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## ISSUES OF DEVELOPMENT OF FINANCIAL RELATIONS IN HOTEL BUSINESS

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### Abstract

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#### Keywords:

*hotel business,  
financial  
performance,  
COVID-19 on global  
tourism,  
financial support*

*This article focuses on the development of hotel business finance, important aspects of financing, forms and methods of financial support of the hotel business by the state in world practice and in our national practice. The financial relations in the hotel business have been thoroughly analyzed and scientific conclusions have been drawn.*

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### INTRODUCTION

Hotel business is a part of the global tourism industry, and it is currently under the dynamic development, that is largely due to the increasing number of tourist trips both within countries and abroad. Based on the results of various studies (e.g., Statista, 2021 Edition) the demand for tourist services will increase on average by 4.2% per year, by 5.8% in Central and Eastern Europe and by 6.5% in Russia. The global tourism industry employs 212 million people; every 10th person is engaged in the global tourism industry, and every 8th person, particularly, in Central Asia. However, according to many analysts, at the moment the hotel services market does not fully meet the needs of the modern customer, does not account for the emergence of new needs and modification of the existing ones, it lacks the operational mechanisms for correction and inter-agency planning; the hotel business in Russia is much inferior to the world level. The lack of statistical data on the dynamics of the global tourism industry development leads to the need for additional research on the analysis of the global hotel business development

It is difficult to define the tourism industry, as unlike with other industries, there is not one clear product. It incorporates many industries, including lodging, transport, attractions, travel companies, and more. In its broadest sense, tourism is defined as when people travel and stay in places outside of their usual environment for less than one consecutive year for leisure, business, health, or other reasons. Globally, travel and tourism's direct contribution to GDP was approximately 4.7 trillion U.S. dollars in 2020. When looking at countries that directly contributed the most to global GDP the United States' travel and tourism industry contributed the largest sum at 1.1 trillion U.S. dollars in

2020. Meanwhile, in a ranking of the countries with the highest share of GDP from travel and tourism the city and special administrative region of Macau generated the highest share of GDP through direct travel and tourism of any economy worldwide. The tourism industry was severely impacted by the global coronavirus (COVID-19) pandemic that began in early 2020.

### **LITERATURE REVIEW**

The development of a system to support the innovative development of tourism entities is a prerequisite for the development of a national model of economic development strategy. The hotel business is of particular importance here. In the conditions of modern management, the maximum use of all opportunities and financial resources requires the formation of a need for such regulation of hotels, which can ensure adaptation to the unstable socio-economic sphere. In the presence of an unstable or rapidly changing environment, the hotel management process is considered to take precedence over the strategic regulatory mechanism, the main criterion of which is the adoption of a development strategy.

The coronavirus pandemic has a negative impact on the following sectors of the world economy: services, hotel management, catering, small and medium business, consumer services, culture, transport and tourism (Vakhabov, Khodjikulova, 2020). In addition, the pandemic continues to hinder the active implementation of activities such as attracting foreign investment and supplying raw materials and continuing production.

In this article, we have argued that the principles of financial support for the hotel business are the basis for regulating the financial support of tour operators as an integral part of the financial relationship. The principles of financial support are understood as the principles that determine the internal unity of hotels and the directions of its further development. In our opinion, the expressed definition highlights the specificity of one component of the concept of financial support (or supply) principles - the direction of development of tourism entities. This specificity should reflect some of the characteristics of the entity under consideration and its financial regulation in describing the principles of financial support.

### **RESEARCH METHODS**

Scientific methods of cognition, system analysis, observation and comparison, a statistical method, and methods of expert estimates were used in this article.

