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Profitability Study Based On The Analysis Of The Hotel Sector's Indebtedness

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Abstract

The hotel sector is a sector that during periods where the contexts of the Colombian-Venezuelan frontier was a very dynamic sector, this research article, pursued the objective of studying the indebtedness index and also to summarize the indicators of efficiency, efficacy, effectiveness and growth, through accounting information and the results of a field work. The research had a descriptive and quantitative methodology, since it describes a phenomenon through the measurement of indicators proposed for the fulfillment of the research objectives. In this research it is found that the hotel sector increased its effectiveness despite the drop in hotel occupancy, supported by the improvement of efficiency in its operating cycle and efficacy in the management of costs and expenses. Situations external to the sector, such as the ongoing crisis with Venezuela, are one of the main factors influencing its financial performance. However, there is optimism in the hotel sector and the climate of confidence for new investments has increased.

Keywords: Indebtedness ratio, financial indicators, hotel sector

1. Introduction

1.1. Indebtedness indicators

According to (Amat, 2000, p. 93), debt indicators are used to diagnose the quantity and quality of the company's debt as well as to check the extent to which sufficient profit is obtained to support the financial burden of indebtedness (p.93). See table 1.

Table 1. Indebtedness Indicators

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Indicator	Unit Formula	Unit Formula
Leverage	Times	Total liabilities/Total equity
Concentration of short-term liabilities	%	(Current Liabilities/Total Liabilities) X 100
Concentration of Financial Indebtedness	%	(Total financial obligations CP and LP / total liabilities) X 100
Indebtedness with the financial sector	%	(Total financial obligations CP and LP/ total assets) X 100
Short-term indebtedness to suppliers	%	(Total financial obligations to suppliers/total current assets) X 100
Indebtedness ratio	%	Total liabilities/total assets
Interest coverage ratio	Times	Operating income/interest income

Source: Supersociedades, (van Horne & Wachowicz Jr, 2002a)

1.2. Indebtedness Indicator

It is equal to total debts divided by liabilities. Sometimes it is also calculated by putting total assets in the denominator, which logically does not change the result of the indicator. (Rivera Godoy, n.d.).

$$\text{Ratio de endeudamiento} = \frac{\text{Total deudas}}{\text{Total patrimonio neto más pasivo}}$$

The optimum value of this ratio is between 0.4 and 0.6. If it is higher than 0.6, it indicates that the volume of debt is excessive and the company is losing its financial autonomy vis-à-vis third parties or, in other words, it is decapitalizing and operating with a riskier financial structure. If it is lower than 0.4, the company may have an excess of equity.(Dávila López et al., 2018; Uribe montoya & Gaitan Guerrero, 2013).

Debt quality ratio: Calculated by dividing current liabilities by total debts..

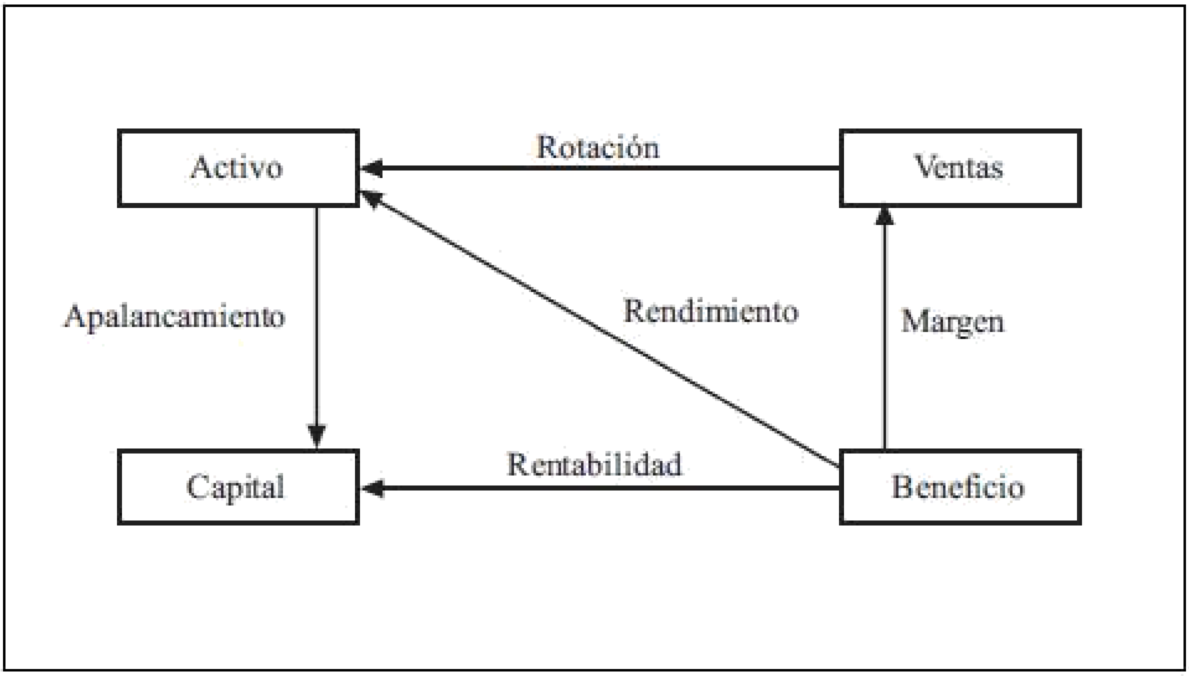
$$\text{Ratio de calidad de la deuda} = \frac{\text{Pasivo corriente}}{\text{Deudas totales}}$$

