

ANALYSIS OF FINANCIAL STRENGTH AND LIQUIDITY OF LISTED COMPANIES IN TOURISM SECTOR IN CROATIA

Vlasta Roška, PhD, Assistant Professor¹
Dalija Kuvačić, PhD, Assistant Professor²

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Abstract: *The main goal set in Croatian Tourism Development Strategy is to place Croatia among the 20 leading tourist destinations in the world. Companies in the tourism sector need constant investments in increasing attractiveness and competitiveness. Good liquidity and financial strength of the companies in tourism are necessary for new investments.*

The main aim of this paper is to determine how well the companies in the tourism sector on the Zagreb Stock Exchange cover their liabilities, short or long term, from their profit or from the working capital. The analysis of the companies listed on the Zagreb Stock Exchange is based on four indicators: Financial strength, Quick Ratio, Current Ratio and Financial Stability Coefficient. These four indicators are calculated for years 2017, 2012 and 2008. Statistical data processing was done with SPSS program. The research result showed that the management of touristic companies listed on the Zagreb Stock Exchange achieves better liquidity and solvency in 2017 than in 2012 and 2008.

Keywords: *Financial Strength, Current Ratio, Quick Ratio, Financial Stability Coefficients*

1. INTRODUCTION

The most important goal in Croatian Tourism Development Strategy [1] is to place Croatia among the 20 leading tourism destination in the world by 2020 by increasing attractiveness and competitiveness. In 2017, there were 13% more tourist arrivals recorded than in 2016 and that is the best result since 2008. In 2017, there were 10% of 5 stars, 47% of 4 stars and 33% of 3 stars hotels in Croatia [2]. Investments in the tourism sector are growing and we are expecting, according to EC analysis [3], investment of 1.2 billion euros in the next five years. 60% of the total number of investments will be completely new projects and hotels.

The companies listed on the Zagreb Stock Exchange in the tourism sector should lead the way for the development of tourism in Croatia. This research includes 26 companies in the tourism sector, including hotel companies, marines and camp activities. Only 26 companies have published their financial statements for all three investigated years: 2017, 2012 and 2008. The year 2017 is the last year of published financial statements and represents the latest situation and period when normal business was finally established after a period of world and state financial crises. The year 2012 in Croatia is the year of the beginning of pre-bankruptcy settlements in which a lot of companies settled their debts write-off or converted the debts with equity. The 2008 is the first year of the world's financial crises and a lot of companies in Croatia like in all the world stayed out of new financial injections.

The main aim of this paper is to determine how well the companies in the tourism sector on the Zagreb Stock Exchange achieve their liquidity and solvency for the research period.

¹ University North, Trg dr. Žarka Dolinara 1, Koprivnica, Croatia

² Zagreb University of Applied Sciences, Vrbik 8, Zagreb, Croatia

2. THEORETICAL BACKGROUND

The biggest part of economy in Croatia depends on the touristic season. The touristic season is not only interesting for touristic sector but also for all activities connected with tourism and also for state budget.

Description	2008 (2007*)	2012	2017
Revenue from tourism (bil. EUR)	7.4	6.8	9.5
% of tourism in BPD	15.7 %	15.4 %	19.6 %
Number companies in tourism	4.153	5.929	10.339
Number of profit companies*	2.135	2.829	6.003
Number of companies in loss*	2.018	3.100	4.336
Profit – loss* (000 HRK)	-91.599	-723.125	1.472.689
Investment in long-term assets (000 HRK)	4.484.952	2.128.211	2.486.714

Table 1: The basic characteristic of tourism sector in Croatia

Table 1 shows the basic elements of tourism sector in Croatia [4]. Growth trends of revenue in tourism points to the importance and impact that tourism has on the Croatian economy. The share of travel revenue from tourism amounts to 19.6 % in total GDP in 2017 and it significantly increased its share according to 2012 and 2008. In 2007 and 2012 consolidation result of tourism sector realized loss, in 2017 it realized profit. Investment in the long-term assets is slowly increasing.

In the research of market risk [5] authors concluded that during „all three observed periods, 2006 to 2007, 2008 to 2009 and 2013 to 2014, Hotel-Management and Tourism are generally considered the safest sectors. The last six years of recession in Croatia have almost left no trace on tourism sector “.

