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To cite this article: Ming Liu, Jieqi Guan, Ching-Chi (Cindia) Lam, Yui-yip Lau & Fang Hong (12 Jun 2024): Macao's Potential to Participate in Aircraft Financial Leasing Between China and Portuguese-Speaking Countries, Journal of China Tourism Research, DOI: [10.1080/19388160.2024.2364204](https://doi.org/10.1080/19388160.2024.2364204)

To link to this article: <https://doi.org/10.1080/19388160.2024.2364204>



Published online: 12 Jun 2024.



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Macao's Potential to Participate in Aircraft Financial Leasing Between China and Portuguese-Speaking Countries

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ABSTRACT

This research focuses on examining the feasibility of aircraft financial leasing transactions between Macao and Portuguese-speaking countries, taking into account Macao's growing finance sector. The objective of the study is to enhance Macao's position as a Sino-Portuguese platform, with a particular emphasis on its role in Sino-Portuguese routes. Interviews were conducted with ten strategically chosen individuals representing key perspectives, and content analysis was performed. Based on the interview results and the analysis of resources in terms of Value, Rarity, Inimitability, and Organization (VRIO) within Macao's context, two strategic plans were proposed. The study identifies promising prospects for the development of the aircraft financial leasing sector in Macao, leveraging key trends and the unique combination of VRIO resources and distinctive competencies available in Macao. The proposed strategic plans and their potential implementation are discussed. This study is among the first to apply resource-based theory to the aircraft financial leasing sector while integrating the VRIO framework to identify Macao's competitive advantages in this area. Additionally, the research contributes to scholarly knowledge of the strategic visioning process. Furthermore, aircraft financial leasing has positive impacts on the tourism and hospitality industry in Macao.

ARTICLE HISTORY

Received 11 May 2023
Accepted 19 May 2024

KEYWORDS

Financial leasing; sustainable tourism; Macao; Sino-Portuguese; aircraft leasing; China

关键词

融资租赁; 可持续旅游; 澳门; 中葡; 飞机租赁; 中国

澳门参与中国与葡语系国家之间飞机融资租赁的潜力

摘要

随着金融行业的快速发展,本研究主要目的是探讨澳门与葡语系国家之间开展飞机融资租赁业务的可行性。此研究旨在提升澳门作为中葡合作平台的地位,特别强调其在中葡航空业发展中扮演的角色。十位利益相关群体代表参与了研究访谈,提出了重要的战略发展观点。基于访谈记录,本研究进行了深度的内容分析。根据访谈结果并结合资源基础理论,对澳门相关资源的价值、稀缺性、难以模仿性和组织性(VRIO)进行分析。研究结果基于澳门独特的VRIO资源和能力确定了澳门在飞机融资租赁行业发展的前景;讨论提出了战略方案及其可行性。本研究首次将资源基

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基础理论应用于飞机融资租赁行业, 同时结合了 VRIO 框架, 以确定澳门在该领域的竞争优势。此外, 本研究有助于提高学术界对战略构思过程的认知。更重要的是, 飞机融资租赁对澳门旅游和酒店业的发展将产生积极的影响。通过租赁现代化飞机, 可以提升和葡语系国家旅游业的连通性, 吸引更多来自葡语系国家的国际游客。此外, 通过租赁环保节能的飞机, 旅游业可以实现可持续发展, 与全球的可持续性目标相一致。

1. Introduction

Macao has played a significant role in China's early development of international trade and cultural exchanges between the East and the West. In the mid-16th century, Macao served as the sole trade port in China and the gateway for China's overseas trade. It also served as a vital transportation hub for the renowned 'Maritime Silk Road,' marking a transition from land to sea transportation and connecting the East and West (Deng & Xinsen, 2017).

In October 2003, the Chinese central government (Ministry of Commerce) initiated the establishment of the 'China-Portugal Forum for Economic and Trade Co-operation between China and Portuguese-speaking Countries (Macao),' which was hosted by the Macao SAR government. This nonpolitical intergovernmental multilateral economic and trade cooperation mechanism aimed at promoting and developing economic and trade relations. It involved the participation of eight Portuguese-speaking countries, including Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, Sao Tome and Principe, and East Timor.

The central government of China explicitly expressed its support for Macao in constructing a Commercial and Trade Cooperation Service Platform between China and Portuguese-speaking Countries, known as the 'Sino-Portuguese platform,' during the 12th Five-Year Plan and 13th Five-Year Plan. This platform leverages Macao's unique culture, language, and extensive international network with Portuguese-speaking

