MODERN WAYS OF FINANCING TOURISM ACTIVITIES IN ROMANIA

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Abstract: *In recent years, modern ways of financing have been at the basis of business development in Romanian tourism. European and governmental funds, crowdfunding, specialized investment funds, tokenization and blockchain financing, the "Pay-as-you-go" model are some of the ways identified by tourism entrepreneurs to develop their businesses. All the mentioned models are starting to be increasingly used in Romanian tourism, offering modern and attractive solutions for both tourists and industry operators, therefore the integration of these models with digital technology can contribute to the development of a more accessible and personalized tourism in Romania.*

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1.Introduction

Tourism financing has evolved significantly in recent years, and tourism entrepreneurs have modern ways to develop their businesses. Among the most relevant are: financing through European and governmental funds, non-reimbursable funds through programs such as NRRP (National Recovery and Resilience Plan), ROP (Regional Operational Program) or ARIF (Agency for Rural Investment Financing), government subsidies - grants from the Ministry of Tourism or other institutions for the development of tourism infrastructure, crowdfunding, raising funds from people interested in innovative tourism projects through Kickstarter, Indiegogo or GoFundMe platforms, innovative tourism startups, tokenization and blockchain financing, bank loan and leasing financing, SME loans with preferential interest rates for tourism businesses, funding through collaborations with tourism brands, the "Pay-as-you-go" model, etc.

These financing methods offer varied opportunities for tourism entrepreneurs, allowing them to innovate and attract financial resources tailored to their specific needs.

2. European and government funding

Financing tourism in Romania through European funds represents a major opportunity for developing infrastructure, modernizing services and promoting tourist destinations. There are several funding programs that support tourism businesses, be it hostels, hotels, travel agencies or eco-tourism projects.

The Regional Operational Programme (ROP) is one of the most important programmes for the development of tourism in Romania, providing funding for the construction and modernization of accommodation and leisure facilities, the development of local and regional tourism infrastructure, digitalization and innovation in tourism and the preservation and promotion of cultural and natural heritage.

The National Recovery and Resilience Plan (NRRP) is a program that supports tourism projects focused on sustainability and digitalization, includes funding for upgrading infrastructure and promoting green tourism, and offers grants for digitalization of travel agencies and hotels.

The Rural Investment Financing Agency helps support rural tourism and agritourism. The main investments are aimed at the creation and development of non-agricultural activities, providing funds for the construction and modernization of rural guesthouses, traditional restaurants and agreement activities. The amount of funding is up to €200,000, with 10-30% co-financing.

The Invest EU program and Modernization Fund is aimed at investments in green tourism infrastructure and energy efficiency and can be accessed to finance large ecotourism and sustainability projects.

The Horizon Europe program offers grants for innovative tourism projects such as digital solutions and sustainable tourism experiences.

The beneficiaries of European funds are tourism SMEs (hotels, hostels, travel agencies), local authorities, NGOs and associations promoting cultural tourism and ecotourism, start-ups with innovative solutions for the tourism industry.

The European funds offer a significant opportunity for the modernization of tourism in Romania, contributing to the improvement of the quality of services and to the increase of tourist circulation.

The Romanian Government offers various subsidies and support programs to stimulate the development of the tourism sector. These include the "Incoming" program to support travel agencies that bring foreign tourists to Romania. Agencies can receive a subsidy of €40 for each foreign tourist who has purchased and paid for a package of tourist services in Romania. To benefit from this support, agencies must apply using the form available on the ministry's website.

Another program is represented by the De minimis scheme for seaside and spa resorts which aims to stimulate economic operators in seaside and spa resorts to modernize and develop tourist facilities, thus contributing to increasing the attractiveness of these destinations.

In addition to European funds, there are also national programs financed from the state budget that support various national policies and priorities, including tourism. The implementation and management of these projects take place exclusively in Romania, aiming to develop and promote tourism at national level.

In order to benefit from these grants and support programs, tourism operators must meet the eligibility criteria specific to each program and submit applications for funding according to the instructions provided by the competent authorities.

3. Crowdfunding

Crowdfunding is a modern method of financing that allows entrepreneurs to raise financial resources directly from the public through online platforms. This method is used to develop innovative tourism projects, eco-tourism, modernize hostels or promote unique tourism experiences

Several types of crowdfunding are used in tourism. Rewards-based crowdfunding, which offers benefits to supporters, such as vouchers for stays, guided tours or other experiences. A good example is crowdfunding an eco-resort where donors receive discounts or free nights.

Donation crowdfunding is used for community and heritage conservation projects, such as the restoration of a castle or a traditional Romanian village.

Equity crowdfunding, where backers become investors and receive a stake in the business, an example being tourism startups funding their development.

Crowdfunding based on peer-to-peer lending can offer the possibility to obtain funding from individuals or groups in exchange for repayment with interest.

The most widely used platforms in Romania are Kickstarter - used for innovative tourism projects, Indiegogo - suitable for tourism startups, GoFundMe - used mainly for social initiatives and heritage preservation, SeedBlink - equity crowdfunding for tourism and hospitality businesses, Creștem Idei - Romanian crowdfunding platform.

