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A Study on Liquidity and Solvency Analysis of Indian Hotel Industry

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Introduction

The India tourism and hospitality industry has emerged as one of the key drivers of growth among the services sectors in India. Tourism in India is an employment generator and a significant source of foreign exchange for the country, apart from being an economic activity that helps local and host communities. In 2013, the travel and tourism industry contributed Rs 2.17 trillion or 2 per cent to the country's gross domestic product (GDP). This is expected to rise to Rs 4.35 trillion in 2024.

The tourism industry in India is thriving due to an increase in foreign tourist arrivals (FTA) and a great number of Indians traveling to domestic destinations than before. The revenue from domestic tourism is likely to grow by 8.2 per cent in 2014 as compared to5.1 per cent a year ago, according to the World Travel and Tourism Council (WTTC). Hotels are also an extremely important component of tourism industry. The Indian hospitality industry has been growing at a cumulative annual growth rate of 14 per cent every year adding significant amount of foreign exchange to the country.

Hotels are important employers of labour. Thousands of jobs are provided by hotels in the many occupations, which make up the hotel industries in most countries; many others in the industry are self-employed and proprietors of smaller hotels.

The role of hotels as employers is particularly important in areas with few alternative sources of employment, where they contribute to regional development. Therefore, it is significant to evaluate the liquidity and solvency position of Indian Hotel Industry.

Review of Literature

With particular reference to the hospitality industry, and in an attempt to identify the most useful financial ratios as perceived by lodging general managers, corporate executives, bankers, and owners of lodging companies, Schmidgall (1989) found that these different groups attach varied degrees of importance to the various financial ratios. For example, general managers consider the operating and activity ratios as the most useful, owners give profitability ratios more importance. Liquidity ratios were considered more useful by corporate executives. The study indicated that solvency ratios are the most important to bankers; and for the financial executes, profitability and activity ratios were perceived as more useful than others.

Singh & Schmidgall (2002) investigated the importance of liquidity, solvency, activity, profitability and operating ratios as perceived by 500 lodging financial executives. Importance and frequency of usage of these ratios were measured by a questionnaire employing a six-point semantic differential measurement scale. The final analysis indicated that operating and

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profitability ratios are the most important ratios for lodging managers. However, no calculations of these ratios with regard to the lodging companies were carried out, and no other segments of the hospitality industry than the hotel segment were included in their study.

Objectives of the study

The main objective of the present study is to analyse the liquidity position of the selected hotel companies in India.

Scope of the study

There are about 1722 such hotel companies which are working in India on 31st December 2010. Hence the present study is confined to Hotel companies consisting of one central public sector and three private sectors only.

Research Methodology

Research design

The present study is an analytical study on Liquidity Analysis of Indian hotel Industry. The study is primarily analytical in the sense that it analyses the various financial variables based on secondary data. The methodology adopted for the study is presented in the following paragraphs.

Sampling Design

The present study is undertaken based on a sample of four Indian Hotel companies which share is about 10 per cent of total share of Indian Hotel Industry. The entire analysis is based on the data relating to liquidity analysis of the following hotel companies only.

1. Indian Hotels Company Limited (IHC)
2. East Indian Hotels Limited (EIH)
3. India Tourism Development Corporation Limited (ITDC)
4. Hotel Leela Venture Limited (HLV)

Collection of data

The present study is mainly based on secondary data on hotel industry. Only hotel group-wise data are used. In order to carry out the aforesaid objectives, the secondary data were collected relating to hotel industry. The secondary data were collected from published sources like the published annual reports of companies which have been collected from the official website of the selected hotel companies, various publications of Hotel Company’s association and individual companies, various books, periodicals, journals, thesis, newspaper and websites. The papers presented by experts in various conferences have also been reviewed.

Processing of data

All the data have been classified, tabulated for better comprehension and analysis. Simple mathematical tools like ratios, percentage and averages and statistical tools such as regression analysis, standard deviation and One-way analysis of variance have been applied for analysis of data. All the analysis has been done using SPSS for windows release 16.00 statistical package.

Framework of Analysis
In the present study some mathematical and statistical tools have been applied in order to realize the objectives of the study. The tools applied and the relevance of its applications is described below.

The techniques of Ratio analysis has been used to study the magnitude and trend of profit and loss account and balance sheet of hotel companies during the study period.

Standard deviation has been used to determine the variation in the ratios among the hotel companies.