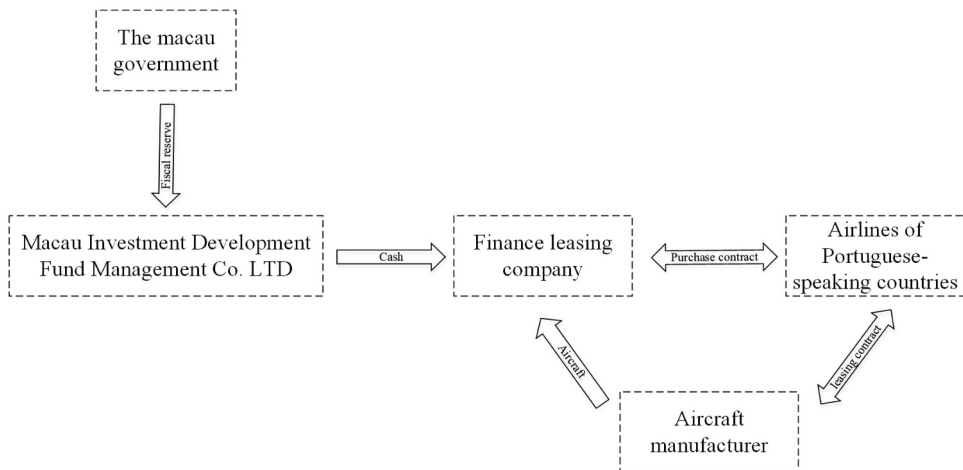


Figure 1. Trading principle.

countries to enhance Sino-Portuguese economic and trade cooperation. Additionally, it aims to diversify Macao's economy, addressing the longstanding dominance of the gaming industry (P. Chen & Zhang, 2020). Besides, the former Premier Li Keqiang proposed the development of the Guangdong-Hong Kong-Macao Greater Bay Area in March 2017. The most recent 14th Five Year Plan further supports the enrichment of Macao's world tourism and leisure center, while expanding the functions of the business cooperation service platform between China and Portuguese-speaking countries. Macao's development orientation is defined as a 'world tourism and leisure center' and a 'business cooperation service platform' for China and Portuguese-speaking countries within the Guangdong-Hong Kong-Macao Greater Bay Area (Zhou & Luo, 2019).

The China and Portuguese-speaking Countries Forum has utilized Macao as a platform to strengthen economic and trade exchanges between China and Portuguese-speaking countries, fostering common development among them. However, challenges remain, including the dispersion of comparative advantages and the trade volume between Macao and the Portuguese-speaking countries being significantly lower than that between China and the Portuguese-speaking countries. The impact of relevant trade agreements on the platform's construction is also limited.

Considering funding is an important part of international cooperation and trading. Many scholars and industry insiders have proposed to provide Macao-specific financial services to promote economic and trade exchanges between China and Portuguese-speaking countries. In the past, the structure of Macao's financial industry was relatively simple. Macao's traditional financial industry has two major sectors: the commercial banking business and the insurance sector. In recent years, the pace of the development of Macao's financial industry has accelerated. In the 'Overall Plan for the Construction of Hengqin Guangdong-Macao In-depth Cooperation Zone' released by the state in 2021, it is proposed to give full play to the role of Macao as a window to Portuguese-speaking countries, support the Guangdong-Macao In-depth Cooperation Zone to build a financial service platform for Chinese and Portuguese-speaking countries, and support Macao to develop diversified financial services such as financial leasing.

Because Macao and Portuguese-speaking countries are in different regions, the issue of how Macao participates in financial leasing in Portuguese-speaking countries discussed in this research belongs to the category of international finance lease. International finance lease refers to a finance lease transaction involving cross-border (or regional) transactions in the whole leasing transaction. All or part of the transaction has foreign elements. It includes transactions in which suppliers, lessors, and lessees belong to different nationalities, transactions in which lessors and lessees belong to different nationalities, transactions in which financiers, suppliers, lessors, and lessees belong to different nationalities, etc (Lu, 2005). There are four major categories of lessors in the global finance lease market: banking, manufacturers, professionals, and intermediaries. Each type of lessor has its own advantages but is not ubiquitous in all countries. The basic model of an international finance lease is a business model that merges the low-cost capital of overseas financial institutions through finance lease companies in the form of corporate fixed assets lease and then returns the rent regularly (Lu, 2002). Under the impact of the epidemic and other factors, Macao's 'one-industry-only' development model is exposed to many risks. Financial leasing is the most closely integrated financing method with the real

economy. Leasing enterprises can cut into the entity around manufacturing fields such as aviation ships, rail transit, equipment manufacturing, construction machinery, etc. And they can provide support for technological innovation in manufacturing industries such as communications technology, new energy, new materials, etc. They can also meet people's livelihood needs such as infrastructure, specialty industries, poverty alleviation, education and training, medical and health care, etc. They have a great supporting role in serving the real economy and promoting the transformation and upgrading of industrial structures. In the future, a finance lease is likely to become an opportunity to promote the diversification of Macao's industry.

