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IDENTIFYING AND IMPLEMENTATION OF THE FINANCING SOURCES OF TOURIST ENTITIES

Empirical studies

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Abstract

Located at the intersection of the two spheres (tourism markets and financial ones), the tourism entity in Romania is interested in finding the formula to assure optimum financing by attracting financial resources in the field, on the one hand and on the other hand it is interested in meeting the high demand for profit from tourism and economic sphere. The objective determinant of Romanian tourism entity is to maximize the value by carrying out a profitable activity. The touristic entity must obtain profit to generate sufficient funds to distribute cash dividends to shareholders, while paying creditors at a favorable interest on borrowed funds.

1. INTRODUCTION

Society today is much deeper, has become a society of knowledge, freedom and dynamism and tourism is illustrating specifically the valences. Naturally, as the journey always meant, in essence, travel in time and space, discovery, communication and enrichment. Romania has huge natural reserves, untapped tourism, and economic prospects. On the other hand, Romania becomes a country increasingly interesting for international investors; they are ready to invest in local projects viable. Interest Entity strategy development is a challenge of obtaining competitiveness, thus incorporating all shareholders in strategic management.

The process of foundation, development, implementation and evaluation, based on a professional approach and developing a network of relationships with stakeholders between creates grounds implementation with enhanced efficacy and generating additional benefits.

2. MATERIALS AND METHODS

In an economic business investment momentum plays a leading role in its creation, it helps to deploy and develop.

Financial investment carries two major categories of functions:

■ purchase of financial assets by those who possess capital, which they invest in acquiring the rights to the issuer (investment in securities);

■ distribution of securities by those looking for capital to realize an investment and issuing securities offered holders of capital (investment securities).

Depending on the nature and characteristics of key financial, financial instruments are divided into four categories:

1. Primary instruments (basic): shares, corporate bonds, government securities, units in collective management by financial investments.

These are issued by:

■ seekers capital (capital companies and administrations) capital company issue shares and bonds to meet different needs: processes of organization, operation and development, creation or increase its own capital and financial loans. Governments issue bonds to finance the budget deficit or public interest objectives.

Depending on the nature and characteristics of key financial, financial instruments are divided into four categories:

■ specialized financial institutions (funds and investment companies) in collecting and investing savings.

They emit equity and ensure professional management for capital collected, placing it in the existing instruments in the capital markets.

Through the services it offers there are who ensure access for small investors to capital markets.

2. *Special* instruments (emptive rights and rights of attribution).

They accompany the basic or primary financial instruments and they may be traded on the market within a certain time.

Emptive rights are issued by the capital companies during capital increase and there are issued to the old shareholders.

They entitle holders to acquire, in a certain period, shares at a lower price than the market price of the shares.

Award rights are issued once the capital increase by incorporation of statutory reserves and profits for all the old shareholders.

3. *Derivative* financial instruments which are divided into:

Derivatives simple instruments (classical) were created to cover all or part of the risks taken by holders of financial instruments freely. Futures contracts and options consist of the sale or purchase of a certain underlying asset at a fixed future date at a predetermined price. Analysis of fiscal policy in Romania is in the ratio of contemporary general theory of taxation, fiscal policy of the essential coordinates and historical aspects of their actual function of time and space. A proper management at the enterprise level contributes to better products at lower prices, the higher wages and at the same time, to achieve higher incomes for those who have contributed a capital in that undertaking. Therefore, financial management is a subsystem of the overall management of the company, aimed at providing resources, allocation and profitable use increase the company's safety and property (Bogdan I., 2004). Financial management is based on information. Accounting is the source providing the information to be used in making economic decisions, while the main financial management functions are to plan, deliver and use financial funds. All the operations of an enterprise have an equivalent in financial terms. The operations belonging to the successive phases of the three cycle's categories: investment cycle operation and funding cycles that are required to be organized and managed in order to achieve the objectives of enterprise policy.

2.1. Financial management of assets

According to the Financial Policy, part of the gains made by the company, may be used for acquisition of fixed assets sustainably.

Unlike current assets, assets are acquired sustainable enterprise in order to be kept sustainable, aiming for purposes other than immediate consumption or outright sale.

If an asset does not fulfill all the conditions for lasting and minimum value, it is considered current asset.

Recovery times the value of assets by cost or selling price, are determined by the asset lifetimes.

The useful lives are meant to counteract the effects of obsolescence due to technical progress or market effects, which require different kind of products or services, and which, in most cases, involve changes in technology.
If the enterprise does not consider these issues it risks being surpassed by competition, using advanced systems with low energy consumption and high productivity workforce and a low cost of products or services.
Also, in many cases, the company does not have sufficient sources of funding, enabling a rapid change of technology, as the value of property that needs to be replaced not been recovered through depreciation, had to settle lower recovery times.

