

**Original Article**

**The use of financial market instruments in supporting professional sports in Poland**

LESZEK DZIAWGO

Department of Financial Management, Faculty of Economic Sciences and Management, Nicolaus Copernicus University, POLAND

Published online: October 30, 2020

(Accepted for publication: October 22, 2020)

**DOI:10.7752/jpes.2020.s5393**

**Abstract**

There are many examples of the use of financial market instruments in financing professional sports activities on the international financial market. The Polish financial market is also an excellent example of this. The dynamic development of the financial market and sports companies provides a platform for cooperation in the field of finance and sport. It should also be emphasized that the activity of financial market institutions is part of the broadly understood concept of sustainable development, including corporate social responsibility (CSR). The article formulates a research hypothesis that various instruments of the financial market are used to finance professional sports in Poland. In order to verify the hypothesis, the following methods were used: critical analysis of the literature, descriptive, comparative and case study. The study focuses on regulated financial market, indicating selected diverse examples of the use of financial instruments in support of professional sports in Poland. 'Sports' stocks and bonds are listed on the regulated NewConnectshare market and Catalyst bond market. Financial instruments supporting professional sport are also used outside the regulated market. Also innovative methods of raising capital by issuing securities through crowdfunding have been used. The activity of the banking sector in creating sport as an investment object was also presented. Banking offers accounts, deposits and structured products related to sport. The article indicates both positive cases of using financial instruments for financing professional sports, and negative ones for maintaining an objective assessment of the situation. Theoretical considerations and analyzed empirical material allowed for positive verification of research hypothesis. Bearing in mind the content of the article, it can be concluded that the development of Polish sport and the financial market as well as inspiring examples from Western Europe and the United States will contribute to a wider use of financial instruments for professional sports in Poland.

**Key Words:** sport, financial market, financial instruments

**Introduction**

Financial market instruments are widely used in the functioning of professional sport. Access to capital and the related need to comply with the rules of the financial market may contribute to increasing the effectiveness of professional sport. Furthermore, the cooperation between financial institutions and sports entities is justified not only by the direct motive of profit, but also by the indirect motive of creating a positive image of a financial institution within the broadly understood concept of sustainable development, including Corporate Social Responsibility (CSR).

There are many different examples of the use of financial market instruments in the above scope, both on the international market and domestic market. The article focuses on the Polish regulated financial market – NewConnect, Catalyst managed by Warsaw Stock Exchange and financial instruments such shares and bonds. The activity of the banking sector in supporting sport as an object of financial investments was also indicated. Analysis of selected activities of selected companies sports and financial institutions and the research methods used allowed for positive verification of research hypothesis: various instruments of the financial market are used to finance professional sports in Poland

The topic of using the possibilities of the financial market to finance the development of sport and social sports passions should be the subject of wider scientific analyzes. This article helps to fill the cognitive gap in this regard. Finance and sports emotions do not have to be mutually exclusive. The use of the financial market means recognition of clear and supervised rules of trading in financial instruments. In the case of sports activities, it will facilitate not only the financing of sports, but also the market asset valuation of issuers – sports companies. It would present another possibility of verifying real achievements of sports organizations.

**Material & Methods**

The article formulates a research hypothesis that various instruments of the financial market are used to finance professional sports in Poland. In order to verify the hypothesis, the following methods were used: critical analysis of the literature, descriptive, comparative and case study.

The topic of professional sport financing is of wide interest to various sports, social, political, (including scientific) and even financial circles (Osińska 2020; Lis&Tomanek2020; Kończak 2020).

