



Module 2

Financial management in tourism companies

Lesson 6- Sustainability and finance in the tourism sector

1.1.- SUSTAINABILITY IN THE TOURISM SECTOR

1.1.1.- The concept of sustainable tourism

According to Galloso (2019), in Hosteltur, he states that "the binomial tourism and sustainability must stop being a premise treated as a trend and incorporate it into the starting equation, since tourism will not be understood without its premise of sustainability.

We must be aware once and for all that there can be no tourist activity if it is not linked to the sustainability of its promoters as well as to that of the environment on which it is consumed. The sustainability of our natural and heritage environment is basic to our survival as a species and, undoubtedly, to guarantee adequate tourist consumption scenarios".

Aceranza (2006), on the other hand, provides a more complete definition, which determines that "tourism development must be based on sustainability criteria, that is, it must be ecologically bearable in the long term, economically viable and equitable from an ethical and social perspective for local communities".

Lobeira (2012), points out that "efforts to define sustainability have not been very successful in the specific area of tourism either. Using the Bruntland Report's definition as a starting point, UNWTO defines sustainable tourism as follows (Fletcher, 2007): "Sustainable tourism development meets the needs of today's tourists and host regions while protecting and enhancing opportunities for the future. It is conceived as leading to the management of all resources in such a way that economic, social and aesthetic needs can be met while preserving cultural integrity, essential ecological processes and biological diversity, as well as life support systems (World Tourism Organization, 2001)".

Within this framework of action, it must be said that the achievements that have been made are quite limited. Perhaps this is due to a lack of consensus among the agents responsible for tourism development and, above all, from an institutional point of view, without clear regulations that advocate sustainable tourism development in all aspects.

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Even so, "there are channels or methods by which a destination can be sustainable. One method is to put limits on the future growth of tourists in each destination. This would not necessarily improve the net benefits derived from it for any destination and, in those destinations where problems were already being generated, it would not serve to ensure long-term viability. Another approach would be to change the behaviour of stakeholders in the tourism industry to make the products currently available more sustainable" (Fletcher, 2007)".

To better understand the concept of sustainability, we turn to McIntyre. According to the author, we can consider that sustainable development (and within it, logically, sustainable tourism) is based on three well-differentiated pillars:

- **ECONOMIC SUSTAINABILITY:** Guarantees lasting economic development
- **ENVIRONMENTAL SUSTAINABILITY:** Respect for the environment
- **CULTURAL SUSTAINABILITY:** Preserves the intangible heritage of villages

The graphic expression of this triple categorization is reflected in the following graph:



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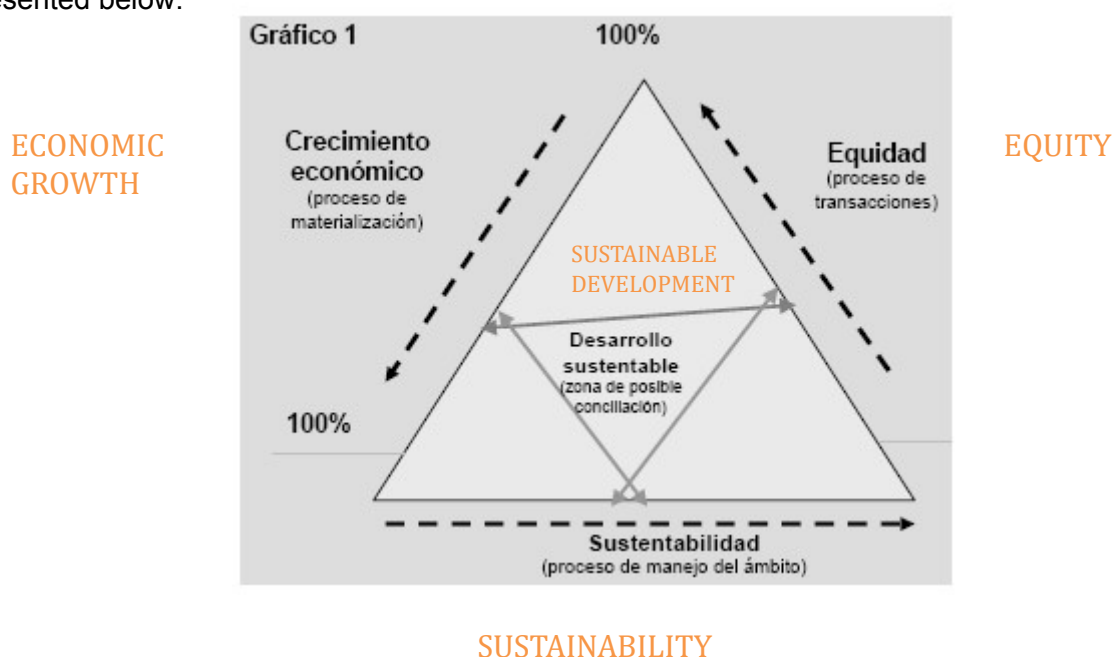
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Sustainable development

