

New study reveals significant risk of bankruptcy for Japanese professional football clubs

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A new study has revealed that almost two-thirds of football clubs in the top two divisions of Japan's Professional Football League, also known as

the J-League, could be at risk of bankruptcy. The work is [published](#) in the *Journal of Applied Accounting Research*.

The research, conducted by sports finance and economics experts from the University of Portsmouth and Sheffield Hallam University, found widespread financial issues across both the J1 and J2 leagues, with approximately 50 to 75% of the clubs at risk.

Clubs that have played predominantly in the J1 League were found to be in poorer financial health compared to those that have played predominantly in the J2 League.

Some of the clubs at high risk include Ventforet Kofu, Omiya Ardija, Hokkaido-Consadole Sapporo and Shonan Bellmare.

This study, which is the first of its kind to investigate [financial distress](#) in Asian professional football, brings to light the pressing need for financial reforms in Japanese professional football.

Sarthak Mondal, Lecturer in Sport Management at the University of Portsmouth, and study co-author said, "Our findings highlight the financial challenges facing Japanese professional football clubs and the need for ongoing monitoring of their financial health. There are no policies that exist at a continental level in Asia to give early warning signs of financial distress to prevent businesses from going bankrupt, despite such policies being prevalent in Europe.

"The [financial instability](#) in Japanese professional football could worsen still due to the economic impact of the COVID-19 pandemic."

The researchers used the Altman z-score, a numerical measurement that is used to predict the chances of a business becoming bankrupt in the next two years, to identify the percentage of J1 League and J2 League

clubs at risk of bankruptcy. They collected data from financial figures over 10 seasons for 29 professional football clubs competing in the J1 League and J2 League between 2011 and 2020.

Their findings indicate widespread financial issues, with the potential for financial distress looming for approximately 50 to 75% of the clubs. Of even greater concern is the dire financial picture of clubs that have spent between 7 and 9 seasons in J1 League.

The study found there is clear evidence that these clubs are spending beyond their means to stay and compete with teams in the J1 League or get promoted to J1 League soon after relegation, thereby risking financial stability, a trend similar to football clubs in England.

Mondal said, "Notably, this occurs despite the implementation of club licensing regulations that are strictly set to ensure financial sustainability at these clubs. Despite the presence of the club licensing criteria, the J-League does not operate any version of Financial Fair Play or Financial Sustainability rules that can be seen in Europe.

"As a result, there is a risk of a lack of monitoring in terms of cumulative acceptable losses allowed by a [football](#) club over any given period."

The study also highlights the crucial aspect of the ownership structure of J-League clubs, which is a mixture of private and public ownership. The research shows that clubs in public ownership, such as city corporations, are at a greater risk of financial distress as compared to clubs in private ownership.

Mondal added, "To address these financial challenges, we recommend that the J-League revisit its Club Licensing Criteria, which were designed to bring financial sustainability among member clubs, and

consider implementing equitable cost-control measures. These measures could include capping acceptable losses over a specified period or restricting overall expenditures as a percentage of the club's revenue.

"While there have been instances of more clubs conforming to the Club Licensing Criteria, the overall picture of financial health among clubs in the J1 League and J2 League paints a more negative picture. Furthermore, clubs that get relegated from J1 League spend beyond their means to achieve promotion to J2 League, thereby risking further financial instability."

The research also suggests that examining financial conditions in other Asian and European leagues could provide a comparative understanding of whether such financial distress is widespread across different countries and continents.

More information: Sarthak Mondal et al, Spending money is like water soaking into the sand: anticipating financial distress in Japanese professional football clubs, *Journal of Applied Accounting Research* (2024). [DOI: 10.1108/JAAR-12-2023-0394](https://doi.org/10.1108/JAAR-12-2023-0394)

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