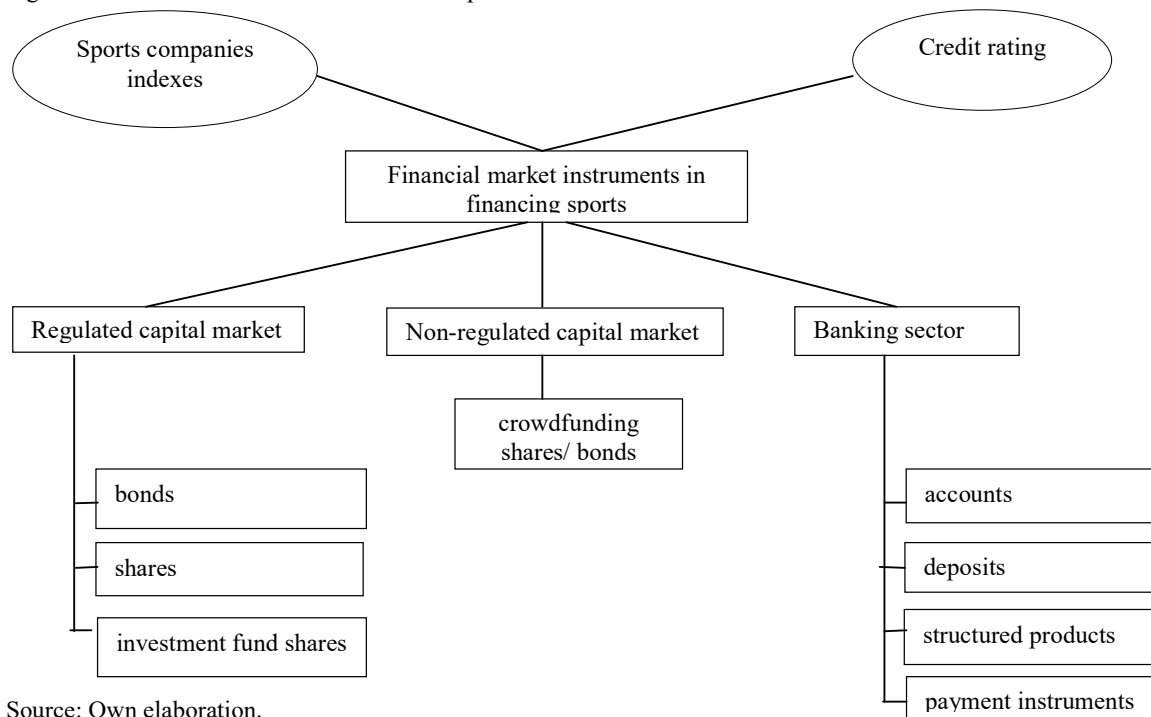
There are many publications on financing sports using clubs' own funds, public funds (government and local), sponsorship, bookmakers, media, but also using the financial market. In addition, the enormous social and economic importance of sport is increasingly recognized (Andreff 2009; Andreff&Staudohar2000; Škorić&Hodak2011; <https://gfx.biznes.radiozet.pl/>; <https://isiarticles.com/>; <https://scholar.uwindsor.ca/>; <https://fliphtml5.com/>). Even the European Union points to the importance of sport, especially in times of Covid-19 (Strengthening... 2012; <https://www.sportspromedia.com/>). These are reports and expert opinions as well as scientific publications. However, among many publications, relatively little is focused on the use of financial market instruments. With this in mind, one can certainly point to Andreff's publications, which indicate the possibilities of the financial market in financing professional sports (Andreff 2010). Consulting companies also see the possibilities of the financial market to support professional sports (<https://ggiforum.com/>). One should also mention the Polish publication on the use of the financial market for professional sports (Wyszyński 2013). Bearing in mind the above publications, the more attention should be paid to the possibilities of using the financial market to support professional sports.

The United Kingdom is considered a pioneering market in terms of raising funds through the issue of shares. Already in 1983, the football club Tottenham Hotspur issued shares. The next football clubs that decided to issue shares were, among others: Manchester United, Chelsea London, Leeds United, Liverpool FC, Celtic Glasgow and Arsenal FC (<https://ipo.com.pl/>). Football clubs from Germany and the Netherlands also benefit from financing through the issuance of shares (eg. Borussia Dortmund, Ajax Amsterdam). However, it is not only football that attracts the attention of stock investors. Another flagship example of the relationship between sport and the capital market is motorsport, especially Formula 1 (<http://www.libertymedia.com/>).

