Covid-19 Effect to Return on Equity on European Football Club

Loggar Bhilawa, Aisyaturrahmi, Dewi Prastiwi, Eko Prasetyo

Department of Accounting, Faculty of Economics and Business Universitas Negeri Surabaya

Abstract

This study aims to determine and analyze whether or not there are differences between financial ratios before and after the COVID-19 pandemic in 22 professional football clubs in Europe for the period 2019 to 2020. The financial ratio used is return on equity. This study uses a quantitative method using a comparative approach, because the data used are in the form of numbers and analyze using statistics and this research is to compare the similarities and differences of 2 or more properties and objects studied in a certain frame of mind. The data analysis method used was the paired sample t-test and the Wilcoxon signed rank test, which had previously been tested for normality. The results of data analysis show that there is a significant difference between the financial ratios of football clubs before and during the COVID-19 pandemic.

Keyword : COVID-19, Finantial Ratio, Return On Equity, Europe Football Club, Before and During COVID-19,

Introduction

Since the end of 2019, the world has been shocked by a virus that is widely known as COVID-19. This virus has become a global threat because of the enormous number of victims that reached millions of people in all corners of the world. Wild animals are thought to be the causative origin of the severe acute respiratory syndrome Corona Virus 2 (SARS-CoV2) (Singhal, 2020). The most widespread government action is social distancing, a way to keep people apart to limit the spread of the virus (Sharma et al, 2020). In various places, including in Indonesia, the implementation of quarantine and tightening visits and access to an area are policies issued by the government. Apart from Indonesia, the European continent is also not spared from the implementation of the activity restriction policy due to the increasing number of COVID-19 cases.

In the context of activity restrictions, all sectors are affected by this pandemic response policy, including the football industry, which is not just a spectacle, but football is a sport that is significantly affected by COVID-19 worldwide (Hammerschmidt et al, 2021). Football is the most popular sport in the world with a huge audience, income and influence not only on the field but also in economic, social and cultural aspects (Fajardo et al, 2020).

The COVID-19 pandemic has forced football around the world to be suspended. Reporting from Liputan6.com, the chaos caused by the pandemic has an impact on match schedules and also the financial aspects of football clubs. Aspects related to income from tickets and hotels disappear, insurance football clubs lose money due to broadcast contracts and incomplete competitions will be detrimental, because there are a number of monetary requirements and clauses attached to winning clubs, promoted clubs and relegated clubs.

For example some of Europe's top clubs have stated that they have suffered losses during the COVID-19 pandemic, AC Milan reported a full year net loss of around 195 million euros (approximately Rp. 3.3 trillion), Barcelona announced their financial statements for the 2019/20 season. As a result of the crisis caused by the COVID-19 pandemic, the Blaugrana suffered losses of up to 97 million Euros or around Rp.

1.68 trillion. The Corona virus forced a number of 2 Real Madrid business sectors to be paralyzed, including the merchandise shop and stadium tours. If it is totaled with broadcasting rights and others, it is estimated that Real Madrid could lose up to 150 million euros or the equivalent of Rp. 2.5 trillion.

Research analyzing the relationship between the financial performance of football clubs in the pandemic era found a result that professional football clubs in Europe were affected by the decline in stock prices during the time span during the Covid-19 pandemic, in addition to limited football activities (Limba et al, 2020). without spectators, lowering the club's income which affects its financial performance.

This study aims to prove that the football industry is significantly affected by the COVID-19 pandemic in terms of the club's financial performance. This pandemic has attacked club operations and it is natural for football club management to pay more attention and fast adaptation to changes in the business environment in order to be able to survive during the pandemic (Warasniasih & Masdiantini, 2020).

Based on the research background mentioned earlier, the formulation of the problem in this study is:

Was there a difference between the profitability ratios of football clubs before and during the Covid-19 pandemic?

Research methods
This research is a type of comparative research with a quantitative approach. This is based on the purpose of the study, which is to find out whether there are differences in financial ratios before and during the Covid-19 pandemic in professional football clubs in Europe.

This study uses secondary data taken from the financial statements of four professional football clubs in Europe, namely Manchester United, Juventus, Real Madrid, and Barcelona. The annual financial reports used are the 2019 and 2020 reports. The financial statements are obtained from the club's official website. The variables in this study is profitability ratio. Where the ratio used as a variable in the profitability ratio is return on equity.

The data collection technique in this research is documentation. The financial statements of the football clubs used were obtained from the website of each football club. In this study, the methods for data analysis were descriptive statistics, normality test, while the average difference test used was the paired sample t-test and the Wilcoxon signed rank test.

