

# Procedure for Capital Management in Hotel Companies in the Canton of Portoviejo

<sup>1</sup> Casilda Paquisha Intriago Mora,

Doctor en ciencias Contables y financieras, Docente Investigador, Universidad Técnica de Manabí,  
[paquisha.intriago@utm.edu.ec](mailto:paquisha.intriago@utm.edu.ec), <https://orcid.org/0000-0002-3786-3948>

<sup>1</sup> Shubert Lenin Aray Navia,

Magister en Ingeniería en Software, Docente Investigador, Universidad Técnica de Manabí, [Shubert.aray@um.edu.ec](mailto:Shubert.aray@um.edu.ec),  
<https://orcid.org/0009-0006-0124-9256>

<sup>1</sup> María Ines Zambrano Zambrano,

Doctor en ciencias Contables y financieras, Docente Investigador, Universidad Técnica de Manabí,  
[ines.zambrano@utm.edu.ec](mailto:ines.zambrano@utm.edu.ec) <https://orcid.org/0000-0003-4407-1460>

<sup>1</sup> Juan Manuel Gómez Mieles,

Magister en Administración de Empresa, Docente Investigador, Universidad Técnica de Manabí, [manuel.gomez@utm.edu.ec](mailto:manuel.gomez@utm.edu.ec),  
<https://orcid.org/0000-0002-1700-0926>

## Summary:

The hotel facilities located in the Canton of Portoviejo, Manabí, Ecuador, are generally represented by SMEs, with particularities in their operation, opening, merger and liquidation. In addition, they reflect in their management, a decrease in sales, low profitability, excess liquidity and high indebtedness, which indicates an inadequate management of working capital. That is why the objective of this research was focused on establishing a procedure for the management of working capital in hotel companies in the Portoviejo Canton, which contributes to the increase of profitability. The proposed procedure is conceived in a logical structure, articulating phases and steps, which are based on a methodological conception that integrates techniques of economic and financial analysis, projection and control, which require a quantitative and qualitative assessment in tune with national and international trends for financial decision-making. The results made it possible to respond to the real problem detected and the identification of the key factors that affect the management of working capital and to formulate actions to overcome the insufficiencies detected and thus, strengthen financial management in the hotel company where it was applied. The proposal is made on the operational parameters of the hotel companies analyzed, where it is necessary to set business objectives and policies according to the characteristics of the environment, allowing the fulfillment of the operational cycle, a convenient allocation of funds, an adequate capacity to generate and support resources, with a tendency to growth through the improvement of the economic situation. financial and patrimonial.

**Keywords:** working capital, hotel activity

## Introduction

Finance in the company increasingly takes a strategic approach, because financial administrators or managers focus their activity on optimizing the use of resources, whether material, monetary and financial, in order to add value to the investment made. Cash disbursements are also required to cover ordinary operations, before receiving the amount of your income from goods or services sold. Therefore, investments in liquid assets will generally exceed their current liabilities, generating the concept of working capital, defined by many authors as the company's investment in short-term assets (Berk, De Marzo, & Harford, 2010).

Working capital changes the value of companies because it affects their cash flow by reducing the cash available for other profitable investments. Consequently, policies must be associated with the levels of current assets and liabilities that are needed to carry out the company's operations, taking into account their interrelationship, as well as with the operating levels. These three relevant elements can be categorized as follows: the level set as a target for each category of current assets (current investment

policy), the way in which these current assets will be financed (current financing policy), and the effects of these levels on the risk-return binomial (Angulo, Berrio, & Caicedo, 2014).

Determining the necessary level of working capital involves the analysis of the interrelationships between profitability and risk, since higher levels of this resource reduce profitability and, at the same time, reduce the risk of financial difficulties at the maturity of the debt.

Tourism is one of the most significant and dynamic economic sectors in the world today, both for its level of investment, participation in employment, contribution of foreign exchange, and for its contribution to regional development. According to the main historical series, tourism activity has been becoming more relevant, contributing directly to 10% of the world's GDP and generating one in ten jobs. In addition, the World Tourism Organization estimates that by 2030 the figure of 1.8 billion international tourists in the world will be reached (UNWTO, 2018). Linked to the productive and economic processes of tourism is the hotel activity, as one of the most representative and important products of the tourist offer.

