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RELATIONSHIP BETWEEN FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL STABILITY OF FOOTBALL CLUBS IN KENYA

A CASE OF FOOTBALL CLUBS AT KENYA PREMIER LEAGUE

Dickson Kamau Kinyariro
PhD Student, Kenya Methodist University, Meru, Kenya
kamaudickson@gmail.com

Rachael Gesami
Senior Lecturer, Kenya Methodist University, Meru, Kenya
rachel.gesami@kemu.ac.ke

Eunice Kirimi
Senior Lecturer, Kenya Methodist University, Meru, Kenya
eunice.kirimi@kemu.ac.ke

Abstract

Football in Kenya is marred by mismanagement within and from outside forces. Revenue sources from gate collection, sponsorship government and football body (FIFA) through the football federation of Kenya. Nevertheless even with all this sources of finance the football clubs still experience a majority of financial problems. This research was aimed at finding out whether a relationship exist between financial management practices and the financial stability of football clubs in Kenya. The specific objectives were to establish whether financing activities and investing activities influences stability of football clubs in Kenya. The underpinning theories include: Agency theory, game theory in sports and contracting theory. Descriptive survey design was adopted. Data was collected through the use of questionnaires. The target population comprised of the twenty one football clubs that were participating between 2010-2014 versions of the Kenyan Premier League. Data was collected from three officials/administrators from each respective club, namely: the Financial Officer, the Chairman and the club Accountant. A census on all the respondents was used. The total number of respondents was sixty three (63).

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Descriptive statistics and inferential statics were used to analyse data. From the study it was established that financial management practices significantly influence the financial stability of football clubs. The study concludes that with a well-articulated financial management structure football clubs would improve their performance not only on the pitch but also on the financial perspective of the clubs.

Keywords: Financial management practices, financial stability, financing activities, investing activities, Kenya

INTRODUCTION

This world is a global society where individuals finds it easier to interact. There exists various avenues of interactions amongst various societies in the world. Sport plays a key role in ensuring to bring people together to a great deal. Football in particulars attracts a very wide global attention. Major world organizations have ventured into football one way or another due to the wide range of media coverage. While football cannot be attributed to a large share of economic contribution it has a great implication on the overall business. For example the cost of hosting a word cup requires high infrastructure, great revenue on T.V rights and sponsorship deals. Pieth, (2011) established that FIFA governance can be used as a case study on international organization which includes a large class of governmental and non-governmental organizations that justify their legitimacy in terms of serving broadly shared interests.

Khumalo, (2009), in his argument states that governance of football is a major problem associated with football worldwide from the very top at FIFA. Greed, corruption and scandals have dominated the world of football over the past years. In Africa governance of football is through on national associations offices which report to (CAF), a footballing body that runs continental football. These National associations are bodies which are independent and their leaders are chosen by a few members involved in football management.

Herzenberg, (2010) & Schaefer, (2006) in their respective studies show that Kenya's football administration over the time has drawn great deal of negative global interest due to its involvement in poor governance and corruption. Public power wrangles, widespread mismanagement, political intrigue and ethnic biasness have typified football in Kenya, leaving many industry players and the public in disarray. Power wrangles, widespread mismanagement of football affairs, political intrigue and biasness on tribal lines of football which robs Kenya's youth of most valuable and much needed opportunities and hence hampering socio-economic growth. There was a mutual agreement that brought an end to post-election violence in Kenya

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which identified lack of opportunities for youth which would have been avoided by engaging the youth in sport. There have been government response to this through kazikwavijana initiative but this have proved inadequate. Good governance must be enhanced in the management of football, this would be a critical element in addressing the youth issues highlighted in Agenda4 of the agreement.

