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FINANCIAL MANAGEMENT PRACTICES INFLUENCE ON FINANCIAL PERFORMANCE OF FOOTBALL CLUBS IN KENYA: A CASE OF FOOTBALL CLUBS AT KENYA PREMIER LEAGUE

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Abstract

This research was aimed at finding out whether a relationship exists 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 influence stability of football clubs in Kenya. The underpinning theories include: Agency theory in sports and contracting theory. In this study, used explanatory research design was adopted. Data was collected through the use of questionnaires. The target population comprised three respondents from the twenty one football clubs that were participating between 2010-2014 versions of the Kenyan Premier League. Data was collected from the three officials/administrators from each respective club, namely: the Financial Officer, the Chairman and the club Accountant. The study used purposive sampling to select the respondents, Yamane (1967) formula for calculating sample sizes was used to calculate the sample size at 95% confidence level and e = 0.05. This

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resulted to 54 respondent's 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 football ground but also on the financial perspective of the clubs.

Keywords: SACCOs, Financial management practices, financial stability

INTRODUCTION

The key factor for economic success is a tight identification of fans with a particular sport club and/or an athlete. In the first instance, high-quality sport products bring benefits directly from the fans in a form of day-match revenues and souvenirs. Sponsorship, advertisement or broadcasting rights fees are examples of other significant sources of revenues (Procházka, 2012).

Football clubs in Europe have started to integrate their trademarks into various services, such as telephone services, credit cards with club advantages, using sponsorship agreements while naming their sports team or their stadiums. There is a very intense competition among football clubs in the European football arena. The meaning of success in sports and in finance is two different concepts. When the top performers of the European football clubs were reviewed, it is relatively easy to determine that success in the European football arena requires big budgets. The analysis of football clubs' financial performance could provide some insights to this matter. Generally football clubs have been established as associations due to tax benefits and other legal advantages of the status. Associations are a form of non-profit organizational structure and financial success is not generally an important goal for them. However, after the game had turned into a billion dollar business the understanding of football club management has changed. Finding funds to establish a strong football team with a top coach who is goal oriented, winning championship cups on a national and international level has become a critical issue.

Football in Africa on the other hand is used by governments, ethnic groups and political parties to gain and maintain power. You may operate in a region where opposition to the government is great. Football development in such regions is often neglected or hindered by those in power. It would be wise to inform yourself of the 'political reputation' of the region. - Powerful people – businessmen, politicians, and so on – often interfere in football-related matters for political reasons. For instance, they tend to impose their will on the team's line-up.

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This happens on all levels. You will probably come into contact with individuals who want to use the project for their own private purposes. Positions in football are highly prestigious. An FA chairman prefers to call himself 'president' and his presence alone commands the utmost respect. Whoever deals with an FA or a club will learn that no decision can be taken without the president himself. If you want to establish a working relationship with an organization in football, it is vital to know who is in charge. You have to be very careful not to offend anybody.

Africa needs football infrastructures at a grassroots level. Large stadiums are useful a few times a year, but well-maintained training facilities throughout the country are more beneficial to the development of the game. One thing to remember is that poor infrastructures increase levels of intimidation and violence. League centers in villages and small towns commonly lack inner perimeters which make it easy for spectators to enter the field of play. Violence against the referees, unfortunately, happens on a structural basis.

Financial Stability and Financial Management Practices

Ferri, (2017), in his study establishes that Sports performance can be defined as a club's ability to obtain a high number of victories in the competitions in which it participates. Thus, a club has high sports performance when it achieves high scores in these competitions. Indeed, the results are influenced by a huge number of variables such as the players' personal and cultural values, the club management's ability to define and reach sports goals through appropriate decisions, individual player attributes, the coach's skills, the club's market size, the number of supporters, and the casualty of the game. Clearly, the sports results are related to the existence of an appropriate corporate structure that is able to regulate all of these.

Sports performance can significantly depend on a club income. As noted in prior studies, the impact of monetary investments on business performance has been widely researched in different disciplines and the majority of these studies have found that monetary investments generally have positive impacts on short- and long-term performance of the businesses. First, there are many differences between the results within a short period and those occurring over medium and long terms. According to several authors, within a short period, a club's ability to maintain a high level of financial performance depends on the revenue from the transfer fees for the most important players

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

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overreliance on sponsorship deals and most of the revenues generated are consumed on maintenance of club assets and facilities, and are not able to utilize all the available avenues for generating revenues.

Deloitte & Touche, (2009) while presenting the Football Money League 2009 report, acknowledged many clubs that were analyzed, fall under the category of the elite clubs of the world football, and are iconic brands in their own making. This has them to enjoying considerable demand that in many cases exceeds supply in terms of ground capacity, often playing to sold-out stadia. While Nkaari and Ocholla, (2010) finds out that football clubs further down the football pyramid including top-flight football in Kenya, the consistency, contribution and structure of revenue from stadium-going spectators may vary from that of the elite clubs featured. This is because upcoming clubs tend to have a more local focus, and hence revenue base, and an excess of supply over demand for match day tickets (Nkaari and Ocholla, 2010).