**Results**

On the financial market, various financial instruments and tools are used in the assessment of entities using the financial market are used to finance sport. It is presented synthetically in figure 1. The capital market uses both classic financial instruments, such as shares and bonds, as well as innovative methods of financing, such as crowdfunding. There are also forms of joint investment - investment funds. In this way both sports clubs and companies offering products/services for sports acquire financing. On the other hand, in the banking market, it is possible to point to the use of special accounts, deposits, payment instruments and structured products. In addition, the assessment of the relevance and risks of investments in the financial market that are related to sports, other relevant tools could be used eg. indexes of listed companies or credit rating (Dziawgo 2010).

Fig. 1. Financial instruments used to finance sport.

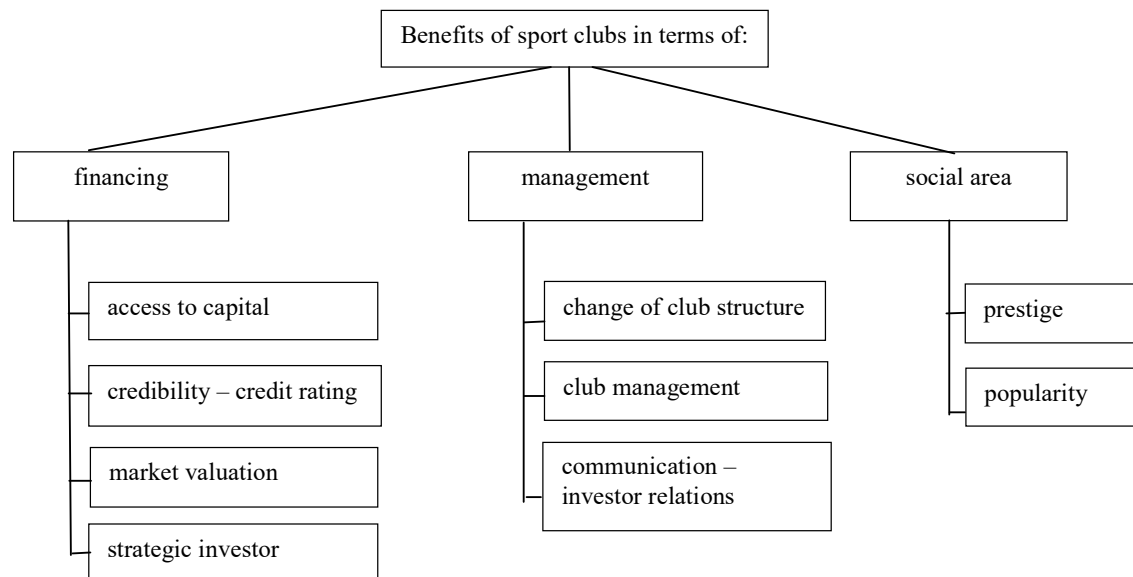


Source: Own elaboration.

The article focuses on the regulated capital market. Figure 2 shows the potential benefits that sport club may derive from issuing shares or bonds to trading on the regulated market. The potential benefits can be organized into three scopes: financing, management and social area. Naturally, there are also disadvantages to

the presence of a sports club as an issuer on the regulated market. These are, among others: costs and the operation in the regulated market on the controlled terms of the issuer.

Fig. 2. Potential benefits for sport clubs due to the issue of shares or bonds to regulated trading.



Source: Own elaboration.

Selected examples of the use of Polish financial market instruments for financing sport companies and companies specialized in offering sports products and services are presented below. Presented examples are not only positive, but also negative. This enables for an objective assessment of the activity of selected entities, as well as the risk associated with investments on the financial market.

### Shares

The presentation of the use of financial instruments could be commenced with shares that are equity securities. It confirms the joint ownership of the issuer's assets, which may also be a sports club. The stock exchange activity of the leading football clubs in the world attracted attention in several countries, including Poland. On a regulated market NewConnect listed since 2008 are shares of Ruch Chorzow (RCW) – currently in 3<sup>rd</sup> football league division - and from year 2011 GKS Katowice League (GKS) – currently in 2<sup>nd</sup> football league division (<https://www.pb.pl/>). It should be emphasized that Ruch Chorzów is included in the Stoxx Europe Football Index (<https://www.stoxx.com/>). However, the capitalization of these companies is not high and in August 2020 amounted to approximately PLN 9.8 million and PLN 13.7 million, respectively (<https://biznes.interia.pl/>; PLN/USD approx. 3,70 PLN/1 USD). Also, the financial results of both companies cannot be considered satisfactory, which results in a long-term decline in the share price. Counting from the debut on the regulated market to August 2020, the share price of the companies decreased by approximately 90% (<https://www.bankier.pl/>).