Figure number1 / Sustainable development. Source: http://www.ideamerica.org/detail_art.php?id_detalle=212

In short, the most important idea of what has been said so far is that tourism should be planned and managed from the perspective of sustainability, in order to conserve natural resources and ultimately to conserve human capital.

The graph just presented is inspired by the Peter Nijkamp's triangle, an economist considered to be one of the most influential authors in the field of sustainable development. His famous triangle has been used and reworked by many tourism scholars to explain the environmental, social and economic implications of tourism activity. This illustration is presented below:



The triangle of Peter Nijkamp

Figure number 2 / Peter Nijkamp's triangle. Source: Nijkamp, 1990

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1.1.2.- Tools for measuring sustainable tourism

CARRYING CAPACITY AND THE IMPORTANCE OF TOURISM INDICATORS

Referring again to Lobeira (2012), he states that "based on the fact that it is an industry, tourism activity produces an impact on the social, economic and environmental aspects of a destination and this is not always positive.

Therefore, thresholds must be established in order to develop sustainable tourism activity, since exceeding these thresholds affects tourism development negatively. It is not easy to define these thresholds. One of the most important instruments is the concept of carrying capacity. Carrying capacity has been defined as "the maximum number of people who can use a site without unacceptable disturbance of the physical environment or unacceptable reduction in the quality of the visitor experience" (Mathieson and Wall, 1982).

There are numerous working definitions for carrying capacity, but with respect to tourism, we will focus on human impact since Hardin's (1991) formulation:

$$\text{Impact of tourism} = \text{tourist population} \times \text{tourist impact per capita}$$

This formula, however, is not sufficient for many authors, since it does not reflect many variants that shape a destination, such as the technological variable or the characteristics of the tourist activity that takes place there". However, as this is a first approach to the tools for measuring tourism sustainability, we can determine it up to this specific point.

1.2.- FINANCE IN THE TOURISM SECTOR

1.2.1.- Circular Economy in Tourism

Referring to the specialized blog entornoturistico.com, "Sustainability has taken a leading role in the global agenda, both in the institutional, social and private, since everything points to the fact that if there is no brake on bad practices and both restrictive and educational policies on care and prevention are not applied, our future generations will not have the privilege of experiencing our great natural and environmental wealth.

Within these trends, Circular Economy stands out as a system that incorporates criteria that transcend the environmental sphere and reaches all areas of government, business and society".

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Circular Economy is a system that is directly related to sustainability, where the objective is the value of products, materials and natural resources. It is exhibited as a system for the use of resources where the reduction and reuse of the elements prevails. On the other hand, it is a repairing and regenerative mechanism thanks to its technical processes, it maintains what has been elaborated for a longer period of time and reduces the generation of waste to a minimum. The first time that this system was mentioned is in the book of Pearce and Turner (1990), in which it is indicated that; "to try to create a melodic and synergic system between the economy and the environment."

The circular economy seeks to join forces in development and productivity with ecology and respect for the environment, so that natural resources are benefited by this type of production, achieving a defender in its conservation and efficient use. Therefore, eco-innovation and circular economy are concepts that feed back and that have a basic and clearly defined objective, which indicates, to provide a sustainable future, restricted by and for the balance between the social, the economic and the respectful with the environment".



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1.2.2.- How this new economic system affects Tourism

Referring again to entornoturistico.com, it is established that, "mainly in the search of new formulas of sustainable development of the companies of this sector, which speaks of modernizing in many cases; how to use the new technologies applied for this effect.

The role played by new technologies is essential to support the commitment of the circular economy. ICTs promote new sustainable manufacturing models that are committed to reducing consumption, the reuse of components, clean production systems and the use of renewable energies. All these factors are the key to act and face the current world, since it is not enough that the companies of the tourist sector change their lighting systems to Led, that they implement the separation of waste, that they recycle the worksheets, if finally they do not apply real changes in their current ways of operating, as for example: Buildings still lack thermal insulation, which means more electricity consumption both for heating in winter, and for cooling the environment during the summer, or over-consumption of water, which is caused by bad pipes or by maintaining taps without efficient saving systems".

We can better understand this by looking at the following figure:



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