Hypotheses
The liquidity of the selected hotel companies in India have been analysed by the testing the following null hypotheses.

1. There is no significant difference in current ratios of selected hotel companies during the study period.
2. There is no significant difference in quick ratio of the selected hotel companies under study.
3. There is no significant difference in debt equity ratio of the selected hotel companies under study.

Period of Study
A period of 10 years from 2002-2003 to 2011-2012 has been covered under the present study.

Liquidity Ratios
Liquidity is a Company's ability to meet its maturing short–term obligations. Liquidity is essential to conducting business activity, particularly in times of adversity, such as when a business is shut down by a strike or when operating losses ensue due to an economic recession or a steep rise in the price of a raw material or part. If liquidity is insufficient to cushion such losses, serious financial difficulty may result. Poor liquidity is analogous to a person having a fever-it is a symptom of a fundamental problem.

Current Ratio
It is the most widely used measure of testing liquid position of a concern. It is applied to test solvency and short-term financial strength of a concern. It indicates the relationship between firm's current assets to current liabilities. In the form of equation the current ratio may be expressed as:

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

This ratio is also known as current assets and current liabilities ratio, solvency ratio, "working capital ratio or 2 to 1 ratio." "Current ratio is a tool for measuring the short-term stability or ability of a company to carry on day-to-day work and meet the short-term commitments earlier".

Table 1: Current Ratio of the Indian Hotel Industry from the year 2002-2003 to 2011-2012

Year	IHC	EIH	HLV	ITDC	Average
2002-2003	1.54	1.04	0.97	1.46	1.25
2003-2004	2.53	1.07	1.36	1.39	1.59
2004-2005	2.21	1.05	3.03	1.49	1.95
2005-2006	2.37	1.17	2.40	1.56	1.88
2006-2007	1.29	1.04	1.10	1.40	1.21
2007-2008	1.33	0.69	1.70	1.71	1.36
2008-2009	2.28	1.24	0.80	2.00	1.58
2009-2010	1.73	0.89	0.72	1.68	1.26
2010-2011	1.33	2.42	0.75	1.75	1.56
2011-2012	0.86	0.94	0.44	1.85	1.02
Average	1.75	1.16	1.33	1.63	1.46
S.D	0.57	0.47	0.83	0.20	0.59
Maximum	2.53	2.42	3.03	2.00	2.50
Minimum	0.86	0.69	0.44	1.39	0.85

Source: Data compiled and computed from annual reports and accounts from the year 2002-2003 to 2010-2012

Inference

It is inferred from table 1 that the current ratio of the Indian Hotels Company Limited showed downward and fluctuating trend during the study period. The average ratio was 1.75. The ratio ranged between 2.53 in 2003-2004 and 0.86 in 2011-2012. The ratio of East Indian Hotels Limited ranged between 2.42 in 2011-2012 and 0.69 in 2007-2008 with fluctuating trend during the study period. The average ratio of the India Tourism Development Corporation Limited was 1.61. The ratio ranged between 2.00 times in 2008-09 and 1.39 times in 2003-04 with fluctuating trend during the study period. The ratio of the Hotel Leela Venture Limited was minimal of 0.44 in 2011-2012 and maximum of 3.03 in 2004-05 with an average of 1.33. The ratio showed highly fluctuated trend during the study period. The industry average is 1.46 which is not up to the standard because the selected companies have not maintained the standard of 2:1.

Testing of Hypothesis - ANOVA

Null Hypothesis: There is no significant difference in the current ratios of the selected hotel companies in Indian Hotel Industry during the study period.

Table 2: Analysis of Current Ratio – One way ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	2.216	3	.739	2.336	.090*
Within Groups	11.380	36	.316		
Total	13.596	39			

Source: Computed from table 1
***Note:** Significant at 5 per cent level

Inference

It is inferred from the above analysis that there is no significant difference in current ratios of selected hotel companies during the study period at 5 per cent level of significant.

Table 3: Analysis of Variance of Current Ratio by Duncan Method

Name of the company	**N**	**Subset for alpha = 0.05**	
		1	**2**
East Indian Hotels Limited	10	1.1550	
Hotel Leela Venture Limited	10	1.3270	
India Tourism Development Corporation Limited	10	1.6290	
Indian Hotels Company Limited	10		1.7470

Source: Computed from table 1

Inference

From the table 3 it is observed that the results of ANOVA test are fully supported by Duncan method. There are two subsets, where Indian Hotels Company Limited falls under the second subset, and other three hotel companies falls under the first subset. That is, the mean value of current ratio of Indian Hotels Company Limited is higher than that of other three hotel companies. It is below the standard norm of 2:1.

