THESIS

FINANCIAL MANAGEMENT IN FOOTBALL CLUBS; STRATEGIES FOR SUSTAINANABLE GROWTH AND SUCCESS

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FINANCIAL MANAGEMENT IN FOOTBALL CLUBS; STRATEGIES FOR SUSTAINANABLE GROWTH AND SUCCESS

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1. INTRODUCTION

1.1 Background of the Study

Football, known as the beautiful game, is not confined by geographical borders but unites individuals all over the world. It is a sport but a cultural phenomenon, an economic giant, and a source of pride for millions. At its core, there are football clubs, institutions that are responsible for developing talent, entertaining fans, and creating a legacy. However, there are financial matters that extend far beyond the field, fans, and stands. Football clubs have evolved into highly complicated and changing institutions that require rigorous financial discipline to sustain growth and success. Over the years, the world of football has transformed from small, local clubs to multimillion-dollar corporations. The growth of football as an industry is shocking. According to (Deloitte Chadwick, D. and Flynn, M, 2020), the global football industry was worth $32.4 billion in 2019 and is growing. The growth is marked by skyrocketing transfer costs, television contracts, commercial sponsorships, and a continuing drive for greater fan participation. But there is an undercurrent of trouble. Many football clubs are financially unstable, overspending, and posing a deadly threat to their continued existence. An example of this phenomenon is the administration and relegation of renowned clubs such as Leeds United, (Brain Cathcart ,2004, Money to burn), Portsmouth FC, (The rise and fall and rise of Portsmouth FC, Burkinshaw, 2017) and Parma FC, (Debojyoti Chakraborty, 2016, when life ended at Parma: The parable of Parma FC). These leave many questions concerning the financial viability of football clubs and the measures they need to put in place to not only stay at the top level but also survive. The financial viability of all football clubs is important. Due to unforeseen issues such as the COVID-19 epidemic, football clubs have had to rethink their financial strategies, (European Sport Management Quarterly, 2021 – Taylor and Francis). The epidemic highlighted the susceptibility of clubs relying heavily on game day revenue. It also exposes the threats to staying financially stable.

1.2 Objective of the Study

This thesis aims to explore various financial aspects of football clubs to identify effective strategies and practices that can contribute to the long-term sustainability of football clubs. Analysis of financial management in football clubs is vitally important. This research can have significant positive implications for football clubs, their stakeholders, and the broader area of sports finance research. By studying the possibility of promoting the sustainability of football clubs in this continuously changing industry, this research seeks to present needed insights and recommendations to ensure the long-term success of football clubs. Therefore, the primary focus of this thesis is: first and foremost, to fill an obvious gap in the current knowledge regarding football clubs' financial management. Although a lot of research exists about various aspects of football, including playing methods, fan behavior, or the societal outcomes of sports, there is a lack of comprehensive studies that examine financial management. This thesis aims to address this gap by examining the financial aspects of football clubs. This thesis intends to present useful insights that football club owners, managers, and stakeholders can utilize, as well as the greater academic and football community to understand the critical role that financial management plays in ensuring football clubs' long-term sustainability and success. The goals of this research are:

1. Analysis of the current financial position of football clubs and identification of the main challenges in managing their finances.
2. Study of the effective financial management strategies used by football clubs and their impact on long-term growth and prosperity.
3. Provision of detailed recommendations and approaches for football clubs to improve their financial management effectively.
4. Conduct a detailed case study on the financial problems of FC Barcelona.

2. MATERIALS AND RESEARCH METHODOLOGY

2.1 Problem Statement

Over the past few decades, the financial management of football clubs has attracted an increasing amount of attention. The sport has become more commercialized and global, and although winning games is vital, operating a football club's finances and other aspects that influence it off the field is now particularly important to guarantee the club's sustainability and competitiveness. This research is a comprehensive analysis of the financial management of football clubs and the necessary strategies to promote their long-term growth and success. The most important problem addressed by this research is the lack of understanding and proper instructions for effective financial management actions in football clubs. Although the football industry is characterized by a wide availability of financial resources, many clubs still face difficulties in maintaining financial sustainability, making reasonable financial decisions, and attaining overall success in the long-term. Poor financial management is the source of most of the failures of football clubs and can have a significant impact, not only on the club but also on its supporters, players, and communities. Therefore, this research is designed to discuss the implementation of long-term strategies for sustainable growth when experiencing financial uncertainties.

2.2 Research Approach

The methodology of this study will combine two approaches, qualitative and quantitative, to understand the topic and accomplish the research objectives. It will cover a broad analysis of financial management that ensures football clubs' long-term growth and success. While the qualitative component allows for a deep, contextual analysis, the quantitative method will involve statistical analysis and numerical evaluation. Various qualitative and quantitative methods of analysis will help to evaluate the acquired data from financial analysis. The outcomes will be reviewed to identify correlations between financial management practices and the long-term growth and success of football clubs. In the comparative analysis section, quantitative analysis was done using the financial statements, annual reports, and other publicly available financial documents of Fc Barcelona and Real Madrid football clubs. The data will provide a comparative analysis of key financial metrics, including revenue sources, spending preferences, profitability ratios, and overall financial performance.

2.3 Research and Data Collection Instruments

Various data collection instruments were employed to obtain data from all possible sources considering that this subject required analytical and comparative approaches. The range of data collection instruments that were used in this study included internet research of existing studies and specific review of the financial crisis of FC Barcelona regarding different issues regarding financial administration, which included budgeting, income generation, cost reduction, and investment strategies. Examination of financial reports found on the web from some football clubs' annual reports was also done which provided qualitative data relating to revenue, operating expenses, investment, and overall financial performance. Moreover, the study conducted an analysis of the football club, Barcelona to get an Insight of their financial management approaches and policies created to attain long-term growth and success amidst their recent financial crisis fueled by the Covid-19 Pandemic.

2.4 Secondary data

Secondary data refers to the information collected by other people for different purposes but is still helpful and necessary to accomplish the research objectives. The Secondary data presented an opportunity to learn from existing knowledge and analyze past trends and data. Published books, academic journals, and research papers were considered to learn about financial management practices in football clubs. The reports of football clubs were also analyzed. The reports provided valuable quantitative information regarding or relating to revenues, expenses, assets, and liabilities. More specific financial reports like balance sheets, income statement and statement of cash flow FC Barcelona and FC Real Madrid were critically analyzed to examine their financial positions over the last 5 years. This analysis made it possible for comparative analysis between these big football clubs. More public information was found through football governing bodies such as FIFA and UEFA and was made use of. Such information was essential in providing information on financial indicators, economic trends, player wages, transfer fees, sponsorship deals, and any other relevant topics. Additionally, other online sources such as articles were used to collect other relevant information regarding financial management issues, strategies, and challenges existing or faced by football clubs. Secondary data supplemented primary data enhanced understanding of the topic "financial management in football clubs.

2.5 Method of Sampling

This method enables a focused identification of football clubs possessing some financial traits and competencies that are in line with the research goals. An effort was made to incorporate a wide range of data from different financial indicators considering variables such as balance sheet, income statement, statement of cash flows etc. The process used to select the clubs required meticulous deliberation of aspects such as proficiency, background, and inclusion of key financial practices. This methodology guarantees that the research results will include the most substantial financial data hence enhancing the credibility of the study. The sampling approach selected the biggest and most famous football clubs in the Spanish Premier League to enable comparison and a representation of the diversity in financial management approaches and scenarios. The quantitative analysis done involved financial ratio analysis and performance analysis, which employed statistical techniques to collect patterns and relationships from the data. Due to the nature of information used, ethical consideration was also key to the analysis, covering integrity, confidentiality, informed consent, and adherence to other ethical guidelines in data handling.

2.6 Comparative Analysis

The aim of the comparative analysis is to evaluate and compare the financial management strategies applied by both FC Barcelona and Real Madrid. The financial analysis will use financial indicators such as liquidity, solvency, debt, and profitability ratios to identify the strengths and weaknesses of both clubs. Comparing these two elite football clubs offers a clearer picture of the potential practices of financial management that other clubs can adopt to ensure its smooth operation. The financial analysis used quantitative data reported in the financial statements, clubs' annual reports, of the clubs.

The following ratios were analyzed:

1. Liquidity (Current) Ratio: It has been used to check the clubs' ability to pay their short-term obligations at an objective time.

2. Solvency (Debt-to-Asset) Ratio: It has been utilized to check the ability to continue their operations, obtain their external financing and the clubs' ability to manage their financial leverage.

3. Profitability Ratio (ROE): It has been conducted to check the clubs' ability to generate profits in connection with the club's total assets.

4. Profitability Ratio (ROA): It has been conducted to check the clubs' ability to generate profits in connection with the club's total equity.

2.7 Limitations of the Study

This thesis will not address more general topics, such as sporting performance analysis and coaching strategies or fan involvement. Although these areas may indirectly influence financial management, they will not be explored in this study due to its focus on financial management in football clubs alone. In addition, it may not be possible to select a truly representative sample of football clubs from around the world, hence the selection of only two clubs for the comparative analysis. The research findings and suggestions will be generally applicable to the selected sample and some other big names European clubs and will not necessarily be applicable across all football clubs worldwide.

In the future, the conclusions and recommendations drawn from this thesis are likely to become outdated or less relevant because the entirety of the football industry is continuously changing all the time. While this thesis seeks to present a comprehensive view of financial management strategies to ensure long-term growth and sustainability for football clubs, the study is somehow limited. Not all possible football financial management options in the world will be explored by this study. As a result, the results and recommendations based on these findings may vary in terms of reflecting the individual clubs' financial statuses.

While the findings aim to provide insightful recommendations for football clubs and other stakeholders to improve their financial management, the outcomes are subject to change due to external influences such as economic, regulatory, or competitive conditions. Therefore, the recommendations may require adjustments to suit the unique circumstances of each club. Despite these limitations, this thesis ensures to advance valuable insights into financial management and suggest practical applicability for football clubs and their stakeholders on the pursuit of long term, sustainable growth, and success.

3. LITERATURE REVIEW

3.1 Introduction

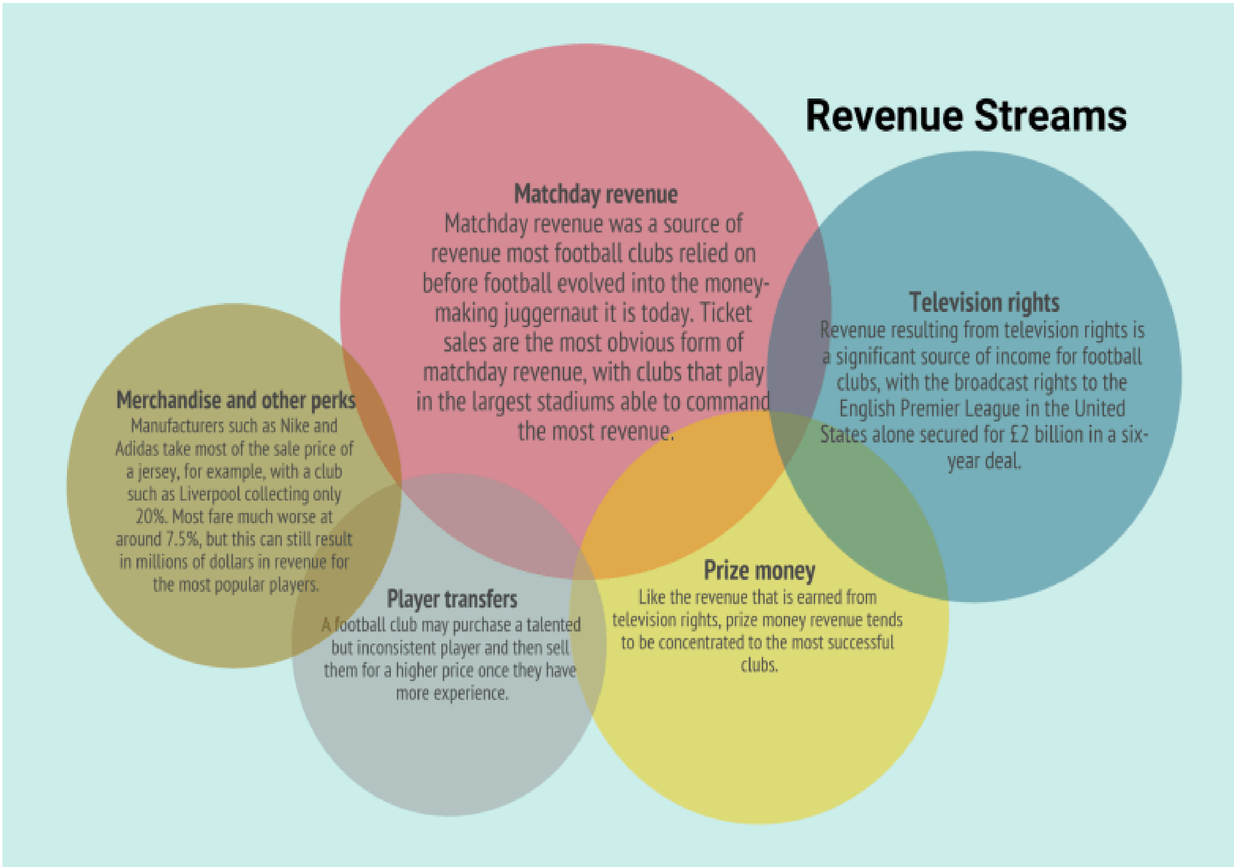
Efficient financial management is very important for football clubs to maintain sustainable growth and achieve success considering the competition and unpredictability of the football industry. Financial management plays an important role in the functioning of football clubs because it directly affects their ability to remain competitive and achieve success. The objective of the literature review of this thesis is to analyze the current research on investment strategies and financial management in football clubs. The review will offer valuable insights into effective practices that enhance long-term growth and success, enabling these football clubs to ensure financial stability.