Besides, existing literature also highlights the significance of international finance lease transactions, particularly in cross-border or regional contexts involving different nationalities (Lu, 2005). Furthermore, the literature emphasizes the benefits of financial leasing in supporting economic diversification, promoting industry development, and enhancing connectivity (Lu, 2002). Based on these two insights, aircraft financial leasing is more suitable to be taken into consideration comparing to the other aforementioned leasing fields. It can enhance connectivity between Macao, China, and Portuguese-speaking countries and improved air connectivity opens up new avenues for trade, tourism, and investment, strengthening economic ties and fostering cultural exchange. By conducting research in this area, Macao can facilitate collaboration and cooperation between different regions, creating a mutually beneficial environment for all stakeholders involved. In addition, prior studies also have shown the importance of stakeholder assessment of strategic development plans (e.g. Araujo & Bramwell, 1999; Tham, 2018). Thus, their views must be incorporated into strategic planning exercises. Macao's unique position as a gateway between China and Portuguese-speaking countries presents an opportunity to examine the feasibility of aircraft financial leasing in this specific context. By reviewing existing studies, it becomes evident that limited research has been conducted specifically on this topic. While there is literature on financial leasing and its benefits in general, there is a lack of research specifically focusing on Macao's role in aircraft financial leasing. Therefore, there is a significant research gap that needs to be addressed to understand the feasibility, challenges, and potential strategies associated with Macao's participation in this specific context. Conducting research in this area is crucial to fill this gap, provide valuable insights for policymakers and industry stakeholders, and guide decision-making processes.

As aforementioned, the present study aims to address the feasibility of developing an aircraft financial leasing service between Macao and Portuguese-speaking countries from the perspective of key stakeholders. On the basis of the main findings generated from in-depth interviews, this study analyses Macao's potential to participate in financial leasing between China and Portuguese-speaking countries, along with multiple streams of strategic thinking. Macao's cross-border finance leasing business has been valued by the Macao government several years ago. And it is regarded by the Macao government as one of the development directions of the financial industry in the future. After the launch of the Guangdong-Hong Kong-Macao Greater Bay Area Plan, the cross-border financial leasing business in Mainland China has become more open to Macao, which has ushered in a great development opportunity and achieved fruitful results. According to the data of the Macao Monetary Authority, in recent years, Macao's financial leasing business is mainly cross-border business, and mainly for mainland enterprises.

The tourism and hospitality industry in Macao has experienced significant developments since the opening of gaming industry. Macao's position as a regional tourism hub has continued to strengthen, with a sustained influx of visitors and ongoing efforts to diversify its tourism offerings. According to recent data from the Macao Government Tourism Office (MGTO, 2023), the number of tourists visiting Macao has reached record highs, driven by increased connectivity, favorable visa policies, and the development of new attractions and integrated resorts. However, amidst this growth, the importance of sustainable tourism practices has become increasingly paramount.

Sustainable tourism aims to minimize the negative impacts of tourism on the environment, society, and cultural heritage while maximizing the positive contributions to local economies and communities. In recent years, the global tourism industry has witnessed a greater emphasis on sustainability, with travelers increasingly seeking destinations that prioritize environmental conservation, social responsibility, and cultural authenticity. Macao recognizes the importance of sustainable tourism and has taken steps to integrate sustainable practices into its tourism development strategies. Aircraft financial leasing in Macao has benefits for sustainable tourism. It enhances air connectivity to Portuguese-speaking countries, promotes cultural exchange, and strengthens economic ties. Leasing allows access to fuel-efficient and eco-friendly aircraft, supporting Macao's commitment to environmental sustainability. It also attracts sustainable tourism investments and promotes responsible tourism development by signaling dedication to sustainability, attracting environmentally conscious travelers and partnerships aligned with Macao's vision.

Overall, this research takes improving the status of Macao's Sino-Portuguese platform as the research objective and starts from how Macao plays a role in Sino-Portuguese routes. In this research, the past air routes and the current situation between China and Portuguese-speaking countries is analyzed first, then conceive two ways for Portuguese-speaking countries to carry out financial leasing of aircraft based on the resources and competitive advantages identified from in-depth interviews with various stakeholder groups. Besides, the benefits that aircraft financial leasing can bring to the tourism and hospitality industry are discussed and also the advantages from four aspects laws, accounting standards, supervision, and taxation are analyzed. Finally, this research puts forward some proposed strategies and some suggestions on the future practice of financial leasing in Macao, hoping to achieve the sustainable development of the tourism and hospitality industry and also effectively diversify the current economic structure.

2. Literature review

2.1. Financial leasing

A finance lease is a financing credit business in which the leasing company purchases equipment according to the requirements of the lessee, and then provides it to the lessee within a long contract period. It is a lease whose primary purpose is to finance. With the continuous improvement and development of finance leases, laws, accounting standards, supervision, and taxation have become the four pillars that support the finance lease (El-Gazzar et al., 1986). As an important industry in the modern economy, finance lease has developed rapidly since its birth in the 1950s. Finance lease has some unique advantages

such as improving the asset structure, promoting sales, and innovating financing methods. Because of these advantages, finance lease has been called the five financial pillars together with bank credit, bonds, stocks, and funds. In the international capital market, finance lease has become the second largest financing method after bank credit. In the finance lease transaction, the lessor's capital is gradually recovered, which requires a certain period. And the lessee does not need to pay all the rentals at one time. So this can reduce the pressure of the payment of capital, reasonably allocate and improve the efficiency of the use of capital (Sorrentino et al., 2020).