The mean value of current ratio of Indian Hotels Company Limited is satisfying the standard norm. The other three hotel companies are not fulfilling the standard norm. This is because; the cash and bank balance and the inventory are at decreasing trend during the study period. Hence, it is better to increase the cash and bank balance and inventory of East Indian Hotels Limited and India Tourism Development Corporation Limited to meet their short term obligations. In order to increase the cash and bank balance, those companies are advised to increase their profit.

Liquid Ratio

This ratio is also known as acid test or quick ratio and is another widely used device for judgment of true short-term solvency of a business. This ratio establishes a relationship between the quick assets (liquid assets) and current liabilities of a firm. Liquid assets for accounting purpose include all current assets except stock and prepaid expenses. This way liquid ratio overcomes the drawbacks of the current ratio. It may be expressed as

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

A quick ratio of 1:1 is the standard norm for evaluating the accuracy of the information pertaining to going concern solvency of a business. This ratio specifically indicates the extent to which the liquid assets are available to set off the current obligations of a concern during a period of time.

Table 4: Liquid Ratio of the Indian Hotel Industry from the year 2002-2003 to 2011-2012

Year	IHC	EIH	HLV	ITDC	Average
2002-2003	2.29	0.89	1.07	1.15	1.35
2003-2004	3.24	0.94	1.16	1.18	1.63
2004-2005	2.32	0.99	3.02	1.32	1.91
2005-2006	2.39	1.05	2.79	1.31	1.89
2006-2007	1.43	1.01	1.02	1.30	1.19
2007-2008	1.81	0.88	1.82	1.63	1.54
2008-2009	2.40	1.14	0.82	1.88	1.56
2009-2010	1.57	1.20	0.86	1.52	1.29
2010-2011	1.19	2.31	1.21	1.57	1.57
2011-2012	0.81	0.89	0.46	1.72	0.97
Average	1.95	1.13	1.42	1.46	1.49
S.D	0.72	0.43	0.86	0.24	0.66
Maximum	3.24	2.31	3.02	1.88	3.24
Minimum	0.81	0.88	0.46	1.15	0.46

Source: Data compiled and computed from annual reports and accounts from the year 2002-2003 to 2011-2012

Inference

It is observed from the Table 4 that the quick ratio of Indian Hotels Company Limited was fluctuating trend during the research period. The ratio was 3.24 times in 2003-2004 and then it decreased to 1.43 times in 2006-2007. The ratio was 2.40 times in 2008-2009 and it went up to 0.81 times in 2011-2012. The ratio ranged between 3.24 times in 2002-2003 and 0.81 times in 2011-2012 with an average of 1.91 times. The standard deviation of this ratio is 0.72 times. The ratio showed that during the whole study period company could not maintain the quick ratio according to the norms. During the period of study, the ratio was higher than the standard norm of 1:1. It indicates that the Indian Hotels Company Limited is keeping the quick assets in an idle position.

It is clear from Table 4 that the quick ratio of East Indian Hotels Limited was a fluctuated trend with an average of 1.13 times. The ratio was 0.89 times in 2002-2003 and then it went up to 1.05 times in 2005-2006. The ratio was 0.88 times in 2007-2008 and then it gradually increased to 2.31 times in 2010-2011. The ratio was 0.89 times in 2011-2012. The ratio ranged between 2.31 times in 2010-2012 to 0.88 times in 2007-2008 with the standard deviation of 0.44 times. The ratio was not according to the norms during the study period.

It is understood from Table 4 that the quick ratio of the India Tourism Development Corporation Limited was upward trend during the research period. The ratio was 1.15 times in 2002-2003 and then it increased to 1.17 times in 2011-2012. The ratio ranged between 1.88 times in 2008 -2009 and 1.15 times in 2011-2012 with an average of 1.46 times. The standard deviation of this ratio is 0.24 times. The ratio showed that during the study period company could not maintain the quick ratio according the norms. The ratio was higher than the standard norms of 1:1 during the period of study. This is not advisable one.