Management and investor can calculate the important indicators for company’s business and financial health from the basic financial statement like balance sheet and profit and loss. In the financial balance analysis of hospitality companies based on balance sheet data [6] author find out that the hotel companies have only 3.73 % of short-term assets and 96.37% of long-term material assets. The correlation between short-term and long-term assets is typical for hotel sector because of big value of material assets.

In the research [7] of the 134 Greek hotels for the 2006- 2010 period, authors found that the size of companies influence the financing. The cheapest and the fastest access to the source of a financing have large corporations. Solvency and liquidity indicators are both equally important for a company’s financial health. Solvency measures company’s ability to meet its long-term financial liabilities. Liquidity measures company’s ability to pay short-term obligations. An investor should use both indicators to get the complete picture of company’s financial position. Solvent company reduces long-term business risks.

The lower is the company’s solvency ratio, the greater is the probability that it will default on its debt obligations. Few solvency ratios exist, but in this research Financial Strength Indicator is used.

Financial strength, as one of the indicators of solvency, was created when the BEX index was established in 2007 for listed companies in Croatia [8]. „The particular value of Financial Strength as an indicator of financial performance is that it is a dynamic indicator of solvency which has the proven power of predicting the company’s financial standing in the future” [9].

Financial Strength shows how much the company covers its total obligations from the Cash Flow or, like is calculated in this paper, net profit increased by depreciation and amortization.

„The shorter is the period in which the liabilities are covered by earnings from cash flow, its impact on excellence is progressively increasing ... and the longer it takes, the impact of this indicator decreases degressively „ [10].

Value of Financial Strength	Description
Financial Strength = 1	The company maintains its solvency in satisfactory proportions
Financial Strength > 1	The company increases its solvency and strengthens its financial strength. Looking at the longer term, the company may reduce its long-term liabilities
Financial Strength < 1 > 0	The company reduces its solvency and weakens its financial strength. Looking at the longer term, the company will probably have to increase its long-term liabilities
Financial Strength = Negative	Existence of the company was compromised. If this situation lasts longer, the company is threatened by financial breakdown (bankruptcy)

Table 2: Performance Rating Based on Financial Strength Indicators

Table 2 shows the value and significance of Financial Strength [11]. Financial Strength is better if its ratio more than 1.

Financial Strength shows how much a company's generate free cash from net profit increases of depreciation and amortization to cover their liabilities. The advantage of this new ratio, is to indicate the time of covering liabilities. If companies cover liabilities in a shorter time, that increase the company's ability to increase investment and further business improvement. If companies have a negative Financial Strength for a long period of time, it is threatened by financial problems as well as possible bankruptcy. The disadvantage of this indicator is the depreciation and amortization impact on the indicator, especially if the company uses accelerated depreciation and amortization. In that case company show a better ratio in a first few years and suddenly falls after a period of accelerated depreciation.

Liquidity ratios "are of great importance in evaluating the riskiness of a firm's securities... and aid in assessing the financial strength of the firm" [12]. Elements for calculation of liquidity ratios are in balance sheet. A company's balance sheet shows us financial date of assets, liabilities and equity at a specific point in time. Because of that, "short-term assets and liabilities are easily changed, measures of liquidity can rapidly become outdated" [13]. Liquidity ratios can give us information about the solvency of the companies and their "ability to remain solvent in the event of adversity" [14].

Liquidity ratios used in this paper are Current Ratio, Quick Ratio and Financial Stability Ratio.

Cash ratio is not used because cash often has a high volatility and "cash ratio has to be higher than current liabilities which are due within a month" [15].

The quick ratio measures company's ability to meet its short-term liabilities with its most liquid assets and therefore excludes inventories from its current assets. It is also known as the „acid-test ratio." This ratio needs to be 1 or bigger.

Quick ratio shows ability of the company to settle its current liabilities by using available quick cashable current assets. "It is common to emphasize that its value has to be 1 or above, including conclusion that the company which wants to maintain normal liquidity must have at least amount of quick cashable current assets in the amount of current liabilities ,, [16].

