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IMPACT OF FINANCIAL FAIR PLAY ON ENGLISH FOOTBALL CLUBS*

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ABSTRACT

This study investigates the effects of Financial Fair Play Regulations on English football clubs competing in the first and second divisions over a 20-year period. Financial Fair Play Regulations, introduced by UEFA, aims to promote financial sustainability in the European football industry. The football industry is unique since profitability is closely tied to sporting achievements. The research evaluates the impact of Financial Fair Play Regulations requirements on football clubs with various financial and performance indicators. I find that the implementation of Financial Fair Play policy had an impact on the profitability criteria promoted by UEFA, which consist of a maximum amount of loss permitted each season per European football clubs. English football clubs lose less, but most are still unprofitable. In addition, sporting performance are indirectly influenced by the implementation of this policy.

1. INTRODUCTION

1.1 Background on European football

In the first decade of this century, European football clubs were financially unstable as they placed sport success before profitability (Sloane 1971, Leach and Szymanski 2015).

European football clubs follow the European Sport Model, which is the predominant approach to organize and manage professional sport leagues in Europe, particularly in football. At the heart of the European Sport Model lies the pivotal concept of promotion and relegation, an intricate mechanism whereby clubs traverse various tiers contingent upon their league performance. Ascendants are the top performing entities from lower divisions, and the least less successful in higher echelons face relegation. Anchored in an open pyramid or "Vertical Structure," this model embraces a diverse array of clubs across multiple competition levels, instilling fervor in smaller entities to ascend and invigorate competitiveness. The European leagues adopt a continuous season-long format marked by successive matches.

UEFA introduced Financial Fair Play rules to complement this system by preventing clubs from overspending to achieve short term success and then facing relegation. The redistribution of income by ruling bodies is essential for maintaining fair competition. The European Sport Model reveres youth development and academies, nurturing emerging talents from an early age. These European clubs embody unique identities and fervent fan cultures, with supporters intricately woven into the fabric of success. Many harbor deep historical roots and robust fan ownership, often viewed as vital communal assets intertwining with local heritage. Ownership typically rests with individuals, fan groups, or community organizations, driven by a commitment to heritage. Financial Fair Play Regulations aim to protect the long term viability of these clubs and maintain competitiveness, increase transparency in club finances, and promote financial health.

1.2 European Football in 1990s

1.2.1 Commercialization of Football

In 1990, the financial situation of European football was characterized by a mix of challenges and opportunities that reflected the evolving nature of the sport and its economic landscape at that time.

The 1990s marked the beginning of a period of increased commercialization and globalization of football. Clubs started to explore new revenue streams beyond traditional sources like matchday income and sponsorships. European football's revenues have grown, driven by broadcasting rights sold to Pay-Per-View (PPV) services. In the late 1980s and early 1990s, broadcasting rights negotiations became a major issue in European football. Television broadcasting assumed a paramount role in delivering football matches to audiences, constituting the predominant conduit. Broadcasters secured the privilege to broadcast matches on their platforms, usually through contractual arrangements with football leagues or associations. These contractual agreements granted broadcasters the authority to showcase matches on either free-to-air or cable/satellite TV channels. The trade of broadcasting rights followed a customary pattern of being sold on a national or regional level. As a result, distinct broadcasters within various countries or regions exclusively possessed the rights to transmit matches featuring local teams, thereby fostering a geographically segmented broadcasting landscape.[1] [2] The ascent of broadcasting revenues played a pivotal role in bolstering the financial resources of professional clubs in European football during the 1990s. In contrast, Pay-Per-View services were in their nascent stages in 1990, marked by their restricted scope in terms of match availability and accessible platforms. These services predominantly centered on prominent domestic encounters, including cup finals and high-profile league fixtures.

[1] Rupert Murdoch's bid for the rights to First Division football in England for £47m in 1988.
[2] The Premier League was formed in 1992, and in May of that year, Sky won the rights to live Premier League football matches in a £304m five-year deal.

In summary, in the 1990s, broadcasting rights and pay-per-view services were becoming increasingly important in the world of football. The rise of broadcasting revenues contributed to the budgets of professional clubs in European football rising in the 1990s. Pay-per-view services were also becoming more prevalent.

1.2.2 Bosman Case (1995)

In addition to the economic shifts, the legal environment was also reshaped. An important event is the Bosman case, also known as "Union Royale Belge des Sociétés de Football Association ASBL v. Jean-Marc Bosman”. In 1990, Jean-Marc Bosman, a Belgian football player, was under contract with RFC Liège. When his contract expired in 1990, Bosman sought to move to a French club, Dunkerque. However, RFC Liège demanded a transfer fee that Dunkerque was unwilling to pay. RFC Liège then cut Bosman's wages by seventy-five percent and refused to sell him. In 1995, the European Court of Justice (ECJ) issued its landmark ruling in favor of Bosman. The court held that certain transfer rules and practices in football were in violation of EU law: transfer fees for players out of contract were seen as a restriction on the free movement of workers. In addition, the court also found that the "three plus two" rule, which limited the number of foreign players in a team's matchday squad, was found to be discriminatory.

Hence, the Bosman Ruling established crucial legal principles related to player movement within the EU, transforming player transfers, contract negotiations, and the balance of power between clubs and players. This ruling was followed by in a tenfold increase in player earnings over a decade. Meanwhile, it also reinforced the dominance of wealthier clubs and changed the landscape of football, where clubs with substantial resources have a significant advantage.

1.3 European Football at the beginning of the 2000s

In the 2000s, financial problems in European club football were long-lasting. Revenues for football clubs increased substantially while clubs reported even higher losses, expanding the loss spiral. Top clubs were better at coping with the situation because of the media revenue. UEFA's Club Licensing benchmarking report on European football for the financial year 2009 suggested that financial problems were widespread.[3]

1.3.1 Dynamics of Broadcasting Rights

The sport continued its path towards increased commercialization, with clubs seeking to harness new revenue streams beyond traditional sources. Broadcasting rights retained their pivotal role, with clubs aiming to optimize earnings by forging lucrative broadcasting agreements. These agreements encompassed both local and global markets, enabling football matches to resonate with an international audience. Concurrently, the financial backdrop posed challenges. Certain clubs grappled with mounting debts, often attributed to substantial player salaries, transfer fees, and operational outlays. The intensely competitive financial arena of football sparked fierce competition for top-tier players, resulting in escalating wage expectations. Clubs endeavored to harmonize their on-field ambitions with the imperative of financial prudence. These intricate dynamics framed a context of ongoing dialogues and adaptations within the financial domain of the sport, as clubs navigated the delicate equilibrium between competitiveness and fiscal soundness.

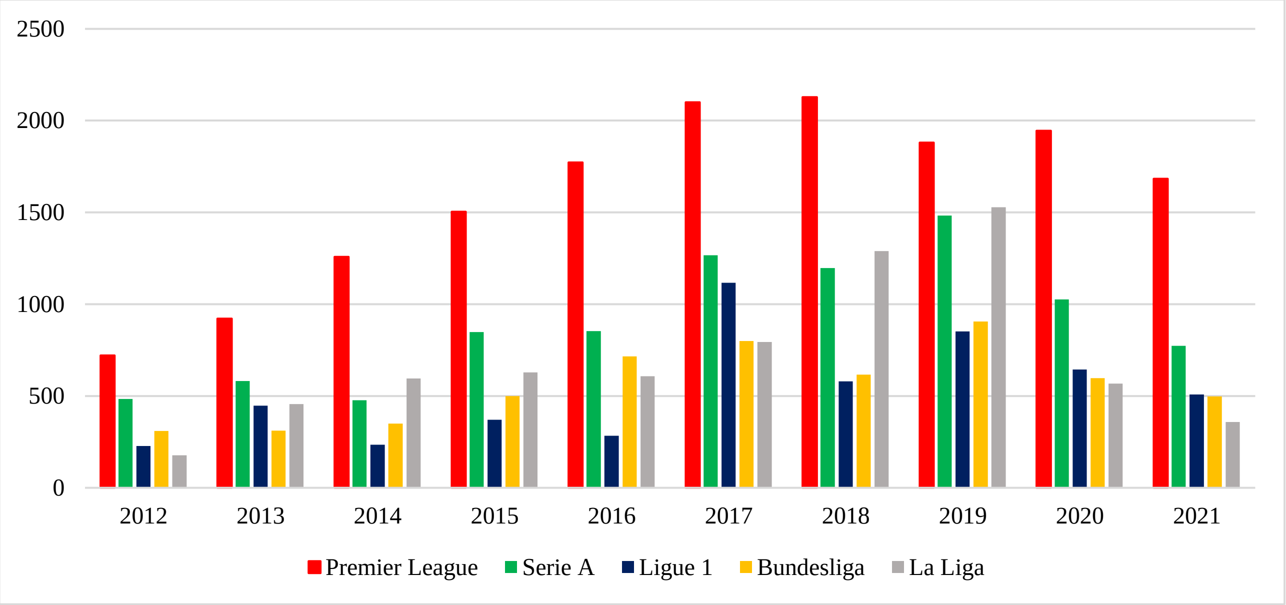
1.3.2 English Premier League in the 2000s

At the beginning of the 2000s, Premier League clubs were allocating substantial resources to player transfers. The specter of debt loomed, prompting a meticulous scrutiny of its ramifications on financial health. Debt constituted a noteworthy concern within the Premier League during this era. An investigation into the influence of debt on financial outcomes within the English Premier League, spanning from the 2000/01 season to the 2017/18 season, revealed a detrimental correlation between debt and financial performance (Robinson 2020). The financial power of the Premier League began to overshadow other European leagues. The English league's financial dominance grew significantly, with increased revenue and spending compared to other major leagues (Figure 1).

Figure 1 shows the clear dominance of the English Premier League (red bar) compared to the other Big 4 European League. Over the years, the English division has been always the one that has spent more on transfer fees, acquiring star players and strengthening its power in the football industry. From 2012 to 2018, the trend is increasing, reaching the apex in 2018 with 2128 million of € spent.

[3] (Dunbar, 2015) In 2009, UEFA research found that more than 50% of the 655 European football clubs reported losses in 2008.

However, from 2018 to 2021 the curve is slightly decreasing, also due to the COVID-19 pandemic. According to the bar graph, other leagues in the first half have a positive trend and in the second it lowers, anyhow at different times. Bundesliga (orange bar), Liga (grey bar) and Serie A (green bar) have a positive tendency until 2019, while Ligue 1 (blue bar) until 2017. In conclusion, in this 10-year period, English Premier League has always been the most dominant, widening its financial prowess.



[*Figure 1*] - Transfer Fees Committed per Big 5 European League (million of €) - from 2012 to 2021 (Source: CIES Football Observatory Monthly Report)

1.3.3 "UEFA Club Licensing and Financial Fair Play Regulations – Edition 2010" by UEFA Club Licensing

"UEFA Club Licensing and Financial Fair Play Regulations" (2010) is a comprehensive framework of rules and guidelines implemented by the UEFA. This regulatory structure is underpinned by two key components: club licensing and financial fair play. Club Licensing establishes a precise benchmark for different domains, the athletic side, personnel, legal matters and the financial sphere. Clubs must satisfy these requirements, in order to participate in UEFA competitions, the Champions League and Europa League. Financial Fair Play encourages clubs to operate in a sustainable way, avoiding extravagant expenditures, resulting in a financial equilibrium. The framework also describes the Club Financial Control Panel's role in ensuring clubs' adherence to Club Licensing and Financial Fair Play requisites.

1.3.4 “Financial Fair Play Media Information – 25 January 2012” by UEFA Communications

In the “Financial Fair Play Media Information” (2012), UEFA explained that the credibility of the football industry depends on the idea of self-sustainability of European football clubs. European Club Association chairman, Karl-Heinz Rummenigge, strongly supported the approval of the Financial Fair Play concept in September 2009. The club licensing system has 36 specific criteria and is divided into five main areas: sporting, infrastructure, personnel, legal and financial. According to UEFA’s research, in the 2011-2012 season, 81% of top-division clubs had applied for the licensing procedure. It focuses on Objectives (Article 2.2): Break-even requirements, Overdue payables and Employee Payments. In conclusion, the report describes “UEFA Disciplinary Regulations”, potential disciplinary sanctions, and how the Club Financial Control Panel acts in order to guarantee equality in UEFA competitions across all UEFA member associations, enhancing transparency and integrity. The establishment of the Club Financial Control Panel was approved by the UEFA Executive Committee in March 2009. The non-fulfillment of club licensing criteria could result in fines or exclusion from future competitions.