However, the involvement of public entities in the shareholding structure of the indicated companies also deserves attention. The City of Katowice holds as much as 85.36% of shares in the company GKS Katowice. Whereas in the company RuchChorzów the State Treasury holds 5.45% of shares, and the City of Chorzów 25.53% of shares (<https://newconnect.pl/>). The above data shows not only the positive attitude of local authorities in terms of maintaining the functioning of sports clubs, but also the need to create a market shareholding structure.

### Bonds

The bonds another core capital market instrument, which is used in raising funds for the development of sports and related companies with sport. There are numerous examples of bond issues by municipalities and municipal companies to finance the construction and maintenance of stadiums and other sports facilities. Many such issues are listed on the Catalyst regulated market. Depending on the terms of cooperation between municipal entities and sports organizations, the financed facilities can be used by both professional and amateur sports. Raising funds for the development of sport in this way has been going on for years, and the issuers include such cities as: Warsaw, Białystok, Wrocław, Toruń, Gdańsk, Radom, Zabrze, Tarnów, Sanok, Ustka, Radomsko and many others.

Another example of financing sports through the issue of bonds on the Polish capital market are the issues of the Benefit Systems company. This company is specialized in the fitness market and is the operator of the sports card Multisport. In 2018 and 2019, the company issued two series of bonds with a total value of PLN 120 million. The interest rate is based on the WIBOR 6M rate increased by a margin of 1.35 pp and 1.50 pp. Both series were admitted to trading on the regulated Catalyst market. In turn, the subsidiary of Benefit Partners also took advantage of the capital market and issued three series of bonds with a total value of PLN 30.25 million (<https://obligacje.pl>).

Unfortunately, sports investments in the capital market are also subject to risk. A negative example is the emissions of the Polish group Bikershop. In 2017, the company issued two series of two-year bonds admitted to trading on a regulated market Catalyst:

- series A, value of 5 PLN million, interest rate 8.8%;
- series B, value of 3 PLN million, interest rate 8.5%.

Both series have not been bought back, meaning loss for investors (<https://obligacje.pl>).

Further considering sports bonds, one can also point to the bonds issued by the Ekstraklasa football club - Górník Zabrze. In 2015, the club offered investors bonds worth PLN 35 million with maturity by 2028. However, due to the difficult financial situation of the club, the issue was guaranteed by the City of Zabrze up to the amount of nearly PLN 48.4 million (nominal value and interest; <https://zabrze.naszemiasto.pl>).

Yet another example is the acquisition of the bonds of the Ekstraklasa football club 'Śląsk Wrocław' in 2016 by the municipal company 'Wrocławskie Centrum Treningowe- Spartan'. The nominal value of the club's bonds was PLN 2 million, and the maturity date was set for 2020 (Gadawa 2017).

However, not only extremely popular football attracts investors. It can be indicated that the Polish Basketball Association issued bonds in 2014, offering 10.5% (<https://www.money.pl/>).

### **Crowdfunding**

Classic capital market instruments are also used outside the regulated market. An innovative form of using shares and bonds is crowdfunding in the Investment CrowdFunding (ICF) variation (Dziawgo&Dziawgo 2019). There are also examples of such in Poland. The well-known Polish football club from Ekstraklasa - 'Wisła Kraków' - has used crowdfunding twice. In 2019, by issuing 40,000 shares with a nominal price of PLN 100, PLN 4 million was obtained. The next issue took place in 2020: 42,800 shares were offered at the price of PLN 100. The amount of capital raised was PLN 3,085,500 (<https://gol24.pl>). Both issues should be considered successful.

