



An Intervention of Microfinance in Tourism Sector: An Emerging Country Perspective

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Abstract

India has a tremendous potential for development in the tourism sector with huge heritage attractions. India is regarded as the 2nd fastest growing tourist market globally. To meet its potential, it needs a variety of funding in the form of unique set of financial products, services such as long-term and short-term credit, investment subsidies, supporting tax policies, lease financing & insurance products which could be taken care by commercial banks and Micro Finance Institutions (MFIs). They play a crucial role in providing innovative financial products and services in promoting livelihood in tourism destinations. Micro-Finance Institutions have an ability to create a positive impact on the development of tourism

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industry, particularly in emerging countries. Over the years, micro-finance as well as tourism sectors have been promoted independently, which have contributed towards poverty reduction worldwide. Thus, there is a high positive association between opening up of economies and poverty alleviation through financial inclusion achieved largely with contributions from micro-finance institutions. Microfinance operations being raised within the tourism sector to lend services to the micro business owners of tourism industry is an innovative approach. The tourism sector would get a further boost in terms of access to commercial capital to deliver the goods & services through the creation of better tourism infrastructure. This would attract greater no of tourists, for the sustainable growth creating a win-win situation for microfinance institutions and tourism-oriented businesses including other stakeholders.

Keywords: Tourism, Microfinance, Poor, Poverty reduction, Emerging Countries, Responsible tourism

1. Introduction

‘By 2030, there is a need to ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including financial inclusion’. -United Nations, 2022.

Changes in macro-economic conditions, reforms in monetary and fiscal policies have contributed to the overall improvements and growth in the economy. For instance, capital and money market reforms helped India improve its position in the Ease of Doing Business category globally, by as many as thirty ranks in 2018. As a fast-growing economy, the country is encouraging cooperation in Centre-State relations to accommodate greater dynamism by nurturing a conducive environment for healthy competition and collaboration amongst states as well as between Centre and states, to drive improved performance and progress as a nation. Steering through the improved governance, the country focused on restructuring policy framework for improvements in domains of Human Development, Social Protection, Rural Transformation, Infrastructure development and greater inclusiveness through micro-finance, for an enhanced growth and sustainable development.

India was able to condense its poverty percentage from 46 percent to 21 percent in past the thirty years, up to 2021, with the World Bank projections demonstrating constant decrease in recent years. India, now as the 3rd biggest nation in terms of purchasing power parity [PPP], is anticipating stronger growth of greater than 7-8 percent annually, in the near future. Tourism sector in emerging nations achieved a striking performance in growth in terms of tourist arrivals amounting to more than 16 percentage. The MFIs provide microfinance services to female clients, and group- loans are given to women with the average amount given around USD 200-300. Fighting poverty is a major challenge, in which tourism can make a significant contribution.

Microfinance Institutions (MFIs) offer financial services in the form of loans and offers savings services to the rural and urban poor people. The same is offered to small and micro enterprises (SMEs), leading to economic development and social developments to undertake income generation livelihood economic activities. Having seen the emergence of microfinance in different regions all over, it is interesting to see how well it is accepted by the community. This study aims to come out with answers for the following objectives.

Objectives of the study

- a) To analyze the challenges of achieving integration between microfinance and tourism.
- b) To identify the nature of intervention played by the microfinance in developing countries.
- c) To recommend the suggestions for the effective implementation of micro lending in tourism sector for better growth.

2. Literature Review

Emerging nations already form close to 20 percent (i.e., close to USD Hundred Billion) share of all international tourist arrivals in the world (UNWTO, 2020). Microfinance offers individuals living in poverty, particularly that section of society which is perceived as 'un-bankable', and treated as not having credit-worthiness, and denied basic opportunities for socio-economic sustenance, opportunities to get involved in productive economic engagements. The tourism sector is attributed to having a capability to lessen poverty impact through economic development.

Despite the negative impact of Covid-19, tourism sector has the potential to bounce back. There are important priorities for upholding the nation's path of poverty reduction and greater progress.

Micro-finance institutions do have a capacity for bringing financial services to people in extreme poverty and make good returns to investors too. The poor usually tend to resort to local borrowings from private money lenders who operate in informal, unregulated market to indulge in money lending business, at exorbitant interest rates. This happens mostly because financial institutions in formal sector used to insist on collateral as security for lending which the poor lacked to prove their creditworthiness.

The misconception that used to prevail is that the poor are not creditworthy to be given a loan, particularly non collateral credit like micro-credit. But the reality is that there is a high recovery rate despite the relatively higher interest rates charged on micro credit.

