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Advancing Inclusivity and Workforce Diversity through Sustainable Tourism

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ABSTRACT

Tourism at the global level has rebounded from the aftereffects of the COVID-19 pandemic and confronted the rising climate and social challenges. The merger of ESG principles will foster long-term growth and build resilience. This chapter aims to investigate the current trends in measuring the impact of ESG investing in shaping the future of sustainable tourism by creating an inclusive environment for a diversified workforce through innovative strategies related to sustainability goals. We have also discussed a few contemporary case studies to demonstrate how ESG has laid a foundation for tourism initiatives ranging from community-based tourism projects to eco-friendly accommodations attracting tourists who are prioritizing sustainability over their mindless consumption and socially responsible investors. Furthermore, this chapter evaluates the economic advantages of integration of ESG factors such as brand reputation, long-term financial performance, and risk mitigation to address the challenges related to white spread adoption of this initiative.



Keywords: Eco-friendly Tourism, ESG Investing, Inclusivity, Workforce Diversity, Sustainable Development, Sustainable Tourism



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INTRODUCTION

Sustainable tourism is an idea that aims to manage tourism in such a way that it would ensure economic feasibility, sustainability and equity in society and at the workplace. This tourism concept is gaining popularity as different stakeholders have started appreciating the benefits derived from sustainable tourism as against the social and environmental costs associated with it (Hardy et al., 2002). According to the Brundtland Report published in 1987, Sustainable Development aims at meeting the requirements of today without hampering the capacity of the upcoming generations to meet their requirements. Sustainable tourism as a concept owes its origin to the Brundtland Report (Butler, 1999; Kumar et al., 2020).

Due to the economic growth, development, and the need for rapid industrialization in the 1970s to reduce unemployment, it took a huge toll on the environmental and natural resources of India (Agrawal & Sharma, 2024). Tourism as an industry added to the environmental woes and depletion of natural resources big time as tourism as a sector was getting a lot of traction. Tourism as an industry came under scanner for the role that it played in the degradation of the environment and the displacement of the social fabric (Budeanu et al., 2016). Sustainable tourism emerged as an answer to the challenges mentioned above, creating something monetarily feasible, environmentally better, and socially profitable (HigginsDesbiolles, 2018).

Sustainable tourism is based on sound principles of being responsible in understanding the importance of preserving the environment, conserving the atmosphere to reduce the harmful effects of tourism activities on biodiversity, minimizing waste, and reducing pollution. Different activities can be done to achieve this target such as reducing carbon emissions, increasing the use of eco-friendly transportation mediums, providing natural habitat-friendly accommodations, etc. Sustainable tourism is a big hydro threat for the socio-cultural aspects as well (Hunter, 1995; Liu, 2003). The heritage and traditions of various tourist destinations are to be preserved and respected and it forms the core of sustainable tourism. It aims at promoting the cultural heritage of tourist

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destinations as well as supporting the businesses at such places thereby developing the region economically as well as culturally (Kumar, 2022; Lu & Nepal, 2009). Sustainable tourism is not possible without economic sustainability. This would happen if tourism as a sector is developed in the region and many opportunities for employment and economic growth would happen. This would further reduce the over-dependence on tourism alone and the money generated from tourism can be used for developing the infrastructure of the entire region and the community as well (Agrawal et al., 2024; Park & Shin, 2024). There are many challenges that sustainable tourism faces, despite the relevance that it has in the wider scheme of things. Since sustainable tourism is a subjective phenomenon, it becomes difficult to measure it in actual terms or its impact (Radovic et al., 2020). It becomes difficult to measure the sustainable performance of tourist destinations or businesses. There is always a conflict between the objectives of achieving the long-term sustainability goals or achieving short-term monetary benefits (Budeanu et al., 2016; Niedziółka, 2014). Many tourist businesses tend to be inclined towards making short-term profits thereby neglecting sustainable practices owing to the pressures in the business environment. Sustainable tourism cannot be achieved without the collaboration and support of different stakeholders, such as government, corporations, communities, and specifically the workforce. Coordinating with the internal and external stakeholders is a complex process, especially in geographies which is having weak governance or where resources are scarce (Peeters et al., 2024; Sharma et al., 2024; Kumar, 2022). Tourism nowadays is no longer local or regional, rather it has assumed global relevance. The global relevance of tourism can have a global impact and requires a greater degree of international policy alignment and cooperation between different countries (Streimikiene et al., 2021). This chapter aims to explore the impact of ESG Investing in supporting inclusivity and workforce diversity within the arena of sustainable tourism, and how it drives employment, equality, and corporate governance.

