



A Study on Working Capital Management in Hotel Industries

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Abstract

Hotel industries are one of the leading service provider's countries wide. Hotel industries play a vital role in the progress of tourism sector. Working capital management is very necessary with respect to maintenance of cash in the business sector. While focusing towards hotel industries working capital management, it is very necessary to analyze the pattern of cash flow fund flow procedures followed by the hotel industries with respect to their convenience. The present study have been undertaken to analyze the efficient management of working capital in hotel industry, to explore the basic challenges faced by hotel in Chikkamagaluru district pertaining working capital management, to analyse the liquidity position of the Hotel industry. The data for the present study has been collected from both primary and secondary sources. Primary data has been collected with the help of structured questionnaire by meeting the respondents running hotel industries in chikkamagaluru district. The numbers of respondents were limited to 50 only. Random sampling technique has been used to collect data for the study. The study area is limited to chikkamagaluru district only.

Keywords: hotel industries, working capital management, service etc

I INTRODUCTION

Hotel industries are one of the leading service provider's countries wide. Hotel industries play a vital role in the progress of tourism sector. Hotel industries act as a backbone towards the progress of tourism by offering unique service to the customers. Finance plays a crucial role in the business sector. Proper utilization and maintenance of funds takes business towards success. Working capital management is very necessary with respect to maintenance of cash in the business sector. While focusing towards hotel industries working capital management, it is very necessary to analyze the pattern of cash flow fund flow procedures followed by the hotel industries with respect to their convenience. However, the present study have been undertaken to analyze the role working capital management in hotel industries, to analyze the efficient management of working capital in hotel industry, to explore the basic challenges faced by hotel in Chikkamagaluru district pertaining working capital management, to analyse the liquidity position of the Hotel industry.

II LITERATURE REVIEW

- **Sumita J. Sharoff (2012)** conducted a study on "**A Study on Working Capital Hotel Management Industry**". It was found that the current study examined the working capital management (WCM) as respondent By Working capital Ratios of the Indian hotel industry for a period of fifteen years from 1996 to 2010.to examine the structure of current assets in hotel industry. The data was of presented study financial data were collected from "Prowess"
- **Dr. Sanjeev Hansal & Dimple Khosla (2015)**conducted A Study on "**Working capital management of hotel industry in india an analysis**" It was found that the main aim of the paper is to know whether hoteliers are succeeded in managing their working capital Efficiently or not. All these affect the Profitability of the Hotel industry adversely. The data presented study. The required data has been collected both form primary & secondary sources
- **Bojan Krstic Ernad Kahrovic'. Tanja Stanisic (2015)** conducted on study on "**Business process management in hotel industry**". In this article authors revealed that the process oriented preparative of business & hotel enterprises may overcome many of the weaknesses of the classical functional organization towards a business process management system with horizontal or process management point put the need to leave functional organizational in a hotel. &direct attention of its managers to different types of business processes. Most small &medium sized enterprises including hotels. Have been organized in the same way for years.
- **Patrick Davy Lihandah. Jared Bogota. Charles Ongiyo. (2018)** conducted a study on assessment of the effects of working capital management on liquidity classified hotels in ELDOROT town. Kenya. In this article authors revealed that the target population of the study

was 12 classified hotels in ELDORET Town. To determine the effect of cash management on liquidity of classified hotels in elodoret town. The data of this study used primary data this study recommended that there is need for hotel managers to create value for their shareholders by ensuring effective & efficiency management of debtors

III OBJECTIVES

1. To study the criteria efficient management of working capital in hotel industry.
2. To explore the basic challenges faced by hotel in Chikkamagaluru district pertaining working capital management
3. To examine the influence of working capital management on financial distress in hotel industry

IV METHODOLOGY

The data for the present study has been collected from both primary and secondary sources.

Primary data: Primary data has been collected with the help of structured questionnaire by meeting the respondents running hotel industries in chikkamagaluru district. The numbers of respondents were limited to 50 only. Random sampling technique has been used to collect data for the study. The study area is limited to chikkamagaluru district only.

Secondary Data: Secondary data has been collected from secondary sources such as articles, journals, websites books etc.

V SCOPE OF THE STUDY

The present study has been carried out to analyse the working capital management in hotel industry. The geographical area selected for this study is limited to chikmagaluru district only. The numbers of respondents were limited to 50 only. The study focuses only on the working capital management in hotel industry by ignoring others.

VI RESULTS AND DISCUSSIONS

Table No-1: Inventory valuation method

SI No	Particulars	No of Respondents	Percentage (%)
1	FIFO method	10	20
2	LIFO method	8	16
3	Weighted average method	13	26
4	Others	19	38
	Total	50	100

(Source: Field survey)

From the above table it can be analysed that out of 50 respondents 20% prefer FIFO method, 16% prefer LIFO method, 26% prefer weighted average method, and 38% prefer others. From the above analysis it can be interpreted that majority of the hotel industry holders prefer other methods than FIFO, LIFO and weighted average method.