The current ratio measures company's ability to pay off its current liabilities. Current liabilities need to be payable within one year with its current assets such as cash, accounts receivable and inventories. This ratio needs to be 2 or bigger. The higher the ratio, the better the company's liquidity position. "Current ratio normally should be greater than 2" [17]. Higher value of current assets represents lower liquidity risk and higher amount of liquidity reserves. Current assets structure is determined by industry of company and quality of its business operations.

The financial stability coefficient represents the ratio of long-term assets and capital increased by long-term liabilities. „This indicator must be less than 1 because the company must finance part of its short-term assets from high-quality long-term sources, i.e. working capital. The smaller is the value of this indicator, its liquidity and financial stability is higher, i.e. the share of working capital is increased. The tendency to increase this indicator is usually not good as it indicates a reduction in liquidity and financial stability" [18]. If an indicator is greater than 1, it means that long-term assets are financed from short-term liabilities or that there is working capital deficit.

In the research, the following Financial Strength (FS), Quick Ratio (QR), Current Ratio (CR), Financial Stability Coefficient (FSC) were calculated according to the formulas shown in Table 3.

Description	Numerator	Denominator
Financial Strength	5x (Net profit + Depreciation + Amortization)	Total Liabilities
Quick Ratio	Current Assets - Inventory	Current Liabilities
Current Ratio	Current Assets	Current Liabilities
Financial Stability Coefficient	Long term assets	Capital + Long term Liabilities

Table 3: The main formulas

3. THE GOALS, BASIS AND HYPOTHESIS OF THE RESEARCH

The companies in tourism need to have a good liquidity and solvency if they want the increase of investment in new capacity or increase of the number of stars of their hotels.

The main aim of this paper is to determine how well the companies in the tourism sector on the Zagreb Stock Exchange cover their liabilities, short or long term, from their profit or from the working capital. The result shows how much the management of touristic companies listed on the Zagreb Stock Exchange is effective in achieving liquidity and solvency for the research period and if the situation today is better than in 2012 and 2008.

The research described in this paper is based on information obtained from the financial statements of 26 companies from the tourism sector listed on the Zagreb Stock Exchange in 2017, 2012 and 2008.

The following statistical hypotheses are used for confirmation of the main aim:

The first statistical hypothesis:

H0: There is no statistically significant difference in Financial Strength depending on which year ratio is calculated

H1: There is a statistically significant difference in Financial Strength depending on which year ratio is calculated

The second statistical hypothesis:

H0: There is no statistically significant difference in Quick Ratio depending on which year ratio is calculated

H1: There is a statistically significant difference in Quick Ratio depending on which year ratio is calculated

The third statistical hypothesis:

H0: There is no statistically significant difference in Current Ratio depending on which year ratio is calculated

H1: There is a statistically significant difference in Current Ratio depending on which year ratio is calculated

The fourth statistical hypothesis:

H0: There is no statistically significant difference in Financial Stability Coefficient depending on which year ratio is calculated

H1: There is a statistically significant difference in Financial Stability Coefficient depending on which year ratio is calculated.

For the statistical analysis, this paper uses Descriptive Analysis, a Nonparametric test like Friedman test and Wilcoxon signed-rank test. The Friedman test is the non-parametric alternative to one-way ANOVA with repeated measuring. The non-parametric test is used because data samples are not normally distributed and the assumption of normality is violated. Friedman test is based on mean rank, not mean value. The test compares the ranked value with expected values in a chi-square analysis.

When the Friedman Test shows a statistically significant difference in the value of the Mean Ranks between the years further analysis should be continued to see where the differences between the research periods are. Before continuation with Post hoc analysis with Wilcoxon signed-rank test, the Bonferroni correction needs to be conducted. A Bonferroni adjustment of the results from the Wilcoxon test is necessary because multiple comparisons are made and there is a possibility of Type I error that will show that a result is significant when it should not be (Type I error). In the calculation of Bonferroni adjustment, it will take the significance level into consideration which is initially used (in this case 0.05) and divide it by the number of three tests that we are conducting.

The statistical study used the software IBM SPSS.

4. RESEARCH RESULTS

This research involved 26 companies which published annual reports in the years 2017, 2012 and 2008 on the Zagreb Stock Exchange. Hotels, marinas or camping activities are the main business activities of all 26 companies in this research in the tourism sector. From 2012 to 2017 19 % of the companies in the group were involved in the pre-bankruptcy settlement in an attempt to save companies from bankruptcy. Some of the mentioned pre-bankruptcy settlement are not yet finished.

