

# Sustainable Growth of Turkish Tourism Sector and Alternative Methods in Finance

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## [ABSTRACT]

According to the World Tourism Organization-Tourism Highlights 2011 survey in 2010 World's top destinations, Turkey has the seventh most tourists, with 27 million visitors and the tenth highest revenue from tourism, earning \$20,8 billion. In first quarter of 2011 the negative effects of economic and political developments in Eastern Europe, North Africa and the Middle East caused early booking cancellations and destination changes in favor of Turkey. If we compare the first quarter of 2011 with the previous year, there was an increase of international tourists to Turkey of 17%, and an increase in tourism revenues of 28.5% in dollars. Turning this positive trend into a sustainable growth in tourism sector and achieving the goal of 63 million tourists and 86 billion dollars in year 2023 as projected by the Ministry of Culture and Tourism depends on improving alternative methods in sectoral

finance and support of medium and long-term investments by the government. The subject of this study is to propose alternative methods for tourism finance in Turkey. The first part of this study discusses the current loan structure of tourism sector; the second part discusses existing tax and incentive schemes; the third part analyzes of the alternative finance methods which are used around in the world; and the last part discusses solution proposals for sustainable growth.

**Key Words :** Tourism Sector, Finance of Tourism, Investment, Bank Loans, Taxes in Tourism Sector, Non-profit Organizations

## Introduction

According to the World Tourism Organization-Tourism Highlights 2011 Survey of the 2010 top destinations in the world, Turkey has the

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seventh most tourists, with 27 million visitors and the tenth highest revenue from tourism, earning \$20.8 billion. If we compare the first five months of 2011 with the same term of the previous year, there is an increase of international tourists to Turkey of 14.56% (<http://www.tursab.org.tr>). Being unable to sustain this positive trend in the tourism sector or achieve the goals (63 million tourists and 86 billion dollars revenue) that are set by Turkey's Tourism Strategy 2023 Document (published by the Ministry of Culture and Tourism in 2007), alternative methods of finance should be developed that will support medium and long term investments. Turkey's Tourism Strategy 2023 Document emphasizes the regulatory role of the public sector as more than a provider of funds. The document suggests that the responsibility should be shared by both public and private sectors. In addition, different types of finance models are outlined.

The identified finance models in strategy document are as follows:

- Built-Operate-Transfer (BOT)
- Built-Operate (BO)
- Design-Built-Finance-Operate (DBFO)
- Built-Own-Operate-Transfer (BOOT)
- Built-Own-Operate (BOO)
- Built-Lease-Operate-Transfer (BLOT)
- Public-Private Partnership (PPP)
- Securitization

The lack of financial liquidity is indicated as the major cause of business failure in tourism sector (Morrison, A. Rimmington, M. and Williams C., 2005). Nevertheless, as the subject of our research which relates to the most important problem of the tourism sector, the strategy document does not include alternative finance methods.

## Loan Structure of Tourism Sector

Gross Domestic Product (GDP) of Turkey in 2010 realized \$735 billion, and tourism revenues reached \$20.8 billion, with a share of 3% in GDP.

Two trillion dollars national income in year 2023 is the goal set by the government. According to the tourism strategy document, financial strategies should be defined in detail in order to increase of the tourism revenue to \$86 billion, with a share of 4% in GDP. In this respect, before discussing alternative finance methods we have to analyze the loan structure of the sector.

Tourism sector loans in Turkey are classified as hotels and restaurants. However, a small portion of restaurant loans by percent (in total 0.2 % of commercial bank loans), an uncertain number of fast-food chains in restaurant loans, and even unknown breakdowns are excluded from the number of restaurant loans considered in this study. Banking Regulation and Supervision Agency (BRSA) and Central Bank of Turkey (CBT) data (<http://ebulten.bddk.org.tr> and <http://tcmb.gov.tr>) were used in the analysis. Highlights of the analysis are as follows: