

The Location and Role of Financing in Small Business Management in the Tourism Sector

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Abstract:- Tourism is characterized as an interfering and synthetic industry due to the variety of activities that relate to and connect with other sectors of the economy. Promoting Romania as a tourist destination and increasing the number of tourists in the context is a goal that can be achieved by implementing fiscal policies aimed at increasing economic competitiveness to attract investors and entrepreneurs in the tourism and hospitality sector along with legislative improvements, funding plays an important role in stimulating and developing small business and supporting the business environment. The variety of activities included in the content of the tourism industry provides complexity.

Keywords:- Tourism, Hospitality Industry, Business, Finance.

I. INTRODUCTION: THE TOURISM AND HOSPITALITY INDUSTRY

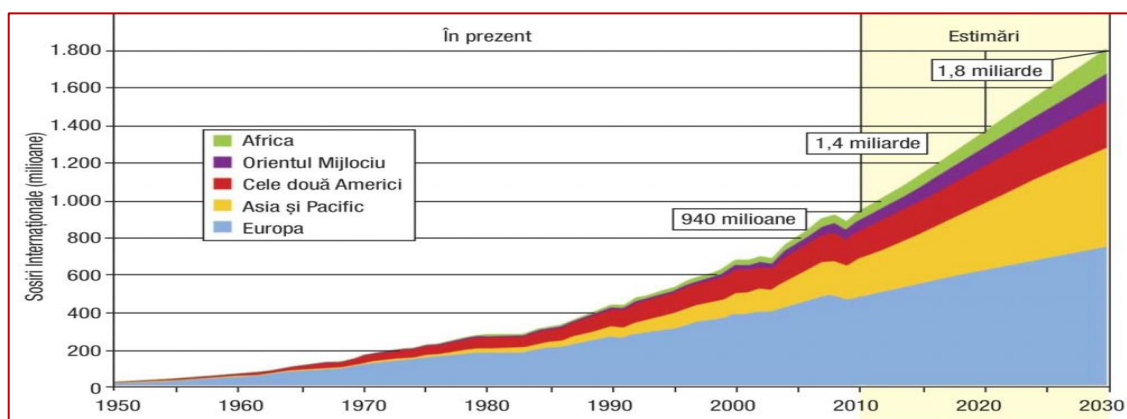
Tourism, through its content and the forms it takes, is a dynamic and competitive industry. Its main purpose is to provide customer satisfaction, safety, rest and relaxation, which is why a constant adaptation to their needs and desires is necessary. Continuous change in supply and consumer behaviour requires good knowledge of financing methods and tools.

Although each of us has been a "tourist" at one point or another, defining the tourism and hospitality industry is difficult, given the diversity of forms and offers today. Tourism is an economic and social phenomenon that has undergone continuous development and diversification over the decades making the tourism and hospitality industry one of the fastest-growing sectors in the world. The multitude of

definitions shows its complexity: from "The totality of the relationships and phenomena resulting from the travel and sojourn of persons outside their place of residence (such as spending holidays or rest leave, attending various events, etc.)", to "Tourism is the business of providing services for people on holiday, for example hotels, restaurants, and trips" (Cobuild Collins, 2017), "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (Cobuild Collins, 2017), and there is no consensus on the content and significance of tourism. The tourism and hospitality industry consists of a wide variety of sectors that offer visitors and local residents various products and services. These include activities that belong to other sectors, such as transport, travel, recreation and entertainment, accommodation, and food and beverage services.

Tourist activity, through its traits, gains the size of an industry, where capital factor costs are very high (infrastructure, equipment), and investment is slowing down, but on the other hand, it is an industry where the labour factor has a high contribution. Tourism is made up of a chain of SMEs, whose strategic role is in the harmonious development of this sector, and where family units and travel intermediaries that distribute the tourist package to customers have the preponderant.

Current trends in development and global forecasts show that: international tourism arrivals have seen a positive development, thus by 2015 the increase was 4.6%, 1.184 million, and by 2030, according to the UNWTO, would reach 1.8 billion.



Graph 1: Current Trends and Predictions 1950-2030

Source: <https://www.trendshrb.ro/actual/2015-an-record-pentru-turismul-mondial/>

In this trend, emerging countries are among the most favoured destinations (UNWTO, 2017), with the market share of these areas expected to rise to 57% by 2030, equivalent to over a billion international tourists (European Commission, 2014).

