PROFUT: an analysis of the capital structure of Brazilian soccer teams

PROFUT: un análisis de la estructura de capital de los equipos brasileños

PROFUT: uma análise da estrutura de capital de times brasileiros

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Abstract
Purpose: The research intends to verify the relationship between meeting the requirements for joining and staying at PROFUT and the economic and financial situation of Brazilian football clubs listed in the *Ranking Nacional de Clubes* (RNC).

Methodology: The study was operationalized by the deductive method, taking an empirical approach, using the analysis of individuals, facts and consequences researched. As for the procedures adopted, the research is classified as a bibliographic and documentary review and a quantitative approach. The matter was addressed through the application of an investigation of

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the points of the legislation, through a checklist, and the presentation of economic and financial indicators: indebtedness, current liquidity, tangibility, size and return of net worth.

Results: Given the investigation carried out, it was noticed that, even with the current requirements of the legislation and criteria of enforceability for participation in PROFUT, adherence to the program does not guarantee a better economic and financial situation, mainly related to the factors inherent to the capital structure.

Contributions of the Study: The paper contributes in a theoretical way in the production of a contextualized analysis of the main existing researches and shows new explanations of the studied fact based on different perspectives. With regard to the practical contribution, based on the main findings found, and seeking to relate the level of commitment of the analyzed clubs, which adhered to PROFUT, with the management of their capital structure, it was noticed the absence of a direct relationship between adherence to this type of financing and the management of the sources of capital obtained.

Keywords: PROFUT. Indicators. Indebtedness.

Resumen

Objetivo: La investigación busca verificar la relación entre el cumplimiento de los requisitos para ingresar y permanecer en PROFUT y la situación económica y financiera de los clubes de fútbol brasileños inscritos en el Ranking Nacional de Clubes (RNC).

Metodología: El estudio fue operacionalizado por el método deductivo, con un enfoque empírico, utilizando el análisis de individuos, hechos y consecuencias investigados. En cuanto a los procedimientos adoptados, la investigación se clasifica como revisión bibliográfica y documental y abordaje cuantitativo. El asunto se abordó mediante la aplicación de una investigación de los puntos de la legislación, mediante un checklist, y la presentación de indicadores económicos y financieros: endeudamiento, liquidez actual, tangibilidad, tamaño y retorno sobre el patrimonio.

Resultados: Dada la investigación realizada, se advirtió que, aún con los requisitos vigentes de la legislación y los criterios de exigibilidad para la participación en PROFUT, el apego al programa no garantiza una mejor situación económica y financiera, principalmente relacionada con los factores inherentes a la estructura de capital.

Contribuciones del Estudio: El trabajo contribuye de manera teórica en la producción de un análisis contextualizado de las principales investigaciones existentes y muestra nuevas explicaciones del hecho estudiado a partir de diferentes perspectivas. En cuanto al aporte práctico, a partir de los principales hallazgos encontrados, y buscando relacionar el nivel de compromiso de los clubes analizados, adheridos a PROFUT, con la gestión de su estructura de capital, y, para ello, en el ámbito práctico, se notó la ausencia de una relación directa entre la adhesión a este tipo de financiación y la gestión de las fuentes de capital obtenidas.

Palabras clave: PROFUT. Indicadores. Endeudamiento.

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Resumo

Objetivo: A pesquisa procura verificar a relação existente entre o atendimento aos requisitos pertinentes à adesão e permanência no PROFUT e a situação econômico-financeira de clubes de futebol brasileiros listados no *Ranking* Nacional de Clubes (RNC).

Metodologia: O estudo foi operacionalizado pelo método dedutivo, tendo abordagem empírica, valendo-se da análise de indivíduos, fatos e consequências pesquisados. Quanto aos procedimentos adotados, a pesquisa é classificada como uma revisão bibliográfica e documental e de abordagem quantitativa. O assunto foi tratado por meio da aplicação de uma averiguação dos pontos da legislação, por meio de um *checklist,* e da apresentação de indicadores econômico-financeiros: endividamento, liquidez corrente, tangibilidade, tamanho e retorno sobre o patrimônio líquido.

Resultados: Dada a investigação realizada, percebeu-se que, mesmo com as atuais exigências da legislação e critérios de exigibilidade para participação no PROFUT, a adesão ao programa não garante uma melhor situação econômico-financeira, principalmente relacionado aos fatores inerentes a estrutura de capital.

Contribuições do Estudo: O trabalho contribui de forma teórica na produção de uma análise contextualizada sobre as principais pesquisas já existentes e mostra novas explicações do fato estudado com base em diferentes perspectivas. No que diz respeito à contribuição prática, partindo dos principais achados encontrados, e buscando relacionar o nível de comprometimento dos clubes analisados, que aderiram ao PROFUT, com a gestão de sua estrutura de capital, percebeu-se a não existência de uma relação direta entre a adesão a essa modalidade de financiamento e a administração das fontes de capital obtidas.

Palavras-chave: PROFUT. Indicadores. Endividamento.

1. Introduction

In view of the great repercussion of the media in relation to sporting events and experiences, sports entities have moved significant values within this community, covering, in addition, contracts, sponsorships and investors in a very wide branch (Gonçalves; Magalhães Filho & Alcântara, 2003). Cabral (2011) points out that football clubs, for example, are responsible, in Brazil, for a significant collection, bringing with it an accumulation of profits, generating taxes and contributions to public coffers.

According to Rodrigues and Silva (2009) football teams went through a process of professionalizing their management, seeking to prioritize efficiency, profitability and competitiveness, becoming a great business model.

With this growth in this area, there was a need for the government and its respective supervisory bodies to interfere in some way to alleviate the financial problems related to this type of management (Umbelino, Silva, Ponte & Lima, 2019).