Ecuador is a country with a high tourism potential, its diversity in terms of natural wealth, culture, history, landscapes, has made tourism activity have allowed it to compete within the tourism market with very positive results. The National Development Plan 2017 – 2021 "A Lifetime", indicates the change of the Productive Matrix, highlighting tourism as new horizons for development, knowledge and innovation. Being a nation where the greatest biodiversity on the planet is concentrated, the fauna and flora live in 26 areas protected by the State, it has a wide coastal area, gastronomy and varied culture, however, it has not yet been possible to achieve the economic development that this activity requires (SEMPLANDES, 2017).

To strengthen the sector, the tourism law in force in the country has established certain incentives and benefits. Among them, the total exemption from the tax rights levied on the corporate acts of capital increase and transformation, as well as the taxes levied on the transfer of ownership of real estate that are contributed for the incorporation of tourism companies. Also, access to credit is allowed in financial institutions that must establish lines of financing for tourism projects that are qualified by the ministry of the branch. All of the above are considered incentives for investment and which are not used consistently, as expressed by the Superintendency of Banks in its 2016 Accountability Report (General Coordination of Planning and Management Control, 2017).

Manabí is a coastal province of Ecuador, with an important tourist potential in most of its cantons, among them Portoviejo stands out, with a tradition and culture of its people appreciated in a varied sample of crafts and gastronomy, recognized nationally and internationally. In April 2016, an earthquake measuring 7.8 on the Richter scale shook the province of Manabí, constituting the strongest earthquake felt in the country and the most destructive. Portoviejo was one of the most painful cantons in terms of the effects on the productive system and infrastructure, with the tourism sector and its attractions being the most vulnerable (García and Carreño, 2016).

According to Romero (2016), this event severely affected tourism in the area, which led to the establishment of exclusive post-remote measures with new incentives for the sector with a view to its recovery. Among them was the exemption from income tax for new productive investments, which may be extended up to ten years, access to financial credits for tourism projects or tourism offer ventures in the affected areas. In addition, the exemption from the payment of the tax on the outflow of foreign currency and the tariffs destined to tourist production processes or the provision of this type of services within the affected areas. Measures that have not been taken advantage of by entrepreneurs either, either due to the lack of promotion through their own means or due to the lack of application in the programs and projects of the Ministry of Tourism (MINTUR) and the Municipal Decentralized Autonomous Government (GADM), which reflects a slow socioeconomic reactivation (Alcívar et al., 2019).

According to the Superintendency of Banks (2016), most hotel companies in Manabí, specifically in Portoviejo, maintain an overdue portfolio with banks. In addition to not opening new credits, there is no reinvestment, nor is the activities expanded and even the change of the category of the establishment is not carried out in accordance with the regulations in the sector. It is evident that the accommodation activity is not taking advantage of the aforementioned opportunities, derived both from the measures set out by the tourism law in force in the country, and those established exclusively after the earthquake.

In this regard, the Strategic Plan for Tourism Development of the Portoviejo Canton for the period 2017-2022, a document that governs the promotion and improvement of the activity, in its bases and guidelines, recognizes that one of the problems that affect hotel activity in the territory today is that the income generated by scheduled tourist events does not respond to a criterion of investment-expenditure-profit; characterized by being a low-income sector profitability.

Both considerations, both those referring to the provisions aimed at strengthening tourism structures and increasing labor productivity, related to the ease of access to financing and the granting of tax benefits, as well as those concerning low profitability, to which is also added the economic impact generated by the COVID-19 pandemic, that caused the paralysis of this important sector in the country and in the territory, and the diversity of activities that it contemplates, point to the need to improve financial management emanating from the investment made by the hotel companies of the territory in working capital.

Having described the above situation and taking into account the importance of hotel activity for the country and the territory, this research aims to design a procedure for the management of working capital in hotel companies in the Canton of Portoviejo, Manabí, which contributes to the increase of business profitability.

