

What about the Financial Sustainability of Turkish Cypriot Football?

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Abstract

Similar to other activities, an indispensable element of success in football is financial sustainability. Naturally, financial sustainability of football clubs is directly dependent on their fans and hence the fans support. Secondary data of the study reveals that fans potential and their support in Northern Cyprus closely related to its population proved not to be sufficient for the financial sustainability of football clubs. Furthermore, primary data shows that a small percentage of the population is member of football clubs. Unfortunately, respondents of research do not have positive attitude towards supporting football clubs in almost all respect. Possibly, this attitude is the result of their assertion that football clubs are not yet institutionalized in order to create a financially sustainable status.

Keywords: Research, Northern Cyprus, Football, Financial Feasibility

Introduction

Before talking about the financial sustainability of football clubs, the concept of sustainability and financial sustainability should be explained. From a macro perspective, concept of sustainability integrating the most important economic, social and environmental aspects implies balanced interdependency of economic growth, social progress and protection of the environment (Stojanović and Minić, 2009; Saric *et al.*, 2011). On the other hand, from micro perspective **sustainability** is a measure of an organization's ability to fulfill its mission and serve its stakeholders over time (USAID, 1994). This definition clearly indicates that organization's ability to fulfill its mission depends on its financial sustainability. The **financial sustainability** of a non-profit organization is its capacity to obtain revenues in

response to a demand, in order to sustain productive processes at a steady or growing rate to produce results and to obtain a surplus. Financial sustainability means ensuring the longevity of the organization. This financial sustainability must be defined in real terms; we therefore will adjust our accounting equation to reflect the desired result of "Total income - Total costs = Surplus". A surplus is crucial to planning for the future as well as meeting current challenges. Without an income surplus, how can we respond to changes in our surroundings and opportunities that arise? How can we take precautions against risks and uncertainties that might arise in the future, such as political or economic crises? (Leon, 2001).

Financial sustainability can be gauged by an organization's net income (the surplus of revenues over expenses); liquidity (the cash available to pay bills); and solvency (the relationship of assets and debt or liabilities). Note that financial sustainability, while critical, is only one aspect of an organization's overall sustainability; organizations must also build a broad range of organizational, technical, and human capacities. Therefore, financial sustainability is promoted through a broad-based, interdisciplinary approach. Many people equate an organization's sustainability with its financial strength, but financial sustainability alone is insufficient over time. If an organization does not also develop its overall capacities, ultimately the lack of good management or technical capacity prevents the organization from generating revenue or attracting donor funding (USAID, 1994).

As can be understood from the explanations above financial sustainability is *sine qua non* for the survival of sport clubs just like the other organizations. However, their success depends on the behavior of fans rather than customers. While demand of fans is highly sensitive to success of their clubs, their demand for the success of other clubs is almost inelastic. Therefore, financial sustainability of sport clubs is determined by the reactions of their fans.

In this study, financial sustainability of sport clubs concentrating mainly on football in Northern Cyprus will be examined. Within the framework of this objective, financial aspects of European leagues will firstly be referred in order to improve the comparative dimension of the study.

Financial Aspect of European Football Leagues

Main financial sources of football clubs consists of matchday revenue, broadcast revenue, sponsorship revenue and other commercial revenues. Matchday revenue is largely derived from gate receipts (including season tickets and memberships). Broadcast revenue includes revenue from television and radio, from both domestic and international competitions. Sponsorship revenue is mainly derived from brand/name placing on team shirts and around stadia. Other commercial revenues include conferencing, catering and merchandising (BBC News, 2009).

Most professional football clubs concentrate all their economic activity exclusively on football. Their revenues mainly accrue from three sources: TV broadcasting rights, gate receipts and a commercial source (sponsorship and merchandising) (Aglietta *et al.*, 2010). Figure 1 exhibits that the distribution of leagues (clubs) revenues among the major sources is different across the European leagues.



Figure 1: Revenue Breakdowns for European Leagues 2009/10

Source: (Wilson, 2011)

In a typical European football club, most revenues are directly linked to sporting results: a well-performing team is likely to attract a bigger attendance to its games, which will be more often exposed through TV broadcast, with subsequent higher TV broadcasting rights and this will attract more sponsors and trigger bigger sales of club-related commercial products.

As shown in figure 1, broadcast revenue is the most important for the five forthcoming European leagues. Except in England, second important revenue source is sponsorship. Matchday revenue was reported to be second for England.