The number of international arrivals worldwide increased from 25 million in 1950 to 278 million in 1980, reaching 1.113 billion in 2014. Similarly, international tourism revenues have experienced an upward trend, from \$2 billion in 1950, to \$1,245 billion in 2015 (Orehov, 2016). Eurostat statistics show that European tourism revenue and expenditure increased slightly, with the balance of payments in 2015 being positive. Tourism, as a cross-cutting sector, represents the third largest economic activity in the European Union, involving a wide range of services and professions that are mainly carried out by SMEs.

As the international community, through the UN General Assembly, adopted a new Agenda 2030 and the Sustainable Development Goals (SDG), a confirmation of the role of tourism in the global economy is also the fact that the United Nations (UN) has approved the designation 2017 as the International Year of Sustainable Tourism for Development. The resolution of 4 December 2016, as stated in a United Nations' World Tourism Organization (UNWTO) communiqué, recognizes "the importance of

international tourism and, in particular, the designation of an international year of sustainable tourism, to promote a better understanding between peoples everywhere, and lead to a greater awareness of the richness of the heritage of different civilizations, and a better appreciation of the inherent values of different cultures, thus contributing to the consolidation of peace in the world" (Evisionturism, 2016).

At the same time, Secretary-General of the World Tourism Organization Taleb Rifai points out that, in the context of "Tourism is today one of the main pillars of the EU's strategy for jobs and inclusive growth, this proclamation is a unique opportunity to expand the contribution of the tourism sector to the three pillars of sustainability (economic, social and environmental), as well as increasing awareness of the true dimensions of a sector that is usually underestimated" (Evisionturism, 2016).

II. INDUSTRIAL PRODUCTION

Industrial production refers to the output of industrial establishments and covers sectors such as mining, manufacturing, electricity, gas and steam and air-conditioning. This indicator is measured in an index based on a reference period that expresses change in the volume of production output.

Location	Latest	Location	Latest
Austria	122.36	Italy	106.19
Belgium	127.41	Japan	95.49
Brazil	96.26	Korea	109.81
Bulgaria	134.36	Latvia	129.07
Canada	102.81	Lithuania	151.27
Chile	99.79	Luxembourg	93.57
Colombia	127.44	Mexico	111.45
Costa Rica	135.75	Netherlands	119.65
Croatia	110.43	New Zealand	102.2
Czech Republic	117.66	Norway	100.43
Denmark	151.73	Poland	157.85
Estonia	116.07	Portugal	99.17
Euro area (19 countries)	107.8	Romania	109.69
European Union (27 countries, 2020)	111.43	Russia	124.75
Finland	120.63	Slovak Republic	107.88
France	100.78	Slovenia	142.5
Germany	96.16	South Africa	91.01
Greece	126.36	Spain	108.15
Hungary	125.5	Sweden	120.37
India	114.24	Switzerland	134.7
Indonesia	110.18	Türkiye	146.47
Ireland	149.45	United Kingdom	108.91
Israel	125.87	United States	100.57

Table 1: Industrial Production

Source: <https://data.oecd.org/industry/industrial-production.htm#indicator-chart>

III. TOURISM GDP

Tourism direct GDP corresponds to the part of GDP generated by all industries directly in contact with visitors. This indicator is measured as a percentage of total GDP or a percentage of GVA.