One of the measures adopted was the sanction of Law 13,155/2015, which instituted the *Programa de Modernização da Gestão e de Responsabilidade Fiscal do Futebol Brasileiro – PROFUT.* According to Umbelino et al. (2019), this program has as its main purpose the possibility of installment payment of debts of football clubs to the Federal Revenue Service, the Attorney General's Office of the National Treasury, the Central Bank and the Ministry of

Labor, making it possible for those who signed up to regularize their tax and social security debts through government subsidies in the form of financing with interest rates below the market.

Considering that the need to install tax debts in installments is a form of financing, and that the existence of subsidies is indicative of the financial and economic moment experienced by the entity, this study established the following question as a research problem: **what is the relationship between the compliance with the requirements related to joining and staying at PROFUT and the economic and financial situation of Brazilian football clubs?**

Consequently, the following general objective for the study was delimited: to verify the relationship between meeting the requirements related to joining and staying at PROFUT and the economic and financial situation of Brazilian football clubs.

The work contributes in a theoretical way, as it shows new explanations in the Brazilian soccer scenario regarding the relation to meeting the requirements for joining and staying at PROFUT and the economic-financial situation. Thus, it allows a reflection of the financial possibilities in the reality of football. As a practical contribution, the research tends to verify the level of commitment that the financial management of the analyzed clubs, proposing to relate the requirements established by PROFUT, in relation to the management of the capital structure, adding to this the relevance of these sports entities (football clubs) for the Brazilian economy, as well as its position in the international football scene.

The organization of this study comprises, in addition to this introduction, the respective theoretical framework on the specificities of PROFUT and its requirements; followed by the methodological procedures used, which deal with a bibliographic review; analysis of the results obtained, indicating that adherence to the program does not guarantee a better economic and financial situation for the clubs; and, finally, the final remarks.

2 Literature Review

2.1 Installment of debts of football clubs

Today, football has become not only an entertainment activity linked to the passion of the fan for his club, but a big deal, in terms of revenue. The high revenues from sponsorships, brands, broadcasts, etc., together with ticket prices, created an alert regarding the risks of this unbridled growth (Dantas & Boente, 2011).

In view of the sports scenario, Silva and Las Casas (2018) concluded that there was a worsening in the efficiency of the revenue management of these organizations, which started to disclose great losses in their accounting reports. According to the authors, this is due to the lack of prepared administrators, exposing weaknesses and setbacks related to the absence of professional management, generating debts and decreasing the potential of collections.

Rohde and Breuer (2016) stated that there is a considerable risk in high financial transactions involving hiring and transferring athletes, since the resources needed for these transactions are mostly from financing contracts.

Some clubs are looking for incorporation strategies. The realization of corporate mergers with other teams, for example, aims at economies of scale through the use of a larger budget and an increase in the entity's revenues, including advertising, clothing sales, broadcasting rights and ticket sales. However, even so, these teams have shown difficulties in managing their capital (Karadeniz, Koşan, & Kahiloğullari, 2014).

When it comes to these issues, positions related to financial vulnerability and indebtedness are themes already addressed in major international competitions. The Union of European Football Associations (UEFA), for example, prioritizes, in its regulations, matters related to *Fair Play Financeiro* (FFP), in which it is intended to rationalize the finances of the clubs that are part of the league. The financial principles of the FFP are not far from the common logic of financial sustainability, being: (a) the debt must be maintained at manageable levels and paid on time; and (b) expenses must be kept within the parameters of each club's ability to pay based on their income (Cordery, Sim & Baskerville, 2013).

Dimitropoulos and Koronios (2018) complement previous authors by describing that UEFA has introduced sustainability as the most important financial feature of the new licensing regulation, as clubs need to prove that they will honor their debt obligations (without late payments).

The application of mechanisms, such as that of UEFA, provides for the application of sanctions for entities that do not respect their financial commitments, a practice that improves the sustainability of football. The lack of regulation on debt limits and other considerations can compromise long-term financial stability. In addition, short-term risks may arise in the event of unexpected situations during the season (Silva & Silva, 2016; Dermit-Richard, Scelles, & Morrow, 2017; Beaver, 1966).

2.1.1 Related Legislation

Providing financial viability at the club level is vital, as the insolvency of a large company, as is the case with sports entities, can cause external economic impacts, which are not positive for interested parties. These economic consequences can become a threat to the integrity of sports competition, according to Buraimo (2006), in addition to damaging the league's image and reducing the club's revenues. Bachmaier (2018) also adds that due to this financial responsibility of clubs, certain regulations aim to avoid negative economic externalities for all interested parties.

For the consideration of regulatory requirements related to the assessment and monitoring of financial stability, the negative effects of economic activity on the well-being of third parties are relevant and may allow a drop in revenues, given the inefficient allocation of resources. According to the concept of market failure, such theorizing could justify government intervention, contributing to improvements in capital allocation (Bachmaier, 2018).

Football clubs, with the requirements established by law, regulations and standards, started to record all their movements in revenues, costs and expenses related to the business. One of the laws that guide the execution of these records is the Brazilian Accounting Standard - NBC 10.13, which deals with specific accounting aspects in professional sports entities, in particular the application of the Fundamental Accounting Principles, Competence and Opportunity.

Law 13.155, for example, enacted on August 4, 2015, had the main objective of helping Brazilian clubs to settle their debts with the Union, proposing to them to refinance their tax and active debts through a program. Clubs that adhere to the Brazilian Football Management Modernization and Fiscal Responsibility Program (PROFUT- representation of the acronym in Portuguese) can divide their obligations in up to 20 years (240 installments) and reduce the value of fines by up to 70% and 40 % of interest, and 100% of legal charges, in accordance with article 7 and the paragraphs associated with the aforementioned law.