Subsequent to the World Summit on Sustainable Development held in 2002, the World Tourism Organization (WTO) has been dedicated to play a more significant role in the Millennium Development Goals proclaimed by the United Nations in 2000, particularly regarding poverty reduction, which aims at bringing down poverty levels, with a goal of halving the poor people having less than a dollar a day by 2015.

Tourism has contributed significantly to the reduction of poverty in developing and underdeveloped countries over the years (WTO, 2005). The continuing COVID-19 pandemic poses the biggest shock to the global economy since World War II.

The extensive reach of the eruptions – and their consequences on financial markets, product prices, industrial sector, services sector, tourism sector, foreign trade, international supply chains, and investor confidence – has extended to virtually all regions of the globe. While tourism sector naturally accounts for almost one third of services exports worldwide, it will contract by 40-45% due to Covid-19. The tourism sector has a significant impact on the world economy.

As one of the world's major industries, tourism has developed quickly and incessantly for the last five decades and has emerged as an important source of worldwide employment and economic output, contributing to 2.8% of global Gross Domestic Product creating 260 million jobs, and constituting 4% of worldwide investment.

Travel & Tourism can be revived by innovative policies and facilities. The choices travelers make on their trips impact the people and the places they visit. That principal belief supports the responsible tourism industry. One of the most remarkable parts of our increasingly globalized world is the sheer diversity of responsible tourism opportunities (WTTC, 2006).

Tourism Industry has the potential to contribute to alleviate poverty in underdeveloped and developing countries (WTO, 2005). Yet, this possibility is closely associated with the accessibility to financial sources. The businesses within tourism industry at tourist destinations are mostly comprised of micro business enterprises.

To find remedies to the numerous issues and challenges involved in the financing of micro and small enterprises in travel and tourism industry especially in the developing countries, the possibilities of resorting to micro financing for the specific needs are being explored.

Necessary support is extended by the governments to foreign firms, primarily to attract FDI, but not in support of nurturing and financing local businesses in travel and tourism. A well-regulated financial system is a key foundation for sustained growth and development in an economy.

The financial services provided by the regulated financial institutions act like “lubricants” in facilitating the business activities in an economy. This may have favorable impact on wealth creation and on technological development. In order to supplement and stimulate economic progress in the system, the existence and proliferation of financial intermediaries such as banks as well as other financial institutions are essential for mobilizing of savings; for enabling economic development provision of credit in a flexible manner; for monitoring the risks; providing industry data on investment opportunities; managing borrowing and repayment process of clients; and facilitating exchange of goods and services. Progress in this scenario is possible if poor people have access to formal lending and other micro-finance services made available by the regulated financial institutions.

This will help in achieving financial inclusion, giving poor their due credit. Particularly in the Least Developed Countries (LDCs), where the regulated financial institutions and agencies were unable to fulfill the financial needs and requirements of the poor through the provision of financial services.

The commercial banks and financial institutions used to decide on lending to borrowers from perceived risk and reports on credit worthiness. The vulnerability of the underprivileged and the poor, is reduced through access to micro-savings and financial services helping them in terms of family social welfare and long-lasting impact on family income.

About 70 million poor and underprivileged people all over the world find financial services accessible: as micro-credit, micro-savings and micro-insurance products and services (Robinson, 2001). Although it is an astonishing figure compared to the actual demand for such financial services by the poor. The commercial banking sector is capable of delivering financial products and services to help clients graduate from 'Have-Nots' to 'Have's.

Half of world's financially excluded are living in these countries-India, Bangladesh, Pakistan, Indonesia, China, Mexico, Nigeria. The World Bank says that it is working partly and not 100%-with countries with the highest rate of unbanked people.

Micro business enterprises in tourism sector rest on inconsistent and uncertain income depending on seasons, since it is critical to invest in furthering business infrastructure. This type of cash flow seldom matches requirements of standardized credit products like self-help group (SHG) loans, regularity in loan repayments by the clients, which are often offered by several micro-finance institutions.

International Finance Corporation has been involved in microfinance industry since the time industry started facing crisis (in early 1990s) helping it to build strong and steady micro-finance institutions to develop the financial inclusion and develop sector specific policies and guidelines. Economic growth of any country is influenced by the strength of its financial system.