The lower the value of this ratio, the higher the quality of the debt in terms of term. It should be borne in mind that many companies, either because of their small size or the activity they carry out, have difficulties in accessing long-term financing and the stock markets, which explains why their debt is predominantly short-term. (Montoya et al., 2010; Rosales, 1996).

1.3. Profitability study

Profitability analysis makes it possible to relate what is generated through the profit and loss account with what is needed, for example, in terms of assets and equity, in order to be able to develop the business activity. The main ratios to be analyzed depend on four variables: assets, equity, sales and profit. Through these four variables, the ratios of yield, profitability, margin, leverage and turnover can be obtained.(Campo Elías & Miguel Alejandro, 2021; Díaz et al., 2021; Franco Campos et al., 2020). See figure 1

Figure 1. Relationships between assets, shareholders' equity, sales and profits



Source: (Amat, 2000)

Thus, turnover, as discussed above, compares sales to assets. Margin can be measured by dividing profit by sales. Profitability is the ratio of profit to shareholders' equity. Leverage compares assets to equity. Yield is profit divided by assets.(van Horne & Wachowicz Jr, 2002b).

2. Method

The research is based on the quantitative paradigm since the variables financing and financial management can be measured as they are presented. The present research is descriptive. According to (Briones, 2002; Hernández Sampieri et al., 2019), Descriptive research uses systematic criteria that make it possible to reveal the structure or behaviour of the phenomena under study, thus providing systematic information that is comparable with that from other sources. In addition, (Arias, 2006) points out that descriptive research consists of the characterization of a fact, phenomenon, individual or group, to establish its structure or behaviour. The results of this type of research are located at an intermediate level as far as the depth of knowledge is concerned. The purpose of correlational research is to determine the degree of relationship or association (non-causal) existing between two or more variables (Arias, 2006).

2.1. Population

According to Arias (2006), the population is "a finite or infinite set of elements with common characteristics to which the conclusions of the research will be extended" (p. 81). While for (Balestrini, 2002) "In an investigation, the population is the set of units from which information is to be obtained and on which conclusions are to be drawn" (p. 105). In the present research, the population is constituted by the hotels registered in the city of Cúcuta.

Population: N=121

2.2. Sample

Once the population was defined, the sample was selected. Based on the criteria of Ary, Jacobs and Razavieh (1989), cited by (Arias, 2006) In descriptive research, it is recommended to consider between 10 and 20% of the accessible population. In this study, a sample of fifteen (15) persons was considered.

n=15

The selection criteria of the informants was intentional based on their willingness to collaborate and that, in the researcher's opinion, were representative of the sector.

For the analysis of the financial results, the following companies were studied: Promociones Turísticas del Norte Ltda, Hoteles Casa Blanca S.A., Organización Hotelera Arcos y Cia. S.A.S., Casinos y Servicios del Caribe S.A.

2.3. Techniques and instruments for the collection of information

According to Arias, the technique is the form or way of obtaining the information, while the instrument is the tangible or material means used to collect and store it. In the research, the technique used was the survey, using as an instrument the structured questionnaire with three-option questions in a Likert scale format. This consists of "a set of items presented in the form of statements or judgments referring to the current event or situation about which the attitude is to be measured".

The reliability of the instrument was determined by means of the Cronbach's Alpha Coefficient statistic, a procedure used for instruments that offer several options. The result obtained was 0.892, which according to (Hernández Sampieri et al., 2019) shows a reliable instrument. The instrument was applied in the selected companies of the hotel sector and by means of the documentary analysis, the selection and registration of data for subsequent analysis was carried out. The design of the questionnaire together with the documentary analysis was structured based on the variables of the study.

