Account and Financial Management Journal e-ISSN: 2456-3374
Volume 11 Issue 01 January 2026, Page No.- 4109-4114
DOI: 10.47191/afmj/v11i1.13, Impact Factor: 8.167

Financial Institutions' Measures, Policies, and Credit Schemes for Sustainable Tourism Growth in Kashmir Valley

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ABSTRACT: This study examines the role of financial institutions like different banks providing finance for the tourism related activities measures, policies, and credit schemes offered to tourism based entrepreneurs in fostering sustainable tourism growth in the Kashmir Valley. Adopting a qualitative- grounded theory methods and methodology, the study is based on in-depth interviews with 10 key stakeholders, composing of travel operators, and banking officials of different banks operating in J&K. The findings reveal that targeted financial policies, customized credit products, and supportive institutional measures significantly influence tourism development in the valley.

KEY WORDS: tourism, development, credits schemes, sustainable tourism and tourism policy

INTRODUCTION

Tourism is one of the most important economic pillars of Jammu and Kashmir (J&K). The region's unique natural landscapes, cultural heritage, handicrafts, and adventure tourism attract millions of visitors annually. Because the local economy heavily depends on tourism-based income, the role of financial institutions becomes critical in sustaining growth, enabling investment, and ensuring long-term development. Financial institutions—such as commercial banks, cooperative banks, microfinance institutions, and development finance agencies—serve as the backbone of capital formation and business expansion in the region.

1. Financial Institutions Enable Capital Formation

Capital formation refers to the accumulation of financial resources needed for investment in infrastructure, businesses, and productive activities. In J&K, where tourism projects require significant upfront investment, financial institutions act as the primary intermediaries for mobilizing and channelling funds. Financial institutions assist in mobilization of savings from households, workers, and small businesses. They help in conversion of savings into loanable funds for hotels, transport operators, and tourism services. Similarly, Long-term financing for construction of tourism infrastructure and Short-term working capital loans for day-to-day business operations. For example, J&K Bank provides loans for hotel construction, houseboat renovation, and guesthouse expansion.

2. Financial Institutions Drive Business Expansion

Tourism-related businesses must continuously grow, upgrade, and innovate to stay competitive. Financial institutions provide the credit needed for expansion, modernization, and diversification as Hotel and resort expansion, Purchase of transport fleets (taxis, buses, shikaras, boats), Upgrading of facilities (heating systems, furnishing, technology), Opening of new branches or services (restaurants, travel agencies) and Product diversification (eco-tourism, adventure tourism, wellness tourism).

Financial institutions play a pivotal role in shaping the tourism economy of Jammu & Kashmir, particularly in the Kashmir Valley where tourism is one of the most significant sources of income, employment, and regional development. Kashmir's tourism industry is highly capital-intensive, requiring substantial investment in transport networks, accommodation facilities, adventure tourism infrastructure, handicraft production, and hospitality services. Financial institutions act as the primary enablers of this investment. The scope of this study is confined to examining the role of financial institutions in the tourism development of Jammu & Kashmir, with a special focus on the Kashmir region, which forms the core of the Union Territory's tourism activity. The study primarily investigates how different financial institutions—such as commercial banks (particularly J&K Bank), cooperative banks, microfinance institutions, development finance agencies, and insurance companies—contribute to the growth, financing, and stability of tourism-related enterprises.

REVIEW OF LITERATURE

In the earlier stages of tourism, the effect of tourism on the destinations were generally diverted towards the economic benefits and the reason may be that it was easier to analyze and general buoyancy regarding the generation of benefits through tourism. Whereas the tourism by its characteristic is taken up by exclusive and fragile destinations, and it became clear that in some situations the economic profits can also be led by negative results on the destination environment and its community, which was not realized earlier (Dwyer et al., 2004)

The positive influence and the expenses produced by the tourism process needs to be looked through three basic aspects i.e. tourists, management authorities and local community. Where tourists pay to attain the services and enjoy the tourism activities; local community aims to retain the benefits from the tourism activity and the major focus relies to the financial benefits. And the destination management authorities are the one who retain the benefits through tourism generates revenues, the employment creation opportunities etcWilliams,AM and Shaw, G (eds). (1988). whereas the investors consider the tourism as totally a financial activity that relies upon the income generated through the business setup at host destination. The tourism sector is considered as the most competent segment of the economy that supports the employment generation and income even with the limited development opportunities and in the less developed areas. It is these areas where the economic tourism influence can be highly observed. The community in these areas may generally belong to agriculture or other local businesses and their engagement with tourism activity can considerably improve their domestic income. In fact the introduction of tourism sector in such areas provides a positive effect on the wellbeing of the resident as compared to the other communities residing in developed regions Aramberri, J. (2004)