Real Madrid remains the world's largest revenue generating football club, for the fifth consecutive year, according to the latest Football Money League from business advisory firm Deloitte. Real also becomes the first team in any sport to record revenues in excess of €400m in a single year (Deloitte, 2010). Second and third belong to FC Barcelona and Manchester United with revenues of € 365.9m and €327.0m respectively.

As shown in Figure 2, broadcasting is the most important source of revenue (40%) for Real Madrid. This is followed by commercial and matchday revenue.

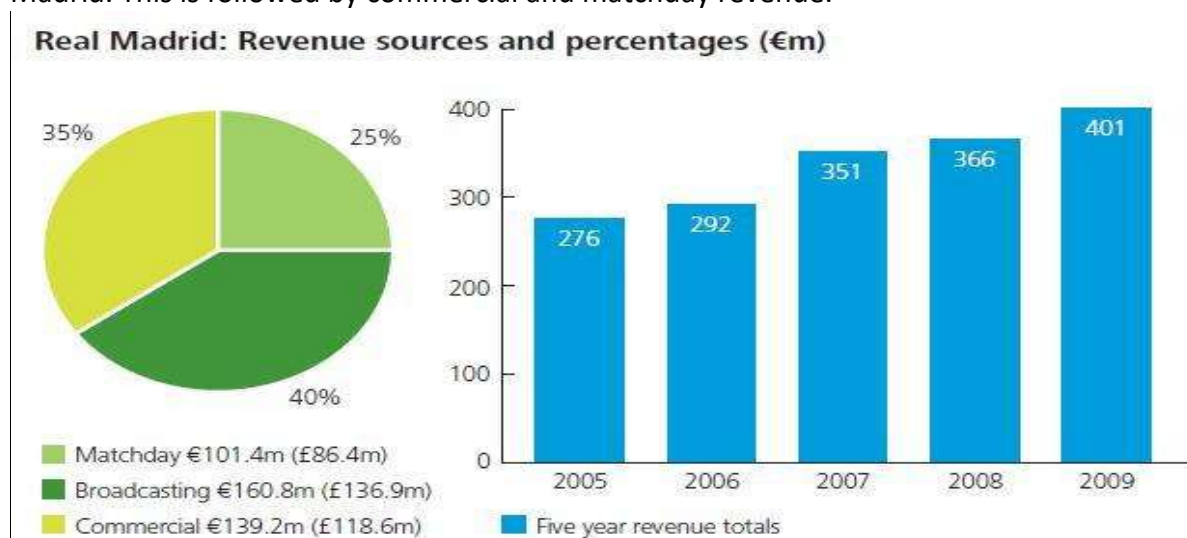


Figure 2: Revenue Sources of Real Madrid (2005-2009)

Source: (Deloitte, 2010)

Main Aspects of Turkish-Cypriots Football

Financial Aspects

According to the financial report of clubs and interviews with directors, estimated total revenue of Turkish Cypriot Football League consisting of 44 clubs is € 6,314,000 for 2008/09 season. Average revenue per club is calculated as € 150,300 while this figure is € 193,000 when first league status is taken as a base.

As can be understood from Figure 3 showing revenue breakdowns for some Turkish Cypriot Football Clubs 2008/09, the most important sources of revenue for Turkish Cypriot Football Clubs are other sources (advertising, media and sponsorship), social activities (prom, donations, and lottery) and state contributions. Their percentages of total revenue are 39,46, 30,69 and 22,34 respectively. Matchday revenue that is important revenue in European Leagues is just € 361,000 for Turkish Cypriot Football and hence is not notable account. Moreover, Total revenue of Turkish Cypriot Football League is approximately 2 percent of that of Real Madrid.