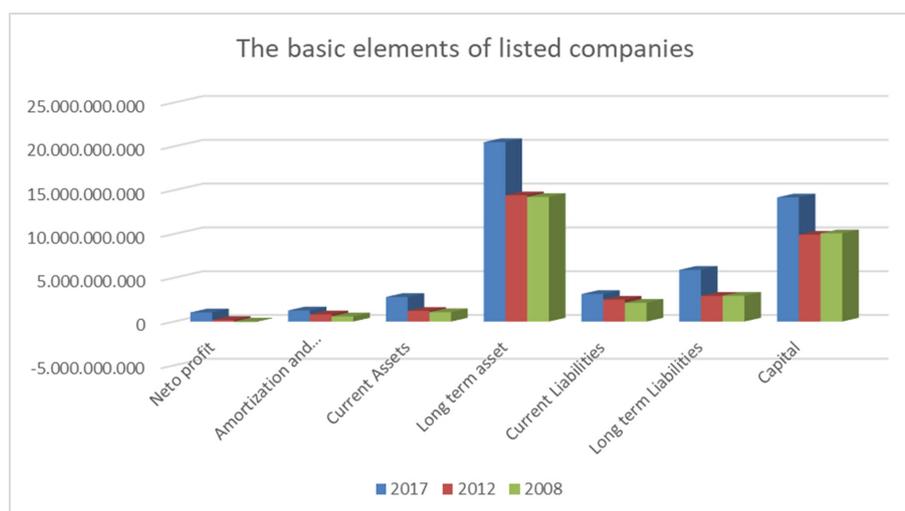


Chart 1: The characteristic of the listed Companies

The common characteristic of the researched companies for the years 2017, 2012 and 2008 is shown in Chart 1. It is a visible trend of increase of all examined variables for every examined year, especially in 2017.

Description	2017/2012	2017/2008	2012/2008
Net result (profit -loss)	574 %		
Amortization and Depreciation	156 %	216 %	139 %
Current Assets	230 %	263 %	114 %
Long-term Asset	142 %	144 %	101 %
Current Liabilities	126 %	147 %	117 %
Long-term Liabilities	202 %	201 %	99 %
Capital	143 %	141 %	98 %

Table 4. Horizontal analysis of basic elements of listed companies

Horizontal analysis of basic element of listed companies is shown in Table 4. The financial result of the group (profit minus loss) in 2008 was a loss, but in 2017 profit has increased by 474% in comparison to 2012. The costs of amortization and depreciation in 2017 are increased by 56 % in comparison to 2012 and by 116% in comparison to 2008. Current assets of the group in 2017 are increased by 130 % in comparison to 2012 and by 163% in comparison to 2008. Long-term assets in 2017 are increased by 42% in comparison to 2012 and 44 % in comparison to 2008. Current Liabilities in 2017 are increased by 26% in comparison to 2012 and 47 % in comparison to 2008. Long-term Liabilities in 2017 are increased by 102 % in comparison to 2012 and 101

% in comparison to 2008. Capital in 2017 is increased by 43 % in comparison to 2012 and 41 % in comparison to 2008.

Solvency and liquidity of listed companies in tourism listed on Zagreb Stock Exchange will be analysed according to four indicators: Financial Strength, Quick Ratio, Current Ratio and Financial Stability Coefficient. Financial Strength is a new indicator of solvency and all the others are indicators of liquidity. First step is analysis of all indicators by Friedman Test, to find out if significant differences exists for each indicator in three research periods: 2017, 2012 and 2008. Friedman test compares the Mean Rank, not mean value.

Descriptive Statistics								
	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
FS2017	26	1.504	1.708	-0.365	6.599	0.399	0.905	1.635
FS2012	26	1.332	2.576	-2.142	8.936	-0.104	0.600	1.776
FS2008	26	0.437	1.534	-3.035	5.005	-0.231	0.144	0.686

Friedman Test	
Ranks	
	Mean Rank
FS2017	2.65
FS2012	2.00
FS2008	1.35

Test Statistics ^a	
N	26
Chi-Square	22.231
df	2
Asymp. Sig.	.000

a. Friedman Test

Table 5: Friedman Test for Financial Strengths

The result of the Friedman Test for Financial Strengths is shown in Table 5. There is a statistically significant difference in Financial Strengths $\chi^2(2) = 22.231$, $p = 0.000$. Because $p < 0.05$ we will reject the first null hypothesis. The Mean Rank is the biggest in 2017 (2.65) and the lowest in 2008 (1.35).