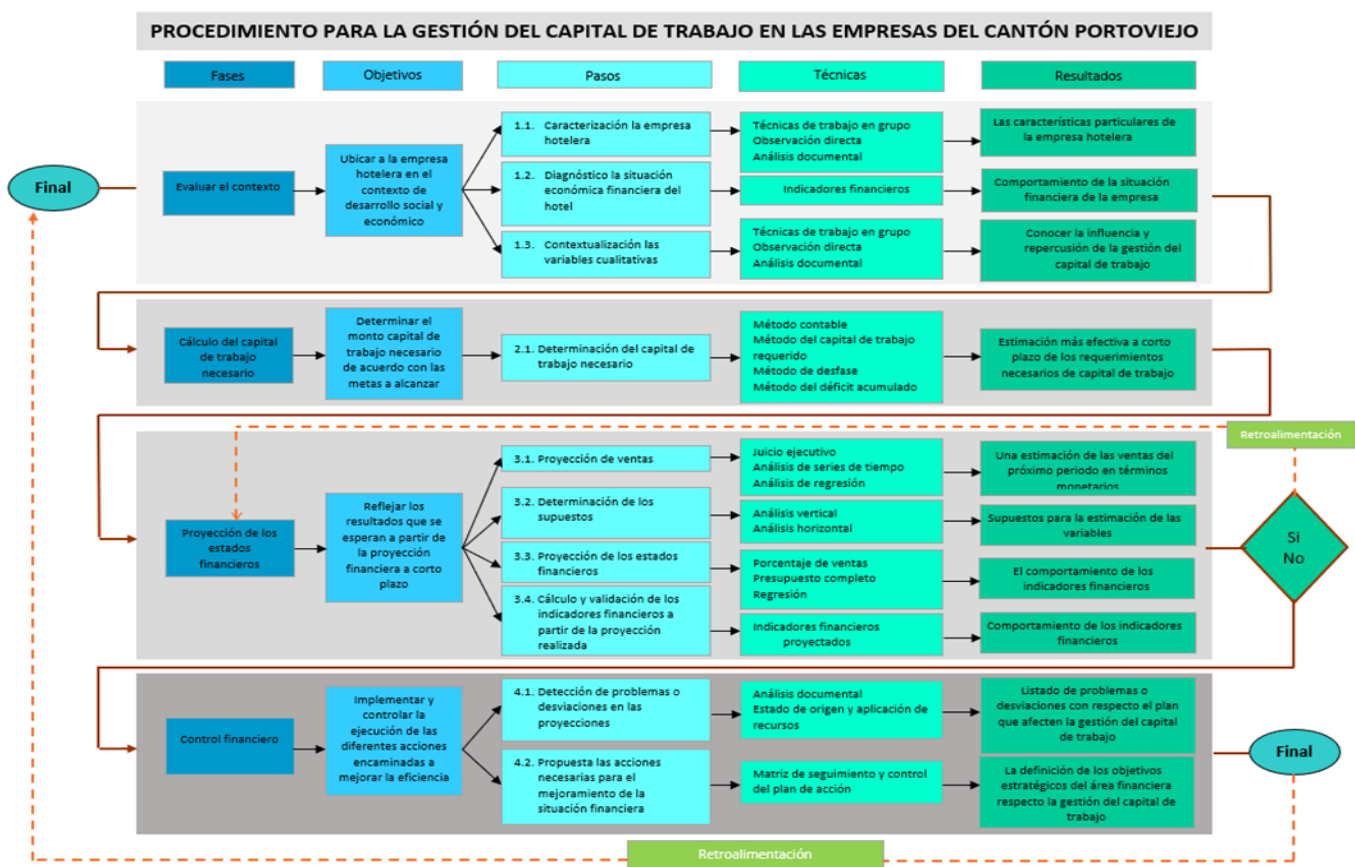
the hotels located in the Portoviejo Canton, there is a predominance of SMEs, with particularities in their operation, processes of opening, merger and liquidation of businesses with some level of frequency, presents a procedure for the management of working capital that provides a response to the insufficiencies and challenges posed today by financial management in the hotel companies of the Portoviejo Canton, in Manabí.

The proposed procedure is novel in that it combines financial analysis with financial projection and control techniques as elements contemplated within the management of working capital, establishing a logical and coherent order for its application in these facilities; It was structured in four phases and a set of steps, in tune with national and international trends for decision-making.

The procedure describes a set of logical steps that allow you to respond to the real problem detected. It pursues not only the evaluation of the object of research, but also the identification of the key factors that affect the management of working capital. In addition, to formulate actions to overcome the insufficiencies detected and thus, strengthen financial management in the hotel company where it was applied. Figure 1 illustrates graphically

the proposal raised.

**Figure 1: Procedure for capital management in hotel companies in the Canton Portoviejo. In original Spanish language**



Source: Authors.

Description of the phases for the application of the proposed procedure

### **Fase 1. Assess the context**

**Objective:** to place the hotel company in the social and economic context where it develops.

It includes the characterization of the context of action of the hotel company and with it the diagnosis of the economic and financial situation, as well as the characterization of the current scenario of working capital management, carrying out the following steps:

**Step 1.1. Characterization of the hotel company.** It should contain a review of the hotel, its history, geographical location, mission, vision, strategic objectives, organizational structure. Demand forecasting, analysis of hotel trends and seasonality, nature of competition and customer analysis.