3.2 The Financial Composition and Sources of Revenue for Football Clubs.

Football club finances have changed significantly over the years because of the increased commercialization and globalization of football. According to (Szymanski and Zimbalist, 2017), football clubs generate income from multiple sources known as the financial framework of the club. This framework includes matchday income, broadcasting revenue, and commercial interests. Matchday revenue includes ticket sales, and venue-related incomes such as merchandising in addition to stadium performance income. Broadcasting revenue, on the other hand, comes from television rights, while commercial interests include sponsorship, licensing, and merchandising revenue. The structural characteristic of each source emphasizes the need for diversification since any over-reliance puts the club at risk. The COVID-19 pandemic demonstrated the vulnerability of many clubs to matchday income with financial crises reported among several clubs (Booth & Tapp, 2020). For long-term growth and sustainability, football clubs must establish a multi-faceted financial framework whose revenue sources are well diversified. Figure 1 below shows the financial composition and sources of revenue for football clubs.

Figure 1 How do football clubs make money?

Source: (Gennaro Cuofano February 7, 2024).



3.2.1 Matchday revenues

In the past, football clubs have used matchday revenues, including income from ticket sales, concessions, and merchandise as a notable source of income (Andreff, 2017). However, the pandemic exposed their instability and emphasized the need to diversify revenue sources. Matchday revenues are an essential component of the football club's financial composition which enhances their sustainability and growth in the long run. Matchday revenues influence club finances and greatly influence their management strategies, as well as the evolving football finance landscape. In the last few years, matchday revenues have changed dramatically. The substantial transformation from the regular stadium model to the state-of-the-art, profit-driven stadium model has been researched by (Morrow & Lamprecht, 2018). Among others, the transformation process included strategies like premium seating, VIP options and enhanced multiple sources of revenue beyond ticket sales. Achieving effective management of matchday revenues is critical for long-term financial sustainability. Strategies like dynamic pricing, data analytics to segment fans, and generation of high-quality matchday experiences are included. The study links broader matchday revenues to the club's financial performance. Therefore, it is important to highlight the importance of safety of fans attending matches, and modern stadium design, crowd control, and safety precautions.

3.2.2 Broadcasting Revenue

"Navigating the finances of football" published by (Simmons et al 2019), reports how important broadcasting deals, consisting of both domestic and international television rights, have become to many clubs. Importantly, TV contracts provide financial stability and reliability, transforming them into an asset for clubs at times of economic recession. First and foremost, broadcasting is one of the most remarkable sources of income for football clubs, with first-tier leagues being the main earners. TV income "maintains its importance as a dependable revenue stream in modern football" since a club can always rely on this source of funds. Managers use broadcasting deals to cover critical expenses, including players' salaries, infrastructure repair and purchase, as well as new sign-ins which `ensure a club stays in a competitive state with rivals in modern football. Second, based on the above-mentioned Maximizing broadcasting revenue, a range of activities have been identified football clubs pursue depending on successfulness: securing high-profile contracts with broadcasters, taking part in international broadcasting deals, as well as new initiatives in digital and online broadcasting. This type of income is an example of how well executives can manage the money derived from TV deals. As (Maguire, 2019) points in his study, the tax burden on many clubs' operations continues to increase, which is why ongoing TV and increasingly digital deals become paramount factor to increasing a club's revenue. OTT platforms emergence defined a new source of income.

3.2.3 Commercial Activities

One of the most important pillars of the financial management of football clubs is commercial activities. Commercial activities include a wide variety of projects that generate income, such as sponsorships, merchandising, television broadcasting rights, stadium revenues, and fan involvements. The significance of commercial activities in football clubs' finances has risen in recent decades, leading to numerous academic and practical studies. (Chadwick and Thwaites, 2017), have focused their academic studies on commercial activities, noting the progress of sponsorships as a key source of income. Others argue that commercial activities have provided clubs with crucial financial stability to utilize funds for player recruiting and infrastructure improvements, ensuring long-term success. Merchandising is another important aspect of commercial activities. Merchandising includes sports-related merchandise such as jerseys, scarves, and other clothing. Research conducted by (Kesenne, 2013) supports its beneficial potential for the growth of brand loyalty. For example, Kesenne points to clubs such as Manchester United and Real Madrid, which have become the standard for other clubs through successful merchandising approaches. The fourth component of commercial activities is television broadcasting rights. Several papers argue that a club that has successfully signed a highly lucrative TV rights deal is more likely to grow and achieve prolonged success. The fifth major aspect is stadium operations and matchday revenue. Clubs have significantly increased their revenues through investments in their stadiums and improving the fans' experience. Thus, it is difficult to think of employing new technologies and strategies without considering the advancements in social media, content generation, and online commerce.

3.2.4 Player transfers revenue

Player transfers are one of the most considerable sources of football club's revenues. Researchers have analyzed these revenues' determinants, including player performance and market value, wages, and potential resale value. Many studies prove that the high-quality due diligence and assessment models, as well as data analytics, help in generating superior transfer-based revenues. Player transfers, especially in the form of high-quality young talents and elites, represent a unique opportunity for football clubs to increase their revenue (Gerrard, 2019). However, the method is widely seen as unreliable due to the dependence of players' quality and desirability on their expertise. Player transfers play an essential role in football clubs' finances. Efficient player acquisition and transfer methods are critical for positioning the club for immediate and long-term financial success. The last decade has witnessed a great change in the transfer market, with multi-million-dollar transfers becoming common. Stars' sales generate substantial funds for the purchasing club and provide the necessary financial stability for the selling club. The proceeds can be used to develop the team and the club. Efficient financial management in football clubs requires a suitable response to risks. Purchasing or selling a player is a risky venture due to player's chance to succeed in the team, avoid injuries, and market trends. Several assessment models that are widely used in the club are explained in various research.

3.2.5 Matchday Sponsorships

Football clubs are active in seeking sponsorships and collaborative arrangements with different brands and corporations, which is often an important revenue source for clubs. The research performed by (Chadwick and Arthur, 2009) highlights the importance of long-lasting sponsorships and strategic alliances. They argue that consistent sponsorship might raise reach, revenue, and competitive advantage. Moreover, clubs also introduced matchday sponsorships, which involve a company funding a match to elevate matchday revenue and strengthen financial positions overall. Matchday sponsorships are critical to the process of raising funds for football clubs as they enable them to efficiently administer finances, invest in talented players, and improve the overall stature among fans. The income from matchday sponsorships can be derived from naming rights, stadium advertising, and other factor-specific deals. They also provide clubs with the opportunity to interact with companies and add more value to the relationship than the visibility of the brand. Football clubs can use their brand strength to secure a beneficial contract for the sponsor, making their revenue potential more efficient (Borin, 2016). Furthermore, matchday sponsorships have shifted in this area in recent years. Clubs are placing emphasis on sustainability and social responsibility, leading to collaborations with economically conscious sponsors (Bühler et al., 2020). Moreover, matchday sponsorships increasingly use technology-driven measures and online communication strategies. This assists clubs in reaching a greater global audience.

3.3 Management of player transfers, player contracts and Strategic player recruitment

The football global transfer market is influenced by players' valuation, club competition and financial possibilities. The topic of the players' evaluation has received considerable scholarly consideration. (Barajas et al, 2019), examined the various factors to influence player valuation in football. As their findings show, the significant momentum has to various factors such as player's age, performance statistics and indeed market trends. It is necessary for clubs to understand such valuation mechanisms when considering player acquisitions and sales.

Contract administration entails various factors such as the player's salary, the duration of the contract, and other performance-based considerations. Researchers have examined various methods, including fixed salary, performance incentives, bonus, appearance fees, and image rights. Contract length determines how the player's value is accounted for. Longer contracts yield lower yearly amortization, hence lower costs. This is why Chelsea spent nearly a billion under the new owner with unusually long contracts. After Moises Caicedo's £115 million signing, Chelsea under new owner Todd Boehly, the club's expenditure approached £900m. The subsequent £60m move of Romeo Lavia followed. (Kieran Maguire, 2023), an expert in football finance, speaking to sky sports explained how the club satisfies the rules of financial fair play. For example, Mykhailo Mudryk entered an eight and a half-year contract, the sum £ 88.5 million was handled this way: it was spread over those years which comes out to be nearly over 10 million each year. In accounting terms, this is called amortization. It means taking the large transfer fee and dividing it up into equal amounts for the contracted years, so that in future annual charges are less heavy on the finances of the club. That appears to be the strategy that Chelsea has employed over the last couple of transfer windows. If the players develop and become huge successes, it allows the club to solve the problem of when other big clubs come in and want to buy those players. After all, they will still have many years left of their contracts at that point. The downside is that if the player doesn't perform, then you have this complication of very high wages and are committed to those for the next six, seven, or eight years. The contract duration could be influenced by the age and potential of a player, as well as market factors. Another crucial provision in player contracts is buyout and release clauses. A buyout clause enables a buying club to buy out a player from their contract by paying the stipulated amount. A release clause, on the other hand, allows the clubs to terminate the players' contract. Buyout and releases clauses considerably influence the club's financial position, player's valuation, and transfer market dynamics.

Clubs can make sound decisions on contract renewals, transfers, and overall player management thus helping them increase their financial returns. Real-life instances have shown the consequences of successful strategic player acquisition practice. For example, the ultimate formation of Leicester City to win the 2015-2016 Premier League, based on excellent player acquisition practice (Olsson et al., 2017). Additionally, Borussia Dortmund utilizes a restructured transfer plan to sell players at higher values than their combined purchasing price to earn from player sales (Hornuf et al., 2020). These examples highlight the importance of transfer and contract strategies in achieving both sporting and financial success.

3.4 Wage Bills and Financial Fair Play Regulations

Football faces numerous economic difficulties that affect the long-term survival of clubs. Wage bills and Financial Fair Play rules are some of the issues. The wage bill is a significant portion of the money that football clubs spend. It amounts to more than 60% of the revenue (Beech & Chadwick, 2018). The desire for success, which is frequently tied to pitch performance, has resulted in players' rapid salary increase. As a result, many clubs have faced insolvency as wage expenses have exceeded wage income. Wage bills are good if they bring top players to the club and contribute to pitch success. Hence, unequal payment causes financial instability. Clubs that overpay for players are in a precarious financial condition due to significant financial debt and insolvency. (Wilson, 2019). As a result, adhering to wage policies and wage payments through Financial Fair Play (FFP) ensures financial stability and sustainability for football clubs.