Table No-2: Efficiency ratio analysis in hotel industry

SI No	Particulars	No of Respondents	Percentage (%)
1	Total asset turnover Ratio	13	26
2	Current asset turnover Ratio	03	06
3	Working capital turnover Ratio	21	42
4	Inventory turnover Ratio	05	10
5	Average collection Period	06	12
6	Operating Cycle	02	4
	Total	50	100

(Source: Field survey)

From the above table it can be analyzed that out of 50 respondents ,26% prefer total asset turnover ratio,6% prefer current asset turnover ratio, 10% prefer current asset turnover ratio, 42% prefer inventory turnover ratio 12% prefer average collection period and 4% prefer operating cycle,

From the above analysis it can be interpreted that majority of the hotel industry owners prefer working capital turnover ratio.

Table No-3: Hotel industry must maintain their own online websites

Sl No	Particular	No of Respondents	Percentage %
1	Strongly Agree	9	18
2	Agree	11	22
3	Neutral	16	32
4	Disagree	06	12
5	Strongly disagree	08	16
	Total	50	100

(Source: Field survey)

From the above table it can be analysed that out of 50% respondents, 18% strongly agreed, 22% agree, 32% are neutral, 12% disagree, and 16% strongly disagreed regarding maintenance of their own online website.

From the above analysis it can be interpreted that majority of the respondents said that hotel industries must maintain their own online website.

Table No-4: Maintain proper current ratio and quick ratio in your in your hotel

SL.NO	Particulars	No of Respondents	Percentage (%)
1	Yes	42	84
2	No	8	16
	Total	50	100

(Source: Field survey)

From The above table it can be analyzed that out of 50 respondents, 84% said they are maintaining current ratio and quick ratio in their hotel and 16% are not maintaining any current ratio and quick ratio in their hotels.

From the above analysis it is can be interpreted that majority of the respondent's maintained current ratio and quick ratio in their hotels,

Table No-5: Just in time inventory method

SL.NO	Particulars	No of Respondents	Percentage (%)
1	Always	11	22
2	Some time	18	36
3	Never	8	16
4	All above	13	26
	Total	50	100

(Source: Field survey)

From the above table it can be analyzed that 22% follow just in time inventory method always, 36% sometimes, 16% never, 26% all of the above.

From the above analysis it can be interpreted that majority of the respondents follow just in time inventory method sometimes.

VII FINDINGS AND SUGGESTIONS

FINDINGS

- The study identifies that majority (74%) of the respondents are male.
- Majority (50%) respondents are in the age group of above 40 years.
- The study reveals that majority (28%) respondents are graduates.
- The study clears that most (38%) respondent's monthly income is between 25000 to 50000 rupees.
- The study finds that most (34%) respondents are having below 5 years of experience in running hotel business.
- The study finds that majority (88%) respondent's maintained current account.
- The study identifies that majority (46%) respondents deposit /withdraws cash from bank.
- The study identifies that majority (86%) respondent's maintained large sum of cash to meet routine expenses.
- The study finds that majority (76%) respondents purchase raw materials.
- The study identifies that majority (78%) respondents pay salary to all employees monthly on time.
- The study finds that majority (38%) respondents prepare inventory valuation method the most.
- The study reveals that majority (36%) respondents practice just in time inventory management.
- The study clears that majority (42%) respondent's prefer efficiency ratio analysis.

- The study identifies that majority (84%) respondents maintain proper current ratio in their hotel industry.
- The study finds that majority (70%) respondents maintain inventory turnover ratio.
- The study identifies that majority (32%) respondents maintain their own online websites.
- The study clears that majority (94%) respondents accept zomato orders.

SUGGESTIONS

- Hotel industries must maintain proper working capital management to run their business in a profitable way.
- Hotel industries must follow current ratio and quick ratio strictly so that the industries can maintain proper liquidity position.
- Proper inventory management needs to be maintained in hotels to meet the adequate requirements of the customers in an optimum way on time.
- Hotels should open their own websites and accept more online orders.
- Hotels need to update with the better inventory valuation method to avoid cash loss and over burden of stock.
- The hotels should offer better pay scales for employees to encourage them to work better.
- Hotels must opt and improve digital payments to maintain cashless transactions.
- Hotels should maintain good infrastructure to attract the customers and maintain better inventory positions.

CONCLUSION

Working capital management practices in hotel industries helps in efficient management and maintenance of funds in an efficient way and helps to meet the emergency needs in hotels. Hotel industries have followed just in time practices with respect to inventories. These inventories were properly evaluated via inventory valuation method. Hotel industries have maintained bulk cash in the maintenance of routine expenditures. From the present study it can be inferred that hotel industries must maintain proper working capital management strategies to run their hotels in an efficient way. With respect to recent advancements in transactions, hotels must prefer cashless transactions to a greater portion, and should strictly follow current ratio and quick ration in their capital maintenance.

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