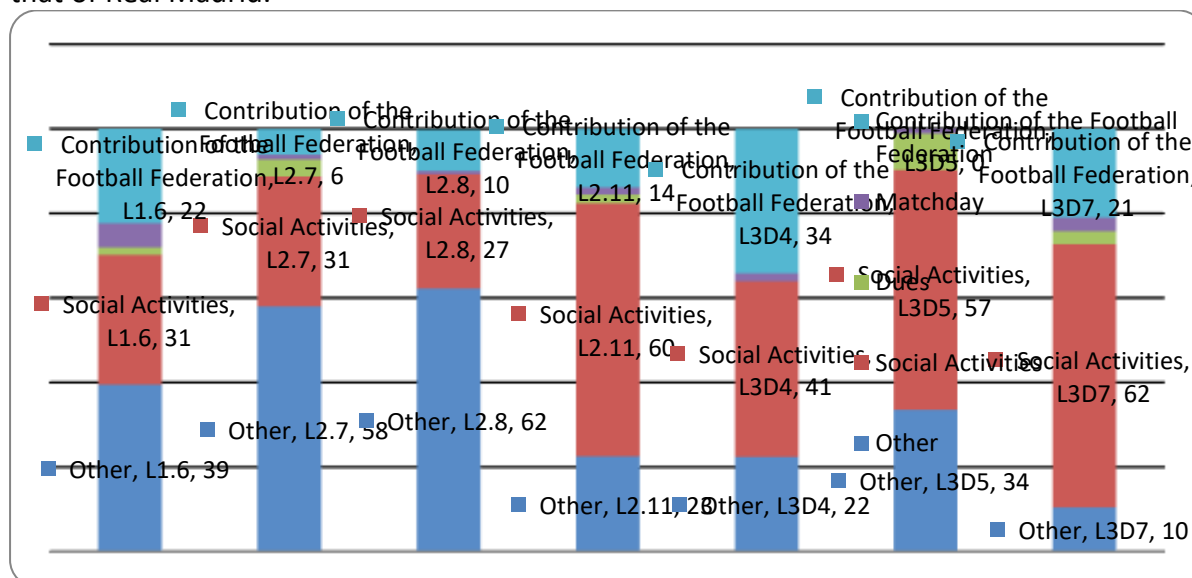


Figure 3: Revenue Breakdowns for Some Turkish Cypriot Football Clubs 2008/09 (%)

As shown in Table 1, average revenues per club in the first, second and third league are € 193,000, € 160,000 and € 98,000 respectively. Furthermore, number of stadium attendees per match in three leagues is 167, 92 and 84 persons in that order.

Table 1:

Seasonal revenue and Average Number of Number of Stadium Attendance for Some Turkish Cypriot Clubs 2008/09

League status	Seasonal Revenue (1000 EURO)	Number of Stadium Attendance
1.6	172.7	167
2.2	159.4	

2.4	81.2	15
2.8	198	33
2.10	159.6	46
3D.4	21.2	13
3D.5	98.4	35
3D.7	34.7	36

Football economy of South Cyprus in the same island reported total revenue of € 17,530,250 for 2005-06 seasons. This figure increased up to € 35,000,000 especially after the season of 2007-08 as a result of UEFA contributions. Anorthosis obtained total revenue of € 7,500,000 from Champions league for the season of 2008/09 (Akşar, 2009).

Potential Relationship between Football Fans and Achievement

Unfortunately, one of crucial handicap for the financial sustainability of Turkish Cypriot Football is fans potential. Northern Cyprus as the geographic location of Turkish Cypriot Football clubs have population of approximately 275,000 (SPO, 2010). Fans potential of Turkish Cypriot Football clubs ranges from 35,000 to 404 persons only. Considering the success and their fans potential Figure 4 shows the positive relationship between success of football clubs and number of football fan.