**Techniques to be used:** SWOT matrix; cause-effect diagram; direct observation; documentary analysis .

**Expected results:** the particular characteristics of the hotel company.

**Step 1.2. Diagnosis of the economic and financial situation of the hotel in the corresponding period and the working capital policy that is applied.** Evaluation of the company's financial situation and characterization of the current situation of working capital management through a description of short-term financial indicators.

**Techniques to be used:** Financial indicators: Liquidity; Average Inventory Period; Average Collection Period; Average payment period; Cash conversion cycle; Net working capital; Indebtedness; Profitability. For the evaluation of the indicators, the behavior of these variables must be taken as a reference, obtained as the average of the hotel sector/activity

**Expected results:** behaviour of the company's financial situation, as well as the influence and impact of working capital management on the profitability and value of the company from a quantitative point of view.

**Step 1.3. Contextualization of the qualitative variables that affect the management of working capital.** This step requires that the qualitative factors that, in different senses, involve risks capable of affecting the working capital requirements and their management in the hotel company be analyzed and determined.

**Techniques to be used:** SWOT matrix; cause-effect diagram; direct observation; documentary analysis,

**Expected results:** influence and impact of working capital management on the profitability and value of the company from a qualitative point of view.

### **Phase 2. Calculation of the necessary working capital**

**Objective:** Determine the amount of working capital needed in accordance with the goals to be achieved, using the elements of the financial statements.

It should be considered that a growth in projected sales can result in a growth in working capital and vice versa. In accordance with the above, the following will be carried out:

**Step 2.1. Determination of the necessary working capital.** Calculate the working capital requirement.

**Techniques or Methods to be used:** accumulated deficit method.  $(\text{INCOME} - \text{EXPENSES}) + \text{BALANCE AT THE BEGINNING}$ .

**Expected results:** The most effective short-term estimate of the necessary working capital requirements, using important and relevant variables from the financial statements.

### **Phase 3. Projection of financial statements**

**Objective:** to reflect the results expected from the short-term financial projection.

It requires the projection of sales and the preparation of the projected financial statements, as well as the evaluation of the results, for which the following steps must be carried out:

**Step 3.1.** Sales projection by the method or methods to be implemented according to the costs involved, purpose of the forecast, reliability and consistency of historical sales data, the time available to apply the technique, the type of product, among others.

**Techniques to be used:** executive judgment; time series analysis; Regression analysis.

**Expected results:** An estimate of sales for the next period in monetary terms.

**Step 3.2. Determination of the assumptions on which the projection of the financial statements will be made.** To do this, the financial manager will be forced to estimate the values of certain variables and that they adopt the desired levels, other variables will remain constant, considering the past and present of the hotel company and other environmental factors that may be relevant for its projection. Different projection scenarios can also be considered, optimistic, pessimistic and intermediate.

**Techniques to be used:** comparative or horizontal analysis; Percentage or vertical analysis;

**Expected results:** assumptions to be used for the estimation of variables related to working capital.

**Step 3.3. Projection of financial statements.** To do this, the results obtained from the previous step will be taken as a basis.

**Techniques to be used:** Percentage of sales (most common shortcut).

**Expected results:** Amount of each of the items in the financial statements related to working capital management and the amount of external financing that will be required.

**Step 3.4. Calculation and evaluation of financial indicators based on the projection made.** Determine the indicators related to liquidity, activity, indebtedness and profitability.

**Techniques to be used:** financial indicators; liquidity; average inventory period; average collection period; average payment period; cash conversion cycle; net working capital; indebtedness; profitability

**Expected results:** the behavior of the financial indicators related to the management of working capital in correspondence with the forecasts made and the results to be achieved, as well as their behavior with respect to the sector that allow adjustment measures to be taken.

**Feedback.** Once phase 3 is completed, it is necessary to provide feedback considering that the financial projection will allow the levels of current assets and liabilities to be defined in relation to sales, thus calculating the projected liquidity, activity, indebtedness and profitability indicators. If the indicators mentioned above are not favourable in relation to the sector/activity and their values do not correspond to those expected, the application of the procedure should be restarted at this stage, drawing up new assumptions for the projection. This should be the fundamental guideline of feedback.

#### **Phase 4. Financial control**

**Objective:** to lead the execution of the different actions aimed at improving the management of working capital in the hotel facility.