2.2. General considerations regarding the sources of financing for entities

Integration of emerging markets of Romania who is among developed financial markets is a necessity, but it requires that this process be gradual, taking into account national interests and simultaneously minimizing international integration costs. Developing and integrating international markets primarily involves legislative and institutional harmonization standards imposed by international financial organizations. Full liberalization of capital flows is a necessity for Romania and needs to be gradual, starting from the current characteristics of the capital market so as to be diminished negative effects of liberalization of financial services and capital circulation. Being at teethe two spheres intersection, the entity tourism in Romania is preoccupied in finding the formula to assure funding by attracting financial resources in the field (Figure 1, A flow) on the one hand and, on the other hand, demand and obtaining profit from the economic sphere (Figure 1, B Flow).
The determinant objective of Romanian tourism enterprise is to maximize its value by running a profitable activity to ensure satisfactory remuneration of all its suppliers of capital. This means that tourism businesses to achieve higher profits and, most importantly, to generate sufficient cash funds to distribute dividends to shareholders, while the remuneration of creditors at a favorable interest on borrowed funds company. Maximizing enterprise value interest requires optimal financing decisions, so as to ensure a minimum level of cost of capital and thus increasing its value.
Financial markets have an important role in financing enterprises that additional domestic financial resources, provides direct access to capital provided by investors.
In developing funding decisions, enterprises should establish a financing structure by observing the following goals:

■ first, ensure high remuneration to shareholders through a dividend stimulating policy, depending on the evolution of business and investment prospects;
■ increasing the value of shares listed tourism enterprises;
■ maintaining an appropriate level of self-financing;
■ ensuring an optimal level of debt by reducing the overall cost of financing;
■ indebtedness policy must provide benefits to all providers of capital without increasing the risk of bankruptcy.

Information opportunities of financing such capital consist of:

■ capital contribution came from shareholders;
■ loans;
■ other funding sources, among which, subsidies etc

2.3. The theory of optimal capital structure or static theory of interest holders (Sandu G., 2000) argues that the decision to grant the company is predominantly influenced by the business environment, namely the stakeholders: shareholders, creditors, customers, suppliers, employees, competitors, local community etc. The shareholders and creditors of the company influence the financing policy in their capacity as owners of capital. This theory viewed from another perspective is considered a theory of compromise, whereas tourism enterprise manager must consider the benefits, and borrowing costs to determine the optimal financing structure so as to ensure overall company value maximization. Based on classical theory of financial structure of Modigliani and Miller compromise formula that synthesizes theory *is indebted enterprise value = enterprise value tax unlevered + cost savings - additional cost of bankruptcy value.* (Modigliani F., Miller M. H., 2011).

2.4. Managing short-term financing sources using forecast financial flows.

To use these tools, tourism entity must purchase raw materials and sell travel services to recover the resources.

24.1. **Current assets** are composed, generally, from the availability, financial investments, receivables from clients and effects recovered receivable, inventory and works under execution and expenses paid in advance.
The difference of the current assets is fixed on the temporal character. Moreover, the US economy, a reference for all countries, the balance sheet items is ordered according to the degree of liquidity.

2.4.2. The working capital represents the excess of permanent resources released from long-term funding permanent needs to achieve financial balance of the operating cycle and the Treasury (Stroe R., 2011). This surplus represents a margin of safety for operating activities benefiting from a reliable source of long-term mobilized capital and for which there is concern of being renewed. It can be translated by the formula:

$$\mathbf{F_{rg} = C_p + D_{ftl} - I} \qquad \mathbf{(1)}$$

where:

F_{rg} = The global working capital

C_p = Equity

D_{ftl} = Long term financial debt

I = Property

$$\mathbf{F_{rp} = C_p - I} \qquad \mathbf{(2)}$$

where:

F_{rp} = its owns working capital

C_p = Equity

I = Property

$$\mathbf{F_{rî} = F_{rg} - F_{rp}} \qquad \mathbf{(3)}$$

where:

$F_{rî}$ = The loaned working capital

F_{rg} = The global working capital

F_{rp} = Its owns working capital

In asset management assets should be concerned to base the optimal size of a revolving fund, meaning a size strictly necessary to employ minimal capital costs (dividends and interest on own capital fund for working capital loan) and provide safety financial balance.