Even the Polish 2<sup>nd</sup> division football club - Elana Toruń - also benefited from crowdfunding. In 2019, nearly PLN 380,000 was obtained through the sale of shares (<https://bydgoszcz.tvp.pl>).

### **Banking products**

The use of sports motives also takes place in the banking sector. Banks offer clients accounts, deposits, payment instruments and structured products related to sports activities. It should be noted however, that financial benefits generally do not go to sports organizations. Banks themselves are the beneficiaries. The advantage for sport, however, is that such financial products allow the society to create an image of sport as an object of financial investments. Therefore, bearing in mind that the beneficiary of offers are banks and sport passion of clients is being used, it can be concluded that such products could be determined as: 'emotional financial products'. Above-mentioned several selected banking products are described below.

In 2014, Alior Bank, on the basis of an agreement with the Polish Football Association, offered the Master Card Fan Card. Card users were provided with discounts in the online store of the Polish National Team Fan ([www.comperia.pl/](http://www.comperia.pl/)). Furthermore, in 2015, Bank Ochrony Środowiska introduced for new customers the 'ECOaccount without costs + card with a prize' and 'ECOaccount + voucher for sports equipment' (<https://www.tanie-konto.pl/>). In this offer, bank encouraged people to practice sports and PLN 600 was offered one-off. In case of an offer with a card, client had to make purchases in the indicated sports store first, and then receive a refund on the account. In case of an offer with a voucher, the customer received a voucher that could be used from the offer of the indicated sports store. It was necessary to declare that the account and the card would be active for 4 years.

Deposits are also used in terms of sports in banking. An example of a financial product related to investments in sports were deposits for UEFA Euro 2012 offered by Bank Pekao. The deposit was called 'Collect your dream team with Bank Pekao SA' (<https://www.banki.pl/lokaty/>).

Bank Pekao, to emphasize it was a sponsor of the European Football Championship, offered customers an album with information about all national teams participating in UEFA EURO 2012, as well as a set of 250 stickers with players. Bank customer, who wanted such album had to open a 9 or 13-month deposit and set aside PLN 10,000 on it. Customers who did not have such funds, but were interested in receiving a football album, could set up 'Pekao Pocket Euroaccount' (pol. PekaoEurokontoKieszonkowe), 'Premium Plus' or 'Mobile' and invest in one of the two deposits minimum PLN 5,000 (<https://www.banki.pl/>).

The bank's customers, apart from the interest rate, could also receive UEFA Euro 2012 souvenirs. In February 2012, the bank also issued payment cards with the emblems of the European Football Championship.

In turn, in April started a lottery in which customers could win tickets to the matches in 2012, 2012 prepaid-cards each in the amount of 50 PLN and 2012, the official balls (<https://www.banki.pl/>).

Yet another example is the deposit of Post Bank (pol. Bank Pocztowy). The percentage of the deposits depended on the results obtained by Polish footballers. Taking advantage of the Euro 2008 football championship, the 7-month 'Poland Master' was offered. Interest in the first month of the term deposit was 8%, then 2% plus 1pp for each player win and 0.5 pp for each draw. The minimum interest rate was 4% and the maximum was 8% (bank promotional materials).

Even local banks - cooperatives have taken up the subject of sport-related payments. In 2009, Cooperative Banking Group (pol. SpółdzielczaGrupaBankowa) offered a bank deposit called 'Master Deposit' (pol. LokataMistrzowska) linked to the results of the speedway extraleague. The base interest rate was set at 4.75%, and if Unibax team won, it was increased to 5.50 (bank promotional materials).

In turn, Cooperative Bank in Książopol (pl. Bank Spółdzielczy w Książopolu) offered a deposit in 2012, the interest rate of which depended on the result of Poles for Euro 2012. Its base interest rate was 4%, but for each victory of the Polish team it increased by 0.75% (<https://bankier.pl/>).

While in 2014, PKO BP offered structured product based on the basket of shares of winter sports partners in connection with the Winter Olympics in Sochi. Interest rates ranging from 7.5 to 9% were offered, depending on the results obtained by Polish athletes (<https://www.analazy.pl/>).