Matias and Mascarenhas (2017) reaffirm the purpose of the agreement of the Brazilian football clubs to PROFUT, which should, with the adhesion, decrease expenses, increase issues related to transparency, inspection and management, having the Public Authority under their supervision and monitoring of Governance of Football - APFUT (acronym in Portuguese for Public Authority of Governance of Football), created by the federal government (Decree nº 8.642 / 2016).

2.2 Capital structure of sports entities

In recent times, sports organizations have come to realize that greater attention is needed with matters related to their capital structure, liquidity and working capital, given that resources need to be managed efficiently to achieve maximization financial results. That is, the operations that take place in football clubs can easily be compared to those existing in other companies, taking into account some specificities (Borges, 2015).

Although few scientific researches were carried out directly for football clubs, some studies were willing to verify the relevance of economic indicators and the correct study of the capital structure and profitability for the functioning of companies. As an example, the research by Burille, Diel and Gollo (2017) and Moura, Macêdo, Mazzioni and Kruger (2016) describe the search and study of the existence of a relationship between an optimal capital structure of companies and their result indicators, determining that there is not always a direct relationship between the use of indices and the optimal choice of a capital structure. However, in some companies the indexes were extremely relevant for this determination.

In the research by Uluyol (2014), the main intention was to analyze the performance with regard only to the financial aspects of the Istanbul football clubs in the periods between the years 2002 and 2011. This revealed that, despite the large investments made by sports entities, football clubs are still facing a series of financial difficulties arising from a high level of indebtedness.

Although each indicator has a specific analysis function - liquidity, capital structure and activity - the joint analysis of these indices is the best way to obtain strategic directions for improving operational, financial and economic aspects (Igarashi, Ensslin, Ensslin & Paladini, 2008).

With regard to economic and financial performance, the following can be used: the debt indicator, resulting from the weighting between non-current liabilities and total assets; current liquidity, where the company's solvency situation can be identified for each real of liabilities; tangibility, whose main objective is to demonstrate the representativeness of the fixed assets - tangible assets - in relation to the total group of assets of the company; size, resulting from dividing total assets by net income; and the Return on Equity, of the acronym in English (ROE) that measures the relationship between the capital of the partners invested in the company and its net profit after deducting taxes and contributions (Burille, et al., 2017).

Table 1
Capital Structure Indexes

Indebtedness (INDT)	Non-current liabilities / Total assets
Current Liquidity (CL)	Current assets / Current liabilities
Tangibility (TANG)	Immobilized / Total assets
Size (SZ)	Total assets / Net income
Return on Equity (ROE)	Net revenue after IR and CSLL / Net worth

Source: *prepared by the authors, based on Burille, et al., (2017).*

Regarding the financial indicators, Fiad and Silva (2017) claim to be tools that portray how the entities are working on their productivity, quality and strategy, being, therefore, indispensable for the assessment of the patrimonial situation.

Therefore, the focus of this paper is to analyze the accounting statements of football clubs that met the requirements relevant to joining PROFUT from the perspective of the main economic and financial indicators related to the growth and maintenance of the capital structure.

3 Methodological Procedures

Regarding the research objective, this is classified as descriptive. According to Polit, Beck and Hungler (2011), a descriptive research is concerned with verifying the facts, events, records, so that it can classify and interpret them, so that the researcher does not interfere in the positioning on these.

As for the procedures adopted, the research adopted a bibliographic and documentary review. As for the approach to the problem, this research was configured as quantitative, which provides interpretations or even propositions related to phenomena that are under analysis by the researcher. The data extracted in this type of research are vast and from a large number of cases, in addition to taking measurements and correlating them in various ways, looking for patterns among the information obtained (Stake, 2013). In addition, in search of an analysis and interpretation of the collected data, descriptive statistics is applied, determining it through the measures of average, minimum, maximum and standard deviation (Vieira Neto, 2004), of the analyzed indicators.

3.1 Research Strategy and Method

Initially, it was sought to verify whether the football clubs in the sample released information regarding the PROFUT installments and whether they are in compliance with the referred rule, with regard to the eligibility criteria for accession to the financing. An analysis was also organized, for comparative purposes with international football, in accordance with the provisions of the Fair Play Financial Regulation (FFR) issued by the Union of European Football Associations (UEFA).

The checklist, described in Table 2, is structured in a total of 20 points, so that from topic 1 to 7 (7.1 to 7.10) the aspects related to the current Brazilian standard are considered, in perception of the subject addressed, and points 8, 9 and 10 describe an interpretation of the

international content described by UEFA and which similarly represent legislation linked to the demand for debt relief by the clubs that have joined in the territory covered by it.