Financial Stability and Financial management practices

Top flight football in Kenya has continued to suffer from financial and management constraints for the last two decades. As far back as 1979, the government withdrew sponsorship from Olympic youth centres (Makumi, 2007). Other sponsors must have taken the cue because to date, national league football is yet to attain financial sustainability. Fans, television stations, sponsors and advertisers were not keen on promoting the local game in their respective capacities: fans – except the very committed, „die-hard‟ ones by consistently attending matches, television stations by acquiring rights to air the full matches, sponsors by funding teams and tournaments, and advertisers by buying advertising space during football events. According to Makori, (2016), the managements of several corporate entities are fast losing interest in running clubs on the basis that they are not their "core business". Financial stability can be defined as "a condition in which the financial system comprising financial intermediaries, markets and market infrastructure is capable of withstanding shocks and the unraveling of financial imbalances, thereby mitigating the likelihood of disruptions in the financial intermediation process which are severe enough to significantly impair the allocation of savings to profitable investment opportunities (Kimani, 2007).Given the imprecise nature of the broader view of financial system stability, most analysts concentrate on the risks and vulnerabilities of the financial system as these are relatively easy to understand and quantify. The financial stability of a company states simply to whether a company is performing well in business or otherwise. While in football financial stability must reflect both the on field performance as well as maintaining sound financial base to run the football club affairs.

Kenyan Premier League Football Clubs

In October 2003 a company (The Kenya Premier League Ltd) was incorporated under the Companies Act 486 of KPL, (2010). The ownership and management of this company have been in the hands of the sixteen Premier League clubs which include institutional clubs and community based who participate for the league cup each season. At the end of each season the last two clubs in the league standings are relegated to the second tier managed by the football federation of Kenya hence cease to be members of KPL.

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Given that this is a direct cost for KPL and it still has obligations like league winner's title prize allocation, grants by final rank and equalization grant as well as internal costs like administration, research and development, KPL as is with most African professional leagues, really get a budgetary allocation for investment to deepen its asset base to cushion itself against external shocks like sponsor withdrawal. Income through sponsorship deals are increasingly being weighted towards a handful of big clubs at the top of the professional game, with smaller teams facing a tough battle to compete in this context.

Problem statement

Specifically sports in Kenya suffer from limited financial sources majority of which includes scanty sponsorship, minimal gate collection, league fees among many other sources. Studies done by Mmbaaya, (2013), Obonyo, (2013) and Thiga, (2014) establishes that; Clubs are overreliance on sponsorship deals and most of the revenues generated are consumed on maintenance of club assets and facilities, football clubs are not able to utilize all the available avenues for generating revenues. Corporate institutions inject sponsorship monies into Kenyan football to the tune of Ksh200 million per year KPL (2013). According to the agreement, 70-80 percent of these monies are channeled directly to the clubs. The rest is reserved by the management for 'administrative purposes.' In addition, 14 of the 16 clubs in the top flight have separate sponsorship arrangements with companies, financial backers and owners. Financial activities in football clubs varies from, broadcast, commercial, and match day finances. Commercialized financing includes merchandise and sponsorships. Broadcast revenues indicates the financing stipulated by broadcast media contract and match day finances which consists of the match day tickets, Clubs need to ensure effective utilization of assets to generate returns.

Football attracts 5% of the global population as participants and over 50% as supporters, fans and spectators. 85% of clubs in developed countries' top leagues are at medium in terms of their own revenue attraction this clubs are financially stable; in developing countries on the other hand 77% of the clubs are at risk of bankruptcy; and 65%of these top clubs are struggling to contain player costs. From a time - not so long ago, where the league was managed on an almost zero budget, to date where corporate companies are fighting amongst themselves to be associated. The main issue that arises therefore is the ability of football clubs to raise revenue, manage costs, invest and apply efficient financial practices to keep them financially sound in the long term. However, according to Wilson (2011), sport has lagged behind other business sectors from a financial point of view. In the closure of every football season the football clubs can only be viewed liabilities from their respective sponsors.

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In Kenya football clubs do not fall in the category of companies but are categorized as welfare clubs. For those sponsored by companies they are kept in the category of welfare departments in their allocation in budgets for their annual estimates on expenditures rather than as independent entities who have the capacity to generate their own revenues. There are many empirical studies that exist globally but are largely incoherent and have not looked at the relationship between financial management practices and financial stability of football clubs. For example, Thiga, (2014) revealed that sponsorship from parent organizations constituted the main source of revenue whereas maintenance of the football clubs" assets and facilities made up the largest expenditure item of the football clubs under research. Mmbaya, (2013) indicated that the profitability of the Kenyan Premier League clubs is majorly affected by return on assets and the liquidity of football clubs in the league. This has further driven various researchers such as Stewart (2012), Lonsdale (2004), and Smart, (2005), to try and establish where deficiency which leads to this problem arise from While the above researchers have focused on the sourcing of funds investment practice, financial planning and the profitability, this study focuses on financial reporting framework, how to manage the available fund through sound financial management practices to ensure stability of football clubs playing at Kenya premier league.

