



TOURISM RECOVERY THROUGH INNOVATIVE BANKING

MOKHLESUR RAHMAN

Rector, Bangladesh Institute of Tourism Studies, Dhaka, Bangladesh. E-mail: bits.dhaka@gmail.com

Abstract: Strategic protection of tourism assets is an applied approach to the destination in the post-COVID 19 period. Tourism banking can seriously address for promoting the widespread functions by offering creative product lines and services in such a new normal situation. Tourism activities need supports from the banking sectors to develop its own sub-sectors e.g., accommodations, transports, food, recreations, tourism intermediary activities, publications, tourism technologies, safety & security, events, and others. Tourism banking can be introduced with deposit, advance and other allied products. It can incentivize job retention, sustain the self-employed and protect the most vulnerable groups, support companies' liquidity, review, charges, levies, and regulations impacting on tourism, ensure consumer protection and confidence. So, strong, and innovative banking system needs to develop for the new avenues of tourism.

Keywords: Tourism, COVID 19, recovery, innovative banking.

Received : 13 February 2023

Revised : 20 March 2023

Accepted : 11 April 2023

Published : 30 June 2023

TO CITE THIS ARTICLE:

Mokhlesur Rahman (2023). Tourism Recovery through Innovative Banking, *Journal of South Asian Research*, 1: 1, pp. 41-49.

Introduction

COVID-19 pandemic has a great impact on societies and economies across the world. Tourism receives the hardest hit with unrecoverable multi-dimensional losses. It is now well known that tourism acts as a vital part of the global economy (UNWTO, 2020). The breadth of international travel also has greatly expanded in recent years to encompass the developing world. Once essentially excluded from the tourism industry, the developing world has now become its major growth area. Tourism is furthermore a key foreign exchange earner for 83% of developing countries and the leading export earner for one-third of the world's poorest countries. For the world's 40 poorest countries, tourism is the second-most important source of foreign exchange after oil (UNWTO, 2020b).

History of tourism banking is unknown. Probably, only Nepal established Tourism Development Bank Limited in 2009 along with tourism related financial products and services. But demands separate banking system as ranked internationally the third-largest industry in the world, after fuels, chemicals, and automotive products. It contributes almost 10% of global GDP and creates 1 job in every 10 jobs. Indicators on the economic contribution of tourism, such as Tourism Direct Gross Domestic Product, are to be derived in accordance with the Tourism Satellite Accounts: Recommended Framework (TSA:RMF, 2008) standard (UNWTO, 2020b).

The banking system plays an important role in the modern tourism economic world. Banks can play an important role in the creation of new capital tourism and thus help the growth process. Financial services in tourism works as the gearing oil. It can have positive impacts on capital accumulation and stimulate economic growth. Financial intermediaries like savings and credit cooperatives are needed to the effect of savings mobilization, provision of loans to stimulate and facilitate economic growth, management of risks, provision of information on investment opportunities, monitoring of borrowers, facilitation of exchange of goods and services (DFID, 2005). A well functioning financial sector contributes positively to the level of tourism economic growth. It also indicates a well functioning financial sector is contributing to a better income distribution and thus can be seen as having pro-poor effects (Beck *et.al*, 2004).

For the prosperity and stabilizing the community effectively, specific action must be taken by 3 (three) main constituencies: host communities, host governments, and stakeholders. Host communities should work to leverage their competitive advantage, improve service delivery, and protect their environment and culture. Host governments should establish supportive strategies, introduce, and implement necessary regulations, remove bottlenecks, and adopt internationally recognized tourism standards. Stakeholders could prioritize tourism as a viable economic force, direct investment to this sector, and facilitate knowledge. That's why, organizational financing system should be developed for the uninterrupted tourism growth.

In this context, innovative tourism banking may be a new kind of approach in Bangladesh by which delivery of comprehensive special services to the new and creative entrepreneurs. It is thought that dedicated banking for tourism will be able to provide competitive advantages to the industry for the new player, as well as to the community.