Location	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia	2.724	2.834	2.853	2.953	3.084	3.062	3.103	3.104	2.585	1.568	
Austria	5.434	5.405	5.387	5.392	5.341	5.336	5.379	5.451	5.587	3.529	
Belgium						1.895					
Chile	3.157	3.455	3.136	3.105	3.398	3.642	3.54	3.296	3.314		
Costa Rica		4.34	4.576	4.49	4.571	4.851					
Croatia	10.153					11.25			11.823		
Czech Republic	2.518	2.724	2.847	2.712	2.733	2.896	2.908	2.882	2.876	1.48	
Egypt		4.771	3.87	4.258							
Estonia	4.396	4.341	4.78	5.464							
France	7.53	7.553	7.518	7.478	7.322	7.095	7.223	7.333	7.47	5.329	
Iceland	3.694	4.183	4.69	5.491	6.455	8.187	8.02	8.077	8.077	3.623	4.189
India	3.744	3.759									
Indonesia	4	3.96	4.02	4.13	4.31	4.651	4.675	4.912	4.966	2.241	
Japan	1.678	1.724	1.776	1.664	1.821	1.944	1.97	1.945	1.986		
Korea									2.482		
Luxembourg				1.303	1.219	1.308	1.318	1.306	1.21	0.955	
Malta											
Mexico	7.908	7.95	8.183	8.063	8.179	8.019	8.025	7.944	8.002	6.315	
Morocco	6.917	6.911	6.588	6.69	6.444	6.598	6.811	6.934	7.119		
Norway	3.37	3.325	3.339	3.321	3.546	3.802	3.68	3.386	3.576		
Peru	3.551	3.616	3.707	3.784	3.86	3.86	3.86	3.86	3.863	1.455	1.828
Philippines	6.799	7.045	7.229	7.537	8.208	8.588					
Poland	1.782	2.101	1.299		1.175						
Romania	1.82	1.862	1.936	1.957	2.402	2.77	2.787	2.909	2.981		
Saudi Arabia									3.789	1.684	
Slovak Republic	2.568	2.738	2.3	2.108	2.529	2.628	2.56	2.679	2.784		
Slovenia		4.819		4.847	4.942		5.287		5.397	3.275	
South Africa	2.777	2.881	3.289	3.364	2.876	2.935	2.607	2.733	3.726		
Spain	10.52	10.786	10.763	10.95	11.06	11.34	12.14	12.223	12.435	5.473	
Sweden	2.23	2.345	2.287	2.255	2.65	2.737	2.601	2.598	2.44	1.691	1.93

Table 2: Data table for Tourism GDP, Total, % of GDP, 2008 – 2021

Source: <https://data.oecd.org/industry/industrial-production.htm#indicator-chart>

IV. TOURISM RECEIPTS AND SPENDING

Tourism receipts and spending are made up of travel credits and debits. In the context of the balance of payments of a country, the term “travel” refers only to the value of spending of individuals while on visits outside their country of residence. This indicator is measured in US dollars.

Location	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Canada	22 297	23 439	24 190	24 580	23 084	25 685	28 459	30 837	33 406	14 088	14 233
Greece	14 871	14 876	17 489	19 465	17 557	16 699	18 776	21 782	23 081	6 114	13 745
Iceland	1 695	1 914	2 264	2 609	2 801	3 829	4 694	4 796	3 816	659	
Israel	5 886	6 183	6 600	6 616	6 605	6 616	7 602	8 048	8 439	2 661	2 517
Netherlands	20 925	20 220	19 429	22 220	20 314	21 152	23 883	26 606	26 825	12 460	12 483
New Zealand	8 548	8 338	8 698	9 904	10 533	10 969	11 873	12 212	11 777	6 372	
Slovenia	3 039	2 805	2 968	3 053	2 594	2 713	3 036	3 389	3 356	1 418	
Sweden	12 689	12 431	13 515	14 124	13 246	14 852	16 286	11 801	11 019	4 882	
Switzerland	17 100	15 979	16 688	21 314	20 120	19 763	20 365	21 291	21 251	10 028	12 096

Table 3: Data table for: Tourism receipts and spending, International receipts, US dollars, 2008 – 2021

Source: <https://data.oecd.org/industry/industrial-production.htm#indicator-chart>

V. TOURISM FLOWS

Tourism flows includes international arrivals and departures as well as nights spent in accommodation by visitors.

Location	Latest	Location	Latest
Australia	246 200	Japan	245 862
Bulgaria	7 188 363	Korea	967 003
Canada	4 282 000	Latvia	1 936 762
Chile	191 567	Lithuania	2 095 900
Colombia	2 178 850	Mexico	55 301 421
Costa Rica	1 376 326	New Zealand	206 862
Czech Republic	10 014 162	Peru	444 331
Denmark	15 882 554	Poland	51 026 000
Estonia	1 301 587	Russia	24 418 749
Finland	8 530 000	Saudi Arabia	3 869 166
France	141 296 758	Serbia	871 239
Greece	15 246 123	Slovak Republic	575 687
Hungary	33 049 980	South Africa	2 664 000
Iceland	717 131	Spain	51 631 377
Indonesia	1 557 530	Türkiye	30 038 961
Israel	402 300	United Kingdom	6 194 242
Italy	40 185 649	United States	46 344 402