Significant gaps have been established on matters of financial management practices influence on the financial stability of football clubs from this study. Lack of proper financial management practices structures has over time deprived football clubs the privilege to maximize their potential towards contributing fully to the economic development of the country.

This gaps that arise from the highest level of football management have seen Public power wrangles, widespread mismanagement, political intrigue and ethnic biasness of football that robs Kenya’s youth of valuable the sorely needed opportunities and hampers socio-economic growth. Ensuring good governance in the management of football would be a critical element in addressing the youth issues highlighted in Agenda4 of the agreement.

Objectives of the study

General objective

To establish the relationship between financial management practices and the financial stability of football clubs in Kenya.

Specific objectives

i. To determine how the investment practices affects the financial stability of football clubs in Kenya

ii. To establish the effect of financial reporting framework on financial stability of football clubs in Kenya

Research hypotheses

i. **Ha**: There is a significant relationship between investment practices and financial stability of football clubs in Kenya
ii. **Ha**: There is a significant relationship between financing activities and financial stability of football clubs in Kenya

Justification of the Study

The management of these organizations will be better placed to utilize the revenue-generating opportunities available to them. For sports associations, this study will be useful in elaborating on how to achieve growth through prudent financial management practices. The study will help the professions on the basis on which obtain a sustainable revenue to enable them meet their livelihoods. A football club with a sound financial base will be better able to attract, develop and retain quality players. With clearly defined options for financial cooperation with football teams, the corporate sector will be in a better position to identify those that best suit its needs.

LITERATURE REVIEW

Theoretical Review

Game Theory in Sports (1928)

Game theory has played, and continues to play a large role in the social sciences. Beginning in the 1970s, game theory has been applied to animal behavior, including evolutionary theory. In 1838, Cournot considers a duopoly and presents a solution that is a restricted version of the Nash equilibrium. But, game theory really exists as a unique field since John von Neumann published a series of papers in 1928 (he can rightfully be called the inventor of game theory). Many games, especially the prisoner's dilemma, are used to illustrate ideas in political science and ethics. Game theory has recently drawn attention from computer scientists because of its use in artificial intelligence and cybernetics. The first known discussion of game theory was written by James Waldegrave in 1713.

The work of Economic Behavior" by von Neumann and Oskar Morgenstern, contains the method for finding optimal solutions for two-person zero-sum games. During this time period, work on game theory was primarily focused on cooperative game theory, which analyzes optimal strategies for groups of individuals, presuming that they can enforce agreements between them about proper strategies.

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As noted by Colman, (1995) efficient management of finances in football clubs highly borrows from the game theory. A game is any situation in which the outcomes ('pay-offs') are the product of interaction of more than one rational player. The term includes not only games in the ordinary sense, but a wide range of human interactions. Game theory studies situations where multiple players make decisions in an attempt to maximize their returns. The essential feature is that it provides a formal modelling approach to social situations in which decision makers interact with other agents. Football is game where when one team wins the other losses, for it to generate extra in football must prevail over its opponents.

Few clubs in a league use a moderate strategy, while the rest of the clubs follow the aggressive game strategy, the clubs with the moderate strategy will incur less costs, as explained. Clubs whose budget is small can adopt a moderate game strategy and clubs with a more spacious budget can follow the aggressive game strategy. What about the long-term effect, then? Clubs following the moderate strategy will have the risk of being overtaken by the aggressive clubs, which over time can cause reduced revenues (sponsor income, gate receipts, income from television broadcasting etc.),and the worst case scenario: relegation Colman, (1995). The teams which maintain the contract will experience less success due to poorer players as a consequence of lower salaries Colman, (1995).

