Financial planning and budget management in hospitality and dining establishments: Navigating the financial landscape of the hotel and restaurant sector

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1. Introduction

Effective financial management is a crucial factor for success in today's highly competitive hospitality industry. Financial management in this sector plays a key role in ensuring the sustainability and profitability of enterprises. One of the key components of the effectiveness of this process is financial planning. Careful cost analysis, revenue forecasting, and risk management are needed. In the context of the hotel and restaurant business, financial planning also includes the following:

- Development of pricing strategies.
- Controlling the costs of investments in new technologies and equipment.
- Assessing staffing needs and staff training.

Particular attention is given to optimizing inventory costs, organizing supplies, and monitoring financial discipline.

In addition, budget management in the hotel and restaurant business involves careful planning and control over the use of resources. By properly allocating funds between different sectors of the enterprise, its management can ensure the efficient functioning of the entire company. Special attention is given to optimizing the costs for staff, energy consumption, marketing, and advertising, as well as the maintenance of equipment and infrastructure. Therefore, understanding the peculiarities of financial planning and budget management in the hotel and restaurant industry allows companies to achieve stability, efficiency, and competitiveness in complex and changing market environments.

This article aims to analyze the critical aspects of financial management in the hotel and restaurant industry. This includes the peculiarities of financial planning, taking into account the specifics of operations and costs in this industry. This

Abstract: Currently, the hotel and restaurant industry is facing a challenging period due to economic and political instability and the consequences of the COVID-19 pandemic. Under these circumstances, the solution to the current issues in this industry requires an integrated approach to financial management that takes into account the specifics of the hotel and restaurant sector. Furthermore, the development of technologies and changes in consumer preferences also create new opportunities and challenges for financial management in the hotel and restaurant business. Therefore, effective financial planning and budget management are becoming crucial components of the successful operation of hospitality companies. The research findings indicate the negative impact of external factors on the financial sustainability of the hotel and restaurant industry in Ukraine. These factors include employee safety, changes in customer needs, a decrease in tourist flow, economic instability, etc. In this context, financial planning and budget management are becoming vital for adapting the hotel business to such conditions and ensuring stability. Despite the current challenges, the hotel and restaurant industry demonstrates high resource efficiency and the ability to quickly recover from crises. It is necessary to strengthen financial management and budget management strategies, including the rational allocation of resources, the search for funding sources, and the use of advanced financial mechanisms in order to adapt successfully to unpredictable conditions. In this context, financial planning serves as a key tool to mitigate market risks and minimize negative consequences. Financial planning will help to systematize management activities and achieve financial goals under unpredictable conditions.

Keywords: hotel and restaurant industry, financial management, financial indicators, liquidity, profitability, budgeting
article focuses on budget management methods, taking into account internal and external factors affecting financial stability in the hotel and restaurant business. Kashchuk et al. (2023) identified the main aspects of hotel industry development. The authors found that modern management technologies are becoming an essential element of the competitiveness of hotel and restaurant businesses. They analyzed various innovative approaches and technologies that can help companies improve performance and ensure the financial stability of the business. The study revealed that the use of digital technologies, such as mobile applications for table reservations or online room booking, can significantly increase the number of bookings and improve the guest experience. It was also found that the introduction of robotics, process automation, and artificial intelligence can improve facility efficiency, increase guest satisfaction, and improve the financial condition of the enterprise.

A study by Mazur (2023) revealed that the hotel and restaurant business is a key source of economic growth. This is confirmed by its significant impact on the development of other related industries. The author analyzed the theoretical framework for managing the quality of services in this area, identified essential aspects that affect the quality of service, and emphasized the need to effectively manage customer interaction processes. The author has shown that improving the quality of services, developing marketing strategies, and effective financial management are crucial factors for success in this area. The results of the study also indicate the need to ensure the economic stability and sustainability of hotel and restaurant businesses to achieve positive financial results.