Table 2

Checklist of criteria for joining PROFUT

Item	Requirement	Regulation / Source
1	Disclosure of the date on which the authorization to issue the Financial Statements was granted and who granted it	Prepared by the authors based on the Accounting Pronouncements Committee 24 - Subsequent Events.
2	Verification of the existence or not of adjustments resulting from events that were modified due to the proposal to join the debt installment through PROFUT, quantifying them	Prepared by the authors based on Law 13.155 / 2015.
3	In the case of no adjustments, consider disclosing its nature and estimates of its financial effect or declaring it impossible to prepare.	Prepared by the authors based on the Accounting Pronouncements Committee 24 - Subsequent Events.
4	deficit reduction within the following deadlines:	Law 13.155/2015
4.1	as of January 1, 2017, for up to 10% (ten percent) of its gross revenue calculated in the previous year; and	
4.2	deficit reduction, as of January 1, 2019, for up to 5% (five percent) of its gross revenue calculated in the previous year	Art. 4º Law 13.155/2015
5	Publication of standardized financial statements, separately, by economic activity and by sport, in a different way from recreational and social activities, after being submitted to an independent audit	Art. 4º Law 13.155/2015, item VI
6	Compliance with contracts and regular payment of charges related to all contracted professionals, referring to amounts related to salaries, *Fundo de Garantia do Tempo de Serviço - FGTS*, social security contributions, payment of contractual obligations and others with athletes and others employees, including image rights, even if they do not have a direct relationship with the salary	Art. 4º Law 13.155/2015, itemVII
7	must explain, in addition to other amounts required by law and accounting standards, those referring to:	§ 6º The financial statements referred to in item VI of the *caput* - Law 13.155 / 2015
7.1	transmission and image revenues athlete transfer revenue	
7.2	sponsorship, advertising, glove and marketing revenue	
7.3	athlete transfer revenue	
7.4	box office revenue	
7.5	income and expenses with the entity's social activities	
7.6	total expenses with professional sports	
7.7	expenses with payment of economic rights of athletes	
7.8	expenses with payment of image rights of athletes	
7.9	expenditure on non-professional sports	
7.10	revenues from transfers of public resources of any nature, origin and purpose	
8	The debt must be kept at manageable levels and paid on time; and (b) expenses must be kept within the parameters of each club's ability to pay based on its income.	Cordery *et al*. 2013.
9	Clubs can spend up to 5 million euros more than they earn per evaluation period (three years). However, they can exceed this limit up to a certain level, if it is entirely covered by a contribution / payment from the owner (s) of the club or entity involved. This prevents the accumulation of unsustainable debt	Cordery *et al*. 2013.

| 10 | If the owner injects money into the club through a sponsorship contract with a company with which he is related, UEFA's competent bodies will have to investigate and, if necessary, adjust sponsorship revenues in the balance of account calculations for a most appropriate level ("fair value") according to market prices. | Cordery *et al*. 2013. |

Source: *prepared by the authors.*

The respective analyzes were used through the checklist, establishing scores, defined as (0), for those who do not meet the established point and/or the statement is not applicable, and (1) for each criterion met. This applied method aimed to facilitate the perception of the level of suitability of each club, in addition to preparing the necessary data for the execution of the subsequent stage of research.

3.2 Population or Sample

The universe of 218 teams in this study consists of the total list of Brazilian clubs that are in the National Club Ranking - NCR in 2019, and released by the Brazilian Football Confederation - CBF. Furthermore, the choice of these formed the basis for proceeding with the data collection carried out on the websites of the chosen ones, verifying the Financial Statements of the 3 (three) years preceding the choice.

Among the teams listed in this ranking, by convenience sample, the first 20 listed were used, comprising a total of 16 clubs: Cruzeiro, Grêmio, Santos, Corinthians, Flamengo, Atlético Paranaense, Internacional, Chapecoense, Botafogo, São Paulo, Fluminense, Vasco, Bahia, Vitória, Ceará and Curitiba, the absence of adherence to PROFUT being a requirement for exclusion from the sample. Therefore, the final sample of this research was composed of 16 clubs, with the absence of adhesion to PROFUT, a requirement for exclusion from the sample.

3.3 Definition of Variables and Database

With regard to the research variables, the relationships between the main indicators related to the capital structure of sports entities and the amount related to the financing carried out through PROFUT were studied. The reports published and available on the reference form of the website of the biggest clubs in the world in the FIFA ranking in terms of value and also the National Club Ranking (NCR) 2019, released by the *Confederação Brasileira de Futebol-CBF*, formed the basis for the inference of the methods to be used and verify the objective constants.

3.4 Data Analysis Technique

Given the application of these points, the research was operationalized through the IBM Statistical Package for the Social Sciences - SPSS Statistics® (25.0), in which the application of the indexes listed in this research framework allows to understand and investigate the proposed problem, in addition to clarifying points related to the economic and financial performance of sports entities. The Indebtedness, Current Liquidity, Tangibility, Size and ROE indicators included the description of the years 2016, 2017 and 2018, comparing them in the form of average, minimum, maximum and standard deviation, given that in these years the presentation of information was complete in the analyzed teams.

The results displays will be represented by means of tables, so that you can verify the relationships between the years analyzed, as well as in figurative graphs, where the provision of the information will allow a more detailed comparison of the analyzed clubs.

The years analyzed took into account the creation and validity of Law No. 13,155 of August 4, 2015, and did not consider the year 2019, as the disclosures had not yet been presented in the period in which this research took place. In the final terms of the research, we sought to establish the relationship between meeting the requirements relevant to joining the PROFUT program and the results of the analysis of the indicators, in order to establish an answer to the problem initially addressed for the research.

4 Results and Analysis

According to the proposed methodology, an initial analysis was carried out based on a Checklist prepared in view of the main national regulations and legal provisions regarding the criteria for permanence in PROFUT and the international proposal that follows the same criteria. Thus, the points were structured based on the 16 clubs in the sample, whose information on financing was explicitly disclosed in their Accounting / Financial Statements.

Based on the criteria previously determined, a score (1) was established for each statement, with the number 20 being the complete acceptance of the points listed. This relationship is presented, in an increasing form of service, in Table 3.

Table 3
Scores according to the Team

Club	*Scores* Totals
Atlético Paranaense	5
Bahia	6
Botafogo	7
Vitória	10
Corinthians	11
Grêmio	12
Cruzeiro	12
Flamengo	12
Vasco	12
Fluminense	13
Goiás	14
São Paulo	14
Internacional	15
Santos	15
Curitiba	15
Ceará	15

Source: *prepared by the authors.*

After these are São Paulo and Goiás with 14 points, followed by the Fluminense team with 13, Flamengo, Grêmio, Cruzeiro and Vasco, with a total of 12 points. This perspective considers them as clubs that achieved a good percentage of positive matches in relation to the 20 criteria surveyed.