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.

Significant gaps have been established on matters of financial management practice's 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 gap 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 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

Objectives of the Study

General Objective

The general objective of this study was to establish the relationship between financial management practices and the financial stability of football clubs in Kenya.

Specific objectives

i. To determine whether the working capital management influences the financial stability of football clubs in Kenya

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ii. To determine whether financing activities influences financial stability of football clubs in Kenya

Research hypotheses

i. Ha: There is a significant relationship between working capital management and financial stability of football clubs in Kenya
   H0: There is no significant relationship between working capital management 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
   H0: There is no significant relationship between financing activities and financial stability of football clubs in Kenya

Justification of the Study

The Government, and specifically the Ministry for Youth and Sports, stands to benefit from a financially viable domestic Premier League that attracts the best players from not only the region but the world. A globally recognized brand will attract visits from clubs and countries that are icons of the sport. The study will provide new knowledge in the field of sports from a business perspective, and specifically football. The results and recommendations of this research paper might be used as a guide to further research on the subject.

Scope of the Study

The study was restricted to football clubs in Kenya. Information was gathered from existing football clubs who have participated in the Kenyan Premier League (KPL) between years 2010 - 2014. The population scope was the respondents based all over the country. The unit of analysis was the football club in Kenya. Financial officers, accountants and chairmen of these football clubs were the respondents of this study.

LITERATURE REVIEW

Theoretical Review

There are concept and assumptions that explains the origin and the previous solutions available. These concepts and assumptions are explained in form of theories, hence the presence of this (theoretical review). These theories include pecking order theory and game theory in sport as explained below.

Agency Theory (1973)

Football clubs are owned by different types of owners. There are those owned by the community, government, private owners such as individuals and companies. The owners of this clubs do not directly run them, they seek assistant from various employees at different capacity. The presences of employees to work on behalf of the owners creates a problem known as the agency problem. The research borrows the understanding of the agency theories to link the agency problems towards financial stability of football clubs.

The agency theory plays an 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 these football 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 & Certo, 2003).

It's important for any organization to safe guard both the interest of the owners as well as its employees. The research finds out that with a well-articulated agency relationship I.e. proper remunerations qualified staff the financial standard of the football will be uplifted creating a financially stable club with minimal agency problems. The study has aligned its findings with the help of the facts laid down by the agency theory.

Contracting theory

There are various motivation strategies to employees. Some are motivated by monetary aspects while are others look toward other benefits which are not monetary in nature. In Football the players are young most of them their first career to get earnings. Due to this fact the football players are largely motivated by their level of earning, job security and desire to grow and play for bigger clubs with extra wages. The terms of contract offered to this football players largely plays a greater role in their motivation aspect hence influencing their overall on field performance and leading to the success of their clubs. Due to the above this research has been greatly influenced by the postulates of the contracting theory.

Contracting theory has been established by David Gauthier In his 1986 book, Morals by Agreement, set out to renew Hobbesian moral and political philosophy. Hobbes argued that men's passions were so strong as to make cooperation between them always in danger of breaking down, and thus that a Sovereign was necessary to force compliance. Gauthier,

however, believes that rationality alone convinces persons not only to agree to cooperate, but to stick to their agreements as well.

Within the realm of football, contract theory has to do with understanding how the balance between competency and rewards is achieved. Essentially, contract theory involves the need for communication between an agent and a principal, so that there is a clear understanding of both the needs of the principal and the ability of the agent to meet those needs in a competent manner. Once this state is established, contract theory is then employed to ensure that the agent receives adequate rewards for his or her efforts. Players are obliged to ensure results and social welfare of football clubs while the management of this football clubs should ensure adequate compensation of players to achieve the intended goal of this clubs.

A contradiction always arises on whether football clubs should tie football players to long term contracts or not. On one hand the long term contracts provide a sense of security and a sense belonging, this may act as a source of motivation to perform better for club. On the other hand this may make the player lazy due to the fact that his future is secured in the long run. Short term contracts maybe used so as to motivate the players to work hard and perform better to earn another contract with improved terms. For example Alexi Sanchez one of the highest paid player in the English primier league, has reduced his work rate and performance upon receiving the extra ordinary pay package as demonstrated by play player opta statistics.

One of the easiest ways to understand contract theory is to apply the principle to hiring persons to labor in the workplace. Essentially, a prospective employee will provide information about his or her ability to meet the requirements of a given position. In turn, the employer will need to be in a position to verify the accuracy of the information provided. When the employer is unable to do so, the condition is understood to be asymmetric. Asymmetric information is not necessarily incorrect or false information. However, it does present a roadblock to the employer being able to adequately evaluate the prospective employee (Wise Geek, 2013).