2.4. Data Processing and Analysis Techniques

Once the information had been classified, the quantitative analysis was carried out in order to respond to the objectives set. The quantitative evaluation was carried out by means of simple frequency distributions and graphs for the identified aspects of the study variables, using Microsoft® Excel. The same treatment was applied for the statistical analysis. The surveys were analyzed using the DYANE® program. Once the information was classified and analyzed, the results were discussed based on the theoretical bases and the works selected as background for this research..

3. Results

3.1. To determine the indebtedness capacity of the hotel sector in Cúcuta for the period 2012-2015

The analysis of the indebtedness of the hotel sector in the city of Cúcuta was undertaken through the following indicators: Current Liabilities, Total Liabilities, Leverage, Concentration of Liabilities, Concentration of Financial Indebtedness, Financial Indebtedness, Supplier Indebtedness, Debt Ratio, Debt Quality, Debt Capital Ratio, Equity Guarantee, Working Capital, Expenses in relation to revenues and Profitability Threshold (Gonzáles Mendoza et al., 2022; Riaño-Solano, 2014). The results of the questionnaire are shown in Table 2.

Table 2. Perception of indebtedness in the hotel sector of the city of Cúcuta.

DEBT	Increased		It was maintained		Decreased	
QUESTION	FA	FR	FA	FR	FA	FR
Current Liabilities	6	40,00%	5	33,30%	4	26,70%
Total Liabilities	6	40,00%	5	33,30%	4	26,70%
Leverage	4	26,70%	8	53,30%	3	20,00%
Concentration of Liabilities	8	53,30%	3	20,00%	4	26,70%
Concentration of Financial Indebtedness	5	33,30%	4	26,70%	6	40,00%
Financial Indebtedness	5	33,30%	6	40,00%	4	26,70%
Supplier Indebtedness	6	40,00%	2	13,30%	7	46,70%
Debt Ratio	6	40,00%	7	46,70%	2	13,30%
Debt Quality	4	26,70%	6	40,00%	5	33,30%
Debt Capital Ratio	2	13,30%	7	46,70%	6	40,00%
Equity Guarantee	7	46,70%	5	33,30%	3	20,00%
Working Capital	8	53,30%	2	13,30%	5	33,30%
Expenses in relation to revenues	4	26,70%	3	20,00%	8	53,30%
Profitability Threshold	3	20,00%	6	40,00%	6	40,00%
TOTAL	74	35,20%	69	32,90%	67	31,90%

As a guide for the interpretation of the debt indicators, a summary table is presented in Table 3..

Table 3. Debt indicators

Indicator	Formula
Leverage	Total liabilities/Total equity
Concentration of short-term liabilities	(Current liabilities/total liabilities) X 100
Concentration of Financial Indebtedness	(Total financial obligations CP and LP/total liabilities) X 100
Indebtedness with the financial sector	(Total financial obligations CP and LP/ total assets) X 100
Short-term indebtedness to suppliers	(Total financial obligations to suppliers/total current assets) X 100
Indebtedness ratio	Total liabilities/total assets
Interest coverage ratio	Operating income/interest income

Source: Supersociedades. SIREM

The results show that for 40% of the respondents, current and total liabilities increased. 53.3% thought that leverage remained the same. For 53.3%, the concentration of liabilities increased. Regarding the concentration of financial indebtedness, 40% stated that it decreased. For 40% of those surveyed, financial indebtedness remained the same. Regarding indebtedness to suppliers, 46.7% stated that it decreased, while 40% stated that it increased. For 46.7%, the indebtedness ratio remained the same.

Regarding the quality of indebtedness, 40% indicated that it remained the same. Regarding the debt-equity ratio, 46.7% stated that it remained the same. When asked about equity collateral, 46.7% responded that it had increased. For 53.3% of those surveyed, the working capital increased. It was found that expenses in relation to income decreased while for 40% the profitability threshold (the minimum sales needed to cover all the company's fixed and variable expenses) remained the same and 40% said that it decreased.

Figure 20 below shows the consolidated results for the analysis of indebtedness in the hotel sector. It was found that 35.2% of those surveyed indicated that it had increased. 32.9% of the respondents indicated that it remained the same, and 31.9% responded that it decreased.