### **ANALYSIS AND RESULTS**

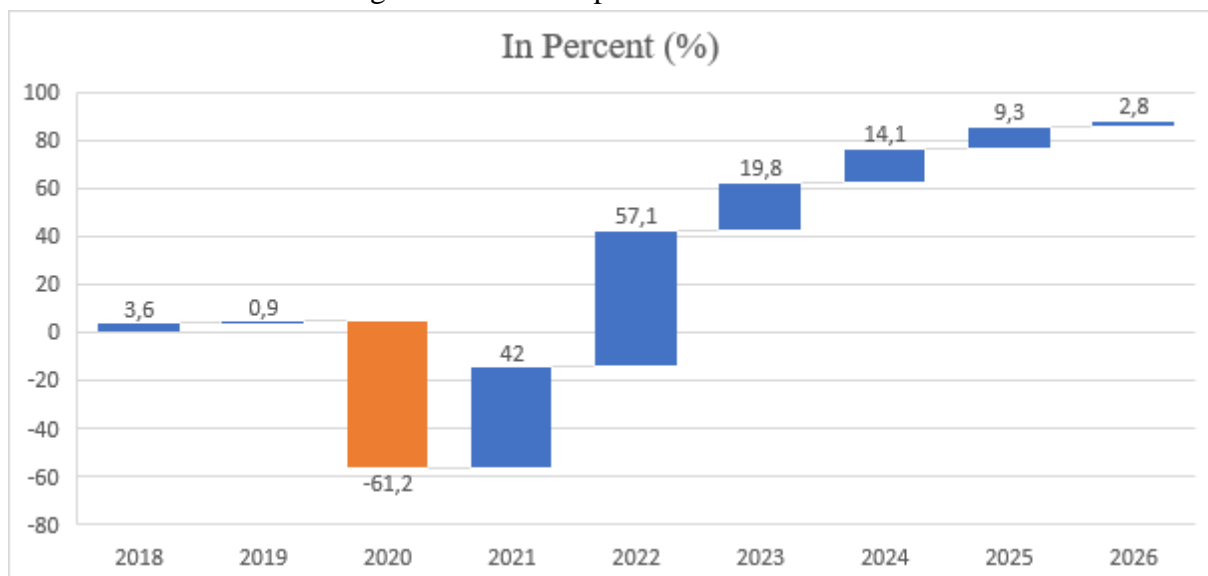
Our research analyzes the sustainability of the financial hotel business, and the factors that may affect it, their indebtedness (total liabilities relative to total assets) and solvency, the impact of the COVID-19 pandemic on this business in various ways. This issue is of great importance because the financial performance of a business depends on its ability to generate revenue and maintain stability in the continuity of the business. It should be noted that the Cabinet of Ministers approved a resolution on May 27, 2019 to allocate subsidies to investors for the construction and equipment of new hotels and subsidies from

the state budget until January 1, 2021 for partial financing of organizations under the franchise agreement.

According to him, the one-time subsidy from the state budget to cover part of the cost of building and equipping hotels for investors will be 40 million soums for each room in 3-star hotels and 65 million soums for each room in 4-star hotels.

Therefore, given that subsidies are also provided for three-star hotels, as well as to expand coverage, the bill provides for one percent of the total room stock in hotels and similar accommodation facilities, but not less than one room for wheelchair users and people with hearing and visual impairments. It should be conveniently equipped, equipped with appropriate displays and sound devices, mandatory for three, four and five-star hotels and similar accommodation facilities, and optional for other categories of hotels.

In order to mitigate the negative impact of the coronavirus pandemic and the global crisis on the economy of the country, loans were issued to tour operators, hotel businesses, transport and logistics companies and other enterprises of the tourism industry, as well as businesses facing financial difficulties due to restrictions on foreign trade. It should be noted that the delay in the payment of debts totaling 5 trillion soums (excluding penalties) until October 1, 2020. This aspect is certainly a reflection of the financial support of the hotel business. Traveling both internationally and domestically has become increasingly common all over the world. As a result, both leisure travel spending and business travel spending saw year-over-year growth in the five years prior to COVID-19. This increase in travel before the health crisis also allowed the number of hotel guests and in turn the hotel industry's market size to grow. Key performance indicators such as RevPAR (revenue per available room), ADR (average daily rate), and occupancy have seen year-over-year growth over the past decade due to an influx of tourists across the globe. Meanwhile, another industry that has profited from people's penchant for travel is the airline industry - with the revenue of the global commercial airline industry reaching 472 billion U.S. dollars in 2021 after a decline during the COVID-19 pandemic.

