6.1 The Preliminary Remarks
The idea behind any research is, to formulate specific problem of certain industry. After that data collection is started. The classification and processing of data facilitate correct data analysis with the help of hypothesis testing. Once simplification of the data have been drawn and formulated, the report needs to be prepared. It contains the statement of the procedure adopted, stages covered, and findings drawn by the researcher. After analysis of primary and secondary data, certain observations and finding have been drawn in the following paragraphs.

6.2 Findings

- **Bank Finance as a source of finance:** From the primary data, (Table 5.9, page no. 154) it has been revealed that 56% respondents have obtained bank finance to satisfy their working capital needs, only 20% of the respondents were entirely depending on the banks and the remaining have preferred to use other sources like proprietor’s funds, advances from customers, etc., along with bank finance to fulfill their working capital need. The banks are providing both fund based and non fund based finance to the hoteliers. However, it has been analyzed from the secondary data that the hotels are not consistent in using various services and finance offered by the bank. The field study has further revealed that, the hoteliers need to arrange high security and margin while financing for working capital. It has also been disclosed that terms and conditions of the banks are rigid.

- **Banker’s views about Hotel Industry:** During the field study of various banks has revealed that the hotels are obtaining double financing (from creditors and banks). These hotels are not transparent in disclosing their room occupancy and room rate. Therefore, the banks are finding it difficult to know their actual proposed income. The nature of stock and debtors of more than 90 days have discouraged bankers to provide them finance for working capital. However, bankers have revealed that along with stock and debtors,
second charge of fixed assets can be considered as valid security while financing for working capital. It has further been disclosed that, while doing project financing for hotels, they grant certain amount to fulfill their business operational needs.

- **Credit policies of the hotels:** The secondary data taken from HVS International about market segmentation has revealed that 60-80% customers of hotels are either domestic business travelers or foreign business travelers. The primary data (Table-5.19, Q.7 and Q.8, page no. 168) has further disclosed that majority of the respondents get their business from a few big customers. Hence, they dictate the term of credit to the hoteliers and due to competition they have to accept it. The data from HVS International (Table 5.12, page no. 160) has also revealed that the proportion of cash sales to credit sales (including the credit card sales) of the hotels is found to be very less. It has been observed that average credit sales of star hotels in Pune during the year 2005-06 to 2009-10 were 82.5%. The analyses of secondary data of selected hotels (from CMIE Prowess) have disclosed the existence of debtors more than six months (Table 5.14-5.17, page no. 163). From the field research (Table 5.19), it was also found that though respondent predetermine the credit period of their debtors, hardly they were able to collect the amount within specified time. It has further been revealed that these hotels did not take any action against the debtors for not paying the amount within the specified time. Not a single respondent has settled the debtors outstanding before specified time by offering them any cash discount. However, loss due to bad debt from these hotels is recorded as negligible.

- **Hotels take advantage of spontaneous financing:** All respondents have revealed that they take the advantage of financing up to fullest extent (Table 5.24, page no. 175). These hotels have obtained credit from their suppliers and take advances from the customers. The floating customers are major
source of advances for hotels. However, it has been analyzed from the primary as well as secondary data (Table 5.20-5.23, page no. 171), that the oldest and established star hotels in Pune could get substantial amount of advances from their customers.

- **Trade credit provided by suppliers:** Table 5.14 - 5.17 (page no. 163) have further revealed that, except Hotel Royal Orchid, all the remaining respondents have obtained credit lavishly from their creditors both in terms of quantity supplied and days (on an average of 100 days). The spontaneous financing as compared to negotiate financing is found to be economical. However, it is not cost free. Therefore, it is advisable to these hotels to make a price analysis of the goods and services supplied by these suppliers.

- **Help of inventory management techniques in Hotel Industry:** Table 5.25 (page no. 177) has revealed that various techniques like Always Better Control (ABC) Analysis, Stock Levels, EOQ, etc. can be used to control and monitor the stock of inventory in the hotel industry. There is a difference in price, consumption, and nature of stock in the hotels. The hotel managers are also aware about such techniques and most of them have often used these techniques for inventory control.

- Substantial amount of working capital is used in three star, four star, five star, and five star deluxe hotels. Graph – 5.10 (page no. 184) has revealed that more that 50% of the respondents have disclosed that more than 20% of their total capital is used as working capital.

