



# What socio-economic benefits do foreign investment and ownership in the English Premier League facilitate?

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## Abstract

Football is not only the most popular sport to watch and spectate in the United Kingdom (UK) and England but also the most popular team sport to participate in. The men's association clubs in England are interconnected within the English football league system. This 'football pyramid' consists of many different layers with the top-most being the Premier League - one of the most watched and prestigious leagues. Over the 30 years since the founding of the Premier League, the level of foreign investment and ownership in the clubs has increased drastically. However, this has come at the cost of a heated debate wherein those who support this investment argue that it improves the competitiveness of the league while those on the other side disagree strongly. This paper supports the argument for the investment in the Premier League by evaluating the several socio-economic benefits it facilitates.

## Introduction

The English football league system is one of the most popular. It consists of a series of interconnected leagues for the men's association football clubs in England. Commonly referred to as the 'football pyramid', the structure of the system consists of around 9 levels. While the number of clubs competing will vary from year to year as many join and leave leagues, fold altogether or merge, it is estimated that an average of 15 clubs per division implying more than 7,000 teams of nearly 5,300 clubs are members of a league in the English men's football league system. The clubs also include one team from Guernsey, one from the Isle of Man, one from Jersey and five from Wales. Regardless of who is competing, one of the most interesting aspects of this league is that it follows a hierarchical format wherein promotion and relegation are enabled between the leagues at different levels (Mendola, 2021). This essentially allows all clubs, even the smallest ones, the possibility of rising to the very top of the system over

time. On the other hand, however, clubs that fail to perform well could find themselves sinking down a level at the end of the season.

The top five levels of the system specifically contain only one division each and are recognized as being nationwide in scope. The levels below this have more parallel leagues and each of them covers progressively smaller geographic areas of the country. For example, at the very top of the system, the very famous single division of the Premier League can be found. Below this, there is the English Football League (EFL) which is divided into three divisions of around 24 clubs each with the divisions formally being recognized as The Championship (level 2), League One (Level 3) and League Two (Level 4) (Quaile, 2022). In total, there are 20 clubs in the Premier League and 72 in the EFL and each of these are full-time professional clubs. After the EFL, the first tier of non-league football i.e., the National League is found. This contains a national division (National League at Level 5) containing 24 clubs. Level 6 is divided into two divisions with 22 clubs each, National League North and National League South, to represent the north and south respectively. After the National League, there are four regional leagues each representing a different geographical area. Overall, there are more than 140 individual leagues that contain more than 480 divisions.

This paper especially focuses on the Premier League i.e. level one of the system. This league is seen as the pinnacle of success for the clubs and is one of the most prestigious. Furthermore, it is also one of the most viewed leagues in the world of football. Interestingly, research suggests that this league has a myriad of social and economic benefits for the country and the people involved in organizing the same. Considering that much of the success of the league in recent years has been facilitated greatly by the level of foreign investment and ownership in the clubs that participate, this research paper aims to answer the question: **“What socio-economic benefits does the foreign investment and ownership in the English Premier League facilitate?”**

### **Origins and history of the Premier League**

Many may know of the Premier League being founded 30 years ago, however, there were many events that led to the creation of this league. Around the late 1980s, English football was facing a low as a result of stadiums crumbling, hooliganism increasing, and English clubs being banned from European competitions for a total of five years owing to the Heysel Stadium disaster of 1985 (BBC News, 2019). The aforementioned led to the Football League First Division, the then top level of English football since 1888, falling behind other leagues such as Spain’s La Liga in both attendance and revenue. This downward trend did ultimately start reversing in the 1990s due to many specific events such as the England team reaching the semi-finals at the 1990 FIFA World Cup and the UEFA lifting the five-year ban on English Clubs wanting to play in European competitions. In fact, the latter also enabled Manchester United to lift the UEFA Cup Winners’ Cup in 1991.

In addition to the aforementioned events, the 1980s proved to be important in the history of English football because it became the time when many major English clubs started to transform into business ventures. This transformation was led by the likes of Martin Edwards of Manchester United, David Dein of Arsenal and Irving Scholar of Tottenham Hotspur (Taylor, 2008). In essence, the commercial incentive caused the top clubs to seek an increase in their power and revenue with many in the First Division threatening to break away from the Football League. As a result of this, the top clubs managed to secure increased voting rights and more favorable financial arrangements with around 50% of all the television and sponsorship income going to them in 1986. As per Scholar, who was involved in the negotiations of the television deals, prior to the 1986 negotiations, each of the First Division clubs received only £25,000 per year from television rights but post-1986, this number rose to £50,000 (Lipton, 2017). This was not the end. In 1988, the Football League struck a deal with ITV resulting in the leading clubs getting 75% of the cash that had increased to £44 million over four years (Crawford, 1996). This resulted in the earnings of the First Division clubs increasing substantially to £600,000 in 1988.