Problem Statement

Recently, tourism crises are being demonstrated and bouncing back strongly. The recent past pandemic situation has broken the local and global tourism, which needs to attempt urgent recovery. But opportunity does not fit due to overall financial crisis and many positive attempts are not working in global and national levels of the economy. It is known that finances are indispensable either from the aspect of exploitation and further development of tourism.

Bangladesh possesses distinctive natural and cultural diversity, that may support a globally compelling tourism proposition. Low level of funding makes poor patronage of tourism industry. These factors are to be considered as the cause of low level of the banking contribution to the tourism industry. But the fact is that tourism covers 3 percent of Bangladesh economy and contributes 77,300 cr. taka to the GDP of Bangladesh in 2019 (UNWTO, 2020a). Bangladesh earns foreign currency equivalent to 2,800 taka in 2019 utilizing 40 lac workers those who are directly and indirectly involved in tourism industry (Rahman, M., 2020). But this industry still suffers from the banking and financial support of the banks and other financial institutions. For expanding of the industry, it is the crying need to develop the strong banking policy structure for tourism recovery that will give a sustainable shape. So, this research is highly appropriate to help the banking sector to identify the tourism related products and mode of fair application.

Objectives

Tourism industry can help to eradicate poverty, employment in the micro level and as well as promote peace and stability in developing countries. Furthermore, it works for diversifying tourism economy by banking activities and promoting cross-cultural awareness. It is the 3rd largest industry in the global economy. So, tourism friendly innovative banking system is the most necessary for the future. To identify and analyze the fact of tourism related banking approach, following objectives have been chosen for the study.

- (A) To analyze and explore the innovative banking in tourism.
- (B) To implement the tourism related banking services.

Review of Literature

The pandemics adversely impact tourists' behaviors and their mental wellbeing. UNWTO indicates that 100% of global destinations continue to have restrictions on travel in place, and 72% have completely closed their borders for international tourism. As a result of COVID-19, the projections released by

the UNWTO on 7 May 2020 indicates that international tourism was down by 22% in the first quarter of 2020 and could decline by 60% to 80% in 2020. The first quarter performance resulted in 67 million fewer international tourists, which translated into a loss of US\$80 billion in exports. So, it needs special types of banking which provide facilities to different kinds of economic activities including tourism. Now-a-days in every country there is a central bank which controls the activities of all other banks, endeavors to keep the price level steady, and controls the rates of foreign exchange. So, this review will explore some truth in this regard.

Financing to small tourism projects shows many challenges linked with their size which may require public intervention, as higher transaction costs (related to low volumes traded) result in difficulties in accessing external finance (OECD, 2006). Tourism industry circumvents the issue by paying outside the destination itself, that is, by paying clients, tourist agencies, guides, etc. The money goes through creditors who keep a percentage for repayment, while transforming the rest of the money locally (Rahman, 2020).

The impacts have been felt across the tourism value chain. With many cancellations now needing to be processed and very little insurance payouts coming through, all are struggling to maintain the liquidity needed to reimburse consumers. International air traffic has been reduced by more than 80%, with associated airport revenues having declined by at least 45% (Fortune, 2020).

'Project finance' is an umbrella term for all aspects of financing of the project with direct debt payoff-the debt is paid off from the project profits instead of the overall debtor company profits-or indirect debt pay off with money coming from the debtor company funds. Therefore, the creditor has clear insights into the money flow, while their only way of return on their investment is the success of the project (hotel, building, lot, etc.), which is the guarantee for the loan. (Arsić, 2004).

Green finance comprises financial instruments with the specific purpose of delivering environmental benefits by tackling issues such as clean energy production, air pollution, biodiversity loss, climate change and resource efficiency, as well as waste and water management (OECD, 2017). This includes green bonds, whose proceeds are earmarked for environmental projects and assets.

Methodology

This is descriptive research. Purposive sampling is best to focus the in-depth qualitative study (Nikolopoulou, 2022). So, appropriate purposive sampling

method (Palys, 2008) has been followed here. For sampling, three strata or groups or areas of stakeholders have been identified; these are tour operators, bankers, and tourism educators. Ten respondents from each area have been selected purposively upon their involvements and performances in tourism sector. Group-1 was formed with 'tour operator' and Group-2 were formed with 'bankers' and Group-3 with 'tourism educators'. Open-ended questions for each group were asked separately. The details interview has been done based on 5 questions for exploring their opinions.