According to Aramberri, J. (2004) that most of destinations' assets are simultaneously utilized by the local community as well as by the tourism sector itself like roadways are not only be used by the tourists but also by the local people to reach their domicile places. However, issues have observed with distribution at practical and financial level that raises the problem for local people to retain benefits from tourism activities. And the market does not certify that development process will sustain with demand. The most of the developing areas of Kashmir are found deprived of financial diversity and sufficient infrastructure due to instability, and the tourism industry is based on a inadequate economic activities, and also involves the less aware local population. Najar, A. H., & Saini, G. K. (2018). All this adds to the limitation of the Kashmir's tourism to secure employments and encourage investment, etc. Also, most of these regions are not properly planned, managed and monitored with economic framework. In fact the jobs the ones provided by tourism sector are mostly seasonal, with low earnings and partial prospects for promotions. \

Like other segments, tourism needs employees with a low level of specialism, which resolve the comparatively low earnings,Mujacevic, E., Vizjak, A., & Jokic, P. (2012) so from an economic point of view, the purpose of the local community requires to be diverted to retain higher results than the expenses incurred by them. Bryden,JM. (1973) in his article considered financing of tourism projects covering the micro and macro aspects of the subject and the role of the private and public sectors and the bodies and organisations in each of these aspects. The difficulties in obtaining finance for developing countries and the type of grant was also discussed. Joshi, A. (2011) identified the existence of a large untapped tourism market in Central and Eastern Europe and observed that for the development of a Western style tourist industry, careful planning and investment is required. Support in the form of joint ventures, equity swaps and leasing agreements was anticipated as finance is not easy to obtain. Kamble, Z., & Bouchon, F. (2014) cited inadequate market support and lack of proper follow up as reasons for delinquency and default.Singh, R., Khan, I. S., Shafi, I., Khreis, S. H. A., Najar, A. H., & Iqbal, J. (2023). He observed that the circumstances and factors which influence the borrowers in their use of credit and attitude towards formal credit institutions needs to be understood in a wider perspective.

RESEARCH METHODOLOGY

The study adopted qualitative methodology with indepth interviews with 09 tourism stakeholders comprising of banks and tourism bodies. Initially, all interview recordings were converted into written transcripts, and those conducted in Kashmiri were translated into English where required. After completing this process, the qualitative data was examined by applying the coding framework proposed by Miles and Huberman (1998) and Strauss and Corbin (1998). Strauss and Corbin emphasize that during this analytical phase, the researcher identifies underlying conditions, contextual influences, and factors contributing to a specific phenomenon, which enables the development of broader categories and relevant sub-categories. They also note that although axial and open coding are distinct stages, elements of both may occur concurrently throughout the analysis.

Using a coding paradigm may appear complex, but it is valuable because it ensures a systematic and structured approach that adds clarity and depth to the analysis (Strauss & Corbin, 1998). The final stage of grounded theory coding is selective coding, where the researcher identifies one or two central categories that link all other sub-categories together. This allows the development of a conceptual framework and eventually the formulation of a grounded theory Dada, Z. A., Najar, A. H., & Gupta, S. K. (2022). Integrating all codes and categories into a unified theoretical explanation is often the most challenging part. Consequently, many researchers choose to present their findings in a thematic format.

Data Analysis and Interpretation

This section first explores the role of financial Institutions for the development of tourism industry in Jammu & Kashmir and also to evaluate various measures/ initiatives/policies of the financial institutions towards sustainable development of tourism industry in Kashmir. It presents the common context, within which the financial stakeholders are involved in tourism development.

ROLE OF FINANCIAL INSTITUTIONS FOR THE DEVELOPMENT OF TOURISM INDUSTRY IN JAMMU & KASHMIR

Tourist Facilitation Services

Tourism activities rely heavily on various facilitation services such as ATMs, foreign exchange counters, cash machines, internet banking, and other digital financial systems. In many developing nations, shortages of foreign exchange pose significant challenges to funding economic development. The tourism sector becomes crucial in this context, as it serves as a major source of foreign exchange earnings. This is particularly valuable for countries that have limited capacity to export agricultural or manufactured goods. Moreover, tourism supports economic diversification by establishing strong linkages with sectors like construction, transportation, and food production. Through these interconnected activities, the tourism industry generates widespread economic benefits and contributes to overall economic growth. As stated by one of the respondents of UDI bank Srinagar;

> *"Our bank is a national Bank and most of tourists use our ATMS, Cash Machines and in our absence, tourists would have faced difficulties as Foreign Exchange facility was available here long back in our branch but that has been taken away from us No CSR activity regarding Tourism in Kashmir Valley due to limited presence"*

Tourism Infra Structure development

Tourism activities rely heavily on various facilitation services such as ATMs, foreign exchange counters, cash machines, internet banking, and other digital financial platforms. Many developing nations struggle with shortages of foreign exchange and face challenges in financing their economic development. In this context, the tourism industry becomes a key source of foreign exchange earnings. This is especially valuable for countries with limited capacity to export agricultural or manufactured goods. Moreover, tourism supports economic diversification. Through its strong linkages with sectors like construction, transportation, and food production, tourism stimulates activity across the broader economy and contributes to overall economic growth.