Current Trends and Innovations

Tourism as a sector has greatly adopted and appreciated the application of Environmental, Social, and Governance (ESG) principles in the way the sector operates. ESG investing gives more weightage to companies that showcase strong financial performance, thereby sending a strong signal to the operators in the tourism industry to adopt more sustainable practices (Kumar et al., 2022; Park & Shin, 2024). New and innovative certifications and tools (such as sustainable SCM, green certifications, use of technology, etc.) are making the market penetration of sustainability and its monitoring relevant and easier. Post-COVID, there is an increasing need for every industry to resurrect itself and become a more responsible and resilient units' approach, and the tourism sector is also no different. The sustainable development goals of the United Nations provide a terrific framework for sustainably achieving development across the different sectors. The companies and sectors have understood that they have to align themselves to the SDG goals of the United Nations to survive in the long run (Agrawal & Kumar, 2024; Kumar et al., 2020). The development of tourism in the country is happening at a pace and sustainable tourism is the face of this evolution. The ESG criteria, coupled with economic sustainability, could make the tourism sector responsible and resilient and would greatly benefit the sector as well as aims to foster inclusivity and celebrate diversity at the workplace (Streimikiene et al., 2021). The innovative practices that are applied to sustainable tourism aim at creating an industry that greatly appreciates sustainable development globally.

Sustainability issues in traveling have become an important consideration for the traveler, in recent years. According to statistics, 83% of travelers around the world believe that sustainable tourism is one of the most important considerations while traveling. However, 17% of the travelers do not believe that sustainability issues are an important consideration while traveling. Figure 2 shows the survey result of sustainable traveling worldwide by Statista (2024).

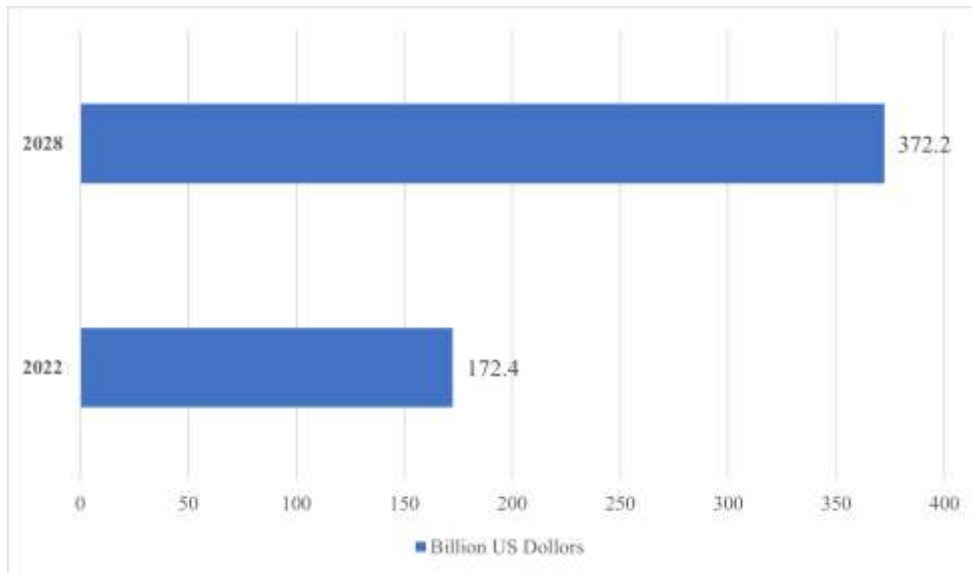


Figure 1. Global sustainable tourism industry (Source: Statista, <https://www.statista.com/statistics/1221034/ecotourism-market-size-global/>)

It is estimated that the sustainable tourism industry will grow at a rate of almost 14% and will reach up to almost 375 billion US dollars in the year 2028. In the year 2022, it was estimated to be about 172.4 billion US dollars. Figure 1 above shows the estimated market value of the global sustainable tourism industry worldwide.

