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SOME IMPORTANT ASPECTS OF FINANCING HOTELS THROUGH INVESTMENTS

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Abstract. This article focuses on the important aspects of the use of investment instruments in the financing of the hotel business, the forms and methods of investment instruments used in the financing of hotels in the world operation and in our national operations. Important aspects of hotel business financing are analyzed in detail and scientific conclusions are drawn.
Keywords. financing of hotel business, investment instruments, financing of tourist enterprises, state investments.
Today, tourism is becoming one of the fastest growing sectors of the economy in most developed and developing countries of the world. According to the World Tourism Organization (UNWTO), "Currently, tourism accounts for 10.9% of the world's gross domestic product (GDP), 7% of total exports and 30% of services exports, and 9% of jobs. According to forecasts, by 2028, the volume of tourist services will reach 12.5 trillion. In terms of the US dollar, its share in the world GDP is 11.7%. In the finance of tourism enterprises, hotel finance and financial management of this business are of particular importance. The importance of providing loans, subsidies and other financial support to the entities of the tourism sector, which is of high importance for the economy, represents the relevance of our scientific research.
In our scientific research, the analysis of the financial stability of the hotel business and the factors that can affect it, their indebtedness (total liabilities in relation to total assets) and solvency, the impact of the COVID-19 pandemic on this business is analyzed in various ways. This issue is of great importance because the financial performance of a hotel business depends on its ability to generate income and maintain stability in business continuity.

Literature review

M.A. Krivuli, V. Fedorova touched on the investment activity in the field of tourism, as well as the issues of financing hotels through investments, their efficiency analysis and other aspects.
China was the first country affected by the health crisis, and thus its hotel industry has encountered severe challenges (China Hospitality Association, 2020; China Tourism Research Institute, 2020; Sun et al., 2020; Zhang et al., 2020). These challenges have affected every stakeholder in the hotel industry. Owing to travel bans and social distancing norms, there has been a decline in tourists' willingness and access to travel. This has led tourists to cancel travel plans and hotel bookings, which has eventually affected the job and income security of hotel employees. The consequential shortage of labor and cash has led to the postponement of hotel renovation projects, decelerating the expansion of domestic hotel groups (Elena, 2020). In order to survive, many hotel owners, especially individual hotel owners, have temporarily shut down or transferred their properties. This scenario has led to a sharp decline in the market value of stocks in the hotel sector. In other words, the pandemic has been devastating hotel firms' market and performance.

As the pandemic intensified, the financial loss of China's hotel industry continued to the first quarter and its impact was evident in the financial reports of several hotel firms. For instance, concerning domestic brands, in the first quarter of 2020, the second largest hotel group in the world and the largest in China, Jinjiang International, reported a net profit of 171 million Yuan (approximately US$24.1 million), a YoY decrease of 42.3% (Zhang, 2020). The world's 9th largest and China's 2nd largest hotel group, Huazhu temporarily closed few of its hotels, with the numbers declining from a peak of 2,310 hotels in mid-February to 369 in the subsequent month (Elena, 2020). The quarterly revenue of the BTG Hotel Group (10th largest in the world and 3rd in China) was 801 million Yuan (approximately US$112.86 million), which indicated a 58.80% YoY decrease (Real Estate Opinion Network, 2020). The OCC of Dossen International Group, the 14th largest hotel group in the world and the 6th largest in China, fell by 50% and its revenue dropped by 80% YoY (Wu, 2020). Likewise, China's 7th largest hotel group, the Sunmei Group, closed 2,544 hotels, on the back of an average OCC of only 23.7% during February and a revenue loss surpassing 700 million Yuan during January and February (approximately US$98.64 million) (Y. Ma, 2020b). International hotel brands were not immune to the effects. IHG closed down 160 out of 470 hotels in China during February, and its OCC dropped by 90% to under 10% during the same period (K. Sun, 2020b). Meanwhile, Hilton closed about 150 hotels in China by February 11, 2020 (Lanjing Finance, 2020). Similarly, Marriott's RevPAR in Greater China by more than 80% and that of Accor fell by 67.7% in China (Jerry, 2020).

Research methodology

Scientific observation, logical thinking, systematic approach, statistical and comparative analysis methods were used in the study of statistical data and theories on the subject. Official data of international organizations on the field were used for statistical analysis.