**Step 4.1. Detection of problems or deviations in the projections made.** Compare the results of the projections made of the items related to the management of working capital.

**Techniques to be used:** comparative or horizontal analysis; percentage or vertical analysis; state of origin and application of resources.

**Expected results:** list of problems or deviations from what is projected that affect the management of working capital in the company.

**Step 4.2. Proposal of the necessary actions to improve the financial situation of the company.** A series of actions related to the problems detected will be proposed.

**Techniques to be used:** Action plan monitoring and control matrix

**Expected results:** the definition of the strategic objectives of the financial area with respect to the management of working capital, turning them into specific tasks to be carried out by it and with it the definition of responsibilities for their realization.

**Feedback.** The feedback at the end is described as a liaison aspect within the proposed working capital management procedure, an extremely important aspect as an integral part of the implementation process and continuous improvement in the activities carried out and the optimal use of the resources of the current assets; contributing to the efficiency of the business activity and strengthening competitiveness, both internally in operational management, and externally in the market and competitors.

## Methodology

In accordance with the methodology set forth above and in correspondence with the strategies proposed in the Tourism Development Plan for the Portoviejo Canton, they are created and directed by the Decentralized Autonomous Government (GAD) of the province of Manabí, in order to take into consideration the contribution in terms of the good management of the available resources. in such a way as to promote the creation of stable and sustainable jobs; through which it seeks to increase the influx of tourists and as the economic dynamism in the territory.

Since sun and beach tourism is the one that has the greatest preference for visitors at the national level, the community of Crucita has been taken as a reference for the development of the procedure, a place where there is currently an empirical management of tourist activity that has responded to the situation, to satisfy the demand for tourist services (Provincial Government of Manabí, 2018).

According to statistics from the Municipality of Portoviejo Tourism Directorate (2018), Crucita generates a high interest from tourists, but most of them say that they would stay in the town only for a few days, that is, for two or three, this is because those who visit this beach do not have an economy that allows them to stay longer and in a slightly lower percentage for five days. those who would be willing to stay for more days do not represent a very high percentage.

Most of the tourism companies in Crucita are family and seasonal, so they are seen as a secondary economic activity and do not present a long-term vision, they do not have a defined management model that in turn contributes to the development of the tourist activity, they do not manage to obtain a specific vision or mission, which influences the quality of the offer of tourist services and the perception that the demand has about them, resulting in their processes and effects not being satisfactory from the customer's point of view, affecting the service and, therefore, affecting it as a tourist destination.

In the surroundings of Crucita Beach you can find several hotels, restaurants, cafes and nightclubs where you can enjoy pleasant moments with friends and family. Among the most recognized offers is the Gran Oasis Hotel, where the hotel management made available to the research team the financial information for the development of the proposed procedure.

## Results

### Phase 1. Assess the context

**Step 1.1. Characterization of the hotel company.** Hotel Gran Oasis offers a 24-hour front desk. Guests can enjoy a pool and restaurant available on site. The largest number of visitors arrive for leisure and recreation, especially during holidays and vacations, others for reasons of visiting relatives, friends and conducting professional business, some guests are also received for health treatment. It is a hotel establishment where its primary activity is accommodation and will have as fundamental characteristics a good service, proposals for good food and cleanliness in a family environment. Competitors are companies that meet the same need.

**Step. 1.2. Diagnosis of the economic and financial situation of the hotel in the corresponding period and the working capital policy that is applied.**

The data obtained from the Tax Declaration System (SRI) corresponding to the years 2018 and 2019 were taken as a basis, registered as a natural person, with a commercial name Gran Oasis and not exceeding the billing limits between 120,000.00 to 150,000.00 dollars per year established by the Regulations for the Application of the Tax Equity Law, The owner is not obliged to keep accounts. For the analysis of the company's financial situation, financial indicators of liquidity, average collection period, average payment period, cash conversion cycle, net working capital, indebtedness and profitability are calculated.

In 2018, the liquidity indicator denotes some instability, reaching the lowest value in the first quarter of the year, 2.88 times what could be recognized as favorable. The rest of the quarters the indicator grew disproportionately, reaching 8.04 times, behaving above the hotel sector/activity being 5.5 times, denoting in the period analyzed too much cash tied up. In 2019 this indicator registers in the first quarter a value of 4.42 times, the rest of the quarters show a favorable decrease compared to the previous year, being in the last quarter of the year of 2.86 times, achieving a lower behavior than the hotel sector/activity.

