

## FUNDING OF SPORTS ORGANIZATIONS IN SLOVAKIA

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**Abstract:** *The paper focuses on the issue of financing sports organizations in Slovakia. The analysis of the current funding conditions builds on a summary of the past funding method. The results of this analysis point to the shortcomings and common features of financing sports organizations in nowadays and in the past in Slovakia. The result of this paper is the identification of mutual links between individual subjects in field of sport in Slovakia through model scheme.*

**Keywords:** *sport organization, funding, sport environment, stakeholders, relationships, sport club*

**JEL Classification:** *G0, G30, M0*

### 1. INTRODUCTION

Nowadays, it is often very difficult for organizations active in the field of sports to become market leaders. Strong competition and a dynamic market environment have a major impact on these organizations. To survive on the market, it is often necessary to look for the right partners to help the organization achieve its goals. However, there are not only market partners who are trying to help the organization, but also those who are trying to achieve market failure. The subject of the present state of the research was not only the examination of the political situation in Slovakia with regard to the area of sport, the ways of financing the organizations operating in the field of sport, but also the exploration of relations between sports clubs and their stakeholders.

Stakeholders are an integral part of business in every area. When managing an organization, it is important to know who represents the stakeholders, their views and expectations [1]. To understand their needs, their interests need to be explored. Individual stakeholders may present different opportunities or threats to the organization. It can therefore be said that the importance of the various stakeholders can be different for the organization [17]. Stakeholders in the field of sport are formed not only by organizations, but also by individuals who directly or indirectly influence a sports organization [15] or an athlete as an individual. Specifically, sports stakeholders can include governments, associations, sponsors, athletes, coaches, fans, cities, and the local community.

World authors have repeatedly demonstrated in their publications that the organization cannot be successful in the long run if it does not properly manage relations with its stakeholders [4,5,7,9,12,13,16,17,19,20,21,23]. The state has a significant impact on sports organizations. The legislation affects not only the organizations but also the environment in which they operate. A significant element of influence is the funding that is key to sports organizations. Therefore, stakeholder management can be understood as one of the key parts of sports organization management [2,3].

### 2. SCIENTIFIC AIM, METHODOLOGY/METHODS

The main problem with which sport organizations have to deal is inefficient organization funding and with it related strategic management. This problem in companies is affected by the current situation in Slovakia.

The aim of this paper is to identification of problems in the area of financing sports organizations in Slovakia and creating model scheme of links of sports organizations in Slovak environment.

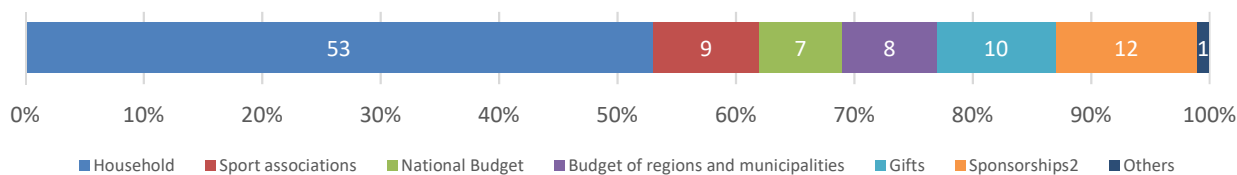
Practical research was provided through content analysis of funding problematics in Slovakia which brought a comprehensive in-depth analysis of the research problem. Next, were used the following methods: a) synthesis: combining the conclusions of processed data; b) induction: generalizing conclusions based on partial knowledge gained; c) deduction: specific proposals for the determination of the general starting points.

### 3. FINDINGS

The status of individual actors can be characterized as a partnership between governmental and non-governmental actors at different levels. The Slovak Republic directly affects the area of sport by regulations and laws. The Sport Act (Act No. 440/2015 Coll.) has the greatest impact on sport. Through this law, the government redistributes funds to individual sport stakeholders. These stakeholders include, for example, sports associations. In 2011, 13,069 sports clubs and 661,346 athletes registered in 145 sports associations were registered in Slovakia [14]. An important aspect in this specific environment is funding. The structure of financial resources in sports clubs in Slovakia is shown in Figure 1.

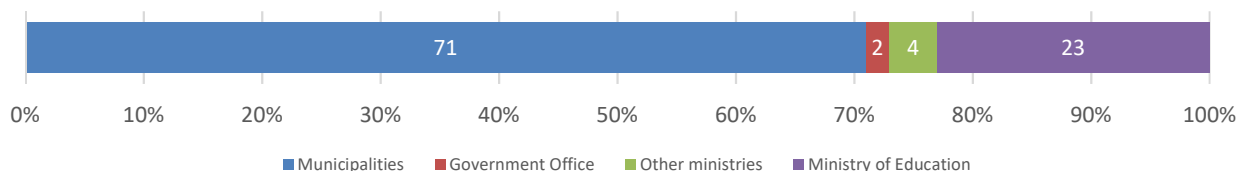
Sports clubs receive the most money from households, sponsors and donations. Only then are the funds from the state in the form of various contributions from the unions, municipalities or the state. Another survey of this organization shows the share of individual stakeholders in the overall financing of sport in Slovakia.