The years that followed brought many threats of major clubs breaking away from the Football League to create smaller leagues of their own. For example, in 1990, the managing director of London Weekend Television (LWT) proposed that it would be more lucrative for only the five largest football clubs in the country to be featured on national television (Conn, 2013). After meeting with him, all five clubs agreed to the idea of breaking away from the league as the proposal seemed enticing and allowed for significantly larger shares of television rights money to be earned (Rodrigues, 2012). This decision had to be approved by the Football Association (FA) and coincidentally, it came at a time when the FA was not amicable with the Football League and thus gave their final nod considering this to be a way to weaken the position of the League (MacInnes, 2017). Subsequently, by the close of the 1990-91 season, the principles for setting up the FA Premier League, a new league of football which would generate more money for the game, were circulated. As part of this, the newly formed top division would have commercial independence from the FA and the Football League enabling the FA Premier League to negotiate its own broadcast and sponsorship agreements. In 1992, 30 years ago, the FA Premier League was officially established with 22 inaugural club members.

### **The Premier League today**

Fifty clubs have played in the Premier League from its inception in 1992, up to and including the 2022–23 season. From the previous section, it is clear that the league is operated as a corporation - the 20 member clubs are shareholders holding one vote each on issues related to rule changes and contracts. It is also evident that the financial strength of the clubs involved in the league is maximal. The aforementioned has been greatly facilitated by the increasing trend of foreign ownership and investment in football clubs. The trend dates back to 2003 when Roman Abramovich purchased Chelsea Football Club in a £140million deal (Ramsay, n.d.) - the most expensive

deal in Premier League history and the second ever by a foreign investor as of that time (Osborne and Coombs, 2009). Since then, there have been at least another 15 takeovers of Premier League teams by foreign investors.

This influx of foreign owners and foreign direct investment (FDI) into the league has resulted in a heated debate. Those who believe this is beneficial do so from the perspective of the foreign money facilitating an increased level of competition in the league which according to economic theory leads to better performance - directly translating to better players, newer talents and stronger global club domination in this scenario. Results to support this argument were found in a study conducted by Bello (2022), wherein a 27-year data panel from Europe's top 5 football leagues and a difference-in-differences technique were used to conclude that competition has in fact increased in the Premier League as a result of the FDI. The author also speculates that there may be two reasons for this. Firstly, teams that become awash with foreign money have the tendency to buy players from lower-placed teams in the league. The trickling of the foreign money to the lower-placed teams means that they are enabled to invest in their own teams and improve their performance. Secondly, foreign money brings foreign coaches and players with it. Once again, this highlights the introduction of newer ideas and skills to the game of football and creates an excellent opportunity for clubs to improve their own performance by observing and gradually implementing these. This was seen in the instance of the popularization of the 3-man defense formation in the Premier League as a result of Antonio Conte's successful deployment of his signature formation post arriving in the Premier League (McAleer, 2020).

On the other hand, however, many argue that this foreign investment is detrimental to the Premier League for a myriad of reasons. Many researchers have highlighted the tendency of the money to be directed only at a few opportune teams. For example, Maria (2008), argues that the large infusions of cash have artificially inflated the financial and sporting profiles of the recipient teams but at the expense of other teams in the league. This implies that the gap between the rich and the poor aka the top and bottom clubs continues to increase and threatens the competitiveness of the league. The scare is that if this were to continue to translate into reality then the game would ultimately become a battle of the classes indicating a move back into the history that was once rewritten. Another problem with the foreign money coming linked with foreign players is that the local talent may not be developed, and this could be indicative of lost potential.

### **The socio-economic impacts of the Premier League**

Interestingly, the premier league is reported to make more money than 50 countries. Therefore, regardless of where an individual stands in the debate regarding foreign investment into the premier league, there is no denying that football is a business and if this were a competition then the Premier League is coming first. Moreover, many of the claims against foreign investment into the Premier League may not stand true when the real social and economic impacts of the league are analyzed further. Over the years, many studies have been conducted to find

information regarding the aforementioned, however, a report published by Ernst & Young in 2022 will be the focus of this section given the credibility of the source and the incredibly detailed findings.

The game has become increasingly popular over the years. For example, each season, around 43 million people watch the league on TV in the UK alone. Even the global appreciation for the league has only grown as time has gone by - in 2019/20 specially, the cumulative global viewership was 3.2 billion people. To put this number into context, it is double that of the UEFA Champions League i.e. another one of the popular leagues watched worldwide (EY, 2022). Whilst there are many reasons for the league's global popularity, the efforts made to connect with the fans are particularly interesting. For example, the presence of the league on social media platforms allows for global conversations to take place and for the fanbase to remain updated with regard to the happenings of the clubs and players themselves. Furthermore, at the beginning of 2019/20, the league also launched a YouTube channel which impressively reached over 1.8 million subscribers and more than 268 million views in its first two full seasons (Streeter, 2019).