For the economic implications of financial leasing, researchers have examined the economic implications of financial leasing from different perspectives. Duan and Whidbee (2010) analyzed the impact of leasing on firm investment decisions and found that leasing can be an effective financing option, particularly for financially constrained firms. Lease financing allows firms to conserve cash flow and overcome capital market imperfections. Furthermore, leasing has been associated with increased firm value and improved financial performance (C. F. Chen, 2004).

In the international finance and global leasing industry, financial leasing is inherently linked to international finance due to its cross-border nature. Scholars have explored the global leasing industry, market dynamics, and the role of international financial institutions. Research by Claessens et al. (2011) examined the patterns and determinants of leasing activities across countries, highlighting the role of legal frameworks, financial development, and macroeconomic factors. They emphasized the significance of international financial integration and the role of leasing in financing global investment.

Besides, in recent years, there has been a growing focus on sustainable leasing practices. Researchers have investigated the integration of environmental, social, and governance (ESG) considerations into leasing activities. Studies by Bannister et al. (2020) and highlighted the potential for leasing to contribute to sustainable development goals and the importance of incorporating ESG factors into lease decision-making.

Overall, the literature on financial leasing and international finance provides a comprehensive understanding of the economic implications, risk management strategies, legal considerations, and the broader impact of leasing on financial markets. This existing scholarship serves as a foundation for contextualizing and advancing research on aircraft financial leasing in specific regions such as Macao, enabling researchers and practitioners to make informed decisions and develop effective strategies in the field of aircraft leasing.

2.2. Aircraft financial leasing and the current situation in Macao

Under the background of the 'Belt and Road Initiative' in recent years, China's influence in the world has been continuously expanding. Under the background of economic globalization, the economic and cultural exchanges between China and Portuguese-speaking countries are getting closer and closer, and Macao's location intermediary effect is more obvious. Take Portugal as an example. At the beginning of 2020, the COVID-19 epidemic had an unprecedented impact on the global economy and international trade. Sino-Portuguese trade and investment flow declined significantly. However, according to China's customs statistics, total bilateral trade between China and Portugal reached 7,459 million euros in 2021, representing a year-on-year increase of 22.85%. Under the

background that the epidemic has hit the global economy, the bilateral trade volume between China and Portugal has been growing against the trend, showing strong resilience and complementarity. China-Portugal economic and trade relations are mature and stable, bilateral trade is developing steadily, and investment cooperation is deepening. At present, China has been Portugal's largest trading partner in Asia for many consecutive years. Portugal is also an important destination for China's investment in Europe (Zhou & Luo, 2019). As a platform for China and Portuguese-speaking countries, the mediating effect of the Macao location should also be more obvious.

Before the opening of direct flights between China and Portugal, flights from China to Portuguese-speaking countries will take place in Frankfurt, Paris, London, Dubai, and other European or Middle Eastern countries, which is very inconvenient. In June 2017, Capital Airlines opened direct routes from Hangzhou to Beijing to Lisbon, and also opened routes from Beijing to Macao, forming a route from Macao to Beijing to Lisbon. This was the first direct flight route from China to Portugal. However, in October 2018, the route was closed due to operational reasons. Until August 2019, Capital Airlines resumed direct flights between China and Portugal. The route was changed to Beijing-Xi'an-Lisbon. Later affected by the epidemic, the number of direct flights from China to Portugal has significantly reduced. Currently, there are only two direct flights available a month (Y. Chen, 2022). On the whole, direct flights from Beijing/Macao to Portuguese-speaking countries are still very rare. It still basically takes the step of transferring to a European or Middle Eastern country.

Direct flights are of great significance to international trade. International flights can indirectly but significantly promote foreign trade by influencing transnational investment (such as FDI), international business activities (such as trade shows), and international tourism (Campante & Yanagizawa-Drott, 2017). With the construction of the 'Belt and Road Initiative,' air transportation will play a more prominent role as a basic means to improve regional traffic conditions. Take China's direct passenger route to Portugal as an example. The opening of this route has created more convenience for investors and tourists, saved time, and promoted the tourism and economic development of the two countries. And it is also a gold hub in Africa and Latin America. Direct flights can strengthen the role of the transportation hub and better promote trade between the two countries.