- The impact of unpredictable environmental situation is quite high in hotel industry. Graph-5.14 (page no. 196) has depicted that it may lead to additional cost to perform their business operations or maintain their room occupancy. However, according to the respondents, organizations with their clear working capital management policies can reduce its impact up to a certain extent.
Efficient control on the investment affects the liquidity and profitability of hotels. Around half of the respondents do not invest excess cash of their own. They either divert the funds to promoters’ other business or transfer it to corporate office. The remaining respondents invest the excess cash in most liquid form of securities like short term deposits or in savings account. Only one respondent has invested in the financial market and another invests in the real estate. Few of them invest the excess cash to purchase fix assets, new property, or infrastructure development.

Graph-5.13 (page. no.195) shows that 53% of the respondents have never faced shortage of funds while meeting day to day expenses. Remaining respondents have this problem, mainly, due to the diversion of funds or recovery problem.
6.3 Suggestions:
The present research is a sincere attempt of the researcher in hotel industry about the working capital management practices. After significant research it has been found that, there are certain areas in which hoteliers needs to work. The hotel industry needs to be more organized, transparent, and adaptive to social and structural changes. Based on the research work few coherent and logical suggestions have been made to hoteliers and government in order to overcome present shortcomings, and more importantly to take corrective action for the betterment of the working capital management.

6.3.1 To the Hoteliers:

1. **Make use of various services offered by the banks:** It has been observed that hoteliers are not using many services offered by the banks presently. The banks offer many fund based and non-fund based services like bank over drafts, bill discounting, letter of credit, bank guarantees, etc. While interacting with respondent bankers it has been observed that hotel industry comes under their caution list. The hotel industry needs to be more organized, transparent, and adaptive to the social and structural changes.

2. **Encourage early settlement of debtors:** Not a single respondent induce early settlement of their dues to their guests. On an average every hotel grants credit up to 30 days. Few respondents have revealed that, such outstanding amount may take more than 45 days to recover. To avoid this excessive credit period, the hotelier may offer them cash discount up to 1% or 2% and reduce the number of permissible days of credit.
3. **Make comparative analysis of cost of capital and cost of spontaneous financing:** It has been observed that repayment periods of creditors are very high. The spontaneous financing certainly controls cash outflow but it may prove costlier if it exceeds the specific time given by the suppliers. If this excess cost charged by the suppliers due to delay in repayment is more than the cost of capital, it is advisable to the hoteliers to repay the creditors within the stipulated time. This also certainly leads to the enhancement of the creditability of the hoteliers.

4. **Provide training to employees about inventory management techniques in Hotel Industry:** Training of different types to employees play a very significant role for the growth and development of the organisation. Updating employees about latest and effective techniques of inventory management is the requirement of the time. This will certainly enhance the productivity and profitability of the hotel.

5. **Pricing:** Normally pricing is cost based, competition based, or demand based. Various bank authorities have pointed out that, there is no uniformity in the hotels room rates. According to the hoteliers, due to keen competition such changes in pricing are required to be done. High rates are quoted in the tariff card, but looking at business quantum, hotel occupancy, frequency of business given by the customers’ etc. room rates may vary. However, this may increase the business of a particular hotel, but affect standardization of the pricing of the hotel competition. Instead of these hotels can decide collectively up to what extent bargaining is to be done with their customers. This can be done with the help of analyzing perceptions of the customers about the pricing.

6. **Induce customers to avail various services of the hotels:** Few years back, to avail services of star hotels was restricted to a certain class of the society. It is the responsibility of the hoteliers to widen the scope of their services. These days even middle class families also earn well. The hoteliers can also approach
to the college students to organize their events and programmes other than few popular events like 31st December night or valentine day.

7. The hoteliers should separate the cash flows for hotel industry from their other businesses. Autonomy needs to be given to finance manager or concern authority for proper planning and control of cash. Excess cash balances should be invested in short term marketable securities after adequate study of financial market. It will improve liquidity as well as profitability of the hotel.

8. Since, the hotel industry has failed to maintain standard room rates, occupancy and thereby profits the investor’s confidence about their performance has been vitiated. The market prices of their shares are very much volatile. Experts in share markets have noticed that investors prefer cash rich companies for their investments. Due to the expansion of the hotels and diversion of funds from hotel industry to some other businesses of the promoters, discourage the investors to invest their funds in hotel industry. According to experts in case investors intend to invest their funds in hotels, size of business matters to them and they prefer to invest in five star hotels stock than others.