Agency Theory (1973)

Jensen and Meckling (1976) advanced the agency theory, which explains the relationships and contracts that exist in a firm among the various stakeholders like shareholders (principals) and the managers (agents). Despite the stipulated shareholder objectives that managers are supposed to meet, they are not able to achieve them due to non-rational opportunistic behavior of the managers leads to agency conflicts or problems (Jensen, 1994). To minimize agency problems the principals incur agency cost that is defined as the monitoring expenses incurred by the principal, bonding expenses and the resultant loss due to the separation of control and ownership (Jensen & Meckling, 1976).

The agency theory is important in the management of firms' finances as it depends on the ability and ethics of the managers responsible for running the organization. Football clubs are owned by different entities, they are either community based or corporate clubs. The management of this clubs are entrusted to elected leaders to work on behalf of the owners. Given this, the alignment of interests between owners and managers may be compromised. In fact, a central principle of agency theory is that high-ranking corporate officers, acting as the agents of shareholders, can pursue courses of action inconsistent with the interests of owners Dalton and Certo, (2003).

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Pecking Order Theory (Myers & Majluf, 1984)

The theory states that firms prefer internal financing to external financing. On the other hand, if a firm is in need of external financing they would go for debt as the best alternative then to equity. However, the cost of financing increases with information asymmetry. Managers of a firm have more information on how the organization is performing financially. Thus, shareholders' use the managers' actions to give them information about the firm which favor the old shareholders Jibran, Wajid, Waheed, & Muhammad, (2012).

The pecking order theory is among the most influential theories of leverage. It goes contrary to the idea of firms having a unique combination of debt and equity finance, which minimize their cost of capital. The theory suggests that when a firm is looking to finance its investments, it has a well-defined order of preference with respect to the sources of finance it uses. It states that a firm's first preference should be the utilization of internal funds (i.e. retain earnings), followed by debt and then external equity. He argued that the more profitable firms become, the lesser they borrow because they would have sufficient internal finance to undertake their investment projects. Its further argued that it is when the internal finance is inadequate that a firm should source for external finance and most preferably bank borrowings or corporate bonds.

Capital structure decisions that are poor lead to firm financial distress and insolvency. A significant role is played by transaction cost in making capital structure decisions for a firm. The transaction costs of obtaining external financing are higher in comparison to internal financing which do not bear any transaction costs Mazur, (2007).

Empirical Review

Investment Practices that Affect the Stability of Football Clubs

Kuenzel & Yassim, (2010), Tapp & Clowes, (2002), in their study found out that there are various sets of motivation instigated by sports. Some become spectators while other become football fans. This two sets of people can be differentiated. A fan and a spectator can be differentiated. Whereas spectators only view a game, fans enthusiastically devote themselves to a given sport. Some fans support their teams only when it's winning, while the die-hard fans stand with their teams even through rough patches (when they are losing). the fanatics spend extremely large amount on tickets, Deloitte & Touche, (2009),Nkaari & (Ochola, 2016) finds out that Market segmentation of stadium on the perspective of visiting spectators provides a key growth for football clubs.

Grajkowska, (2011), Githinji, (2010), establish that there are various motives for watching, which include patriotism, the nostalgic national images that the sport may invoke,

social pressures, prior knowledge of and involvement with the sport, desire for drama and excitement, and interest in star players. Fans prefer to watch good teams play, besides emphasizing on the specific outcome of the teams. Segmentation of the market usually on the basis of frequency of attendance, membership, and demography. This demographic elements include gender, age, income and education levels. Older people For instance are more concerned about the location, travel time and the venue's capability to make them feel at home.

Financial reporting framework

Demba, (2013) in his study on the Effects of financial management practices on performance of Kenya medical training college concluded that financial reporting and tracking through record keeping, having internal accounting experts, data management and financial information communication affect the performance of Kenya Medical Training College to a very great extent. Kenya Medical Training College budget report makes it easy to see the financial contribution of each program, to see future financial commitments and forecasts. The study recommends that Kenya Medical Training College should improve their financial reporting and tracking by automating their record keeping. The automation will also help in financial information communication data management and financial information communication. Kenya Medical Training College should also hire internal accounting experts if they are to improve their financial reporting and auditing.

As pertains to Financial Reporting Analysis (FRA), recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons, Gitman, (2011).

