

Sustainability Challenges in Maritime Financings

Everyone is aware that the business cycle is facing different growth periods, followed by adjustments to rectify poor distribution, usually due to credit expansion. We also know that there is a boom in investment in offshore assets between 2001 and 2009 due to China's new entry to the World Trade Organization in 2001. However, we are facing a significant imbalance between supply, demand and prices, which are changing away from the traditional direction. Thus, big and important questions arise: What would happen if traditional investors reduced their commitments to offshore finance and the purchase of ships on which the world economy depends on international trade? Is there alternative funding? How will the size of investment and production affect marine wealth?

This turbulence leads to increasing risks to assets with an average life span of 20 to 25 years, so that the industry, which is currently distributing a lot of tonnes, is in a credit crunch with consistently low levels of profitability. High commercial bases, which have led to increasing demand, have also added pressure on the financing of the marine industry, especially if this dependence is directed at the export strategy. This requires governments to study banking rules related to finance, risk-weighted assets and debt-based consumption. This debate will not be resolved in a short time so that sea carriers must change their approach to financing for survival.

The banking and risk-weighted Basel convention also increased the pressure on offshore finance, which is considered to be a high cost. Banks generally have to reduce their commitments and insufficient experience with some Asian and Middle Eastern banks that tend to have the same global rules and are trying to absorb risk to bridge the gap. But excluding this point, there is still a clear and substantial funding deficit in the financing of offshore assets. Financing of the shipping industry remains costly. Most of the banks already shipped have left shipping operations, while a few have scraped loan portfolios as quickly as practicable. Banks identified concentrated credit risk when interest rates were low. Thus, the banks focused on very specific projects. Central banks and various regulators require high credit assets as collateral, prompting banks to do business for what is safe and not necessarily economic.

For the above reasons, shipping companies are increasingly exploring alternative financing options. This special issue aims to identify the sustainability challenges in marine finance from a social, economic and environmental perspective. The main contribution of this special issue is to cover the research gap in marine finance and identify funding challenges. Overall, we selected two papers for this special issue.

The first paper is about the impact of blue economy factors on economic growth in the SAARC countries. This study examines the influence of the blue economy factors on the economic growth of SAARC countries. Secondary data from 1995 to 2018 have been used for the analysis of eight countries. This study highlights the fact that proper management and utilization of water resources may assist the stimulation of economic growth and meet the challenges of food insecurity by improving the supply of seafood in developing South Asian countries. The study proposes that the sustainable management of water resources requires



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an alliance across nation-states. The alliance will be useful in understanding the concept of the blue economy and the role it plays in ensuring economic growth in developing nations throughout the world.

The second paper focused on the long-run relationship between fish production, marine trade balance and foreign direct investment: An empirical study of Omani Economy. This paper focused on testing the long-run relationship between fish production and two main variables, the foreign direct investment inflow and the marine trade balance in Oman, during the period 1985–2016. This study uses what known as the two-step Engle-Granger cointegration test to give evidence for the long-run relationship among the variables. The results show that there are negative long and short-run relations between fish production and marine trade balance; moreover, any shocks will be corrected within two periods at most. Finally, we would like to thank the Editor-in-Chief Prof Chin-Shan Lu for this opportunity to dedicate this special issue in this respected journal.

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