Result and Discussions

From the data analysis, some uncovered and valuable information came out. All respondents critically mentioned their opinions for the tourism recovery process in the post the COVID 19 situation, especially about banking supports. Detailed discussions have been presented here.

Tour operators from Group-1 mentioned about the big and unrecoverable losses due to COVID 19. They advised government to take the quick steps for tourism recovery with responsibly and carefully. Otherwise, future economy of the country will be endangered condition soon. Executable short-term plans for re-entry are essential. The strategic themes they mentioned are essential to re-igniting remand, rejuvenating supply and strengthening enabling capability. They mentioned boldly that tourism industry helps to the economic transformations and its betterment. It's all products and services are consumed by the clients at the point of production so that community people receive the directly benefits. It also enables poor communities in material wealth, rich in culture, history, and heritage to use their unique characteristics as an income-generating comparative advantage. They focused on tourism industry as the creators of networks of different fields. They mentioned that hotels and restaurants to adventure sports – all kinds of tourism activities provide a lot of products and services. They also described tourism as a complex and varied supply chains of goods and services, supporting a versatile labor market with a variety of jobs for tour guides, translators, cooks, cleaners, drivers, hotel managers, and other service sector workers. Furthermore, they mentioned the tends to development of multiple-use infrastructure that benefits the host community, including roads, health care facilities, and sports centers, in addition to the hotels and restaurants that cater to visitors. That's why, banking system should transform immediately to address all these economic activities.

They again mentioned about the complicity of recovery in every level of tourism operation. Following the global economic crisis, while employment

across all economic sectors grew by 11% between 2010 and 2018, employment in accommodation and restaurants grew by 35%. They further mentioned that tourism is a major employment engine for more vulnerable groups such as women and youth. In 2019, the sector represented 30% of the world's exports of services (US\$1.5 trillion) and up to 45% of the total export of services in developing countries. All these are from UNWTO report that published in 2018.

In this context, they identified the following innovative banking activities for the recovery of tourism in the present COVID 19 situation. It should be acknowledged from the start that tourism, alongside with the transport sector, is one of the sectors most affected by the COVID 19 crisis. So, the stakeholders of this groups pointed the following 6 issues:

- (a) Banks should come forward to introduce the mid-term loans and advances with the tolerable delayed repayments schedule.
- (b) Rate of interest must not above than 5% per annum. So, all tourism related loans should be put under refinancing scheme under the guidance of Bangladesh Bank.
- (c) Loans to be subordinated to other debt instruments and creditors, but in front of equity investors etc. should apply to protect the present tourism industry.
- (d) Provision of soft-term credit to provide working capital to tourism entrepreneurs channeled through the banking system or to facilitate the rescheduling of disaster-induced non-performing loans, when the enterprises were not sufficiently or adequately covered by insurance on revenues or sales.
- (e) Provision of temporary interest relief to alleviate financial difficulties arising from the pandemic of COVID 19.
- (f) Partial government financing of information campaigns to reach foreign visitors and convince them to return to the tourism facilities after the disaster effects have been overcome.

Second group, belonging the bankers, mentioned their several opinions with the major prospective banking activities for tourism, e.g., deposit banking, advance banking, and miscellaneous services. But they mentioned clearly that Bangladesh Bank should take the clear-cut policies and taking care of implementation. In deposit banking, deposit product line should be developed unanimously. Advance banking should include all kinds of tourism products including tourism SME. Before that tourism the sub-sectors must be cleared and accepted by the competent authority. All local and global activities

must be structured as bank can come forward to address. In the same way, accommodation industry, amusement industry, food industry etc. should be the first tract preference by the banks. But proper and unified banking policies and guideline should be developed by the central bank.