Empirical review

Empirical research on the financial management practices in football clubs worldwide has not been widely done. This research have borrowed some of the empirical study on the influence of financial management practice influence on financial performance from other related fields of study. This has helped the researcher to relate this studies with this research on football clubs financial stability. Comprehensive empirical review has been done and major findings have helped in the study conclusions.

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Financing activities

Attractive football attracts a large pool of fans as per the findings of these research. The presence of a large pool of fans attracts revenues in diverse ways. A large number of fans attending live matches lead to increased revenues in terms of gate collection. This markets the football club as a brand which in return leads to an increased sponsorship attraction. Also the presence of a large number of fans creates an avenue for companies to market their product hence leading to advertising equivalent value. This has also a ripple effect broadcasting media which will lead match coverage increasing the revenue base for the club.

Financial activities vary in football clubs that is from: broadcast, commercial, and game day finances. Financing includes sponsorships and merchandise, for example, Broadcast financing indicates the financing stipulated by broadcast contract. Game day finances which consists of tickets, Deloitte's Money League report 2014 (Deloitte, 2014).

Nagy, (2015) in his study on financing methods in professional football states that naturally, football clubs use the same financing and credit rating criteria as other enterprises. In addition to examining basic forms of financing (internal as well as external financing, own, external and patron financing), important financing considerations such as risk, market value, cost of capital or the opposition between owners and agents (asymmetry of information) must also be taken into account. Risk is also a very important consideration for football clubs as well, which is also due to the high degree of uncertainty of the sports results in the field of professional football, which entails a much greater risk as compared to other economic areas. This must be taken into account when selecting financing solutions. Assessing market value and cost of capital for football clubs should be especially significant for management. These considerations have not been accorded the significance they should have even by German football clubs.

Irene, (2012) in her study on the effect of bank financing on the financial performance of small and medium-sized enterprises in Nairobi county concludes that there was a steady rise in the organizations bank financing over the five year period between year 2009 and year 2013. Therefore, organizations bank financing in Nairobi County had a positive effect on the performance of the organizations in Nairobi County since access to bank financing is an important ingredient to the developmental and eventual growth and performance of organizations. Given the steady increase in the organizations ‟ tangibility over the 5 year period and the corresponding decrease in the organizations ‟ financial performance over the same period, the study concludes that organizations ‟ tangibility negatively affected the financial performance of the organizations in Nairobi County, Kenya. Given the steady decrease in the organizations ‟ size over the 5 year period and the corresponding decrease in the organizations

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" financial performance over the same period, the study concludes that there exists a positive relationship between the organizations size and their financial performance.

Muriithi, (2014) in his study concludes that the use of personal income as a source of financing for businesses does not influence the financial performance of mid-sized companies in Kenya. Bank loans had a weak positive effect on the performance of firms hence concludes that the use of bank loans as a source of financing for businesses does not influence the financial performance of mid-sized companies in Kenya. The results show that venture capital had a weak negative effect on the performance of firms. This effect was however not significant and therefore the study concludes that venture capital does not influence the financial performance of mid-sized companies in Kenya.

Working Capital Management

Hamza, Mutala, and Stephen, (2015), in their studies cash management practices and financial performance of small and medium enterprises, conclude that organizations are not good at managing their cash since they seem not to have embraced and implemented efficient cash management practices in their business operations. This was envisaged in their low means of the efficiency levels in cash their limited application of theories of cash management in their operations .The study revealed that owners/managers experience is more important than application of theories of both inventory and cash balances in majority of the Organizations in the study. Football clubs rely so much on their employees to manage cash. The findings of this study collaborate to a greater extent with the study of previous researchers which indicates that, careless working capital management practices can be a major cause of organization's failure and cash flow management , inventory control and bad debts or poor receivable management are the most internal problems.

Waema and Nasieku, (2016) in their study on effect of working capital management on the financial performance of listed manufacturing firms in Kenya establishes that given the steady increase in average payment period (APP) mean values over the 10 year period and the corresponding increase in financial performance of the listed manufacturing firms in Kenya over the same period, the study concludes that creditors management as a working capital component positively impacts the financial performance of the listed manufacturing firms in Kenya over the 10 year period. Efficient management of creditors by football clubs plays a key role in ensuring their continuity as well as liquidity capacity. Borrow short term loans, hire football training as well as playing venues but ensure, hire transport means for players but ensure the creditor get their pay in time to avoid creditor's apathy.