A well- controlled financial system significantly contributes to the relatively equitable income distribution and thus could be perceived to produce positive effects for the poor (Beck et al, 2005). They are lending for self-employed poor and other owners of micro business initiatives who would be requiring the liquid assets (like cash) for undertaking livelihood income generating activities. Tourism is considered as the world's largest industry and generates largest number of jobs (Hegarty & Przezborska, 2005). There is tremendous potential for tourism sector in India too, even in the context of foreign exchange earnings.

Hence, the central as well as state governments have initiated several programs and arrangements to be appealing for foreign tourists. It has also encouraged expansion of other related

industries to generate & maximize earnings and expand, be in to aviation or hospitality sectors. As new means of communication are evolving and nations are becoming more open and globalized, the tourism industry has found a new push and direction. Tourism industry as other industries can benefit from the process of liberalization as there will be abundance of supply of financial services to support growth of businesses in a competitive environment.

With the availability of financial institutions looking to provide a variety of financial services to a wider client base, the issue of financial inclusion is also addressed. Thus, it appears that there is a positive connection between opening of economies and poverty alleviation through financial inclusion. This is largely promoted through micro-finance institutions (MFIs).

Numerous developing nations treat promoting tourism as an important strategy for accomplishing economic growth.

Tourism hires a huge proportion of the worldwide population (300 million people universally, as per the research by World Travel and Tourism Council). Tourism sector, globally generates about seven per cent of worldwide employment (directly or indirectly) and almost five percentage of the world's income as per the (United Nations World Tourism Organization, 2012). Tourism can contribute to the fight against poverty in developing countries, and more specifically in the least developed countries. However, this potential is closely linked to the accessibility of financing sources (World Tourism Organization, 2005).

Females account for 70% of the labor force in the travel and tourism industry (Manpreet Arora & Sandeep Kumar Walia, 2016). It is extensively believed that tourism can be a vital tool to achieve financial progress and also as a way of redefining the worth of life for the societies in which it is executed, especially, in newly emerging tourism destinations.

The financial institutions internationally, are mindful of the expectations that tourism sector can fulfill in this arena. As a result, the financial institutions have conceived it as their unique strategy for a greater sustainable development and also to achieve financial inclusion. The intervention of the World Bank in providing micro-

finance services for the tourism related businesses is termed as a positive development to achieve sustainable development.

The World Bank's funding of tourism might emphasize on the financial inclusion, which would confirm better competence as well as efficiency in the fulfilment of its pursuit of poverty alleviation and also sustainable development goals.

The tourism sector development programs attract a high volume of funding, allocated to countries, as one-off funding facilities, by means of repayable loans with more promising terms than the prevailing market circumstances. The conditions and features of the funds allocated to tourism are not the best, compared to other sectors.

Microfinance is understood as a provision of financial services on a small scale mainly without any collateral from the clients. It includes micro-lending (micro credit), micro-saving & deposits, micro-pension and micro-insurance services being provided to the underprivileged 'un-bankable' population. They form lower strata of society as people belonging to the lower income groups to be engaged with income generation activities for earning their livelihood.

Activities of this nature could be subsistence farming, keeping herd, poultry farming, sericulture, aqua-culture, floriculture horticulture etc. and other variety of agriculture-based and rural industries as micro, small and medium enterprises. These clients who borrow from those microfinance institutions operate these small or micro-enterprise to produce and sell variety of goods or services that are created using locally available resources. They also comprise of people who work for wages, commission etc. (Robinson, 2001). Microfinance services are popular both in rural and urban areas as their clients comprise of rural poor and urban poor. Developing nations are not considered attractive for foreign investments in tourism, but developed nations are.

The people categorized under low-income groups and the underprivileged are found to be more in developing and under developed countries. Thus, in tourism sector, funds appear to be "hard to catch" for the poor. The strategy for poor people owning

tourism related businesses as micro-small enterprises is to see every tourist as a business opportunity.

More the value-added services they offer using micro-finance facility and market it to tourists, greater the chances to prosper. In order to ensure increased availability of funds to be used in carrying out their productive economic activities for their livelihood and to improve their living standards for economically backward people running as business enterprises, in tourism sector.

The characteristics of tourism related micro-enterprises in India: The micro and small enterprises provide majority of services in the tourism industry in India. Almost 80% of the bed capacity to tourists in emerging countries' tourism sector is provided by family run enterprises and micro & small business enterprises in the accommodation services itself in case of the developing countries (WTO, 2005).

The nature of tourism related services that are integral part of tourism industry, such as home-grown local travel, transport, food and beverages, accommodation, shops and retail services establishments etc. are catered by small and micro business enterprises.