It is inferred from the Table 4 that the quick ratio of Hotel Leela Venture limited with fluctuating trend during the study period. The ratio was 1.07 times in 2002-2003, which then went up to 3.02 times in the year of 2004-2005. The ratio slipped to 0.46 times in the year of 2011-2012. The ratio ranged between 3.02 times in 2004-05 and 0.46 times in the year 2011-2012. The average ratio was 1.42 times with standard deviation of 0.86. The ratio was higher than the standard norms of 1:1 during the study period except the year 2008-2009 (0.82), 2009-2010 (0.86) and 2011-2012 (0.46). Therefore it is not advisable.

Testing of Hypothesis - ANOVA

Null Hypothesis: There is no significant difference in the liquid ratios of the selected hotel companies in Indian Hotel Industry during the period of stud

Table 5: Analysis of Liquid Ratio – One way ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	3.154	9	.350	.770	.645*
Within Groups	13.660	30	.455		
Total	16.814	39			

Source: Computed from table 4
***Note:** Significant at 5 per cent level

Inference

It is inferred from the Table 5 that the difference in the liquid ratios of the selected hotel companies during the study period is not significant at 5 per cent level.

Table 6: Analysis of Variance of Liquid Ratio by Duncan Method

Name of the Company	N	Subset for alpha = 0.05	
		1	2
East Indian Hotels Limited	10	1.1300	
Hotel Leela Venture Limited	10		1.4230
India Tourism Development Corporation Limited	10		1.4580
Indian Hotels Company Limited	10		1.9450

Source: Computed from table 4

Inference

It is observed from the Table 6 that the results of ANOVA test are fully supported by Duncan method. There are two subsets, where East Indian Hotels Limited falls under the first subset and the other hotel companies form the second subset. It shows that the mean value of liquid ratio of East Indian Hotels Limited is lesser than the other three hotel Companies. Totally the selected hotel companies have maintained the ratio above the standard norms. This is because they are keeping the inventory at low level. Hence these companies are advised to increase their inventory level to equalize the standard norm of the liquid ratio.

Debt Equity Ratio

This ratio is also called “External Internal” equity ratio and is generally represented in the form of percentage. It is calculated by dividing total debt of a business by its net worth. In simple words, a relationship is established between external equities, that is, the total outside liabilities and internal equities, that is, the shareholders’ funds or the tangible net worth. Thus,

$$\text{Dept to Equity Ratio} = \frac{\text{Total Debt}}{\text{Net worth}}$$

“For the purpose of calculation of this ratio, the term shareholders’ equity includes share capital, reserve & surpluses minus miscellaneous expenses (if any).

This ratio is also known as 'Net Worth to Total Indebtness Ratio'. This ratio is an indicator of the extent to which debt financing has been exploited by business. Generally, the ratio of 1:1 is considered satisfactory, that is, the loans & borrowing should not exceed the net worth.

This ratio indicated the soundness of debt equity mix by measuring the amount of long-term obligations in relations to the amount contributed by owners. The importance of this ratio lies in the fact that a proper mix of debt and equity aids in improving the rate of capital formation. It also helps in assessment of permanent liabilities of the organization in comparison to owners' fund. It can measure the relative interest of owners and long-term creditors in a Company.

A high ratio indicating higher claims of creditors as compared to owners' funds is least desirable. Although it may enable a concern to relish the advantage of high leverage, yet during market uncertainties such capital structure is bound to suffer unfavourable market conditions. Whereas, a low ratio always adds points of safely in creditor's account, this ratio is a conflicting margin for creditors and shareholders of the concern. As creditors always prefer a low debt equity ratio for, the lower the ratio, the larger will be the amount contributed by owners of the concern and greater the stock of security to the creditors. Whereas, a higher ratio is favoured by shareholders, as in that case they can derive optimum benefit from the assets provided by creditors through leverage.

Table 7: Debt Equity Ratio of the Indian Hotel Industry from the year 2002-2003 to 2011-2012

Year	IHC	EIH	HLV	ITDC	Average
2002-2003	0.85	1.05	3.02	0.03	1.35
2003-2004	1.54	1.23	2.87	0.17	1.63
2004-2005	0.89	1.21	1.63	0.11	1.91
2005-2006	0.32	0.89	1.93	---	1.89
2006-2007	0.53	0.85	1.39	---	1.19
2007-2008	0.56	0.76	2.84	---	1.54
2008-2009	0.58	0.86	3.49	---	1.56
2009-2010	0.98	1.07	3.48	---	1.29
2010-2011	0.75	0.35	4.28	---	1.57
2011-2012	0.67	0.07	2.29	---	0.97
Average	0.77	0.83	2.72	0.03	1.09
S.D	0.33	0.37	0.91	0.07	1.11
Maximum	1.54	1.23	4.28	0.17	1.80
Minimum	0.32	0.07	1.39	0.03	0.45