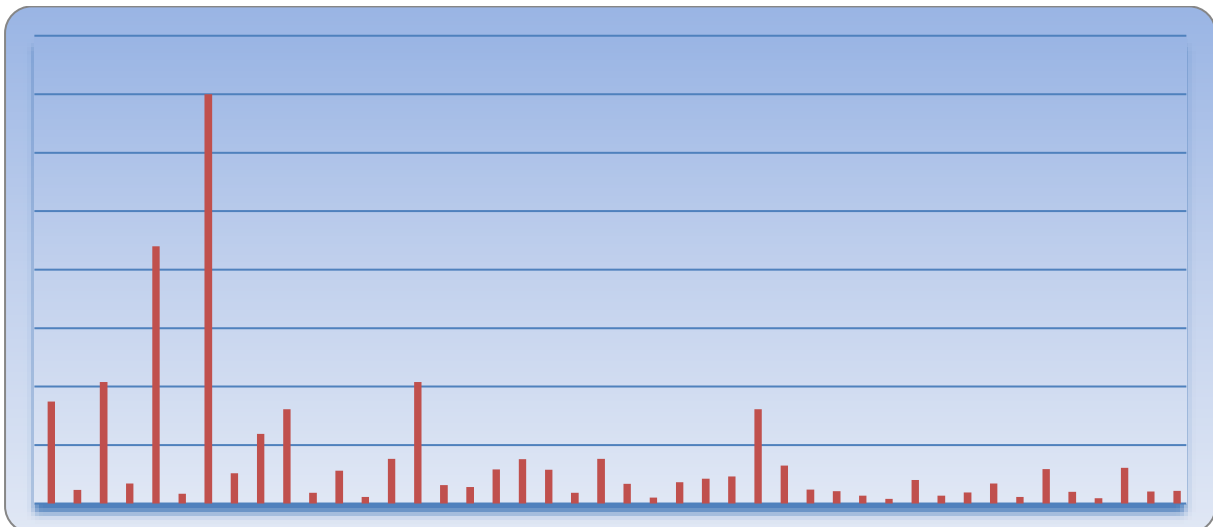


Figure 4: The Relationship between Success and Number of Football Fan

As indicated in Table 2, there is a statistically significant correlation between Success football clubs and Number of Football Fan even though Pearson correlation of .439 reveals a medium level of relationship (Cohen, 1998) . Negative sign expectedly shows an inverse relationship.

Table 2:

The Correlation between Success and Number of Football Fan

C o r r e l a t i o n s

		B D	TN
B D	Pearson Correlation	1	-,439*
	Sig. (2-tailed)	.	,003
	N	44	44
TN	Pearson Correlation	-,439*	1
	Sig. (2-tailed)	,003	.
	N	44	44

* * Correlation is significant at the 0.01 level

Research Methodology

As mentioned before the main of this study is to examine the financial sustainability of Turkish Cypriot Football. Therefore, primary research toward fans residing in North Cyprus is conducted in addition to secondary data detailed above. The research using convenience sampling method is undertaken during the period of January and February 2011. As a result of the research 733 valid face-to-face interviews were achieved. The interview composed of three parts. First part contained questions related with the personal information of respondents. Second part consists of 9 questions related to types of support made by respondents to football clubs. Third part is devoted to attitudes of respondents about Turkish Cypriot Football with 22 questions.

Percentage analysis is used as statistics method to explain the personal information of interviewed. "One-sample t test" is used to rate the significance of factors related to types of aid in part two and attitude of respondents towards football in part three. Attitudes of respondents towards expressions in the questionnaire are determined by Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). "One-sample t test" will use average scores for all respondents interviewed.

In addition to percentage analysis and One-sample t test", "independent samples t test", "One-Way ANOVA test" together with Crosstabulation and Chi-Square Tests are used in the study.

The reliability of the research for second and third parts is confirmed by Cronbach alfa coefficient.

Discussion and Findings**Personal Information**

Table 3 lists the personal information of the interviewed as 76.5% male, 77.5% 35 years and under, 64.3% single, 92.7% Lyceum and the above educational degree, more than 50% student, 16.4% club member. Furthermore, while emotional bond to the team is the primary reason of club membership, the ratio of respondents supporting football clubs without being club member is limited to 13.5%.

Table 3
Personal Information (%)

	Groups and Percentages					
Gender (%)	Female (23.5)	Male (76.5)				
Age (%)	25 and under (48.2)	26-35 (29.3)	36-45 (15.6)	46 and over (7.0)		
Civil Statute (%)	Single (64.3)	Married (34.3)	Divorced or widowed (1.4)			
Education (%)	Primary (2.9)	Secondary (4.4)	Lyceum (43.2)	Undergraduate and/or master degree (47.9)	PhD (Doctorate) (1.6)	
Occupation (%)	Student (50,3)	Public sector employess (14,9)	Private sector employes s (17,1)	Retired (8,1)	Unemploye d (3,7)	Self-employe d (6,0)
Club Membershi p (%)	Yes (16.4)	No (83.6)				
The Reason of Club Membershi p (%)	Emotion al bond to the team (51.6)	Membershi p of the family elders (23.0)	Being a club in the region of residenc e (14.8)	Good relationships with managers, players and/or fans of club (10.7)		
Supporting clubs without being member (%)	Yes (13.5)	No (86.5)				

Table 4: One-Sample Statistics and Test for Significance of Variables For The Contribution To Football in Northern Cyprus

Variables	Mean	Std. Deviation	Sig. (2-tailed) Test Value = 3 (p)
Going to football games and purchasing match ticket	2,6030	1,38960	,000
Generally purchasing the seasonal match ticket (card)	2,1311	1,18553	,000
Generally participating in club proms	2,2374	1,19006	,000
Generally participating in club bingo lotteries	2,5457	1,24780	,000
Generally purchasing club lottery tickets	2,5089	1,26166	,000
Purchasing club-related commercial products	2,4925	1,21647	,000
Usually doing donations to football clubs.	2,2933	1,17693	,000
Paying regular membership dues to respective club	2,3165	1,28174	,000
Supporting clubs by the way of advertising instrument	2,1978	1,14060	,000