### 6.3.2 To Government:

Government has a crucial role to provide various infrastructure facilities to develop Pune City as a Tourism and Hospitality Centre. Government needs to take every possible effort to make Pune City as a tourist-friendly destination. Presently, most of guests who visit the star hotels are from multinational companies or domestic companies. In Pune, 15 five star hotels are there other than three star and four star hotels. Hotel business is mushrooming in the city. To maintain current room occupancy rate under such competition is a real challenge before the hoteliers. They also need to pay attention to tourists as their targeted customers. Government can pay attention on following points for the development and growth of the hotel industry.
1. **Promote Medical Tourism:** Many famous doctors, surgeons, and medical practitioners very frequently visit Pune, who are associate with good hospitals like Ruby Hall, Jahangir Nursing Home, Inlac Budrani Hospital, Dinanath Mangeshkar Hospital, etc. With proper facilities and marketing, medical tourism can be made popular in the city. More is the number of people visit the city more the chances of growth of hotels. Hoteliers can make tie ups with such hospitals to provide accommodation and restaurant facilities to the concern visitors of the hospitals.

2. **Education of other service providers and citizens:** To make the city a trade and tourists’ centre, the citizens of that city need to be educated about certain civic sense, clean and hygienic habits. Hotel business, a couple of years back, was affected badly due the spread of Swine Flu in the city. Hospitality for the guests should not be restricted to hotel premises only. The visitors should experience it on road, railway stations, airport other public, and private places as well. Such culture should be nourished among citizens and service providers. One German study group visited Pune city a few months back. Their feedback about the city is worth to analyze. They have said they learnt many things during their stay here. They also appreciate the city as a knowledge centre. However, they were very upset by the traffic sense of the people and pollutions here.

3. **Advertisement by ministry of tourism:** Proper presentation and advertising about the city needed to be made within or outside the country.

Based on above findings and suggestions the researcher has developed a model to improve efficiency of hotels in Pune with the respect of their working capital management. The flow chart of the suggestive model for efficient working capital management is as follows:
Focus on Retail Business & Tourism with existing Corporate

Better Management of Working Capital

Receivable Reduction

Payable Reduction

Positive Impact on
1. Net Working Capital
2. Quick & Current Ratio

Short – Term Advantages
1. Better Profitability
2. Better Liquidity

Long – Term Advantages
Better Credit Performance
(Investors, Bankers, & Other Stack Holders)

The development of the above model is the contribution given by the researcher towards the Hotel Industry and society.
The contribution to knowledge:

Besides, the findings and suggestions for sound management of the working capital as have been mentioned, this study would no doubt contribute to the knowledge in the field of hotel industry. Further, it will be of practical utility to industrialists and entrepreneurs, particularly those who are engaged in the hotel industry. Due to the detailed field study, present analysis has been able to bring various deficiencies that generally are prevailed in the hotel industry in Pune. Certain recommendations have also been made to improve upon the existing business practices. The significant findings, which have been given, would be very helpful to the management of the hotels, while taking various decisions.

Surprisingly, very less study and research have been made in the area of hotel industry as compared to the other industries in India, in respect of financial management. Present study has certainly contributed to the body of knowledge. At this point, it is important to consider that further studies would no doubt bring to light many more aspects of the working capital management. Hence, the present study would positively be very much essential for further study and research.

6.4 Conclusion:

Hotel Industry is the fastest growing industry in the world. The greater disposable income can be generated from this industry as spending on recreation and leisure has increased worldwide. Globalization has created big market and thereby offers ample opportunities for the hospitality profession. In India, also, Hospitality Industry is one of the leading service industries. Government of India has included it in the priority sector as this is one of the oldest industries in India. The first largest star hotel has been incorporated by Tata Group (Indian Hotels) in India in 1903. However, as compared to other industries this industry still needs to be developed and grown. This study had been carried out to make a survey regarding the management of working capital among the three star, four star, five star, and five star deluxe hotels in Pune. Primary data collected
from these hotels and secondary data referred from the various sources have proved that this industry should give more emphasis on management of various components of working capital (receivables, inventory, cash, creditors, etc.). It would increase hotels liquidity, profitability and firm’s creditability in market.

Along with the hoteliers, it is imperative for the Indian Government to provide required infrastructure for the development of industry and promote hospitality within and outside India.