However, the current situation of serious shortage of planes, airports, pilots, etc. is difficult to meet the demand for economic development for the aviation industry. At present, many airlines are trying to increase the number of planes and improve their transportation capacity (Dube et al., 2021). However, buying an airplane requires a lot of money. When airlines need to buy planes urgently, they often face the problem of a shortage of funds, which in turn requires external financing. In this situation, a finance lease is a good choice. Compared with countries with developed capital such as the United Kingdom and the United States, companies in Portuguese-speaking countries have less complete financial information, less complete compilation of financial and accounting information, and are less transparent. If these companies need financing, it will be more difficult to issue stocks, bonds, and bank loans. Aircraft have the characteristics of high technology content, high value, and long service life. Therefore, financial leasing is the best choice. An aircraft finance lease refers to a lease in which the lessor pays for the purchase of the aircraft pre-selected by the lessee's airline and leases

the aircraft to the lessee for a certain period of time. During the lease term, the lessor has ownership of the aircraft. The lessee shall bear the expenses for the maintenance, and repair of the aircraft and enjoy the benefits arising from the use of the aircraft. At the end of the lease term, the lessee may give priority to purchase the aircraft at the market price or the price agreed upon in advance, or repay the aircraft to the lessor in accordance with the conditions stipulated in the contract (G. Zhang & Zhang, 2018). Aircraft finance leases generally have a long lease term, and some even last more than 10 years. As for the companies (lessors) that make financial leasing of aircraft, they know the industry. Even if the financial information provided by the airline is not as complete as that in the United Kingdom and the United States, they can also judge the operation of the airline and then evaluate the company's ability to pay the rent (Gavazza, 2010).

It is a huge challenge for airlines in Portuguese-speaking countries if they want to continue to carry out the daily Sino-Portugal air route. As mentioned in Cunha's research (Cunha, 2015), TAP started its flights to Macao in 1996, but was soon canceled due to the lack of passengers. At the end of 2006, TAP intended to re-open the air route to Macao due to the strong economy of Macao, but it has not been implemented yet due to the near-saturation of the usage rate of Macao Airport. Under the influence of the epidemic, direct flights between China and Portuguese-speaking countries are even more difficult. According to TAP's 2020 annual report, operations and the profit of 2020 were significantly impacted by the drop in activity seen from March onwards, as a result of the COVID-19 pandemic, which globally affected the civil aviation sector in an unprecedented manner. TAP acted with agility and speed at the first signs of the pandemic's impact. However, ticket sales and bookings have been severely affected by the restrictions imposed. The Board of Directors had approved the Restructuring Plan aims to ensure the survival and sustainability of TAP Group while ensuring that it continues to contribute to the Portuguese economy. Therefore, for the airlines in Portuguese-speaking countries, it is a good choice to expand their number of planes by means of finance leases and open direct flights between China and Portuguese-speaking countries. How Macao can take advantage of its own advantages to participate in the financing lease process of airlines in Portuguese-speaking countries, promote the development of air routes between China and Portuguese-speaking countries, and improve its position as a Sino-Portuguese platform is a problem worth exploring.

2.3. Aircraft financial leasing and development of the tourism industry

Aircraft financial leasing place significant impact on tourism industry, particularly in terms of enhancing air connectivity. Leasing provides tourism destinations with access to a diverse fleet of aircraft, enabling the establishment of new routes and connections that simplify travel for tourists (UNWTO, 2023). This improved air connectivity attracts more tourists and stimulates the growth of tourism businesses.

Another notable impact of aircraft leasing on tourism is the promotion of sustainable tourism development. Leasing allows tourism companies to utilize modern and fuel-efficient aircraft equipped with technologies that reduce fuel consumption and emissions (Vedder, 2022). Leasing allows tourism companies in Macao to access the latest aircraft models that incorporate advanced technologies for reduced fuel consumption and lower emissions (Song et al., 2018). By facilitating the adoption of green aviation practices,

aircraft financial leasing supports Macao's commitment to environmental sustainability and promote responsible tourism. Moreover, aircraft leasing enables tourism destinations to attract sustainable tourism investments and form partnerships with airlines and other stakeholders (Kiraci et al., 2022). The commitment to leasing signifies a dedication to sustainability, which appeals to environmentally conscious travelers and encourages sustainable investment projects and collaborations aligned with the destination's vision for responsible and inclusive tourism development.

From an economic perspective, the availability of leased aircraft supports the growth of tourism-related businesses and generates economic benefits. The increased air connectivity and accessibility associated with leasing often result in higher tourist arrivals, creating job opportunities and generating income within the tourism sector and its associated industries (Papatheodorou, 2021). Lastly, leasing's contribution to improved air connectivity facilitates cultural exchange and integration between destinations and different regions or countries. It encourages interactions, understanding, and appreciation of diverse cultures, thereby enriching tourism experiences and promoting cultural tourism (ICAO, 2019). Overall, aircraft financial leasing plays a crucial role in promoting the development of the tourism industry. It serves as a valuable tool for destinations striving to strengthen their tourism sector and achieve long-term growth and competitiveness.

2.4. Theoretical basis

To develop a popular financial leasing hub, strategic planning is necessary to create long-term conformity between managerial targets and changing market opportunities. Almost all practices and operations related to the financial industry need to be based on a strategic plan. Financial leasing is a sector of multiple related industries, and the strategy toward development operates at different levels (local, regional, and national) (E. Morgan et al., 1980). Therefore, it can be analyzed for the feasible strategy adopted, its focus, governance, stakeholders involved, and time frames.