3.4.1 Wage Bills and Financial Performance

A significant portion of a football club's expenditure comes from wages, thus significantly affecting its financial condition. Different types of research describe the relationship between wage expenditures and financial performance, most often taking into consideration wage inflation, player performance, and team achievements. Both (Szymanski and Kuypers, 2018) found that wage inflation plays an essential part in club financial vulnerability, especially in the case of the Latin American football sector. Thus, football clubs that wish to become financially sustainable in the long term need to understand the negative effects of wage inflation. High wage-to-revenue ratios reduce a club's profitability (Szymanski and Smith 1997). A club that depends on external funding or uses borrowings to meet operational costs because of excessive wage spending thus limits long-term growth. Generally, spending more money on players' salaries is conducive to the recruitment of only outstanding players but does not necessarily ensure enhanced match performance. In any case, the relevant UEFA Financial Fair Play regulations mentioned the rules on the financial grounds of the clubs and the possibility of avoiding wage expenses.

3.4.2 Wage Bills and Player Performance

Most experts claim that high salaries are inevitable if one plans to attract and retain top players, which will eventually lead to success on the field. At the same time, concerns are raised that the wage bill may be too high for the business to support, or the players may become excessively comfortable, which will ultimately result in poorer performance. (Szymanski and Smith, 1997 studied the correlation between wage bill and league success in English football, which was positively confirmed. (Kesenne's, 2007) conducted a study on wage bills and performance of European football clubs and found out that high wage bills could bring immediate success but was not a sustainable strategy. He suggested that the wage bill might become too high to be business supportive and quickly ruin the team's finances. Deloitte's Annual Review of Football Finance (2020) emphasized the impact of Covid-19 on clubs' finances negatively. UEFA even exercised a temporary ease of the FFP rules on the financial administration and restrictions regarding football clubs due to the COVID-19 pandemic. In addition, player characteristics such as teamwork, seasonal spirit, and desire to win were reported as factors that influence the link between salaries and performance. (Chris Anderson & David Sally, 2013) listed the wage bill as the most important factor that correlates most with performance in their book; "The Numbers Game: Why Everything You Know About Soccer Is Wrong". It is worth mentioning that, although a higher wage bill allows a team to acquire more skilled players, it does not determine good game play. More than that, such aspects as team cohesion and individual motivation might also impact the play. Therefore, even though the wage bill is considered a key element for determining a team's future success, it is merely the only one piece in the performance forecast for a team in football.

3.4.3 Financial Fair Play (FFP) Regulations

The financial fair play regulations are a mechanism that has been put in place in football clubs to ensure long-term financial stability of individual clubs and enhance fair competition and long-term successful journey. The financial fair play regulations designed by UEFA target the financial behavior of the clubs to ensure that all of them observe prudent expenditure and openness and stability. It is available on the UEFA website (uefa.com). The regulations set a framework to which quantities and the levels that the clubs invest in expenses, such as transfers, expenditure and what the ratios of debts the clubs should have. It focuses on the need to safeguard financial stability, the risky debts the clubs are likely to float and the money that is transferred to players during transfer. Clubs must apply and observe FFP regulations to protect themselves from penalties that will hinder them from remaining financial. Effective enforcement of FFP requires UEFA to come up with approaches that will ensure all clubs operate in a sustainable financial hall.

Under the UEFA Financial fair play rules, (all clubs entering UEFA competitions) will be allowed to incur losses of €60m over a three-year period. This was once set at 30m, however, with the covid-19 Pandemic, operating revenue losses accrued whilst staff costs remained fixed, worse still, acute financial distress was felt by many clubs in Europe. Essentially, UEFA eased the FFP rules and allowed the potential for losses to rise a little high before FFP applied. Additional adjustments to the FFP rules are set to take place quite soon. For example, "revised financial fair Play rules will see a spending cap on wages, transfers, and agents' fees set to come in no later than 2025/26. This cap means that a club will be allowed no more than 70% of its total revenue to be spent on these areas of businesses". (jobsinfootball.com, 2024)

3.4.4 Economic Rationale behind FFP Regulations

The economic rationale for FFP regulations is to limit the excessive spending and the unsustainable debt of clubs. Restrictions on expenditure are imposed to protect clubs from competing unfairly or unprofitably. For example, numerous studies indicate positive impacts on the overall financial performance of football clubs resulting from FFP implementation (Ganguli et al., 2019). Some studies find short-term improvement in club's finances others conclude that the effect of FFP on club's financial performance does not persist in a longer term (Peeters, 2017). The functioning of FFP is focused on promoting financial stability in football clubs; however, the impact on wage expenses and long-term financial performance always remains subject to research. These are a series of economic principles and objectives that justify financial fair play regulations in football clubs to ensure stability and fairness in club financing.

3.4.4.1 Financial Sustainability and Long-Term Viability: An essential goal of financial fair play is ensuring that football clubs are financially sustainable and achieve long-term stability. Preventing clubs from accumulating large amounts of debt and spending vast amounts on player transfer and wages are essential benefits of such regulations. Finally, researchers argue that financial fair play ensures responsible financial management by urging clubs to spend within the available funds by minimizing financial risks and ensuring long-term success.

3.4.4.2 Cost Control and Financial Stability: Excessive transfer spending and player wages can also destabilize clubs in financial terms and harm the competitive nature of the sport. In this regard, financial fair play rules should be used to encourage clubs to enforce policies that decrease their costs and, thus, restrict the teams' spending. As a result of such cost control, clubs attain financial stability, improve their performance, and advance a sustainable growth.

3.4.5 The Impact of Financial Fair Play (FFP) on Wage Bills

The FFP regulations have had a profound impact on European football wage expenditures. "FFP has been successful in reducing wage bill growth and encouraging spending on sustainable ones" (Garca-del-Barrio et al., 2020). It creates incentives for clubs to be prudent and economically more stable, which has become a driving force for all clubs that are willing to promote financial stability. Wage-to-revenue ratios are some of the widely used tools for financial fair play regulations that cap the revenue share for wages in the clubs. It helps clubs to limit potential excessive wage expenditure and alleviate associated economic problems and sustainable long-term financial health. Supplemental fees aimed at encouraging clubs to reduce wage bills over a certain limit, such as luxury taxes, are common financial fair play regulations. Researchers have studied the impacts of luxury taxes, their effects on controlling salary costs and deterring expenditure. Clubs will minimize their expense on wages, which will promote financial responsibility among clubs and reduce financial inequalities. (Deloitte Chadwick D & Flynn M, 2020, Annual review of football finance). To comply with financial fair play regulations, clubs are forced to change their salary structures and develop systems to responsibly manage their wage bills.

3.5 Stadium Infrastructure and Fan Engagement

Another factor that is often ignored is the physical characteristics of stadiums and the involvement of fans. The connection between stadium provisions and fan involvement is highly essential to the financial survivability and long-term success of football clubs. The facilities provided in a stadium also significantly contribute to the earnings of football teams. Stadium size and additional infrastructure or advances in technology, for instance, could raise or lower attendance rates. Stadium capacity and contribution make revenue generation even more straightforward, but social media engagement and trust through the matchday experience increase fan commitment and financial values. Considering these factors may help in understanding them and effectively coming up with immediate plans to take advantage of them in the future.

3.5.1 Stadium Capacity

One major factor directly linked to the revenue generation potential of football clubs is the capacity of their stadiums. Capacity indicates that the clubs can maximize ticket sales, get additional opportunities to do hospitality deals and other revenue sources are generated on matchdays. According to research, a club's matchday income is directly related to a stadium's size, as larger capacity may substantially contribute to their income. Hence, capacity must be maximized and effectively utilized to achieve financial success. Capacity is essential in the financial management of football clubs. When properly maximized and when fans get one of the most exceptional experiences, capacity can generate large sums of money for the clubs, attract sponsors, and offer a competitive advantage in the football sector (Borozan & Roncevic, 2020). However, the cost must be closely looked into and examined to ensure long-term sustainability.

3.5.2 Fan Engagement and Fan Loyalty

The engagement and loyalty of fans are essential to the financial success of football clubs. Engaged fans play a crucial role in the club's revenue and brand's equity and market value. Creating strong connections with the fans through enhanced experiences, digital engagement activities, and personalized engagements promote long-lasting loyalty and financial success. Understanding the factors that influence fan engagement and loyalty is paramount when developing effective financial plans to attain the football club's sustainable growth and prosperity. Enthusiastic supporters are more likely to attend games, purchase merchandise, and participate in various club activities. Previous research has shown that engaged fans results in increased ticket sales, licensing opportunities and sponsors, and the broadcasting value. A club establishes a direct link with their supporters by booming commercial relations in a respectful manner. Moreover, clubs then positively influence their financial situation and create Strong commercial connections with fans.

3.5.3 Matchday Experience

An excellent matchday experience is essential in building fan loyalty and revenue generation. According to (Gibson et al,2018) pre-match entertainment, fan zones, and immersive experiences have a positive impact on fans' attendance at a match and propensity to spend. Clubs should invest in making the matchday experience better to increase fan engagement and ultimately increase their revenue. A proper stadium design with equitable capacity contributes to enhancing the fan experience and ensures maximum match day engagement. When fans have access to comfortable seats and high-quality services, they will not only come to watch matches but also support their teams. As a result, this leads to increased ticket sales and more expenditure on fan wear, sponsor products, and foodstuffs which boost a team's revenue.

3.5.4 Amenities and Ancillary Revenue Streams

Football clubs earn additional money outside of traditional revenue sources such as matchday ticket sales and broadcasting rights. Ancillary revenue streams present further financial possibilities and include sponsorships, licensing deals, orders for merchandise, naming rights of a stadium and other types of partnerships. A study performed by (Hall et al,2018), discovered that: "These can assist clubs to reduce the unpredictability of their revenue so that they can anticipate steady streams of revenue in the future for ultimately, what drives long-term sustainability is financial stability". Combining amenities and ancillary revenue streams results in significant economic benefits. (Stewart et al, 2019) reported that club-organized amenities with advanced marketing and targeted merchandise sale generate additional revenue by simultaneously boosting the brand's image. Sophisticated digital solutions such as apps and e-commerce platforms facilitate the incorporation of services and ancillary matters, which translates to enhanced fan engagement and additional revenue.

3.6 Budgeting and Financial Planning

Proper financial management strategies include fund allocation and proper anticipation of upcoming financial needs. Furthermore, the issue of "the relationship between budgeting and financial planning on football club long-term sustainability" must be addressed. The statement above highlights the significance of budgeting as a central tool for financial rather than strategic sustainability within football clubs. Several research studies measure the effect of budgeting on finance in football clubs.

3.6.1 Importance of Budgeting in Football Clubs

Budgeting is a vital element of financial management as it is the strategic plan for revenue generation, cost control, and resource allocation. Research shows that effective budgeting enables football clubs to act responsibly while also making informed decisions. According to the research conducted by (Deloitte, 2019), clubs with defined budgets demonstrated to be more efficient in financial self-sufficiency and in maximizing player investments while minimizing financial risks. Budgeting also allows clubs to maintain their short- and long-term financial goals, which secures their financial development and allows them to invest wisely in marketing, player development, and infrastructure. Therefore, budgeting and financial planning are critical elements of financial management in football clubs. Efficient budgeting enables clubs to prioritize the most important resource allocations, optimize player investments, and make informed decisions. Moreover, practicing financial planning lessons such as using various sources of revenue or managing cost helps them develop financial stability.

3.6.2 Strategies for Financial Planning in Football Clubs

Successful financial planning in football clubs involves projecting future revenues, expenditures, and cash flows to facilitate informed decision-making regarding the organization's financial sustainability. Studies have found that clubs' financial planning efforts involve several distinct strategies. For example, revenue diversification policies promote the generation of multiple income streams that safeguard the clubs from risks related to over-reliance upon one or several sources of income. In the study by Simmons et al, 2018), it was discovered that clubs that explore alternative revenue sources through selling naming rights, increasing merchandise sales, or marketing overseas have long-term financial sustainability. Studies indicate that clubs manage financial stability by ensuring reasonable salary growth and providing benefits that are performance-based. Finally, financial planning interventions also involve managing debt and risk to avoid financial struggles.