Scale values: 1=strongly disagree, 2= disagree, 3=undecided, 4=agree, 5=strongly agree

Table 5:

One-Sample Statistics and Test for Variables Indicating the Attitudes of Respondents Towards Football in Northern Cyprus

Variables	Mean	Std. Deviation	Sig. (2-tailed) Test Value = 3 (p)
Football leads to regional hosting	2,6044	1,25410	,000
Football clubs are necessary for the social, cultural and sportive development of regions rather than professional event	3,2278	1,10695	,000
The number of professional football clubs ought to be proportional to population	3,1924	1,10382	,000
Football clubs are not necessary in every village residential Area. Otherwise it must be entirely amateur.	3,2647	1,08306	,000
Turkish Cypriot football should be financed by the state not by fans and members.	3,3452	2,79238	,001
We should encourage our and other child to play football.	3,3265	1,13937	,000
Amateur clubs of specific residential areas should be allowed to transfer footballer from other places.	3,3124	1,16028	,000
Football clubs should be audited to enable them to spend within their budgetary limits.	3,3615	1,11693	,000
Professional clubs need to be institutionalized especially for their financial sustainability	3,6044	2,86758	,000

The support of state to entirely amateur football clubs should be limited to essential facilities not for other expenditure	3,2633	1,17591	,000
Football except for professional football clubs should be supported according to national education system.	3,2278	1,19708	,000
Absence of institutionalized clubs, insufficient matches and broadcasting revenues make the professionalization impossible for Turkish Cypriot football clubs.	3,3834	1,14596	,000
Football clubs whose primary sources are contribution from executives and fans can not be able to achieve financial sustainability.	3,3874	1,11250	,000
Turkish Cypriot Football is not financially sustainable given the fact that footballers are contracted to be paid while the management of clubs are amateur.	3,2906	1,08209	,000
The merger of football clubs should be encouraged and/or obliged by the state authorities and the football federation for their professionalization, strengthening financial structure and quality.	3,2783	1,06434	,000
Because of insufficient financial resources excessive demand of football clubs towards fans is becoming tedious.	2,9795	1,12394	,622
Economic stagnation and declining prosperity of the Turkish Cypriot inevitably make the support of fans to football clubs difficult.	3,1869	1,28218	,000
Since football clubs are not managed by competent persons contributions of fans are wasted and hence not optimally used.	3,4025	1,09162	,000
Absence of institutionalization is another reason that fans are reluctant in assisting clubs.	3,3683	1,16796	,000
Exploitation and manipulation of football clubs by the executives for their political and other ambitions is another reason that fans are reluctant in assisting clubs.	3,3656	1,07633	,000
Deadlock on the Cyprus problem negatively influences the development of Turkish Cypriot football.	3,3015	1,18758	,000
The necessary arrangements should be made to the lack of sponsorship in order to increase financial support and institutionalization of football	3,5853	1,15702	,000

Scale values: 1=strongly disagree, 2= disagree, 3=undecided, 4=agree, 5=strongly agree

Fans' Contribution to Northern Cyprus football

According to One-Sample T test, respondents reported negative results about the types of contributions to football clubs. Unfortunately, respondents are not willing to contribute to football clubs in all respects such as prom, donations, and lottery since mean values are less than 3 ($p < 0.05$) (Table 4).

Overall alpha coefficient as the reliability analysis for the scale of items in the second part is 0.897. Reliability coefficient above 0.7 is considered sufficient (George and Mallery, 2001).

Fans' Attitudes towards Northern Cyprus Football

According to Table 5, interesting results are observed in relation to attitude of respondents towards football in Northern Cyprus. Favorably, respondents do not agree that football leads to regional hosting. Furthermore, two strong expressions having average greater than 3.5 should be pointed out. These are requirement of institutionalization and revision of sponsorship for the financial sustainability of Turkish Cypriot football clubs.

Overall alpha coefficient for the scale of items in the third part is 0.759 indicating an acceptable reliability.

Demographic Reactions towards Support for the Turkish Cypriot football

Demographic reactions towards support for the Turkish Cypriot football are shown in Table 6. The following findings are reported in this table:

- According to one "Independent Samples t test", the support of males for the Turkish Cypriot football is statistically greater than females.
- Age-based support is not statistically observed in the study.
- The support of married respondents for the Turkish Cypriot football is statistically greater than single respondents.
- According to education, reactions of high school graduates and those with University and Master Degree statistically differ. Such that, the support of high school graduates for the Turkish Cypriot football is statistically greater.