Nosyrev and Mishchenko (2021) reported that financial management includes various tasks, including identifying reserves to increase profits, ensuring stable net profit formation by optimizing costs, substantiating the accounting, pricing, and tax policies of the enterprise, and optimizing the distribution and use of profits to increase competitiveness. The authors also emphasized that the development of a profit management strategy should take into account the life cycle and the main success factors. It should be carried out in a certain sequence to achieve the strategic goals of the enterprise. They emphasized that effective profit management is possible only with proper internal control over its indicators, both in general and in the context of financial centers of responsibility.

2. Methods

During the research, we applied the following methods:

- analysis of literature sources was used to identify the basic principles of financial planning and budget management in the hotel and restaurant industry, as well as to determine strategies in the face of changing tourist activity and market conditions;
- analysis of statistical data was employed to analyze the dynamics of hotel and restaurant industry development in Ukraine, identify the reasons for the decrease in the number of business entities, and assess the impact of economic instability on the financial condition of enterprises in this sector;
- The method of generalization was applied to identify strategic directions for ensuring the financial sustainability of tourism enterprises in a changing environment;
- The method of systematization was employed to determine the sequence of managerial actions aimed at the formation and implementation of financial tasks. It allows the creation of a system of strategies and forecasts in the financial management of the hotel and restaurant industry.

3. Results

The hotel and restaurant industry in Ukraine is an essential segment of the economy, especially in terms of tourism development. The increase in tourist flow, both internal and international, creates a demand for hotel and restaurant services. This is reflected in the financial conditions of hospitality companies (Lytvyn, 2022). Financial planning is one of the key aspects of effective management of the hotel and restaurant business. It includes the definition of specific financial goals and strategies to achieve them. Due to seasonality and changes in tourist activity, hotel companies must develop flexible financial plans that take into account changes in market demand and conditions (Sova, 2020). In this context, budget management is one of the most critical aspects of financial management in the hotel and restaurant industry. The efficient allocation of financial resources to various activities, such as marketing, infrastructure maintenance, and staff training, helps ensure the sustainable development of the enterprise and increases its competitiveness. Therefore, understanding the barriers to entering the industry, economic conditions, and consumer demand is critical to optimizing development strategies and improving service in the hotel and restaurant sector (Ivonenko, 2023; Podolchak et al., 2021).

The Ukrainian hotel and restaurant industry, along with other economic sectors, has been struggling in recent years to overcome the consequences of the COVID-19 pandemic in 2020–2021 and to restore the level of performance experienced in 2018–2019. However, this industry has once again faced a large-scale challenge and problems caused by the outbreak of a full-scale invasion. In this context, the threat of losing human lives and tangible assets requires entrepreneurs to consider alternative strategies for survival, stabilization, and future development (Morgulets & Nyshenko, 2023; Zayed et al., 2022). According to the State Statistics Service of Ukraine for 2021, the hotel and restaurant industry includes 69,775 business entities,
with 89.17% being individual entrepreneurs and 10.83% being enterprises. These establishments represent only 3.6% of all business entities in Ukraine. The share of facilities that provide temporary accommodations is equal to 11.65% of the total. Moreover, the percentage of facilities that offer food and beverages is 88.35%, which indicates a steady increase in the number of facilities engaged in food services over the past ten years (SSC of Ukraine, 2022).

Furthermore, a significant decline in 2022 due to the beginning of the full-scale invasion caused a decrease in the number of business entities in the hotel and restaurant sector, as well as a decrease in the number of services provided. The cessation of tourist traffic, loss of customer confidence, and increased economic instability also had a significant impact on the financial situation of companies in the industry. However, the sector is quickly recovering from such heavy damage (Figure 1). Despite these difficulties, the hotel and restaurant sector is actively finding ways to recover and develop. Moreover, the stabilization of the situation and positive economic trends are contributing to the resumption of activity in this sector (Chebysheva, 2022). In addition, it should be noted that the average revenue of restaurant establishments increased by 40%, and the average bill in restaurants increased by 38% compared to that in 2022 (Visit Ukraine, 2023).

The results of the comparative analysis show a significant difference in tax revenues from the tourism industry between the western regions of Ukraine and those in the war zone in the east and south of the country (Figure 2). Western regions, such as Lviv (+26%), Volyn (+23%), and Transcarpathia (+21%), have seen a steady increase in tax revenues, while the regions that have been affected by the fighting for the longest time, such as Luhansk (-82%) and Donetsk (-65%), have seen a significant decrease.