3.6.3 Integration of Budgeting and Financial Planning

Effective financial management from football clubs can be achieved by creating budgeting and financial planning procedures. According to research by (Wilson et al.,2020) budget that is related to long-term financial planning allows the club to properly budget resources and allocate them to prioritized spend, set aside funding for upcoming investments and ensure financial stability. It also allows tracking the financial performance of each player and identifying areas that require budget cuts or increases. Financial sustainability planning requires minimum expenditure to be able to predict how much money it would need in the future and bills payment a few years ahead. Effective financial planning describes how different types of revenue other than matchday revenue and broadcast are identified and expressed.

3.6.4 Financial Risk and Debt Management

Effective risk management is necessary to minimize potential drawbacks and ensure the smooth running of football clubs. Numerous studies have been conducted on the relationship between the risk management of football clubs and financial performance. The risk management strategy of clubs includes budgeting, which enables cost identification and control. According to (Nwankwo and Chikwendu, 2016): “budget is a control and monitoring tool in preventing wasteful and reckless spending which may lead the club to bankruptcy”. Effective budgetary control would help the club to distribute resources efficiently and reduce the likelihood of falling into financial insolvency traps. This form of risk management would allow the football club shareholders to align themselves with the resources available for planning and decision-making (Gröblinghoff &Poczwardowski, 2020).

Football clubs use debt financing to deliver player transfers and facilities financing. Various research has been conducted, considering the impact of excessive debt and the importance of good debt policy. To optimize results, clubs must consider the risks and opportunities, including increasing interest rates, short-term liabilities, and financial fair play regulations. Financial planning is seen as a necessity to diversify revenues and control the debt level. An excessive debt amount can hinder a club’s financial stability and ability to serve as a going concern (Hammond et al. (2019) argue that clubs have a financial responsibility to creditors, reducing risks, and maximizing distribution in the long term.

3.7 Marketing Strategies

Due to the intense competition in the football industry, clubs need to implement successful marketing approaches to achieve sustainable growth and development. Successful marketing helps clubs to develop trusted fan bases, secure sponsorships, generate revenue and increase the value of their brand. Marketing approaches are essential for football clubs to achieve sustainable development and growth, ensure long-term financial stability and have a vibrant fan community. Fan interaction, relationship marketing, social media approach, and the use of digital platforms are crucial to developing strong ties with fans, securing their loyalty, and ensuring that they maximize the revenue opportunities. Sponsors and brand agreements serve as additional sources of revenue and increase brand recognition and reputation. International marketing activities target the global market and create new opportunities for development and revenue growth.

3.7.1 Fan Engagement and Relationship Marketing

A crucial marketing tool constitutes the active involvement of fans. As shown by a research study conducted by (Wann, 2019), clubs that cultivate a focus on their fan's tailored experiences, community involvement initiatives, and digital platforms can create emotional connections. As a result, the fan-created emotional connections ultimately lead to a long-term relationship, increasing fan-based and long-term revenue sources. Additionally, relationship marketing through, for instance, fan loyalty programs, membership programs, or communication programs, has been found to increase the likelihood of engaged fans engaging in repeat purchases. One research study conducted by (Gladden & Funk, 2019) demonstrated the importance of relationship marketing in creating and developing fan markets.

3.7.2 Digital Marketing and social media

Digital marketing and social media have changed how football clubs are able to communicate with fans and reach a larger audience. Based on studies, an effective digital marketing strategy involving websites, apps, and a presence on various social media platforms is a proactive approach to reaching out to fans and increasing fan engagement. (Gerrard et al, 2020) noted the importance of football clubs appearing online and using social media platforms to create meaningful, personalized encounters with their fans. Through these platforms, clubs can open a conversation with fans, share exclusive, behind-the-scenes content, organize events, and track metrics for more effective marketing.

3.7.3 Sponsorship and Brand Partnerships

Sponsorship and brand partnerships are crucial for the financial stability of football clubs. Studies have demonstrated that forming strategic alliances can yield substantial financial advantages, increase brand visibility, and bolster the club's standing. (Meenaghan's, 2018) study emphasized the significance of harmonizing the club's values with those of sponsors to establish impactful partnerships that deeply connect with fans. In addition, implementing intelligent sponsor activation strategies, such as co-branded marketing campaigns and utilizing players as brand ambassadors, has been proven to increase the value derived from sponsorship investment.

4. THE IMPACT OF COVID-19 PANDEMIC ON THE FINANCIAL PERFORMANCE OF FOOTBALL CLUBS.

The COVID-19 pandemic has caused major disruptions in various global industries, and sports, especially football, have not been an exception. Given that football is a multi-billion-dollar industry, with clubs functioning on various financial structures, the pandemic has been a major threat to the finances of football clubs world-wide. With the initial outbreak and rapid spread of the virus, leagues were suspended, matches cancelled, and some stadiums were closed to fans, causing disastrous financial implications for football clubs all over the world. Therefore, this literature review will aim to examine and analyze the overall effect of the COVID-19 pandemic on the financial health and long-term sustainability of football clubs.

4.1 Revenue Losses

The most direct and immediate impact of the COVID-19 pandemic on football clubs has been the decline in revenue from multiple sources. Matchday revenue, which consists of ticket sales and stadium-related income, was directly affected with matches being canceled, postponed, or held with no spectators due to social distancing restrictions (Sanderson & Hutson, 2020). Broadcasting income was at risk due to the uncertainty about changes in league schedules and the potential changes in broadcasting deals about match format and timing (Corsi & Curto, 2021). Commercial revenue, including sponsorships, merchandizing, and other partnerships, was affected as clubs limited their marketing and advertising expenses, unrelated to game assets, during the crisis (Budzinski & Feddersen, 2020). Revenue decline varied across clubs depending on their dependence on each type of income and the overall financial resilience of the club (Dobson & Goddard, 2020).

Matchday revenue, which includes ticket sales, hospitality income, and other sources linked to matchdays, significantly reduced. Considering that most games were either canceled or played without spectators to enforce health measures in compliance with health and safety protocols, clubs have lost source of income from matchday. The inability to accommodate fans reduced ticket sales, as well as decreased sales of matchday foods, drinks, and merchandise. (The Deloitte Annual Review of Football Finance 2021) states that the top European clubs' matchday revenue was down around 17% due to COVID-19. Many clubs suffered the financial impact more than others because of their higher dependency on that source of income; these were either clubs that do not obtain significant broadcast income or relatively smaller clubs. Broadcasting is one of the significant sources of clubs' revenue as most television networks pay huge sums to broadcast live games. The suspension of leagues and competition led to most broadcasting companies' loss of revenue due to the disruption of their schedules which led to huge loss in revenue for both clubs and broadcasting companies.

Sponsorship deals and commercial partnerships, ranging from shirt sponsorship to advertising agreements and other commercial partnerships, were also affected. The economic instability created by the pandemic influenced sponsorship contracts and commercial revenue streams, which were postponed or canceled due to the virus, which disrupted the scheduling of activities such as leagues and other promotional drives. In addition, the limited visibility and engagement associated with closed-door fixtures reduced the revenue provided by sponsorship offers, giving opportunities for sponsors to renegotiate or lower costs. Football clubs' loss of income during the COVID-19 epidemic has substantial financial implications. It resulted in operating loss, reduced cash flow, and increased debt as well as limitations on expenditure (Szymanski, S. 2020, The Economic Impact of Coronavirus on Football). To eradicate this crisis and sustain the financial future, football firms must put procedures into place to ensure long-term financial sustainability.

To address the revenue loss, clubs' resort to the implementation of reduced costs through wage deferrals, departures of staff through layoffs, and other efficiency measures. It is very crucial for clubs to maximize on the cost-cutting measures and the maintenance of competitive capabilities while fulfilling contractual obligations. As such, clubs need to investigate other means of revenue besides matchday, broadcasting, and traditional sources of income. Other means would include monetization of digital content, establishment of e-commerce platforms to learn on merchandise sales, and digital engagement of fans. Alternatively, clubs could generate additional income from commercial partners, technology, and other stakeholders, (UEFA 2020, The Impact of COVID-19 on European Football) Clubs also need to consider their fans and the local community. Clubs should take this opportunity to exploit their digital platforms and maintain connections with fans through social media and grassroots networks that facilitate donations or purchase of memberships.

4.2 Cost Management Strategies

Due to the revenue drop caused by the pandemic, football clubs undertook a series of cost management initiatives to reduce financial losses and ensure long-term sustainability. The most popular measures included wage cuts for players and staff, vacation subsidy programs, player transfer postponements, and renegotiations of contracts (Teixeira, Brandão, & Elizio, 2020. The effectiveness of the employed approaches depended on the duration and severity of the pandemic and the regulations of labor-management and subsidy programs across countries (Plazibat & Duvnjak, 2021). Furthermore, the short-and long-term consequences of cost management on clubs' competitiveness, performance, and fan involvement were uncertain, complicating financial management (Simons, Leal, & Perdigão, 2020).

The Covid-19 outbreak has disrupted football clubs' operations, causing financial difficulties and threats. Regardless of their size or financial strength, football clubs have been impacted in several ways, including disrupted schedules, reduced matchday revenues, and uncertainties on broadcasting deals (UEFA, 2020). The most immediate response has been the implementation of salary reductions and deferrals for players, coaching staff, and executives (McKinsey & Company, 2020). The pandemic has forced an evaluation of the transfer market dynamics, (UEFA, 2020), ultimately leading to a more conservative approach. Football clubs have traded in loans, swaps, and free transfers as opposed to high-value acquisitions. With reduced cash inflowing, clubs have been eager to offload high-wage players to minimize expenditure. Football clubs have investigated their operational costs and identified areas of optimization and efficiency (McKinsey & Company, 2020). Contracts with suppliers have been renegotiated, non-essential costs cut down, and logistics optimized. Enhanced utilization of technology has significantly reduced costs, especially through fan engagement.

Another cost-effective approach for clubs under financial difficulties is investing in youth development and academy systems (FIFA, 2021). Clubs targeted self-developed talent to minimize reliance on external transfers, which are capital-intensive measures. The strategy promotes sustainable talent development and generates income from development investments. Additionally, clubs' matchday revenues have experienced huge declines due to the imposition of fan attendance restrictions (Deloitte, 2021). Consequently, football clubs have intensified digital fan engagement efforts to enhance revenues from other streams. Such engagements include social media interactions, e-commerce opportunities, and virtual matchday experiences to reduce dependence on traditional incomes. Some football clubs have sort government assistance and special financial support packages to withstand the economic hardship caused by the pandemic (UEFA, 2020). Additional strategies include wage subsidies, tax deferrals, and customized loans available to clubs affected by the crisis. Overall, the COVID-19 pandemic has forced football clubs to redesign financial management structures to address numerous unexpected challenges. One of the major structures has been cost management to guarantee clubs' survival and future sustainability regarding any financial crisis uncertainty (McKinsey & Company, 2020). Clubs' approaches to this aspect have included salary reduction, operational costs optimization, youth investment, diversified revenues, and support from external stakeholders.

4.3 Government Interventions

Government interventions have been critical to supporting football clubs during the pandemic, they have focused on providing financial assistance, tax relief, and regulatory flexibility to the football industry from immediate and severe cash flow problems, as well as ensuring its sustainability (Borowiecki & Kavetsos, 2020). Governments around the world have designed bail-out packages, wage subsidy schemes, and loan guarantees to aid the industry in meeting its financial commitments and preserving employment in the sports sector (Chen, Pinar, & Shaban, 2021). However, these interventions were not always effective and fair. Small clubs and grassroots organizations have had difficulty obtaining government assistance to the same extent as larger clubs (Chen, Pinar, & Shaban, 2021). The long-term effectiveness of government-sponsored financial aid schemes, as well as the distribution of financial and political capital, have relied on countries' fiscal-policy priorities, public opinion, and the state of the recession and recovery (Gratton & Kokolakakis, 2020).

Governments introduced financial-aid packages for sports organizations, specifically football clubs. They were designed to take the form of grants, loans, and subsidies to help clubs cover their running costs and make up for lost revenues (BBC Sport, 2020). Wage subsidy schemes were put in place by some governments to help clubs retain employees (The Guardian, 2020). Part of club wage costs is reimbursed by these subsidies, lowering clubs' financial dependency, and supporting them in preserving jobs. Government tax-relief measures have been implemented which run from allowing clubs extra time to make tax dues to lowering tax rates to providing tax incentives to increase football clubs' cash flow and liquidity (Financial Times, 2020). Due to the financial clubs' financial difficulties, some governments have reduced clubs' rent pressure through direct negotiation or arrangement with stadium owners or local authorities, which is especially beneficial to clubs that depend heavily on matchday income (ESPN, 2020).