1.4. UEFA & Financial Fair Play Regulations

1.4.1 Notions on UEFA & Financial Fair Play Regulations

UEFA (Union of European Football Associations) is the administrative body for football clubs (55 members association) in Europe, founded on 15th June 1954 in Basel, Switzerland. The highest decision-making body within the UEFA is the UEFA’s Executive Committee. It is composed of UEFA President, several vice presidents, and representatives from various member associations and is responsible for strategic decisions, competition regulations, financial matters, and overall governance of football in Europe.

Financial Fair Play (FFP) Regulations apply in UEFA, European competitions, with the scope of promoting fair play among football clubs and the credibility of the football industry. Financial Fair Play Regulations were approved by UEFA’s Executive Committee, in September 2009, subsequently, they were updated three times (2012, 2015 and 2018). The principal aim of this policy is to improve the financial health of football clubs by, implementing club finance rules and promoting responsible spending. “Club Financial Control Panel” under UEFA is in charge of potential disciplinary sanctions if any requirement is not met by football clubs. Club Financial Control Panel guarantees that the UEFA club licensing system is applied for all UEFA member associations (53) and that clubs fulfill all the criteria described in the “UEFA Club Licensing and Financial Fair Play Regulations”.

Financial Fair Play Regulations define licenses needed by clubs to access UEFA club competitions. Moreover, FFP sets requirements regarding licensing criteria, legal and financial criteria to be fulfilled. These criteria can be divided into five main categories: sporting, infrastructure, personnel, legal and financial. Furthermore, regulations oversee the rights, duties, and responsibilities in the UEFA club monitoring process in order to fulfill the requirements for the license. FFP regulations include a wide set of sanctions, for the non-respect of the criteria, however, UEFA has to act with the competent national bodies, referring to the national disciplinary regulations in order to respect licensing regulations. There are 9 possible punishments that can be taken against a club or a licensor by the Club Financial Control Board: a warning, a reprimand, a fine, a deduction of points, withholding of revenues from a UEFA competition, prohibition on registering new players for UEFA competitions or restriction on the number of players, disqualification from a competition (in progress or in the future) and, finally, withdrawal of a title.

One of the objectives of FFP regulations is to ensure that all clubs have an adequate level of management and organization implementing the development of a benchmark in financial criteria. To achieve these goals, UEFA wants to increase the transparency and credibility of clubs, protecting creditors by ensuring that clubs operate in a responsible way with long-term projects, and encouraging the sustainability of European club football.

1.4.2 Break-Even Requirement

An important requirement in FFP regulations is the “Break-Even Requirement”. The main idea of UEFA, the one for which FFP regulation was introduced, is for football clubs to be financially stable operating on the basis of their revenues. “Relevant Revenues” include gate receipts, broadcasting rights, sponsorship and advertising, profit on disposal of player registrations or on tangible assets, but it does not include any non-monetary items or income from non-football operations. “Relevant Expenses” are the cost of sales, employee benefits expenses and other operating expenses, amortisation or costs of acquiring player registrations, finance costs and dividends[4], etc. Relevant revenues and expenses must be calculated, and they should reflect the fair value of any transactions

[4] Dividends are included in cost according to UEFA’s calculations (UEFA Club Licensing and Financial Fair Play Regulations – Edition 2012).

and be reconciled by the licensee to the annual financial statements. The break-even requirement is evaluated over a period of three years, known as the “Monitoring Period”, described in Table 1. The reporting period, or Monitoring Period, covers the three years before the beginning of UEFA competitions (for instance, 2013-2014, 2014-2015, and 2015-2016 for the season 2016-2017). The first monitoring period, shown in Table 1 as the “Draft project”, was introduced to examine the UEFA football season 2013-2014, however, it included just two reporting periods (2011-2012 and 2012-2013). If the relevant expenses are less than the relevant revenues in the reporting period, then the club has a break-even surplus, otherwise, if the relevant revenues are less than the relevant expenses, the club has a break-even deficit. If a football club, in the UEFA season 2013-2014, has reported relevant revenues lower than relevant expenses (maximum permitted deficit 30 million euros), the club has a break-even deficit. The results are published in euros, for this reason, if the currency is different, results must be converted at the average exchange rate of the reporting period, according to what is published by the European Central Bank. The acceptable deviation for each reporting period is 10 million euros, for a total amount of 30 million, “Ultimate Project” (Table 1). However, initially, for seasons 2013-2014 and 2014-2015, the total amount of acceptable deviations was 15 million euros per season, “Draft Project”, subsequently, from season 2015-2016 the total amount decreased to 10 million euros, “Ultimate Project”. The main indicators to calculate the break-even results are the going of concern, negative equity, break-even result, and overdue payables. Moreover, the Club Financial Control Panel, the body that oversees whether FFP regulations are respected, has the right to ask anytime to the club to submit additional papers and information if in the previous financial statements is written that employee benefits exceed 70% of total revenue or net debt exceeds 100% of the total revenue. The break-even requirement is fulfilled if no indicator is breached, if not, the Club Financial Control Panel may refer the case to the Organs for Administration of Justice, in accordance with the procedure it will take appropriate measures in the “UEFA Disciplinary Regulations for urgent cases”.

In Table 1, it is shown how “Monitoring Periods” work. In the first column, there are two different types of monitoring periods: draft and ultimate project., All monitoring periods display in the “Football Season” column the season in which the FFP is evaluated. In the end, in the fourth year, subsequent to the previous three seasons, except for the first monitoring period started in 2011-12, the final verdict by UEFA is applied to European football clubs.

	Monitoring Periods	Football Seasons	Maximum permitted deficit	UEFA football season affected
1	“Draft Project”	2011-12, 2012-13	€30 million (€15 million per season)	2013– 2014
2	“Draft Project”	2011-12, 2012-13, 2013-14	€45 million (€15 million per season)	2014– 2015
3	“Ultimate Project”	2012-13, 2013-14, 2014-15	€30 million (€10 million per season)	2015-2016
4	“Ultimate Project”	2013-14, 2014-15, 2015-16	€30 million (€10 million per season)	2016-2017
5	“Ultimate Project”	2014-15, 2015-16, 2016-17	€30 million (€10 million per season)	2017- 2018

[Table 1] – Monitoring Periods

1.4.3 Financial Fair Regulations’ Requirements

According to the “UEFA Club Licensing and Financial Fair Play Regulations” football clubs should comply with these requirements: “no overdue payables on employee payments”, “no overdue payables on transfers” and “future financial information”, which entered into force on 1st June 2011 for the season 2011/2012. On the other hand, the “break-even requirement” entered into force for the subsequent financial statement ending in 2012. Regarding the break-even requirement, the first sanction can be applied in the season 2013/2014, and possible exclusion from UEFA competitions in the season 2014/2015.

1.4.4 English Premier League & Football League Championship

Financial Fair Play Regulations are applicable only to clubs that can participate in UEFA competitions, Champions League, Europa League or Conference League. Therefore, in England, only clubs competing in the English Premier League are affected. In the 2013/2014 season, clubs competing in the second English division had to submit accounts, in December, to the Football League in order to calculate total club losses, not including youth development costs, promotion bonuses, investments in a club’s Community Scheme, impact of fixed assets, bad debts from other clubs or losses due to a sponsor defaulting. If losses were below £3 million for the current season, then no sanction or fine for the club. Losses between £3 and £8 million required an injection of equity by the owner, without any further sanction, if not, the Football League could have imposed a transfer embargo. Finally, if losses were above £8 million then the club had to pay a Fair Play Tax if promoted to the first English division, otherwise, a transfer embargo had to be imposed by the Football League. However, since the season 2016/2017, a new policy was introduced in the Championship, the second division of English football, called “Profitability and Sustainability”. This policy has the same objectives as FFP regulations and wants to help clubs participating in the second-division league to pursue a sustainable project for their future. The “Profitability and Sustainability” plan was introduced into alignment with the English Premier League for the reason that, previously, owners of Premier League’s clubs refused to cooperate with the Football League to collect the “Fair Play Tax” fines for clubs that got promoted overspending, lessening the effectiveness of Football League punishments.

The maximum loss permitted by the “Profitability and Sustainability” plan is £13 million per Championship season, or £5 million per season if owners do not inject any equity in the club to cover losses (Table 2). Losses are calculated over three periods of years, like FFP regulations. the main challenge for the Football League was moving from an assessment valid for just one season to an assessment valid over three seasons. The assessment, which is carried out in March, is a combination of a historic assessment and an assessment over the monitoring period, in this way football clubs have to submit a financial projection for each season. If a club does not comply with this policy, it will be referred to a Football Disciplinary Commission and each punishment will be determined by another independent body, the “Fair Play Panel”. There are several possible sanctions for clubs: fine for promoted clubs, transfer embargo, points deduction, or demote a club.

The maximum permitted loss for football clubs competing in the Championship can vary according to their participation in the first or second-division league (Table 2). If the club participated for three subsequent years in the Championship then the maximum permitted loss will be £39 million (£13 per season), however, for each season in the English Premier League the maximum permitted loss will be £35 million each season (if two years in the Championship and one in the Premier League then £61 million), in both cases, if no equity is injected the maximum permitted loss is £15 million.

Season 2014/2015	**Season 2015/2016**	**Season 2016/2017**	**Maximum permitted loss**	**Exceptions**
Championship (£13 million)	**Championship** (£13 million)	**Championship** (£13 million)	£39 million	£15 million (£5 million per season) if no equity is injected
Premier League (£35 million)	**Championship** (£13 million)	**Championship** (£13 million)	£61 million	£15 million (£5 million per season) if no equity is injected
Premier League (£35 million)	Premier League (£35 million)	**Championship** (£13 million)	£83 million	£15 million (£5 million per season) if no equity is injected

[*Table 2*] – Maximum permitted losses in English Championship by Football League

Football League, simultaneously, conducts a similar policy for Premier League's clubs (Table 3), however, permitted loss in this situation is higher, £35 million for each season in the English Premier League, or £15 if no equity was injected into the club.

Season 2014/2015	**Season 2015/2016**	**Season 2016/2017**	**Maximum permitted loss**	**Exceptions**
Premier League (£35 million)	**Premier League** (£35 million)	**Premier League** (£35 million)	£105 million	£15 million (£5 million per season) if no equity is injected
Premier League (£35 million)	Championship (£13 million)	**Premier League** (£35 million)	£83 million	£15 million (£5 million per season) if no equity is injected
Championship (£13 million)	Championship (£13 million)	**Premier League** (£35 million)	£61 million	£15 million (£5 million per season) if no equity is injected

[*Table 3*] – Maximum permitted losses in English Premier League by Football League

2. LITERATURE REVIEW

In the last decade, many works tried to understand Financial Fair Play and its consequences on European football clubs.

Geey (2016) focuses on self-sustainability for European football, particularly in the English Premier League, and how clubs try to circumvent the regulations using players' amortization. The idea is to increase the competitiveness and attractiveness of European football, promoting investments in the football industry and preventing artificial inflation of revenues by club owners. Geey introduces the concept of a soft wage cap as a solution to transfers and wages, which represent the biggest expense for football clubs. Moreover, Geey discusses the competition law assessment of this program, arguing if it is anti-competitive or not, investigating Article 101 of the Treaty of the European Union and UEFA Disciplinary Regulations. Article 101(1) prohibits agreements and practices that affect trade among European Union member states, leading to a restriction of competition. In conclusion, FFP could be an effective entry barrier, especially for mid-level teams, having a distortive effect on domestic leagues.

Dunbar (2015) outlines how labor market controls have been implemented in European football over the years, especially regarding payments and transfers of players. The main focus is on two important requirements for FFP Regulations: Overdue Payables and Break-even. Dunbar explains the unfair advantage for big-level teams created an imbalance in competition. Furthermore, in the paper mentions the legal case involving Daniel Striani who submitted a formal complaint to the European Commission (EC) alleging that the FFP regulations would restrict investment in clubs and limit players' wages, being anti-competitive (The Guardian, 2013). In conclusion, the writer proposes as a solution a "Luxury Tax" for European football clubs, like in Australian football, characterized by the absence of promotion and relegation dynamics.