Third group belongs the tourism educators. They discussed on the present traditional banking and their bottleneck. They advised clearly to come forward bankers for developing a new tourism economy for the future. Now, tourism covers 3% of total economy of Bangladesh and contribution 4.4% to our GDP. Mentioning all these, they suggested to developed tourism friendly product lines and progressive banking with due cautions. This group expressed their dissatisfaction loudly about the so-called bankers-customers relationship which is come from the west. New and applied banker-customer relationship must be discovered for specially the tourism industry. They mentioned strongly to develop tourism banking policy considering the 6 following points:

- (a) Need to develop a sound tourism investment policy that will generate business and eradicate poverty.
- (b) Encouraging tourism businesses that support the socio-economic development, which emphasized on the development of high-quality banking business.
- (c) Encouraging participation of the local communities in various forms of tourism business and management using low interest loans.
- (d) Encouraging private business organization of pro poor tourism development.
- (e) Promoting banking products in producing essential goods, supplies and equipment to support tourism activities and services to help reduce imports.
- (f) Supporting financially in the production of reasonable priced international standards good, appliances and equipment for use tourism entrepreneurs.

Conclusion & Suggestions

Tourism recovery in the new normal situation should be an integrated and multiple public-private approach. Tourism is one of the most affected sectors that demands urgent support for protecting the millions of jobs that are at risk. The researchers identifies that innovative banking system can combat the crisis. The principal motivation is utmost necessary to protect tourism resources where hardcore products are surely contributory to the economy of the country. The extensive and deep impact of COVID-19 on tourism, the

economy and jobs need a strong support at national level through the relevant financial institutions.

Now, banking policies and operations should be innovative and dynamic. It can incentivize job retention, sustain the self-employed and protect the most vulnerable groups, support companies' liquidity, review, charges, levies, and regulations impacting on tourism while ensuring consumer protection and confidence. It will also promote digital skills, include tourism in national, regional, and global economic emergency packages and create permanent crisis management mechanisms. The findings also provide insights in regaining the operational activities of tourism and reinvest through banking system in the tourism industry to set it back to a normal position. In such way tourism recovery effort will go beyond tourism. It is therefore likely that tourism recovery will experience several phases.

References

- Arsić L. J. (2004). Models and Directions of Company Transformation-monograph. Faculty of Economics, Pamukkale University, Turkey, pp: 130-144.
- Beck T, Demirgüç-Kunt and A. Levine R. (2004). Finance, Inequality and Poverty: A Cross-country Evidence, World Bank Policy Research Working Paper, June 2004, pp: 33-38.
- Biernacki, P. and Waldore, D. (1981). Snowball Sampling: Problems and Techniques of Chain Referral Sampling. *Sociological Methods and Research*, Vol. 10, No. 2, pp: 141-163.
- DFID (2004). The importance of financial sector development for Growth and Poverty Reduction. Policy Division Working Paper. Report No. PD 030. pp: 34-39.
- Fortune (2020). Report on Retrieved from Will the airlines survive the coronavirus? Yes—and here's how. pp: 3-15.
- Nikolopoulou, K. (2022). What is Purposive Sampling - Definition & Examples. <https://www.scribbr.com/methodology/purposive-sampling/#:~:text=Purposive%20sampling%20refers%20to%20a,on%20purpose%E2%80%9D%20in%20purposive%20sampling>.
- OECD (2006). *The SME Finance Gap, Vol. 1: Theory and Evidence*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264029415-en>
- OECD (2017). *Green Growth Indicators 2017*. OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264268586-en>.
- Palys, T. (2008). Purposive sampling. In L. M. Given (Ed.) *The Sage Encyclopedia of Qualitative Research Methods*. (Vol.2). Sage: Los Angeles, pp. 697-8.
- Rahman, M. (2020). Speech of the Chief Executive Officer of Bangladesh Tourism Foundation. Zoom meeting with Combined Tourism Alliance on 23 April 2020.

UNWTO (2020). Secretary-General's Policy Brief on Tourism and COVID-19

<https://www.unwto.org/tourism-and-covid-19-unprecedented-economic-impacts>

UNWTO (2020a). Economic Impact Report Bangladesh. Madrid, Spain, pp: 1-20

UNWTO (2020b). <https://www.unwto.org/statistic-data-economic-contribution-of-tourism-and-beyond>