Several instances of self-employed poor in tourism sector are usually found operating within tourist destinations: street hawks, massage givers, porters, and shoe-shine boys, among other. Several poor people are working on the basis of the potential number of guests and related sales they could attain; they are mainly connected to tourism related services. The average repayment period for micro finance extended is between 6 months-12 months. Majority of microfinance institutions are concentrated in the semi-urban and rural areas lending an average of 200 USDs as micro loans per client.

The major types of legal entities involved in micro-financing activities, are Non-Banking Finance Companies (NBFCs) and Non-Government Organizations (NGOs) as micro-finance institutions.

The tourism related micro and small enterprises comprise of about 25 percent of all micro and small enterprises. Among all emerging

countries, the number of tourist arrivals from foreign countries is in the range of 200,000 to 10 lakhs (WTTC, 2006). In the tourism industry, major requirement of funding lies in the investments in tourism related customized software for operations, software-based booking or reservation packages, development of websites, rentals, publicity and advertising for business development in order to attract tourists which can help them improve their business performance.

These micro-credit requirements are diverse compared to typical microfinance products and services provided through microfinance industry meant for tourism industry. As a consequence, the lending institutions generally presume that providing small loans and deposit services to the poor households is not attractive and profitable thus the poor continue to be excluded from the formal financial system. But the trends are changing.

The delivery of financial services is extended by all types of microfinance institutions to poor households to undertake productive economic activities across the lines of economic activities including Tourism industry. Reforms in financial sector have paved the way for large number of financial services introduced by numerous financial institutions.

These institutions included microfinance institutions importantly providing collateral free loans to tourism and travel industry providing access to credit and bring down the impact of poverty on households engaged in travel and tourism sector.

Growing emphasis is on producing greater number of quality jobs by upskilling human resources. There are approximately thirteen million individuals entering the working population across the sectors annually (World Economic Forum, 2020).

The tourism industry demands unique sets of financial products and services such as long-term credit, investment subsidies, tax events and leasing & insurance products that could be taken care by Commercial banks which play a leading role in innovative financial markets in tourism destinations.

India is having a tremendous potential for the development in the global tourism sector with huge heritage attractions. India is

regarded as 2nd fastest growing tourist market globally. It is assessed that the entire financial requirement for women owned firms in India is \$200 Billion. But these businesses had an access to the tune of \$60 Billion through organized sector lending institutions, mostly from micro-finance institutions.

Women tend to use microfinance and more than ninety percent of India's 90 million plus micro-finance borrowing clients are women – but these small loans are in some cases insufficient to help women grow their businesses, to create more opportunities for the women since, estimations specify comparatively low levels of female ownership of land and other real property.

This is particularly appropriate for the hospitality sector which needs funding, and fixed assets like land and building, etc. Additionally, their requirements of other financial product offer such as insurance cover, bank loans or bank extending of overdraft facilities, opening up of savings accounts, or providing international payment mechanisms are seldom met by micro-finance institutions.

In addition to the above-mentioned requirements, combining current account with bank overdraft facilities, micro-insurance for tourism industry, lease agreements and as fixed asset financing arrangements too, micro-finance would be needed.

With the aim of finding solutions to the numerous problems involved in the financing of tourism development initiatives especially for small enterprises and micro businesses in developing countries, the WTO in conjunction with Planet Finance, a leading microcredit institution, is studying the possibilities of adapting microcredit to the specific needs of the tourism sector (UNWTO, 2005).

With the help of micro-financing arrangements micro and small tourism enterprises going up the value chain to increase the efficiency and earnings of their enterprises can be possible. The Government of India has been seeking to address the challenge of lack of access to funds for entrepreneurs running micro and small enterprises, considering various schemes, that will help creating entrepreneurs in general in various industries and in particular the tourism sector.

With regard to almost all tourist destinations, self-employed underprivileged people combine income earnings from tourism related activities with agriculture related labor activities during off-season but underprivileged yet entrepreneurial people seldom hire secure assets or organize financial resources.

Their business is not run using a strategy but out of necessity for survival. Entrepreneurial attributes & their service standards are usually found as common characteristics.

Entrepreneurial yet poor people have a perpetual dearth of funds, unable to find funds for their routine commercial activities. Thus, access to the financial services would be the financial provision, used as working capital that helps such people in eradicating the scarcity of money.

Greater participation of women in entrepreneurial ventures, backed by availability of funds is vital for the economic growth.

In India, women own & control fully or partially, about 3 million micro and small business enterprises contributing around 3 % of manufacturing output and employing around 8 million of the population. About 3 in every four of such enterprises fit in to the services sector, and nearly 98% of women owned firms are micro enterprises.