Governments see investing in sports infrastructure as a significant segment of their comeback publicity packages. This provides employment possibilities and aids in clubs' long-term sustainability (Telegraph, 2020). Regulatory policy for football clubs was modified by governments to allow clubs and the football industry to manage the financial burden of football clubs brought by the pandemic (Forbes, 2020). They do so by relaxing financial fair play, extending deadlines, and offering exemptions. By providing financial aid, wage subsidies, tax relief, rent relief, infrastructure investment, and policy assistance, government interventions have been critical in assisting football clubs in overcoming the financial pressures caused by the Covid-19 pandemic and ensuring their long-term growth and sustainability.

4.4 Long-Term Implications

The long-term impact of the COVID-19 pandemic requires that football clubs embrace greater resilience, adaptability, and innovation in their revenue generation and cost control initiatives (Wicker, Breuer, & Guel, 2021). This could involve using digitalization and fan engagement strategies to diversify revenue streams and reduce reliance on traditional forms of income that are vulnerable to financial crisis (Breuer & Wicker, 2020). Such measures allow clubs to better predict and withstand the effects of future crises and make use of new opportunities in the football industry (Wilson & Plumley, 2020).

4.4.1 Long-Term Financial Instability

The COVID-19 pandemic has revealed several vulnerabilities within the financial management of football clubs (UEFA, 2020). Reduced matchday revenues, uncertainties in broadcasting, and renegotiations in sponsorship agreements made football clubs face extended financial uncertainty which affects the future of investment in several areas of the clubs (Deloitte, 2021). Most clubs increased borrowing and accumulated debt during the pandemic years as a short-term measure to help them survive the crisis (McKinsey & Company, 2020). This ensured immediate cash flow and liquidity, but some clubs may still currently be struggling with huge debts which limits their capacity to invest in some crucial areas such as players, facilities, and youth academies. The knowledge that clubs must pay back money borrowed during the crisis discourages them from accessing Opportunities and threats capital to invest in players and other crucial assets (FIFA, 2021). The pandemic has also brought a great difference between smaller clubs and bigger clubs in the European football system (UEFA, 2020). This could impose a threat on the competitiveness of football clubs which might consequently reduce the long-term sustainability of smaller clubs in the football industry (Deloitte, 2021).

4.4.2 Strategies for Long-Term Growth and Success

Despite the extreme financial challenges associated with the COVID-19 pandemic, football clubs can implement some strategic measures to boost their clubs' long-term financial sustainability. First, clubs must implement financial prudence and risk management to prevent future crises (McKinsey & Company, 2020). Club should always maintain adequate cash reserves and diversify revenue bases, to mitigate the aftermath of external any crisis. Furthermore, clubs should invest in sustainable infrastructure to enhance long-term competition, that aids in generating revenue and increasing fan participation (FIFA, 2021). Such infrastructures should involve stadiums, training fields, and technologies aimed at increasing revenue and promoting youth talents (Deloitte, 2021). Additionally, to secure clubs' long-term success, clubs must invest in youth and scouting departments meant to help them obtain low-cost talents. Clubs should adopt regulatory frameworks and other financial fair-play rules to improve competitiveness by ensuring financial integrity (UEFA, 2020). The Covid-19 pandemic left some long-lasting difficulties for football clubs. To adequately address such consequences, clubs need to practice good financial management, secure sustainable infrastructure, invest in youth development, by implementing such strategies, football clubs can retain their financial strength.

5. CASE STUDY OF THE FINANCIAL CRISIS OF FC BARCELONA

5.1 Introduction

In 1899, the Spanish football club FC Barcelona, was established by a group of German, Swiss, Spanish, and English footballers, most famously known as Futbol Club Barcelona. Since its foundation, football club Barcelona has gained an immense reputation worldwide and has been awarded numerous prizes. However, within the last 4 years, the club has faced financial problems due to the outbreak of COVID-19 and the club's salary structure. The basis of this case study is to provide insight into the potential causes of FC Barcelona's financial crisis. Using secondary research materials such as relevant articles and websites. The administration of the club had an inappropriate strategy called "Buying and Paying Players," which has only added to the liability instead of making a profit.

The acquisition of *Philippe Coutinho* became a burden as he was incredibly high-priced and continued to pay for leveling up with the wage. Additionally, Luis Suarez and Ivan Rakitic were not replaced at that moment as they were above 30 and not as productive. Consequently, the major aspect that has made the football players at FC Barcelona highly paid is the popularity of the club, which has resulted in attracting young talents to the club. Analyzing the aspects that led to the crisis and the strategies that were used to overcome it offers resourceful data for successful financial management in football clubs.

5.2 Background

Throughout the years, FC Barcelona has been recognized as a financially stable and successful club. However, the last four years were otherwise, when the club fell into a severe financial crisis. Poor management, overspending, lack of financial discipline, and severe debt were some of the factors that led to the financial crisis. This case study outlines the factors that have led to the financial crisis and the strategies deployed to ensure long-term financial stability and success.

5.3 Causes of the Financial Crisis

5.3.1 Excessive wage bill and player contracts

According to (Deloitte's 2020) report, FC Barcelona's pay bill has grown beyond sustainable levels and has surpassed the club's revenue streams. This financial situation was brought about by this imbalance and a lack of financial discipline in contract negotiations (Forbes, 2021). The club's wage cost exceeded the suggested level for financial stability, accounting for an uncomfortably large portion of its overall earnings (ESPN, 2023). The club's vulnerability to these unexpected crises and financial downturn was also a result of continuous financial mismanagement (The Guardian, 2022).

Barcelona's financial problems were made worse by the abundance of high-priced player contracts (Sky Sports, 2023). The club's financial resources were stressed by high-profile signings and contract renewals, which were frequently accompanied by inflated pay and substantial signing bonuses (BBC Sport, 2024). The club's long-term financial stability was put at risk by this reckless player acquisition strategy, which ignored careful financial planning (Marca, 2023). Furthermore, the club was exposed to underperformance due to the absence of performance-related provisions in contracts, which increased the financial risk involved in player signings (Bleacher Report, 2022). The high pay cost combined with expensive player contracts led to FC Barcelona's tragic financial problem. The club's capacity to invest in player development and infrastructure was limited by growing debt, which was made worse by expensive salary obligations (Financial Times, 2023). The club was limited by the subsequent funding limitations which hindered its ability to compete in the transfer market and maintain on-field success (The Independent, 2022). In addition, the club's brand weakened, and investor trust was damaged by the financial instability, which made the problem worse (Reuters, 2021).

5.3.2 Economic downturn and reduced revenue streams

Despite professional football's immense fan base and commercial appeal, football clubs were unable to withstand the negative impact caused by the COVID-19 pandemic. According to (Smith et al, 2019) most clubs' revenue streams declined due to a decrease in consumer spending, reduced sponsorship, and low broadcasting revenues. FC Barcelona, one of Europe's most revenue-dependent clubs, was severely impacted by the downturn given its high reliance on ticketing, merchandising, and sponsorship collections.

Apart from the general economic recession, FC Barcelona faced additional challenges resulting from a decrease in revenue streams at the club level. Specifically, the club lost several of the most profitable sponsors and partners. As researched by (Garcia and Martinez, 2020), FC Barcelona's heavy dependence on several sponsors increased the clubs' vulnerability to market instability. Moreover, with the low amount of revenue from transfer deals, which represent a significant income for football clubs, the club's spending capacities continued to decline. Therefore, the club was unable to invest in players' acquisitions, stadium projects, or youth development.

5.3.3 Mismanagement of transfer market activities

In the past decade, FC Barcelona entered an outrageous expenditure characterized by spending huge amounts of money to sign high-profile players. The reason for most of these transfers was to want to stay competitive, with the club aiming to maintain its dominance in European competitions. However, a study reveals that the club was engaging in irresponsible spending without a solid economic ground to sustain its ambitions. Based on (Deloitte Football Money League report, 2020) FC Barcelona has been one of the top revenue earners by clubs across the globe. The club's revenue gains from transfers, however, were beyond sustainable limits. For instance, in January 2018, Barcelona paid a world record fee of €160 million to acquire Philippe Coutinho from Liverpool. Such transfers, coupled with excessive player wages, threatened the long-term sustainability of the wage bill, and revenue income in the market.

The consequences of this mismanagement were seriously felt following the COVID-19 pandemic. The club accumulated unimaginable debts due to poor transfer management that was worsened by the pandemic. Also as reported by (Forbes, 2021), FC Barcelona had a total debt of over €1.2 billion by 2021. Most of the debt was accrued from transfer expenditures. The financial difficulty was later worsened by the pandemic, which made the realization of the debt difficult. Hence, the club quickly experienced financial turmoil.

5.4 Measures Employed to Address the Financial Crisis

To reduce expenses and improve financial stability, FC Barcelona undertook several measures. The club renegotiated player contracts, reduced wages and dismissed some of the highest earners, even though their performance was poor. The club also introduced stricter financial rules and more disciplined spending.

5.4.1 Revenue diversification

FC Barcelona recognized the need for maintaining substantial amounts of revenues to reduce the exposure to unstable revenue sources. To address the problem, the football club pursued the diversification of both resources and markets. First, FC Barcelona diversified its commercial partners, extending partnerships beyond the sports sector. The football club developed partnerships with tech companies, hospitality chains, and entertainment industries to access new markets and sources of revenue (Garcia-Abad, 2020). The new revenue streams increased capital and helped strengthen the club's brand across the world. Overall, the revenue diversification also led to diversification of the brand. FC Barcelona capitalized on its huge and loyal fan base to enter new markets, particularly Asia and North America. Similarly, the global brand expansion sustained the sources of revenue to protect the club against financial crises.

During the period of digitalization, FC Barcelona recognized the potential of using technology while seeking to develop the revenue base. The football club developed digital platforms to engage fans into digital experiences and create content. FC Barcelona monetized assets by developing membership subscriptions, e-commerce platforms, and virtual events (Forbes, 2022). This helped FC Barcelona to engage in new sources of revenue and diversify its structure, reducing reliance on traditional sources of income.

5.4.2 Stadium renovation and infrastructure development

One of the key elements of FC Barcelona's strategy to tackle the financial crisis was the renovation of its historic stadium, Camp Nou. According to the available research, the modernization of large venues makes the fans' experience more enjoyable, which is beneficial for clubs from the financial point of view. The increase in seating capacity, introduction of premium hospitality suites, and general improvements to the facilities were expected to boost the matchday revenues. It correlates with the existing knowledge about sports management that proves the importance of stadium infrastructure for the clubs' financial success (Szymanski, 2018). Apart from Camp Nou, FC Barcelona further constructed additional infrastructure facilities to diversify the revenue streams and secure the stability of its financial position. This includes the development of outstanding training premises, academies, and sports centers. These projects enable player development and allow FC Barcelona to benefit from the commercial opportunities, such as hosting international tournaments (Hamil & Chadwick, 2010). Sources confirm that the club pursued a holistic infrastructure approach to secure the future of its activities and ensure it remains one of the biggest clubs in the football industry. Successful stadium renovation and infrastructure projects often require strategic support and bold funding arrangements.

FC Barcelona has learned to utilize its brand and the global appeal of football to attract corporate sponsors and naming rights partners (Santos & Garcia, 2020). Furthermore, the club expanded the possibilities for public-private partnerships and engaged the government and private investors with a stake in FC Barcelona's success. Research evidence from sports economics proves that collaboration and funding are crucial in successful sports infrastructure projects (Porter, 2015). FC Barcelona's use of stadium renovation and infrastructure projects to exit the financial crisis demonstrates a forward-looking approach necessary to football clubs to remain sustainable in the longer term. The combination of structural innovation, revenue generation strategies, and partnership models was the premier opportunity to revive FC Barcelona's economic standing and continue to excel in football. This paper combines research and practice to demonstrate that thorough financial planning is vital to successful football club ownership.