Otherwise, the clubs Botafogo, Bahia and Atlético Paranaense with 7, 6 and 5 points respectively are on the negative end, with few criteria met. With little disseminated information

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about PROFUT and some of it presented in a dispersed way across all the Explanatory Notes, they made the analysis difficult. In addition, the need for review by the supervisory bodies in order to seek to investigate whether the respective clubs still remain in agreement and able to the program is emphasized, to the detriment of the mandatory rules and regulations for their stability in PROFUT.

Such considerations show that this factor, in addition to directly impacting the club's finances, also has a considerable influence on the perception of the level of responsibility of the Brazilian supervisory bodies regarding compliance with the rules and impositions employed. This fact is assumed to be of paramount importance for Brazilian football to be on a similar level of agreement with the main international leagues and championships.

In order to carry out a general survey, it was listed in Table 4 in order of greater acceptance by criterion, in order to identify which clubs had points of greater ease in agreeing to the listed guidelines and those with greater obstacles and complexities that hindered their disclosure.

In a preliminary analysis and in general, it can be seen that the criteria that were most met relate to those related to the same obligations and provisions on the disclosure of accounting information, in which, due to the latter, the clubs also end up contemplating criteria covered by PROFUT. This fact is verified by the provision "1", whose request determines the "disclosure of the date on which the authorization to publish the financial statements was granted", and presents a total of 16 statements, that is, all the clubs surveyed.

There was also a greater concern among clubs regarding the fulfillment of their labor, social security and other contractual obligations. This fact was verified through 16 assertions found in topic "6" which deals with the regulation of compliance with contracts and the regular payment of charges related to all contracted professionals, referring to amounts related to salaries, of the Fundo de Garantia do Tempo de Serviço - FGTS, etc.

Some specific provisions also presented a good level of service, as in the case of topic number "2", which describes the verification of the existence or not of adjustments resulting from events that have changed in response to the adhesion to the debt installment through PROFUT, quantifying them. The analysis of this point identifies that the majority of clubs that met this criterion did so in a specific way, in a report presented separately and published in a section dedicated to information pertinent to PROFUT.

However, if analyzed together with the statements of topic "3", complementary to topic "2", it is clear that the clubs did not present a deepening of this criterion, in the sense of presenting a projection about the impacts of these adjustments in a future period, since topic 3 asks, in the case of no adjustments, to consider the disclosure of its nature and estimates of its financial effect or the declaration of impossibility of its elaboration.

In this same line and with the same total of 12 representations, the topics "5" and "9" are verified. Topic "5", concerns the disclosure, separately and by sport, of the revenues earned in each activity, respectively, and topic "9", of expenses related to the execution and management of clubs. The subtopics "7.1", "7.2" and "7.4", with 13, 14 and 13 statements respectively, seek to relate, with their own headings, the necessary disclosure by the type and origin of specific recipes, such as those for transmission and image, sponsorship and box office.

These revenues are presented as those that are most publicized and have visibility and ease of inspection and monitoring of information. In addition, the attention of stakeholders given to these premises, leads to clubs to present themselves in a more cautious way to publicize them correctly, in order to demonstrate transparency and corporate responsibility towards finances.

Finally, to conclude this first stage of analysis, the topics of lesser representativeness are highlighted, in addition to the topic "3" mentioned above. The topic "4.2" and the topic "10" were those among all that were practically not presented, in which few clubs released information about it. With only four disclosures, respectively, for topics "4.2": Vasco, Botafogo, Santos and Bahia, and two for topic "10": Santos and Internacional.

Topic 4.2 concerns the reduction of the debt deficit in terms pre-established by the standard. It is believed that this difficulty occurs due to the period of economic recession that the country has been trying to get out of, presenting some barriers to reduce this indebtedness where, in many cases, the opposite effect of increasing and postponing the debt occurs.

Topic 10 is presented with only 2 statements, demonstrating, for this result, little or no relevance of the societal participation of the managers of the football clubs, which may indicate a need for greater regulation and transparency through the inspection bodies in an attempt to decrease the informational asymmetry that non-compliance with this topic can generate.

When it comes to the application of the analysis of the pre-established indicators, it is feasible to observe the economic and financial indices of these clubs, as they allow to evaluate the capital structure of the sample of those who joined the PROFUT. Therefore, relating the aspects described in the checklist to those found in the Financial and Economic Statements.

Based on Table 5, the information related to the analyzed indicators is observed, being: indebtedness, current liquidity, tangibility, size and return on net worth, arranged through the use of the Average, Minimum, Maximum and Standard Deviation of the compiled data, according to the year analyzed.

Table 5

List of Indicators

Year	Variable	Indebtedness	Current liquidity	Tangibility	Size	ROE
2016	Average	1,1373	0,4832	0,4058	2,2114	-1,7635
	Minimum	0,4202	0,0072	0,1100	0,2489	-26,8839
	Maximum	5,4353	2,9426	0,7671	8,4894	0,6306
	Standard Deviation	1,1889	0,6897	0,2060	2,1895	6,7168
2017	Average	1,9772	0,4046	0,7530	1,7745	0,3397
	Minimum	0,2475	0,0142	0,1483	0,0549	-1,3821
	Maximum	13,1415	2,0360	3,0590	7,3325	2,9321
	Standard Deviation	3,2110	0,4779	0,7551	1,9440	1,0348
2018	Average	1,0439	0,3691	0,4786	1,8040	2,5545
	Minimum	0,2441	0,0742	0,1464	0,2134	-0,8846
	Maximum	4,5366	1,2442	0,8404	7,0634	37,3673
	Standard Deviation	1,0298	0,3091	0,2285	1,7003	9,3433

Source: *prepared by the authors.*

With regard to the Indebtedness Index, an average ranging from 1.04 to 1.97 is perceived over the years, which according to Fonseca, Silva, Assis, Nazareth and Ferreira (2014), this relationship shows that for each real of equity capital companies have between R $ 1.04 to R $ 1.97 in third party capital, with an imbalance between the finances linked to what the company has and what it borrows from other sources to comply with obligations. A plausible justification

for understanding this situation can be found in borrowing and financing, such as PROFUT and the accumulation of negative results over the succession of years.