Figure 2. Perception of indebtedness in the hotel sector of Cúcuta

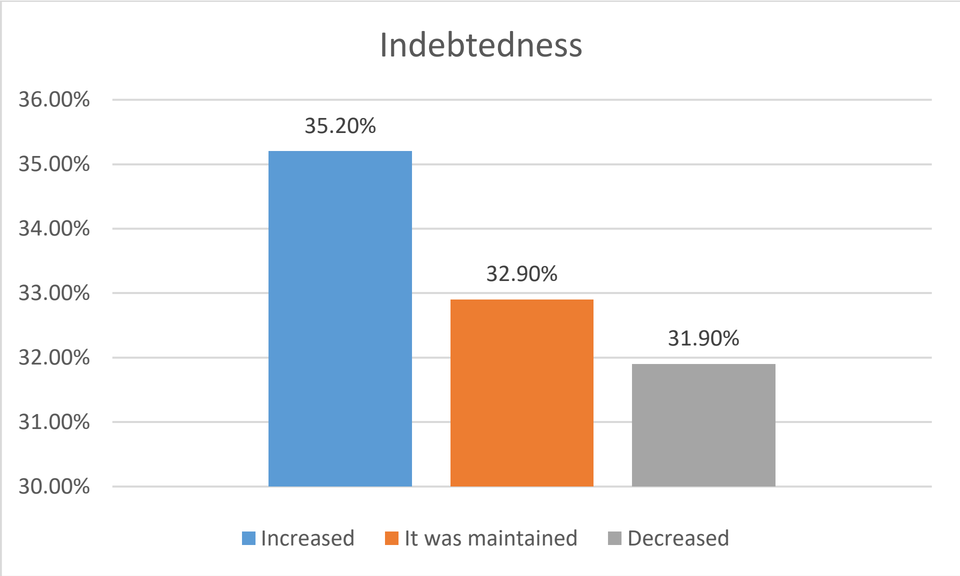


Table 4 shows the results of the financial analysis for the companies in the hotel sector in the city of Cúcuta.

Table 4. Indebtedness indicators for companies in the hotel sector in Cúcuta

DATA	Variation
Leverage (Times)	40,0%
Concentration of Liabilities in the Short Term	-9,5%
Financial Sector Indebtedness	48,9%
Concentration of Financial Indebtedness	11,2%
Interest Coverage (Times)	-51,9%
Debt Ratio	33,9%
Short-Term Indebtedness with Suppliers	18,1%

Source: the author with data taken from Supersociedades. SIREM

When contrasting the results of the survey with the results of the financial analysis, divergences were found between the opinion of the respondents and the results of the financial analysis in terms of indebtedness to suppliers and the concentration of short-term liabilities. In general terms, indebtedness in the hotel sector in Cúcuta increased during the study period.

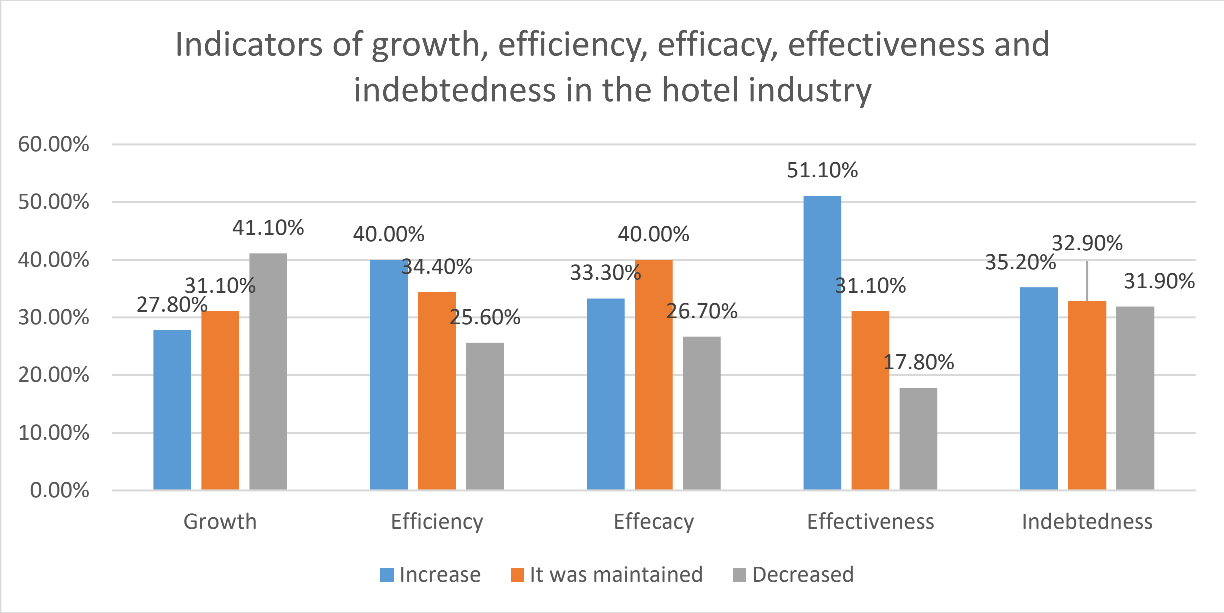
Once the analysis is concluded, Figure 3 and Table 5 present a summary of the financial management indicators by analyzing the ratios of efficiency, efficacy and effectiveness.