Analysis and results

1. It's unknown exactly how many hotels and hotel rooms are in the world. STR estimates there are 17.5 million guestrooms in 187,000 hotels worldwide, but nobody knows the actual figures.
2. The largest hotel company in the world, in terms of number of properties, is Wyndham Hotel Group, with over 9,200 hotels as of June 2020. Marriott International is the next largest, with over 7,600 properties, and Choice Hotels International comes in third with over 7100 hotels.
3. While Wyndham has the most properties, Marriott International has the largest portfolio of hotel rooms. Marriott had about 1.4 million guestrooms in 2020, over 400,000 more than runner-up Hilton Worldwide.
4. The hotel and tourism industry typically accounts for about 10% of worldwide GDP. However, in 2020, when the COVID-19 pandemic hit, the hotel industry made up just 5.5% of global GDP.
5. Global hotel revenue hit $198.6B in 2020 after dropping by 46% compared to 2019. 2021 revenue is expected to rebound to roughly $285B in 2021, but full recovery isn't likely until 2023.
6. For the last several years, Europe has outperformed the Americas, Asia Pacific, and Middle East/Africa in terms of occupancy and RevPAR performance. However, occupancy dropped to 13.3% in Europe at the beginning of the pandemic.
7. The world's largest hotel is the First World Hotel & Plaza in Genting Highlands, Malaysia with 7,351 rooms. It even has an on-site theme park!

   Financing long-term projects: choosing sources Financial resources are the main engine of business activity, regardless of the size and type of business.

The economic processes taking place in each hotel are determined by the available capital, the received income and expenses necessary for the successful conduct of commercial activities. Given the tough competition for capital on the global market, the problem of attracting financing for investment projects is now coming to the fore. It is an irreplaceable resource at the stage of creating an enterprise, conducting current activities and implementing long-term investment projects. All of the above requires the correct use of financial instruments so that the selection of sources and the formation of capital is carried out in the most rational way. This is important when choosing sources of long-term financing that will ensure the implementation of large projects in the long term.

Funding sources are classified into two groups in hotel financing:

• Internal sources. Resources are formed from the financial flows of the hotel received as a result of ongoing economic activities, as well as from the sale of assets (equipment, real estate).

• External sources. Financial resources for the implementation of projects are provided by third parties in the form of loans, subsidies or in another form (for example, an issue of shares).

In the financial literature, the process of financing large projects is analyzed from different points of view. Many scientific studies show that equity capital remains the most important source of funding, especially for small and medium-sized enterprises (including microenterprises). Internal sources of funds include the surplus of funds arising as a result of current activities, as well as funds received from the sale of certain assets and the acceleration of the turnover of working capital. Capital can also be provided to an enterprise from external sources. In the case of self-financing, the source of capital growth can be contributions from the founders. This means that in order to raise funds, the owner limits his personal needs in order to finance projects. Financing the investment activities of companies using equity capital has both positive and negative effects on enterprises. The disadvantage that limits the investment opportunities of companies to the greatest extent is the low level of equity capital. Usually these funds are insufficient to meet the growing investment needs. In the face of changing conditions, many companies sooner or later have to turn to banks, financial institutions and private investors to attract long-term investments. Business entities can use a wide range of different financial instruments depending on their needs and preferences. Bank loans are an important source of financing for large long-term investment projects. Loans can be classified according to various criteria, but the division is not clear. In any case, business lending should be tailored to the needs of a particular group of clients. It is worth noting that the availability of bank loans for companies in poor financial health is limited. This is due to the strict requirements of financial institutions in terms of capital recovery. To obtain large loans, borrowers must have assets that are attractive to lenders. However, it should be emphasized that the strict requirements of financial institutions are far from the only obstacle to external financing. The mentality of the entrepreneurs themselves also plays an important role. Small business owners have a negative attitude towards lending, preferring to rely on themselves. There are two main reasons for this. First, financing long-term investments with external funds entails significant costs. Secondly, the fear of loans stems from the psychology of the entrepreneur, for whom legal and economic sovereignty is extremely important. A consequence of the high requirements for securing bank loans is the growing demand for non-bank instruments for financing investment activities. The growing interest in long-term investments is accompanied by the activation of alternative instruments and the rapid development of non-bank financial institutions around the world.

Table 1

Factors of choosing sources of financing for investment projects in hotel business

Availability	The availability of financial resources depends on the borrower's compliance with a number of requirements, for example, allowing the company to register on the stock exchange, or providing adequate collateral to obtain the necessary funds in the form of a loan.
Value for money	It is important to take into account not only the nominal amount of costs (for example, the interest rate), but also the repayment schedule, the time structure of which must be adapted to the future financial flows of the investment project.
Financing flexibility	Since it is difficult to predict all possible business development scenarios when planning, an important factor in choosing a source of financing is the flexibility of the inflow of financial resources and the adjustment of payments in accordance with the financial capabilities of the company.
Financial leverage effect	External long-term investments can dramatically improve the efficiency of the use of equity capital, while taking additional risk, which may result, among other things, a decrease in liquidity.
Debt service risks	The risk depends on many factors, including the market situation, the cost of energy resources, exchange rates, geopolitical situation, and so on.