In Romania, this method of financing has been used to restore castles that have been transformed into accommodation, to build sustainable huts and ecological trails, to organize thematic guided tours, cultural festivals, etc.

This method of financing offers several advantages such as: it allows to test market interest before implementing a project, it offers visibility and free promotion through the supporters involved.

There are also some limitations to this method: it requires a good marketing strategy to attract investors, success depends on the ability to build a community of supporters, in some cases the funds raised may be insufficient to fully implement the project.

Crowdfunding is a viable solution for Romanian tourism entrepreneurs who want to innovate without bank loans or traditional investments

4. Business Angels and Venture Capital Funds

Business Angels and Venture Capital Funds are a modern way of financing startups and innovative businesses in the hospitality industry. These sources of capital are especially accessible for projects with high growth potential that can bring innovations in tourism, digitalization or personalized experiences for tourists. Business Angels are private investors who provide funding to tourism startups in exchange for a stake in the company by coming with management expertise and business connections.

The main networks of Business Angels in Romania are TechAngels Romania which supports startups in various fields, including digital tourism, Business Angels Romania - network active in financing innovative projects, GapMinder Venture Partners - fund oriented towards technology and digitalization.

This funding can be used to design online personalized booking platforms, digital tourist guide apps and interactive experiences and startups in sustainable tourism and ecotourism.

Venture Capital (VC) funds offer capital in exchange for equity. The most well-known VC Funds active in Romania through which tourism businesses can be financed are: Early Game Ventures - which invests in Romanian startups in the field of technology and digital tourism experiences, Morphosis Capital - a fund specialized in SMEs with expansion potential, including in tourism, GapMinder VC - supports innovative companies, including in the hospitality industry and ROCA X, which is a €12 million fully privately funded venture capital fund investing in disruptive early stage technology startups.

The types of tourism projects that can attract venture capital are digital tourism platforms (smart booking, virtual tours, immersive experiences), innovative hospitality services (smart hotels, automation solutions), sustainable and green tourism (eco-resorts, responsible tourism apps).

These methods of financing offer a few advantages: they provide capital without requiring immediate repayment, unlike bank loans, and offer access to valuable expertise and networks of contacts. There are also limitations: investors usually require a significant share of the business, there is high pressure to achieve profitability quickly, and it involves a complex process of selecting and negotiating funding.

In Romania, Business Angels and Venture Capital Funds are still in their infancy in the tourism sector, but they are starting to support innovative projects. Entrepreneurs who come up with disruptive and sustainable ideas stand a good chance of attracting such funding.

5. Tokenization and blockchain financing in Romanian tourism

In recent years, blockchain technology and tokenization have also started to be used in tourism, offering innovative solutions for financing, booking, loyalty and transparency in this sector. Although Romania is still in its infancy in adopting these technologies in tourism, there are examples and initiatives that could transform the hospitality industry.

Tokenization in tourism involves the conversion of a real asset (e.g. a tourist property or travel services) into a digital token on the blockchain, which can be traded or used to access specific services.

In Romania, tokenized investments in hotels and tourism properties can be an alternative to traditional financing methods, allowing investors to buy parts of a hotel or resort in the form of tokens. Or instead of classic loyalty points, tourists can receive tokens on the blockchain that can be used for discounts or upgrades at hotels, travel agencies, etc.

Blockchain can be used to finance tourism projects through ICO (Initial Coin Offering) which involves offering tokens to investors who finance a tourism project (e.g. hotels, eco resorts, digital tourism platforms) or through STO (Security Token Offering) - like ICO, but compliant with financial regulations and offering digital assets backed by real assets

For example, a developer of eco-tourism hostels in Romania can launch an STO, allowing investors to buy tokens that represent a share of the future profit of the business.

The advantages of tokenization and blockchain financing cover easy access to funding for startups and tourism businesses, eliminating intermediaries and reducing fees, increasing transparency and security in transactions, and the possibility to attract international investors.

As disadvantages can be considered: the lack of clear regulations for tokenization in Romania, the low level of blockchain implementation in the tourism sector and the need to educate the market and entrepreneurs about the benefits of the technology.

Financing through tokenization and blockchain can become a huge opportunity for Romanian tourism, allowing the development of innovative projects without depending on bank loans or traditional funds.

Ways of financing through bank loans and leasing in Romanian tourism.

In Romania, tourism entrepreneurs can access bank loans and leasing to finance business development, infrastructure modernization and equipment acquisition. These financing methods are frequently used by hotels, hostels, travel agencies and other hospitality businesses.

6. Bank loans for tourism

Romanian banks offer a wide range of loans for the tourism sector, tailored to the needs of entrepreneurs. The main types of loans used in tourism are: investment loans - for the construction, extension or modernization of hotels, guesthouses and restaurants, working capital loans - to cover current expenses (salaries, utilities, supplies), digitalization and modernization loans - for the implementation of IT solutions in tourism (e.g. booking platforms, automation solutions), revolving credit lines - offering flexibility for unforeseeable expenses and loans co-financed with European funds which help beneficiaries to cover the necessary co-financing share in European projects.