Kitonga, (2013), in his study on the relationship between financial management practices and financial performance concluded that the companies were found to have put in place robust financial management practices in the form of financial report analysis, non – current assets management, capital structure management and working capital management practices. He therefore recommended that the management of shipping companies consider putting in place the recommended steps seen as probable ways of ensuring that their financial management practices are improved for better return on assets. For instance they should enhance the process of preparation and publication of the company's financial statements, improve the company's capital structure and ensure that the companies fully utilize their debt facility according to their capabilities.

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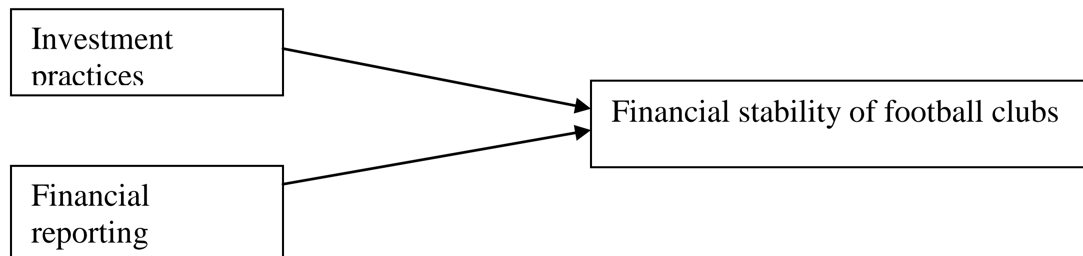
Financial stability

Financial system consists of a number of key sectors, and interactions between these sectors. The situation is further complicated by the non-linearities that can affect the propagation of shocks and their transmission from one sector to another White, (2004). For instance, there are links between monetary and financial stability, as monetary conditions will be affected by asset prices and vice versa. For all intents and purposes, it is not enough to focus on deviations from benchmarks in individual sectors for an overall assessment of financial stability. Whilst individual variables and indicators are useful in analyzing the functioning of the financial systems, various studies have attempted to develop composite indicators which would better signal or predict the onset of financial distress. Beginning with the studies on early warning indicators attempts are ongoing to develop leading indicators which would signal conditions of stress. When multiple indicators are available, it would be necessary to combine them in ways that would best capture the interactions between relevant individual indicators.

Conceptual Framework

The conceptual framework as shown in Figure 1 illustrates the hypothesized relationship between the independent variables (credit report and credit scoring) and the dependent variable (level of loan default).

Figure 1: Conceptual Framework



METHODOLOGY

The study used a descriptive survey research design. Descriptive research design was used since it provides insights into the research problem by describing the variables of interest. It was used for defining, estimating, predicting and examining associative relationships. This helped in providing useful and accurate information to answer the questions based on who, what, when, and how. The study was conducted in Kenya. The target population consisted of all the football clubs registered and participating in the Kenya premier league top flight from the year 2010 to 2014which were 21 football clubs. The respondents were the 21 financial officers, 21 club

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chairmen and 21 club accountants. The study used census study methodology which enabled the researcher to gather more information to assist in analysis and arriving at accurate results. The 63 respondents who were more than the threshold of 30 participated in the study. Data was collected from primary sources. Self-administered questionnaires were issued to the respondents. Descriptive statistics was used to analyze the data. Data was edited, coded, classified and summarized into categories. Multiple linear regression was also used to link the relationship between independent variables and dependent variable and was guided by the following model:

$FS= \beta_0 + \beta_1 IP + \beta_2 FRM + \varepsilon$

Where, FS is the dependent variable (financial stability),

β_0 is the intercept

IP =Independent variable investment practices.

CS =Independent variable financial reporting framework.

Ei is the error term.

ANALYSIS AND RESULTS

Reliability Statistics

The consistency of measure for this study was done by use of Cronbach's Alpha, a reliability coefficient that indicated how well the items in the data collection instruments were positively correlated to one another. According to Sakaran (2001), testing goodness of data by testing the reliability and validity of the measures is a pre-requisite for data analysis. The study had a 0.982 value which is considered moderately high on a scale of 0.00 - 1.00 as it tends to 1.00 on attitudinal measurement scales.

Response Rate of Respondents

The researcher distributed a total of 63 questionnaires which was the sample size of the study, the number of those who participated and returned the questionnaires were 54 (85.7%) and 9 (14.3%) did not return the questionnaires. The 85.7% responses were found to be very significant to carry out the study by the researcher.