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Waema and Nasieku, (2016) in their study also establishes that, given the steady decrease in average collection period (ACP) mean values over the 10 year period and the corresponding increase in financial performance of the listed manufacturing firms in Kenya over the same period, the study concludes that debtors management as a working capital component negatively impacted on the financial performance of the listed manufacturing firms in Kenya over the 10 year period. Given the steady decrease in inventory conversion period (ICP) mean values over the 10 year period and the corresponding increase in financial performance of the listed manufacturing firms in Kenya over the same period, the study concludes that inventory management as a working capital component negatively impacted on the financial performance of the listed manufacturing firms in Kenya over the 10 year period. Given the decrease in cash conversion cycle (CCC) mean values over the 10 year period and the corresponding increase in financial performance of the listed manufacturing firms in Kenya over the same period, the study concludes that cash management as a working capital component negatively impacted on the financial performance of the listed manufacturing firms in Kenya over the 10 year period.

Chebet, (2015) in her study on the effect of working capital management practices on the financial performance of manufacturing firms in Nairobi county concludes that Working capital management is a very important component of financial performance because it directly affects the liquidity and profitability of the company Management performance would be improved by managing working capital efficiently. Through the use of Ordinary Least Square (OLS) regression found that cash conversion cycle is positively associated to the Return on Equity (ROE). The results show that managers can improve their performance by managing working capital efficiently. Accounts payables period and inventory turnover period components of cash conversion cycle have positive relationship with return on Equity. This study found that the relationship between the Accounts Receivables and Return on Equity is negative. This implied that an increase in Accounts Receivables results to a decrease in return on assets .This is in agreement to Atrill (2006) who attributes low receivable collection potential among the organizations to lack of proper debt collection procedures such as prompt invoicing and sending out regular statements. This causes the increase risk of late payment and defaulting debtors.

Aquino, R. (2010) found that the relationship between Debt-Equity Ratio and Return on Equity is negative. This implies that an increase in Debt-Equity Ratio results to a decrease in firm performance and vice versa. The study therefore concludes that working capital management is a very sensitive area in the field of financial management which involves the decision of the amount and composition of current assets and the financing of these assets. Current assets include all those assets that in the normal course of business return to the form of cash within a short period of time, ordinary within a year and such temporary investment as

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may be readily converted into cash when need arises. The findings indicate that manufacturing firm's performance is increased by decreasing accounts receivables period and inventory turnover period. Although finance managers fear managing accounts payable period might stem from the fact that more controlling the accounts payables period would damage firm's reputation, and consequently decrease performance. Firm's that are involved in manufacturing invest more in working capital raising the investment too high in proportion to the total Equity employed and so it is vital that these funds are used in efficient and effective way. A firm can be very profitable but if this is not translated into cash from operations within the same operating cycle, the firm may have to borrow to support its continued working capital needs

Aquino, R. (2010) the study found that the relationship between the Current ratio and Return on Equity is positive. This implied that an increase in current ratio results to an increase in return on Equity and vice versa. The study found that the relationship between return on Equity and average payables Period is positive. This implied that an increase in accounts payables period results an increase in firms performance.

Aquino, R. (2010) studied the capital structure of listed and unlisted Indian firms. Results indicated that higher debt is associated with high growth rates and profitability in unlisted firms. His study showed that high debt ratio is positively associated with the firm's growth rate and profitability, although he observed the opposite among the listed firms, which he attributed to the cautiousness of large listed firms on the effect of reliance on debt financing on their share prices.

Christopher (2009) asserts that the longer the accounts payables period the more advantageous for the firm as such fund can be put to other uses. However, longer accounts holding period can erode a firm's credit worthiness.

Waweru and Ngugi, (2014) in their study on Influence of Financial Management Practices on the Performance of Micro and Small Enterprises in Kenya concludes that there's a statistical significant between working capital and firm performance; that There exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers; that heavy investment in inventory ties up capital which in the end reduces firm' profitability; and that there is need for a tradeoff between receivables and holding inventory if the firm is to attain the required profits.

Mulualem, (2011) shows that there is statistically significant negative relationship between profitability and average collection period. This result suggests that firms can improve their profitability by reducing the number of day's accounts receivable outstanding. Also this can be interpreted as the less the time it takes for customers to pay their bills, the more cash is

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available to replenish inventory hence the higher the sales realized leading to high profitability of the firm.

The negative relationship between average collection period and profitability suggests that an increase in the number of day's accounts receivable by 1 day is associated with a decline in profitability. Through this, managers improve profitability by reducing the credit granted to their customers, this argument was brought up by Lazaridis and Tryfonidis, (2006) in their study on Relationship between working capital management and profitability of listed companies in the Athens stock exchange.

Dong, (2010) focuses on the variables that include profitability, conversion cycle and its related elements and the relationship that exists between them. The research finds that the relationships among these variables are strongly negative. This denote that decrease in the profitability occur due to increase in cash conversion cycle. It is also finds that if the number of days of account receivables and inventories are diminished then the profitability increases.