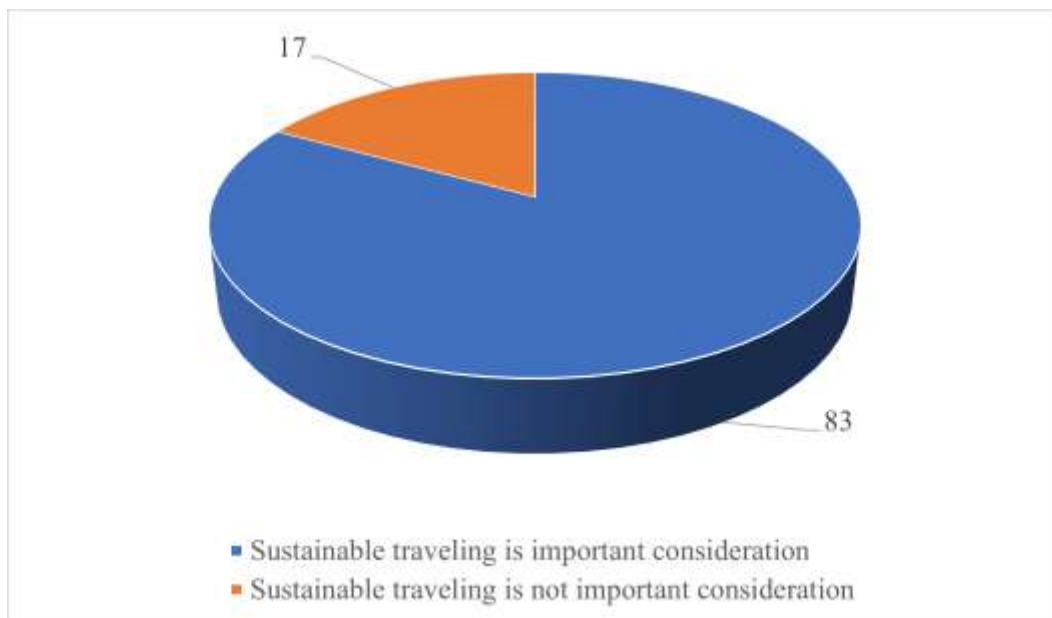


Figure 2. Sustainable traveling worldwide. (Source: Statista: <https://www.statista.com/statistics/1126996/traveler-attitudes-sustainability/>)

Decoding ESG Investing

The objective of any investment decision is to get returns and ethics has not been a part of this process traditionally. ESG investing has emerged as a new area of study that clubs investment decisions and ethics together (Agrawal & Sharma, 2024; Cao et al., 2024). ESG investing talks about bringing good environmental and social impacts, coupled with good financial returns as well. This concept has gained prominence in the tourism industry because it has traditionally been under tremendous pressure to follow sustainable practices. ESG investing comprises 3

important factors: Environmental factors involve evaluating how a corporation responds to nature (Ionescu et al., 2019). It includes actions such as carbon emissions, reducing carbon footprints, waste management, energy conservation, etc. Social factors involve evaluating how a corporation interacts with employees, consumers, suppliers, and society. Due to the human interface involved, it makes the job of the corporates fraught with difficulties in managing it due to labor issues, human issues, diversity at the workplace, society engagement, etc. Governance mainly focuses on the company’s management pay packets audit control mechanisms and rights of the shareholders (Nakipova et al., 2023). Good governance is important for a company so that all the transactions and dealings are transparent, and ensures accountability and responsibility in all business operations. Investor can use these factors to pick up companies that will probably succeed in the longer run because they manage the different opportunities and risks attached to ESG (Hassan & Meyer, 2022).

ESG Investing in the Tourism Industry



Figure 3. ESG Impacts on Sustainable Tourism

The reach and the impact that the tourism industry has locally as well as globally make it a perfect match for ESG investing. ESG investing can change the way capital gets invested into corporations and projects that appreciate the principles of ESG. Moreover, we need to understand and examine the impact of ESG investing in fostering inclusivity and promoting a sense of belongingness amongst the diverse workforce. Fig. 3. Shows the impact of ESG investing in promoting inclusivity and gender diversity as part of sustainable tourism

Environmental Impact

There are different factors responsible for the degradation of the environment owing to the harmful effects of the tourism industry - natural resources depletion, generation of waste, and carbon emission from vehicles (Arian & Sands, 2024). ESG investing would promote green practices to be adopted by the tourism industry which can significantly reduce the impact of the industry on the environment, for e.g. focusing on technology that saves water, promoting renewable energy, waste disposal, etc (Huang et al., 2024). The funds generated from ESG activities may further be used in projects meant for preserving habitats, water conservation, and wildlife tourism (Putzer & Posza, 2024).