Ahtianen S. and Jarva H. (2022) concentrate their searches on the profitability of European football clubs, evaluating the "Big 5 Football Leagues" spanning from 2008-2016. Their first hypothesis is to check if losses for European football clubs are lower in the post-FFP period, grounded on the idea that clubs may fear UEFA's sanctions, operating more responsibly. The second hypothesis evaluates if the Financial Fair Play Regulations have increased the profitability of football clubs that decided to adhere to guidelines. Both hypotheses pay attention to financial variables and the club's specific characteristics. Results obtained by the regression analysis reported that European football clubs are less likely to report a loss in the post-FFP period, so the impact of Financial Fair Play is economically significant, but there are some cross-country variations.

Thompson E. (2017) explains why the Football League, the main English football system, promoted the “Profitability and Sustainability” program for the Championship, the second English Division. He analyses possible punishments for clubs and all spending constraints for English clubs competing in the first and second divisions since the 2015-2016 season.

Sloane (1971) scrutinizes the structure and organization of British professional football, describing the market structure and inter-club relations in the football industry. The author highlights the fact that most football clubs operate at a loss and mutual interdependence among football clubs. Clubs have two major sources of income: transfer fees from player sales and income distributed by the league. The text examines the size and structure of the Football League in various aspects. The debate discussed whether the league should be reduced in scale, merging clubs, and how league size could impact attendance and revenue. Sloane highlights the need for economic guidelines to determine the optimal size of the league. Factors such as fixed costs, players’ wages and demand for football matches.

Leach S. and Szymanski S. (2015) describe the difference between the North American Sport Model, owners as Profit-Maximizers, and the European Sport Model, owners as Utility-Maximizers. The paper focuses mainly on English football’s ownership, evaluating sixteen clubs that were publicly traded on the London Stock Exchange in the mid-1990s. The paper examines the impact of stock market floatation on football clubs’ financial performance, profitability, league performance and wages. According to the results, improving league performance requires higher wage spending to get better players in the squad, lowering profitability.

In this research, the primary focus is to assess the effectiveness of UEFA's implementation of Financial Fair Play Regulations in promoting long-term investment and financial stability within the English football industry, akin to Geey's paper. However, unlike Geey, this study adopts a distinct approach by analyzing the financial statements of various football clubs in the first and second divisions of English football, the most dominant football industry, and constructing regression models to examine the policy's financial impact. Comparatively, Dunbar also scrutinizes the efficacy of Financial Fair Play regulations in the football industry, emphasizing the significance of its main requirements, Overdue Payables and Break-Even, although without quantitative analysis. In contrast, this thesis delves into the quantitative influence of Overdue Payables on English football clubs, aiming to determine its relevance in achieving long-term sustainability. Ahtianen S. and Jarva H.'s investigation of Financial Fair Play Regulations centers on European football clubs in the Big 5

European Leagues, while this study exclusively focuses on English football clubs, employing different variables and placing greater emphasis on domestic league performance. Furthermore, this research evaluates the impact of FFP Requirements and football market transactions, the main factor, on club performance. Thompson describes actions taken by the Football League to support Financial Fair Play in English leagues, whereas, in this thesis, an examination of the interrelationship between financial outcomes and Championship clubs' performance is undertaken. Sloane examines factors affecting the European Sport Model, including league size, attendance, and revenue, but this study extends the analysis to assess their impact on English football clubs alongside FFP requirements. Lastly, Leach S. and Szymanski S. study a limited sample of publicly traded English football clubs from the mid-1990s, this research spans a 20-year period and encompasses all English clubs in the first and second divisions, aiming to evaluate the impact of Financial Fair Play Regulations on a broader scale.

3. HYPOTHESIS DEVELOPMENT

In this study, I investigate the effect of Financial Fair Play Regulations on English football clubs over a 20-year period, competing in the first and second divisions. Financial Fair Play was implemented by UEFA with the aim of promoting a long-term sustainable project for the European football industry. The football industry is very particular, profitability and financial performance are strictly linked to sporting achievements and football clubs often prioritize the latter. For this reason, data regarding sports results represent an important part of the analysis of this paper. These factors are useful to examine the competitiveness and sports success of clubs before and after the implementation of the Financial Fair Play Regulations, represented in each regression model by “Transition Period” and “Post Period” variables. These variables, especially “Post Period”, should be positively correlated with the adherence by English football clubs to the Financial Fair Play criteria, the maximum loss permitted by UEFA, and the net income of clubs. On the contrary, the percentage of losses in the English football industry should have a negative correlation, in accordance with UEFA’s aim. However, about sporting performance, we expect a positive indirect effect. The reason that UEFA influences the financial factors of football clubs could improve the competitiveness in domestic leagues by balancing squads. In my research, I examine different perspectives on whether this policy has been effective or not in the most powerful league in the football industry.

First of all, I evaluate the impact of Financial Fair Play requirements on football clubs. In "UEFA Club Licensing and Financial Fair Play Regulations" are listed the three main criteria that European football clubs should fulfill in order to participate in UEFA competitions: Relevant Revenues, Relevant Expenses and Overdue Payables. For this reason, I investigate the effect of such factors, calculated on the basis of UEFA's definitions, on the club's financial stability criteria, represented by the "FFP Criteria". According to UEFA's predictions, football clubs to achieve long-term sustainability should record a high value in Relevant Revenues, reporting a break-even surplus. Moreover, a reduction in overdue payables, or Accounts Payable, should be a symptom of economic health by clubs. In summary, we expect that a high value in the FFP criteria, maximum losses permitted by UEFA, should be correlated with a high value in Relevant Revenues and a low value in Relevant Expenses and Accounts Payable.

In the second place, an important instrument to analyze the fiscal strength is "Net Income". In accordance with UEFA's supposition, the Financial Fair Play program should help football clubs to be profitable, so football clubs should report higher net income or, at least, no net loss. For this reason, I explore the impact of clubs' performance, transactions in the transfer market and financial factors on clubs' profitability. Success on the field can lead to increased revenue, poor performance can have the opposite effect, leading to lower income and potentially financial challenges for the club. So, qualifications for UEFA competitions and the English Premier League should be positively correlated with net income, while relegation is negative. Moreover, goals scored and, the percentage of games won and tied should have a positive correlation too. Investments in players, such as players' wages and spending in the transfer market, could have a positive impact on clubs' performance, however, they could not overwhelm the expenses incurred by football clubs, being negatively correlated with net income. A high value in financial factors, current ratio and the sum of accruals and deferred income, and gain in the transfer market, should be positively correlated with clubs' profitability, promoting UEFA's program.

To continue, I evaluate the impact of the same factors, previously examined for net income, on clubs' losses. Losses are another perspective to investigate financial stability and football clubs should record higher revenues if they adhere to Financial Fair Play Regulations. To confirm UEFA's predictions, sporting success, high value in financial elements and a reduction in big expenses should be negatively correlated with losses. Moreover, I take into consideration relevant expenses excluding players' wages. In the calculation of relevant expenses, according to UEFA's definition, are included players' wages, for this reason, they have to be subtracted. I suppose that a reduction in relevant expenses is positively correlated with a low value in loss because this would mean that football clubs are more profitable.

In conclusion, I evaluate clubs' performance, represented by points gathered by football clubs in each domestic league season. The Financial Fair Play program focuses on financial stability rather than sporting achievements. Nonetheless, European football clubs prioritize sporting success over being profitable. For this reason, I investigate if sporting success by English football clubs has a positive connection with Financial Fair Play requirements. Players' wages, spending in the transfer market and relevant expenses excluding players' wages should be positively correlated with clubs' performance. Investments in the squad are, generally, repaid by achieving sporting success. On the contrary, revenues, total proceed in the transfer market and current ratio should have a negative correlation with clubs' performance. Points should be positively correlated with the percentage of games tied and goals scored too. However, I examine the impact of such factors on the dependent variable.

4. METHODOLOGY

In this study, I investigate the effects of Financial Fair Play Regulations on English football clubs, first and second divisions, over a 20-year period. I examine four different OLS regression analyses. Regression analyses are divided by total assets, just for elements reporting pound amounts. Performing a regression analysis to divide financial variables by total assets can provide valuable insights. Dividing financial variables by total assets can help evaluate the efficiency and effectiveness of a company's asset utilization. By analyzing how various factors relate to financial ratios based on total assets, we can assess the potential risks associated with those factors. By identifying relationships between variables and financial ratios based on total assets, we can make predictions about future financial performance under different scenarios. Therefore, regression analysis can provide a more comprehensive understanding of the factors influencing financial performance, thereby enhancing transparency and credibility. All data have been collected from financial statements of English football clubs, for this reason, all factors regarding profitability and accountability are in pounds or converted into pounds.

4.1 FFP Criteria

In the first OLS regression analysis, I evaluate the impact of Financial Fair Play requirements on English football clubs. As the dependent variable I choose “FFP Criteria”, which represents the financial stability of clubs, and as independent variables two FFP implementation periods, “Transition Period” and “Post Period”, and the three requirements selected by the UEFA: Accounts Payable, Relevant Revenues and Relevant Expenses.

Regression analysis:

FFP Criteria = $\beta 0$ + $\beta 1$ Transition Period + $\beta 2$ Post Period + $\beta 3$ (Accounts Payable / Total Assets) + $\beta 5$ (Relevant Expenses / Total Assets) + $\beta 5$ (Relevant Revenues / Total Assets)

An increase in accounts payables is expected to have a negative impact on the FFP criteria. This implies that when a club has higher accounts payables, it may have an outstanding debt towards other football clubs or lenders, for instance, banks. It may be beneficial for short-term financial stability, but not for a long-term project like the one proposed by UEFA, increasing losses. Higher relevant expenses, related to Financial Fair Play (FFP), are likely to have a negative impact on the FFP criteria. Increased FFP expenses can reduce cash reserves, making it more challenging for the organization to meet its short-term obligations while complying with FFP rules. Opposite, an increase in relevant revenues is expected to have a positive impact on the FFP criteria. Higher FFP-related revenues generally mean more cash inflows, which can improve the organization's liquidity position and its ability to meet FFP obligations. A high value in FFP criteria could be related to FFP implementation periods. For this reason, English football clubs should adhere to FFP Regulations more strictly in this period of time. A low FFP criteria may indicate a higher risk of liquidity problems, especially if FFP obligations are substantial. Understanding the relationship between these variables can help organizations proactively address liquidity and compliance risks.

4.2 Loss

In the third OLS regression analysis, I investigate the effects of financial factors, transactions in transfer markets and clubs’ performance on the losses of English football clubs. I examine in this analysis how the spiral losses of football clubs have been affected by different activities.

Regression analysis:

<u>Loss</u> = *β0* + *β1* Transition & Post Period + *β2* Players' Wages / Total Assets + *β3* Qualification For UEFA Champions League + *β4* Qualification For UEFA Europa League + *β5* Qualification For UEFA Intertoto Cup + *β6* Qualification For English Premier League + *β7* Percentage Games Won + *β8* Percentage Games Tied + *β9* Total Spending In Transfer Market / Total Assets + *β10* Total Proceeds From Transfer Market / Total Assets + *β11* Relegation + *β12* Goals Scored + *β13* Current Ratio / Total Assets + *β14* Accruals & Deferred Income / Total Assets

FFP implementation periods should have a negative relation with losses. UEFA's goal is to incentive European football clubs to not incur losses, especially in the periods in which FFP Regulations have been implemented, especially in the Post FFP period with the ultimate project (Table 1). An increase in players' wages is likely to have a positive impact, reducing the overall revenue generated by the club. The relationship between relevant expenses excluding players' wages and loss may vary. While controlling expenses is essential for profitability, certain expenses may be necessary to maintain competitiveness and generate revenue. Higher percentages of games won and tied can lead to better on-field performance which can negatively influence overall revenue. Scoring more goals can lead to better performance, attracting more fans, and increasing revenue. Qualification for prestigious competitions like UEFA and the Premier League can lead to increased revenues from participation, prize money, and greater exposure. This can significantly impact revenue positively. On the contrary, relegation from a higher league can lead to reduced revenues from television rights, ticket sales, and sponsorships, significantly impacting overall revenue negatively. High spending on player acquisitions and operating expenses can positively impact loss if not effectively managed. On the other hand, gaining profits from player transfers can contribute negatively to loss, especially when player sales exceed the initial investments. The liquidity ratio may have mixed effects on loss. A healthy liquidity ratio can provide financial stability, but holding excessive cash may limit revenue-generating opportunities. These variables in a regression model can help sports clubs and organizations gain a deeper understanding of the drivers of their losses, make informed financial decisions, and optimize their financial performance.

4.3 Net Income

In the OLS second regression analysis, I evaluate the impact of financial factors, transactions in transfer markets and clubs' performance on the net income of football clubs. In 1992, English Premier League had a period of major expansion, due to television rights, exposing football to a much wider audience. However, in the subsequent years, UEFA discovered that some clubs had large outstanding debts to creditors, mainly to other clubs for transfer fees (Dunbar 2015). I investigate if football clubs' profitability has increased, and which elements affect it. For this reason, the dependent variable is Net Income, while independent variables are collected from different fields, to observe how football clubs are influenced by different activities.

Regression analysis:

Net Income (Net Loss) / Total Assets = *β0* + *β1* Transition & Post Period + *β2* Players' Wages / Total Assets + *β3* Qualification For UEFA Champions League + *β4* Qualification For UEFA Europa League + *β5* Qualification For UEFA Intertoto Cup + *β6* Qualification For English Premier League + *β7* Percentage Games Won + *β8* Percentage Games Tied + *β9* Total Spending In Transfer Market / Total Assets + *β10* Total Proceeds From Transfer Market / Total Assets + *β11* Relegation + *β12* Goals Scored + *β13* Current Ratio / Total Assets + *β14* Accruals & Deferred Income / Total Assets

Analyzing net income as the dependent variable with several independent variables can provide valuable insights into the financial performance of a sports club or organization. Net income should be positively correlated with FFP implementation periods, in accordance with UEFA's aim to promote long term sustainability for European football clubs. An increase in players' wages is likely to have a negative impact on net income, high wage expenses can reduce profitability. Qualification for prestigious competitions like UEFA can lead to increased revenues from participation and greater exposure, potentially positively impacting net income. In opposition, relegation from a higher league can lead to reduced revenues, sponsorship deals, and fan interest, potentially negatively impacting net income. Higher percentages of games won and tied can lead to better overall performance and potentially higher revenues from ticket sales, sponsorships, and merchandise, which may contribute positively to net income. Scoring more goals can lead to greater success on the field too, potentially attracting more fans and sponsors. High spending on player acquisitions can negatively impact net income unless the returns on investment, such as increased success on the field or player resale profits, compensate for the expenses. Contrarily, gaining profits from player transfers can positively affect net income, provided that the sales exceed the initial investments. A healthy liquidity ratio can provide the organization with a financial buffer and stability, which can positively impact net income. The relationship between accruals & deferred income and net income may vary. An increase in deferred income may indicate future revenue, which can positively affect net income when recognized. However, excessive accruals may lead to overestimating current net income. analyzing these variables in a regression model can help sports clubs and organizations make informed financial decisions, assess the impact of their on-field performance, and understand the drivers of net income fluctuations.

4.4 Points

In the fourth OLS regression analysis, I evaluate the impact of financial factors, transactions in transfer market and clubs' performance on points gathered by English football clubs in the domestic league each season. Financial Fair Play is a program that promotes long-term sustainability for football clubs. However, sporting success is still very important for European clubs and it is important to figure out its implications with UEFA's program. The outcomes of victories ripple through various aspects of the sport, impacting teams, players, fans, and the broader football landscape. Victories contribute to a club's financial success.

Regression analysis:

Performance (Points) = $\beta 0$ + $\beta 1$ Transition Period + $\beta 2$ Post Period + $\beta 3$ Relevant Expenses Excluding Players' Wages / Total Assets + $\beta 4$ Percentage Games Tied + $\beta 5$ Players' Wages / Total Assets + $\beta 6$ Goals Scored + $\beta 7$ Current Ratio + $\beta 8$ Total Spending In Transfer Market / Total Assets + $\beta 9$ Revenue / Total Assets + $\beta 10$ Total Spending In Transfer Market Relative To The Average / Total Assets

Analyzing points gathered by a football club as the dependent variable with several independent variables can provide valuable insights into the club's performance in a competitive sports context. FFP implementation periods, "Transition Period" and "Post Period", should be slightly positive correlated with the dependent variable, because influenced just indirectly. The relationship between players' wages and points gathered can vary. High wage expenses may attract top talent, potentially leading to better performance and more points. However, excessive wages without commensurate performance can negatively impact points. The relationship between relevant expenses excluding players' wages and points gathered can be mixed. While controlling non-player expenses is essential for financial sustainability, some expenses may be necessary for improved performance and points. A higher percentage of tied games may indicate missed opportunities for winning, which can lead to fewer points. Clubs often aim to convert ties into wins to improve their standings. Total spending on various aspects of the club can have mixed effects on points gathered. While investments in player acquisitions and facilities can enhance performance, excessive spending without careful management can strain finances and negatively impact points. Anyway, overspending relative to the league average may not guarantee more points if the investments do not translate into improved performance. Scoring more goals is often associated with better performance and more points. Clubs strive to have strong offensive capabilities to secure wins and earn points. The liquidity ratio can have mixed effects on points gathered. While financial stability is essential, holding excessive cash without investing in the team may not necessarily lead to more points. Higher revenue can provide clubs with resources to invest in players, facilities, and other areas that can lead to improved performance and more points. Interpretation of results should consider the specific dynamics of the football industry, the importance of balancing financial sustainability with performance improvement, and the need for strategic investments to maximize points and competitiveness.

5. DATA

5.1 Data Sources

To evaluate profitability for English football clubs in the period post Financial Fair Play Regulations, this paper has selected different data, regarding profitability, accountability, performance, and football transfers of clubs, for a 20-year period, from 2000-2001 to the 2020-2021 season. I selected 66 English football clubs, and all of them have competed at least one season in the English Premier League or Championship during this period of time.

5.1.1 FAME Database – Profitability & Accountability

Data, for the Premier League and Championship, have been picked from the FAME database, which is a UK company research solution that gives comprehensive information on public and private companies operating in the UK and Ireland. For this reason, all data are in Pound (£). I have searched for all financial statements published by each football club from season 2000-2001 to 2020-2021. Afterward, I selected the most relevant data for my research, collecting them in my personal database.

5.1.2 FBREF.COM – English Football Clubs' Performance

In my research, I have also evaluated clubs' performance for the first and second divisions, for the same period of time. Data are available on the website known as "FBREF.COM". FBREF.COM is a website that provides comprehensive and detailed statistics, data, and analysis related to football, focusing particularly on providing in-depth statistics for football leagues, teams, players, and matches. It covers a wide range of leagues and competitions from around the world. FBREF.com is operated by Sports Reference LLC, which is known for creating and maintaining sports-related websites that offer statistical and historical information for various sports.

5.1.3 Transfermarkt – English Football Transfers

For English Premier League and English Championship, we have examined "Total Gain in Transfer Market" and "Total Spending in Transfer Market". Data are available on the website known as "Transfermarkt". Transfermarkt is a German-based website that serves as a comprehensive online platform for tracking and providing information about football transfers, player valuations, contract details, player profiles, and various statistics related to football clubs, players, and leagues. However, data on Transfermarkt.com are only available in Euro (€) as currency, for this reason, they have been converted in my database to Pound (£) using the "EUR GBP – Historical Annual Data" (Average Closing Price). For instance, to calculate transfers in the season 2020-2021 has been used the Historical Annual Data of 2020, due to the fact that the first transfer window is in the summer of 2020 and the second in January 2021.

5.2 Variables

5.2.1 Profitability & Accountability

Accounts Payable

Accounts Payable, in financial statements of English football clubs are titled "Trade Creditors". Clubs often owe fees to other clubs and player agents for player transfers. Moreover, are included expenses related to the stadium, facilities, merchandise and equipment.

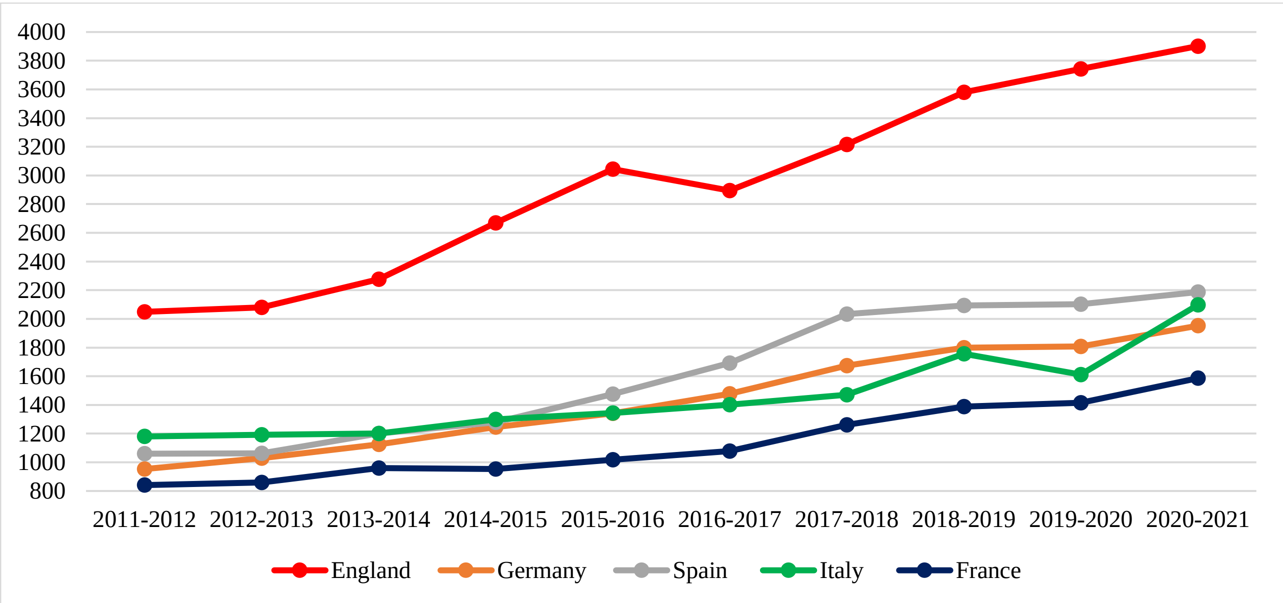
Players' Wages

Players' Wages[5], in financial statements of English football clubs are titled "Wages & Salaries". Players' Wages, in the football industry, refer to the salaries and compensation paid to professional

[5] Source: FAME database

players, including performance bonuses. Players’ Wages represent a major portion of a football club’s expenses and are the biggest expenditure. Players’ Wages are useful for assessing financial health and evaluating clubs’ profitability. In cost analysis, evaluating players’ wages is crucial to allocate financial resources efficiently and maintain long-term financial sustainability. Moreover, Players’ Wages are used as a metric to examine the performance of football clubs. Football clubs may engage in bidding wars to acquire skilled players. For this reason, UEFA introduced Financial Fair Play Regulations to ensure that clubs do not spend beyond their means. However, there significant disparities in wages around the world. In Europe, among the “Big Five” European leagues, the English Premier League has higher Players’ Wages (Figure 2).

Figure 2 shows the great disparity in financial power between the English Premier League (red line) and the other Big Four European leagues in wage costs. Over this 10-year period, all the leagues had a positive trend, raising by far their wage expense. In particular, the English Premier League, had a huge increasing trend from 2011-2012 (2049 million euros) to 2020-2021 (3902 million euros), an increase of almost 100% compared to the first season, with only a slight negative curve in 2016-2017 season.



[*Figure 2*] - Big Five European League Clubs' Wage Costs (million of €) - from 2011-2012 to 2020-2021 (Source: Leagues Deloitte Analysis)

Accruals & Deferred Income

Accrual income is the revenue that has been earned by the firm but not yet received, recorded on the balance sheet as an asset and on the income statement as income. In the football industry are included salaries and wages payable or interest and rent expenses incurred but not yet paid. Deferred income is money received for goods or services that have not yet been delivered, recorded on the balance sheet as liability and on the income statement as income when delivered. In the football industry, it includes advance ticket sales, sponsorship or broadcasting revenue Both factors, help to match revenue with the goods and services when delivered or when it was earned. Moreover, they provide stakeholders with a clearer picture of the firm’s financial situation.