In India several organizations as 'Not-for Profit' Non-Government Organizations (NGOs) has drawn inspiration and grown. One of them is -Youth4Jobs that was established with a goal of helping younger with disabilities to have basic access to the facilities like basic and primary education and job opportunities.

As the pioneers of this enterprise / initiative considering it as a privilege or an opportunity to equip highly vulnerable section of youth of India to become pioneers by providing skills to youth with disabilities and low education levels from villages.

3. Methodology

To understand the ground realities of the issue, research is important. Various research methods to collect data and analyze,

suitable methodologies are available and more are being developed.

One among them is Case Study. The case study method is largely suitable to be used when there is a necessity to have a detailed and minute appreciation of the task or challenge incident, in its typical real-life scenario. Case study approach helps us in analysis, to understand the issues through inferences drawn in reporting the matters. In this research, an attempt has been made to explore the issue through:

- The examination of a particular scenario i.e., social enterprise's mission and operations.
- Emerging as intricate and complex issue.
- An in-depth analysis to be made in a given context.
- To find a solution through holistic approach, to the issues emerging out of development.

One such enterprise chosen to examine and make an analysis is a Social Enterprise by name *Fundación En Via*, studied to assess the impact it created. This Social Enterprise has effectively blended microfinance to tourism related financing. This case explores the model adopted by *Fundación En Via* in generating the capital for micro financing enterprises in the tourism sector.

The technical elements of this issue are the raising of funds and financing the businesses of micro business enterprises and being able to revive the livelihood income of households. Normally, in usual microfinance delivery models, microfinance institutions borrow from banks and financial institutions whereas, here tourist activities become the source of funding.

Under case study strategy, we find various types existing and one should be selected based on the overall research focus (Baxter et al, 2008). Case study research is more relevant in undertaking social research because they narrate the experience surrounding a particular event bound by time and place to inform others about it. This case study is based on the data captured in from various reliable sources such as World Tourism Organization, and official publications of international governmental organizations.

4. Results & Discussion

The tourism industry demands unique set of financial products and services such as long-term credit, investment subsidies, tax events and leasing & insurance products that could be taken care by commercial banks which play a leading role in innovative financial markets in tourism destinations.

India has a tremendous potential for development in the global tourism sector with its huge heritage attractions. India is regarded as 2nd fastest growing tourist market globally. Fighting poverty is a major challenge, to which tourism can make a significant contribution (World Tourism Organization, 2005). It is assessed that the entire financial requirement for women owned firms in India is \$200 Billion. But these businesses had an access to the tune of \$60 Billion through organized sector and lending institutions, mostly from micro-finance institutions.

Women tend to use microfinance – indeed, more than ninety percent of India's 90 million plus micro-finance borrowing clients are women – but these small loans are in some cases insufficient to help women grow their businesses, to create more opportunities for the women since, estimations specify comparatively low levels of female ownership of land and other real property.

In addition to the above-mentioned requirements combining current account with bank overdraft facilities, micro-insurance for tourism industry, lease agreements and as fixed asset financing arrangements too micro-finance would be needed. With the help of micro-financing arrangements micro and small tourism enterprises going up to the value chain to increase the efficiency and earnings of their enterprises can be possible.

The Government of India has been seeking to address the challenge of lack of access to funds for entrepreneurs running micro and small enterprises, various schemes, that will help creating entrepreneurs in general in various industries and in particular tourism sector. With regard to almost all tourist destinations, self-employed underprivileged people combine income earnings from tourism related activities with agriculture related labor activities

during off-season but underprivileged yet entrepreneurial people seldom hire secure assets or organize financial resources.

The case studies are an often chosen methodology for qualitative research. (Creswell, 2013). There are categories of case studies. They can be exploratory, explanatory or descriptive (Robert Yin, 2014).

Operational Mechanisms for the provision of Micro-Finance services:

In financing the income generating activities, adequate number and amount of micro finance institutions need to be operating to provide service known as sponsors of micro-finance. The possible sponsorship mechanisms that could be as below, for the more inclusive form of tourism destination facilitation.

a) Private- Community

Under this particular model, the living private enterprises at the destination location or outside, at work in the area of tourism or not being in the area can undertake or sponsor the locally formed Self-Help Groups (SHGs), who could contribute to destination facilitation as a corporate social responsibility through some entrepreneurial operations.

