

WAYS OF SETTLEMENT IN INTERNATIONAL TOURISM

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ABSTRACT: *The ways of settlement used within international commercial relations have evolved continuously, as an effect of the evolution of the world economy, as a whole, but also as an effect of the evolution of information technology and message transmitting techniques. In the same manner, the ways of settlement which are used in tourism, have also evolved due to the necessity to meet the high volume of international payments for tourism services. Cash payments, traveller's cheques, bank card payments, payment order and internet payments are shortly take into consideration in this paper, discussing about how often are they used, in which cases and why one of them is preferred to another.*

KEY WORDS: *settlement, tourism, cash, cheque, card, payment*

All transactions made in international tourism, have as a basis firm contracts, which differ in accordance with the means of distribution, between contractors and intermediaries, between contractors and tourists which are beneficiaries or between intermediaries and tourists. Within the ensemble of clauses which are enclosed in such contracts, a major role is played by the currency-financial component, which refers to the used ways of settlement, the means of avoidance or diminishing currency risks or the means of payment, the payment scheme, etc. [1].

The ways of settlement used within international commercial relations have evolved continuously, as an effect of the evolution of the world economy, as a whole, but also as an effect of the evolution of information technology and message transmitting techniques. In the same manner, the means of payment which are used in tourism, have also evolved due to the necessity to meet the high volume of international settlements for tourism services: only in the last 20 years, the sums allocated for payment regarding international tourism increased over 5 times, from 242.7 billion USD in 1988 to 1,168.6 billion USD in 2008 [2].

A. Cash payment is usually used only when one of the parties is the tourist. They occupy, at the current time, a modest position concerning international payments in tourism, due to several disadvantages:

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- the need of effective cash transfer which involves risk of loss or theft;
- direct contact between the two partners is difficult to create if service payment needs to be done on reservation or if the supplying agency of the respective service finds itself in another area than that of where the tourist actually receives the services he pays for;
- the difficulty to synchronize the obligations of both partners whereas terms of tourist services involve a reservation in most cases, which supposes a partial settlement before the service is carried out and which creates, for the tourist, the risk of lack of satisfaction by comparison with the service he paid for, when he does not receive the expected quality.

Having taken all these aspects into account there are also reasons which make cash settlements used today:

- in countries which have currency restrictions regarding ownership of foreign currency or which have severe tax-based tourism services, cash settlement may allow for the means of fiscal evasion or avoidance of currency restrictions;
- discretion concerning cash settlements when prohibitive goods are being traded;
- certain tourism and transport services, especially in countries not yet connected to electronic payment and settlement systems (debit or credit cards), are still paid for in cash. This thing involves the fact that tourists must have a certain amount of cash in local currency in order to cover costs for such services.

Certain tourist services, when they are carried out professionally, lead to the „rewarding” of the person which carried out such services, by the tourist itself, a tip which may be even 10 % of the whole service cost. Restaurant owners for example, have a tendency to pay their employees with small wages, to stimulate them to carry out such services to tourists, which will grant them tips and thus to aid them in completing their income. This is why, in restaurants, the possibility of carrying out payment with a credit card for example, is not really enjoyed (although it is made possible).

B. Cheque payment is the nearest way to cash payment, the character of the written cheque giving partners a higher degree of security. The cheque is an instrument of payment which encloses the unconditional order of payment by a respective person or enterprise, called owner, to a legal entity (which may be a bank or credit institution), to pay a beneficiary, a determined amount of cash, on sight.

Payment through different forms of cheque took off after the 60s, when the *traveller's cheque* was first used in tourism. This is an instrument of payment with a fixed value, printed on the cheque, which is emitted by a bank and is usually destined for people travelling abroad, to cover travelling and maintenance costs. Traveller's cheques can be sold both by the emitting bank as well as by its correspondent banks. They can be cashed in at any desk office of the respective banks, shops, hotels and restaurants. The possessor of such cheques has the advantage of wearing money on him without the risk of loss or theft, a situation in which he is granted the quick

replacement of the cheques in short time from the announcement of their disappearance.

On the face of the cheque we see two spaces, designated for signatures: the first of which is given when buying the cheque, and the second when the cheque is used as an instrument of payment or when it is presented for cashing in. In this manner, one can probe the fact that he who uses the cheque is its rightful owner.