Investment practices in football clubs

There are various motives for watching a football match hence various categories of people who watch a football match. A fan and a spectator can be differentiated. Whereas spectators only view a game, fans enthusiastically devote themselves to a given sport. Some fans support their teams only when it's winning, while the die-hard fans stand with their teams even through rough

patches (when they are losing). The fanatics spend extremely large amount on tickets. Market segmentation of stadium on the perspective of visiting spectators provides a key growth for football clubs.

Descriptive statistics

From the finding the researcher established that match day attendance by the club supporters had an influence on the overall financial stability of the club. Of the overall respondents 21(38.9%) were of the view that match day attendance by the supporters had little significance on the financial stability of the club, 27(50%) believe that there is moderate influence of the match day attendance on financial stability of the football clubs, while 6(11.1%) were of the view that the attendance had a significant influence on the financial stability of the football clubs. Various studies are in agreement that match attendance by supporters should be enhanced to enable football clubs expand their revenue sources. Expansion of various revenue source will enable financial stability of football clubs.

As per response corporate sector relationship had its share of influence on the overall financial stability of football clubs. 14(25.9%) of the respondents were of the view that corporate sector relationship had very little influence on the overall financial stability, 21(38.9%) shared their sentiments that corporate sector relationship had moderate influence on the overall financial stability, while 19(35.2%) were of the view that corporate sector relationship had a very significant influence on the overall financial stability. Good corporate sector relationship has been established by various researchers to enable football clubs attract sponsorship money. The sponsorships received from maintaining this corporate sector relationship enables football clubs to have a sustainable source of revenues leading towards financial stability of this clubs.

Investment in training materials by the football clubs plays a key role in ensuring stable performance on the field of play. While this is important it also plays a key role in ensuring financial stability of this football clubs as the researcher found out that 18(33.4%) of the responded were of the view that investment in training material had a significant influence on the overall financial stability of football clubs, 15(27.8%) of the respondent were of the view that investment in training material had a moderate influence on the overall financial stability of football clubs. Performance on the field of play attracts more match attendance revenues, corporate sponsorship and hence more media coverage boosting the overall financial performance of the specified football club. Researchers have found out that investment in training as being significant towards financial stability of football clubs, this study is in agreement with this view. Proper investment in proper and effective training material enhances greater

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performance on the field hence attracting a greater pool fans who in return bring about increased revenue sources enhancing financial stability of football clubs.

Success on the football pitch translates into a wider attraction of more football fans and creation of a greater brand. For a club to perform well on the match day, extensive training is required. The management of the football clubs needs to ensure facilitation in terms of training programs and materials. From the study the majority of the respondents were of the view that with effective training programs and facilitation and enhancement of performance both on the field and the financial status of the clubs would be achieved. Investment in the right set of players has been proven to enhance financial stability of football clubs, furthermore investment in the right training programs would effectively improve the on field performance of these player leading to an established brand of football that would attract more revenue base leading to financial stability of football clubs.

Hypothesis Testing

The level of significance refers to the level of probability that the results obtained from a study are likely to have occurred by chance. Regression analysis was used to examine the degree of relationship between the independent and dependent variable.

Table 1: Coefficient of regression of IP:FS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.790[a]	.624	.616	.497

a. Predictors: (Constant), investment practices influence

In reference to the above table, the independent variable that was studied, explain 62.4% of investments practices relationship to financial stability of football clubs as illustrated by the adjusted R^2. Investment practices is a key contributor towards the financial stability success of football clubs as illustrated by the above results.

Figure 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.293	1	21.293	86.128	.000[a]
	Residual	12.855	52	.247		
	Total	34.148	53			

a. Predictors: (Constant), investment practices influence b. Dependent Variable: financial stability

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Table above shows that the significance value is 0.000 which is less that 0.05 thus the model is statistically significance in predicting how investment practices influence financial stability of football clubs in Kenya. The F critical at 5% level of significance was 2.32. Since F calculated is greater than the F critical (value = 86.128), this shows that the overall model was significant.

