



THE IMPORTANCE OF MANAGEMENT'S FINANCIAL DECISIONS FOR THE OPERATIONS OF TOURISM ENTERPRISES

Abstract: One of the essential things of management activities is making business decisions, including financial decision-making. Financial decision-making in tourism management is characterized by the need for action and the existence of several guidelines for its realization. At the same time, the connection of the listed activities to the function of proper financial decision-making is the basic requirement and task of the financial manager in tourism. Of course, all this in the direction of achieving the ultimate goal, increase in shareholder share price. In that sense, the financial management in the enterprises in the field of tourism should give an answer to the optimal use, i.e. use of funds, provision of sources of financing, providing sources of financing, providing optimum cost of the engaged capital, deciding on the distribution of profits, as well as the dividend policy.

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Introduction

The subject of the research of this paper is the role of financial management and making quality financial decisions for effective and efficient operation of tourism companies and tourism development. This paper is expected to create a clear picture of the perception of financial decisions in companies in the field of tourism. Theoretical research and understanding of the role and importance of financial decision-making by management will develop the basic ways of tourism development. The complex treatment of this issue in the paper is expected to be a benefit from a theoretical and practical point of view. In that way, it would contribute to the dynamic development of tourism and its adequate promotion.

1. The concept of financial management

Financial management covers a wide range of economic activities dedicated to capital that creates surplus value. The term "financial management" consists of two words. The word "finance"

(English "finance", German "Finazien", Italian "finanze") comes from the French word "finance", which means "money", and the word "management" means management¹.

Financial management can be viewed bilaterally - as a scientific discipline and as a function of a tourism company. Financial management as a scientific discipline develops from the science of finance and studies financial management in the enterprise. Financial management is closely related to other scientific disciplines, especially accounting and economics. Financial management is a specialized type of management.

Financial management as a function of the enterprise in the field of tourism covers the activities of the enterprise that relate to the acquisition, financing and management of property, having in mind the basic purpose of operation. The management of the finances is done through the management of the cash flows of the tourist enterprise. The management of the financial activity is realized on the basis of knowledge of: economics, financial law, informatics, accounting, mathematical and statistical methods, the theory of forecasting and planning and others. Also, financial management requires good knowledge of other fields of finance, such as financial markets and institutions, because the responsibility and field of work of the financial manager is to mediate with the financial environment and raise funds. Knowledge of investing is also required, because investing in shares requires knowledge of the principle of shares and rules of stock portfolio management and because the final share price is determined on the financial market². Financial management includes planning, organization, motivation, control and the like. The definition of the term financial management is closely related to the definition of the term financial relations.

According to the broader understanding, financial relations encompass the process of reproduction as a whole. In that sense, the financial management in a broader sense can be defined as a component of the financial policy, which includes an activity aimed at achieving the set goals using the selected instruments. This approach is physiocratic. The members of this direction considered production as the main source of wealth. According to the narrower understanding, financial relations do not cover the whole process of reproduction, but only the distribution phase. In this sense, financial management can be defined as a complete method of best redistribution of income, in order to preserve temporarily free cash. This approach corresponds to mercantilism. The members of this direction considered that the sources of wealth are in trade.

The specificity of financial management is that it is based on several basic categories: value of cash resources, cash flows, entrepreneurial and financial risks, cost of capital, efficient market, return on equity, solvency and more. It is necessary to always forecast, plan and evaluate how a separate decision will affect the efficiency of the enterprise in the field of tourism, industry and the national economy as a whole. In addition, it should be assessed whether individual decisions will lead to certain disproportions.

Finance is the lifeblood of business tourism entities, and financial management is central to the tourism business³. Financial management has a special place in the management system, because there is a close relationship between finance and management, technology, resources, staff and the like. Often the sources of financial problems are in those areas. On the other hand, mistakes in financial management can lead to negative consequences in the field of technology management, resources, personnel and more. In the general management it is noticed that the problems in the field of finances are often related to the fluctuation of staff, outdated technologies and the like.

In our country, as in other countries that are going through a transition of ownership and management, financial management is gaining real importance. In these countries, in addition to socially owned or state-owned enterprises, there were almost no other economic entities. In addition, the macroeconomic policies and economic system of those countries reduced the importance of money, so the activities covered by financial management were less important. In the face of our situation, financial management in market economies has long been an important scientific and practical discipline.