Source: Data compiled and computed from annual reports and accounts from the year 2002-2003 to 2011-2012

Inference

It is inferred from the Table 7 that the debt to equity ratio of Indian Hotels Company Limited was fluctuating trend with an average of 0.77 times. The ratio of the company was decreased from 1.54 times in 2003-2004 to 0.32 times in 2005-2006 and then it slowly increased to 0.98 times in 2009-2010 with the standard deviation of 0.34 times. The ratio was maximum in 2003-2004 (1.54) and minimum in 2005-2006 (0.32). During the period of study, the debt to equity ratio is below 1 except 2003-2004. As per rule, if the ratio is more than that of 1, the amount of risk assumed by creditors increases. Hence, the study reveals that a major portion of fund of the

Indian Hotels Company Limited was gathered from the shareholders than that of outsiders. It indicates that the risk assumed by creditors decreases.

It is clear from the Table 7 that the debt equity ratio of East Indian Hotels Limited was fluctuating and declining during the study period. The ratio was 1.05 times in 2002-2003 and then it went up to 1.23 times in 2003-2004 and then it went down to 0.76 times in 2007-2008. The ratio was maximum at 1.23 times in 2003-2004 and minimum at 0.07 times in 2011-2012. The average ratio was 0.83 times. The standard deviation was 0.37. The ratio was less than 1 in most of the years of study. It shows that the risk assumed by creditors decreases.

It is observed from the Table 7 that the debt equity ratio of India Tourism Development Corporation Limited was decreasing trend during the study period. The average ratio was 0.03 times. Such type of capital budgeting decision was good, because there is no risk for creditors. But the company is advised to increase the net worth to invest in fixed assets.

It is evident from the Table 7 that the debt equity ratio of Hotel Leela Venture Limited was fluctuating trend during the study period with an average of 2.72 times. The ratio fluctuated from a lowest 1.39 times in 2006-07 to highest 4.28 times in 2010-2012. The ratio was higher than 1 during the entire period of study. It indicates that the risk assumed by the creditors increases. Hence such type of capital budgeting is not advisable.

Testing of Hypothesis - ANOVA

Null Hypothesis: There is no significant difference in the debt to equity ratio of the selected hotel companies in Indian Hotel Industry during the study period.

Table 8: Analysis of Debt Equity Ratio - One way ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	29.517	3	9.839	29.285	.000*
Within Groups	9.743	29	.336		
Total	39.260	32			

Source: Computed from table 7

***Note:** Significant at 1 per cent level

Inference

It is inferred from the Table 8 that there is significant difference in debt to equity ratios, while making an analysis, since the P Value is less than 0.01 at 1 per cent level of significant.

Table 9: Analysis of Variance of Debt Equity Ratio by Duncan Method

Name of the Company	N	Subset for alpha = 0.05		
		1	2	3
India Tourism Development Corporation Limited	10	.1033		
Indian Hotels Company Limited	10		.7670	
East Indian Hotels Limited	10		.8340	
Hotel Leela Venture Limited	10			2.7220

Source: Computed from table 7

Inference

It is proved from the table 9 that the results obtained by ANOVA test are supported by Duncan method. There are three subsets where India Tourism Development Corporation Limited falls under the first subset; Hotel Leela Venture Limited falls under third subset and the other two hotel companies form the second subset. The standard norm of debt to equity ratio is 1:1.

The mean value of Hotel Leela Venture Limited is higher than 1 and the mean value of other three hotel companies are lesser than 1. It shows that the risk assumed by creditors is high in Hotel Leela Venture Limited and the risk assumed by creditors is low in other three selected hotel companies. Hotel Leela Venture Limited is advised to reduce the debt in order to reduce the risk for the creditors. The other three hotel companies may raise the fund by debenture if they need in the future. By this way, there is a chance to fulfill their standard norm of debt to equity ratio.