## Funding of Sports Organizations in Slovakia



**Figure 1** Structure of financial resources in sports clubs in Slovakia

Source: [Edited according to 22]



**Figure 2** Participation of individual stakeholders in the financing of sport in Slovakia

Source: [Edited according to 22]

Municipalities have the largest share in the overall financing of sport in Slovakia (therefore it can be considered a very important stakeholder). This system of funding redistribution can be compared with the system they have in place in Poland, where sport is mainly financed by local governments. Municipalities with a 71% share are the largest financial sources of public sector entities, as support for sports infrastructure is provided through municipalities for coordination and control. Households account for almost half of sports club revenue.

In Slovakia, financial resources are divided into two main groups, public and private. The public group includes subjects like the state, cities, municipalities. The private group includes subjects like the public and sponsors. To put it simply, these are the main external stakeholders for sports organizations. Based on the Report on the fulfillment of tasks and the current state of sport in the Slovak Republic (2004) from the 103rd meeting of the Government of the Slovak Republic dated 29 September 2004, it can be stated that "the financial intervention of the state in certain areas of sport is irreplaceable". This report also shows that in Slovakia, state subsidies are one of the sources of sport financing. The transparency of financial flows is ensured through targeted, program financing. In addition to funding, the state is influencing sport by legislation that is motivating the private sector to invest in sports.

The state in the 1993-2003 funding model is a major source of sport funding. It distributes funds to High Territorial Unit (HTU) and then distributes funds to individual municipalities. Furthermore, state funding institutions redistribute regional and local providers. Apart from the HTU and the municipalities, the State is supported independently by the Anti-Doping Committee and the National Sports Federations. This group, for example, covers a federation afflicted by an athlete, an ice hockey association, or a football association. In addition to these large groups, another ten stakeholder groups are involved in the funding model, bringing together different sports organizations. These groups are funded by the state and subsequently financially supported by national sports federations, respectively. local providers. This model is negatively influenced by a wide range of stakeholders with unclear hierarchy and interrelationships [22].

After 2004, the modernized model has retained the basic framework of the flow of finance - the state > HTU > municipalities > final customers. The change went through the second part of the model, in which state funding is redistributed to individual national groups of sports stakeholders (national associations / committees). In this model, there is direct financial support to the state of each of these organizations, with only the Slovak Olympic Committee and the Slovak Paralympic Committee contributing financially to individual sports associations [22].

In Slovakia, long-term sport is heavily influenced by the state and in particular through legislation. In 2015, Act no. 440/2015 Coll. on Sport and on the Amendment and Amendment of Certain Laws, which establishes the amount of contribution to national sports associations not on the basis of subjective determination, but on specific measurable data. Significant negative interference with the original wording of the Sporting Act was the earmarking of the two largest sports: football and ice hockey from the formula for calculating the amount of contribution to recognized sport - irrespective of the results, popularity or number of active athletes, ice hockey is 13% and football is 17%. all means of the budget chapter of the Ministry of Education, Youth and Sports of the Slovak Republic intended for sport [10,11].

The proportion of recognized sport depends on three basic parameters and can be easily expressed as follows:  $P = \text{sport success} \times \text{interest in sport} + \text{membership base up to 23 years}$ . This formula takes into account the importance of sport for Slovak society in terms of its success in the world, public interest in sport and the size of the youth base of athletes under the age of 23. Based on the results of this formula, it is possible to compare individual sports in Slovakia on the principle of impartiality [11].

The effect of the formula can also be seen in the change in the amount of contributions from the state to sports associations. Since 2015, they have risen from 38.5 million to 131.5 million in 2018, an increase of 341%.

This year, € 44.8 million (€ 23.2 million in the year 2015) was distributed among the sports associations of the Ministry of Education, Research and Sport of the Slovak Republic earmarked for the National Sport Development Program 026, of which 30% were allocated to the football and hockey association and the remaining 70% of the funds were distributed among all other sports associations according to the above formula. Of the remaining EUR 86.7 million, up to 79% (EUR 69 million) was invested in the development of sport infrastructure. The last EUR 17.7 million was other expenditure. For comparison, infrastructure spending in 2015 was only € 6 million [11,18].