The average collection period in the first quarter of 2018 reached 67 days with an increase in the rest of the quarters to 80 days, well above the average of the hotel sector/activity with an indicator of 50 days. In the first quarter of 2019 this indicator managed to match the behaviour of the hotel sector/activity and in the rest of the quarters it reached a new increase of 78 days, slightly lower compared to the previous year.



In the second quarter of 2018, the average payment period reached 30 days, caused by the increase in the level of purchases and a reduction in accounts payable in that month. However, in the rest of the period, it remains stable ranging between 20 and 22 days. As can be seen, the company manages to pay off all its obligations in a very short period of time, much shorter than the credit period granted by the supplier. This means that the company has lost the possibility of using third-party money in the operating expenses of each quarter, which does not compromise the company's liquidity or its ability to pay and thus maintains a very low level of risk. Throughout the year, the indicator had a behavior below the average of the hotel sector/activity, which is 35 days. In 2019, the average payment period was stable, resulting in 25 days, due to the fact that accounts payable showed a stable behavior.

The cash conversion cycle is the result of the collection cycle minus the payment cycle, its determination allowed to reach the conclusion that the average number of days that the hotel needs to convert sales into cash is higher than the number of days that on average it takes to pay its debts and in both periods it behaves above the hotel sector/activity which is 15 days. In 2018 this indicator reaches 29 days, with a considerable increase in 2019 to 54 days. In the hotel there is no adequate management of the cash conversion cycle, since it is generally paid first and then collected.

During the two years analyzed, the net working capital shows a growing situation, which means that the hotel always maintained the capacity to meet its short-term obligations with its investment in current assets and therefore a low risk of defaulting on its obligations when due.

During 2018 and 2019, the debt indicator shows a fairly low behavior during all the periods analyzed. The most significant value is located in the last quarter of 2019, where the level of indebtedness does not exceed 40%, always below the average of the hotel sector/activity which is 68%. Most funding comes from internal sources during these years, i.e. long-term funding is not used. Although it is important to maintain financial autonomy, it is also necessary to have certain levels of indebtedness that give the owners the due profitability, demonstrating that the company could have a greater capacity for external financing to promote its growth.

In 2018 and 2019, the return on assets or economic profitability reached values of 0.52% and 0.58% respectively, a behavior above the hotel sector/activity which is 0.49%. The financial return is 0.58% for 2018 and 0.78% for 2019, with a favorable increase in the latter period.

### Step 1.3. Contextualization of the qualitative variables that affect the management of working capital.

The working capital requirements and its management at the Gran Oasis Hotel are also being influenced by qualitative variables. Its internal context of action is affected by personnel who do not have training in economic and financial issues and specialization in the services offered, which conflicts with the definition of the business objective by not prioritizing the increase in value. The processes generate additional training costs as a result of the difficult economic and financial situation of the country. The technology and infrastructure do not include management systems linked to working capital due to limitations in access to financing.

The external context is influenced by competitors and their positioning, as well as the fluctuation of prices, also from the economic point of view, the use of a foreign currency generates high inflation and fluctuations in the cost of the merchandise, together with political aspects, which manifests itself in tax instability and social conflicts. aspects that affect the projection of sales. This analysis highlights the contrast between the company's risk and the financial manager's management.

### Phase 2. Calculation of the necessary working capital.

#### Step 2.1. Determination of the necessary working capital by the accumulated deficit method.

For the calculation of the working capital necessary by the different methods, the financial information provided by the management of the Gran Oasis hotel was used, the projections made are an applied combination of the historical data of the entity.

#### Board. 1. Calculation of the necessary working capital

| Components                |         |         |          |         |                 |
|---------------------------|---------|---------|----------|---------|-----------------|
| Cumulative deficit method | Periods | Revenue | Expenses | Balance | Working Capital |

|  |      | USD       | USD       | USD       | USD       |
|--|------|-----------|-----------|-----------|-----------|
|  | 2018 | 46 329.29 | 52 457.89 | -6 128.60 | 30 541.62 |
|  | 2019 | 54 185.92 | 52 494.92 | 1 691.00  | 26 793.52 |

**Source: Authors.**

The accumulated deficit method shows in the years 2018 and 2019 negative balances in which the company required financing, this method uses very important and relevant variables of the financial statements.

