

FINANCIAL MANAGEMENT EFFICIENCY IN THE HOTEL BUSINESS

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Abstract

This article examines the theoretical foundations and methods of ensuring financial management efficiency in the hotel business. The directions of financial planning, cost control, revenue management, and financial analysis in hotel establishments were comprehensively studied. The role of the internal control system in achieving financial efficiency, the importance of the budgeting process, and modern approaches to hotel financial management were analyzed. In conclusion, it was determined that financial management efficiency is a decisive factor in ensuring the long-term stability of a hotel establishment.

Keywords

hotel business, financial management, efficiency, budgeting, cost control, revenue management, internal control, financial analysis, profitability.

INTRODUCTION

The hotel business is one of the sectors that occupies an important place in the global economy. The rapid development of the tourism and hospitality industry is placing increasingly complex financial challenges before hotel establishments. In such circumstances, financial management efficiency is becoming a key factor that determines not only the current operations of an establishment, but also its future development prospects.

Financial management refers to the process of purposefully, efficiently, and economically planning, allocating, controlling, and analyzing the financial resources of an establishment. Hotel establishments possess a number of distinctive and complex characteristics in terms of financial management: the dependence of revenues on seasonal fluctuations, the complexity of cost structures, the simultaneous existence of both fixed and variable costs, and the significant share of labor-related expenditures.

The growing pace of development of the hotel sector in Uzbekistan demands new approaches to financial management. The fact that the majority of hotel establishments operate as small and medium-sized businesses, combined with intensifying competition, places the issue of efficient utilization of financial

resources at the forefront. For this reason, the study of the theoretical foundations for improving financial management efficiency in the hotel business carries considerable practical significance.

The primary objective of this article is to elucidate the scientific foundations of ensuring financial management efficiency in the hotel business, to examine its constituent components, and to define the methods and directions for implementing effective financial management.

MAIN BODY

Financial management theory has been established as one of the important branches of economic science. Van Horne and Wachowicz identified three core functions of financial management: making investment decisions, making financing decisions, and formulating dividend policy. It was demonstrated that when these functions are applied to the hotel business, they acquire a distinctive meaning.

A number of characteristics that distinguish hotel financial management from general financial management were identified. First, the hotel business is a capital-intensive sector in which the initial investment in buildings, equipment, and fixtures is considerable. Second, hotel revenues are largely dependent on external factors – season, economic conditions, political stability, and the level of competition. Third, a significant portion of hotel costs is fixed in nature, meaning that the establishment is obliged to bear these costs regardless of the number of guests.

Schmidgall identified that hotel financial management encompasses four main directions: financial reporting and analysis, budgeting and planning, cost management, and revenue management. It was demonstrated that these directions must operate in close interconnection, and that overall financial efficiency is ensured only when results are achieved in each of them.

It was emphasized that the primary goal of financial management in the hotel sector is not merely to generate profit, but to ensure the long-term financial stability of the establishment. Short-term financial gains can often lead to long-term losses, which increases the importance of foresight in financial decision-making.

It was determined that the essence of financial planning lies in projecting future financial flows in advance and defining the direction of movement for the establishment. The principle that operating without planning is akin to sailing without a compass applies with full force in the hotel sector as well.

Brigham and Houston distinguished two levels of financial planning: strategic financial planning and operational financial planning. The strategic level defines the establishment's three-to-five-year financial objectives, investment directions,

and overall development strategy. The operational level, in turn, encompasses specific financial targets, budgets, and action plans for the current year.

It was demonstrated that accounting for the seasonality factor holds special importance in hotel planning. The sharp variation in guest flows and revenues across different periods of the year, as well as the need to draw up flexible plans that account for these variations in advance, were identified as essential conditions for ensuring financial stability. The importance of setting aside surplus revenues generated during peak seasons as targeted reserves to cover expenditures during low seasons was given particular attention.

Hales recommended the use of historical data in hotel financial planning. The establishment's financial indicators from previous years – revenues, costs, guest numbers, and occupancy rates – were found to serve as an important basis for developing well-founded forecasts for future periods. However, it was also noted that excessive reliance on historical data can be risky, as market conditions are subject to change.

Budgeting was shown to occupy a central place in hotel financial management. A budget is defined as a formal document that contains the projected revenues, planned expenditures, and financial results of an establishment for a specified period.

Guiding outlined the hotel budgeting process across several stages. In the first stage, the establishment's strategic objectives are identified and translated into financial indicators. In the second stage, each department submits its budget proposals. In the third stage, the finance department and management reconcile these proposals with the overall strategy and the establishment's financial capabilities. In the fourth stage, the final budget is approved and communicated to all departments. In the fifth stage, budget execution is monitored on a regular basis and deviations are analyzed.