Table 3: Linear Relationship between IP:FS

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-.002	.311		-.006	.995
	investment practices influence	.859	.093	.790	9.281	.000

a. Dependent Variable: financial stability

H1: There is a significant relationship between Investment activities and the Financial stability of Football clubs

The researcher conducted a multiple linear regression analysis so as to explain the influence investment practices on financial stability of football clubs. The variable as per the SPSS generated, the equation: FS= 0.859 IP - 0.002 hence the equation $Y_i=B_0+B_1X_{1+}\acute{\varepsilon}$. To assess the significance of each independent variable on the dependent variable, the researcher established that investment practices is significant and influenced the financial stability of football clubs as its P values were less than 5%. The model revealed that there exists a significant relationship between investment practices and the financial stability of football clubs. People watch football for various reasons, which include patriotism, national images that the sport may invoke, social pressures, prior knowledge of and involvement with the sport, desire for drama and excitement, and interest in star players. Fans prefer to watch good teams play, besides emphasizing on the specific outcome of the teams. Segmentation of the market usually on the basis of frequency of attendance, membership, and demography.

This study is in agreement with studies done by Grajkowska, (2011), Githinji, (2010), which states that Fans prefer to watch good teams play, besides emphasizing on the specific outcome of the teams. Segmentation of the market usually on the basis of frequency of attendance, membership, and demography. An argument from Knotts, Jones &Udell, (2006) state that firms have to do well in all areas, to overcome deficiencies in another not relying on excellence in one area. This means that organizations have to diversify in their operations, in

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terms of their range of products and contribution to revenue. The study agrees with Jiang, Chen, & Huang, (2006) propose that firms should undertake investment projects that will generate positive net present value. This is to say that capital expenditures in the current period should generate future corporate earnings that exceed the value of the initial expenditure. Further, Busacca & Maccarone, (2007), Coenen, Felten, & Schmid, (2010) observe that the ability of a firm to create economic value stems directly from its capability to generate profit above its cost of capital. As it seeks to earn profits superior to those of its competitors, it must get and maintain a position of competitive advantage.

Financial reporting framework

As pertains to Financial Reporting Analysis (FRA), recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons

Descriptive statistics

It's not a mandatory requirement that football clubs should publish and disclose their annual financial statements. However disclosure of financial statements brings about responsibility in terms of ensuring that proper utilization of the club assets enhanced. This comes with accountability to various stakeholders. From the research the researcher establishes that most of the club do no disclose their financial statement to all the stakeholders. This means that the clubs financial statement cannot be fully relied upon for financial analysis purpose. This can be established by the fact most of the respondents disagree with the statement that disclosure of financial statement is enhanced in football clubs as illustrated by the figure above.

Football clubs in Kenya do not have the luxury to employ a large pool of qualified accounting experts. In most of the clubs interviewed the duties of various staff overlap. The salary packages offered to the staff is low compared to other major organizations in the country. This limits the ability of the clubs to attract the experts required to run the duties of the respective football clubs. This can be established since from the respondents most of them disagree that the football clubs use internal accounting expert in performance their accounting obligations.

Technology in the world makes it easier for organization to run their activities. In accounting there are various accounting software's which have been established over time that makes the accounting information/output more reliable. This software's requires a chunk of

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resources ranging from cost of establishment to trained personnel's. Football club have not invested in such software system hence most of these is backed up manually. This can lead to manipulation of the information and loss of data. The researcher establishes that automation of the accounting reporting has not been enhanced in the football clubs. The respondents disagreed that automation of the clubs financial reporting had been enhanced.

Financial statement analysis is the process through which users of financial information manipulate the presented financial reports for the purpose of extracting information necessary in decision making. Ordinarily financial information is presented to stake holders in a standardized manner in line with the recommended reporting standards. This information is meant for a big group of users and as such may not be able to focus on the needs of specific categories of users. For this reason further analysis may be necessary to be able to bring out specific aspects of the financial reports necessary for decision making.