### Phase 3. Projection of financial statements.

**Step 3.1.** The projection of sales for 2020 is made on the basis of the executive judgment, which is based on the history of the hotel, where it is projected to grow by 10% in the year compared to sales in 2019. They could also decrease in equal measure, since there are economic, social and natural variables that affect their sustainability. Considering that there are random factors such as the political and social instability of the country, currency fluctuations, security, among others, do not make it possible for income to be generated sustainably. In addition to the seasonality of the demand that responds to the carnival festivities in February, the cantonal festivities in August and the Christmas and New Year's Eve festivities in December.

### Step 3.2. Determination of the assumptions to carry out the projection and preparation of the financial statements.

For the projection of the Income Statement, the abbreviated method Percentage of Sales is used and considering the business objectives to be achieved, the following estimates were made; the item, costs and expenses are projected as a percentage of projected sales in the period; it is desired to reduce the financial expenses item by 50% with respect to the actual amounts; The Income Tax is calculated according to the rates established by the tax regime in force in the country.

For the projection of the projected Balance Sheet, the abbreviated method Percentage of Sales is also used and on the basis of the results to be achieved, the following assumptions are estimated: the value of the effective item will be taken on the basis of the needs calculated by the method of calculating working capital for the accumulated deficit; accounts receivable and advance payments are estimated as a percentage of projected sales, taking this ratio from the prior year's financial statements (2019); the rest of the asset items remain constant, considering that the projected increase in sales does not require additional investment in fixed assets; current liabilities, the value of the accounts payable item is projected on the need to establish an average payment period of 30 days; purchases will remain at the same level as in 2019; the rest of the liability items remain constant; the profit for the period corresponds to those obtained in the Proforma Income Statement; The required financing needs will be considered as a compensation or adjustment figure and long-term liabilities will be included.

**Step 3.3. Projection of financial statements.** The projection of the financial statements allows determining the amount of additional financing to achieve the projected increase in sales, which is recommended to be obtained as long-term financing

### Step 3.4. Calculation and evaluation based on the projections made.

**Table 2. Projected financial indicators**

| Indicators                | 2018       | 2019       | 2020              | Industry Average/<br>Hotel Activity |
|---------------------------|------------|------------|-------------------|-------------------------------------|
| Liquidity                 | 4.42 Times | 2.86 Times | <b>2.82 Times</b> | <b>5.5 Times</b>                    |
| Average collection period | 50 days    | 78 days    | <b>68 days</b>    | <b>50 days</b>                      |
| Average Payment Period    | 21 days    | 24 days    | <b>30 days</b>    | <b>35 days</b>                      |
| Cash conversion cycle     | 29 days    | 54 days    | <b>21 days</b>    | <b>15 days</b>                      |
| Net Working Capital       | 122 018.50 | 37140.07   | <b>26 793.52</b>  |                                     |
| PT/AT Debt                | 32%        | 39%        | <b>39%</b>        | <b>68%</b>                          |
| Economic Profitability    | 0.52%      | 0.58%      | <b>0.63%</b>      | <b>0.49%</b>                        |



|                         |       |       |       |  |
|-------------------------|-------|-------|-------|--|
| Financial Profitability | 0.55% | 0.78% | 1.04% |  |
|-------------------------|-------|-------|-------|--|

**Source: Own elaboration**

Liquidity remains stable at 2.8 times, behaving below the average of the hotel sector/activity. The average collection period is reduced by 10 days, although it is still higher than the average of the hotel sector/activity which is 50 days and the average payment period is set at 30 days, showing itself below the average of the hotel sector/activity with 35 days, which leads to a reduction in the cash conversion cycle. The amount of net working capital is considerably reduced.

The impact of calculating the necessary working capital is seen in the trend to reduce liquidity, reducing the average collection period by 10 days and increasing the payment cycle by 6 days, all related to the implementation of cash management strategies "get paid as quickly as possible and pay as late as possible".

The levels of indebtedness are maintained and reach 40%, giving the possibility that in the future long-term sources of financing can be used, considering that the hotel sector/activity maintains higher levels of this indicator 68%.

Economic profitability has a slight increase of 0.05% and remains above that shown by the hotel sector/activity, unlike financial profitability, which achieves more favorable growth. Even so, cash amounts that could be underutilized are maintained and for which alternatives must be proposed such as:

Through cash and financial asset management policies, they must maintain sufficient resources for the operation of the company. Thus promoting the capacity for action, to increase the return on investment, without ceasing to consider that the hotel is developed in a dollarized economy, with a foreign currency where it is subject to all the processes that are linked to this situation.

#### **Phase 4. Financial control.**

##### **Step 4.1. Detection of problems or deviations in the projections made.**

The analysis of the State of Origin and Application of Resources corroborates that Net Working Capital constitutes an origin of resources. These can be used to diversify the hotel offer, to develop training programs for staff, among other purposes that can contribute to the increase in sales and thus business profitability.