Working capital management rule states that firms should strive to lag their payments to creditors as much as possible, taking care not to spoil their business relationship. Through this, Mathuva, (2010) in the study "the influence of working capital management components on corporate profitability: a survey on Kenyan listed firms" shows that average payment period has a positive relationship with profitability. The positive relationship suggests that an increase in the number of day's accounts payable by one day is associated with an increase in profitability. Football clubs in the country should ensure proper utilization of working capital hence prevent financial instability in clubs.

Darun (2011) sought to examine the working capital management practices at an organizational perspective focusing on the determinants of the various practices employed in managing working capital. The research was based on multiple case studies of five Malaysian companies that were listed on the main board of Bursa Malaysia. Semi structured interviews were used to collect data from key informants that represented the managers of the various components of working capital.

Apuoyo (2010) embarked on a study to find the relationship between the policies that companies used and their effect on profitability. The study was based on fifty-five companies quoted at the Nairobi Stock Exchange (NSE) in Kenya as at 31st December, 2009. The companies were classified based on the NSE sector categorization proportionate random stratified sampling was used. Relevant data was collected from the sampled companies' audited financial reports for the five years since 2005 to 2009. The data was analyzed to find out the annual working capital policy for each firm that were then classified into aggressive, conservative and moderate policies. The relationship between the working capital policies and

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return on total assets (ROTA), which was the measure of profitability, were determined using simple regression. .

The studies on working capital management establishes that the firm's profitability increases with the firm's gross working capital efficiency, size and less aggressiveness in asset management. Contrary to conventional theory that a conservative working capital policy sacrifices profits at the expense of liquidity the study revealed a positive relationship between a conservative working capital policy and firms profitability. Significant differences in working capital policies between the five sector classifications was also realized. The researchers also found out that the working capital management practices employed in various firms depend on various determinants including perceived environmental uncertainty, budgetary control, organizational structure, interdependency and information technology, and organizational culture.

Based on the empirical review available on working capital management of organizations in various fields and the finding from this research. We can establish that although the working capital components of football clubs are unique in nature, if we integrated the working capital management practices of other organization to football clubs, it would enhance the efficiency in management of the working capital leading to the financial stability and growth of these football clubs. It is therefore imperative to link the finding of the studies done in other areas with finding of this research to optimize efficient working capital management especially in football clubs.

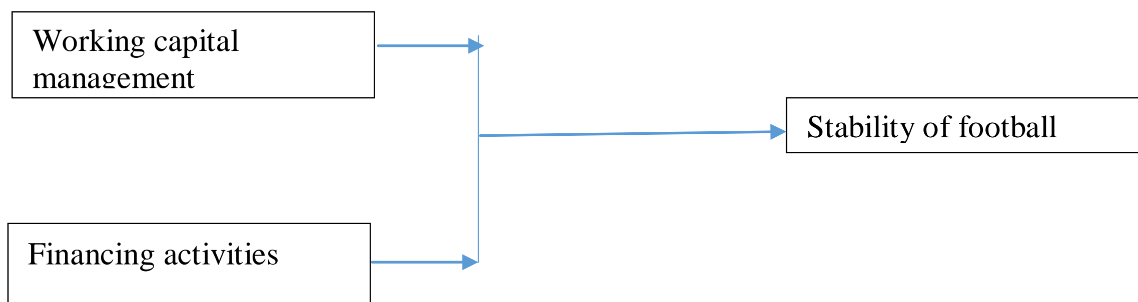

Figure 1: conceptual framework

RESEARCH DESIGN

Methodology

In this study, explanatory research 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 comprising to total of 63 respondents. The above

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respondents are in a position to give credible information pertaining the financial management practices in football clubs. The study used purposive sampling to select the respondents, Yamane (1967) formula for calculating sample sizes was used to calculate the sample size at 95% confidence level and e = 0.05.

$$n = \frac{N}{1 + N(e)^2}$$

Where, n is the sample size, N is the population size, and e is the level of precision. This resulted to 54 respondents. Data was collected by the use of structured questionnaire. Saunders et al. (2009) define a questionnaire as the general term including all data collection techniques in which each person is asked to answer the same set of questions in a predetermined order. The questionnaire were structured using measurement variables such as nominal, ordinal, interval and ratio scales which are the most widely used classification of measurement Kothari, (2004). The questions were structured both as an open-ended and closed-ended to make collection of relevant information and coding of the answers possible. To give the respondents greater flexibility in their responses, a Likert Scale questionnaires were used. According to Stangor, (2010), “a Likert scale consists of a series of items that indicate agreement or disagreement with the issue that is to be measured, each with a set of responses on which the respondents indicate their opinions.”Descriptive statistics and inferential statics were used to analyse data. Multiple linear regression was also used to link the relationship between independent variables (investment practices and working capital management) and dependent variable (financial stability) and was guided by the following model:

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

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

β_0 is the intercept

IP =Independent variable Investment Practices

FA =Independent variable Financing Activities.