Eastern Ukraine was one of the epicenters of the hostilities, which caused massive destruction and damage to the hotel and restaurant sector. This has caused significant difficulties for businesses and their financial management in these regions. el, which used to be the mainstay of tourist attraction and a source of income for local entrepreneurs, are now in ruins or in need of serious repair and restoration (Strygul et al., 2022). For example, in the Kyiv region, which has witnessed intense military operations, more than 200 hotels have been affected by the war. Due to the decreased flow of foreign tourists caused by the worsening of the situation in the country, in 2022, 99% of hotel visitors were Ukrainian citizens, while only approximately
1% of the total number of tourists were foreigners. This situation necessitates the search for alternative sources of income and investment to restore the hotel and restaurant business (Yurinets et al., 2023; Niziaieva et al., 2022). Therefore, in the context of financial management, the complexity of a situation in the hotel and restaurant industry of Ukraine requires a thorough analysis and adaptation to new conditions (Table 1).

Table 1 The impact of negative environmental factors on the financial sustainability of the hotel and restaurant industry in Ukraine.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Features</th>
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<tbody>
<tr>
<td>Safety of employees and guests</td>
<td>The high probability of fines for violations of security standards means that the costs of security measures (e.g., hiring extra security guards, security equipment, improving security training, etc.) should be taken into account</td>
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<tr>
<td>Changing customer needs</td>
<td>Companies need to adapt to the new psychological needs of consumers by investing in technologies that provide security, convenience, and customer-specific features</td>
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<td>Reduction of tourist flow</td>
<td>The decline in the flow of tourists leads to insufficient occupancy of hotels and restaurants, which affects their revenues and financial stability</td>
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<tr>
<td>Economic instability and reduced purchase power</td>
<td>Increased economic instability, decreased purchasing power and general currency devaluation, all leading to a decrease in corporate profits and the need to implement cost-saving strategies</td>
</tr>
<tr>
<td>Restriction of movement and products supply</td>
<td>Such restrictions affect the availability of supplies for restaurants and hotels. In this case, the consequences are higher prices for supplies and the supply chain, which leads to higher expenses for the company</td>
</tr>
<tr>
<td>Damage to hotel and restaurant buildings</td>
<td>Damage to hotel and restaurant buildings as a result of the war leads to serious costs for their restoration and repair, which affects the liquidity of the company and its financial stability</td>
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<tr>
<td>Restoration of reputation after difficulties or losses</td>
<td>Restoring customer confidence after the negative impact of the war requires investing in marketing and PR campaigns to restore a positive image and attract new customers</td>
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<td>Changes in the legal environment</td>
<td>Changes in the legal environment are not only driven by tax policy and regulations but also by the requirements that guide a company's financial strategies and plans</td>
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<td>State support</td>
<td>Such support involves providing assistance and incentives to ensure the sustainability and survival of enterprises</td>
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Source: Motsa et al. (2022); Plotnikova et al. (2022)

The elimination of adverse environmental factors on the financial stability of enterprises through effective financial management in the tourism industry is aimed at achieving several important goals. First, it is vital to minimize the costs of tourism production, ensuring an appropriate level of service quality and expanding production output. This can be achieved by developing the range and volume of products, opening new markets, and maintaining liquidity to meet timely obligations and prevent financial problems. In addition, it is essential to avoid significant financial risks and failures by ensuring the stability and financial security of tourism enterprises. This includes developing strategies to prevent serious financial difficulties and ensure the enterprise's stable financial condition in a changing environment (Chistyakova & Strygul, 2023; Podolchak et al., 2014).

To survive, hotel and restaurant businesses in Ukraine need to actively adapt to daily changes, taking advantage of situational management, as mentioned in previous publications. Labor immigration can be one way to cope with staff shortages, especially for low-skilled workers, which is widely practiced in countries that have rebuilt their economies after wars and crises (Morgulets & Nyshenko, 2023; Borodiyenko et al., 2023). For example, after World War II, Germany attracted human resources from countries such as Italy, Spain, Greece, Turkey, and Morocco. Therefore, attracting foreigners to hotel and restaurant businesses and adapting to cross-cultural environments can be effective solutions. It is essential to pay attention to the possibility of organizing a company's work in such a way that it can take into account the cultural differences between employees and customers from different countries. In addition, the issue of integrating cross-cultural management will ensure the effective organization of operations in a multicultural environment of the enterprise (Nosyrev et al. 2022; Gavkalova et al., 2022).

In this context, hotel and restaurant enterprises need to ensure an effective strategy for the development and systematic improvement of financial management. This includes the development of long-term goals, methods, and tools for achieving growth in the planned period to ensure the long-term competitiveness of the enterprise. Financial planning is a necessary final part of strategic planning in the system of general financial management. It allows companies to take into account economic potential and creates a basis for the successful implementation of a company's development strategy (Cherchyk & Kuvika, 2024).

Financial planning serves as a key tool for reducing uncertainty in the market environment and minimizing its negative consequences for the enterprise. The latter can be achieved by systematizing management activities to formulate and implement financial goals. The development of financial plans is based on production indicators, such as production and sales volumes, the use of fixed assets, and the analysis of various resources (Panchenko, 2023). On the other hand, norms and financial standards are supplemented by taking into account trends in the development of indicators, which allows the effectiveness of financial planning to be assessed. In particular, it is vital to take into account strategic goals, such as increasing...
market share and expanding operations, for assessing its success (Shulga, 2023). However, in the current environment, the efficiency and accuracy of financial planning are becoming key challenges. External factors, such as price fluctuations and economic instability, as well as internal factors, including production costs and management costs, complicate the financial planning process and its effectiveness (Borisova, 2020; Pugachov et al., 2022).

The main goal of developing a system of financial plans is to determine the financial needs of the hotel and restaurant sector for a certain time period while ensuring effective cash flow management and maximum financial discipline. The main goal of financial planning is to establish financial discipline and incentivize staff. Financial planning in hotels includes financial strategy, as well as current and operational planning of financial actions. Additionally, a hotel's financial strategy aims to find ways to accumulate capital and optimize the allocation of financial resources for business development (Charkina et al., 2021; Novak et al., 2022).

Budget management in the hotel and restaurant business is becoming a challenging task due to the unstable economic and political situation in Ukraine. Negative changes in the accumulation of funds by the budget system of this sector require attention to the search for additional sources of financing, including government loans. Effective budget management involves the rational allocation of resources, in particular, the allocation of funds for innovation and investment projects or the repayment of the principal amount of public debt. It is crucial to adhere to certain principles and, first, to limit the amount of the budget deficit according to the amount of budget investment. The implementation of progressive financial mechanisms and monitoring of risks and threats will be the primary measures taken to strengthen the investment potential of hotel and restaurant businesses in the face of economic instability (Boka & Palchevych, 2021; Banyeva et al., 2023).

Among the key components of the adopted strategy for the development of the financial activities of the hotel enterprise for the relevant period, we can highlight the following:

- determination of methods and volume of investments, as well as their structure and priority areas;
- the selection of optimal forms of economic cooperation with partners;
- argumentation of strategic decisions to stabilize or improve the financial condition of the hotel.

In today's context, there are three key types of financial strategies that characterize hotel companies: active growth strategies, financial stability strategies, and financial recovery strategies (Savtytska et al., 2021). As an example, Ribas Rooms Bila Tserkva by Ribas Hotels Group has been in low demand since the beginning of the full-scale war in Ukraine, given that Bila Tserkva (Kyiv region) is an industrial city and business clients are currently absent as the main target audience due to frequent missile attacks by the Russian army. However, thanks to effective financial planning, even with low occupancy (20-25%), the hotel has managed to ensure sustainability and continues to operate, attracting local customers. During the war period, a multifunctional complex, including the Emily Resort hotel, was established in Vynnyky (Lviv region). However, since the onset of the conflict, the hotel, which had not yet been officially opened, has been accommodating individuals who have been evacuated from various cities in Ukraine. Thus, the hotel's management focused financial resources on social responsibility, which should ensure a positive image and a steady flow of customers in the future (Commercial property, 2022). Currently, maintaining an efficient infrastructure and minimizing staff losses or layoffs are becoming challenging tasks for the Ukrainian hotel sector. Therefore, in this context, reaching the break-even point becomes a primary goal and strategic goal for hotel companies. It will help to maintain financial stability during difficult economic conditions and ensure the possibility of further development and survival in the market (Gres-Yevreinova & Shapoval, 2021; Kvasnii et al., 2023).