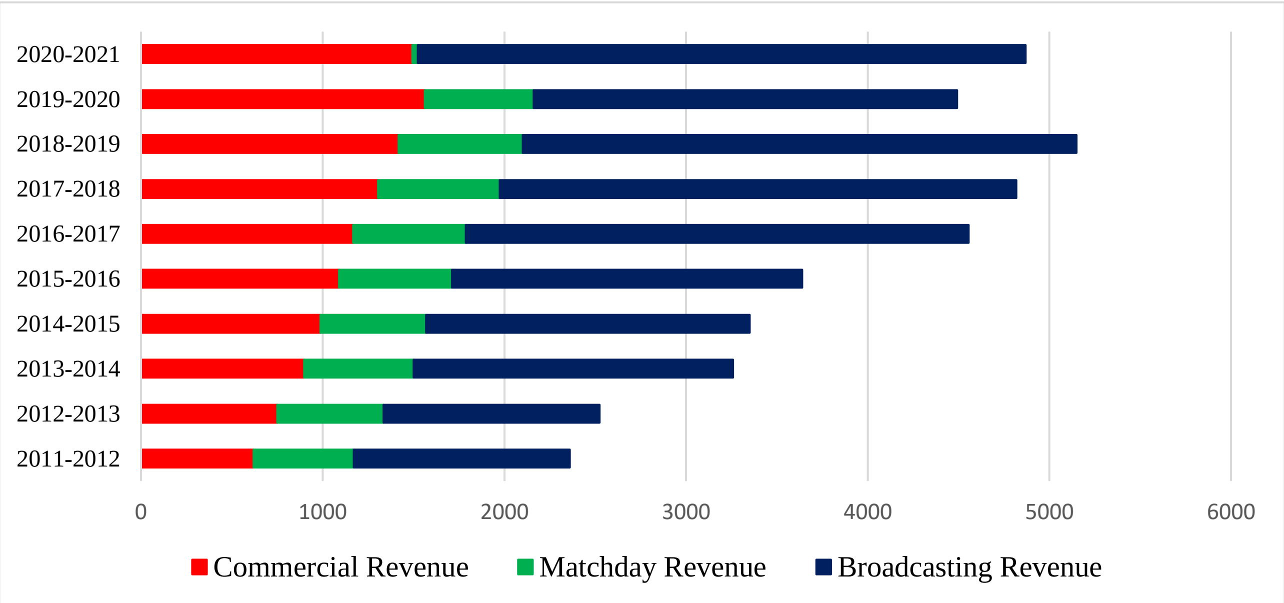
Current Ratio

Liquidity ratios are financial metrics used to determine a firm’s ability to meet its short-term financial obligations, determining if a company has enough cash or liquid assets to pay off current debt. A high current ratio indicates that the company can quickly meet its short-term obligations. UEFA Financial Fair Play Regulations require that football clubs maintain a certain level of liquidity to ensure financial stability to avoid excessive wage inflation. The Current Ratio is calculated as follows: $\frac{Current\ Assets}{Current\ Liabilities}$. Current assets include cash, accounts receivable and other assets that can be easily converted to cash within a year. Current liabilities include accounts payable and short-term debt due within a year.

Revenues

In the industry of football, the term "revenues" encompasses the entirety of income that flows into a football club or organization through a diverse array of channels. Matchday Revenues encompass the earnings stemming from ticket sales for matches, luxury hospitality suites, premium VIP boxes, and other activities that revolve around the fervor of fans gracing the games. Broadcasting Revenues emerge from broadcasting rights and deals, spanning across television broadcasts, radio airwaves, streaming services, and other media platforms that project the spectacle of football matches far and wide. Commercial Revenues comprise the returns stemming from sponsorship agreements, advertising pursuits, merchandising endeavors, licensing arrangements, and other dynamic commercial liaisons. These three categories are the most profitable in the football industry (Figure 3). However, there are other sources of income: player transfer income, stadium and facility renting, corporate hospitality earnings, licensing and royalties returns and donations and grants. Revenues form a pivotal bedrock for the fiscal soundness and sustainability of a football club. They furnish the resources indispensable for the coverage of an array of expenses, encompassing player wages, remuneration for the coaching staff, the upkeep of facilities, promotional endeavors, administrative outlays, and more. Clubs endowed with higher revenues are often equipped with more substantial financial reservoirs to channel into player acquisitions, development of training facilities, infrastructural enhancement, and other dimensions that contribute to their overall competitiveness and triumphant trajectory.

Figure 3 shows that the expanding power of the English Premier League and its relevance globally is highly correlated to its financial power. Except for the last two years, due to the COVID-19 pandemic, the English Premier League has a favorable trend in generating revenues too, especially in Commercial and Broadcasting revenues. Matchday Revenue has slightly increased over the years, in 2011-2012 551 million of pounds and in 2018-2019 683 million, compared to the other two categories. Commercial Revenue has expanded almost three-fold times from 2011-2012 (620 million) to 2019-2020 (1563 million). In particular, Broadcasting Revenue improved its profits from 2011-2012 (1189 million) to 2018-2019 (3049 million). This bar graph describes us the relevance of broadcasting rights in the modern football industry.



[*Figure 3*] - Revenue of Clubs in English Premier League (million of £) - from 2011-2012 to 2020-2021 (Source: Statista Research Department)

Loss

The loss represents a situation in which a company's expenses or liabilities exceed its revenues or assets, resulting in a negative financial outcome. UEFA Financial Fair Play's aim is to promote a long-term sustainability project for European football clubs, decreasing the amount of losses. This policy was implemented especially to prevent football clubs from incurring losses and threatening their existence.

Net Income

Net income is total revenue less total expenses. A high Net Income indicates that the firm is generating enough profits to fund its operations and growth, being sustainable. UEFA Financial Fair Play Regulations require that football clubs have to maintain a certain level of net income to ensure financial stability. The formula of Net Income is: $Total\,Revenues - Total\,Expenses$. In the football industry, total revenues include matchday revenue, broadcasting revenue, commercial revenue and transfer revenue. Total expenses include player wages, operating expenses regarding the club's operations, amortization and depreciation (non-cash expenses), interest expenses and taxes.

Total Assets

Total assets refer to the sum of all tangible and intangible assets owned by a firm. Tangible assets refer to physical assets, like property, plant and equipment, while intangible assets to non-physical assets, like patents, trademarks and goodwill. A high total asset value indicates that the company has significant resources. In the football industry, "total assets" represent the aggregate valuation of all tangible and intangible resources owned by a football club or organization. These encompass a spectrum of valuable holdings that contribute to the club's overall worth and financial foundation. Stadiums and Facilities, value of stadiums, training facilities, and other real estate assets owned by the club. Among them, the most important tangible asset for a football club is the stadium. Player Valuation, combined worth of players in the squad, considering both current market value and potential transfer fees. Players are the most important intangible assets for a football club, based on their valuation. Infrastructure, investment in training grounds, youth academies, medical facilities, and administrative offices. Brand and Intellectual Property, value of the club's brand, trademarks, logos, and other intellectual property rights. Broadcasting Rights, worth of contracts for broadcasting rights, including television, radio, and digital platforms. Sponsorship and Advertising Agreements, the value of ongoing partnerships with sponsors, advertisers, and commercial collaborators. Merchandising and Licensing, worth of merchandise sales, licensing agreements, and revenue generated from fan engagement. Cash and Financial Instruments are liquid assets held by the club, including cash, bank deposits, and short-term investments. Total assets represent a critical gauge of a football club's financial standing and capacity. They offer insight into the club's overall value and ability to navigate financial commitments, such as player wages, operational costs, facility maintenance, and strategic investments. Clubs with substantial total assets are often better equipped to weather economic challenges, attract high-caliber players, enhance facilities, and foster long-term sustainability.

Relevant Revenues

"Relevant Revenues" in the context of Financial Fair Play refer to the specific categories of income that are taken into account when assessing a football club's compliance with the financial regulations set forth by governing bodies such as UEFA. These revenues are used as a basis for evaluating a club's financial sustainability and its adherence to the prescribed financial limits. The concept of Relevant Revenues encompasses various sources of income that are considered integral to a club's financial operations within the framework of FFP. These revenues serve as a measure of the club's financial health, its capacity to manage its financial commitments and its compliance with the stipulated financial thresholds. Clubs are required to demonstrate a balance between their Relevant Revenues and their expenditures, ensuring that they operate within the defined financial limits to promote long-term sustainability within the football industry. “Relevant Revenues” are the sum of the following items: Turnover (or Revenue), Other Income, Total Other Income & Interest Received, Exceptional Items, Profit on Sale of Operations, Interest Received, Profit on Disposal, and Foreign Exchange Gain.

Relevant Expenses

"Relevant Expenses" in the context of Financial Fair Play refer to the specific categories of expenditures that are taken into consideration when assessing a football club's compliance with the financial regulations outlined by governing bodies like UEFA. These expenses are used to evaluate a club's financial sustainability and its adherence to the prescribed financial limits. The concept of Relevant Expenses encompasses various types of costs that are integral to a club's financial operations within the framework of FFP. Clubs are required to strike a balance between their Relevant Revenues and Relevant Expenses to ensure they operate within the defined financial thresholds, promoting sustainable financial practices within the football industry. “Relevant Expenses” are the sum of the following items: Cost of Sales, Total Amortization and Impairment, Total Operating Lease Rentals (including Hire of Plant & Machine, Land & Building or Property Rents & Others, and Research & Development), Loss on Disposal, Directors’ Remuneration (including Directors’ fee and Pension Contribution), Interest Paid (including Paid to Bank, Paid on Hire Purchase, Paid on Leasing and Other Interest Paid), Cost of Reorganisation, Dividends, Audit Fees and Foreign Exchange Losses.

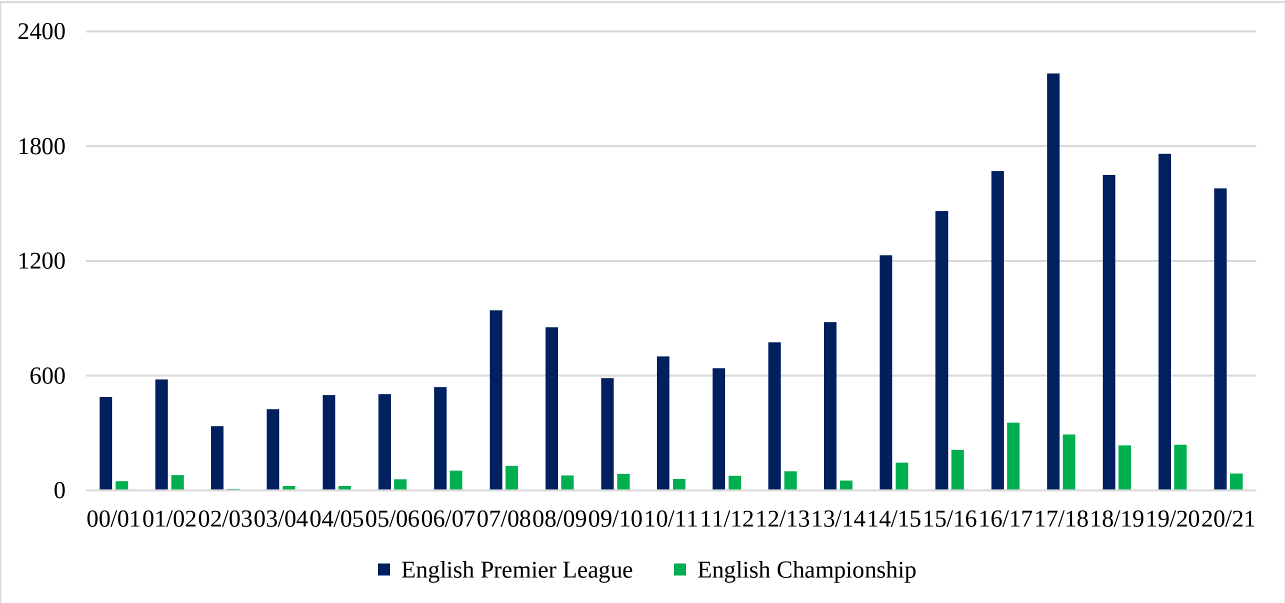
5.2.2 Football Transfers

Football transfers refer to the process of players moving from one football club to another, typically involving the transfer of player registrations and contractual rights. Transfers are a fundamental aspect of the football industry, facilitating the movement of players between teams and contributing to the dynamics of team composition, competition, and squad development. Transfers can occur during designated transfer windows, which are specific periods when clubs are allowed to register new players or sell existing ones, as regulated by governing bodies and football associations. In English Premier League there are two transfer windows for clubs, the “Summer transfer window”, from July 4th to September 1st, and the “Winter transfer window”, from January 1st to January 31st. When a player is transferred from one club to another, their registration is transferred as well. This means that the new club gains the official rights to the player's services and can include them in their squad. Transfers often involve the payment of transfer fees from the buying club to the selling club. The transfer fee is negotiated between the clubs and can vary widely based on factors such as the player's skill level, contract duration, age, and market demand. Transfers can significantly impact clubs' finances, squad dynamics, tactical strategies, and competitiveness.