2.4.3. Attracted **sources.** Financial and economic balance is based mostly on temporary sources attracted from others within the range of the moment of debt (entrance and reception materials, labor supply, record debts towards public etc.) and that of the due payment. Since current assets represent some gaps adverse receipts (characterized by certain duration liquidity) will allow some discrepancies in compensation of favorable payments (characterized by a period of chargeability). In conclusion, it seeks balance between liquidity during the current assets and liabilities maturity during operation (current liabilities).

The forecast aims liabilities minimum balance, which gives them permanent debt a stable character, so that funds raised are also called passive stable. These are liabilities of tourism enterprise to third parties minimum and renewals permanently in legal terms.

2.4.4. Short-term liquidity. Short-term liquidity of a company is measured by interest coverage of its obligations on the same term.

Liquidity involves the ability to convert assets into cash funds.

Lack of liquidity in the short term can mean for tourism businesses, in addition to inability to pay short-term obligations and unable to benefit from discounts from suppliers of products and services. At this level, a lack of liquidity in the short term implies a lack of freedom of choice and constraints for managers. Also, short-term liquidity nonexistence could lead to the sale of long-term investments and fixed assets to cover short-term obligations. This is a first sign of a possible insolvency and bankruptcy.

Analysis of short-term liquidity represents a particular interest for the hotel manager in managing current operations company financial statements. Predicting short-term financial flows is based on a very important element: sales forecasting.

This requires consideration of the following elements:

■ evolution of past sales and current trend, including seasonality characteristic hospitality industry;

■ the market share of the undertaking hospitality;

■ general characteristics of the economy and the tourist industry;

■ productivity and financial capacity;

■ competitiveness factors.

As the tourism industry is characterized by a high degree of seasonality, businesses in this area must take into account fluctuations in the collections first and then to predict funding requirements, identify periods where it generated a surplus of financial flows, and period's deficient financial flows. Surplus and deficit must be carefully balanced financial flows and forecasted time, so hotel service delivery activities is not affected. The enterprise manager is developing short term strategy for access to financial markets, identifies key funding sources or destinations where streams could invest financial surpluses.

DISCUSION

In contrast to the method of measuring rates of short-term liquidity, financial flow method allows identification of funding sources and destinations of monetary funds in their company. Although not a model common in economic activities of enterprises in Romania and much less interest in activities enterprises, we recommend the current business model of financial flows. It can successfully replace traditional budget. In addition, through a permanent adaptation to future events, it becomes an essential tool of leadership and management of financial flows of short-term travel company.

CONCLUSIONS

Accommodation capacities in Romania, although many do not satisfy increasingly demanding tourists.

A proper funding Romanian tourism industry would bring medium-term national economic stimulus.

As renowned tourist enterprise market performance depends on the types of investors and the perception of it by investors, known as experience and competence in estimating sophisticated investors compared to unsophisticated investors, managers must constantly be interested in their performance of official recognition and increasing their prestige on the market.

Global performance tourist enterprise shall capture all aspects of the current relations with the social partners and its future prospects for development.

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Figures

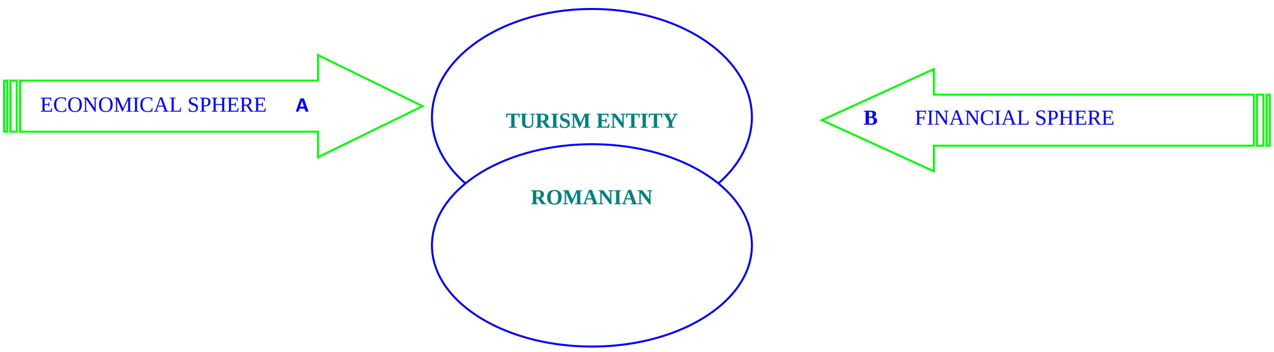

Figure 1. The place of the entity interest in Romania at the intersection of economic and financial spheres
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