5.4.3 Financial and debt restructuring

In response to its financial crisis, FC Barcelona pursued an integrated restructuring approach that included the renegotiation of its outstanding debts, containment of costs, and revenue diversification. The financial restructuring strategy also included the sale of players and the signing of new sponsorships agreements to increase its immediate cash inflow and revenue (Financial Times, 2021). The club also embarked on long-term restructuring negotiations with its debtors to ease its debt pressure by extending the payment period and reducing the interest rates payable on the debt (Marca, 2021). FC Barcelona experienced numerous challenges in its financial restructuring initiative, including opposition from players, stakeholders, and financial creditors (Reuters, 2021). FC Barcelona's experience with the financial crisis provides insights into the use of financial and debt restructuring to combat financial crisis in football clubs. Through an integrated restructuring approach that included debt renegotiation, cost containment, and revenue optimization, FC Barcelona managed to navigate through and emerge from the financial crisis. FC Barcelona's experience illustrates the challenges and difficulties of financial restructuring in the football industry, calling for appropriate financial management practices and strategic planning at clubs to ensure future sustainability.

5.5 Summary Conclusion

FC Barcelona faced severe financial difficulties in recent years due to factors such as the COVID-19 pandemic and an inadequate salary scheme." The Buying and Paying Players" mismanagement strategy placed the club in debt, rather than bringing profits. The combination of high-profile signings and the failure to find replacements for ageing players resulted in a huge debt that was impossible to deal with. The financial crisis and inability to earn money through traditional channels during COVID-19 made the situation worse. The financial crisis was triggered by a misspending during the transfer market without real economic justification. FC Barcelona reacted to the crisis by restructuring player contracts, reducing expenses, and looking for new revenue sources through partnerships and digital commerce. The club also invested in the renovation of the stadium and infrastructure to improve matchday earnings. Financial and debt restructuring were designed through debt renegotiation and revenue optimization. FC Barcelona's case demonstrates how challenging financial management at a football club can be and why a strategic plan is crucial for long-term growth and sustainability.

The literature review has offered valuable insights into the financial management practices and strategies applicable by football clubs to maintain sustainable growth and success. Budgeting and financial planning are crucial tools that enable clubs to utilize available resources effectively, optimize financial performance, and decide based on information. Revenue diversification, cost management, and financial risk management are more factors that lay a strong financial management foundation contributing to the football club's financial stability and sustainability. The case study of FC Barcelona's financial crisis showed various factors that could cause financial instability. High wage bills, overdependence on broadcasting income and misappropriation of funds in transfer activities, among others, were some of the challenges FC Barcelona experienced when trying to maintain financial stability. In summary, the literature review has provided a basis for understanding the various aspects related to the football industry and how they can influence the clubs to achieve financial stability, generate more revenue, and enhance fans' support. Therefore, football clubs can use these insights to manage their financial management activities for sustainable growth and success in the football industry.

6. COMPARATIVE ANALYSIS OF FC BARCELONA AND REAL MADRID

6.1 Brand Value

Brand value is a fundamental aspect of the financial management strategies implemented by football clubs such as FC Barcelona and Real Madrid. The two clubs have created great brands that go beyond sports in terms of worldwide reach. FC Barcelona's brand value is heavily linked with its identity as "more than a club." The club has built a brand that is more significant than merely football, as the club represents values of Catalan culture and identity as well as a commitment to social responsibility. Such a comprehensive branding strategy has helped Barcelona to build a global fan base, with the club enjoying a large and passionate fan base located far beyond the borders of the countries. The club's commitment to attractive, possession-based football, affiliated with iconic players such as Lionel Messi, has helped Barcelona to establish a reputation on the international stage (Deloitte Football Money League, 2022). On the other hand, Real Madrid boasts a brand associated with glamour, success, and star power. The club's Galácticos strategy, under which it constantly signed world superstars to maintain an all-star team, has helped the club in both sporting and business terms. This has helped the club to gain more revenue through sponsorship deals and merchandise sales.

FC Barcelona and Real Madrid also earn significant revenues from the power of their brand. For example, both teams have a contract with multinational corporations that contribute massively to income. Real Madrid has a sponsorship with Emirates and Adidas, while FC Barcelona has a deal with Qatar Airways and Nike (Deloitte Football Money League, 2022). Both FC Barcelona and Real Madrid have large stadiums that attract crowds from around the world. This helps to increase matchday revenue such as ticket sales, hospitality packages, and stadium tours. The feeling of watching these iconic clubs play live, with the unique atmosphere of their stadiums, contributes significantly to matchday revenue. In support of their global brand recognition, FC Barcelona, and Real Madrid, like most European clubs, go on international tours during pre-season or breaks in domestic leagues.

6.2 Governance and Financial management.

FC Barcelona's governance model is democratic and extends to a composition of board of directors. The Barcelona board has representatives elected by the "socios" to ensure democratic leadership is obtained, reflecting the diverse interests of the fans. This makes the club democratic and more transparent, which appreciates the contribution of everyone, and promotes loyalty among the fans (Hamil & Michie, 2009). FC Barcelona governance structure influences its financial strategic decision making and future sustainability (Deloitte Football Money League, 2022). The club acknowledges the importance of youth development as it invests heavily in nurturing its own players from the La Masia Academy. This practice ensures the club does not depend on spending on transfers but promotes their academy players to enhance future sustainability.

While Real Madrid also practices the "socios", it operates under a unique governance structure that has developed over its history. The club is governed by a President elected by its members, centralizes decision-making power in hands of the President and the club board of directors. (According to García-Cebrián and Prado-Román, 2020), the president has a critical role in setting the club's strategic direction, including financial management and transfer policies. Real Madrid's governance model is characterized by stability and continuity, with presidents serving multiple terms and allow presidents to develop and implement financial management for a more extended period. The ability for the club to source finances and generate revenue from other initiatives has allowed it to withstand financial crisis, making it one of the richest football clubs in the world.

6.3 Barcelona and Real Madrid Involvement in The Rise and Fall of the Super league.

The proposed European Super League announced in April 2021, is one of the most talked about topics regarding football. The idea opposes the usual structure of football which caused controversies and discussions related to financial management, competition value, and fans participation. The league was to establish a closed competition format that grants founding members the right to participate without the risk of demotion, which theoretically could change the European football structure. While the proponents of the league argued that it is an excellent revenue source by the means of broader broadcasting contracts and sponsorships, others claimed that it would bring inequality and downplay smaller clubs which will also have an impact on domestic and continental football (Taylor, 2021; Deloitte Football Money League, 2022).

The super league has faced numerous challenges since its announcement. One of the challenges is the FIFA and UEFA expressing their disapproval of the league. The Super league Company sent an action against FIFA and UEFA before the Commercial Court, Madrid (Spain), arguing that their rules on approval of competitions and the exploitation of media rights are contrary to EU law. The FIFA and UEFA rules portray that, making any new interclub football league is subject to their prior approval. The court's verdict stated that prohibiting clubs and players from playing in those competitions is unlawful. The commercial court in Madrid ruled that there is no framework for the FIFA and UEFA rules ensuring that they are transparent, objective, non-discriminatory and proportionate. (Court of Justice of the European Union, 2023). Another challenge faced by the European Super League (ESL) is that it cannot register its name as a trademark in the European Union because Denmark's topflight already holds the trademark rights to the 'Super League' brand. The ESL had sought to register its name as a trademark with the European Union's Intellectual Property Office, EUIPO. UEFA argued that it had already updated its rules ahead of the verdict, and believed they were now compliant with EU law. (ESPN, 2024).

The proposed super league promises huge some of revenue to all the participating clubs. Each participating club in the European Super League will receive 3.5 billion euros to start with, with American bank JP Morgan heading up the financial backing of the project. The winner of the European super league could earn close to 400 million euros, compared to the 120 million euros that are given out to the Champions League winners each year. Barcelona, who reached the semi-finals in 2019, received 117 million euros in prize money (Daily Marca, 2021). The emergence of the Super League has compelled UEFA to increase the benefits that it gives to clubs that participate in their competitions. The 2023 financial report of UEFA shows that 93.5% of UEFA club competition revenue is channeled back to the participating clubs, with the remaining 6.5% reinvested into grassroots funding for the amateur game at the national level. It also states that over the past decade, revenues from UEFA competitions have increased by 122% (uefa.com, 2024).
FC Barcelona supports the creation of the Super League to stabilize its financial positions and maintain competitiveness with richer competitors (BBC Sport, 2021), even though the club's decision to participate received a strong supporters' backlash, rejection from players and governing bodies. Similarly, Real Madrid is one of the main clubs that strongly supports his initiative. The

club’s president, Florentino Pérez argued that the super league would create diverse revenue streams which would enable clubs to invest more money in infrastructure, player formation, and global competitiveness (García-Cebrián & Prado-Román, 2020).

6.4 Revenue Streams

football clubs generate income from multiple sources known as the financial framework of the club. This framework includes matchday revenue, broadcasting revenue, and commercial activities. The structural characteristic of each source emphasizes the need for diversification since any over-reliance puts the club at risk.

6.4.1 Matchday Revenue

matchday revenues, including income from ticket sales, concessions, and merchandise is a notable source of income (Andreff, 2017). Matchday revenues influence club finances and greatly influence their management strategies. FC Barcelona’s Camp Nou is one of the largest stadiums in Europe and a truly iconic venue with massive historical and traditional values. The club has taken advantage of that and introduced various match day experiences aimed at different segments of the fan base. With diverse ticket offerings, the club has created opportunities for match day to be accessible to local fans and capitalize on the premium market opportunities (Deloitte Football Money League, 2022). The club has incorporated technological solutions, such as digitalized tickets and mobile-ordering stands. The club has also entered the experiential stand space by creating various interactive experience zones in the stadium. This leads to a seamless experience for the fans and increasing the overall match day revenues (Szymanski & Zimbalist, 2019)

Real Madrid’s home ground, the Santiago Bernabéu Stadium, is a great and renown venue that draws fans from around the world. One area where Real Madrid elevates itself is its sense of luxury and exclusivity. The club markets its premium seats and hospitality packages as ultimate luxuries and targets it for highly wealthy persons, corporate consumers, and rich tourists who prefer a one-of-a-kind soccer game experience (García-Cebrián & Prado-Román, 2020). Real Madrid goes above and beyond to provide a top-tier experience by going the additional mile and guaranteeing that no effort or expenditure is spared in achieving excellence in hospitality.

6.4.2 Broadcasting Contracts

Broadcasting is one of the most remarkable sources of income for football clubs, with first-tier leagues being the main earners. FC Barcelona has an iconic status in world football and commands significant interest from broadcasters. The club enjoys high television viewership numbers both domestically and internationally, contributing to lucrative broadcasting deals. Barcelona is subject to the collective media bargaining policy implemented by La Liga to ensure that all member clubs gain equal fair from broadcasting. Nonetheless, FC Barcelona has managed to enter into individual broadcasting agreements with broadcasters, who leveraged the club's brand to enter broadcasting deals. Barcelona maximizes the broadcasting revenue share, generating approximately £204.8 million from broadcast (Deloitte Football Money League, 2022). Real Madrid, like Barcelona, is renowned across the globe and is followed by a considerable number of fans on social media. Real Madrid ensures broadcasters' interest by adopting the Galácticos policy, meaning purchasing the most prominent and famous players. Major broadcasting companies tend to cooperate with such famous football players that increase the potential audience, and Real Madrid's victories on the football field also cause high TV ratings, leading to enhanced broadcasting income (Garcia-Cebrian & Prado-Roman, 2020).

6.4.3 Commercial Activities and Sponsorship

Commercial activities include a wide variety of projects that generate income, such as sponsorships, merchandising, television broadcasting rights, stadium revenues, and fan involvements. (Chadwick and Thwaites, 2017), have focused their academic studies on commercial activities, noting the progress of sponsorships as a key source of income. FC Barcelona has long pursued a policy of partnering with sponsors. The collaboration with such commercial entities like Qatar Airways and Nike supports the club financially and enhances the club's brand recognition globally (Szymanski & Zimbalist, 2019). Similarly, the club's connection to social initiatives, like UNICEF as the sponsorship of its jerseys, for some years showcases a more sophisticated relationship to the club's commercial activity. FC Barcelona takes advantage of its big fan base and establishes opportunities for digital cooperation like content production and e-commerce (Deloitte Football Money League, 2022).