The partners can fix the preference and the operational areas of the project.

b) Public - Community

Where the government agencies including public sector undertaking public sector enterprises support the community initiatives. The assistance could be in the form of monetary or other non-monetary support such as subsidies and single window clearance in the formation of enterprises.

c) Public-Private - Community

For enterprise formation, the joint initiative is also quite viable in the present context where the economy always demands for private public partnership for developmental operations. For ensuring more 'inclusivity' in travel industry operations, the local

community group is supported by the private players of the region in association with government establishment.

d) NGO-Community

The NGOs sponsor self-help groups for financing and technical assistance. The NGOs do formulation and administration of micro initiatives. It is one of the very old forms of micro financing the local level operations.

e) NGO-Public-Community

Both public sector enterprises and support from the government department like National Bank for Agriculture and Rural Development (NABARD) prove beneficial to the community.

f) NGO-Private-Community:

Under this the private parties associate with the NGO to support the community of their choice. They are fully promoted by the NGOs and private sector for a common cause.

Their business is not run using a strategy but for survival. Entrepreneurial attributes & their service standards are usually found as common characteristics. Entrepreneurial yet poor people have a dearth of funds perpetually, to use in their routine commercial activities.

Thus, access to the financial services would be the financial provision to provide the working capital that helps such people in eradicating the scarcity of money. Greater participation of women in entrepreneurial ventures, backed by availability of funds is vital for the economic growth. In India, women own & control fully or partially, about 3 million micro and small business enterprises contributing to around 3 percentage of manufacturing output employing around 8 million of the population. About 3 in every four of such enterprises fit in to the services sector, and nearly 98% of women owned firms are micro enterprises.

In India several organizations as Not for Profit, Non-Government Organizations (NGOs) drew inspiration and grew. One of them is - Youth4Jobs was established with a goal of helping younger with

disabilities to have basic access to the facilities like basic and primary education and job opportunities.

The founder who pioneered this enterprise / initiative, considered it as a privilege or an opportunity to equip highly vulnerable section of youth of India to become pioneers by providing skills to youth with disabilities and low education levels from villages.

Owing to lack of access to formal lending in developing countries these micro business enterprises engaged in the tourism sector were deprived of securing adequate funds compared to larger players providing accommodation and tourism services as they were unable to compete with them.

As a result, micro businesses engaged in providing tourism related services in emerging nations, were unable to exploit the rising business opportunities created in the form of positive local economic impacts from policy changes in economy in general and tourism industry in particular.

Microfinance requirements, the funding for meeting the growing demand from rising tourists for variety of tourism related services and support, such as reliable software enabled reservation systems, website developments and other facilities were needed by the micro business enterprises to attract tourists to enhance their business performance. Thus, the credit needs are different from the traditional microfinance to meet other financial requirements by the micro finance institutions.

Funding at this stage should be coupled with current account, bank overdraft and extended line of credit facilities for insurance and leasing arrangements and meeting fixed asset requirements. Provided the micro business enterprises engaged in delivering the tourism related services, get access to such credit arrangements, they can go up the value chain to improve the efficiency and earning potential of their enterprises. Despite commercialization and professionalization of the microfinance sector in this country and with increased rivalry among micro finance institutions in some urban areas, there does not appear to be any drive for them to move into tourism areas. Micro financing in the tourism industry is not a popular line of activity in most of the countries.

This case is based on a Not Profit Organization based in Mexico.

4.1. A case of a microfinance lending to tourism sector: Fundación En Via.

As in this case we find, it is a very innovative method to blend microfinance to tourism. This case takes us to Mexico where it was pioneered and carried out successfully. But Fundación En Via takes an exclusive approach to microfinance.

Fundación En Via, a native micro-finance institution at Oaxaca Valley, in Mexico is thriving in the business of lending to tourism sector in tourism bound region encouraging tourists to visit the micro enterprises who engage in to micro businesses. The Oaxaca Valley is home to several native groups, each with unique customs and traditions.

Fundación En Via, is a social enterprise providing livelihood support in Oaxaca, in Mexico. Responsible tourism is tourism that enhances the well-being of the resident public. It intends to encourage visitors and tourists to meaningfully link with the resident community, to know and understand about their culture and livelihoods, and to allow for a genuine exchange.

It uses money earned through 'responsible tourism' (which requires tour operators, hoteliers, local governments, local residents and tourists accepting the responsibility, ensuring to make tourism further sustainable) in offering interest-free micro credit and educational services to the entrepreneurial community mainly comprising in the Tlacolula Valley of Oaxaca, Mexico.