Total Spending in Football Transfers

Spending on football transfers refers to the amount of money that football clubs invest in acquiring new players through transfer deals. This spending is a fundamental part of the football industry and can vary widely depending on factors such as player quality, market demand, and the financial capacity of the clubs involved. The primary component of spending in transfers is the transfer fee. This is the amount of money that the acquiring club pays to the selling club in exchange for the player's registration rights. Transfer fees may also include add-ons or bonuses based on certain performance-related criteria. This is the main factor that I am going to evaluate for my research. Clubs focus on acquiring established stars to compete for titles such as the English Premier League (EPL) and this is reflected in the high transfer fees paid for players (Figure 4). Newly promoted clubs to the Premier League might increase their transfer spending to reinforce their squads and enhance their chances of survival in the top-flight league (Figure 4). Conversely, established clubs may also spend heavily to avoid relegation and maintain their EPL status.

The bar graph shows the increasing spending in English Football, the Premier League (blue bar) and Championship (green bar). The discrepancy between the two leagues is very large and over the years it has widened. However, both leagues have a positive trend with a slightly negative curve in the last years, also for the COVID-19 pandemic. English Championship has expanded its spending from 2000-2001 (48 million euros) to 2016-2017 (354 million). On the other side, the English Premier League has enlarged its expenditure too, from 488 million in 2000-2001 to 2180 million in 2017-2018.

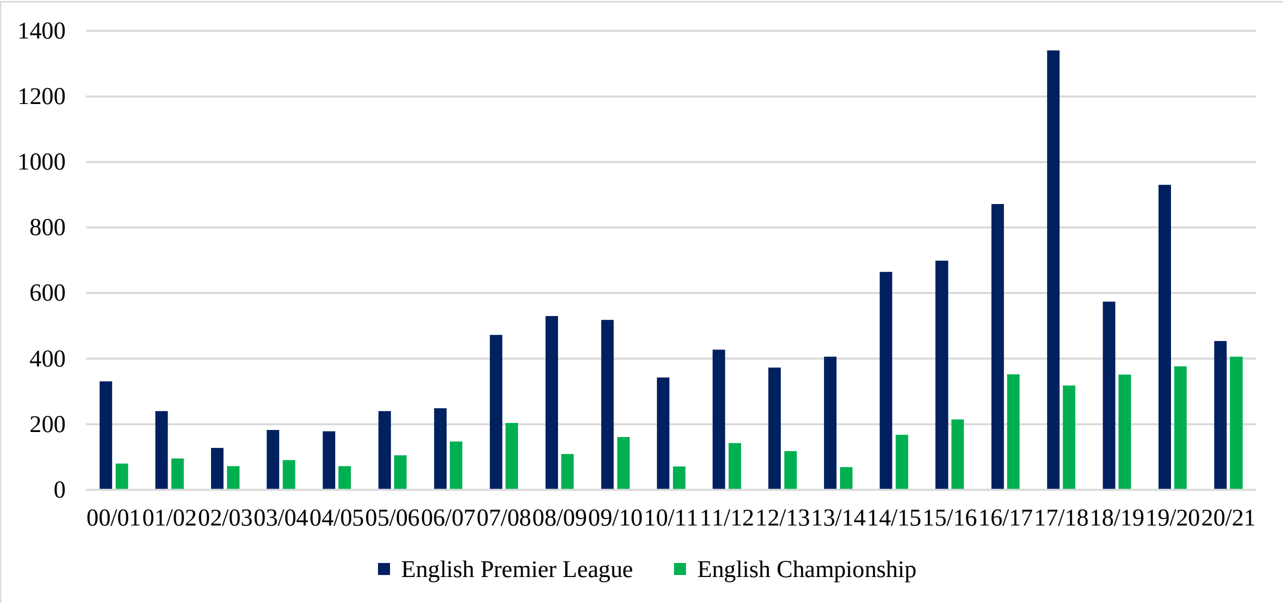


[*Figure 4*] - Total Spending in English Football (million of €) - from 2000-2001 to 2020-2021 (Source: Transfermarkt)

Total Proceeds in Football Transfers

Proceeds in football transfers refer to the money received by a selling club when they transfer a player to another club. These proceeds can vary widely based on factors such as the player's talent, age, contract length, and the demand from buying clubs.

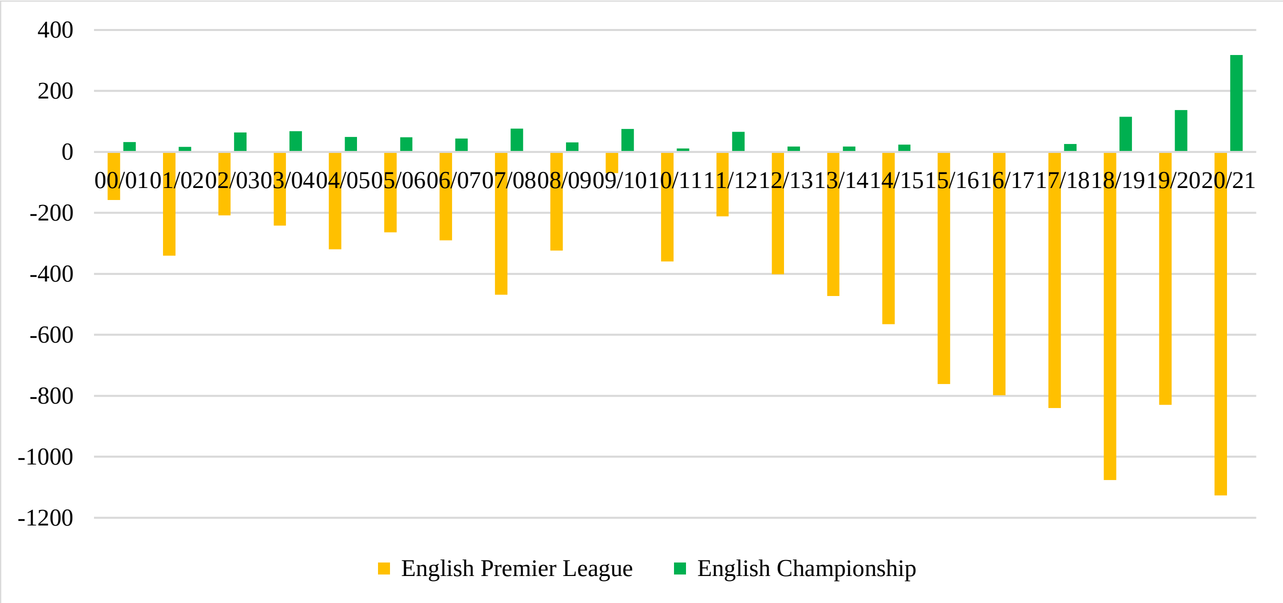
Following the same trend of "Total Spending in English Football" in Figure 4, both leagues have increased their gains in football transfers over this 20-year period. In Figure 5, the Championship (green bar) has a continuous positive trend, from 80 million euros in 2000-2001 to 406 million euros in 2020-2021. On the other side, the Premier League (blue bar) has a favorable trend until 2018-2019 (1340 million), with a negative curve in the subsequent years. Except for the last season, 2020-2021, the disparity between the first and second division has expanded.



[*Figure 5*] - Total Proceeds in English Football (million of €) - from 2000-2001 to 2020-2021 (Source: Transfermarkt)

Net Proceeds in Football Transfers

Figure 6 shows the difference between proceeds and expenditure in the transfer market regarding English football clubs, first and second division. We observe clearly that Championship (green bar) has a slightly positive trend, which rears up in the last three years (from 2018-2019 to 2020-2021), with apex in the last year with 317 million euros. Contrarily, the English Premier League (orange bar) reports a continuous negative trend over this 20-year period, the lowest result is a deficit of 1127 million in 2020-2021. The two leagues have opposite trends, for the reason that Premier League clubs benefit from higher broadcasting rights, sponsorship deals, and matchday earnings due to larger stadium attendances and increased global viewership compared to Championship clubs. Proceeds from the transfer market are more relevant for the finances of clubs competing in the second division, their main purpose is to financially survive rather than acquiring the best players on the market.



[*Figure 6*] - Net Proceeds in English Football (million of €) - from 2000-2001 to 2020-2021 (Source: Transfermarkt)

5.2.3 Club Performance

The "European Sport Model" refers to a distinct approach to organizing and governing sports in Europe, particularly in the context of team sports like football (soccer). It's characterized by certain principles and structures that differentiate it from other sports models, such as the professional sports model predominant in North America. The European Sport Model is based on a pyramid structure for the organization of sports and sports competitions, from grassroots to national and international levels, with a central role for sports federations. This structure ensures that sport is accessible to everyone and provides a clear pathway for athletes to progress to higher levels of competition. The European sports model is based on a system of open competitions based on the principle of promotion/relegation. This system ensures that clubs and teams are rewarded for their performance and provides an incentive for them to improve.

Relegation

Relegation is a fundamental concept in the English football league system. It refers to the process by which teams are demoted from a higher division to a lower division at the end of a competitive season based on their performance in the league standings. Relegation has significant implications for the clubs involved, affecting their status, revenue, and overall competitiveness. In the Premier League, which is the first division of English football, the three teams that finish the season with the lowest number of points in the league standings are relegated to the Championship for the following season. The journey back to the Premier League after relegation is often a formidable challenge. Relegated teams from the Premier League seldom achieve immediate re-promotion. Only a select few manage to navigate the trials of the lower division and regain their Premier League status in the subsequent season. In the Championship, which is the second division of English football, the situation is the same: the three teams that finish at the bottom of the Championship standings are directly relegated to League One, the third division of English football. Relegation has significant consequences for clubs. From a financial perspective, clubs in the Premier League benefit from higher broadcasting revenues and commercial deals compared to the Championship. Relegation to a lower division can result in a decrease in revenue, which might impact the club's ability to maintain player salaries, invest in new players, and cover operating costs. Relegated clubs might also experience a decrease in fan attendance and engagement, as the allure of playing against top teams in the Premier League is diminished. The loss of top-tier status can affect a club's marketability and attractiveness to sponsors and potential players.

Qualification for English Premier League

In the Championship, teams claiming the top two positions in the Championship at the season's conclusion are granted automatic promotion to the Premier League for the subsequent season. Additionally, the squad finishing between third and sixth place engages in a promotional playoff, with the winner securing the third promotion spot. Qualifying for promotion from the Championship to the English Premier League (EPL) carries significant implications. Promotion to the EPL leads to a substantial increase in revenues. Competing in the Premier League provides clubs with enhanced visibility on a global scale. This transition redefines a club's trajectory, reshaping its financial stability, marketability, and competitive profile.

Qualification for UEFA Champions League

Qualification for the UEFA Champions League from the English Premier League (EPL) involves a competitive process that rewards top-performing clubs with the opportunity to compete on the elite European stage. The EPL's qualification criteria are designed to identify the strongest teams capable of representing England in this prestigious tournament. Generally, the top four teams in the EPL earn direct entry into the group stage of the Champions League. The criteria consider each club's final position in the league table at the end of the season. However, if the winner of the UEFA Champions League and the UEFA Europa League is not among the top four EPL teams, they also secure places in the following season's Champions League. The UEFA Champions League is an annual club association football competition organized by the Union of European Football Associations (UEFA) and contested by top-division European clubs and is the most high-profile club soccer tournament in the world. The competition starts with a qualification phase, followed by a group stage where participating teams are divided into groups and play against each other in a round-robin format. The group stage is followed by knockout rounds, including the Round of 16, quarterfinals, semi-finals, and the final match. Qualifying for the UEFA Champions League carries profound implications for football clubs. Participation in the Champions League guarantees significant financial rewards. Clubs earn substantial revenues from broadcasting rights, sponsorship deals, ticket sales, and merchandise. This influx of funds can provide the means for investments in player acquisitions, facilities, and infrastructure. It elevates the club's status on a global scale, enhancing its reputation and visibility in the football community. The financial windfall from the Champions League can provide stability and sustainability, allowing clubs to weather economic challenges and invest in long-term projects. Ultimately, Champions League qualification is a gateway to the grand European stage, spanning international recognition, financial growth, player recruitment, and overall advancement.