The strength of the global viewership is proven by The Premier League's broadcast exports. For instance, the international broadcast revenues as per the Premier League's 2019/20 financials was £1.4 billion. This accounted for the largest share of the UK's audiovisual exports and almost matched the combined total which was achieved by the local audiovisual channels including BBC, Channel 4, Channel 5, ITV, Sky and the independent sector. All of this further strengthens the soft power of the UK (EY, 2022). But what is soft power? Since the Premier League is a nationally recognized brand, it is considered one of the key soft power assets for the UK meaning that, through the power of attraction, the league has a great ability to shape and influence the way in which people view the country (Ganesh, 2019). This was proven by research published by the British Icon Index which found that 87% of those who were interested in the league said it made them feel more positively about the UK. Recognizing the importance of maintaining this international awareness and upholding the positive perception, the Premier League has also partnered with many football stakeholders and government organizations overseas.

When analyzing the contributions that the league makes to society, there are myriad benefits generated, both for the football clubs and communities. For example, the league is highly focused on supporting the development of the wider game by investing within the pyramid but also outside of it. In fact, it has been found that the funding the Premier League provides to the wider game is world-leading in comparison to most of the other sports and leagues - around 15% of the annual revenue made by the league in 2019/20 was distributed amongst stakeholders outside the league in the form of parachute and solidarity payments, investments in youth development academies, funding for fan initiative, and community grants amongst other good causes (EY, 2022). Some of the specific initiatives will be elaborated on later in this section but it comes as good news that in August 2021, the Premier League welcomed the confirmation made by the UK Government regarding the three-year renewal of the League's domestic broadcast agreements taking place at the same overall value as the previous three years (Hunt,

2021). The reason this is good is that it helps provide clarity to the clubs throughout professional football that the current levels of financial support they are receiving, estimated at around £1.5 billion, will continue for another three-year period. Furthermore, the league also made a commitment to increasing funding by 2025 by investing a further £100 million across five areas: the National League system; developing the women's and girls' game; enhancing community football facilities; supporting EFL clubs, and projects that help the wider game.

An example of the league's dedication to improving the communities is their initiative to fund 150 club community organizations across the Premier League, National League and EFL with the aim of delivering programmes in communities and schools. These programmes are designed to promote positive sporting, health and education outcomes for children and young people. This funding comes from the Premier League Charitable League (PLCF) which is also one of the biggest sports charities in the world and has been globally recognized for investing more than £33 million annually to benefit regions across the country where the football clubs are based. Moreover, the League is the sole funder of the Football Stadia Improvement Fund (FSIF) that assists the EFL to lower levels of the FA National League System, along with women's pyramid clubs with the cost of improvements to their grounds. Examples of this may include the installation of new stands as well as provision for disabled supporters and safety improvements. As part of this, the Premier League had provided more than 5,100 grants by October 2021, with a total investment to date at almost £164 million (EY, 2022).

One particular example of a contribution from the FSIF fund was to the Gloucester City AFC which is part of the National League North. In the year 2007, the Gloucester City AFC was impacted by unprecedented flooding which forced the club to vacate their stadium and spend the next 13 years sharing grounds with other clubs. In order to support their return home in 2021, the Premier League reportedly provided a total of £500,000 through the FSIF to facilitate the development of a new flood-proof stadium. This was greatly appreciated with the club's general manager, Luke Joseph, stating that "The impact on the club, the supporters and the city of Gloucester cannot be understated. We have over 400 players in our men's, women's and Academy teams, who are now all able to play and train at New Meadow Park. The increase in gate receipts is vital for the club's long-term future".

With regards to the broader community, during COVID-19, the league was particularly highlighted for its initiatives to support those in need. For example, the Premier League clubs were encouraged to refocus their resources in order to help communities tackle the hurdles that the pandemic had created. This included widespread donations to food banks, large contributions to emergency funds and charities as well as making phone calls to support the elderly and others who were vulnerable. Many of the players also led specific community campaigns including the likes of Marcus Rashford (Manchester United) who worked with FareShare to combat food poverty. Furthermore, the league also supported the NHS by providing club facilities for medical use and accommodation for staff, vehicle provision for the purpose of transporting NHS workers and delivering prescriptions and food to that isolated and widespread support for the vaccination programmes being run in the country (EY, 2022).

## **Conclusion**

The Premier League is one of the most prestigious and watched games in the world of football. Over the years, it has become incredibly evident that the success of the league and the clubs that are a part of it is credited to the large level of foreign investments and ownership. Many have argued that this is gradually making the league and the entire game of football about wealth and power with the original purpose of the game being forgotten. However, this paper aimed to prove how the incoming investment ultimately allows the league to contribute greatly on both a social and economic level.

With regards to the contributions to society, the league runs one of the biggest charitable funds and has been committed to continually giving back to the communities as well as developing the game of football. In fact, it can be greatly argued that it is the very same commonly debated investment in the league that facilitates football being a game for all as it allows for many future players to receive training that they aren't able to otherwise afford. In terms of the economic benefits of the league, it is evident that it contributes greatly to the UK economy proving to be a very strong soft asset as has been discussed in this paper.

Overall, whilst many researchers may make claims that foreign investment and ownership into the league could be decreasing its competitiveness, it is vital for research to be conducted from a more holistic standpoint to conclude whether this influx of money is doing more good or bad.

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