Traveller's cheques are available as leaflets or in individual files in various currencies and values. They can be sold in any amount and any combination. The most cheques are under the American Express logo, but those familiar with these also use Thomas Cook, Visa, Swiss Bankers or Travellers Cheque.

They are cashed in dollars, euros, or pound sterling, they can be changed anywhere in the world, in local currency, in banks or exchange houses, and the amounts in which we find them are 50, 100, 500 or 1,000 monetary units. They do not have an expiration date, being universally valuable and in cases of loss or theft they can be replaced in 24 hours maximum.

Another advantage is the fact that at exchange houses the customers can take advantage of a better exchange rate than if he was to swap local cash for its own.

C. Bank card payment is used more and more in the last few years, due to the fact that it eliminates the transport of cash and the risks that it involves. Starting with the 1960s when Bank of America launched its BankAmericard (currently known as VISA), cards have revolutionized the way we purchase goods and services. This is the same for millions of consumers.

They have evolved from the point of view of the technology they involve (magnetic band cards or electronic chip cards), with the sole purpose of increasing transaction safety. They evolved as functions held as well - banks issue debit cards today (which allow for the existence of an amount within an account, which is decreasing with each payment) or credit cards - these are for bank customers which apply for certain bank terms, and of which the bank considers that they can cover, with their current income levels, the amount borrowed.

One of the major advantages of card payments is that, due to the evolution of information technology, the existence of card readers is obsolete, as this is now made safely with the help of the internet, the sole condition being that the one who uses the card possesses the respective amount on the card or is entitled to overdraft.

D. Payment order is seldom used by tourists who pay for services, due to the fees which are slightly higher by comparison with transferred money. However, these are used in settlements concerning tourism agencies, tour-operators, intermediaries and service providers. This form of payment is similar to cash payment, but is realized by banking means and consists of the order which a client issues to his bank to pay from his account, an amount of money, to a partner, in an account which the partner has opened to the respective bank, or any other bank for that matter.

Fees and commissions are payable in three ways: only by the one who makes the payment (the mark is "OUR" on the external payment issue), by both the one who pays as well as by the beneficiary (the mark is "SHA" on the paper issued) or only by the beneficiary (in which case, the option "BEN" appears on the order). On a normal circuit, external payments are finalized between 2 and 5 working days, regardless of

the area. There is also the possibility of making the payment in a state of emergency (one day to another), but this implies a higher fee, which is calculated concerning the transferred amount.

The usage as ways of settlement is not denied (perhaps concerning settlements between enterprises) of credit titles - promissory notes, although they are not particularly used in tourism settlements.

E. Internet payments began to gain more and more ground in the last few years due to a major advantage which they offer: they can be made in front of any computer (although, for safety issues, it would be advised not to be a publicly used computer), with the help of safe internet connections. A condition which must be fulfilled is that of an open account or providers of such services: PayPal, Moneybookers, Mondopay, Alterpay, etc. By means of such providers, one can make transfers of money from or to various partners, but also payments for services or products bought from one's own country, or abroad. Once the procedures of subscription verification checked, the rest of the operations do not require some special effort or skill. If he who makes the operation has an internet banking service available, then, banking trips are completely eliminated, because people can use the computer for loading their account for one of the providers fore mentioned.

For example, the Moneybookers has a friendly-user interface, which is also in Romanian and offers several advantages [3]: transfers are real-time (the cost of a transfer is 1 % of the transfer value, but no more than 0.5 EUR), other data is not required, except for the e-mail address. The difference with on-line payments made by credit card is that, if we issue our card data (card number and safety code), every time we make a payment and, to each beneficiary, concerning internet payments we reveal these information only to the provider (if the payment is through credit card) or it is sufficient to load the account which we already opened at the provider with the amount which is to be transferred, without revealing data concerning our accounts.

More and more tour-operators accept internet payments as viable alternatives to traditional ways of settlement (banking transfers, cheque payments), thus meeting the tourists' desire to simplify the payment procedure and to reduce operational costs. We can also consider *vouchers*, in this category, but we must state that these are not instruments of payment in tourism, as they are wrongly considered in some papers, but documents which contain details concerning the services for which the tourist paid for and which will be carried out by hotels, public restaurants or other providers.

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