

Financování chorvatských sportovních organizací v době hospodářské krize

Financing Croatian sport organisations in time of economic crisis

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Abstrakt

Téma financování sportu vždy přitahovalo pozornost výzkumníků stejně jako dalších zájmových skupin ve sportu, zejména veřejnosti. Je to způsobeno zejména skutečností, že většina sportovních organizací v Evropě a stejně tak v Chorvatsku jsou neziskové organizace. Také dostatek zdrojů financování představuje významný faktor pro rozvoj sportu, zejména vrcholového sportu ve všech zemích Evropské unie, což je zajímavé pro každou zemi. Tomuto tématu se dostává zvláštní pozornosti v době krize, kdy vlády čelí škrtům v rozpočtech a soukromý sektor úspěšně minimalizuje své daňově uznatelné náklady. V důsledku toho jsou sportovní organizace ovlivněny těmito okolnostmi. Účelem tohoto příspěvku je analyzovat strukturu příjmů v chorvatských sportovních organizacích v období let 2008 až 2013 a zjistit, které zdroje financování jsou nejvíce zasázeny hospodářskou krizí.

Abstract

The topic of sport financing has always attracted the attention of researchers, as well as other stakeholders in sport, mainly public. This is mostly due to a fact that the majority of sport organisations in Europe, and Croatia as well, are non-profit organisations. Also, the abundance of financing sources represents a significant factor for the development of sport, especially top level sport in all European union countries, which is of interest for every country. This topic receives special attention in time of crisis, when governments are faced with budget cuts, and private sector thrives to minimize its business expenses. Consequently, sport organisations are affected by these circumstances. The purpose of this paper is to analyse the structure of incomes in Croatian sport organisations in the period of 2008 until 2013 in order to see which sources of financing are most affected by economic crisis.

Klíčová slova: sportovní organizace, hospodářská krize, struktura financování.

Keywords: sport organisations, economic crisis, structure of funding.

INTRODUCTION

Although economists have a definition of a term economic crisis¹, it can be said that this is a more generic term used to explain various downturns economy can face, such as stagnation, recession or depression. Global economy today is faced with a recession, or rather the effects of a recession which started in the summer of 2007 in USA and spread globally due to an openness of economies. This is considered to be one of the worst recessions after the World War II caused by the breakdown of mortgage market in USA, i. e. by financial crisis (Mlikotić, 2011: 83–84). Recession is usually explained as a decline in real GDP over two consecutive quarters (quoted in Krueger, 2009: 15), or, more precisely, as a “significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales” (NBER, 2012). It implies decrease

¹ It is usually defined as a “brakedown of the economy when a country can no longer finance its obligations such as debt payments, financing of public needs, etc.” (Dalić, 2008).

in industrial production, employment level, real income and trade (Dalić, 2008). Although the state of Croatian economy can not be attributed only to effects of this global crisis but rather problems of a more domestic nature (for more information see Sever and ass., 2009; Benolić, 2012), the fact remains that Croatian economy was faced with recession as well. According to Benić (2012: 850), the first effects of the crisis can be seen in 2009 when it started to experience downturn in the level of GDP, and the level of direct foreign investments.

In time of crisis, governments are faced with fall in budget revenues (Benazić, Tomić, 2014: 88), and is expected of them to conduct various anti-recessionary policies, as was for example done in Croatia in 2010 (Government of Croatia, 2010). "When it comes to sport programs, the government has two main tactics that can be implemented during a recession. The government can either stimulate demand for sport programs by increasing funding or it can cancel programs or reduce the hours of operation of facilities to lower its financial expenditures (Maich, 2009)." (Peddle, 2011: 13–14)

On the other hand, individuals change their behaviour since they "feel less secure in their jobs, resulting in an alteration of their consumption patterns for various products and services. Also, consumers begin to consume fewer luxury items and start spending more time shopping to ensure that they receive the best bargains (Zurawicki & Braidot, 2005; Ang, Leong & Kotler, 2000) or stop shopping altogether (Shama, 1981)" (Peddle, 2011). Therefore, if a sport programme is considered to be a luxury good, it might experience a decline in its sale since consumers are inclined to spend less money for these types of goods during recession, i. e. crisis. However, if sport participation is seen more as a necessity due to, for example health issues, these programmes might not be much affected by crisis.

Finally, some sports seem to be more recession proof than others. For example, research conducted by (Genevieve, 2014: 36) found that MLB (Major League Baseball) is recession proof², NFL (National Football League) is partially recession proof since the variable attendance is not recession proof, but variable revenue is recession proof, and finally NHL (National Hockey League) is not recession proof.