In order to make rational decisions in keeping with objectives of the firm the stakeholders especially the managers must have at their disposal certain analytical tools. These tools of financial analysis are important as they give a feedback as to the contents of the financial statements. These tools are also used by outside suppliers of capital, creditors, and investors and by the firm itself. The firm uses financial analysis not only for internal controls but also for a better understanding of what capital suppliers seeks in the way of financial conditions and performance of it. The researcher established that football clubs rarely analyses their financial statement for decision making. This is illustrated by the figure above where most of the respondents disagree that football clubs analyses their financial statement for decision making purposes

Companies that publish their financial statements for all the stakeholders to access are better placed to avoid fraud and enhance performance in their organization. Lack of transparency comes with unlimited disadvantages ranging from, frauds, loss of money, and mismanagement of resources within the organization. The researcher establishes that best reporting practices especially in football clubs are a recipe growth, continuity and survival of football clubs.

Regression analysis

The researcher uses regression analysis to establish whether there exist a significant relationship between financial reporting framework and the financial stability of the respective football clubs. The results are illustrated in table 4.

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Table 4: Coefficient for regression of FR:FS

R	R Square	Adjusted R Square	Std. Error of the Estimate
.704[a]	.496	.486	.575

a. Predictors: (Constant), extent of financial reporting framework influence

In reference to the above table, the independent variable that was studied, explain 86.5% of financial reporting framework relationship to financial stability of football clubs as illustrated by the adjusted R^2. Financial reporting framework plays a significant role towards the financial stability and success of football clubs as illustrated by the above results.

Table 5: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.928	1	16.928	51.120	.000[a]
	Residual	17.220	52	.331		
	Total	34.148	53			

a. Predictors: (Constant), financial reporting framework influence

b. Dependent Variable: financial stability

Table above shows the significance value is 0.000 which is less that 0.05 thus the model is statistically significance in predicting how financial reporting framework influence financial stability of football clubs in Kenya. The F critical at 5% level of significance was 2.32. Since F calculated is greater than the F critical (value = 340.427), this shows that the overall model was significant.

Table 6: coefficient for regression of FR:FS

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.597	.320		1.865	.068
	financial reporting framework influence	1.051	.147	.704	7.150	.000

a. Dependent Variable: financial stability

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H1: There is a significant relationship between Financing Reporting framework and the financial stability of Football clubs

The researcher conducted a multiple linear regression analysis so as to explain the influence of financial reporting framework on financial stability of football clubs. The variable as per the SPSS generated, the equation: FS= 0.547 FR =1.051 hence the equation $Y_i=B_0+B_1X_{1+}\acute{\varepsilon}$. To assess the significance of each independent variable on the dependent variable, the researcher established that financial activities is significant and influenced the financial stability of football clubs as its P values were less than 5%.

This study is in agreement with studies done by, Gitman, (2011), Kitonga, (2013) and Demba, (2013). They argue that as appertains to Financial Reporting Analysis (FRA), recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons.

CONCLUSION

Football clubs should undertake investment projects that generates positive net present value. This is to say that capital expenditures in the current period should generate future corporate earnings that exceed the value of the initial expenditure. The ability of a football clubs to create economic value stems directly from its capability to generate profit above its cost of capital. As it seeks to earn profits superior to those of its competitors, it must get and maintain a position of competitive advantage.

The study identifies several factors that affect attendance and revenue collection. The first is the fixture, the game to be played. High intensity, high demand matches invoke a lot of interest and passion. Average and low intensity matches invoke relatively less interest and passion. Going beyond the various sources of revenue available to football clubs is imperative. Its important to understand the behavior, needs and motives that drive both the fanatics and the fans to attend various football matches

Limitations of the study

The main limitation of this study was on ensuring that the respondents were assured of the confidentiality of the information they disburse. Also the respondent willingness to give information was a limitation to this study.

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Recommendations of the study

Football clubs and stakeholders should realize that the economic environment is very dynamic. For the clubs to succeed pro-active and innovative measure must be put in place. Football academies that train young footballers should be established. This will ensure supply of senior players to the football clubs hence reducing cost of player recruitment while also maintain a higher level of competitiveness.

Financial reporting plays a major role in ensuring accountability of organizations. The reports generated also help in financial decision making. Football clubs should ensure that financial reporting is enhanced at all times. Qualified staff with competitive salary package should be employed to ensure credibility of financial reports. The management should be in a position to analyse the financial reports for financial decision making.

Automation of accounting systems has been proven to enhance efficiency, security and credibility of accounting information generated. Football clubs should embrace this technology to enable them monitor at all levels the flow of cash, expenses and proceeds generated.

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