Ei is the error term.

RESULTS

Working capital management

The study focuses on various variables that include financial stability, conversion cycle and its related elements and the relationship that exists between them. Working capital management rule states that firms should strive to lag their payments to creditors as much as possible, taking care not to spoil their business relationship. Football clubs in the country faces myriad of

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financial problems to a point that they are not able to pay creditors hence ruining the credit worthiness. Proper utilization of working capital can enhance financial instability in clubs.

Descriptive statistics

There various types of debt that football clubs are owed by other organizations and individuals. This debt range from the annual capitation from the Kenyan Premier League, sponsorship money, player transfer fee among others. Efficient collection of debt ensures that the football stays a float in terms of its financial status. Every organization including football clubs should ensure an efficient debt collection policy. In football clubs in Kenya the debt collection policy is poor as the researcher established. The respondents disagreed that the clubs meet the stipulated debt collection period as shown in the table above.

There various types of debt owed by the football clubs. This debt range from the player's wages, transports outsourced, and fields cost among others. Efficient payment of debt ensures that the football stays a float in terms of its financial status, also it ensures that a good relationship exists between the creditors and the football club. Every organization including football clubs should ensure an efficient credit policy. In football clubs in Kenya the credit policy is poor as the researcher established. The respondents disagreed that the clubs meet the stipulated debt payment to creditors is enacted in time as shown in the table above. Lagging the payments of debts can be healthy since the clubs can invest the money but ensuring a healthy relationship with the creditors is maintained.

Various players who are contracted by the football clubs in Kenya have often refused to train and play for their respective clubs due to accrued wages. This scenarios have put off most of the potential investors and sponsors of the respective clubs. Satisfied player engage in proper training hence translating it on to the field performance. This attracts a large pool of fans to attend matches while ensuring an increased revenues in terms of gate collections. Some the football clubs actually pay staff salaries and wages in time, while others delay. This is reflected on the actual performance of each club on the pitch

The cash conversion cycle is a metric used to gauge the effectiveness of a company's management and, consequently, the overall health of that company. The calculation measures how fast a company can convert cash on hand into inventory and accounts payable, through sales and accounts receivable, and then back into cash. Football clubs receive cash from various sources. The cash is usually deposited at different times to the accounts. The cash received is used to run the football clubs affairs. Sale of football merchandise, gate collections and other revenues received can be converted to ensure that enough working capital is available to meet the daily obligations of football clubs.

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Regression analysis

Table 1: coefficient for regression of WCM: FS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885[a]	.784	.780	.377

a. Predictors: (Constant), working capital management

In reference to the above table, the independent variable that was studied, explain 78% of working capital management relationship to financial stability of football clubs as illustrated by the adjusted R^2. Working capital management plays a significant role towards the financial stability and success of football clubs as illustrated by the above results.

Table 2: ANOVA (WCM)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26.767	1	26.767	188.559	.000[a]
	Residual	7.382	52	.142		
	Total	34.148	53			

a. Predictors: (Constant), working capital management b. Dependent Variable: financial stability

Table above shows the significance value is 0.000 which is less than 0.05 thus the model is statistically significance in predicting how working capital management 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 = 188.559), this shows that the overall model was significant.

Table 3: regression relationship between WCM: FS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.566	.172		3.297	.002
	working capital management	.855	.062	.885	13.732	.000

a. Dependent Variable: financial stability

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H1: There is a significant relationship between working capital management and the financial stability of Football clubs

The researcher conducted a linear regression analysis so as to explain the influence working capital management on financial stability of football clubs. The variable as per the SPSS generated, the equation: FS= 0.147 FA - 0.980 hence the equation $Y_i=B_0+B_1X_{1+}$ ε. 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%.

Various researcher have come up with different arguments on optimal working capital requirements by firms. For example there is a research that shows that there is statistically significant negative relationship between financial stability and average collection period of pledges from sponsors. The results suggests that football clubs can improve their financial stability by ensuring that all the pledges are received in due time. The negative relationship between average collection period and profitability suggests that an increase in the number of day's accounts receivable by 1 day is associated with a decline in profitability. Through this, managers improve profitability by reducing the credit granted to their customers, this argument was brought up by Lazaridis & Tryfonidis, (2006) in their study on Relationship between working capital management and profitability of listed companies in the Athens stock exchange.

Another study focuses on the variables that include financial stability, conversion cycle and its related elements and the relationship that exists between them. The research finds that the relationships among these variables are strongly negative. This denote that decrease in the financial stability of football clubs occur due to increase in cash conversion cycle. It is also finds that if the number of days of account receivables are diminished then the profitability increases.
Working capital management rule states that firms should strive to lag their payments to creditors as much as possible, taking care not to spoil their business relationship. Football clubs in the country faces myriad of financial problems to a point that they are not able to pay creditors hence ruining the credit worthiness. Proper utilization of working capital hence prevent financial instability in clubs. Mathuva, (2010) in the study "the influence of working capital management components on corporate profitability: a survey on Kenyan listed firms" shows that average payment period has a positive relationship with profitability. The positive relationship suggests that an increase in the number of day's accounts payable by 1 day is associated with an increase in profitability. Football clubs in the country should ensure proper utilization of working capital hence prevent financial instability in clubs.