In reference to Current Liquidity, a very small average is observed, with minimum and maximum fluctuations from 0.00 to 2.94, in 2016. These results show an unfavorable proportion of the net values of Current Assets in detriment to Liabilities Current, presented by the entities. As an average, there was a variation, in the three years ascertained, between 0.30 (2018) and 0.48 (2016), noting that in this period there were low amounts of resources to settle the debts present in the short term, in what concerns refers to values immediately convertible and available in cash, and a higher index of assets present in Current Liabilities.

This fact, verified by the presentation of the current liquidity values, corroborates the result found by the debt indicators. The presence of high amounts in liabilities identifies the existence of debts to third parties, which in addition to being in the long term, in the short term are also significant to affect the institution's liquidity.

Portraying the tangibility of the assets of the football clubs, an average of 0.47 (2018) and 0.75 (2017) is perceived, and a balance between all the teams analyzed, with no significant discrepancy between the years 2016 to 2018. In addition, this indicator verifies how much the fixed/tangible assets represent to the organization in relation to the total assets, given that their use generates the guarantee of possible future credits to an eventual financial loss.

As applied in football clubs, this index can report the composition of these assets such as the construction of stadiums, training centers, among other equipment, which apply to their sports activities, and which require large investments or costs, to build or maintain these operations. Thus, it is expected that this variable is positively associated with indebtedness (Maia & Vasconcelos, 2016), ratifying the position of the found debt.

As for the size of the organization, there is a variation between 1.77 (2018) to 2.21 (2016), as observed in the analysis. A level of significant importance is perceived related to the level of indebtedness found, revealing that, depending on the proportion of revenues, be they greater or lesser, one can consider an amount more, or less, of short and long term obligations (Cunha, Santos & Haveroth, 2017).

The use of resources by smaller organizations, cited by the authors, are often insufficient, making companies compel themselves to use debt as a way to finance their growth and sustain themselves for a certain period.

In the case of ROE, it is important to evaluate the minimum index found of -26.88 (2016), which can be a great indicator for the other teams, the Cruzeiro team being its real holder, although this has increased its index in the years subsequent This can be justified by the fact that, in the first year (2016), the discrepancy found in the Cruzeiro team may be related to the high deficit of the club, of almost -2700% negative, in opposition to the Equity, remaining in a negative balance in the subsequent two years.

Therefore, it is now an analysis to investigate whether the clubs that presented the best or worst indicators were also those whose PROFUT requests were met to a greater or lesser degree. As an initial way of verifying this perspective, a representative statement was elaborated, as observed in Figure 1.
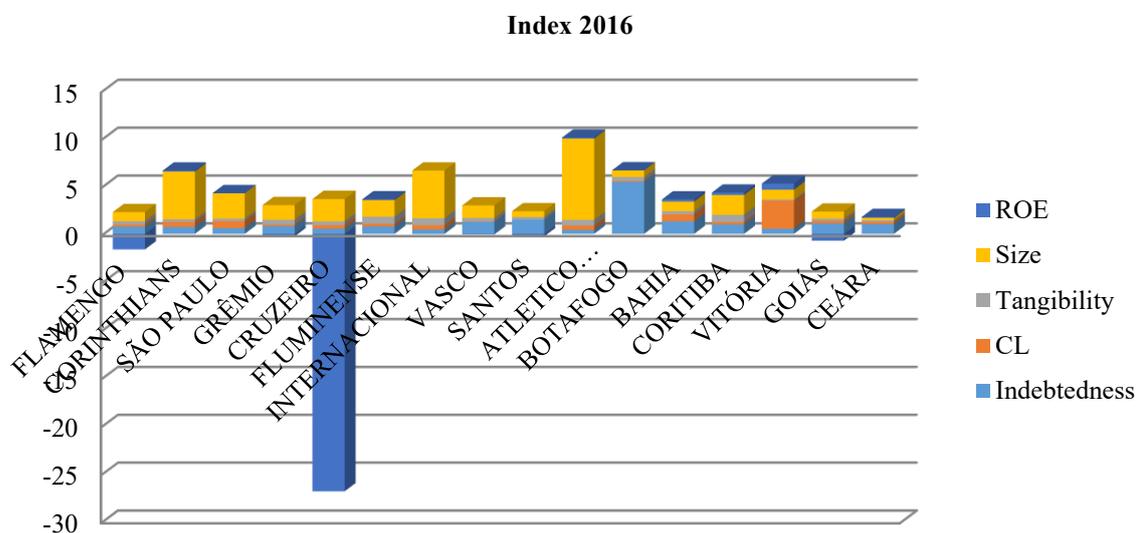
Erika Maia da Rocha, Francisco Ícaro Silvério de Oliveira and Rosângela Queiroz Souza Valdevino

Index 2016

Figure 1 - *Index 2016*
Source: *research data.*

Based on the joint analysis of the indices for the year 2016, some highlights should be given to the Cruzeiro club, which presented a very low ROE not only considering the clubs surveyed, but also if all standards and companies in the market were analyzed, regardless of their sectors. This fact indicates, in relation to the checklist applied to the club, that although Cruzeiro has met most of the criteria proposed in the survey (12 statements), it does not make the criterion sufficient to determine that the returns on investments made in the club add value to organization.