Instead of relying merely on charitable contributions and grants, to finance the program – an innovative funding source – Fundación became an active social enterprise that exploited on the area's increasing tourism sector. En Via Foundation's tours permit tourists visiting Oaxaca to tour into the Valley to meet the women micro entrepreneurs in the microlending program.

The travelers call on artisans, cooks, women micro entrepreneurs – a range of businesses run by the women borrowers. Then, En Via applies entire 100% of the tourist fees to lend credit to the women micro entrepreneurs in one of the six communities where they work.

In this way, tourists actively participate in a reliable cultural experience while realizing that their money is creating a real and lasting impact on the communities they are visiting.

Fundación En Vía is basically providing interest free microloans to enable women empowerment to ensure support for the creation and expansion of income-generating businesses, to reduce poverty and to improve education in the region.

En Vía uses microfinance in order to provide financial tools to self-employed women living in the outskirts of Oaxaca.

The micro loans provided by En Vía Foundation are wholly interest-free. Funds are generated from responsible tourism are channelized into microfinance program. The microfinance is provided subject to fulfillment of requirements and basic principles that entrepreneurs need to fulfill in order to receive loans: En Vía provides microcredit exclusively to women.

It has been established that women micro-entrepreneurs are often found to utilize generated income for the benefit of their family's wellbeing. This model permits us to advance loans to women micro business owners having no collateral and low or nil credit history. Micro business owners should complete 8 business and management sessions before they start receiving their first micro credit.

As women business owners move through the loan process, they should attend regular monthly training sessions on business fundamentals as small businesses present their businesses to a group of responsible tourists. They must invest their loans in their businesses rather than spend it on additional domestic expenditures. By investing in a micro business, women are able to generate income in order to both pay back the loan and support themselves and their families. Tourism and Microfinance, if treated as investment avenue jointly, can be a potential business opportunity in terms of investment, employment and strategic business partnerships.

It can help promote livelihood, community development for poverty alleviation too.

Micro Finance and Tourism can come together in the following ways:

1. Encouraging establishment of exclusive Self-Help Group based Micro-Credit for Travel
2. Encouraging establishment of Micro-Savings Mobilization Club for undertaking Travel
3. Micro Credit for Promoting Livelihood among Tourism related industry people
4. Joint Account for Tourism Industry Workers for Micro-Savings for transferring partial amount from Salary Account.
5. Registration of Tourism Cooperative Societies for the benefit of members in providing micro-finance
6. Commercial Banks and NBFCs can come out with unique products especially for Micro Finance Industry people.
7. Creation of Non-Governmental Organizations exclusively to attract funding for the promotion of Tourism Promotional activities.

Microfinance can contribute to tourism industry as a sunrise industry globally in general, and in emerging countries, in particular. Several emerging nations are deliberating on encouraging tourism as a main strategy for attaining economic progress. The micro and small businesses play key role in organizing tourism activities at destinations.

These micro business enterprises that are part of the tourism sector in developing countries lack access to finance as they lack collateral insisted by banks and financial institutions whereas large-scale funding possibilities in the form of foreign investments and corporate credit are accessible by large businesses who are relatively less dominant in tourism businesses.

The micro finance institutions didn't experiment with the idea of funding the financial requirements of micro business enterprises until now and thus the demand supply gap continued widening.

As a consequence, the lending institutions generally presume that providing small loans and deposit services to the poor households

are not attractive and profitable thus the poor continue to be excluded from the formal financial system. But the trends are changing.

Finance services are extended by all types of micro-finance institutions to poor households to undertake productive economic activities across the lines of economic activities including Tourism industry. Reforms in financial sector have paved the way for large number of financial services introduced by numerous financial institutions.

These institutions included microfinance institutions and importantly, providing collateral free loans to tourism and travel industry providing access to credit and bringing down the impact of poverty on households engaged in travel and tourism sector.

Growing emphasis is on producing greater number of quality jobs by the upskilling of human resources. There are approximately thirteen million individuals entering the working population across the sectors annually (World Economic Forum, 2020).

Blending tourism and microfinance, recognizing opportunities for tourism to diminish poverty in emerging nations and targeting the possible role and the ground reality of microfinance industry in terms of solutions for tourism micro projects. Access to microfinance helps in fighting poverty on a large scale, as per the 2004 report by United Nations on the Millennium Development Goals.

Financing by MFIs in tourism sector has four main processes that are core to ensure the success of actions to be implemented in the travel and tourism sector: -

- Guaranteeing that the essential conditions prevail for tourism projects
- Defining the activities/actions travel and tourism criteria in coming out with projects
- Measurement of the project's capacity to contribute in the contest against poverty
- Evaluation of conditions for promotion and cost-effectiveness.