Table 4: Data table for: Tourism receipts and spending, International receipts, US dollars, 2008 – 2021

Source: <https://data.oecd.org/industry/industrial-production.htm#indicator-chart>

VI. THE EUROPEAN UNION IN THE BUSINESS FINANCING PROCESS

One of the problems faced, in general, by small businesses is funding to increase economic competitiveness and strengthen the position of investors, entrepreneurs in the business environment. To ensure this, it is necessary to implement in tourism strategies sector-specific funding policies, to create jobs, stimulate and develop the SME sector, alongside legislative measures.

At European Union level, various direct and indirect funding instruments of the tourism sector have been created, given its importance, which, "in 2014, belong to one often non-financial enterprises in the European economy. These 2.3 million companies employed around 12.3 million people. Employees of enterprises in tourism related sectors accounted for 9.1% of the persons employed in the total non-financial sectors of the economy and 21.5% of the persons employed in the services sector. Percentages in the tourism sector, in total turnover and value added, were relatively lower, tourism sectors accounting for 3.7% of turnover and 5.6% of value added of non-financial sectors of the economy" (European Commission, 2017b). The WTTC estimates that, over the next decade, tourism will record world-class performance with an average increase of 4% per year (Agerpres, 2016). This data is further supported by other factors, income and workers, coming from tourism links with other economic sectors.

Indirect funding involves loans, equity financing, and guarantees provided by financial intermediaries for business initiation and development, especially SMEs. Direct funding is provided through grants to "co-finance projects in relation to EU policy objectives". For 2014-2020, the EU has added new funding programs, and some existing ones have been consolidated.

It is difficult to improve business, increase flexibility in meeting consumer requirements and wishes, or reduce seasonality, if the entrepreneur does not have the necessary financial means to allow for an assessment of global operations and information to make decisions, identify new opportunities to develop, or restructure the business. A safety measure in the funding process makes possible the formulation of a strategy with a good foundation that will lead the business to good results.

Europe has also adopted a new framework policy for tourism, the objectives of which are to make European tourism competitive, modern, sustainable and responsible by: boosting competitiveness in the European tourism sector, promoting the development of sustainable, responsible and high quality tourism, strengthening the image and profile of Europe, maximizing the potential of EU policies and financial instruments for tourism development.

The economic impact of tourist activities at global and European Union levels is shown in the following tables:

WORLDWIDE	2010			2020		
	US\$bn	% of Total	Growth ¹	US\$bn	% of Total	Growth ²
Personal Travel & Tourism	3,111	8.4	1.6	5,793	8.8	4.1
Business Travel	819	1.3	-1.8	1,589	1.4	4.3
Govt. Expenditure	436	3.8	2.6	744	4.0	3.1
Capital Investment	1,241	9.2	-1.7	2,757	9.4	5.3
Visitors Exports	1,086	6.1	0.9	2,160	5.2	5.2
Other Exports	850	4.8	5.9	1,908	4.5	6.5
T&T Demand	7,543	9.4	1.1	14,950	9.5	4.7
Direct Industry GDP	1,986	3.2	0.7	3,650	3.2	4.0
T&T Economy GDP	5,751	9.2	0.5	11,151	9.6	4.4
Direct Industry Employment ³	81,913	2.8	-0.1	1,04,740	3.2	2.5
T&T Economy Employment ³	2,35,758	8.1	-0.3	3,03,019	9.2	2.5

Table 5: The Economic Impact of Travel & Tourism, at Global Level

¹2010 real growths adjusted for inflation (%); ²2011-2020 annualised real growth adjusted for inflation (%); ³000 Jobs.

Starting 2013, the Commission has set up a virtual tourism observer to coordinate the collection and storage of information and to ensure greater synergy between the different levels of tourism policies. The objectives of tourism and hospitality industry funding programs cover this wide range and focus on creating and maintaining jobs, increasing added value in tourism activities, creating and improving infrastructure, tourism reception facilities, information and promotion systems, and tourist services, making tourist activity more efficient by increasing the number of tourists and the duration of visits, by making

better use of recreational facilities, natural areas of tourist interest, supporting and developing education, research, development and innovation.