Clube Atlético was the one with the highest value for the Size Indicator –8.48– thus representing the highest value between the active ratio and revenues, compared to the other clubs. In addition, he obtained only 5 positive statements regarding the fulfillment of PROFUT requirements, complying with the analysis described by the problem initially formulated.

Therefore, the same procedures were applied and the indexes compared to the checklist in the following year of 2017, according to Figure 2.
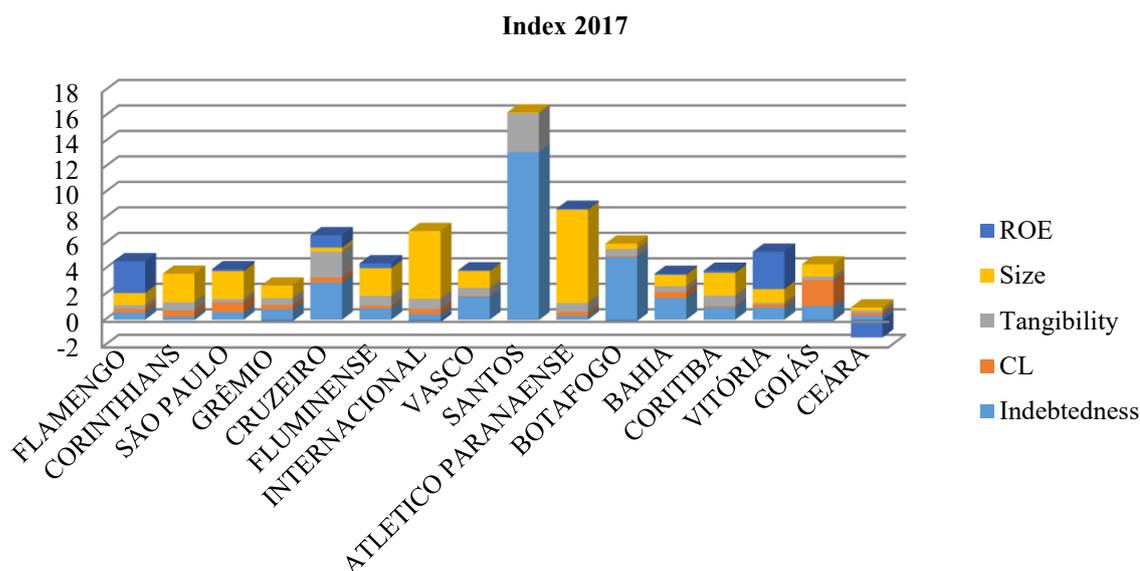
Index 2017

Figure 2 - *Index 2017*
Source: *research data.*

In 2017, a higher indebtedness index for Clube Santos can be identified. With a total of 15 criteria met in the checklist and being one of the clubs that most complied with the standard, once again it can be inferred that joining PROFUT is not a guarantee of better rates, in this case, of debt. This fact indicates that even meeting several criteria, possibly the club has a lack of control of its liabilities in relation to its assets, demonstrating that the fulfillment of the disclosure requirements of PROFUT occurs in those clubs whose capital structure is more compromised.

This fact can be justified by the high Tangibility of Santos, an indicator that shows the proportion of fixed assets compared to the company's total assets. The possible acquisition of these fixed assets may have leveraged the club and impaired its solvency by worsening the debt ratio.

Regarding the size of the clubs in 2017, the Atlético and Internacional clubs receive special notoriety. Already discussed in Graph 1 above, Atlético maintains its largest position despite not meeting most PROFUT requirements. On the international side, there is an inverse tendency to those observed so far, since the larger clubs are also the ones that best manage their capital structure.
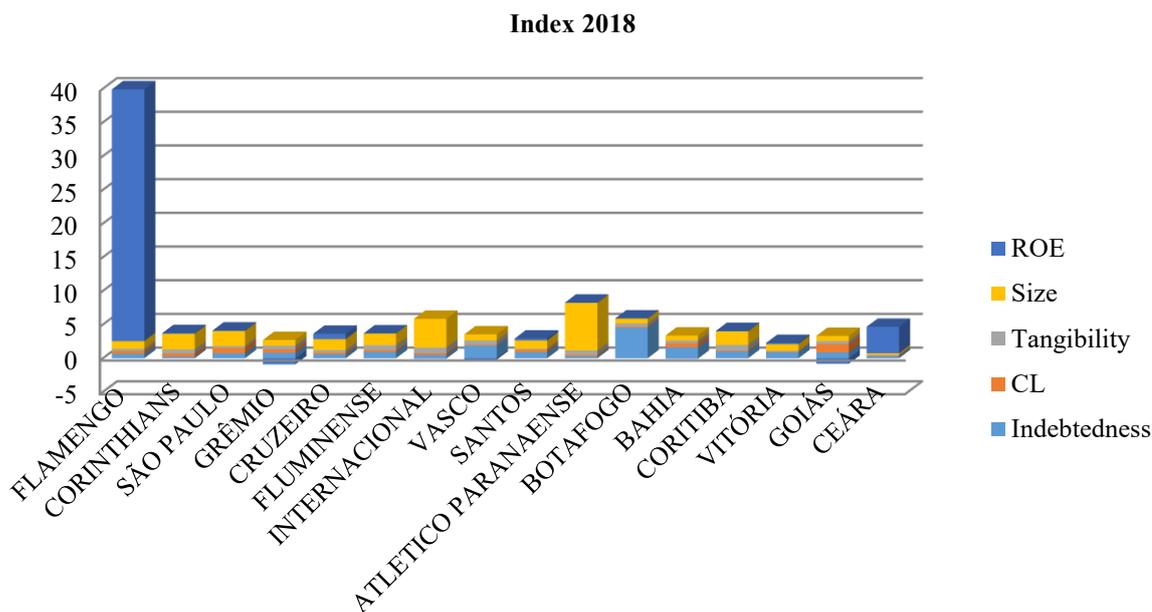
Index 2018

