, the following qualities have been employed in order to clarify this definition of fair play (Peeters & Szymanski, 2012):

a. competitors are involved in the same activity;
b. respect for the game includes respect for the laws of the game;
c. take the interests of the game seriously (transformation of interests);
d. respect for the game is motivated by playing sports for their own sake and intrinsic motivation.

Following these concepts about fair play must be "teaching fair play as respect for the game promotes intrinsic motivation, and teaching intrinsic motivation enhances fair
play." This is because respect for the game raises intrinsic motivation. Teaching fair play increases intrinsic motivation.

A further definition of fair play includes the following, in addition to "respect for the game": "If freely engages in sporting games, retain the ethos of the game if the ethos is just and if it contains a suitable understanding of the internal goods and the attitude of playing to win."

The meaning of "fair play" will be broken down into its parts word by word so that readers can better understand the concept. "Voluntary" can mean "when humans are not forced into participation or compelled to participate in sports and when they might have chosen otherwise." In other words, "when persons are not forced into engagement or compelled to participate in sports." Internal commodities are the things that are obtained via the process of practicing a specific game. They embody the phrase "the savory tension that comes from not knowing the outcome." Internal goods are sensations of excitement experienced during an even tennis match, the experienced flow experienced by skiers when they reach speeds of 140 kilometers per hour or a perfect hit during a baseball game. Internal goods are attainable only when there is a level playing field among competitors and when they are pushing themselves to achieve the highest possible standards. Winning is the primary objective of most players. It is possible to argue, based on this body of research, that in order to determine whether or not a scenario is fair, certain qualities need to be taken into consideration (Jemson, 2013):

a. The circumstances and the person who is involved.
b. Whether or not someone is persuaded.
c. An individual's conception of what constitutes fair play.

In addition to these three significant aspects that affect fair play, there are also two different ways of understanding what constitutes fair play (Vaanholt, 2014):

a. An equal chance at success, and
b. A healthy respect for the competition.
c. Goods sold in the country
d. Showing respect for one's rivals
e. Participation on a purely voluntary basis
f. Intrinsic motivation

If more interpretations of fair play are sought after in the context of overarching sports associations in the following paragraphs, this may help lead to a more in-depth knowledge of fair play.

3. RESEARCH METHODS

The research method employed in this study involves a comprehensive and in-depth analysis of the Fair Play Law's development and impact on European football clubs. The research begins by tracing the origins of the Fair Play Law, from its proposal in 2007 to its enactment in 2010, providing a historical context for the legislation. The overarching objective of this legal framework, which is to establish a level and equitable playing field among clubs while preserving the sport's integrity, is clearly outlined.

The study then delves into the multifaceted concept of fair play within European football, aiming to provide a nuanced definition and shed light on the challenges
associated with it. A particular emphasis is placed on the complexities surrounding club investments and the financial constraints they face. Furthermore, the research ventures into the realm of financial and economic dynamics, conducting a meticulous analysis of the significant challenges brought about by the Fair Play Law's imposition and implementation. This analysis offers valuable insights into how these regulations impact the financial models, budgets, and competitive balance of European football clubs. Overall, the research elucidates the intricate interplay between regulatory measures and the complex economic aspects of European club football, highlighting the pursuit of fairness and its profound consequences on the broader footballing landscape.

4. RESULTS AND DISCUSSION

Scoglio's (2014) research evaluates European club adherence to fair play principles by comparing three clubs with differing structures. It reveals a gap between actual and expected outcomes in meeting break-even requirements. Initially, it was assumed that Financial Fair Play (FFP) regulations would favor financially supported clubs and potentially disadvantage association-based ones. However, comparing Manchester City and Barcelona, with distinct ownership structures, Barcelona demonstrates stronger FFP compliance, despite Manchester City's status as a members' association with no shareholder obligation for additional funds.

Addressing the oversight in FFP implementation, particularly for clubs without ownership of their sporting facilities, could lead to unsustainable costs beyond revenues. This suggests challenges for clubs like Fiorentina, which lacks stadium ownership, compared to stadium-owning competitors like Manchester City. Surprisingly, research findings reveal Fiorentina's higher ethical conduct despite stadium ownership differences.

As a result, and based on these considerations, the fundamental conclusion is that UEFA has been able to implement a measure that does not significantly impact clubs based on their structural characteristics but heavily depends on the owners' ability to manage their businesses. The answer to the question, "Are the European leagues comparable in terms of the FFP notwithstanding the structural differences?" is yes. Disparities in structure do not have the same effect on the break-even requirement as incompetent management does.

The European Union Football Association (UEFA) has devised a solution that effectively addresses the damage caused to the football business due to widespread mismanagement, all without compromising any club's inherent flaws. UEFA's approach to these regulations, marked by a balance between strictness and flexibility in accommodating deviations, is a critical consideration.

When viewed from the perspective of competition theory, the question of whether or not Financial Fair Play should be adopted arises. When considering whether or not to regulate a free market, the most crucial question is whether there is some form of market failure and, if so, who would benefit from regulation.

Furthermore, before implementing a regulation, it is essential to analyze whether it is:

a. Effective in achieving the regulation's goals.

b. Not contradictory with different (though not inherently conflicting) goals of the regulation.

c. Efficient in terms of the costs of implementation, monitoring, and enforcement.
d.  Dynamically efficient by providing incentives for long-term improvements.
e.  Competitively neutral, unless the regulation itself intends otherwise.