Summary of Findings

Analysis of Liquidity

1. The current ratio of the selected hotel companies showed highly fluctuated trend during the study period. They have not maintained the standard norms of 2:1.
2. Indian Hotels Company Limited could not maintain the quick ratio according to the norms during the whole study period. The ratio was higher than the standard norm of 1:1. It indicates that they are keeping the quick assets in an idle position.
3. The quick ratio East Indian Hotels Limited ratio ranged between 2.31 times in 2010-2012 to 0.88 times in 2007-2008 with the standard deviation of 0.44 times. The ratio was not according to the norms during the study period.
4. The quick ratio of India Tourism Development Corporation Limited showed that during the study period company could not maintain the quick ratio according the norms. The ratio was higher than the standard norms of 1:1 during the period of study. This is not advisable.
5. The quick ratio of East Indian Hotels Limited ranged between 3.02 times in 2004-05 and 0.46 times in the year 2011-2012. The average ratio was 1.42 times with standard deviation of 0.86. The ratio was higher than the standard norms of 1:1 during the study period except the year 2008-2009 (0.82), 2009-2010 (0.86) and 2011-2012 (0.46). Therefore it is not advisable.
6. During the period of study, the debt to equity ratio of Indian Hotels Company Limited is below 1 except 2003-2004.
7. The debt equity ratio of East Indian Hotels Limited was maximum at 1.23 times in 2003-2004 and minimum at 0.07 times in 2011-2012. The average ratio was 0.83 times. The standard deviation was 0.37. The ratio was less than 1 in most of the years of study. It shows that the risk assumed by creditors decreases.
8. The debt to equity ratio of the Hotel Leela Venture Limited fluctuated from a lowest 1.39 times in 2006-07 to highest 4.28 times in 2010-2012. The ratio was higher than 1 during the entire period of study. It indicates that the risk assumed by the creditors increases.
9. The debt equity ratio of India Tourism Development Corporation Limited was decreasing trend during the study period. The average ratio was 0.03 times. Such type of capital budgeting decision was good, because there is no risk for creditors.

Analysis of Liquidity using ANOVA

1. As the significant value is higher than 0.05 (0.090) the null hypothesis is accepted and it can be stated that there is no significant difference in current ratio.

2. As the significant value is higher than 0.05 (0.645) the null hypothesis is accepted and it can be stated that there is no significant difference in liquid ratio.
3. As the significant value is lesser than 0.01 (0.000) the null hypothesis is rejected and it can be stated that there is significant difference in debt equity ratio.

Suggestions

1. The mean value of current ratio of Indian Hotels Company Limited is satisfying the standard norm. The other three hotel companies are not fulfilling the standard norm. This is because; the cash and bank balance and the inventory are at decreasing trend during the study period. Hence, it is better to increase the cash and bank balance and inventory of East Indian Hotels Limited and India Tourism Development Corporation Limited to meet their short term obligations. In order to increase the cash and bank balance, those companies are advised to increase their profit.
2. The mean value of liquid ratio of East Indian Hotels Limited is lesser than the other three hotel Companies. Totally the selected hotel companies have maintained the ratio above the standard norms. This is because they are keeping the inventory at low level. Hence these companies are advised to increase their inventory level to equalize the standard norm of the liquid ratio.
3. The mean value of debt equity ratio of the Hotel Leela Venture Limited is higher than 1 and the mean value of other three hotel companies are lesser than 1. It shows that the risk assumed by creditors is high in Hotel Leela Venture Limited and the risk assumed by creditors is low in other three selected hotel companies. Hotel Leela Venture Limited is advised to reduce the debt in order to reduce the risk for the creditors. The other three hotel companies may raise the fund by debenture if they need in the future. By this way, there is a chance to fulfill their standard norm of debt to equity ratio.

Conclusion

Chapter titled "A study on Liquidity and Solvency analysis of Indian Hotel Industry" describe that it is one of the important measurements of the financial position of the business organization. The concept and nature of working capital or current assets denotes that "Investment in current assets is turned over many times in a year. Investment in current assets such as inventories and book debts (accounts receivable) is realized during the firm's operating cycle which is usually less than year." Therefore measurement of liquidity has its own importance. Importance of liquidity describes that it‘s lifeblood and controlling nerve centre of the business. Without circulation of blood no one can live, just like without circulation of liquidity business can‘t maintain.

The performance of liquidity can be judged by investment in current assets and short-term creditors. In the present study, three types of ratios were calculated, that is, current ratio, liquid ratio and debt equity ratio. Thus above analysis describe that the need for liquidity to rub day-to-day business activities can‘t be over emphasized and keep the debt and equity equally.

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