Real Madrid is unique in its commitment to tradition even while on a more commercially driven pursuit of profit. The Galácticos policy boosts Real Madrid's on-field performance and allowed it to secure deals with sponsors, such as Emirates and Adidas, that seek to profit from associating with the big commercial brands (García-Cebrián & Prado-Román, 2020). The club's revenue is increased by its iconic status which attracts football fans who can attend stadium tours, museum visits, and hospitality packages. Ultimately, Santiago Bernabéu emerges as a multi-million-dollar asset which has the potential to increase its contribution to the annual income of Real Madrid (Flyvbjerg, 2009).

6.5 Presentation, Interpretation and Evaluation of Results

This will present a detailed analysis of financial ratios for FC Barcelona and Real Madrid, with comparative evaluations. The presentation provides a comprehensive assessment of FC Barcelona and Real Madrid's financial performance, offering valuable insights into their strategies for long-term growth and success. By analyzing key financial ratios and conducting a comparative analysis, it will contribute to the advancement of knowledge in sports finance, guiding stakeholders, practitioners, and researchers in optimizing financial decision-making in football clubs.

6.5.1 Financial Performance of FC Barcelona and Real Madrid CF

This sub chapter presents the financial information collected from the financial statements of FC Barcelona and Real Madrid CF over a 5-year period **from 2018/2019 to the 2022/2023** season.

Table 1 Financial Information of FC Barcelona

Source: Own work

FINANCIAL INFORMATIONS OF FC BARCELONA)					
FINANCIAL INDICATORS	**2019**	**2020**	**2021**	**2022**	**2023**
Total Assets	1,358,998	1,474,027	1,030,948	1,401,607	2,776,874
Total Liability	1,226,391	1,438,840	1,481,680	1,754,819	2,777,390
Total Current Assets	402,691	368,522	259,185	561,571	1,169,915
Total Current Liability	687,165	970,349	812,620	840,665	742,764
Total Equity	132,607	35,187	(450,732)	(353,213)	(516)
Net Income Before Tax	3,556	(128,021)	(555,361)	124,489	422,949
Net Income After Tax	4,527	(97,339)	(481,318)	97,577	303,711

Table 1 above shows some of the major financial information of FC Barcelona such as Total assets, total liability, current assets, current liabilities, total equity, net income before tax and net income after tax. This data is collected for the past five years from 2019 to 2023. With the total asset, there was an increase from 2019 to 2020 whiles we see a decrease in the following year 2021. The total asset rose again in 2022 and greatly increased to almost two times in 2023 from the previous year. In the case of total liability, there has been slight increase from 2019 to 2022 and then increased by almost 2 times in 2023. The current assets saw a decrease in 2020 from 2019 and same in 2021 from 2020. However, there was an increase in 2022 from 2021 and then rose almost two times in 2023 from 2022. Current Liability on the other hand, fluctuated over the five years, where there is either an increase or decrease from the previous year. Total equity decreased drastically in 2020 from 2019 which reflected the effect of the covid-19 pandemic. Total equity eventually went into negative in the following year 2021 and struggled to reduce the negative in 2022 and 2023. Both net income before and after tax was very small in 2019 and later entered negative in 2020 and 2021 which was also because of the covid-19 pandemic. In 2022 both net income before and after tax increased magnificently from negative and a further increased in 2023. In conclusion we can see that the covid-19 pandemic had a very great effect on the financial performance of Fc Barcelona.

Table 2 Financial Information of FC Real Madrid

Source: Own Work

FINANCIAL INFORMATIONS OF FC REAL MADRID)					
FINANCIAL INDICATORS	**2019**	**2020**	**2021**	**2022**	**2023**
Total Assets	1,138,383	1,433,981	1,584,873	2,269,223	2,609,606
Total Liability	605,627	901,056	1,051,218	1,722,775	1,981,191
Total Current Assets	412,607	367,091	456,682	981,569	1,128,804
Total Current Liability	472,759	479,050	379,531	626,729	720,738
Total Equity	532,756	532,925	533,655	546,447	628,414
Total Net Income Before Tax	53,482	1,851	1,739	203,000	9,000
Total Net Income After Tax	38,394	313	874	13,000	12,000

Table 2 above shows some of the major financial information of Real Madrid CF such as Total assets, total liability, current assets, current liabilities, total equity, net income before tax and net income after tax. This data is collected for the past five years from 2019 to 2023. Real Madrid's Total assets over the years stood increasingly stable even though with just little increase in 2020 and 2021 from its previous years. The total liability also increased steadily from 2019 through to 2023. However, with the current assets, it decreased initially in 2020 then later experienced a continuous increase through to 2023. Total liabilities experienced a steady increase throughout the years with only a slight decrease in 2021. In terms of net income before tax, it decreased drastically in 2020 from 2019 and a further slight decrease in 2021 before it greatly went up in 2022 and finally decreased in 2023. Net income after tax also decreased in 2020 with a small increase in 2021 and later increased by high margin in 2022 and finally a slight decrease in 2023.

6.5.2 Financial Performance Indicators of FC Barcelona and Real Madrid FC

This section presents the financial performance indicators on FC Barcelona and Real Madrid comparative analysis. The financial performance indicators include liquidity ratio, solvency ratio, debt-to-asset ratio, and profitability ratio. This analysis will provide an understanding of these two clubs' financial management strategies and their impact on long-term growth and success.

1. Liquidity (Current) ratio: The liquidity ratio offers information about FC Barcelona and Real Madrid's short-term financial position, which shows their ability to pay off short-term obligations. The Current ratio has been used to analyze the liquidity of the clubs. The higher the current ratio, the easier it is to pay off short-term debt without needing to source outside cash.

Table 3 Liquidity (Current) Ratio

Source: Own Work

LIQUIDITY(CURRENT) RATIO		
YEAR	**FCB (%)**	**RMCF (%)**
2019	59	87
2020	38	77
2021	32	120
2022	67	157
2023	158	157

Figure 2 Liquidity (Current) Ratio

Source: Own work.

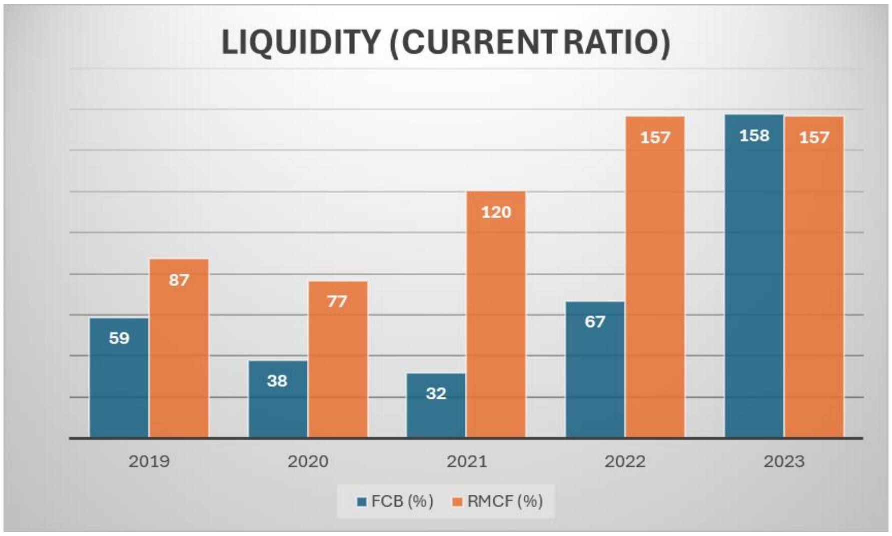


Table 3 and figure 2 above shows the current ratios of Fc Barcelona in Comparison with Real Madrid CF from the 2018/19 season to 2022/23 season. Real Madrid has a more favorable current ratio compared to Barcelona with a stable increase in the current ratio with a high percentage margin. There is only a small decrease in 2020 due to the pandemic but which was still higher than Fc Barcelona in 4/5 of the analyzed years. Barcelona on the other hand has a very poor current ratio with an initial 59% in 2019 and later 38% in 2020 then further low to 32% in 2021. The beginning increase came in 2022 with 67% then an eye-watering increase in 2023 with 158% current ratio. This means that Real Madrid could possibly pay off its short-term debt with its current asset than FC Barcelona who for sure entered severe financial crisis during the year of the covid-19 Pandemic. However, FC Barcelona was able to rise from the financial crisis considering the ratio in 2023 and hopefully the club's finances stay stable from the years after.

2. Solvency (Debt-to-asset) ratio: The solvency ratio provides information on the long-term financial strength of FC Barcelona and Real Madrid. This ratio reflects the possibility of a football club repaying long-term debt. Solvency relating to debt-to-asset ratio allows estimating the ratio of debt to total assets and helps to understand the level of financial leverage. A considerably higher level indicates a stronger reliance on debt financing, which might increase the financial risks. The debt-to-asset ratios of both clubs serve as a valuable indicator to understand their capital structure and risk management, thereby pointing out the area of strength and vulnerability.

Table 4 Table 4 Solvency (Debt-to-asset) ratio

Source: Own Work

SOLVENCY(DEBT-TO-ASSET) RATIO		
YEAR	**FCB (%)**	**RMCF (%)**
2019	90	53
2020	98	63
2021	144	66
2022	125	76
2023	100	76

Figure 3 Solvency (Debt-to-asset) ratio.

Source: own work.

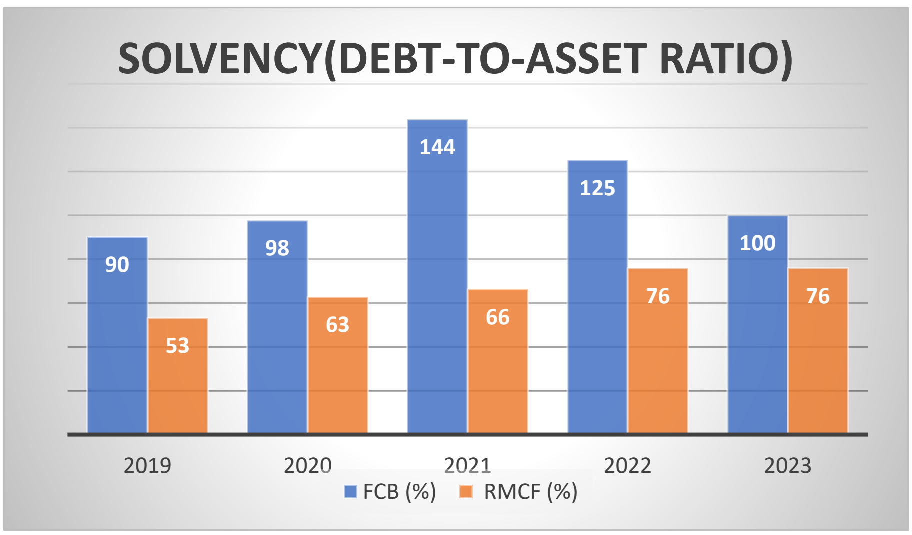


Table 4 and Figure 3 shows the Solvency ratio relating to debt-to-asset ratio of FC Barcelona and Real Madrid CF. This ratio was calculated from 2019 to 223 financial season. Similarly to the liquidity ratio, Real Madrid has a more favorable debt-to-asset ratio than FC Barcelona. A higher debt to asset ratio is a risk, as it means the club is more dependent on debt such as borrowing and loans to finance its operations. A debt to asset ratio of less than 50% is generally seen preferable. Real Madrid managed to get a considerable ratio over the five years considering the financial burden brought by the pandemic. Barcelona on the other hand had the lowest debt to asset ratio of 90% in 2019 which was very poor as far as financial stability is concerned. Barcelona recorded

144% debt to asset ratio in 2021 which is the highest. Even though it decreased in later years to 125% in 2022 and 100% in 2023, it is still not enough for a high-profile football club like Fc Barcelona. It has been observed that the impact the pandemic had on fc Barcelona was unimaginable, and this can be seen from its over-reliance on debt to finance its operations.

3. Profitability Ratio (ROA): The Return on Assets measures the profitability from the football club's operating capital perspective, it shows how much profits the club generates using its assets. This is derived by dividing the club's net income before tax by the total Asset of the club. High ROA is favorable as it means the club generate enough profit taking its assets into consideration.