The "break-even condition" is a critical component of Financial Fair Play, discussed in more detail earlier. Two of the most vital objectives of the Financial Fair Play initiative in European club football are the restoration of competitive balance and the enhancement of long-term financial stability. To achieve these goals, it is necessary to ascertain whether the "break-even requirement" can be met. The "break-even requirement" includes a deficit limit as well as definitions of "relevant revenue" and "related expenses." Both components are essential to fulfill the "break-even requirement." Maintaining the deficit at an acceptable level improves the clubs' financial stability. However, merely imposing a limit on the deficit size would contradict the other objective of Financial Fair Play, which is to restore competitive balance. Clubs without access to external funding would be disproportionately affected by a deficit limit, resulting in a unilateral competitive disadvantage if donors, patrons, or other equity investors were not excluded from participating in professional club football. To prevent such unintended consequences, the deficit limit has been complemented with the concept of "relevant income." "Relevant income," the basis for the "break-even result," excludes income generated by operations unrelated to football.

The financial model has a secondary consequence: it widens the gap between itself and the competition. Throughout its history, football has not been a sport known for a level playing field in terms of competition. Historically, smaller teams have often dominated leagues for extended periods. However, the current state of the economy has exacerbated this issue to the extent that most clubs have very little to no chance of competing effectively in their respective competitions. Whether on the field or in the transfer market, clubs from less developed markets struggle to keep up with more financially stable teams.

In every major European league, a select few teams hold the lion's share of power. The gap between these top teams and the rest of the league serves as an insurmountable barrier for lower-ranked clubs. This divide will continue to widen unless changes are made to the existing revenue-sharing structure or the implementation of a salary cap. Currently, neither of these options is being considered. The inception of Financial Fair Play regulations aimed to ensure the long-term financial stability of European football. However, evaluating the purpose of these regulations is essential. In response to concerns about football club financial management, UEFA introduced the restrictions known as FFP. As previously mentioned, in 2011, 55% of top division teams in Europe were running at a financial loss, with 38% reporting negative equity balances. The figures for the preceding year were similar, at 56% and 36%, respectively.

From an economic standpoint, the concept of "inherence" suggests that economic competition among professional football teams would routinely fail without regulation of investment behavior (Alhamad, Ahmed, Akyürek, & Baadhem, 2023). Football clubs would engage in irrational, unsustainable expenditures, consistently spending more than they could afford. Inherence implies the failure of the entire market, not just the poor financial management of individual clubs. In essence, the objectives being pursued inevitably come with the constraining implications of FFP. If public investment is expected to lead to unsustainable overinvestment, then constraints on investment behavior might be considered inherent.
Recent research in sports economics includes a lengthy and contentious discussion about losses and debts in football. Public press and media frequently list impressive debt statistics for individual clubs and leagues without relating these figures to the asset values of the football clubs, which is crucial to understanding their financial situations. While there are discussions about debt in football, the relatively low frequency of bankruptcies in top-level football leagues doesn't necessarily indicate systemic market failure. Most losses are eventually compensated for by private investors, making it challenging to identify significant economic problems, especially if backers are fans or wealthy individuals. The empirical picture is less conclusive than it may initially appear.

Addressing potential causes of systemic market failure, such as systemic overinvestment, several factors and principles of commercial football markets may lead to excessive investment. Various hypotheses explain why single clubs struggle to develop workable investment strategies, including management incompetence, unexpected revenue source failures, and negative externalities from bankrupt clubs. Although these reasons have some validity, none adequately address the fundamental problem: league competition is fundamentally flawed and resistant to improvement. Failure of an individual competitor's business due to poor management is a common occurrence and doesn't necessarily indicate market failure.

5. CONCLUSION

The central objective of the Financial Fair Play initiative, as articulated by the Union of European Football Associations (UEFA), is to improve the long-term financial health of European club football and simultaneously tackle and correct disparities within the competitive arena. This objective is to be achieved through the implementation of a "break-even condition," which seeks to curtail the influence of patrons and investors while constraining a club's capacity to operate at a deficit. After a thorough evaluation of its merits and drawbacks, it can be concluded that the Financial Fair Play rule may not be suitable due to its lack of comprehensiveness, questionable efficiency, and the costliness of monitoring relative to potential benefits. Based on the available evidence, insolvency does not appear to be a significant issue in professional football, and there doesn't seem to be a systemic threat necessitating stricter regulation due to the insolvency of a single club. Furthermore, imposing a cap on club deficits and preventing private equity participants from funding or contributing to professional football clubs could potentially rebalance the competition from a static perspective.

When considering the long-term consequences, stricter regulation may also be dynamically inefficient as it inadvertently shields well-established clubs from challenges posed by emerging ones. Therefore, Financial Fair Play might, paradoxically, reinforce an imbalanced competition rather than achieving greater parity compared to other regulatory approaches. It has been demonstrated that income redistribution is also required to restore competitive equilibrium. Additionally, a more market-oriented tool may be more cost-effective to implement than restrictions on equity involvement in football. Alternatively, incentives for club owners and private investors to engage with football clubs could be diminished by explicitly including non-football-related revenue in a redistribution mechanism.
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