Descriptive statistics
The normality test was conducted to determine whether the data from the research variables were normally distributed or not. This test must be done because it is to carry out further testing. To perform this normality test, the research sample amounted to more than 30 samples. The normality test was carried out using the Kolmogorof-Smirnov test. The provision used is that the residual is said to be normal if the Kolmogorov-Smirnov value is significantly greater than 0.05 (Ghozali, 2007). If the significance value is less than 0.05, then the research data is not normally distributed. If the data is normally distributed, then the test carried out is the paired sample t-test. Meanwhile, if the data is not normally distributed, then the test carried out is the Wilcoxon signed rank test.

Wilcoxon signed rank test
The Wilcoxon signed rank test was conducted if the research data were not normally distributed. Similar to the paired sample t-test, this test is also used to find out the differences in a study with different treatments or conditions.

Paired Sample t-test
This study compares financial ratios before and during the Covid-19 pandemic, so the test carried out is the paired sample t-test. This test is carried out with the aim of knowing whether different treatments or conditions will give different results on the statistical average. The test results, if the significance> 0.05, then the data is not different, whereas if the significance <0.05 then the data is different (Sugiyono, 2015).

Research result

This study aims to find out whether there are differences in the financial performance of professional football clubs in Europe before and during the Covid-19 pandemic, financial performance is measured using a profitability ratio. Where the ratio used as a variable on the profitability ratio is return on equity. Table 1.1 informs the professional football clubs in Europe that are the sample in this study.

Table 1.1. Research Sample

No	Club Name	Country	No	Club Name	Country
1	AC Milan	Italy	12	Inter Milan	Italy
2	Manchester United	England	13	Aston Villa	England
3	Lazio	Italy	14	Tottenham Hotspur	England
4	AFC Ajax	Netherland	15	West Ham United	England
5	Olympiaque Lyonnais	France	16	Wolverhampton Wanderers	England
6	Galatasary	Turkey	17	Leeds United	England
7	AS Roma	Italy	18	Liverpol	England
8	FC Porto	Portugal	19	Manchester City	England
9	Juventus	Italy	20	Everton	England
10	Borussia Dortmund	Germany	21	Arsenal	England
11	Celtic FC	Scotland	22	Chelsea FC	England

Table 1.2. Descriptive Analysis

Variable	Before Covid			During Covid		
	Min	Max	Mean	Min	Max	Mean
ROE	-1,29	2,05	-0,50	-2,97	0,90	-0,18

Based on the descriptive statistics in table 1.2, the highest ROE (return on assets) before the Covid-19 pandemic was Leeds United at 2.05 and the highest ROE value during Covid-19 was Leeds United at 0.90. the average ROE value of 22 clubs increased by 15 from -0.50 to -0.18, this shows the ineffectiveness of club management in managing assets to create profit or profit.

Table 1.3. Normality test

		ROE_Pre	ROE_Post
N		22	22
Normal Parameters	Mean	-,0500	-,1834
	Std Deviation	,64788	,87591
Most Extreme Differences	Absolute	,198	,265
	Positive	,198	,109
	Negative	-,162	-,265
Test Statistic		,198	,265
Asymp. Sig. (2-tailed)		,025	,000

Based on table 1.3, it is known that the significance value of return on equity before the pandemic was 0.025 and the significance value of return on equity during the pandemic was 0.000. From the significance value, it is known that the return on equity data before and during the pandemic is not normally distributed. Therefore, the parametric test cannot be carried out, because it does not meet the normality assumption. Therefore, the different test that was carried out was the Wilcoxon signed rank test. This is because the requirements for the paired sample t-test, namely the data must be normally distributed, are not met.

Table 1.4. Wilcoxon signed rank test on Return On Equity

	N	Mean Rank	Sum of Ranks
ROE_Post-ROE_Pre	Negative Rank 14	11,46	160,50
	Positive Ranks 8	11,56	92,50
	Ties 0		
	Total 22		

Based on table 1.4 it is known that there are 14 data showing return on equity during the pandemic < return on equity before the pandemic, 8 data showing return on equity during the pandemic > return on equity before the pandemic, and 0 data showing return on equity during the pandemic = return on equity before the pandemic.

Table. 1.5. Test Results Statisrics Return on Equity Statistics Test

	ROE Post-ROE Pre
Z	-1,104
Asymp. Sig. (2-tailed)	,027

Based on table 1.5 it is known that the z value is -1.104 and Asymp. Sig. (2-tailed) of 0.027. Due to the significance value of 0.270 which means > 0.05, it can be concluded that there is a difference between return on equity before the pandemic and return on equity during the pandemic.

The Wilcoxon signed rank test on the return on equity variable showed a significance of 0.027, a significance value > 0.05. So return on equity there is a difference between return on equity before the pandemic and return on equity during the Covid-19 pandemic. This could happen because the profits earned by the majority of football clubs decreased from the third quarter of 2019 to the third quarter of 2020. Meanwhile, the company's equity was already owned or had been embedded before the pandemic took place.

Profit is used as the numerator of the return on equity greatly affects the results of this ratio. The higher the profit the company has, the higher the resulting ratio. Vice versa, the lower the company's profit, the lower the resulting ratio.

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