Tourism and Financing Needs: Stakeholder Reflections from Gilgit Baltistan

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Photo: ICIMOD
Landscape, nature and adventure

- World’s most famous mountain Ranges;
- Home to nexus of Himalayas, Karakorum & Hindu Kush ranges
- K2 world’s second highest Peak;
- Five over 8000 meters peaks;
- 101 Peaks over 7000 meters;
- More than 500 glaciers;
- 2,200 Sq. miles of snow-covered area.

Wildlife and biodiversity

- 4 National Parks;
- 9 Game Reserves;
- 3 wildlife sanctuaries;
- 230 species of birds;
- 54 Species of mammals;
- 20 species of freshwater fish;
- 23 species of reptiles;
- 6 species of amphibians;
- 6592 Sq. KM of forests, which constitutes 9.1 % of the total area

Source: Tourism Department, Government of Gilgit Baltistan.
Cultural diversity and traditions

- 5 languages with 36 dialects;
- 7 Asia pacific heritage conservation, UNESCO and British Airways Award winning historical sites;
- 23 historical forts;
- 75 polo grounds;
- 65 archeological sites;
- More than 39,000 rock carvings and inscriptions;
- Round the year festivals and cultural events;
- Indigenous music;
- A centuries old culture of hospitality and acceptance of visitors.
- Cuisine

Source: Tourism Department, Government of Gilgit Baltistan.
Increasing trend of tourist flow in Gilgit-Baltistan

Number of total hotel rooms/tourist capacity in GB (As of 2017)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of total hotel rooms/tourist capacity in GB (As of 2017)</td>
<td>4,834 (1-4 star facilities)</td>
</tr>
<tr>
<td>Estimated accommodation capacity</td>
<td>9,668 persons per night stay</td>
</tr>
<tr>
<td>Peak tourist season</td>
<td>April, May, June, July, August(150 Days)</td>
</tr>
<tr>
<td>Alternate accommodation Facilities</td>
<td>Seasonal Guesthouses &amp; Camping/Tenting sites</td>
</tr>
<tr>
<td>Occupancy ratio of registered hotels/ accommodation facilities during peak season</td>
<td>100%</td>
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<tr>
<td>Occupancy ratio of accommodation facilities during off-season</td>
<td>Registered hotels: 25% to 35% seasonal facilities: 0%</td>
</tr>
</tbody>
</table>

Source: Survey of Tourism Sector, Nov 2019 and Ashab uli Baig
Tourists’ budget vs spending

Survey finding: Average planned and actual expenditure (Figures in PKR)

<table>
<thead>
<tr>
<th>Tourists type</th>
<th>Planned expenditure</th>
<th>Actual expenditure</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>97,302.13</td>
<td>91,633.19</td>
<td>5,668.94</td>
</tr>
<tr>
<td>International</td>
<td>106,121.21</td>
<td>87,424.24</td>
<td>18,696.97</td>
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</tbody>
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Source: Tourism Satellite Account (TSA) Hunza 2019

• Tourists’ willingness to pay exists but they don’t find appropriate avenue to spend
Growth in enterprises and hotel sector and investments

Number of Enterprises

Average Investment on Hotels

Source: KIU-WWF-ICIMOD (2019)
Impact of growing tourism

+ Growth in income, employment and enterprising activities

- Haphazard constructions, dramatic land use change and adverse impact on environments and cultural traditions

Source: KIU-WWF-ICIMOD (2019)
## Study background

<table>
<thead>
<tr>
<th>TITLE</th>
<th>OBJECTIVES</th>
<th>METHODOLOGY</th>
<th>STUDY PERIOD</th>
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</table>
| Risk assessment in tourism and hospitality sector | • To assess the understanding of tourism enterprises about risk factors and mitigation strategies.  
• To assess demand for a tourism industry based tailored financial products. | Mixed research methods:  
Surveyed Hotels (49), tour operators (6), transport business (6) and retail shops (12) and banks (6) | Oct-Nov 2020 |
Study area

Hunza, Gilgit-Baltistan, Pakistan
Results

Available financial Products and services

• Personal loans
• Running finance facility (by all commercial banks), loans against salary
• Enterprise loans for existing business
• Housing loans
• Group micro loans,
• Women enterprise development
• Pension loans
• Livestock, agriculture and educational loans
## Financing tourism enterprises

### Financial inclusion

- Bank accounts: 79.60%
- No bank account: 10.20%
- Accounts with society: 10.20%

### Demand - need of loans

- Businesses needing loans: 31%
- Not needing loans: 69%

### Competition in business?

- Competition will increase: 12%
- Will remain the same: 88%
Financing Tourism Enterprises

Ease of obtaining loan

- Difficulty in obtaining loan
- Easy to obtain loan

Insurance

- No insurance 14%
- Personal Insurance only 86%
Key tourism business

Opportunities
✓ Tourism expected to increase
✓ Opportunities in tourism sub sectors - food, cuisines, cultural education etc.
✓ Online system to connect hotel booking
✓ Innovation and value additions to goods and services

Challenges
➤ Lack of electricity and water – higher costs due to generators
➤ Seasonal business – winters
➤ Parking spaces
➤ Lack of professionally trained staff in hospitality sector
➤ Lack of appropriate risk assessment and risk management practices
➤ Harsh climate conditions
➤ Lack of financial management expertise- records, technical skills and use of technology
Key tourism business

Financing from financial institutions
• Flexible loan facility keeping in view repayment in peak and off season.
• Start-up loan facility for the newly established businesses
• Business expansion loan facility for the well-established businesses based on the cash flows (peak and off-peak months)
• Currently, there is displeasure over the lack of diverse loan facilities (no sector specific product), lengthy documentation / approval process and high mark-up rates

Risk management-challenges
• Financial management trainings.
• Consideration to climatic and environmental shocks to businesses and respective solutions
• Competition is expected to increase so as the enterprises.
• Businesses have some savings in case of emergency for risk management
• Cost reduction strategies and technology adoption.
FGD conclusive remarks from stakeholders

➢ Consideration to **seasonality for financial product design** for mountain enterprises

➢ **Further research** on business solution and value additions including finances

➢ No or **less delinquencies** - majority cases customers repay their installments well in time

➢ **Need for Financial awareness issues and risk assessment**

➢ **Lack of insurance products for businesses** in case of disaster, etc.
Way forward /recommendations

✓ Need for business insurance and specialized product for insuring business assets

✓ Customized – sector based – cash flow lending products and services

✓ Financial literacy and awareness among entrepreneurs for business growth and linking with the financial services of the banks
Thank You