Social Impact

The impact of sustainable tourism on society can be immense by contributing to employment creation, supporting local and regional businesses, and preserving the cultural heritage of the place. The basic agenda of ESG investing is to promote the upliftment of the local people. This investment also focuses on involving local people in the day-to-day business operations of the industry and ensuring better wages and better working conditions to them (Chen et al., 2024). Different types of investments can be made, that benefit the society at large, by funding different skill development training programs for local people that can greatly enhance their skill sets and increase their chances of getting employment in the tourism sector.

Governance: Ethical practices, stakeholder management, and transparency in operations are essential criteria for good governance practices in sustainable tourism. Companies that focus on protecting stakeholder criteria, follow ethical practices, and have a clear policy on corruption are normally considered to be the prime targets for ESG investing (Kumar, 2024). This would help build trust amongst the different stakeholders operating in the tourism business. There is evidence of companies that have successfully implemented the principles of ESG to sustainable tourism and have benefited a lot (Kumar et al., 2022).

Intrepid Travel: The company updates globally and its mission is to support the local people and zero carbon emissions. Intrepid follows ESG principles and has positioned itself at the forefront of sustainable tourism globally this market positioning of the company appears a lot to travelers with ethics (Park & Shin, 2024). An internationally accredited certification, B Corp, has been bestowed on Intrepid Travel and this certification has recognized the contribution of the company in meeting environmental sustainability, transparency, and accountability. Intrepid invests big time into reforestation programs and renewable energy projects to completely offset the carbon emissions that it does throughout the year. It aims at preserving the local culture, local community, and local businesses (Nguyen et al., 2024). The company focuses on observing ethical practices. The company releases an annual report each year which primarily includes financial data non-financial data and ESG metrics as well.

Soneva: The company has luxury properties in Thailand and Maldives. The philosophy of the company is ‘Intelligent Luxury’ which integrates sustainability as well as top-end hospitality. The company focuses on renewable energy and is also a big proponent of recycling to reduce waste. The company has a property in the Maldives which owns a recycling studio of glass that converts waste glass into different works of art and is also used as a building material (Cheng et al., 2024; Shin et al., 2024). The company runs a foundation that educates children about marine life preservation and conservation. The company promotes employment amongst local people and it also provides training and career development opportunities to locals. The company has set up an advisory board on sustainability that guides the company on different sustainability issues.

Banyan Tree Holdings: It has luxury resorts and spas globally and ESG principles are built in its business model. The tagline of the company is ‘Embracing the Environment, Empowering People’. The tagline itself indicates the commitment of the company towards the protection of the environment, development of the community, and ethics-based governance. They focus on making their buildings smart by using energy-efficient ways. They also focus on waste reduction and also adopt various wildlife conservation initiatives. The company has set up a marine lab in Thailand for coral reef and marine life conservation and restoration. It runs the Seedlings program which aims to provide skill development to underprivileged youth for employment. It also tries to promote the local ordinance by encouraging them to promote their crafts from a business perspective.

Costa Rica: Costa Rica has implemented ESG principles at the country level the company focuses on conserving the environment, society development, and preserving the culture of religion. The country has also started a certificate program by the name of ‘Certification for Sustainable Tourism’ which ranks companies based on their sustainability performance and promotes companies to improve continuously, which would in turn attract investments. The companies have come a long way in ensuring that ESG investing becomes a new buzzword. They have also shown the way to other companies that by focusing on sustainability, they can still run a very sound business. They have also shown other companies that ESG investing is not a cost center but a revenue center in long-term.

Sustainable tourism is evolving as a key driver in attaining environmental, social, and governance (ESG) goals, aiming to foster inclusivity and workforce diversity. By advocating community engagement, responsible governance, and ethical employment practices. This paves enormous opportunities for underrepresented groups and promotes social equity. As investors are keenly interested in ESG factors, tourism businesses are at the forefront of promoting responsible and ethical strategies in their operations. Figure 4 shows the role of ESG investing in advancing inclusivity and workforce diversity within the arena of sustainable tourism, examining its impact on governance and social equity.