2. Financial management against the goals of companies in the field of tourism

¹ The following translations are used for management: leadership, leadership, management, management, administration, management, operation, procedure, readiness, skill, saving, keeping.rr

² Negro, Z., F., (2001), *Finansiski management*, Visoka skola za turizam - Sibenik, Sibenik,

³ Negro, Z., F., (2001), *Ibid*, 2.

Negro, Z., F., (2001), *Ibid*, 6.

Successful financial management presupposes the realization of numerous specific financial activities for achieving the goals of the company in the field of tourism, and it does not matter which employee in the travel company is responsible for their execution⁴. The goals of financial management are outside of finance, that is, they are not an end in themselves. They should reflect the expected social and economic outcome of financial management. The specificity of the goals of financial management lies in their formulation. The main goal of financial management at the state level is to strengthen the system of social relations that exist in a given country. For a democratic state, this means elaboration and realization of such decisions, which should not bring the special layers of the society in an illegal state. Therefore, when making decisions in financial management, their consequences should be assessed not only in absolute terms, but also from the position of their correlation with the legal norm. When making financial decisions⁵, the following should be sought:

- reduce the likelihood of making wrong decisions,
- to reduce the costs for their realization,
- to reduce the risk in the implementation of decisions and the like.

There are several financial goals of the company in the field of tourism. The main financial goal of the travel company is to increase. The employees strive for themselves to provide maximum economic benefit through the operation of the company in the field of tourism. Therefore, for the employees, primarily the shareholders, the main goal of the operation of the tourist enterprise is to increase their assets, wealth and well-being.

Often as a proven way to maximize profits advocates maximizing earnings per share. The share is a long-term security, with no maturity and it expresses ownership⁶. However, this may not be an appropriate goal, as it does not set deadlines and the duration of expected returns. In this regard, the question can be asked - will the investment venture that will achieve a return of 1,000,000 denars, after five years be injured by the project that will achieve an annual return of 150,000 denars each year for the next five years? The answer to this question depends on the time value of money for the tourism company and investors.

Another disadvantage of this goal in the operation of the travel company is the risk. Every investment project has its own level of risk, which means that some are more risky than others. It is therefore expected that the movement of earnings per share will be different in different investment projects. Financial risk also affects the total risk of the investor.

With such goals set, the impact of the dividend policy on the market share price is not taken into account. If the maximization of earnings per share would be the only goal, the company in the field of tourism would not pay dividends, because by retaining profits and its further investment at a positive rate of return increases earnings per share. Maximizing earnings per share would not be a satisfactory goal in itself, to the extent that dividend payments can affect the value of a share.

Given the above reasons, the goal of maximizing earnings per share does not have to be the same as the whole maximization of the market price per share. The market price of a share is an estimate of the value of the enterprise by all participants in the financial market. When forming these prices, the current and future earnings per share, the time period, the duration and the risk of those earnings, the dividend policy of the tourist enterprise, as well as other facts relevant to the market price of the shares are taken into account. The market price serves as a barometer for the success of the operation, because it shows how much the tourism management works for the benefit of the shareholders. Shareholders who are dissatisfied with the work of tourism management can sell their shares. The sale of shares is realized at market price, which at the moment of sale depends on the supply and demand of the share⁷ and the received funds to invest in another company. If other dissatisfied shareholders do the same, it will help reduce the market price of the share.

In addition to the main financial goal, there is a secondary goal, ie:

- maximizing net profit in the long run, and
- strengthening the financial strength.

⁴ Negro, Z., F., (2001), *Ibid*, 7.

⁶ Trajkoski, B., (1997), *Business Finance with Financial Management*, Ss. "Kliment Ohridski" - Bitola, Faculty of Economics - Prilep, 132.

⁷ 10Trajkoski, B., (1997), *Ibid*, 136

1. The net profit is a part of the gross profit (reduced for interest and taxes), which remains at the disposal of the tourist enterprise. The net profit in the joint stock companies is the work of: a) dividend profit, of which pays dividends, b) retained earnings, from which the permanent capital of the enterprise in the field of tourism is made and used for financing the development, covering losses, payment of dividends in case of lack of net profit and c) reserves, to cover business and financial risk. Net profit is a condition for the survival of the tourism company in the competitive struggle in the tourism market.