Therefore, on one hand governments are faced with budget cuts, and consumers change their consumption patterns. Since activities pertaining to so called civil sector/society, such as sport, rely largely on money coming from public (state and local budgets), but also private sources of funding, changes in sport sector are expected. However, there seems to be a "lack of understanding as to how recession affects sport participation", since "few studies that have examined the affects of a recession on sport participation came up with conflicting results. Some studies have revealed that sport participation increased during an economic downturn (Long, 1987; Roberts, 2009; Williams, 2009; Zurawicki & Braidot, 2005), while others stated that it decreased (Stuller, 2009; Lunn, 2010)." (Peddle, 2011: 2).

Research has shown that a so-called European model of sport financing relies on four pillars (Andreff, 2009): household expenditures, local authorities sport budgets, the government budget for sports, and enterprises (media and sponsors) finance. Results of a study conducted in 2008 (see Amnyos, 2008) reveal that majority of funding comes from households (49,7%), local authorities (24,3%), firms (14,1%) and finally state (11,9%).

It goes without saying that the abundance of various funds represents one of the key elements in achieving good sport results, especially when top level sport is in questions. However, there are some exceptions to stated "rule", since some sports achieve excellent results regardless the fact that they do not have available large amounts of funding. This is especially the case in Croatia with so called smaller and for Croats less attractive sports, such as some combat sports like taekwondo. Nevertheless, various research has shown connection between the development of a society and the level of expenditure for sport. According to Stipetić and Bartoluci (1993: 216),

² „Recession proof league reflects any league which continues to show growth, even if this growth slowed, in its ATTENDANCE and REVENUE figures." (Genevieve, 2014: 35).

the expenditure for sport and recreation (both in absolute and relative terms) is higher if the level of individual and national income is higher. Amnyous (2008) also reported that total amount of sport financing (public and private) as a percentage of GDP is strongly positively correlated with GDP per capita, i. e. the higher the GDP per capita, the greater the amount of sport financing. This is primarily due to private spending in sport, i. e. household contributions, since the research did not show significant correlation between the ratio of governmental sport expenditure to overall government budget and GDP per capita.

In times of economic crisis the level of individual and national income decreases, which, according to previously mentioned findings, means that households and companies will spend less for activities such as sport. At the same time, public funding should remain stable. The starting premises of this paper follow the same logic.

METHODS

In order to see if the total income of sport clubs in Croatia was affected by economic crisis, structural analysis of income statements of sport organisations was used. The data was retrieved from Croatian Financial Agency (CFA) upon approval of the Ministry of Finance. CFA gathers this data based on National Classification of Economic Activities (NACE), under division 93 “Sports activities and amusement and recreation activities” (see Table 1).

Table 1: The structure of the division 93 “Sports activities and amusement and recreation activities”

Division	Group	Class	
93			Sports activities and amusement and recreation activities
	93.1		<i>Sports activities</i>
		93.11	Operation of sports facilities
		93.12	Activities of sport clubs
		93.13	Fitness facilities
		93.19	Other sports activities
	93.2		<i>Amusement and recreation activities</i>
		93.21	Activities of amusement parks and theme parks
		93.29	Other amusement and recreation activities

Source: Eurostat (2008, p. 87)

The analysis was based on the period from 2008 until 2013. The starting year was 2008, since this is considered the year when the effects of financial crisis that began in summer 2007 spread to all sectors of the economy (Benić, 2012: 848).

Although there are some inconsistencies in the way this data is gathered in Croatia (see more in IPF, 2012:253) focus of this paper is on activities of sport organisations i. e. sport clubs, and aggregate income data for all organisations in this class will be given. Two limitations have to be stressed at this point. First, as already mentioned, the analysed data have been retrieved from Croatian Financial Agency (CFA) that collects this data on behalf of the Ministry of finance and its Registry of Non-Profit Organisations. In other words, only non-profit sport clubs are a part of this analysis. This however, should not represent a major problem and limitation since only 9 out of 19 professional sport clubs in three sports (soccer, basketball, handball) are sport public limited liability companies, and according to our knowledge, all amateur sport clubs are non-profit organisations. Secondly, not all sport clubs (non-profit ones) are obliged to submit their financial statements to CFA. Organisations whose total value of assets and revenues in the last three years has been less than 100.000 Croatian kunas on a yearly basis (see more in IPF, 2012: 123–126)