2.3.1. Competitive advantages and resource-based theory

Conscious planning is essential to prevent or decrease the negative impacts of the financial leasing sector and to facilitate and strengthen its competitive advantages and positive influence. The competitive strategy identifies the industry as the basic unit of analysis, the product/service as the basic unit of business, and the position in relation to its competitors. It was built on the definition of strategic planning which integrates national strategies, regional developments, local governance, and customer base (Madsen & Walker, 2015). Experience would ideally be generated from the competitive advantages of the hosting city/region. Thus, one of the basic questions during strategic planning is how to identify and sustain these competitive advantages (Wijaya et al., 2020).

In this study, the definition of competitive advantages is adopted from resource-based theory (RBT). Resource-based theory and the VRIO framework are closely related concepts in strategic management. Resource-based theory suggests that a firm's competitive advantage is derived from its unique and valuable resources and capabilities. These resources can be tangible, such as physical assets and financial capital, or intangible, such as intellectual property and organizational knowledge. According to this theory, firms

with valuable and rare resources that are difficult to imitate or substitute are more likely to achieve sustained competitive advantage (Rutledge & Donnellan, 2019).

In this regard, resource-based competitive advantages are accessed according to three main factors, namely, value, rarity, and imitability (Assensoh-Kodua, 2019). Value is the capacity of the resources to eliminate external threats and/or seize or create opportunities to increase revenue and cost differences; rarity is reflected by the control of resource/capability in the hands of a relative few; and imitability refers to the difficulty or cost to obtain, develop or duplicate the resource. These factors are included in the VRIO framework (Barney, 1991). VRIO stands for Value, Rarity, Imitability, and Organization. It assesses whether a resource or capability is valuable, rare, difficult to imitate, and supported by the organization's structure and processes. When a resource is valuable, it can be used to evaluate competitiveness; when it is rare, it can create a temporary competitive advantage; if it is difficult to imitate or if the cost of imitating is very high, it can become a source of sustainable competitive advantages. It emphasizes the resources and capabilities that need to be ensured in the first place. Then, strategies are developed for the organization of the resources and capabilities, to link up them and, consequently, sustain the competitive advantages in the financial industry (Rutledge & Donnellan, 2019).

The VRIO framework, on the other hand, is a tool used to analyze a firm's resources and determine their competitive potential. The relationship between resource-based theory and the VRIO framework lies in their shared focus on understanding the sources of competitive advantage. Resource-based theory provides the theoretical foundation by emphasizing the importance of unique and valuable resources, while the VRIO framework offers a practical framework for evaluating the competitive potential of those resources. By applying the VRIO framework, firms can identify their key resources and capabilities that provide a sustainable competitive advantage. It helps firms to understand whether their resources are valuable and rare, and whether they have the ability to exploit and protect those resources from imitation. Ultimately, the VRIO framework enables firms to make informed strategic decisions by aligning their resources with competitive opportunities and building a foundation for long-term success (Rockwell, 2019). The relationship between competitive advantages and resource-based theory is integral to understanding how organizations gain and sustain a competitive edge in their respective industries. Resource-based theory suggests that a firm's unique resources and capabilities are the primary drivers of its competitive advantages. According to this theory, resources can be tangible or intangible assets possessed by an organization, such as physical assets, intellectual property, human capital, or relationships with suppliers or customers. Capabilities refer to the organization's ability to effectively deploy and utilize these resources to create value and achieve superior performance. The resource-based theory contends that for a resource to contribute to sustained competitive advantage. This is where the VRIO framework comes into play.

The VRIO framework, developed by Jay Barney, is a widely used tool for evaluating resources and capabilities within the resource-based theory. It assesses whether resources are valuable, rare, difficult to imitate, and effectively organized (Barney, 1991). In the study, the adoption of the resource-based theory and the VRIO framework is crucial for several reasons. First of all, by applying the VRIO framework, the study can systematically analyze Macao's resources and capabilities related to aircraft financial leasing. It

facilitates the identification of Macao's unique strengths, potential challenges, and areas of competitive advantage. This analysis will help understand why Macao has the potential to excel in aircraft financial leasing compared to other destinations. Secondly, the resource-based theory and the VRIO framework provide a theoretical foundation for strategic decision-making. By examining Macao's resources and capabilities, the study can inform policymakers, industry stakeholders, and investors about the advantages and challenges associated with Macao's participation in aircraft financial leasing. The findings can guide the development of strategies and policies to maximize Macao's potential in this domain.

In summary, the resource-based theory and the VRIO framework are essential tools to understand and evaluate competitive advantages. The VRIO framework allows for a systematic analysis of resources and capabilities based on their value, rarity, inimitability, and organization. Adopting these theories in the study on Macao's potential in aircraft financial leasing provides a theoretical foundation, guides strategic decision-making, and enhances academic rigor. It enables an in-depth examination of Macao's competitive advantages and contributes to the understanding of its potential in the context of aircraft financial leasing between China and Portuguese-speaking countries.