Advocating Inclusivity and Workforce Diversity

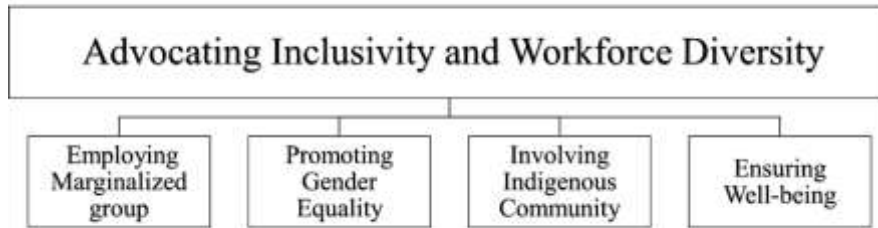


Figure. 4. *Advocating Inclusivity and workforce diversity through ESG initiatives*

Employment for the marginalized group

Sustainable Tourism practices can enhance the ethical practices in hiring from marginalized and underprivileged groups, including females, individuals with partial or complete disabilities, minorities raised in ethnic communities, and most importantly LGBTQ+ community. ESG investing backs the financial support for tourism businesses that involves fair recruitment policies, equal job opportunities, and workplace inclusivity.

Promoting Gender Equality in the Tourism Industry

Women hold a significant share in the workforce of any industry, particularly in the tourism industry where major hospitality is done by the female staff in airlines and big hotels, they often come across a glass ceiling, a lack of leadership opportunities, and limited career enrichment opportunities. ESG investment can be a guiding light to drive the change:

- Promoting gender-neutral policies
- Skill development program for females
- No wage disparity for the jobs requiring the same level of skills and efforts
- Promoting female leadership in operational, management, and strategic roles.

Involvement of Indigenous communities and enhancing inclusion

If we look around, we notice that most of the tourism projects focusing on sustainability often involve indigenous communities. By making them an important part of the projects, sustainable tourism offers them various benefits by taking care of their economic and social needs. ESG investments encourage these communities to foster eco-tourism while preserving cultural heritage, ensuring:

- A proper revenue-sharing model between the businesses and the local population.
- Collaborating with local leaders in shaping the tourism strategies
- Protection of the language, culture, and land of the Indigenous
- Community-driven ethical ventures

Employee well-being and conducive working conditions

Taking care of the workforce should be of utmost importance to any of business entity. Ensuring the well-being of the workforce is an important pillar of ESG, it also overlaps SDG -3 (Good health and well-being), SDG-5 (Gender equality), and SDG-8 (Decent work and economic growth). ESG investing will take care of all these things and advocate for proper training and development of the employees, preventing exploitation of any kind, supporting physical and mental health and ensuring fair wages and conducive working atmosphere.

Benefits of ESG Investing in Sustainable Tourism

Enhanced Corporate Reputation: Businesses that follow the principles of ESG normally command a better brand image in the market. The customers are aware that the sustainability issues are getting bigger, and they want to support companies that are socially and environmentally responsible (Agrawal, 2025). ESG investing can help introduce risks associated with the environment, society, and governance big time by managing it properly. Businesses can adopt a proactive approach while managing such issues so that the number of losses and legal issues can be reduced (Agrawal et al., 2024; Bualla et al., 2022).

Long-Term Financial Performance: The cases shows that businesses that strongly follow ESG principles, achieve better financial returns in the long term. Sustainable initiatives can significantly help in reducing costs by reducing waste, efficient energy utilization, etc. Customers are normally loyal to businesses that follow sustainable practices in tourism. ESG investing products to the loyalty of the customers to maximize financial gains (Joselin, 2025).

Challenges of ESG Investing in Sustainable Tourism

ESG investing is a very household concept nowadays but it faces many challenges as well:

Lack of Standardized Metrics: There is a lack of reporting matrix and Standardized frameworks that could measure and compare the ESG performance of companies. This makes it tough for investors to evaluate and understand companies for making investments.

Short-term vs Long-Term Goals: When a company starts implementing sustainability initiatives. The company compromises on the short-term goals big time. The effect of implementing such initiatives is normally visible in the longer run and is more sustainable from the point of view of the company (Biasin et al., 2024; Budeanu et al., 2016).

Stakeholder Coordination: Government, society, companies, and tourists are the different stakeholders in the sustainable tourism industry. Managing the interests of all the stakeholders is a tedious process and takes effort. **Market Penetration:** ESG investing is still a new concept in tourism and the application of ESG investing in tourism ventures still requires awareness and requires decent efforts. ESG investing has a terrific future in sustainable tourism and the rising awareness amongst people on issues regarding sustainability and there is an ever-increasing demand for better tourism options. Many different trends are emerging in the current context:

Technological Innovation: Different new tools are emerging in sustainable tourism due to the advancement of technology. These tools can measure the environmental impact increase transparency and improve the efficiency of the resources.