Table 5. Summary of financial management indicators

	Increase	It was maintained	Decreased
Growth	27,80%	31,10%	41,10%
Efficiency	40,00%	34,40%	25,60%
Effecacy	33,30%	40,00%	26,70%

Effectiveness	51,10%	31,10%	17,80%
Indebtedness	35,20%	32,90%	31,90%

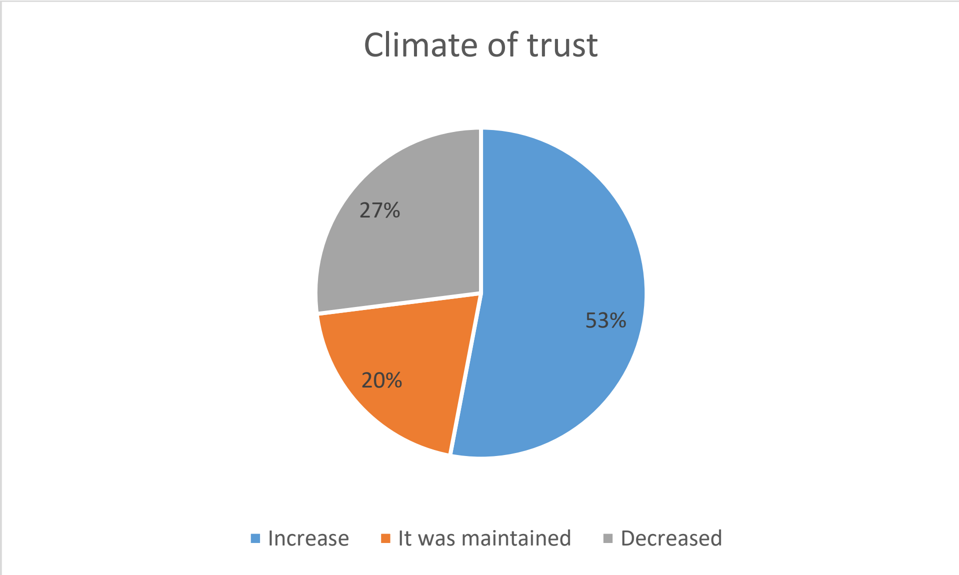
Figure 3. Indicators of growth, efficiency, efficacy, effectiveness, and indebtedness in the hotel sector of Cúcuta



According to Rivera and Ruíz (2009, p. 132), the combination of efficacy in the achievement of increased sales and proper management of costs and expenses, and efficiency in the proper management of assets to obtain higher returns with the lowest investment, gives rise to the effectiveness of the company. In the present study it was found that the hotel sector increased its effectiveness supported by the improvement of efficiency and efficacy in spite of the decrease in the sector's growth. In addition to this, indebtedness increased, which according to financial theory influences the profitability of equity due to the effect of financial leverage.

We also asked for their opinion regarding the climate of confidence for new investment in their company. In this respect, the majority of the respondents answered 53.3% that the climate of confidence increased. Twenty percent responded that it remained the same and 26.7% that it decreased. Figure 4

Figure 4. Perception of the climate of confidence for new investments in the hotel sector.



Among the factors that support the climate of confidence is the impact on the economy due to globalization, the knowledge of other types of gastronomies, the consumer with his experience and knowledge that demands better service, all of which presage that the hotel sector will have a greater development in the coming years..

4. Discussion and conclusion2

It was found that efficiency in the hotel sector improved with an increase in portfolio turnover and inventory turnover. In relation to the accounts receivable portfolio, there was not a majority position in the opinion of the respondents. Based on the financial analysis, it can be considered that the increase in the sector's efficiency was influenced by the turnover of operating assets, since the turnover of fixed assets decreased.

With respect to indebtedness, the results of the survey and the financial analysis showed small differences in terms of indebtedness to suppliers and the concentration of short-term liabilities. However, it is concluded that indebtedness in the sector increased. This situation cannot be qualified as good or bad, it only increases the risk. However, the financial leverage is being used to improve the profitability of equity.

Finally, the majority of those surveyed expressed confidence in making new investments in the sector.

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