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Financing activities

Football as a sport should ensure a high level of financial integration for the sport to survive. The management of these football clubs should strive to ensure sufficient availability of finance to run the sport. There are various avenues available to the management of this clubs where they can source finance. But even with the available finances it's important for the football clubs to ensure proper financial management practices to enhance the long-term capabilities of these clubs. Financial activities in football vary from broadcast, commercial, and game day finances. Commercial financing includes sponsorships and merchandise, for example. Broadcast indicates the financing stipulated by broadcast contract and game day finances which consists of tickets, also merchandise sale and merchandise distribution channels plays a key role in ensuring availability of finances in the football clubs, Deloitte's Money League report 2014 Deloitte, (2014).

Descriptive statistics

The goal of any football clubs is to win as many matches as possible although League, success can be bought. Examples of Manchester City and Queen Park Rangers have shown that it is possible to turn mediocre clubs into winning clubs with the help of wealthy investors financing operations and player acquisitions. The winning team is built at the expense of profitability, enabled by the owners acting as benefactors to great extent. For them, the return on investment is highly emotional with respect to the points and titles won. Attractive football ensures a wide pool of fans. Good team performance on the field is very crucial in enhancing the financial activities of a given football club. The aim of any organization is to generate financial resources. In sport the primary source of revenues comes from the fans of the sport. In football it's important that matters appertaining to the prices of tickets are cautiously taken into consideration. The charges set on any match ticket should take into consideration many factors, such the convenience of the location, and fan segmentation among other factors.

For a fan to attend a football match and for a football club to benefit from the attendance of the fans, some financial charges have to be incurred by the fans, this charges are sold inform of tickets. There are various tickets ranging from season tickets to match day tickets. The prices set by the respective football clubs for a ticket influences the number of football fans to attend the match hence an influence on the financial activities of the clubs. This can be seen from the fact that the majority of the respondents were of the view that ticket pricing plays a key role on the overall financial activities of football clubs. Various researchers have been able to establish that proper ticket pricing enhances the revenue base required of the football clubs. However from the findings the researchers establishes that the prices go beyond the amount of money paid per ticket but thorough market review on the affordability of the tickets should be enhanced

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to strike the balance between ticket price and the affordability. This will enable revenue attraction and further lead to the financial stability of football clubs.

Football clubs in Kenya are located at various geographical parts of the country. Some are located in Nairobi, Mombasa, Nakuru, Naivasha and Kakamega. Some of this clubs prefer to play their matches in Nairobi where there are a wide pool of fans to attend the matches. The convenience of the location/venue of the football clubs plays a key role in attraction of football fans hence greater revenues. From the researchers convenience and location of a football match has a major influence on the financial activities of football clubs in Kenya.

The fanatics would most of the time sacrifice their activities to attend any football match for their respective clubs unless there is sort an apathy towards the club. This cannot be said of the normal fan. Careful planning by the football management and the football federation as well should be taken into consideration to convenience and as high as possible number of fans attend the football matches.

Major football clubs in the world bring on board a number of sponsor, for example the jersey sponsor, kit sponsor, stadium sponsors. In Kenya the case is not different to football clubs. The Kenyan clubs depend on sponsorship deals to be able initiate most of the operations within the clubs. Level of sponsorship has a significant influence on the overall financial activities of this clubs. Sponsorship deals have been found to be very significant in promoting the financial activities of football clubs hence enhancing the financial stability of football clubs.

A football club is a brand by itself. The player uniforms i.e. the training kits as well as the playing are of high value to the fans of the respective football clubs. Sale of replica merchandise should be efficiently managed to enable the clubs generate the maximum revenues. Prudent financial management practices should be embraced to avoid misappropriation of this revenues even before they reach the respective football clubs. This sale of merchandise if well managed can be a gold mine in terms of financial resources to the clubs.

With a well-managed sales channels of replica merchandise of the various football clubs, there is a wider range of revenue attraction. However in Kenya football clubs have not been able to ensure a proper channel for sale of their merchandise. Middle men, brokers and cartels benefit from the sale of this merchandise while football clubs suffer greatly due to the loss of this revenue. As established by the researcher clubs lowly benefit from the sale of their merchandise which is supposed boost their financial activities.