Regulatory Support: The policymakers understand the relevance of ESG investing and sustainable tourism better. The positive policies and incentives can help strengthen the sector further and could drive up its adoption in the sector (Kumar, et al., 2023).

Consumer Trends: Some travelers are ethically conscious and their travelling expenses is continuously on the rise. Such travelers would drive the demand for tourism options in the coming future. This shift in attitude of the travellers would promote ESG investing and would promote companies to enter into sustainable tourism businesses.

Global Collaboration: International collaborations are extremely important for addressing the challenges of sustainable tourism globally. International collaborations can go a long way in implementing best practices for adopting standards and mobilizing resources for sustainability initiatives. ESG investing can change the way businesses are performing in the tourism industry by adopting sustainable practices that can benefit the economy environment and society (Kumar et al., 2020; Prakash & Tiwari, 2025). ESG principles, if adopted in tourism businesses, can improve the reputation, mitigate risks and help in achieving better financial results. There is a lot of potential in ESG investing in sustainable tourism but it has many challenges relating to market penetration, coordination and its measurement. In recent times, tourism has emerged as one of the most growth-oriented industries. The tourism sector globally has generated a revenue of around \$9.2 trillion and has generated over 330 million jobs (World Travel and Tourism Council Report, 2019). The harmful effects of tourism have also been seen on environmental degradation and on income inequality, whereby giving greater impetus is now being given

to sustainable tourism. Hinduism can only benefit if it is backed by proper industry practices which in turn develops the industry as a whole.

The Growth of Sustainable Tourism

There has been a significant shift in the tourism trend globally, as there are many businesses who have shifted to observing ESG principles in their businesses. As high as up to 70% of travellers globally have showed an inclination in visiting destinations that are eco-friendly and promote inclusivity and gender diversity at workplace (Global Sustainable Tourism Council Report, 2022). The need for businesses to adopt sustainable tourism is no longer a luxury, but it is becoming a requirement for the tourists at a really fast pace. Climate change has emerged as one of the most important reasons for this dramatic shift to sustainable tourism. Around 8% of greenhouse gas emissions globally are contributed by the tourism sector (Intergovernmental Panel on Climate Change), as a result of which more and more operators are bringing in different aspects of sustainability in their business model (Blackburn et al., 2024). Maldives is extremely sensitive to sea-level rise; therefore, it has implemented many ESG policies and expects the tourism businesses to follow them. More than 40% of Maldives hotels at the certification of being eco-friendly hotels in 2023. Tourists, nowadays, are heavily selective while choosing hotels, as they are looking out for travel experiences that are unique and meaningful. Around 55% of travellers globally are on the lookout for destinations which are less charted, and which does not increase the environmental footprint.

Sustainable Tourism Practices

Tourism as an industry will continue to grow at a rapid pace. The market share of ecotourism globally was valued at one \$181.1 billion in 2021 and it is expected to go at a rate of 14.3% CAGR till 2030. This further indicates that the travellers are becoming mature when they are travel experiences. The hospitality industry globally is becoming much more responsible in its operations. Around 35% of the hotel chains that are operating globally have targeted reducing their carbon emissions and around 30% will attain zero carbon emissions by 2030 (as per International Tourism Partnership Report). Around 50% of the hotel chains globally have adopted practices that are energy efficient and using technology to monitor the levels of energy usage. Hilton Group of hotels has reduced the consumption of water across its hotels by 30% since 2018. Marriott International has also significantly reduced its carbon emissions by 25% since 2018.

World Travel and Tourism Council Report (2019) has also highlighted the importance of technology in sustainable tourism. More than 40% of the operators, invested in Block Chain and Artificial Intelligence to improve their supply chains and monitor their usage of financial and natural resources as well. This has greatly helped in efficient usage of energy, reduce environmental footprint and making the tourists aware about ESG practices.

Economic Benefits of Sustainable Tourism

Sustainable tourism plays a huge role in the economic development of the region and it also helps in protecting the environment. Sustainable tourism creates a huge number of jobs globally. Tourism as an industry created 10% of jobs globally and contributed to 10.3% of world's GDP (International Labour Organization, 2019). Equitable distribution of the economic benefits is one of the focus areas of ESG practice in tourism. Costa Rica is one of the pioneers in sustainable tourism. The country was visited by more than 1.7 million tourists through the different initiatives that the country took in the area of eco-tourism. The national parks in Costa Rica generate more than \$2 billion every year to the country's GDP. The concept of eco-tourism has greatly benefitted the rural areas by creating jobs and developing the rural fabric as a whole.