In addition, facilities such as accommodation, restaurants, recreation centres, and shopping outlets are also integral components of tourism infrastructure. Therefore, planning for the sustainable development of tourism infrastructure requires a coordinated approach that ensures balanced growth of essential public amenities alongside tourism-specific facilities. This integrated development is crucial for supporting long-term, sustainable tourism operations. As also endorsed by the official of Canara bank Srinagar, that;

> *Not many Tourism players are coming to our institution for financing because presently our presence is limited in the Kashmir region. Canara bank is one of the largest banks in India. We have only 33 Branches in J&K and only five in Kashmir. Every business has its own requirements and demands and a businessman can come for no of things. Setting up expansion renovation are generalized terms we ensure creditworthiness by way of SIBLE, State Information Berea, off course we check site plan project Feasibility etc. if a person interested in setting up a shop his requirements are different on the contrary a person's wants to sets up handicraft unit his requirements are different. Off Couse every loan has a different criterion. We get most customers who are directly or indirectly related with tourism. As a national Bank our prime aim is social banking. Go to any Private banks they won't encourage customers to open a basic no frill Account they want customers who can spend money unlike here. We have all loan products for the customers but we are not naming them like J&K Bank Like Laptop Loan Vehicle Loan etc. We are not naming these loan products and this is our Corporate Policy. There are hundreds of schemes provided through our bank for uplifting of tourism industry and no bank can deny any scheme as long as this has been provided by Govt. Subsidy is basically provided by state or central govt or some agencies like NABARD. Every loan has different criteria and we have more than three thousand products, and every loan has diff requirements. Some Years ago, we identified financed Houseboats in Dal Lake under some J&K State Govt scheme with Subsidy component also.*

CSR (Corporate Social Responsibility) Initiatives

Corporate Social Responsibility (CSR) represents the approach through which corporate entities put their philanthropic and social welfare commitments into practice. It serves as an effective mechanism for ensuring sustainable competitive advantage while creating long-term value for both stakeholders and shareholders. CSR has gained significant prominence in the financial sector, particularly because this sector was not affected as severely by the global financial crisis as other developed economies (Singer, 2009).

Over the past few years, CSR has grown remarkably in terms of global awareness, acceptance, and regulatory oversight. Although the concept originated in the 1960s as an effort to connect business operations with societal needs, its relevance has expanded considerably. CSR refers to the strategies adopted by companies to operate ethically, responsibly, and in a manner that contributes positively to society and community development.

Corporate Social Responsibility (CSR) reflects a business commitment that extends beyond financial performance and organizational expansion, aiming to contribute positively to society and the environment. It requires enterprises to recognize and take ownership of the impacts their operations have on employees, customers, suppliers, shareholders, community groups, and the public at large. Within the tourism industry, the concept of CSR has emerged as an important factor in promoting responsible and sustainable development. Financial institutions, in particular, increasingly incorporate CSR initiatives into their business agendas, thereby supporting and strengthening tourism enterprises and contributing to sustainable sectoral growth., the official of SBI states as

> *No, our bank is not doing currently anything under CSR to promote tourism in the region. Yes, we provide guidance regarding how your project should be environ sensitive and provide the money to many institutions for the conduct of workshops, conferences etc. like we provide some funding to one of the universities in Kashmir divisions support for their tourism international conference.*

Tourism Rehabilitation

Both banking and non-banking financial institutions play an important role in supporting industrial development in the state by offering various forms of financial assistance. Some of these institutions also take on entrepreneurial functions. The expanding network of scheduled commercial banks has been instrumental in mobilizing savings and channelling investments within the state.

Tourism Finance Corporation of India Ltd. (TFCI) is a public limited organization that began functioning on 1 February 1989, following its incorporation under the Companies Act of 1956 on 27 January 1989. Headquartered in New Delhi, the corporation was created to extend financial assistance for the establishment and expansion of tourism-oriented ventures. Its financing services cover a wide range of projects such as hotels, restaurants, resorts, amusement and theme parks, adventure and sports facilities, ropeways, safaris, cultural and entertainment centers, convention venues, transport operations, air services, travel agencies, and tourism emporia. TFCI generally finances tourism projects with a capital cost of ₹3 crore or more. It may also support projects costing between ₹1 crore and ₹3 crores by funding the essential financial gap after considering assistance from banks or state-level institutions. In special cases, unique tourism projects with capital requirements below ₹1 crore may also receive funding, particularly if other institutions are unable to support them. Additionally, TFCI partners with national financial institutions to fund large-scale tourism projects and aids with the rehabilitation of distressed tourism enterprises. For instance, in 2014, Jammu & Kashmir Bank offered subsidies to the tourism sector to help mitigate losses caused by the floods.