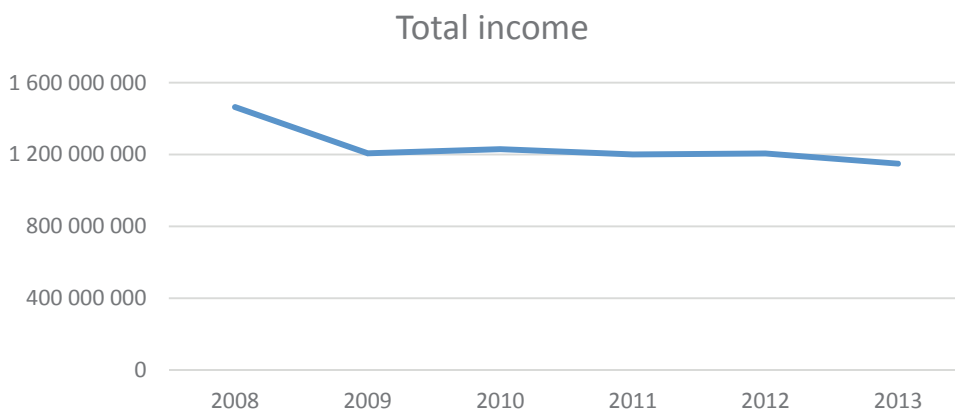
do not have to submit their financial statements, but do have to keep their books nevertheless. Naturally, the number of organisations that submitted financial statements somewhat changed during the analysed period of six years. It increased from 1.984 in 2008 to 2.590 in 2013.

RESULTS AND DISCUSSION

Total income of sport clubs that submitted their financial statements to CFA can be seen in Table 2 and on Graph 1.

Table 2: Total income of class 93.12 "Activities of sport clubs" from 2008 until 2013 in million of kunas

	2008	2009	2010	2011	2012	2013
Total income	1,463.6	1,206.3	1,229.3	1,200.1	1,204.9	1,149.1
Δ yt		-257.3	23.0	-29.3	4.9	-55.8
% change		-17,58	1,91	-2,38	0,41	-4,63



Graph 1: Total income of class 93.12 "Activities of sport clubs" from 2008 until 2013 in million of kunas

Although clear trend cannot be observed, it is evident that total income of sport clubs has dropped in 2013 by more than 300 million of kunas compared to 2008 (more than 20%). The most "dramatic" drop was in 2009, by almost 260 million of kunas. After 2009 income varies from year to year. First, it increases by 23 million, then drops by 29 million, then again increases by almost 5 million and finally in 2013 it drops again by more than 55 million of kunas (see Table 2). Before trying to answer why did this drop occur, let us first look at the structure of total income of sport clubs. According to *Directive for accounting for non-profit organisations* (NN 109/2007, Art. 44), the sources of income are divided into six groups: income from sales of goods and services, income from membership fees and contributions, income based on special regulations, income from assets, income from donations, and other income. The structure of income generated by non-profit sport clubs in Croatia in observed period from 2008 until 2013 is presented in Table 3.

Table 3: The structure of income generated by non-profit sport clubs in Croatia

Year	2008	2009	2010	2011	2012	2013
From sales of goods and services	19	21	18	19	15	17
From membership fees and contributions	5	7	7	8	8	8
Based on special regulations	7	8	9	9	7	7
From assets	3	5	4	4	5	4
From donations	41	49	42	48	43	50
Other income	25	10	20	12	21	13
Total income	100	100	100	100	100	100

Table 3 clearly shows that income from donations is the most important income for sport clubs since it accounts between 41 and 50% of total income. Here are included donations from public and private sources i. e. donations from state and local budgets, as well as donations from citizens, companies and international organisations.

Income from sales of goods and services follow in the structure and they account between 15 and 21% of income. As expected, around 95% of this type of income comes from sales of services i. e. various programme contributions. However, in this group one can also find income from selling sponsorship programmes and ticket sales, trade of athletes, media rights, etc. Clubs experienced a rather severe decrease in this type of income. The highest amount was generated in 2008, after which it started to fall to its lowest level in 2012. Total decrease was by more than 90 million of kunas, i. e. more than 30% compared to 2008. In 2013 clubs this type of income started to grow again, and it increased by almost 14 million of kunas.

The source of income from which sport clubs received 10 to as much as 25% of their income reveals itself under the heading "other income". A major part of this percentage comes from sales of long-term assets. However, a significant amount comes from the category called *other non-mentioned income* (around third of "other income" and 4-5% of total income), and it is not possible to know what this category encompasses.

The remaining three sources together (income from membership fees, from special regulations and assets) account for 15 to 22% of total income.

Changes in the structure of income are most evident with category other income, but also in donations and sales of goods and services. Other sources of income are much stable in their structure, since the change is around 1-2%. Actually, income from membership fees and contributions seems to be the only income experiencing constant growth until 2013, and remained stable at about 8% share of total income. Therefore, it can be concluded that changes in total income are a result of changes in other income. The analysis of amounts in absolute terms confirms that the largest changes on a yearly basis are observed in previously mentioned groups of income (see Table 4).