Most of the fans who attend football matches in Kenya are low income earners. Some of them only wishes to wear the colors of the clubs they are supporting. However majority of this prefer to purchase quality merchandise. The quality of merchandise has a major role to play in contributing towards financial activities of the respective football club. A high quality product

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eliminates cartels due to the high costs involved in production. From the various researchers point sale of merchandise contribute effectively towards the revenue base of football club, however whether the quality of merchandise sold has an influence on the overall contribution towards extra revenues has not been established. From this study the quality of merchandise or replica materials sold by the football clubs influence the revenues as well as the financial stability of football clubs.

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Regression analysis

The researcher used regression analysis to establish whether a significant relationship exists between financing activities and the financial stability of the respective football clubs in Kenya.

Table 4: Coefficient for the regression of FA: FS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.931[a]	.867	.865	.295

a. Predictors: (Constant), financing activity influence

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

Table 5: ANOVA (FA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.623	1	29.623	340.427	.000[a]
	Residual	4.525	52	.087		
	Total	34.148	53			

a. Predictors: (Constant), extent of financing activity influence
b. Dependent Variable: financial stability

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Table above shows the significance value is 0.000 which is less than 0.05 thus the model is statistically significance in predicting how financing activities 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: Linear Relationship between FA: FS

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.147	.150		.976	.333
	financing activity influence	.980	.053	.931	18.451	.000

a. Dependent Variable: financial stability

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

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This study is in agreement with a study done by Nagy, (2015) in his study on financing methods in professional football which states that naturally, football clubs use the same financing and credit rating criteria as other enterprises. In addition to examining basic forms of financing (internal as well as external financing, own, external and patron financing), important financing considerations such as risk, market value, cost of capital or the opposition between owners and agents (asymmetry of information) must also be taken into account. Risk is also a very important consideration for football clubs as well, which is also due to the high degree of uncertainty of the sports results in the field of professional football, which entails a much *greater risk* as compared to other economic areas. This must be taken into account when selecting financing solutions. Assessing market value and cost of capital for football clubs should be especially significant for management.

The study however disagrees with a study done by Irene, (2012). Irene in her study on the effect of bank financing on the financial performance of small and medium-sized enterprises

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in Nairobi County concludes that there was a steady rise in the organizations bank financing over the five year period between year 2009 and year 2013. Therefore, organizations bank financing in Nairobi County had a positive effect on the performance of the organizations in Nairobi County since access to bank financing is an important ingredient to the developmental and eventual growth and performance of organizations. Given the steady increase in the organizations' tangibility over the 5 year period and the corresponding decrease in the organizations' financial performance over the same period, the study concludes that organizations' tangibility negatively affected the financial performance of the organizations in Nairobi County, Kenya. Football clubs are not able to maintain proper and up to date books of record hence are not able to access loans from the banks, apart from a few who are not to offer security to guarantee them loans.

CONCLUSION

Only a handful of football clubs around the world are able to meet rapidly changing economic requirements. Modern business forms and financing solutions greatly contribute to outstanding footballing results and achievements. It is important to select financing sources and risks that correspond to given economic circumstances and involve suitable investors.

The overall value of football, as an industry, has grown. Team performance can be measured in several ways. Clubs compete in a number of sporting competitions- the domestic league, the Sport pesa Cup, and the continental League. Domestic league performance as an indicator cab used, firstly because it is the competition within which teams play most of their matches, and secondly because club performance over time is comparable on this basis.

Clubs can improve their league performance by hiring or otherwise acquiring better players compared to other competing clubs. Since there is a well-functioning market for player talent any improvement in player quality can only be achieved through higher wage spending. One expectation that one might hold about clubs that floated on the market is that they would exploit their commercial opportunities more effectively, e.g. through merchandising and sponsorship. This would manifest itself in the ability to extract higher revenues from a given level of performance.

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. It's important to understand the behavior, needs and motives that drive both the fanatics and the fans to attend various football matches. There is no doubt that contemporary market economy

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conditions prevail in the professional sport, including football Professionals as well. In special circumstances the company must create with market economy solutions the resources of this area. Of course the state's role raises in financing of the professional football too.

League, success can be bought. Examples of Manchester City and Queen Park Rangers have shown that it is possible to turn mediocre clubs into winning clubs with the help of wealthy investors financing operations and player acquisitions. The winning team is built at the expense of profitability, enabled by the owners acting as benefactors to great extent. For them, the return on investment is highly emotional with respect to the points and titles won.

RECOMMENDATIONS

Football clubs should ensure that there exists multinational football squads, live television broadcasts for international fixtures, swaps between team management styles from different football cultures, direct foreign investments in football clubs, increasing number of international fixtures and the transformation.

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.

The study recommends that the government policy makers should reform Kenya’s football sector to make it easy for access bank financing more easily to spur their financial performance. From the findings, the study established that there exists an inverse relationship between the football clubs tangibility and their financial performance. Therefore the study recommends that the football clubs should adopt a capital structure that would allow them to expand their business activities.

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