In 2014, Eurobank also launched a structured product called 'Mundial Investment' (pol. MundialowaInwestycyjna) with the theme of the World Cup in Brazil. The profitability of the product was based on the stock quotes of the main sponsors of the World Cup: Coca-Cola, KIA Motors, Sony, Adidas. The completion of the investment was scheduled for 2017.

Another structured product is the 'The Master Trio' (pol. Mistrzowskie Trio) offered by Alior Bank in three variants for the period 2018-2021. Product profitability was based on the listing shares of Visa, Coca-Cola and Adidas (<https://www.aliorbank.pl/>).

## Discussion

In developed countries, links between sport and the financial market have existed for many years. The scale of using financial instruments to finance sport is significant. Also in Poland there are first examples of linkages between sports and financial market in terms of financial operations. It can be considered the initial phase of the process of using financial market instruments to finance both professional and amateur sports. Although there are increasingly more examples, the scope of cooperation is still relatively small. Certainly, negative cases mentioned in the article do not help. Nonetheless, the low level of development of Polish sport and the scale of the Polish financial market should also be taken into account.

On the other hand, it can be assessed positively that various financial instruments are used to finance sport, both on the regulated and non-regulated markets such as stocks, bonds. In the banking market, 'emotional financial products' such as: accounts, deposits payment instruments, and structured products are being used. The relatively high involvement of banks in offering financial products related to sport is notable. Although the financial benefits go primarily to banks, products of this type are helpful among customers in creating the image of sport as a target for financial investments. Certainly, for banks it is also less complicated activity than introducing instruments such as shares and bonds as an issuer on the regulated market. The role of the issuer forces a serious change in the rules of the issuer's functioning (the status of the company-issuer, the issuer's information obligations, especially financial reporting) (Karmańska 2014a, 2014b).

A strong advantage for the development of links between sport and the financial market is also the fact that the involvement of financial institutions in financing sport is part of the concept of sustainable development, including the broad trend of Corporate Social Responsibility. Financial institutions operate in a social environment where sport is very popular. Supporting sport in business operations can therefore not only provide direct financial benefits, but also improve the image of a financial institution.

## Conclusions

The theoretical and empirical material presented above allows for a positive verification of the hypothesis. In Poland, there is ongoing process of using financial market (NewConnect, Catalyst, Warsaw Stock Exchange, banks) for the financing of professional sports with the use of various financial instruments (shares, bonds). In addition, it can be concluded that the positive examples known from developed financial markets and advanced sports are so inspiring that one could expect further spread in longer co-operation between the financial market and sport in Poland.

It should be emphasized that the use of the financial market to finance the development of sport and social sports passions should be the subject of much broader scientific analyzes. This article helps to fill the cognitive gap in this regard. The presence of a sports company in the financial market means the recognition of clear and supervised rules of trading in financial instruments. In the case of sports activities, it will facilitate not only the financing of sports, but also the market valuation of the assets of the issuers - sports companies. It would also mean another possibility to verify the real achievements of sports organizations.