Friedman Test Financial Straights has shown a statistically significant difference in the value of the Mean Ranks between the years. We will continue with Post hoc analysis with Wilcoxon signed-rank test to see where the differences between the research periods are. Before continuation with Post hoc analysis with Wilcoxon signed-rank test, Bonferroni correction is needed to be conducted to avoid the possibility of Type I error that will show that a result is significant when it should not be (Type I error). Calculation of Bonferroni adjustment will take the significance level into consideration which is initially used (in this case 0.05) and divide it by the number of three tests what we are conducting. So, in this example, we have a new significance level of $0.05/3 = 0.017$. This means that if the p-value is larger than 0.017 we do not have a statistically significant result.

Wilcoxon Signed Ranks Test

		Ranks		
		N	Mean Rank	Sum of Ranks
FS 2012 - FS 2017	Negative Ranks	20 ^a	13.30	266.00
	Positive Ranks	6 ^b	14.17	85.00
	Ties	0 ^c		
	Total	26		
FS 2008 - FS 2017	Negative Ranks	23 ^d	14.13	325.00
	Positive Ranks	3 ^e	8.67	26.00
	Ties	0 ^f		
	Total	26		
FS 2008 - FS 2012	Negative Ranks	20 ^g	14.60	292.00
	Positive Ranks	6 ^h	9.83	59.00
	Ties	0 ⁱ		
	Total	26		

- a. FS 2012 < FS 2017
- b. FS 2012 > FS 2017
- c. FS 2012 = FS 2017
- d. FS 2008 < FS 2017
- e. FS 2008 > FS 2017
- f. FS 2008 = FS 2017
- g. FS 2008 < FS 2012
- h. FS 2008 > FS 2012
- i. FS 2008 = FS 2012

Test Statistics^a

	FS 2012 – FS 2017	FS 2008 – FS 2017	FS 2008 – FS 2012
Z	-2.299 ^b	-3.797 ^b	-2.959 ^b
Asymp. Sig. (2-tailed)	.022	.000	.003
a. Wilcoxon Signed Ranks Test			
b. Based on positive ranks.			

Table 6: Wilcoxon Signed Rank Tests for Financial Strengths

The result of the Wilcoxon signed-rank test for Financial Strengths is shown in Table 6. Post hoc analysis with Wilcoxon signed-rank test was conducted with applied Bonferroni correction, resulting in a significance level set at $p < 0.017$. Median Financial Strengths for the year 2017 was 0.905 (0.394 to 1.635), for the year 2012 it was 0.600 (-0.104 to 1.776) and for the 2008 it was 0.144 (-0.231 to 0.686), respectively. There were significant differences between the Financial Strengths in between the 2008 vs 2017 ($Z = -3.797$, $p = 0.000$), and between 2008 vs. 20012 ($Z = -2.959$, $p = 0.003$). In 2008 vs. 2017, 23 negative ranks and 3 positive ranks were found. In 2008 vs. 2012, 20 negative ranks and 6 positive ranks were found. There were no significant differences between the Financial Strengths in 2012 vs 2017 ($Z = -2.299$ $p = 0.022$).

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
QR 2017	26	2.627	6.360	.046	32.79	.336	.860	2.184
QR 2012	26	.785	.903	.02	3.58	.177	.393	1.013
QR 2008	26	1.108	1.557	.04	5.87	.141	.545	1.126

**Friedman Test
Ranks**

	Mean Rank
QR 2017	2.38
QR 2012	1.73
QR 2008	1.88

Test Statistics^a

N	26
Chi-Square	6.077
Df	2
Asymp. Sig.	.048
a. Friedman Test	

Table 7: Friedman Test for Quick Ratio

The result of the Friedman Test for Quick Ratio is shown in Table 7. There is a statistically significant difference in Quick Ratio depending on the year for which the ratio is calculated $\chi^2(2) = 6.077$, $p = 0.048$. Because $p < 0.05$ we will reject the second null hypothesis. The comparing Mean rank of Quick Ratio (2.38) is the biggest in 2017.