This is in consistent with the statement given by one of the SBI (State Bank of India) official in the interviewing process that;

> *Yes, loans are availed by these customers for construction renovation transportation etc. Yes, whatever we finance it is insured but insurance is from insurance company. Normally subsidy and packages are provided by State and central govt and bank has no package of its own for tourism. There are not many special packages only one special scheme for tourism upliftment was introduced by state govt in 2010. For rehabilitation of tourism businesses govt launches schemes having incentives and subsidy and then passes it to financial institutions.*

ROLE OF VARIOUS MEASURES/ INITIATIVES/POLICIES AND TO EXAMINE THE IMPACT OF VARIOUS FINANCIAL CREDIT SCHEMES OF BANKS TOWARDS SUSTAINABLE DEVELOPMENT OF TOURISM INDUSTRY IN KASHMIR.

Governmental Permissions and Promotion of Eco-friendly Projects

There are number of projects granted by the government from time to time, which are truly sponsored y the stated financial institutions. These financial institutions grant the loan to these projects only if they have the green concept them, which means the projects should not harm the eco system. then the financial institutions provide financial support to them. as stated one of the respondents of UBI bank in the interview that

> *We entertain only those projects which are not harmful to environment and we check certifications from Pollution control board and other state environment agencies. we take into consideration all environmental and social issues while financing and if any business is dealing with hazardous issue we take certifications from authorized state govt agency otherwise we don’t lend and this is mandated in our loan lending policy also*

Tourism Regulatory Aspects: The3 banks sanction loans after thorough checking of documents and certificates of different agencies like legal aspects, labour department, fire service department and registrations from different social functionary departments as also stated by one of the UBI bank employee that;

> *if any business is dealing with hazardous issue we take certifications from authorized state govt agency otherwise we don't lend and this is mandated in our loan lending policy also. We cannot give loan to any illegal business entity that will be shut up tomorrow by the govt. We do take care that business is entirely within the regulations be it regarding environment etc.*

Skill Financing and Different Credit schemes: The businessmen get rebate from the governmental side for the revival of the business-like postponing of EMI, rescheduling of term plan and CC limits renewal after every year these benefits help the business to generate more and more revenue and help the business to regain from the turmoil like floods, earthquake etc. Also endorsed by one of the respondents that;

> *Yes, at the time of natural calamity as per the master circular passed by RBI we provided two years interest moratorium for Jammu Kashmir Businesses and then Sate govt Provided Interest subventions and we provided to our customers the same*.

The research collectively demonstrates that financial institutions are indispensable drivers of tourism development in Jammu & Kashmir. Their credit support, policy initiatives, and sustainability-driven measures have significantly empowered tourism stakeholders, enhanced business viability, and stimulated regional economic growth. However, to maximize impact, there is a need for greater transparency, stakeholder-friendly procedures, digital empowerment, and sector-specific financial innovation, Najar, A. H., & Bukhari, S. A. (2017). Strengthening the synergy between financial institutions and the tourism sector will pave the way for a more competitive, sustainable, and globally recognized tourism industry in Kashmir.

CONCLUSION

This study was conducted in order to find out the role of financial institutions in stake holders' satisfaction. This study was basically based on five objectives. The first objective was to know about the various Financial Institutions related to Development of Tourism sector. The 2nd objective of this research was to know the role of various stake holders in Tourism Industry and third is to know and analyze, stakeholder's Level of Satisfaction towards Government & Non -Government Financial Institutions, who are supporting in development of tourism industry. Forth objective is about credit facility for tourism development and last objective is about incorporation policy for development of tourism vis-a-viz financial institutions.

The study adopted the quantitative research approach for which a questionnaire was developed on Likert's 5-point scale to analyze the 14 items. After that analysis was also done in order to find out the role of financial institutions in stake holders' satisfaction through the mean and standard deviation that is through the descriptive statistics. The study revealed that the respondents strongly agree that there is reduction in the rates of the interests for tourism projects while availing the loan facility. Also, the study reveals the bank has transparent system of repayment loan for the entrepreneurs of tourism.

Bank has a good mechanism of inspecting the business units before release of loans the sufficiency of credit scheme is one of the best schemes given by the banks Subsidy schemes for tourism projects provide an opportunity to an entrepreneur to start the business and help in sustainable tourism development. There is a Promotion of eco-friendly projects in tourism like waste management by the banks help to gain sustainability of tourism.

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