The bottom-up and top-down approaches to budgeting were examined comparatively. In the bottom-up approach, each department independently prepares its own budget proposals, which are then consolidated by management to form the overall budget. In the top-down approach, management sets the overall financial objectives and distributes them among departments. In practice, it was found that a combined form of these two approaches yields the most effective results.

A distinctive characteristic of budgeting in the hotel sector was identified as the integration of budgets across various departments. The necessity of developing an overall financial plan in which the room division budget, food and beverage

budget, staff expenditure budget, maintenance and support budget, and capital investment budget complement one another was substantiated.

Cost management in hotels was studied as one of the important aspects of ensuring financial efficiency. Costs were analyzed by dividing them into two main categories: fixed costs and variable costs.

Fixed costs include lease payments, loan interest, depreciation charges, permanent staff salaries, and insurance premiums. These costs must be borne by the establishment regardless of the number of guests. Accordingly, it was determined that hotels with relatively high fixed costs must ensure a certain level of occupancy in order to reach their break-even point.

Variable costs include expenditures directly linked to the number of guests – food costs, disposable supplies, laundry service costs, and partial staff costs. It was demonstrated that the management of these costs is relatively flexible and can be adjusted in line with changes in guest numbers.

Schmidgall identified the "cost per guest" indicator as an important metric in hotel cost management. Monitoring how this indicator changes over time enables the early identification of upward or downward trends in cost efficiency. It was emphasized that attention must be paid to relative indicators alongside absolute figures in cost management.

It was specifically noted that cost reduction must be achieved without compromising service quality. In many cases, cost-cutting measures can negatively affect service quality, ultimately leading to a decline in revenues. It was therefore determined that costs must be managed in balance with quality standards.

Revenue management was examined as one of the most important components of hotel financial management. Within this direction, the goal is to maximize revenue by setting the right room rate at the right time.

It was determined that the foundation of a revenue management system is the financial management of the balance between supply and demand. The financial logic of setting higher room rates during periods of high demand, and attracting more guests by offering relatively lower prices during periods of low demand, was demonstrated. However, it was emphasized that this process must be carried out on the basis of calculations, rather than in an arbitrary or unsubstantiated manner.

It was found that the "revenue per available room" (RevPAR) indicator is widely used in the hotel sector to evaluate revenues. This indicator is calculated by dividing total room revenue by the number of available rooms, and more accurately reflects the revenue efficiency of a hotel than the average rate at full occupancy. Guilding highlighted the significance of this indicator in comparing and evaluating the financial performance of hotels.

Revenue diversification – that is, expanding the means of generating income not only from room rental but also from additional services – was identified as an important direction of modern hotel financial management. It was found that restaurants, conference halls, spa and wellness centers, partnership programs, and other supplementary services constitute a significant share of a hotel's total revenue composition.

The role of hotel management in achieving financial efficiency was examined from a theoretical standpoint. It was emphasized that management must actively engage not only with revenue indicators, but also with cost structures, financial stability, and long-term investment efficiency.

Brigham and Houston identified financial literacy among managers – the ability to correctly read, analyze, and utilize financial information in decision-making – as one of the most important factors determining financial management efficiency. It was determined that this capability must be present not only among finance department employees, but among the heads of all departments as well.

It was demonstrated that hotel management may commit two types of errors in achieving financial efficiency. The first error is focusing exclusively on current financial results while neglecting long-term investment and development opportunities. The second error is concentrating solely on cost reduction without paying attention to revenue. It was determined that implementing a balanced financial management system is necessary to prevent both of these errors.

CONCLUSION

It was theoretically substantiated that financial management efficiency in the hotel business is a multifaceted, systematic, and continuous process. It was demonstrated that this process must comprehensively encompass all directions – from planning through budgeting, cost control, revenue management, and financial analysis – as an integrated whole.

Taking into account the distinctive complexities of hotel financial management associated with seasonal fluctuations and high fixed costs, it was determined that flexible, forward-looking financial plans must be developed. It was established that the budgeting process must be organized to encompass all departments, and that budget execution must be monitored on a regular basis. It was demonstrated that cost management must be carried out without compromising service quality, and that the correct balance between economy and quality must be found. Revenue diversification and consistent analysis of revenue indicators were identified as the primary means of ensuring financial stability. Strengthening the internal control system was found to serve not only to prevent financial losses, but also to improve organizational culture. The financial literacy of managers and their active

participation in the financial management process were substantiated as necessary conditions for ensuring efficiency.

In general, financial management efficiency in the hotel business is assessed as the primary factor that determines not only the establishment's current operations, but also its future stability and competitiveness. A hotel establishment that achieves financial efficiency is able to withstand economic difficulties, maintain its competitive advantage, and continuously ensure the provision of high-quality services to its guests.

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