##### **Step 4.2. Proposal of the necessary actions to improve the financial situation of the company.**

An implementation and control matrix is presented to improve the financial situation of the hotel, where the actions to be developed are reflected, grouped by objectives, strategies, action plans and those responsible. Working on compliance with these actions will allow the company to properly manage working capital seeking to increase profitability.

#### **Discussion**

The initiation of the procedure at the Gran Oasis hotel made it possible to determine that the sales levels are not sufficient to generate adequate levels of profitability at the end of each period. The relationship between sales and investment in current assets is inversely proportional, in most of the periods analyzed, it maintains high amounts of current assets for the lower sales values, which indicates a totally conservative policy.

The greatest weight in current assets is held by cash and in current liabilities bank credit. Working capital presents a stable behavior, during the period analyzed, the values of current assets manage to cover the total of short-term debts. Regarding risk, the hotel is in a conservative position, due to the very distant gap that exists between investment in current assets and short-term financing. The use and exploitation of fixed assets is not adequate, which suggests a revision of the cost and price policy.

The financial management of the Gran Oasis Hotel is not the most appropriate, taking advantage of it by the hotel company will allow them to manage their working capital taking into account the indicators that will ensure the fulfillment of the proposed goals, in order to obtain economic and financial profitability. In addition to an adequate positioning in the market, as well as customer loyalty from strategic and financial planning,

#### **Conclusions and Recommendations**

The proposed procedure, in its design, is conceived with a logical structure, articulated in phases and steps, which are based on a methodological conception that integrates techniques of analysis, projection and financial control that require a quantitative and qualitative assessment for adequate decision-making based on the development of the strategic planning of hotel companies.

The development of the proposed procedure at the Gran Oasis Hotel demonstrated its contribution to decision-making in relation to the projection of sales levels, investment in working capital and the adequate use of short- and long-term financing sources.

The scientific community specialized in the subject must continue to deepen in subsequent research on elements that are not sufficiently achieved in the structuring of the proposed procedure, such as the need for strategic and financial planning in the hotel activity and with this, the foundations will be laid for an adequate management of working capital.

#### **Conflict of interest**

The authors declare that there is no conflict of interest.

#### **Thanks**

The group of researchers thanks the management of the Gran Oasis Hotel for having provided the economic and financial information for the development of the procedure.

#### **References**

1. Alcívar, B., Zamora, Y., Montesdeoca M., Loo Y. (2019). Analysis of the proposals for economic reactivation for the tourism sector of Manabí, Post 16 A. ECA Synergy Journal. E-ISSN 2528-7869. January - April 2019. Vol.10 No. 1, pp. 132-146 Continuous edition.
2. Angulo, A., Berrío, J., & Caicedo, L. (2014). Working capital investment strategies applied by Colombian micro, small and medium-sized textile trade enterprises in the municipality of Maicao. Revista Dimensión Empresarial, vol. 12, no. 2. p. 69-82.
3. Berk, J., DeMarzo, P., & Harford, J. (2010). Fundamentals of corporate finance. Madrid: Pearson Education. pp. 801.
4. García, N., & Carreño, A. (2016). Strategies for the tourism development of the canton of Bolívar after the earthquake of April 16 (ECUADOR). ECA Synergy Journal. (Online). EC, Vol. 7, No. 2. Retrieved, Feb 1. 2017. PDF format. Available at [revistas.utm.edu.ec/index.php/ECASinergia/article/download/334/359/](http://revistas.utm.edu.ec/index.php/ECASinergia/article/download/334/359/)
5. World Tourism Organization (UNWTO). (2018). UNWTO Panorama of International Tourism. Retrieved 22 17, 2020, [https://www.eunwto.org/doi/pdf/10.18111/9789284419890\\_17](https://www.eunwto.org/doi/pdf/10.18111/9789284419890_17).
6. National Development Plan 2017-2021. A whole life of Ecuador. SEMPLANDES.
7. Romero, R. (2016). Tourism sector, looking for a light at the end of the tunnel. Management Magazine. (Online). No. 265. Retrieved, Feb 1. 2017. PDF format. Available in <http://www.revistagestion.ec/wpcontent/uploads/2016/07/Turismo-GESTION-265-parte-1.pdf>
8. Strategic Plan for Tourism Development of the Portoviejo Canton for the period 2017-2022.