Financial strategies for sustainable tourism

Social Equity and environmental preservation have to be rightly balanced so that the economic benefits of the tourism industry can be achieved in the longer run. Sustainable tourism can do just that for the economy as a whole. Achieving this is not an easy task. Different financial strategies have to be adopted that are innovative and modern at the same time. Innovative and sustainable financial strategies would ensure the economic liability of businesses and would also adopt different ESG practices to support the local communities and protect the natural resources of the place (Agrawal et al., 2024). There are different innovative financial strategies that can be adopted

which can promote sustainable tourism, such as Public Private Partnerships, integrating ESG in investment decisions, Green Financing, etc.

Green Financing

Green Financing is an important strategy in the promotion of ESG practices in the tourism industry. It focuses on allocating financial resources to businesses that lead to environmental sustainability (Lyu et al., 2024). This includes Gamut of investments that have done in the renewable energy space, development of waste management systems, conservation initiatives, etc.

Green Bonds

Green Bonds are financial instruments that can raise capital for projects that are eco-friendly. This capital is used for project that is sustainability based, such as resorts that are eco-friendly, natural resources conservation initiatives, etc (Ahmed et al., 2024). There is a category of investors who are ethical and environment conscious, they invest heavily into green bonds which offer stable returns and also contribute to the environment positively.

Sustainable Loans

Financial institutions and banks offer loans at favourable rates of interest for projects and businesses that meet their ESG criterion. A hotel which promises to produce their carbon emissions, focus on renewable energy, etc. can secure a loan from a bank at a lower rate of interest (Kandpal et al., 2024). These incentives can go a long way in encouraging businesses to adopt ESG practices in their business.

Public Private Partnerships

Public Private Partnership can help in mobilizing the resources from the government sector to the private sector and vice-versa to promote the development of sustainable tourism. The collaboration between government sector and private sector becomes crucial to finance tourism projects which are aligned to sustainability initiatives (Alnour et al., 2024). Public Private Partnerships are crucial in developing the core infrastructure of the country, such as sustainable road network, waste treatment infrastructure, renewable energy setups, etc. PPPs can more actively participate at places where the government can tie up with the private company to develop solar-powered electricity and transportation network. It can cater to a tourist place and would reduce the dependence on fuels and would also help in reducing the environmental footprint (Liu et al., 2024). Golden and private companies can also work on conservation projects together that promotes the environmental habitat and promotes biodiversity. Such projects could be funded by investments that can be bought by the promoter group or through grants as well. A PPP can work really effectively in setting up of a national park to attract sustainability conscious tourists. It would also help in preserving the endangered species and natural habitat.

Community-Based Tourism (CBT)

Community-based tourism focuses on the involvement of the community in developing the local tourism. The involvement of the local people in tourism helps in preserving the culture of the place and also reduces income inequality. In CBT, a major portion of the revenue generated from the tourism business gets reallocated to the local community. This allocation can be used for developing the healthcare facilities, education facilities, infrastructure facilities, etc. of the tourist destination (Yeap & Liow, 2024). Normally the people are emotionally attached to their locality and their local community and they leave no stone unturned in preserving the environment and the tradition of the tourist destination (Saldarriaga et al., 2024). In CBT, financial strategies could be implemented which would involve investing in capacity building. This would entail in training and educating the local people an importing them with the skill sets required to effectively contribute to tourism activities. Such initiatives would greatly enhance the employment opportunities and would promote entrepreneurship thereby contributing effectively to sustainable economic activity.

Sustainable Certification Programs

These certificate programs aim at involving the tourism businesses in such a way that they commit to adopting sustainable practices in their business operations. Such programs basically increase the awareness regarding ESG aspects of the tourism business. Monetary incentives can go a long way in ensuring that businesses follow sustainable certifications and practices, such as tax heavens, grants, low-cost loans, etc. to businesses that complete such certifications. Such benefits would outweigh the costs associated with implementing the ESG principles in the tourism business ([Hanafiah et al., 2024](#)). Certificates can also enhance the reputation of a business and can also act as a marketing gimmick for the business. This would attract eco-conscious travellers who would probably pay higher price for a better experience. This differentiation can lead to increased profitability and can greatly act as a motivating factor for businesses to invest into ESG practices.