Table 4: Total income of class 93.12 "Activities of sport clubs" from 2008 until 2013 in million of kunas

	2008	2009	2010	2011	2012	2013
Total income	1,463.6	1,206.3	1,229.3	1,200.1	1,204.9	1,149.1
From sales of goods and services	274.9	256.3	224.4	225.1	183.6	197.6
Δ_{yt}		-18.6	-31.9	0.7	-41.5	14.0
From membership fees and contributions	77.5	81.2	82.2	92.1	100.9	88.5
Δ_{yt}		3.7	1.0	9.9	8.8	-12.4
Based on special regulations	106.9	99.9	113.4	108.9	81.8	86.0
Δ_{yt}		-7.0	13.5	-4.5	-27.1	4.2
From assets	41.7	63.8	43.9	53.3	57.5	50.9
Δ_{yt}		22.1	-19.9	9.4	4.2	-6.6
From donations	600.7	589.8	518.4	570.6	522.7	580.3
Δ_{yt}		-10.9	-71.4	52.2	-47.9	57.6
Other income	361.9	115.3	247.0	149.9	258.5	145.7
Δ_{yt}		-246.6	131.7	-97.1	108.6	-112.8

Let us try to compare private and public sources of income but with some obvious limitations. Clear distinction between public and private sources of income cannot be done. For example, it is not clear where do other donations come from, as well as what is in group other non-mentioned income. Nevertheless, based on explanation of types incomes given by *Directive for accounting for non-profit organisations* (NN 109/2007, Art. 44–51) distribution between public and private sources was done (see Table 5).

Table 5: Distribution of public and private sources of funding in million of kunas

	2008	2009	2010	2011	2012	2013
Income based on special regulations from public budgets*	84.5	78.9	89.7	88.6	65.5	65.2
Income from state budget	27.7	30.8	26.1	24.2	17.0	31.1
Income from local budget	291.3	307.9	294.0	292.7	281.1	295.9
Income from international governments and associations	16.4	16.6	16.5	77.7	73.3	98.0
TOTAL PUBLIC SOURCES	419.9	434.3	426.3	483.2	436.8	490.3
Income from sales of goods and services	274.9	256.3	224.4	225.1	183.6	197.6
Income from membership fees and contributions	77.5	81.2	82.2	92.1	100.9	88.5
Income based on special regulations from other sources*	22.4	20.9	21.3	20.3	16.3	22.4
Income from assets	41.7	63.8	43.9	53.3	57.5	50.9
Income from donations from companies and other organisations	153.6	137.4	107.4	99.7	84.7	86.8
Income from donations from citizens and households	3.6	4.1	5.4	4.7	6.1	5.4
Income from other donations	107.9	92.9	68.9	71.6	60.5	62.9
Other income	361.9	115.3	247.0	149.9	258.5	145.7
TOTAL PRIVATE SOURCES	1,043.7	771.9	800.7	716.8	768.1	658.8

* due to problems with this data for years 2008 and 2009, amounts of income based on special regulation from public budgets and other sources was calculated based on average value in years 2010 to 2013.

From Table 5 it can be seen that public sources accounted between 420 and 490 million of kunas, and did not experience constant drop or growth in observed period. On the other hand, private sources, with the exception of 2010, experienced constant drop from 2008 when they accounted for just over 1 billion of kunas, to 2013 when sport clubs generated 658 million of kunas from this source. This clearly demonstrates volatile nature of private sources and the fact that this type of income depends on economic situation in a society. As was noted by other research as well (Škorić, Hodak, 2011; Andreff, 2009) the amount of public spending in sport is determined mostly by state and local sporting and economic policies rather than to the level of economic development. Private sources are more affected by economic crisis, but in a different manner. Household expenditure for membership fees and donations did not experience constant and significant decrease, but the same cannot be said for income from sales of goods and services. This actually confirms the findings of Andreff (2009:22) that “one can assume that sport practice is more and more a component of today’s way of life (for this part of population with sport participation) than attending high level sport contests. Under such assumption markets for sport goods, commercial sport practices and even clubs’ membership fees will less suffer than the market for sport shows and events, with regards to household sport financing.” Quite different situation is with enterprises whose “money is obviously the most volatile and mobile source of financing in times of crisis.” (Andreff, 2009:24). This was demonstrated with Croatian sport clubs as well, since donations from companies have experienced a constant decrease, similarly to income from sales of goods and services (as was explained previously, spending for sponsorship programmes and media money is found in this category of income).

CONCLUSIONS

Sport organisations covered by this analysis generate funds from public and private sources of financing. During the observed period of 6 years the amount of money coming from public sources fluctuated but not as much as the money coming from private sources. It is clear that in Croatia in times of crisis possible loss in budget funds cannot be compensated by private funds due to their volatility i.e. sensitiveness to changes in the environment. This confirms our statement that private sector, mostly companies, are most affected by economic crisis.

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