Wilcoxon Signed Ranks Test

Ranks

		N	Mean Rank	Sum of Ranks
QR 2012 - QR 2017	Negative Ranks	19 ^a	1.05	267.00
	Positive Ranks	7 ^b	12.00	84.00
	Ties	0 ^c		
	Total	26		
QR 2008 - QR 2017	Negative Ranks	17 ^d	13.53	230.00
	Positive Ranks	9 ^e	13.44	121.00
	Ties	0 ^f		
	Total	26		
QR 2008 - QR 2012	Negative Ranks	12 ^g	13.25	159.00
	Positive Ranks	14 ^h	13.71	192.00
	Ties	0 ⁱ		
	Total	26		

- a. QR 2012 < QR 2017
- b. QR 2012 > QR 2017
- c. QR 2012 = QR 2017
- d. QR 2008 < QR 2017
- e. QR 2008 > QR 2017
- f. QR 2008 = QR 2017
- g. QR 2008 < QR 2012
- h. QR 2008 > QR 2012
- i. QR 2008 = QR 2012

Test Statistics^a

	QR 2012 - QR 2017	QR 2008 - QR 2017	QR 2008 - QR 2012
Z	-2.324 ^b	-1.384 ^b	-.419 ^c
Asymp. Sig. (2-tailed)	.020	.166	.675

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

c. Based on negative ranks.

Table 8: Wilcoxon Signed Rank Tests for Quick Ratio

The result of the Wilcoxon signed-rank tests for Quick Ratio is shown in Table 8. Post hoc analysis with Wilcoxon signed-rank test was conducted, with applied Bonferroni correction, resulting in a significance level set at $p < 0.017$. Median Quick Ratio for the year 2017 was 0.860 (0.336 to 2.184), for the year 2012 it was 0.393 (0.177 to 1.013), for 2008 it was 0.545 (0.141 to 1.126). However, there was not a statistically significant change in Quick Ratio in 2012 vs 2017 ($Z = -2.324$, $p = 0.020$), Quick Ratio in 2008 vs 2017 ($Z = -1.384$, $p = 0.166$) and Quick Ratio in 2008 vs 2012 ($Z = -.419$, $p = 0.675$).

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
CR 2017	26	2.690	6.373	.05	32.86	.414	.934	2.217
CR 2012	26	.837	.941	.03	3.83	.199	.482	1.043
CR 2008	26	1.176	1.561	.06	5.92	.169	.649	1.167

Friedman Test

Ranks	
	Mean Rank
CR 2017	2.31
CR 2012	1.77
CR 2008	1.92

Test Statistics ^a	
N	26
Chi-Square	4.000
df	2
Asymp. Sig.	.135

a. Friedman Test

Table 9: Friedman Test for Current Ratio

The result of the Friedman Test for Current Ratio is shown in Table 9. There is no statistically significant difference in Current Ratio depending on the year for which the ratio is calculated $\chi^2(2) = 4.000$, $p = 0.135$. Because $p > 0.05$ we will accept the third null hypothesis.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
FSC 2017	26	1.040	.439	.0001	2.73	.887	1.004	1.064
FSC 2012	26	1.957	4.422	.49	23.61	.995	1.054	1.124
FSC 2008	26	1.488	2.196	.56	12.21	.990	1.044	1.129

Friedman Test

Ranks		Test Statistics ^a	
	Mean Rank		
FSC 2017	1.73	N	26
FSC 2012	2.00	Chi-Square	3.769
FSC 2008	2.27	df	2
		Asymp. Sig.	.152

a. Friedman Test

Table 10: Friedman Test for Financial Stability Coefficients

The result of the Friedman Test for Financial Stability Coefficients is shown in Table 10. There is no statistically significant difference in Financial Stability Coefficients depending on the year for which the ratio is calculated. $\chi^2(2) = 3.769$, $p = 0.152$. Because $p > 0.05$ we will accept the fourth null hypothesis.

The statistical analysis of this paper works with mean ranks, not with mean value.