#### 4. DISCUSSIONS

With regard to the information on the structure of financing in Slovakia, it was possible to create a simplified model (Figure 3) of the financing of sport in Slovakia for 2018. This model shows the different stakeholders and their interactions, whether in the form of a hierarchy, partnership or financial flow. Again, the state is the main source of funding. These are then redistributed to governmental and non-governmental organizations. Within governmental organizations, it is a matter of redistributing funds between individual HTU and then subsequently between them between cities and municipalities. The redistribution of funds among NGOs is going from the state to all organizations within the national level. The only non-governmental organizations funded by cities and municipalities are once again final customers. However, they are also funded from regional and national NGOs (which are primarily funded by the state). One of the financing options that can be used by individual entities is the assignee tax. This represents the part of the tax that the taxpayer has paid and has the right to decide to whom the funds will be allocated [8]. According to Fisterová [8], since 2014, sport organizations accounted for about 15% of the total redistributable tax redistributed. The total amount of unallocated contributions in 2018 may amount to EUR 46

million. It is therefore possible to state this type of financing represents a great potential. As part of these NGOs, in addition to financial relations, partnerships are established, such as between sports associations and final customers, sports federations and sports associations, respectively. joint stock companies and final customers.

In addition to the political situation and funding, in the current state of the art, it is also necessary to highlight the problems within the relations between organizations active in the sport (sports clubs) and their stakeholders. From a survey conducted in Čadca in 2016 [14], it was found that the expectations of sports clubs towards the city are higher than the real results of cooperation. At the same time, it is possible to state from the survey that most clubs expressed their satisfaction in the range of 21 - 50%. The last important finding in the issue of stakeholder relations is the fact that although 50% of clubs are significantly dissatisfied with the attendance of their stadiums, respectively. organized sports events, clubs are still not trying to find a solution to improve their mutual relationships, but only a solution to increase stadium traffic, which is not the cause, but only the effect of the problem. In this issue of club relations and stakeholders, a 2014 survey was also carried out, focusing throughout Slovakia on the relationship between sports clubs and schools, which is one of the key stakeholders in the future development of the club. In this survey, it was found that the geographical distance between the club and the school has a direct impact on their mutual cooperation. Also, about 60% of schools in a partnership with a sports club appreciate this collaboration positively. Thus, this survey shows that there is scope for improving the reciprocal relationship. However, he also points out that 40% of the clubs interviewed are not interested in such a relationship. What is a problem for future development and it is therefore important to find out the reason for non-interest [6].

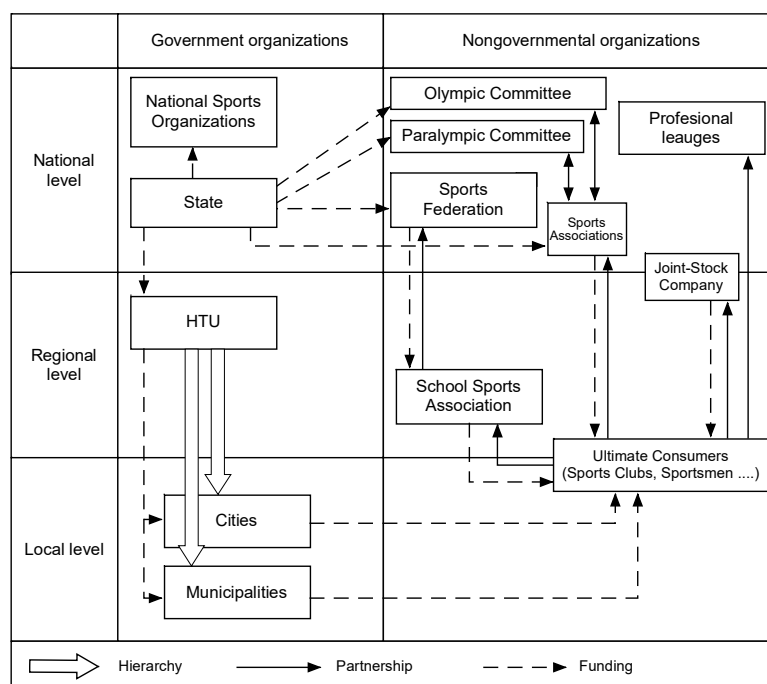


Figure 3 Financing in the field of sport in Slovakia in 2018

Source: [Based on 8]

## 5. CONCLUSION

Although the system has changed over time, the state remains the main source of funding for sports organizations in Slovakia. A significant change in financing has been brought by the new law, which, thanks to the new formula, guarantees every sport the exact amount of the financial contribution based on the fulfillment of individual conditions under the formula. However, sports clubs can also get finance from other than state contributions. As an example, an indelible tax is a potential income for sports clubs from the community, the public, club members, or

other stakeholders. The new funding model shows that stakeholder relations represent a potential funding link for a sports organization. Within these relationships, cities and the state can play key partners for sports clubs. The relationship of the sports club with the community includes relationships between companies, fans, amateur athletes and the public. These stakeholders represent not only potential financial partners but also entities that can have a significant impact on the reputation of a sports club. It is important for a sports club to build relationships actively with them.

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