Evolving and introducing recreation and tourism in rural areas that microfinance services with higher sums, prolonged payback periods and individual assurances (rather than joint guarantees by group).

5. Findings & Conclusion

The study has produced key findings:

1. Fighting against lack of funds is a major critical challenge, in which the tourism sector provides some relief to poor creating opportunities to earn livelihood income.
2. In fight against poverty in developing countries, Tourism can contribute to some extent particularly in the least developed nations. Yet, this depends on access to formal lending.
3. One of the key characteristics of the tourism sector is that it often needs greater amount of funds for long-term investments, particularly for food and accommodation businesses. This type of investment amounts to a restriction of activities in the use of microfinance.
4. The nature of intervention of microfinance at present is in the form of extending microcredit and providing micro savings products to the tourism sector for a shorter duration.
5. Analysis of the potential role of microcredit in the tourism sector shows that the economic activities backed by microfinance are directly and indirectly linked to tourism and help in poverty alleviation particularly in low-income countries.

The reforms of financial sector and the supervisory frameworks of Central Banks in emerging nations might be enabling the growth of microfinance sector development, but these are not comprehensive enough to support micro and small business enterprises in tourism sector.

6. Suggestions & Recommendations

The following measures could be taken for the effective implementation of microfinance to the tourism sector for creating a win-win situation.

- 1) MFIs can come out with stringent guidelines and standards for evaluating the feasibility of tourism projects to fund, to show arrival of the number of future visitors and to highlight the attractiveness of return on investment.
- 2) The funding of tourism projects needs to be based on the reasonable and realistic estimates of tourism arrivals and average spending by them.
- 3) The tourism business as high, moderate and low volume should be analyzed on the basis of tourism season to take decisions towards small loans that are repayable within a period of a year, and it is necessary to think of a system that takes into consideration this.
- 4) The tenure of micro credit may have to be longer than usual since the specific characteristics of the tourism sector are unique.
- 5) The schedule of loan repayment seasonal wise is therefore necessary in destinations/regions depending on the seasonal attractiveness of tourism arrivals.
- 6) For most of the tourism-bound small and micro-enterprises, the fund required are usually larger than what is usually permitted for microfinance institutions for microcredit. MFIs should therefore set up specific procedures to meet the needs of the tourism sector, without compromising on the principles of micro finance and also not letting the financing business diminish.
- 7) To ensure that the microcredit plays a greater role in sustainable tourism in the fight against poverty, it will be necessary to bring together tourism related projects.

If more and more micro finance institutions can cater to the needs of the tourism sector across the levels and all over the country, it can also become a great business opportunity as well as help the country in poverty reduction. The tourism sector would get a boost in terms of professional and commercial approach to provide services resulting in attracting greater number of tourists, if they get access to funding to establish and expand.

The lack of strong linkages between the micro-finance and the tourism sectors as a common business opportunity in emerging nations leads to some challenging questions to be addressed by further research- From supply side of micro finance the issue appears that MFIs are mainly poverty oriented than business oriented.

The recommendations to achieve gains for the people in poverty through boosting the tourism sector:

1. Creating pro poor jobs within tourism enterprises in developing countries.
2. Increasing contribution by poor people in introducing the goods and services for the micro and small enterprises in the tourism sector.
3. Production and sale of goods and services by the poor to the tourists and visitors
4. Establishment of tourism bound micro business enterprises and control by the poor themselves
5. Sustainable tax and incentive policies for the advantage of poor people within tourism sector.
6. Self-motivated actions and initiatives by tourism enterprises and tourists to be pro poor.
7. Increasing potential for savings mobilization and capital formation to invest in core infrastructure to grow tourism potential while helping the poor.

These actions can be implemented both as standalone actions as well as collective actions, depending on the status of tourism

projects. The experts recommend the government and micro finance institutions to introduce tourism specific lending policies to benefit the poor engaged in the microbusinesses in the tourism sector.

This analysis has broadly shown that microcredit can be blended with tourism for the growth of the sector if appropriately synchronized and has a potential to act as a major source of job creation and poverty reduction through the promotion of livelihood, community development and establishment of micro business enterprises.

However, various delivery models on the provision of micro credit are available, and the choice of a suitable delivery model depends on the attractiveness of tourism destination and total footfalls, infrastructure, availability of trained staff and skill upgradation opportunities, and the level of development of surrounding areas.

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