Table 6:

The Impact of Demographic Variables on the Support for the Turkish Cypriot football Using Analysis of Variance

	Support for the Turkish Cypriot football
Sex	
Female	3,0872
Male	3,3857
(F)	.018*
Marital status	
Single	3,2495
Married	3,4758
Widow	2,9000
(F)	3.397*
Education	
Primary school	2,9048
Secondary school	3,3438
High school	3,5937
University and Master degree	3,0602
Doctorate	3,5833
(F)	9.018*
* $p < 0.05$	
Note: Means are represented in terms of average attitudes of respondents	

Demographic Reactions towards Football Club Membership

Demographic reactions towards football club membership in Northern Cyprus are reported in Table 7 indicating crosstabulation and chi-square test. Statistically demographic differences with respect to football club membership are summarized as follows:

- Football Club Membership of males is greater than females.
- The ratio of Football Club Membership increases parallel to age group.
- Football Club Membership of married respondents is greater than single ones.
- Highest ratios of Football Club Membership for occupational groups belong to self-employed, private sector employees and retired ones respectively.

Table 7:

The Impact of Demographic Variables on Football Club Membership Using Crosstabulation and

Chi-Square Test

	Club Membership	
	Yes (%)	No (%)
Sex		
Female	6,4%	93,6%
Male	19,5%	80,5%
Results of Pearson Chi-Square**	$\chi^2=16,523, df=1, p<0,000$	
Age group		
25 and below	10,5%	89,5%
26-35	18,1%	81,9%
36-45	26,3%	73,7%
46 and above	27,5%	72,5%
Results of Pearson Chi-Square**	$\chi^2=21,963, df=3, p<0,000$	
Marital status		
Single	11,2%	88,8%
Married	26,2%	73,8%
Widow	30,0%	70,0%
Results of Pearson Chi-Square**	$\chi^2=27,421, df=2, p<0,000$	
Occupation		
Student	13,4%	86,6%
Public sector employees	14,7%	85,3%
Private sector employees	20,0%	80,0%
Retired	16,9%	83,1%
Unemployed	11,1%	88,9%
Self-employed	38,6%	61,4%
Results of Pearson Chi-Square*	$\chi^2=20,232, df=5, p<0,001$	
** $p<0.01$		
* $p<0.05$		

Conclusion

The key of success in almost every activity is sustainability. Off course, financial dimension of sustainability is essential if certain expenditures have to be incurred. Therefore, stable success of football clubs is also dependent on financial sustainability. In this study, financial sustainability of Turkish Cypriot football has been analyzed.

When the revenue breakdowns for European Leagues and the most successful football clubs are examined, main financial sources of football clubs consisting of matchday revenue, broadcast revenue, sponsorship revenue and other commercial revenues are not notably

observed in Turkish Cypriot football. The vital financial sources of Turkish Cypriot football are other sources (advertising, media and sponsorship), social activities (prom, donations, and lottery) and state contributions respectively. Because of the insufficient population and fans population, Turkish Cypriot football clubs can not afford to acquire stable of matchday, broadcast and sponsorship revenue dissimilar to European leagues and foremost Turkish clubs. As a result, volatile revenue structure leading to high earnings risk make financial sustainability of football clubs almost impossible and subject them to high default risk. Furthermore, being highly depended on state donors potentially create moral hazard problem and hence undermines clubs' motivation to achieve financial sustainability.

Considering the insufficient population and fan potential, unfortunately statistically positive correlation between football success and fan potential is also determined for Turkish Cypriot football.

According to primary research conducted the following conclusions can be drawn:

- The ratio of club membership is less than 20 percent. Moreover, the ratio of respondents supporting football clubs without being member is than 15 percent. Clearly, these figures are native aspects of sustainability.
- According to research findings, Turkish Cypriots are not willing to support football clubs in any respect. This attitude is confirmed from the other opinions of respondents. Such that, institutionalization of football clubs and revision of sponsorship are necessary for the financial sustainability of Turkish Cypriot football clubs.
- Males, married and high school graduates are supporting football clubs more than the other respective demographic groups.
- Members of football clubs demonstrate demographic differences. Such that, single, married and upper age groups carry higher ratio of club membership compared to other respective demographic groups. Furthermore, self-employed and private sector employees have more club membership than other occupational groups.

In the light of the findings above, it can be concluded that financial sustainability of Turkish Cypriot football clubs necessitate less number of professional clubs and their institutionalization.

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