A bank loan is a traditional source of debt capital for large projects, available to companies with sufficient assets to collateralize in hotel business. The obvious advantage of lending is the relative ease of obtaining funds, but this instrument may not be suitable for young companies implementing capital-intensive and long-term projects. Loan agreements contain, in addition to the amount, interest rate and loan terms, the purpose of providing borrowed funds. The parties include in this kind of agreement a number of clauses with the conditions for adjusting the interest rate and other parameters, guarantees of return, the powers of the financial institution to control the use of the loan, etc. The funds obtained in this way allow companies to invest in expansion, modernization and development at any time in the investment cycle. The funds received must be returned on time. The loan repayment method is indicated in the loan repayment schedule, which may include various options. From the point of view of the borrower, the main factor in the attractiveness of a loan in the European market is its total cost. When determining a loan repayment plan, it is important to take into account the fact that long-term investments financed by a loan do not generate income immediately, but over time. For this reason, the repayment of the loan, that is, the main part of the debt and interest, are paid with a certain delay (grace period). In exceptional cases, the entire loan, together with interest, is fully repaid only at the end of the repayment period. An investor's creditworthiness determines the likelihood of obtaining a business loan. If the economic and financial assessment is positive, the bank requires the borrower to guarantee the loan repayment. This is usually an official guarantee, which can be provided in the form of a promissory note. This is a written commitment from the issuer to pay off the debt within a specified time frame. After the loan is repaid, the promissory notes are returned to the borrower. Blocking of term deposit funds is a reliable and convenient guarantee of repayment of loans provided by the bank. Deposits placed with the bank that provided the loan are a kind of safety cushion for the lender. Long-term business loans secured by real estate are popular due to their simplicity and reliability, in contrast to the pledge of movable property. Venture capital for financing investment projects in hotels. The main goal of long-term venture capital investments is to promote a new project, bring it to a mature stage and sell it to another investor. Venture capital is a promising external source of financing for innovative enterprises associated with above average risk with an appropriate level of profitability. The expression “venture capital” is usually associated with investments in unlisted companies, which are characterized by increased investment risk. Some institutions use this term only to describe investments in enterprises at the beginning of the business cycle, and all subsequent investments are called “development capital”. Essentially, venture capital is associated with long-term investments in companies that offer potentially high profit opportunities. A feature of this method of financing long-term investments is the fact that investors are waiting for business growth to maximize profits. Venture capital provides unlimited opportunities for external funding, but from a practical point of view, it is difficult to find a partner willing to take risks with your team. In this context, enterprises that have concluded agreements with large players and enjoy the confidence of the market have an advantage.

Investment projects in hotel business can be classified as follows: • Private projects that are carried out by companies or entrepreneurs to achieve their business goals. The expected benefits of such a project are the commercial result of the sale of products, goods or services generated by the project. • Social projects that are aimed at achieving important social goals within the framework of government programs and are implemented using subsidies and public-private partnership programs. The project develops according to specific criteria such as population coverage. The temporary nature of a long-term investment indicates a certain beginning and end of the project, between which it takes from 3 years to several decades. An investment project stops when the set goals are achieved, as well as in situations when the goals cannot be achieved or when the need has disappeared. In recent decades, the growing competition in world markets has forced entrepreneurs to increasingly carefully approach the collection and analysis of information that determines the feasibility of long-term investments. It is obvious that economic development is directly related to investment. However, economic growth depends not only on the volume of investments in hotel sector, but also on the quality indicators of the development of investment projects in strategic areas. Powerful tools exist today that identify investment projects with high potential and distinguish between those that do not offer economic benefits or that do not have a positive impact on society and business. Various multi-step analysis techniques are used to ensure that the financial resources allocated to the project are profitable. In order for a valuable idea to turn into an investment project, it is necessary to study the factors that can influence the success of the project. The analysis includes market research, technical research, financial and economic research, on the basis of which entrepreneurs will have to make a decision to continue the project. Long-term investment financing is one of the main criteria that determine the viability of any project. The ability to raise sufficient funds on acceptable terms determines whether it is worth focusing on a given project

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