According to John Nessel, President of Restaurant Resource Group, financing plays an existential role in all business operations. “If you can’t count it, you can’t manage it” (Fredman, 2017). Good management of financing activity will direct the course of the business in a favourable way. Most relevant funding programs allocated to the EU tourism sector are presented in Table no. 6.

Area	MFF
Cohesion	Structural funds: <ul style="list-style-type: none"> • European Cohesion Fund • European Social Fund • European Regional Development Fund • European Territorial Co-operation
Environment, Agriculture & Marine and Fisheries Policy	<ul style="list-style-type: none"> • LIFE • European Agriculture Fund for Rural Development • European Maritime and Fisheries Fund
Research, Innovation and Competitiveness	<ul style="list-style-type: none"> • Horizon 2020 (Framework Programme for Research and Innovation) • COSME (Programme for the Competitiveness of Enterprises and SMEs)
Culture and Education	<ul style="list-style-type: none"> • Creative Europe Programme • Erasmus for All Programme
Employment	<ul style="list-style-type: none"> • EaSI (EU programme for Employment and Social Innovation) • PROGRESS (Programme for Employment and Social Solidarity) • EURES (European Employment Services) • PROGRESS Microfinance Facility

Table 6: Most relevant programmes for the tourism sector in the EU

Source: European Commission

The European Parliament has adopted new perspectives and challenges for sustainable tourism in Europe, aiming to increase the favourable impact of tourism on regional development and promote tourist destinations, while combating the seasonality of tourism and establishing a “European brand of quality tourism”. It also considers tourism investments to be linked to regional policy. Thus, the EU’s allocations take into account the new policy

offering a wide range of opportunities for sustainable investments in tourism.

VII. FUNDING IN SMALL BUSINESSES

In order to meet the major challenges faced by the tourism sector, and to make the best possible use of their potential, companies need to assess all the economic aspects that characterize the environment in which they operate and,

in particular, the issues surrounding the funding process. Access to finance is vital to foster the development of SMEs and entrepreneurship and to establish a competitive, innovative and sustainable tourism sector. For good business management, funding is of great importance. Virtually every firm and implicit entrepreneur must know the past, present and future of the business from a financial point of view.

Tourism and hospitality companies carry out various types of activities, funding acting to support investments or the development of the hotel and restaurant sector, of businesses in general, and of recreational activities. Financial management means the financial management of tourism and hospitality activities, aiming to maximize the current value of the company. Its role and importance is reflected in objectives that strive to: provide the necessary funds to obtain resources to achieve the objectives, control costs, establish and control effectiveness, profitability, substantiate the financial status to make effective decisions. In order to stimulate Romanian tourism, a series of fiscal measures for the creation of jobs, the strengthening of guarantee and counter-guarantee instruments have been adopted to stimulate investment in strategic sectors and develop the SME sector.

Understanding the role and importance of financing in business management as their core elements should be familiar to any entrepreneur aware of the functions and uses of funding instruments, eager to build on their knowledge. Travel companies can mobilize different financial support to improve service quality, which acts as a lever for sector development. For SMEs in the tourism industry, financing needs are different and they face challenges specific to each stage of their lifecycle.

VIII. CONCLUSION

Issues of funding are at the heart of business management. The existence of errors in the management and control of financial resources can cause a business to falter. Good management enables control of the business and provides entrepreneurs with confidence in strategic decision-making, and the favourable capitalization of opportunities. The needs of tourism companies are funded through various tools. To contribute to regional development, they should be offered under special conditions (lower interest rates, certain facilities), given that tourism SMEs have low capital, have long-term financing needs, and represent an increased risk for the financier. In the tourism sector, access to these funding methods remains lacking. UNWTO Secretary-General, Taleb Rifai, noted that Romania is attributed by the UNWTO with a high level of technical expertise, with a high level of hospitality and a very clear political determination in this area, but it should be emphasized that this requires extensive financial support through the implementation of special SME programmes (since the majority of tourism and hospitality businesses belong to this category) to improve the overall financing conditions.

The lack of general, long-term policies and of funding policies in the tourism sector has limited its development, by failing to capitalize on the full potential of natural, cultural, geographic, and environmental, heritage and ethnographic resources. At the same time, the regulatory and legislative system, through its stance on small businesses in the tourism industry, has led to low productivity and innovation.

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