Qualification for Europa League

Qualification for the UEFA Europa League in the English Premier League is based on league position and domestic cup competitions. The team that finishes in fifth place in the Premier League table automatically qualifies for the group stages of the UEFA Europa League. This means that they enter the competition directly at the group stage without having to go through any qualification rounds. The winners of the FA Cup also qualify for the group stages of the UEFA Europa League. If the FA Cup winners have already qualified for the UEFA Champions League through their league position, then the Europa League spot goes to the runner-up of the FA Cup. Additionally, if there are any available spots after the above qualifications, they might be allocated to teams based on their fair play record in the Premier League. The UEFA Europa League is an annual football club competition organized by the Union of European Football Associations (UEFA) for eligible European football clubs. It is the second-tier competition of European club football and provides an opportunity for teams that may not have qualified for the Champions League to compete on an international stage. The competition has been held since 1971 and features teams from various European leagues. The UEFA Europa League follows a similar format to the UEFA Champions League. The competition was previously known as the UEFA Cup until it was rebranded as the UEFA Europa League in 2009. The rebranding aimed to enhance the competition's appeal and align it more closely with the UEFA Champions League It begins with a group stage, followed by knockout rounds, including the round of 32, round of 16, quarterfinals, semifinals, and a single-leg final. The UEFA Europa League attracts a significant following and has a wide television audience. The Europa League's rich history and competitive spirit contribute to the allure of the competition for both fans and football enthusiasts across Europe and beyond.

Qualification for Intertoto Cup

The UEFA Intertoto Cup was a unique football competition that offered a path to European football for clubs, including those from the English Premier League, that did not qualify for major European tournaments like the Champions League or Europa League. It had varying qualification processes but generally included non-qualifying clubs. The competition took place during the summer, featuring multiple rounds and a group stage. Winners of the groups received cash prizes and a chance to enter the UEFA Cup the next season. The Intertoto Cup ended in 2008, and participating teams now directly enter the UEFA Europa League qualifying stages.

The UEFA Europa Conference League, introduced in 2021/22, is a separate competition serving as the third-tier in European club football. It differs from the Intertoto Cup, as it aims to provide more opportunities for clubs from smaller football associations to compete in Europe, positioned below the UEFA Europa League in terms of hierarchy. In summary, while both the Intertoto Cup and the Europa Conference League offer European football chances, they have distinct formats and objectives.

Points

The point system in the English Premier League is a fundamental aspect of determining the standings and outcomes of matches throughout the league season. The point system is straightforward: teams earn points based on their performance in individual matches, and these points accumulate over the course of the season to determine the league positions. A team is awarded three points for a victory in a Premier League match. A team earns one point for a draw, which occurs when both teams finish the match with the same number of goals. If a team loses a match, it does not receive any points. At the end of the EPL season, the team with the highest number of points is crowned the league champion. The teams are then ranked in descending order of points earned, with additional tiebreakers used if two or more teams have the same number of points. These tiebreakers include goal difference (the difference between goals scored and goals conceded) and total goals scored. Points have financial repercussions as well. Clubs earn prize money based on their final league position, and higher finishes result in greater revenues. European qualification also brings additional financial rewards, contributing to a club's sustainability. In essence, points in the EPL shape the entire football ecosystem.

Percentage of Games Won

The number of games won in football holds significant implications and relevance, serving as a critical measure of a team's performance and competitiveness. Each victory contributes three points to a team's total, directly influencing their position in the table. Beyond the numbers, victories are the essence of competition. For this reason, I decided to include in my research "Percentage of Games Won" in order to evaluate the relevance of victories for a long-term sustainable project, like the one proposed by UEFA. The percentage of Games Won is calculated in this way: $\frac{Number\ of\ Games\ Won}{Number\ of\ Games\ Played\ in\ a\ Season}$. The only difference between the English Premier League, first-tier, and English Championship, second-tier, is the number of teams participating in the competition. In the first division, there are 20 teams competing, while in the second 24. As a consequence, the number of games played by each team in the Premier League is 38 and in the Championship is 46.

Percentage of Games Tied

Games that end in a tie, also known as draws, have distinct implications and relevance in the world of football. Draws play a crucial role in shaping the dynamics of competition. Draws lead to the division of points between two teams, with each team typically receiving one point. Draws can lead to a balanced distribution of points across the league, preventing a few dominant teams from running away with the competition. This can result in a more competitive and closely contested league. For this reason, I decided to include in my research “Percentage of Games Tied” in order to evaluate the relevance of draws in the financial performance of football clubs. Similarly to the percentage of games won, the percentage of games tied is calculated in this way: $\frac{Number\ of\ Games\ Tied}{Number\ of\ Games\ Played\ in\ a\ Season}$. The number of games played by each team in the Premier League is 38 and in the Championship is 46.

Goals Scored

"Goal" refers to the act of successfully propelling the ball across the goal line and into the opponent's net, resulting in a score for the attacking team. Goals are the fundamental purpose of the game. Scoring goals is the primary means by which teams accumulate points and determine match and tournament outcomes. A higher number of goals scored often leads to victory, while a lack of goals can result in a draw or even defeat. Goals are a source of electrifying excitement for fans and spectators, making football matches thrilling and engaging to watch. Goals may also be a parameter to determine league’s position in a tiebreak among two or more teams having the same number of points accumulated. In essence, goals are the heartbeat of football, representing both its essence and its spectacle.

6. DESCRIPTIVE STATISTICS

The Financial Fair Play (FFP) criteria, implemented by UEFA, corresponds to the maximum limit of loss allowed for European football clubs: 10 million euros per season (Table 5). Table 5 shows that over different periods (Pre-FFP, Transitional and Post–FFP) the frequency of English football clubs adhering to FFP Regulations has been slightly increasing. At first, from the “Pre-FFP” to the “Transitional” period, the percentage of clubs respecting the FFP criteria has lowered by almost 15%. However, from “Transitional” to “Post-FFP”, the percentage has grown by more than 20%, higher also than “Pre-FFP”. According to the table, English football clubs, over the years, have improved their financial results.

VARIABLE	N	MEAN	STANDARD DEVIATION	1ST QUARTILE	MEDIAN	3RD QUARTILE
ACCOUNTS PAYABLE / TOTAL ASSETS	816	0.07924	0.125	0.01127	0.03630	0.09597
ACCRUALS & DEFERRED INCOME / TOTAL ASSETS	816	−0.16908	0.073	−0.21730	−0.13829	−0.05822
CURRENT RATIO	816	0.5797	0.016	0.1800	0.3700	0.6400
FFP CRITERIA	816	0.670	0.112	0	1	1
GOALS SCORED	816	55.9	0.002	45	54	66
LOSS	816	0.6446	0.007	0	1	1
NET INCOME / TOTAL ASSETS	816	−0.18760	0.114	−0.24580	−0.07425	0.02142
PERCENTAGE GAMES WON	816	0.37344	0.261	0.28261	0.37344	0.45652
PERCENTAGE GAMES TIED	816	0.26443	0.210	0.21053	0.26316	0.31579
PLAYERS' WAGES / TOTAL ASSETS	816	0.93515	0.007	0.03035	0.19925	0.953515
POINTS	816	58		46	57	70
POST PERIOD	816	0.364	0.031	0	0	1
QUALIFICATION FOR ENGLISH PREMIER LEAGUE	816	0.07475	0.068	0	0	0
QUALIFICATION FOR INTERTOTO CUP	816	0.008578	0.149	0	0	0
QUALIFICATION FOR UEFA CHAMPIONS LEAGUE	816	0.1005	0.071	0	0	0
QUALIFICATION FOR UEFA EUROPA LEAGUE	816	0.07108	0.058	0	0	0
RELATIVE SPENDING TO THE AVERAGE / TOTAL ASSETS	816	−0.11539	0.017	−0.18760	−0.04349	0.03804
RELEGATION	816	0.1225	0.053	0	0	0
RELEVANT EXPENSES / TOTAL ASSETS	816	1.0966	0.019	0.5213	0.8285	1.3022
RELEVANT EXPENSES EXCLUDING PLAYERS' WAGES / TOTAL ASSETS	816	0.92126	0.385	0.23373	0.31237	1.05219
RELEVANT REVENUES / TOTAL ASSETS	816	1.63238	0.010	0.09986	0.68500	1.84642
REVENUE / TOTAL ASSETS	816	0.8877		0.4330	0.6407	1.0215
TOTAL PROCEEDS FROM TRANSFER MARKET / TOTAL ASSETS	816	0.17160	0.058	0.01934	0.08403	0.22815
TOTAL SPENDING IN TRANSFER MARKET / TOTAL ASSETS	816	0.19325	0.082	0.05227	0.15343	0.27540
TRANSITION PERIOD	816	0.152	0.041	0	0	0

[*Table 4*] – Descriptive Statics of all variables

I ordered all the variables used in the following regression analysis by alphabetical order.

		PRE - FFP	TRANSITIONAL	POST - FFP
FFP CRITERIA = 1	N° Observations	216	64	217
	% Observations	67,34%	51,61%	73,06%
FFP CRITERIA = 0	N° Observations	129	60	80
	% Observations	32,66%	48,39%	26,94%

[*Table 5*] - Frequency of Financial Fair Play criteria and Loss interacting with Financial Fair Play periods

6.1 FFP Criteria

Table 6 shows the impact of the three requirements selected by UEFA for the Financial Fair Play program: Accounts Payable, Relevant Revenues and Relevant Expenses. In the first regression, the second column evaluates the effect of "Transition Period" and "Post Period" independent variables on "FFP Criteria". Both explanatory variables are relevant and report a positive correlation with the dependent variables. The T-statistic is significant, so the null hypothesis is not rejected.

In the second regression, the third column from the left observes the impact of the two independent variables, previously analyzed, with other control variables. In this model, the "Transition Period" and "Post Period" variables are not as significant as in the previous analysis. However, the other explanatory variables are significant. The only variable that has a negative correlation with the dependent variable is "Relevant Expenses / Total Assets". For this reason, a high value in relevant expenses means that the football club would encounter a higher loss, not respecting the FFP criteria. Accounts payable are positively correlated to the "FFP Criteria" variable, due to the fact that there are outstanding debts that have not yet been paid by football clubs. So, they are recorded as losses by UEFA. Compared to the first regression, the F-statistic is higher and adjusted R^2 too, the model is a good fit for the data, and a large proportion of the variance in the dependent variable is explained by the independent variables included in the model.

In conclusion, the null hypothesis that FFP implementation periods and requirements affects the FFP criteria of English football clubs, hence their financial behaviour, is not rejected in both regression analysis.

Table 6: The Effects of Financial Fair Play Requirements on FFP Criteria

Variables	FFP Criteria	FFP Criteria
Transition Period	0.138***	0.047
	(3.57)	(1.47)
Post Period	0.139***	0.038
	(4.79)	(1.56)
Accounts Payable / Total Assets		0.396**
		(3.17)
Relevant Revenues / Total Assets		0.118***
		(6.32)
Relevant Expenses / Total Assets		−0.209***
		(−20.12)
Intercept	0.745***	0.799***
	(39.96)	(34.01)
N° Observations	816	816
F−statistic	13.89	95.42
p−value	0.000	0.000
Adjusted R^2	0.029	0.357

Dependent variable: “FFP Criteria”
T−statistic in parenthesis
***p<0.01, **p<0.05, *p<0.1

6.2 Loss & Net Income

Table 7 shows the effects of different financial and sporting elements on the Loss and Net Income of English football clubs. The second column from the left evaluates the relevance of the “Transition Period” and “Post Period” variables. Both explanatory variables are not significant. In fact, the F-statistic of this model is very low. Moreover, the “Transition Period” is positively correlated to the “Loss” variable, a positive coefficient. This result is coherent with what was observed in Table 5, where the number of English football clubs respecting the FFP criteria in the “Transitional” period has diminished compared to the “Pre-FFP” period.