ESG Integration in Investment Decisions

ESG criterion integrated into investment positions is assuming significant importance in the tourism industry. ESG investing deals with evaluating the different investments based on its ethical and sustainability impact. It would also entail doing the other financial analysis as well before making the investment. There are many ESG based investment funds that are on the lookout for investments ([Bagh et al., 2024](#)). These funds can pump in money into tourism businesses that follow ESG principles. These funds evaluate their future investments Based on criteria such as community engagement, labour practice, resource efficiency, carbon emissions, etc. There are many investors which are impact investors who are on the lookout for bringing positive environmental and social impact. The core objective of such investigations, however, remains financial gains ([Bilyay-Erdogan et al., 2024](#)). In sustainable tourism, these investors are on the lookout to finance projects that supports local community, protects natural resources, etc. Such investments also escalate sustainable development and ensure that the tourism activities are achieving sustainability goals as well.

Diversification and Resilience

Diversification is a very important tool to minimize risk and it is also a very important financial strategy in sustainable tourism. Diversification goes a long way in ensuring the ability of the tourism business to bear the brunt of economic fluctuations, environmental disasters and pandemics. Tourism business should offer different product categories so has to diversify their sources of income. For example, yoga programs or educational tools offered by a luxury resort in addition to the normal resort services would fall under such category. The benefit of diversification to a company is that it reduces the reliance of the company on a single income stream. Risk management implementation in a company is important, failing which the company would fall like a pack of cards ([Arif et al., 2024](#)). Contingency plans needs to be developed so that different market situations can be countered. In today's business scenario, the businesses are dynamic in nature and the businesses should be flexible enough to counter such situations. Reserves are also an important tool to help the company survive during tougher situations. Effective financial strategies play a crucial part in the promotion of sustainable tourism. Green Financing, PPPs, CBT, Certification programs, ESG integration, Diversification are all important elements to be observed if the company wants to make it big in sustainable tourism. If the tourism industry wants to be a resilient industry, then innovative and effective financial strategies could be a key component in the wider scheme of things.

Emerging Trends in Sustainable Tourism

Eco-Friendly Accommodations: Accommodations that are eco-friendly are increasing significantly than hotels are also adopting ESG practices. In the Built environment sector lead certification and green key certification are becoming indicators of whether the property is observing the ESG norms. **Slow Tourism** deals with the tourists getting more immersed in their travel experience at a particular destination, rather than going to five destinations simultaneously. This helps the travellers to enjoy the local culture significantly and it also reduces the harmful effect of frequent travel on the environment. **Carbon-Neutral Travel:** Travellers of today are becoming increasingly aware of the harmful effects of carbon emissions. Environment conscious travellers prefer Tourism companies that are cognizant of the negative effects of carbon emissions and they make a travelling plan which reduces the carbon footprint. **Nature-Based Tourism (NBT):** This includes wildlife visit, hiking, etc. as it emphasizes on the conservation of nature and biodiversity. The negative impact of tourism is the least in NBT.

CONCLUSION

ESG investing plays a very important role in the development of sustainable tourism as a sector. It helps in funding those companies and projects that puts sustainability at the top of its agenda. Investors can really make killing kind of money if they can club the tourism sector with the ESG criterion. ESG investing promotes those tourism businesses which focus on renewable energy, waste management techniques, wildlife conservation, etc. This helps in mitigating the risk that tourism sector presents to the environment, and it also helps the businesses become financially viable in the long-run. ESG investing also benefits the local people and the society. This involves preserving the culture of the place and providing employment to the local people. It greatly helps in reducing the income inequality, as it focuses heavily on improving the education system healthcare facilities and infrastructure of the place. ESG investing helps in improving the governance on all fronts, as it focuses on improving the transparency and accountability within the tourism businesses. This involves adherence to better reporting standards and active stakeholder engagement. ESG investing has also greatly contributed in providing the travellers of today reliable and responsible tourism options. An industry that is driven by ethical and transparent process creates a positive aura about that industry, thereby making the industry more viable financially. The tourism sector is continuously evolving and with the integration of ESG principles, it will change the way the game is played in the global travel business.

AUTHOR DECLARATIONS

CRedit Author Statement / Author contributions

Devika Agrawal: Conceptualization; Methodology; Software; Formal Analysis; Investigation; Writing – Original Draft; Visualization; Supervision; Project Administration; Writing – Review & Editing; Resources.

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