The most popular banks offering financing for tourism are Banca Transilvania - offering loans for hotels, hostels and restaurants, CEC Bank - supporting tourism entrepreneurs with investment loans, Raiffeisen Bank - special loans for hospitality businesses, BCR - financing tourism projects, including with guarantees from the National SME Guarantee Fund (FNGCIMM).

7. Leasing finance in tourism

Leasing is a secure alternative to bank credit, used for the purchase of equipment, vehicles and infrastructure needed in tourism. The most used types of leasing used in tourism are financial leasing - allows the purchase of equipment and infrastructure with payment in monthly installments and operational leasing - suitable for long-term leasing of assets without becoming the owner.

In the tourism sector tourism leasing can be accessed for: hotels and hostels for the purchase of furniture, kitchen equipment, air-conditioning systems, travel agencies for car leasing for tourist transportation fleets and adventure tourism for the purchase of equipment for extreme sports, boats, and ATVs. The most active leasing companies in Romania are BT Leasing, Raiffeisen Leasing, Unicredit Leasing and BRD Sogelease.

Lease financing has both advantages and disadvantages. Advantages include quick access to capital for business development, flexible solutions for modernizing and expanding the business, and the possibility of low guarantee financing through government schemes. Disadvantages include the need for a solid financial track record for loan approval; interest rates can be higher for small or new businesses and operating leasing does not provide ownership of assets.

For example, a 4-star hotel in Brasov has acquired kitchen equipment, air conditioning systems and premium furniture through financial leasing and many hostels in the Maramureș and Bucovine area have used leasing to modernize rooms with luxury furniture and smart-home systems.

Some travel agencies in Cluj-Napoca have acquired a fleet of minibuses through financial leasing to organize guided tours in Transylvania. Airport transfer companies (e.g. those operating between Otopeni and Brasov or Constanta) use operational leasing to rent modern vehicles without high upfront costs.

An agreement center for extreme sports in the Prahova Valley has acquired ATVs and snowmobiles through financial leasing. A restaurant in Sibiu used leasing to buy kitchen equipment, industrial fridges and professional espresso machines, some cafes in tourist areas used leasing to furnish their terraces with premium furniture.

8. Pay-as-you-go model and subscription funding

Pay-as-you-go (PAYG) and subscriptions are becoming increasingly popular in the tourism industry as they offer flexibility to tourists and financial stability to tour operators by being used for accommodation, transportation, tourist experiences and tourist assistance services.

Pay-as-you-go is a consumption-based payment model, where the tourist pays only for the services used, without being obliged to purchase standardized packages. Examples of the use of this model include: transportation services: Bolt, Uber and BlaBlaCar - pay per ride, no monthly passes, Danube Ferry-boat - tourists pay only for the crossings used; tourist experiences and guiding: on-demand guided tours in tourist cities (e.g: Cluj, Sibiu, Brasov), where tourists only pay for the tour taken, access to museums and attractions through mobile apps that charge according to time spent (e.g. Visit Bucharest); flexible accommodation: pay by the hour in hotels and hostels - some establishments in Bucharest and Cluj allow pay by the hour for rest rooms, coworking and relaxation spaces - tourist hubs (e.g. Commons Bucharest offers pay-by-the-hour access only for time spent).

Subscription financing involves the tourist paying a monthly/annual fee for access to exclusive services or benefits, thus ensuring recurring revenue for tourism service providers.

The best examples are transport passes: STB and Metrorex (Bucharest) - passes for tourists with access to all means of transport, Tarom and Wizz Air - offer loyalty pass programs with discounts on tickets; accommodation passes: Selina Nomad Pass (Oradea) - pass for digital nomads, offering accommodation in several locations in Romania, Airbnb offers "Airbnb for Work" - pass for frequent travelers; tourist attraction passes: Visit Bucharest Pass - unlimited access to museums and sights for a fixed price; spa and wellness center passes - hotels in spa resorts (e.g. Baile Felix) offer premium access through monthly passes; tourist experience passes: City Pass in big cities (Cluj, Brasov) - access to guided tours, public transportation and restaurant discounts, NomadX Romania - all-inclusive travel packages for digital nomads.

As with the other forms of tourism financing, the PAYG and Subscription models have advantages but also limitations. The most significant advantages are flexibility for tourists - they only pay for what they use; recurring revenue for the business - the subscription model provides financial stability; accessibility - more tourists can benefit from services without high upfront costs.

Limitations of these models include: the need for digital infrastructure (online payments, mobile apps), convincing tourists of the benefits of long-term subscriptions, strong competition from traditional package tour models.

9. Conclusions

These financing models are starting to gain more and more ground in Romanian tourism, offering modern and attractive solutions for both tourists and entrepreneurs in the hospitality industry. For this reason, the integration of these models, based on digital technology, in tourism can contribute to the development of this sector.

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