Maximizing the overall profit of the company in the field of tourism is not the best measure of good financial management. The travel company can increase the total profit, invest it in bonds or other securities, and the employees (shareholders) do not benefit from it financially, at least not at the moment. In addition, the company in the field of tourism can increase the profit by issuing new shares, while there is no decrease in earnings per share, if a proportional increase in shares should increase the net profit from which payment is made. of dividends⁸. Therefore, the criterion is a measure of the profitability of earnings per share (net - total profit).

From the aspect of making a profit, the goal of the travel company is maximization of net profit, which can be tabulated as follows:

Table 1. Maximization of net profit

MAXIMUM OF NET-PROFIT					
Maximum of profits		Maximum of spending		Maximum of tax	
Increase sales volume	Rising prices	Reduce existing costs	Reduce variable costs	Reduction of the tax base	Tax rate reduction

2. Strengthening the financial strength is the second goal of the financial management in the tourism enterprise. Financial strength consists of two components: a) quantitative and b) qualitative.

- Quantitative financial strength is the volume and value of the property. This component means: compliance of fixed assets with work tasks and compliance of fixed assets with reverse assets. If the fixed assets are not in line with the work task, the consequence may be insufficient use of tourist facilities or bottlenecks in production, ie. providing services. Non-compliance of fixed and reverse assets may cause delays in production or performance of services and the like.

The inverse assets should be used to service the fixed assets, but in a minimum quantity and value that will cause the least costs. Therefore, the optimal volume of fixed and reverse assets should be sought. Within the quantity of financial strength, the following should be sought: harmonization of short-term and long-term financing, harmonization of own and foreign capital and maintenance of financial balance. The quantity of financial strength determines the scope of operations.

- The quality of financial strength consists of: permanent ability to pay liabilities on time (solvency), permanent ability to short-term current operations and long-term financing of the development, permanent ability to invest in tangible, financial and other property, retaining the value of own property (operating without losses), increasing the property of the owner by achieving net profit and retaining profit and permanent ability to meet the needs of employees, managers in tourism and the state (tax collection).

The quality of financial strength conditions the ability to work, which is why it is primary in terms of quantity. The quality of financial strength means the ability to pay, finance, invest and the like. Without this ability there is no possibility for good operation and survival of the company in the field of tourism. Without financial strength, a positive financial result can not be achieved and retained profit can not strengthen the financial strength of the travel company, nor can the value of the property and wealth of employees (shareholders) be maximized. It should be noted that some financial managers usually lose and some gain, and it depends on their knowledge, skill experience, combativeness, perseverance and the like⁹.

⁸ 11Trajkoski, B., (1997), Ibid, 134.

⁹ Negro, Z., F., (2001), Ibid, 8.

Conclusion

The topic covered in this paper is "The role of financial management in the operation of companies in the field of tourism." The motivation for processing this topic was the fact of the great importance of the management and business financial decisions for effective and efficient operation of tourism companies, and thus the development of tourism. It is also worth noting that there are a small number of researches in this field, within our area, so it should be further studied from a scientific and professional point of view given its relevance.

Based on certain research, the great importance of financial management for the operation of tourism enterprises, as well as for the development of tourism is confirmed. Unfortunately, it is concluded that not enough attention is paid to this issue in the companies in the field of tourism in the Republic of Macedonia and it is high time to make fundamental changes in the attitudes of managers involved in tourism to management as the most important segment of the tourist offer. and as an important factor for quality services. However, there is a strong impression that there is no adequate readiness of the top managers in the Republic of Macedonia, with certain exceptions, to implement that initiative. New professional staff should be promoted who would overcome the indifference of the current managers in tourism. They would completely accelerate the development of tourism. It is necessary to make maximum use of and valorize the tourist values that our country has at its disposal by including professional management, because it has a crucial role for effective and efficient operation of companies in the field of tourism, by making quality financial decisions. In this context, we must not forget the fact that one of the most important factors for rapid tourism development and greater competitiveness in the domestic and international tourism market is the financial management in tourism.

Topic that is processed in this paper is „The role of Financial Management in doing business of Tourism companies“. As motivation was the fact for the meaning of management and finance decisions for doing business in tourism companies and that on tourism development. It is worth it note that there are not many researchers on this areas in a frame our spaces, by the same should be and beyond scientific and professional aspects.

In this context, not seeds the fact that one of the most important factors of fast tourism development and for the major competitiveness of domestic and international touristic market is the financial management in tourism.

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