**References:**

- Andreff, W. (2009). Sport Financing In Times Of Global Recession, Play the Game 2009 International Conference, Coventry, June 8 – 12, 2009.
- Andreff W. (2010). *Public And Private Sport Financing In Europe: The Impact Of Financial Crisis*, 18th European Association of Sport Management Conference, Prague, September 15-18, 2010.
- Andreff, W. & Staudohar P.D. (2000). The Evolving European Model Of Professional Sports Finance. *Journal of Sports Economics*, 1 (3), pp. 5-30.
- Dziawgo, D. (2010). *Credit rating na międzynarodowym rynku finansowym*, PWE, Warsaw.
- Dziawgo L. & Dziawgo D. (2019). Crowdfunding in the wider perspective investment. Crowdfunding: competition between regulations, institutions, and economic freedom, *e-Finanse* 15(2), 1-7, doi: 10.2478/fiqf-2019-0007.
- Gadawa M. (2017). Ratusz dał im 2,5 mln zł na World Games. Kupili obligacje Śląska za 2 mln zł. Przypadek? <https://plus.gazetawroclawska.pl/ratusz-dal-im-25-mln-zl-na-world-games-kupili-obligacje-slaska-za-2-mln-zl-przypadek/ar/12103134>.
- Karmańska, A. (2014a). The imperative of sustainable growth and reporting integration. Three eras in the corporate reporting development, *Copernican Journal of Finance & Accounting*, 3(1), pp. 73-82, doi: 10.12775/CJFA.2014.006.
- Karmańska, A. (2014b). The imperative of sustainable growth and reporting integration. The fourth era in the corporate reporting development, *Copernican Journal of Finance & Accounting*, 3(2), pp. 49-66, doi:10.12775/CJFA.2014.017.
- Kończak, J. (2020). Sponsorship communication and the sport sponsorship market in Poland. *Journal of Physical Education and Sport*, 20 (Supplement issue 2), pp.1225 – 1229, doi:10.7752/jpes.2020.s2170.
- Lis, A., Tomanek, M. (2020). Sport management: Thematic mapping of the research field. *Journal of Physical Education and Sport*, 20 (Supplement issue 2), pp. 1201 – 1208. doi: 10.7752/jpes.2020.s2167.
- Osińska M. (2020). Expenses for participation in sport and physical education from the perspective of lifestyle changes in Poland. *Journal of Physical Education and Sport*, 20 (Supplement issue 2), pp. 1055 – 1062, doi:10.7752/jpes.2020.s2147.
- Škorić S., Hodak Z., The system of sports financing and management in the Republic of Croatia, *ZbornikRadovaEkonomskogFakulteta u Rijeci* 29(2)/2011, p. 443-464.
- Strengthening financial solidarity mechanisms within sport (2012). European Union Expert Group on Sustainable Financing of Sport, <https://ec.europa.eu/assets/eac/sport/library/documents/xg-fin-201211-deliverable.pdf>.
- Wyszyński, A. (2013). Ekonomiczne aspekty wejścia klubów piłkarskich na giełdę, *Gospodarka Narodowa*, 5-6, p. 129.
- Bank promotional materials, Bank Pocztowy.
- Bank promotional materials, SGB.
- <https://biznes.interia.pl>.
- <https://bydgoszcz.tvp.pl>.
- <https://gfx.biznes.radiozet.pl/var/radiozetbiznes2/storage/original/application/5f0e1883a4a2a06e62d37fa427e7e308.pdf>.
- <https://ggforum.com/consulting/financial-developments/1237-football-finance-exploring-the-capital-markets.html>.
- <https://gol24.pl>.
- <https://ipo.com.pl/notowanie-klubu-pilkarskiego-na-gieldzie/>.
- <https://isiarticles.com/bundles/Article/pre/pdf/10919.pdf>.
- <https://fliphtml5.com/lnym/yliabasic>.
- <https://newconnect.pl>.
- <https://obligacje.pl>.
- <https://zabrze.naszemiasto.pl>.
- <https://www.libertymedia.com/overview/company-history.html>.
- <https://scholar.uwindsor.ca/cgi/viewcontent.cgi?article=1019&context=humankineticspub>.
- <https://www.aliorbank.pl/klienci-indywidualni/oszczednosci/konto-mega-oszczednosciowe.html>.
- <https://www.analzy.pl/fundusze/produkty-strukturyzowane/produkt/PSPKO051/Lokata-Strukturyzowana-oparta-na-koszyku-akcji-partnerow-sportow-zimowych.html>.
- <https://www.banki.pl/lokaty-mistrzowskie-na-uefa-euro-2012-w-banku-pekao.html>.
- <https://www.bankier.pl>.
- <https://www.comperia.pl/23502-karta-kibica-w-alior-banku-co-warto-o-niej-wiedziec>.
- <https://www.money.pl/gospodarka>.
- <https://www.pb.pl/gieldowa-liga-pilki-noznej-956731>.
- <https://www.sportspromedia.com/news/european-union-funds-sports-jobs-coronavirus>.
- <https://www.stoxx.com/index-detailssymbol=FCTP>.
- <https://www.tanie-konto.pl/bos/ekokonto-bez-kosztow/>.