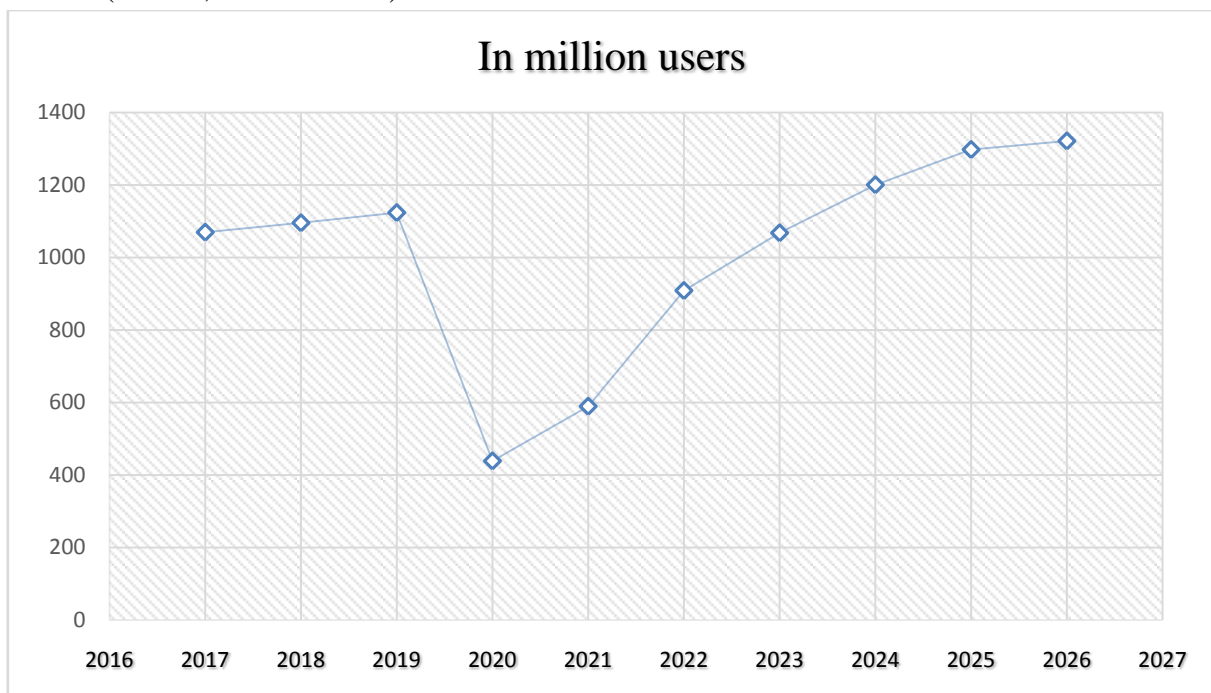


**Fig.1. Trends and forecast of world Revenue Growth of the hotel industry**

Once tourists arrive at their travel destination, they can choose from a plethora of sightseeing options and attractions. One famous landmark that keeps seeing record

visitation figures is the Louvre in Paris, with attendance reaching 2.7 million in 2020, down from 9.6 million the previous year. This made it one of the most visited museums in the world. The French capital is well-known for its museums, having come top in a ranking of cities with the most number of museums worldwide. However, it also drew a significant number of visitors to the gates of one of its most family-friendly attractions - Disneyland Park, Paris. That being said, when compared to the other most visited amusement and theme parks worldwide, attendance at Disneyland Park was less than half of that of its fellow Disney theme park, Magic Kingdom (Walt Disney World) in the U.S. Thanks to these and other sights, France remains top of this list of leading destinations for international tourist arrivals:

- Revenue in the Hotels segment is projected to reach US\$312,265m in 2022.
- Revenue is expected to show an annual growth rate (CAGR 2022-2026) of 11.34%, resulting in a projected market volume of US\$479,919m by 2026.
- In the Hotels segment, the number of users is expected to amount to 1,321.3m users by 2026.
- User penetration is 12.0% in 2022 and is expected to hit 16.8% by 2026.
- The average revenue per user (ARPU) is expected to amount to US\$343.66.
- In the Hotels segment, 78% of total revenue will be generated through online sales by 2026.
- In global comparison, most revenue will be generated in the United States (US\$78,215m in 2022).



**Fig.2. Trends and forecast of users of the hotel industry in world**

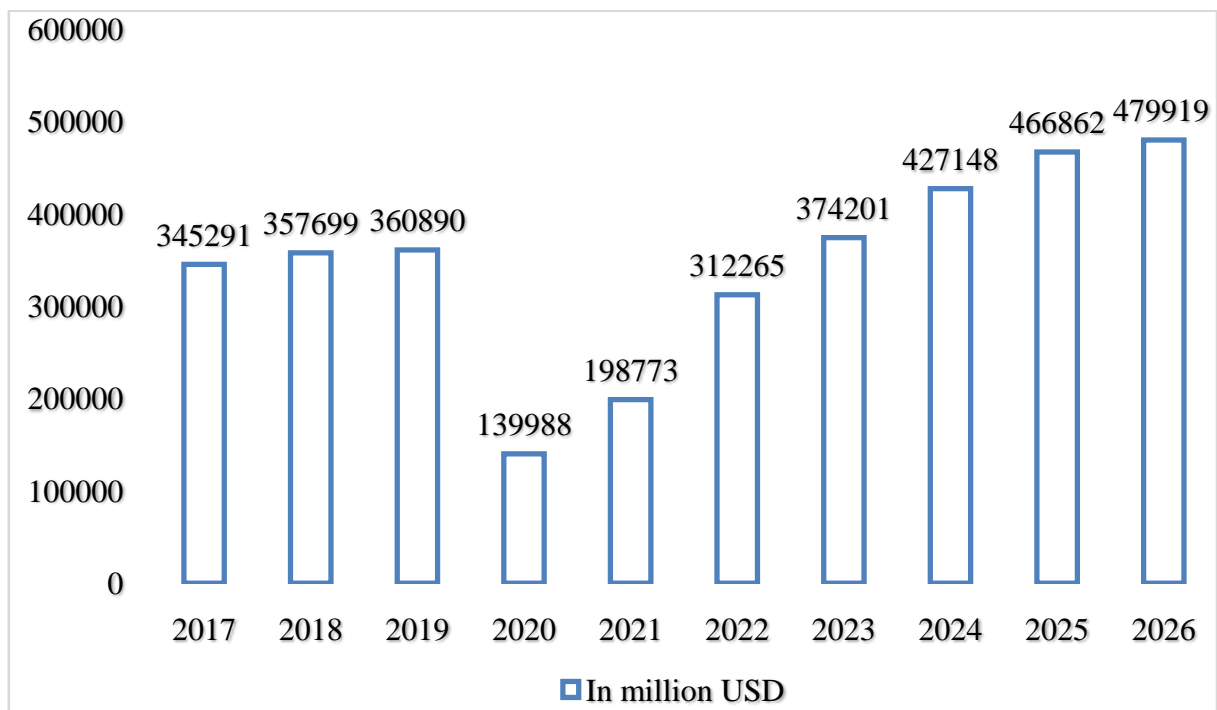
The Hotels segment includes hotels and professionally-run guest houses. These accommodations can be booked directly via the providers website, through a tour operator, a travel agency, an online travel agency (OTA), or by telephone. Well-known providers are Hotels.com, trivago, and Booking.com. The booking volume includes all booked travels