2.3.2. Stakeholder perspective

During strategic planning, the opinions/concerns of stakeholders must be considered because the competitiveness and sustainability of the financial leasing sector are difficult to be achieved without their engagement and support. Therefore, successful strategic planning needs to include stakeholders at each stage of strategic development and implementation (Kaur & Lodhia, 2018). Freeman (1984, p. vi) defined a stakeholder as any group or individual who can affect or is affected by the achievement of an organization's purpose. For the development of the financial leasing sector, the number and types of stakeholders involved in strategy processes depend on whether or not the political economy view or a functionalist view is adopted. The former view reveals that planning entities generally make decisions about stakeholder engagement based on self-interest. The latter emphasizes that all interested stakeholders should contribute to strategies that are based on normative theory. Normative stakeholder theory focuses on the function or guidelines for sector management and development with the involvement of all interested groups (Dmytriiev et al., 2021). Given the financial leasing between Macao and Portuguese-speaking countries having a cross-border nature and associating with a wide range of stakeholders, the normative approach has more implications in identifying feasible development strategies.

3. Methodology

This study adopted a qualitative approach with in-depth interviews as the main data source to explore the potential of developing financial leasing services between Macao and Portuguese-speaking countries from the perspective of different stakeholders and understand the strategic vision of these stakeholders. Besides, the analysis is also supported with secondary data/information obtained from various reliable research or data platforms.

3.1. The interviews

10 purposefully selected informants from reputable organizations in the related sectors were approached and interviewed. The informants represent key stakeholders of the sector in Macao and the GBA to provide a comprehensive and diverse range of perspectives, including scholars, professionals, practitioners, and government advisors specializing in financial, aviation, legal, international trading, and coordinated fields (see [Table 1](#)). In this study, the focus of informant recruitment is to look for variation and context of their viewpoints rather than enroll a large number of participants (Hennink et al., 2011). The number of informants recruited for this qualitative research is guided by the theoretical principle called ‘saturation’ (Saunders et al., 2018). When the collected information was redundant, several more interviews were arranged to confirm the saturation. Therefore, the number of participants in this research is guided by the diversity in the information obtained.

[Table 1](#) presents the detailed profiles of the informants and the rationale for selecting them. The selected informants collectively provide a holistic and comprehensive understanding of the aircraft financial leasing sector in Macao. This multi-perspective approach ensures that the industrial information obtained is sufficient and representative of the diverse aspects and interests within the sector.

The interview questions are more open-ended in a structure designed based on the research objectives, with the potential of developing financial leasing services between Macao and Portuguese-speaking countries as the main topic. However, for informants with different backgrounds, conversations are more leaned toward their respective expertise areas, to understand the feasibility of different aspects of sector development. However, in general, the questions revolved around the following areas:

- (1) Environment and trend;
- (2) Potential and foundation in developing aircraft financial leasing services between Macao and Portuguese-speaking countries;
- (3) Key resources available in Macao, including VRIO resources;
- (4) Competitiveness of Macao in developing this sector, compared with nearby destinations;
- (5) Alignment of developing this sector with the strategic direction of Macao;

3.2. Interview process

Before conducting interviews, the Informants were provided with the necessary information, including objectives of the research, main question areas, information of the research team, and estimated length of the interview, by sending the interview confirmation through e-mail in advance. This information was further clarified before the interview starts. The interviews were conducted from December 2021 to July 2022 in a face-to-face manner. The venues of the interviews were mostly places at the Informants’ convenience, either at their office, restaurants, or cafés nearby so that the Informants felt less anxious about their work schedules. Each interview lasted for about 40 minutes on average. The interviews were conducted in Chinese/English language and recorded upon obtaining their consent. Transcripts were prepared shortly after the interviews.

Table 1. List of informants.