As a result, the hotel business has the potential to successfully adapt to quarantine and martial law. However, this requires the development of new strategies aimed at optimizing financial management. It is necessary to use best international practices and innovative approaches in financial planning, budgeting, cost control, and liquidity management to effectively adapt to new conditions. The application of such strategies will help the hotel business overcome crisis challenges and ensure the stability of its financial situation, as well as revenue growth under unpredictable conditions (Unichenko, 2023; Kovalenko et al., 2023).

4. Discussion

We can partially agree with Kashchuk et al. (2023) regarding the importance of innovative technologies in the hotel and restaurant business and their potential to improve the efficiency and competitiveness of enterprises. However, based on this research, it should be noted that the successful implementation of such technologies also depends on their adaptation to the specifics of a specific market and customer needs. In addition, we believe that the study of promising forms of hotel business organization, such as apart hotels, can expand our understanding of the processes and challenges faced by this industry in Ukraine, particularly in the context of financial management. Therefore, it is vital to consider these aspects when introducing innovative technologies and different forms of business organization.

We agree with Mazur (2023) that successful operations in the hotel and restaurant industry require a comprehensive management approach, including ensuring a high quality of services and developing effective marketing strategies and careful financial planning. The hotel and restaurant business is an important source of economic growth because it contributes to the development of related industries, such as transportation, travel agencies, and delivery services. To ensure the stable development of the industry, the author recommends focusing on ensuring the quality of services, the stable development of

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marketing strategies, and effective financial management. Therefore, we agree with the author that effective financial management ensures the stability and profitability of the enterprise. This is important for the long-term operation of hotel and restaurant businesses.

We agree with the statement of Nosyrev and Mishchenko (2021) about the importance of effective profit management as a key aspect of the financial management of an enterprise. Their conclusions about the need to identify reserves to increase profits, ensure the stability of net profit generation, and optimize costs reflect essential principles of financial strategy. In addition, we agree with the justification of the company’s accounting, pricing, and tax policies that meet the modern requirements of profit management to strengthen competitiveness and achieve successful financial results.

5. Conclusion

The hotel and restaurant industry in Ukraine is a key segment of the economy. In this sector, effective financial planning and budget management play an essential role in ensuring the sustainability and competitiveness of enterprises. In recent years, the Ukrainian hotel and restaurant industry has been actively struggling with the challenges posed by the COVID-19 pandemic and the imposition of martial law, such as the cessation of tourist flow, loss of customer confidence, and growing economic instability. This has significantly affected the financial situation of companies in this sector. However, the hotel and restaurant industry is highly resilient and quick to recover from difficult times.

In this context, it is important for hotel and restaurant enterprises to develop effective financial management development strategies. Such strategies include the development of long-term goals, methods, and tools for achieving growth during the planned period to ensure the long-term competitiveness of the enterprise. In turn, budget management in the hotel and restaurant sector is becoming a challenge due to economic instability. Negative changes in the industry’s finances require the search for additional sources of funding, including government borrowing and rational allocation of resources. Effective management implies proper allocation of funds and limitation of the company’s budget deficit. The use of progressive financial mechanisms and risk monitoring are becoming priority measures to strengthen the investment potential of hotel and restaurant businesses. It should also be noted that financial planning, which is a critical component of not only financial management but also strategic planning, is a key tool for reducing market environment risks and minimizing negative consequences by systematizing management actions and directing them to achieve financial goals.

Ethical considerations

Not applicable.

Conflict of interest

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