Figure 3 - *Index 2018*
Source: *survey data.*

Finally, Figure 3 was projected containing the summary and positioning of the companies and their respective indicators for the year 2018. In this, the high value of the ROE of Clube de Regatas Flamengo is clearly perceived compared to the proposed year, indicating high profitability of the invested capital. This finding confirms positively the problem of this research, in the sense that the attendance to PROFUT can be an indicator that these clubs present less profitability on the net equity, reflected in the calculated index. This becomes true since the club met more than half of the criteria met, making a total of 12.

Even if the ROE most discrepant from the average is analyzed, it can be considered, even if slightly, the change identified in Ceará, which is the second best ROE for 2018.

The values presented for the Atlético and Internacional teams remained during the analysis. However, these clubs have a significant reduction, considering their position in the initial year of this study. Atlético went from a Size indicator in total from approximately 8 in 2016 to approximately 7 in 2018. Likewise Internacional started with 4.9 in 2016, improved to 5.3 in 2017 followed by a drop to 4.2 in 2018. Despite a drop of more or less 1 point, this indicates that non-compliance with PROFUT may not have immediate short-term impacts, if the overall context is analyzed. However, the long-term effects of non-compliance with the rules can lead to greater financial neglect and a worsening of the indicators over time.

In general, given the variability of relationships found in an analysis over the years, it is concluded that meeting the criteria established for joining and staying at PROFUT is not sufficient, in itself, to indicate greater attention from clubs to the financing and maintaining its capital structure. This is true with the verification that some clubs maintained a positive relationship between attending PROFUT and taking care of its indicators.

This finding is in accordance with the base study of the methodology of this article, where analyzes were carried out involving the years between 2011 and 2015 to try to identify a relationship between the result indicators and their influence on the conditions of the capital structure of the entities surveyed. In this perception, the idea of a lower degree of attention to

financial indicators is not necessarily accompanied by a worse financial structure (Burille, et al., 2017).

Despite the use of other criteria in the analysis, it is clear in a general context that meeting the requirements of PROFUT by sports entities may not serve as a guarantee of financial care.

Given the observed understanding, Borges (2015) identifies that it is noticeable that in the legislative provision applied to Brazilian football clubs, the conflict of interest and poor investment management by their managers still prevails. Furthermore, in contrast, for example, with international football, it tends to support initiatives to reduce debts and assist in the development of strategies that prioritize the balance of its accounts.

5 Final Considerations

The general objective of this study was to verify the relationship between meeting the requirements related to joining and staying at PROFUT and the economic and financial situation related to the capital structure, especially with regard to the level of indebtedness, of the listed Brazilian football clubs. in the *Ranking Nacional de Clubes* (RNC). A search was carried out in order to identify whether the same rigor of clubs in complying with the rules of this legislation can be found in the care and financial control of their indicators. This investigation is subsidized by the contents disclosed in the Financial Statements, on the website, and considers the years 2016, 2017 and 2018 for the analysis.

At first, a list of content treated by current legislation, whether Brazilian or international, was applied through a checklist, transposing to the calculation of economic and financial indicators of the Indebtedness, Current Liquidity, Tangibility indexes, Size and ROE, based on data found in each club's Statements.

This result is inferred from the understanding that there is no direct relationship between compliance with the rules established by PROFUT and a better economic and financial situation related to the capital structure. Furthermore, the negative response to the stated problem may indicate that the clubs that met the requirements of PROFUT have worse indicators of capital structure than the teams that did not, it is the most related to the current state of research and the data obtained in the analysis. This fact can be exemplified by studying the case of Santos, in which a higher level of indebtedness may have been the main cause of the need to join PROFUT.

However, it is also necessary to consider that there are certain conformities that can be found slightly if isolated the Size indicator, calculated for the Cruzeiro and Internacional Clubs, as they present negative indexes compared to the other clubs. This fact may be linked to Cruzeiro's lack of rigor in meeting the requirements determined by PROFUT, but it is also a possible indication of carelessness and poor management in the entity's financial control.

In the most diverse aspects, considering the effects of well-structured planning and making a financial provision based on control criteria and positions against debt, are possible aids to the premises of an efficient and productive vision for football clubs.

In addition, it should be noted that the general results presented here can be variable when other clubs are not included in the sample and should not be considered as absolute numbers to consider the relationship between meeting the PROFUT requirements and finding positive/negative indices. Therefore, such factors can be considered limiting and should not be used for analysis beyond what has been described and presented in the theme of this research.

The work contributes in a theoretical way, as it shows new explanations in the Brazilian soccer scenario regarding the relationship of adhesion to PROFUT and the economic-financial situation, allowing a reflection of the financial possibilities in the reality of soccer. With regard to practical contribution, the results allow a broader vision for football clubs in the sense of looking for strategies to improve and generate new financial opportunities.

The findings presented here cannot be generalized to other sports entities that did not request the financing of tax debts through PROFUT. In addition, there are other variables that can be studied in clubs that need sports financing, such as, for example, the total revenue and the analysis of sports performance according to parameters of the Brazilian Football Confederation, considering them as a suggestion for future research. In addition, a comparative analysis is suggested, with the use of more years, so that there can be a more intense relationship of the results presented and the gradual compliance of the regulation in relation to the indicators.

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