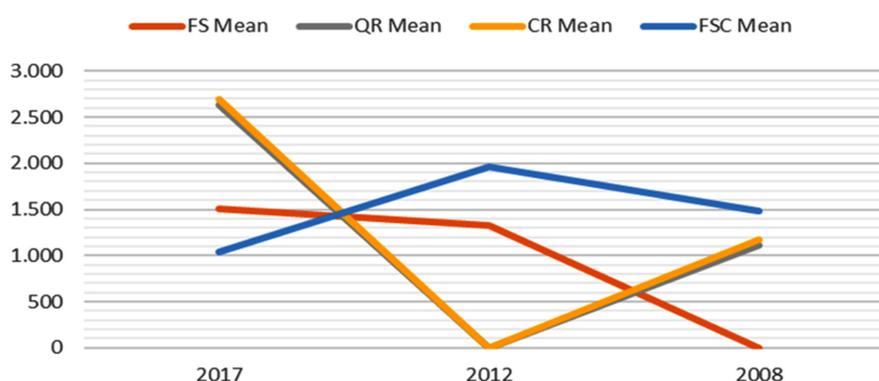


Chart 2: The Mean Value of the main Indicators

The mean value of the main indicators is shown in chart 2. The solvency of the listed company according to indicator of Financial Strength shows the improvement from 2008 to 2017, by increasing of mean value from 0.437 in 2008 to 1.504 in 2017. The financial strength in 2017 show that companies in tourism listed in Zagreb Stock Exchange increased their solvency and strengthened their financial strength. Looking at the longer term, the companies may reduce their long-term liabilities. The mean value of Quick Ratio and Current Ratio is almost the same. The mean value in 2008 was the lowest. The mean value of Quick Ratio was 2.627 in 2017, 0.785 in 2012 and 1.108 in 2008. The value of Quick Ratio needs to be bigger than 1, that means the mean in 2017 and 2008 are satisfied. The Current Ratio was 2.690 in 2017, 0.837 in 2012 and 1.176 in 2008. Only 2017 has the ratio bigger than 2. Higher value of current assets represents lower liquidity risk and higher amount of liquidity reserves.

The Financial Stability Coefficient has the lowest mean value in 2017, but in all three period is bigger than 1, in 2017 is 1.040, in 2012 is 1.957 and in 2008 is 1.488. That indicator needs to be less than 1, because companies need to finance one part of current assets from the long-term liabilities.

5. CONCLUSION

Adequate financial position means lower liquidity risk and greater financial stability of the company. A good financial position is needed to prepare the companies for day to day operating and long-lasting successful business.

The ratio result of the researched companies are not normally distributed and for that reason the median shows the better result of this research. The median of Financial Strength shows that companies slowly recover from 0.144 in 2008 to 0.905 in 2017. The ratios show that companies in 2017 are in the stronger financial position, but they still need to work on the improvement of their financial strength. The Quick Ratio median is the best in 2017 (0.860). The same situation is with the Current Ratio median (0.934). The both ratios show that companies still have a problem with covering their short-term liabilities. The Financial Stability Coefficient median is in all years bigger than 1, which shows working capital deficit for the research companies, but this deficit is the smallest in 2017.

All that results shows that the management of touristic companies listed on the Zagreb Stock Exchange achieve better liquidity and solvency in 2017 than 2012 and 2008. The share of working capital is slowly increased, especially if liquidity and financial stability is higher from year to year.

In this research, the main factor of limitation is that there are only 26 touristic companies with the published financial statement in 2008, 2012 and 2017 on the Zagreb Stock Exchange.

The number of companies is not big, but the size and significance of these companies is. Results in this research, if they are not representative for whole tourism sector, at least represent significant Croatian companies on Zagreb Stock Exchange. All the crises have shown that only financially strong and stable companies with adequate liquidity and solvency survive, and that the research companies need to work on that area.

Further research needs to involve the rest of the companies in the tourism sector. Also, further research can go towards determining the competitiveness of Croatian hotels in relation to the upcoming competition in the form of the world well-known hotel brands.

The sector which creates 15 to 20% of national GDP demand special efforts of companies, as well as government. Increasing the liquidity and financial strength of companies in tourism listed on the Zagreb Stock Exchange, with the opening of new credit lines and better use of the EU funds, will enable increase of existing or new capacity, existing standards or services. All that will contribute to achieving even better business results and more satisfied guests.

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