made by users from the selected region, independent of the departure and arrival. Users represent all hotel guests.

The market size of the hotel and resort sector worldwide peaked at 1.47 trillion U.S. dollars in 2019. As a result of the coronavirus (COVID-19) pandemic, the market size dropped to 610 billion U.S. dollars in 2020. In 2021, the market size was forecast to climb back up to nearly 950 billion U.S. dollars.

In 2019, Europe generated approximately 93.71 U.S. dollars of revenue per available room (RevPAR) in the hotel industry. This shows a drop when compared to previous year's total of over a hundred U.S. dollars. Europe produced the highest RevPAR worldwide that year.

The average revenue a hotel earns per available room varies significantly throughout the year. For hotels based in the United States, the RevPAR tends to be at its peak during the summer months. In July 2019, for instance, the average revenue per available room was just under one hundred U.S. dollars. Conversely, hotels based in the Middle East and Africa tend to generate more revenue during other times of the year. For example, these regions generated around 94.25 U.S. dollars in November 2019.



**Fig.3. Trends and forecast of world revenues of the hotel industry**

A study was conducted in 2020 to determine which countries worldwide opened the most new hotel rooms between March and September of that year. According to the source, the United States ranked at the top with 55,395 new hotel rooms, and opened 31,925 more rooms than China, the country ranked second on the list.

Private accommodation and holiday flats, as well as private room and accommodation rentals that are booked via portals such as Airbnb are not included.

It has become increasingly common for travelers to book their own trips, however, there are still those who use travel agencies to do so. With the developing digitalization of the travel industry, many consumers turn to online travel agencies to book their trips. Some

of the leading travel companies in the online travel market are Booking Holdings and the Expedia Group. When looking at the revenue of leading online travel agencies (OTA's) worldwide, these two companies came in respective first and second place with revenues of 6.8 billion and 5.2 billion U.S. dollars in 2020. However, these figures marked an almost 50 percent drop in revenue over the previous year as a result of the coronavirus pandemic.

The impact of COVID-19 on global tourism

Another factor that has significantly impacted the global tourism industry is the coronavirus (COVID-19) pandemic. As countries implemented severe travel restrictions to curb the spread of the disease, national and international tourism came to a drastic halt. It was estimated that the global revenue of the travel and tourism industry dropped by 42 percent in 2020. When looking at a breakdown of tourism revenue by country, the U.S. experienced the greatest decrease in revenue, while the Asia Pacific region showed the largest drop in international tourist arrivals worldwide due to COVID-19. While the long-term economic damage caused by the COVID-19 pandemic cannot fully be assessed yet, the standstill of public life has affected not only tourism but also industries connected to tourism, for example, global restaurant visitation, theater performances, and events.

## CONCLUSIONS

This paper intends to contribute to the reinforcement of this line of research, analyzing some macroeconomic variables with economic and financial indicators that can assess, in an accurate way, the financial performance of companies in the hotel sector. The tourism and hotel sector is an increasingly global, dynamic and competitive area, which has led to an increase in international competitiveness. Thus, the hotel industry, in general, is immersed in a highly competitive environment and its managers need accurate and reliable information for the proper management of the activities. Hotel companies, like any other organization, can use financial measures or indicators to generate information for the decision-making process of their managers in order to improve business performance. The results obtained should allow companies in the hotel industry to promote an adequate return to their shareholders and investors, pay creditors and adequately reward employees, and sustain growth.

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