Table 5 Profitability Ratio (ROA)

Source: Own Work

PROFITABILITY RATIO (ROA)		
YEAR	**FCB (%)**	**RMCF (%)**
2019	0	5
2020	(9)	0
2021	(54)	0
2022	9	9
2023	15	0

Figure 4 Profitability Ratio (ROA)

Source: own work.

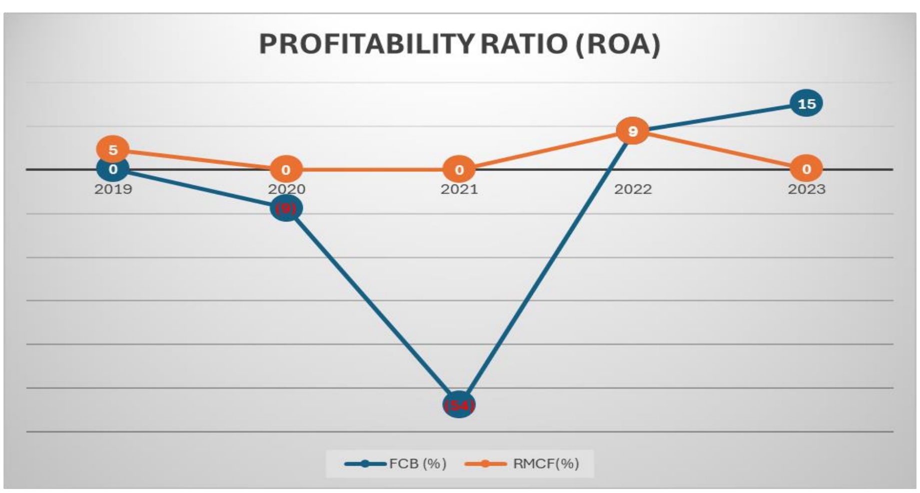


Table 5 and figure 4 above represent the profitability of Fc Barcelona and Real Madrid taking their various return on assets into consideration. A higher percentage of the return on asset is favorable is it will mean that the club generate reasonable profit on its available assets. Real Madrid has been relatively stable regarding the return on assets. The club initially had 5% from ROA in 2019 but went down to 0% in 2020 and 2021. It rose again in 2022 to its highest level to 9% but later came back 0% in 2023. Unlike Real Madrid, Fc Barcelona a rough ROA over the five years. Barcelona's return on assets in 2019 was at 0% and entered negative in 2020 to -9% and later in 2021, the club experienced a huge financial downturn in terms of ROA which stuck at -54%. It means that Fc Barcelona was receiving a negative return on its assets, and this was all due to the covid -19 pandemic which prevented the club from gaining revenue from certain sources like matchday revenue. Barcelona's return on assets was later revived in 2022 to 9% and later experience a highly favorable return on its assets of 15% even higher than rival Real Madrid CF who was very stable financial wise.

4. Profitability Ratio (ROE): Return on Equity estimates the profitability of the owners' equity. It measures how much profits the football club regularly generates from the shareholder's equity. It is computed by dividing the club's net income after tax by the total of the Shareholder's equity. The Higher the ROE ratio, the better High ROE means that the club effectively invests the shareholders equity, which demonstrates the competent financial strategy and management.

Table 6 Profitability Ratio (ROE)

Source: Own Work

PROFITABILITY RATIO (ROE)		
	FCB (%)	**RMCF (%)**
2019	3	7
2020	(277)	0
2021	107	0
2022	(28)	2
2023	(58,859)	2

Figure 5 Profitability Ratio (ROE)

Source: Own Work.

Table 6 and Figure 5 shows the profitability of FC Barcelona and Real Madrid CF relating to their return on Equity. Similarly to the return on asset, a high percentage of the return on equity is also favorable as it shows the amount of profit the clubs generate from the shareholder's equity. From the figure and table above, it can be observed that Fc Barcelona had a poor ROE same as that of the ROA. Barcelona had a 3% return on equity in 2019 and it went down into negative in 2020 at -227%. The ROE went up considerably to 107% in 2021 which will later decrease again to -28% in 2022 and later dropped massively to -58,859% in 2023. Real Madrid on the other hand reflected quite a stable return on equity in as much as the covid-19 pandemic was a very big threat to the finances of football clubs. Real Madrid managed to skip a negative return on their shareholder's equity which showed an excellent prowess in football financial management.

7. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

7.1 Summary of Findings

This chapter provides insight into key findings, outlines important conclusions, and provides recommendations based on the conducted research. The overview of the findings is presented in the form of a summary that shows an overall assessment of the financial management practices, putting emphasis on efficient approaches and opportunities for improvement. The comparative analysis of FC Barcelona and Real Madrid provides valuable insights into their financial management. The unique brand value of both clubs enables them to maintain huge sponsorship deals and the loyalty of global fans. FC Barcelona remains a sustainable club driven by its democratic governance and the philosophy of the youth academy, simultaneously conserving its own identity. Real Madrid functions as a centralized club, prioritizing stability and financial discipline to fund its investment policy targeting both on-field and off-field success.

The comprehensive analysis during a five-year period from 2018/2019 to the 2022/2023 season provided valuable insights into the financial dynamics and performance indicators of the two football clubs. FC Barcelona experienced significant challenges throughout the period, which were driven by the COVID-19 pandemic. Specifically, the club had variation in their total assets, total liabilities, and net income, showing the difficulties the club faced financially. Pandemic led to a substantial decrease in total equity after negative net income in 2020 and 2021. The club, however, managed to recover from the crisis and achieved substantial growth in total assets and net income in 2022 and 2023. This indicates FC Barcelona's commitment to stabilizing their financial performance and striving for long-term growth.

Real Madrid on the hand, maintained a relatively stable performance during the analyzed period. The club demonstrated a consistently growing trend across all major indicators with minimal fluctuations. Net income fluctuated somewhat but remained positive, compared to FC Barcelona's negative experience. The debt-to-asset ratio also demonstrated sustainable growth, showing that Real Madrid aimed for long-term success. The comparative analysis of the financial ratios also shows a contrasting liquidity, solvency, and profitability ratios between FC Barcelona and Real Madrid CF. Almost all the indicators obtained from Real Madrid's financial analysis significantly exceeded FC Barcelona indicators, making real Madrid financially stable and resilient especially during the era of the covid-19 pandemic. FC Barcelona's financial ratios reflected the profound impact of the COVID-19- on the club and their resilience to fight for financial stability. Both clubs experienced financial challenges within the analyzed period and demonstrated their unique financial strategies.

7.2 Conclusion.

The comparative analysis of the financial ratios presented demonstrated FC Barcelona and Real Madrid's contrasting liquidity, solvency, and profitability profiles. Real Madrid tends to maintain superior liquidity and solvency, which symbolizes its financial stability and the ability to survive during crisis. Meanwhile FC Barcelona's financial performance reflects the impact of the COVID-19 pandemic and the club's recovery resilience. The analysis provides insight to stakeholders, practitioners, and researchers for the development of financial decisions. This analysis reveals the financial strength and weakness of both football clubs, and how they demonstrated different long-term strategies for financial growth and success. The insights of the two clubs provide key features of excellence that would resonate with other clubs seeking to maintain stable financial management in the football industry. There are best practices clubs can adopt to ensure they model their success after FC Barcelona's and Real Madrid's.

Revenue diversification, cost management, and financial risk management are more factors that lay a strong financial management foundation contributing to the football club's financial stability and sustainability. The case study of FC Barcelona's financial crisis showed various factors that could cause financial instability. High wage bills, overdependence on broadcasting income and misappropriation of funds in transfer activities, among others, were some of the challenges FC Barcelona experienced when trying to maintain financial stability. Therefore, football clubs can use these insights to manage their financial management activities for sustainable growth and success in the football industry. The change in financial management for football clubs because of the COVID-19 pandemic, is an opportunity for learning and strategizing with innovation, cooperation, and sustainable practices, and football clubs would be able to build financial performance back better.

7.3 Recommendations

1. **Diversification of Revenue Streams:** Football clubs should go beyond traditional sources of revenue like broadcasting rights and sponsorship deals. Clubs should explore investments in emerging markets, innovative partnerships, and others. Investments help diversify the sources of revenue and earn profit through the revenue stream created.
2. **Investment in Youth Development:** FC Barcelona has a successful historical example for youth development through their La Masia academy. Homegrown talent provides a steady supply of talented players and helps reduce the club's cost of acquiring a player. Moreover, homegrown players are mostly loyal to the club. This can be achieved by investing in established facilities, coaching programs, and additional networks for scouting.
3. **Scouting and player Transfers Optimization**: An effective talent identification system such as data analytics is essential for the identification of skilled players that aligns with the club's objective. Players must undergo performance evaluations and their potential to contribute to long-term growth and success. Financial assessments of the club should ensure these adhere to strict budgetary limits, which will help reduce the accumulated and unsustainable debt.
4. **Effective Financial Planning:** Real Madrid has been particularly successful with solvency and liquidity records. Effective financial strategy can help clubs to be financially stable even during any unforeseen financial crisis like real Madrid did during the covid-19 pandemic. Clubs should also prioritize a strategic salary structure that aligns with their financial capabilities and long-term objectives.
5. **Debt Restructuring:** This could involve a comprehensive effort through renegotiation of contracts, containing costs, and optimizing revenues. Willingness to collaborate with stakeholders is another essential way for clubs to navigate through financial difficulties.
6. **Transparency and Governance:** Clubs are encouraged to build transparent governance, which is essential to build trust among stakeholders and ensure accountability in financial decision making. Football clubs are to adhere to best practices in corporate governance, and active engagement with fans and all stakeholders.
7. **Adhering to Financial Fair Play Rules:** Clubs need to consider compliance with Financial Fair Play rules and regulations in their operations. It enhances competitiveness long-term financial stability of football clubs.

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APPENDIX 1.
ABREVIATIONS

ABBREVIATION	MEANING
FC	Football Club
CF	Club Football
COVID	Coronavirus Disease
VIP	Very Important Person
TV	Television
OTT	Over-the-top
FFP	Financial Fair Play
UEFA	Union of European Football Association
FIFA	Federation of International Football Association
UNICEF	United Nations International Childrens Emergency Fund
ROA	Return on Asset
ROE	Return on Equity
BBC	British Broadcasting Corporation
ESPN	Entertainment and Sports Programming Network
ESL	European Super League.
EUIPO	European Union's Intellectual Property Office

APENDIX 2
DEDICATION

I dedicate this work to my loving family, whose steadfast support and encouragement have been the foundation of my academic journey. Their unwavering faith in my abilities has ignited my determination and motivated me to strive for excellence. I am eternally appreciative of their love, patience, and understanding during this challenging journey.

This achievement is a testament to their endless sacrifices and the strong bonds that hold us together. Thank you for being my pillars of strength, my biggest cheerleader and for always believing in my dreams.

APENDIX 3
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Thank you and God richly bless you all.

APPENDIX 4

THE PUBLIC ACCESS AND AUTHENTICITY OF THE THESIS

DECLARATION

Student's Name: SOLOMON GODSON BOAME

Student's Neptun Code: ME9ELB

Title Of Thesis: FINANCIAL MANAGEMENT IN FOOTBALL CLUBS; STRATEGIES FOR SUSTAINANABLE GROWTH AND SUCCESS

Year Of Publication: APRIL 2024

Name Of the Consultant's Institute: INSTITUTE OF RURAL DEVELOPMENT AND SUSTAINABLE ECONOMY

Name Of Consultant's Department: DEPARTMENT OF INVESTMENT, FINANCE AND ACCOUNTING

I declare that the final thesis submitted by me is an individual, original work of my own intellectual creation. I have clearly indicated the parts of my thesis which I have taken from other authors' work and have included them in the bibliography.

If the above statement is untrue, I understand that I will be disqualified from the final examination by the final examination board and that I will have to take the final examination after writing a new thesis.

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APPENDIX 5

STATEMENT OF CONSULTATION PRACTICES

DECLARATION

Solomon Godson Boame (student Neptun code: ME9ELB) as a consultant, I declare that I have reviewed the thesis and that I have informed the student of the requirements, legal and ethical rules for the correct handling of literary sources.

I recommend / do not recommend the thesis to be defended in the final examination.

The thesis contains a state or official secret: yes no

Date: Gyöngyös, 26.04.2024

insider consultant