The third column shows the effects of the two independent variables, previously analyzed, with other control variables. Most of these variables are not significant, showing low t-statistic. “Current Ratio”, and “Qualification for UEFA Champions League” are the most significant variables in the model, being negatively correlated with the dependent variable. A high value in liquidity means that maintaining a healthy level of liquidity is essential for clubs to withstand periods of losses and financial stress. Furthermore, additional income from participating in a prestigious international competition such as the “UEFA Champions League” could offset some financial losses, especially for clubs that rely heavily on European competitions for revenue. In addition, “Total Proceed from Transfer Market / Total Assets” and “Qualification for UEFA Europa League” are relevant for the regression analysis. For the UEFA Europa League, the reason is the same as participating in the

UEFA Champions League, but the international relevance of the competition is lower, hence the impact on loss variable too. Total proceeds from the transfer market are an important source of income for football clubs, hence it is negatively correlated with the “Loss variable”. The F-statistic is not very strong and adjusted R^2 is still very low, hence the relationship between the independent variable and the dependent variable is weak.

In both regression analyses for the “Loss” dependent variable, we can reject the null hypothesis that FFP implementation periods, financial and sporting factors affect losses of English football clubs.

Table 7 shows the impact of financial and sporting performance on the net income of English football clubs. the fourth column from the left displays the relevance of implementation periods on the dependent variable. The intercept has a negative coefficient, confirming that most English football clubs have reported net losses over the years. As in “Loss” regression analysis”, the impact of both explanatory variables is not significant. However, they have an inverse correlation with the “Net Income” variable, consistent with what was ascertained before. The F-statistic and adjusted R^2 report low values both.

The last column evaluates the impact of the two independent variables, previously analyzed, with other control variables. In this model, the “Net Income” variable has a slightly positive coefficient. The most significant variables in this regression are: “Players’ Wages / Total Assets”, “Accruals & Deferred Income / Total Assets”, “Total Spending in Transfer Market /”, “Current Ratio” and “Goals Scored”. Players’ wages and total spending in the transfer market are obviously negatively correlated with the dependent variable because the reason that are the main expenses for football clubs. Moreover, goals scored have a negative relation with net income. This relationship may seem counterintuitive but can result from various interrelated financial and strategic factors, such as the club's financial management practices. The current ratio and the sum of accruals and deferred income are positively correlated. Also “Qualification for UEFA Europa League” variable, which is slightly less significant, has a positive relation with net income. The F-statistic is significant but not very strong, furthermore, the adjusted R^2 is not very high. However, the model suggests that there is some relationship between the independent variables and the dependent variable.

In conclusion, “Net Income” regression models, with “Transition Period” and “Post Period” variables and with control variables, are not significant and the null hypothesis, that Loss and Net Income are affected by FFP implementation periods, financial and sporting factors, is rejected.

Table 7: Impact of Financial and Sporting Results on Loss and Net Income

Variables	Loss	Loss	Net Income	Net Income
Transition Period	0.022	0.051	−0.024	−0.041
	(0.451)	(1.08)	(−0.50)	(−0.90)
Post Period	−0.061	−0.028	0.066	0.050
	(−1.65)	(−0.78)	(1.81)	(1.48)
Players' Wages / Total Assets		0.016		−0.036***
		(1.91)		(−4.53)
Accruals & Deferred Income / Total Assets		−0.022		0.341***
		(−0.26)		(4.21)
Total Spending in Transfer Market / Total Assets		−0.037		−0.561***
		(−0.38)		(−6.11)
Total Proceed from Transfer Market / Total Assets		−0.149*		0.051
		(−2.23)		(0.80)
Current Ratio		−0.127***		0.068***
		(−6.98)		(3.91)
Qualification for UEFA Champions League		−0.295***		0.121
		(−3.63)		(1.55)
Qualification for UEFA Europa League		−0.154*		0.168**
		(−2.30)		(2.61)
Qualification for UEFA Intertoto Cup		0.040		0.089
		(0.23)		(0.54)
Qualification for English Premier League		0.123		−0.019
		(1.619)		(−0.26)
Relegation		−0.010		0.026
		(−0.158)		(0.45)
Percentage Games Won		0.166		0.403
		(0.547)		(1.39)
Percentage Games Tied		0.457		−0.090
		(1.88)		(−0.39)
Goals Scored		0.002		−0.006***
		(1.11)		(−3.43)
Intercept	0.663***	0.467***	−0.208***	0.148
	(27.56)	(3.57)	(−8.73)	(1.18)
N° Observations	816	816	816	816
F−statistic	1.89	7.76	2.82	11.72
p−value	0.151	0.000	0.103	0.000
Adjusted R^2	0.002	0.111	0.003	0.165

Dependent variable: "Loss" & "Net Income / Total Assets"
T−statistic in parenthesis
***p<0.01, **p<0.05, *p<0.1

6.3 Points

Table 8 shows the impact of financial and sporting factors on “Points” gathered by English football clubs in the domestic league in each season. In the first regression, the second column from the left investigates the impact of the “Transition Period” and “Post Period” variables on the dependent variable. Logically, FFP Regulations have no effects on points obtained by clubs. For the reason that UEFA’s aim is to promote a long-term sustainable project for European football clubs, hence sporting performance is not the main goal. However, it could be influenced indirectly by the policy. Both variables have a low coefficient, positive for “Transition Period” and negative for “Post Period”, but not statistically significant both. The F-statistic and adjusted R^2 are very low.

Regarding the third column from the left, the “Points” regression model investigates the impact of the two independent variables, previously analyzed, with other control variables. The most relevant explanatory variables are: “Total Spending in Transfer Market / Total Assets”, “Relative Spending to Average’s League / Total Assets” and “Goals Scored”. The first is negatively correlated, probably due to the fact that spending too much money on player transfers is not worth an investment to achieve sporting success. Regarding the other two, they are positively correlated to the dependent variable. Spending a little bit more than average league could be a good investment, however too much, as explained before, could not be worth it. Goals scored are proportional to points, due to the fact that clubs to obtain victories have to score more than the opponent club. The F-statistic is very strong and adjusted R^2 shows that the model is a good fit of data.

In conclusion, we can reject the hypothesis that “Points” are affected by FFP implementation periods, but they could be affected indirectly by FFP Regulation throughout control variables analyzed in the second regression model.

Table 8: Impact of Financial and Sporting results on Points Gathered in the Domestic League

Variables	Points	Points
Transition Period	0.028	−0.195*
	(0.162)	(−2.20)
Post Period	−0.025	−0.025
	(−0.195)	(−0.365)
Revenue / Total Assets		−0.019
		(−0.42)
Players' Wages / Total Assets		−0.014
		(−0.66)
Relevant Expenses Excluding Players' Wages / Total Assets		0.025
		(0.65)
Total Spending in Transfer Market / Total Assets		−0.796***
		(−3.94)
Relative Spending to Average's League / Total Assets		0.608***
		(5.203)
Current Ratio		−0.060
		(−1.78)
Percentage Games Tied		0.422
		(1.01)
Goals Scored		0.090***
		(40.04)
Intercept	5.842***	1.058***
	(68.87)	(5.83)
N° Observations	816	816
F−statistic	0.000	235.6
p−value	0.954	0.000
Adjusted R^2	0.001	0.746

Dependent variable: "Points"
T−statistic in parenthesis
***p<0.01, **p<0.05, *p<0.1

7. CONCLUSION

In this study, I investigated the impact of Financial Fair Play Regulations on English football clubs. This policy has changed, over this period of 20 years, the financial conduct of European football clubs in several ways. For this reason, I examined various aspects of English football clubs, constraint to: FFP criteria, profitability and performance.

Linear regressions help identify the key drivers or determinants of financial performance and can be used for comparative analysis among companies within the same industry or sector, in this case English football industry. By examining how financial ratios vary with respect to total assets, we can benchmark a company's performance against its peers. Moreover, linear regression may be used to assess whether a company complies with financial regulations or industry standard, Financial Fair Play Regulations.

Overall, regression models that have shown convincing and significant results for “FFP Criteria” and “Performance” analysis. The first model shows that English football clubs have improved their financial behavior over the years, after the implementation of FFP Regulations, adhering to FFP criteria and decreasing the amounts of their losses. Regarding the “Performance” analysis, it displays that the sporting performance of football clubs competing in the English industry is influenced by different factors, especially spending on player transfer. Spending on player transfer is one of the main expenses for football clubs, it represents an investment made by owners to achieve sporting success. Most of the time it repays, however, clubs must balance their investments in transfers with other financial considerations. The reason could be that the football industry is very particular about the interrelationship between profit maximization and sporting success. So, clubs could decide instead of saving money for long-term financial stability, to invest in them to pursue sporting achievements. Financial Fair Play requirements may not affect so much clubs’ attitudes toward being Utility-Maximizers instead of Profit-Maximizers. The other two regression analyses, “Loss” and “Net Income”, do not have significant results. Apparently, percentage of losses and records in net income have not been so influenced by the implementation of FFP Regulations. FFP regulations include phase-in periods, and transition periods, during which clubs are allowed to gradually adapt to the new financial requirements. Moreover, FFP regulations may allow certain expenses to be excluded when calculating financial results for compliance purposes. In addition, some clubs may employ creative accounting practices to manipulate their financial statements within the boundaries of FFP regulations.

Players’ wages and spending in the transfer market resulted to be the main variables of our regression analysis, affecting both financial and sporting performance. Their relevance has been increasing over the decades, and for this reason UEFA decided to implement this policy, trying to reduce them, and promoting self-sustainability for European football clubs. In conclusion, probably an operational constraint such as FFP regulations, cannot improve the profitability of a business. Therefore, FFP does not improve the financial performance of English clubs, but just decrease the amount of losses that football clubs incur and indirectly affects competitiveness in the domestic league.

8. APPENDIX

Table 9: Definition of the Variables

Variables	Definitions
Accounts Payable / Total Assets	Amounts of accounts payable divided by total assets for any English football club in each season.
Accruals & Deferred Income / Total Assets	Sum of accruals and deferred income divided by total assets for any English football club in each season.
Current Ratio	Division of current assets by current liabilities for any English football club in each season.
FFP Criteria	The dummy variable is equal to 1 if the difference between “Relevant Revenues” and “Relevant Expenses” is maximum a loss of 15 million of euros, converted in pounds, for any English football club in each season. Otherwise 0.
Goals Scored	Amounts goals scored by any English football club in each domestic season.
Loss	The dummy variable is equal to 1 if is registered a net loss by any English football club in each season. Otherwise 0.
Net Income / Total Assets	Net income divided by total assets for any English football club in each season.
Percentage Games Won	Percentage of games won by any English football club in each domestic season.
Percentage Games Tied	Percentage of games tied by any English football club in each domestic season.
Players’ Wages / Total Assets	Amount of money spent on players’ wages divided by total assets for any English football club in each season.
Points	Points gathered by any English football club in each domestic season.
Post Period	The dummy variable is equal to 1 if the period examined is between 2014-2015 and 2020-2021. Otherwise 0.
Qualification For English Premier League	The dummy variable is equal to 1 if the football club has qualified to the English Premier League in the English Championship. Otherwise 0.
Qualification For Intertoto Cup	The dummy variable is equal to 1 if the football club has qualified to the Intertoto Cup in the English Premier League. Otherwise 0.
Qualification For Uefa Champions League	The dummy variable is equal to 1 if the football club has qualified to the Champions League in the English Premier League. Otherwise 0.
Qualification For Uefa Europa League	The dummy variable is equal to 1 if the football club has qualified to the Europa League in the English Premier League. Otherwise 0.
Relative Spending To The Average / Total Assets	The difference in “Total Spending In Transfer Market” and the average of total spending in the league divided by total assets for any English football club in each season.
Relegation	The dummy variable is equal to 1 if the English football club has been relegated to a minor division in the domestic league. Otherwise 0.
Relevant Expenses / Total Assets	Sum of relevant expenses, according to UEFA’s definition, divided by total assets for any English football club in each season.

Variables	Definitions
Relevant Expenses Excluding Players' Wages / Total Assets	Sum of relevant expenses, according to UEFA's definition, minus expenses in players' wages divided by total assets for any English football club in each season.
Relevant Revenues / Total Assets	Sum of relevant revenues, according to UEFA's definition, divided by total assets for any English football club in each season.
Revenue / Total Assets	Total revenues divided by total assets for any English football club in each season.
Total Proceeds From Transfer Market / Total Assets	Sum of total gain from players transfer divided by total assets for any English football club in each season.
Total Spending In Transfer Market / Total Assets	Sum of total spending from players transfer divided by total assets for any English football club in each season.
Transition Period	The dummy variable is equal to 1 if the period examined is between 2011-2012 and 2013-2014. Otherwise 0.

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