#	Stakeholder	Organization	Position of Informants	Gender	Age	Rationale for Selecting informants.
1	Academic person specializing in finance and accounting fields	Macao private High Education Institution (HEI) with business school	Associate Professor	Female	31-40	Informant #1 can provide academic insights and theoretical knowledge about the aircraft financial leasing sector, offering a broader understanding of the industry trends, challenges, and best practices.
2	Professionals/practitioners in financial leasing and aviation fields	Macao public HEI with faculty in business administration	Professor	Female	51-60	Informant #2 can provide academic expertise in business administration, contributing to a well-rounded perspective on the sector.
3	Professionals/practitioners in financial leasing and aviation fields	Financial leasing company in Macao	Senior Manager	Female	41-50	Including Informant#3 from a local financial leasing company allows for firsthand insights and experiences from a practitioner's viewpoint. This informant can provide valuable information about the practical aspects, market dynamics, and specific challenges faced by financial leasing firms in Macao.
4		Public company in aviation industry	Senior Manager	Male	51-60	Informant#4 can offer insights into the aviation industry from a company's perspective, including their experiences with financial leasing arrangements, market trends, and the factors influencing decision-making in the industry.
5	Government advisor	Legislative assembly, Macao SAR	Member	Male	51-60	Including Informant#5 from the legislative assembly ensures representation from the government sector. This informant can provide insights into the regulatory framework, policies, and initiatives related to aircraft financial leasing in Macao.
6	Government	Governance and supervision bodies	Senior officer	Male	51-60	Informant#6 from governance and supervision bodies offer insights into the oversight and regulatory aspects of the aircraft financial leasing sector. They can provide information on compliance requirements, industry standards, and the role of these bodies in safeguarding the interests of stakeholders.
7	Academic specializing in legal field	Macao public HEI with faculty specialized in law	Assistant professor	Male	41-50	Informant#7, specializing in law, can provide legal perspectives on the aircraft financial leasing sector. They can shed light on legal frameworks, contracts, and any legal issues or considerations relevant to the industry.
8	Research Institute/ Association in coordinated fields	Local association in legal studies	President of Administrative Council	Male	51-60	Informant#8 from a local association in legal studies can further contribute to the legal aspects of aircraft financial leasing. Their expertise and involvement in legal research and studies can provide valuable insights into industry practices and legal challenges.
9		Local association in city development research filed	President	Male	61-70	Informant #9 can offer insights into the broader context of city development and its impact on the aircraft financial leasing sector in Macao. They can provide information on infrastructure development, urban planning, and the role of the sector in the city's economic growth.
10		Local institute in Portuguese speaking countries related affairs	Director/ Professor	Male	51-60	Including Informant#10 from an institute specializing in Portuguese-speaking countries' affairs is relevant because Macao has ties to these countries. He can provide insights into the specific market dynamics, cultural aspects, and business opportunities in those countries, which are of particular relevance to the aircraft financial leasing sector in Macao.

3.3. Content analysis

Inductive content analysis, which includes creating small chunks of the data and then placing a code with each chunk, was applied. These codes were placed into similar groupings. Within D. L. Morgan's (1997) three-element coding framework, classical content analysis with interview data can be performed in three ways: (a) the analyst can identify whether or not each participant used a given code, (b) the analyst can assess whether or not each Informant used a given code and (c) the analyst can identify all instances of a given code.

To familiarize with the qualitative data collected from the interviews, a comprehensive overview of all the data was conducted before coding. The conversations with participants from various backgrounds aimed to assess the feasibility of different aspects of financial leasing sector development, focusing on their respective areas of expertise. In the next step, initial labels or codes were assigned based on phrases or sentences related to the aforementioned areas of inquiry. Each code represented a specific factor, resource, challenge, or obstacle expressed by the participants. The data was then grouped together based on these codes, allowing for a condensed summary of commonly recurring topics within the qualitative data. Key areas are the analysis of the environment and trends, evaluation of the potential and foundational aspects of developing aircraft financial leasing services, identification of key resources in Macao (including VRIO resources), assessment of Macao's competitiveness compared to nearby destinations, and examination of the alignment between sector development and Macao's strategic direction. These patterns were carefully reviewed, and multiple codes were merged into cohesive themes. Finally, each theme was given a concise and easily understandable name to effectively describe the main findings derived from the analysis of the interview data.

4. Result and analysis

According to the data of the General Administration of Customs of China, from January to December 2020, the total import and export value of goods between China and Portuguese-speaking countries was 145.185 billion US dollars. However, the trade scale between Macao and Portuguese-speaking countries is very small. According to the data of the Macao Trade and Investment Promotion Association, the trade scale between Macao and Portuguese-speaking countries in 2020 was more than 50 million US dollars, which is far smaller than the trade scale between China and Portuguese-speaking countries. This is one of the reasons why Macao's status as a platform is easily weakened. It is also possible if the airlines of Portuguese-speaking countries directly choose to cooperate with the mainland leasing companies. Why do airlines from Portuguese-speaking countries choose to cooperate with Macao? There are several reasons for this. First of all, the financial return required by the Mainland is relatively high. Macao enjoys the status of both a free port and a separate customs territory. It adopts a simple and low taxation system with a corporate profit tax rate not exceeding 12%. The financing cost is lower than that of the Mainland (Informant #2). Secondly, Macao is a city free from external debt and foreign currency restrictions. And against the background of the Belt and Road Initiative and Guangdong-Hong

Kong-Macao Greater Bay Area, the Macao government has vigorously developed the construction of the Sino-Portuguese platform. The Macao government has a large number of financial reserves to support the development of Sino-Portuguese air routes and promote the financing lease (Informant #5). Macao has a public administration structure and legal system based on those of Portugal and follows a public administration and legal regime similar to other PSCs, which facilitates an understanding of the respective systems between China and PSCs. In addition to Chinese, Portuguese is also the official language of Macao, and contracts and agreements in both languages are signed between enterprises. Macao has a large pool of bilingual professionals as well as many Portuguese expatriates and immigrants who can provide translation/interpretation, accounting, and legal services to enterprises from the mainland and PSCs during their commercial negotiations and cooperation (Informant #10).

As mentioned by Informant #3, for airlines in Portuguese-speaking countries, whether there are sufficient conditions is a prerequisite for financial leasing. Therefore, TAP Air Portugal can be used as an example for analysis. At present, TAP only operates the Lisbon-Beijing route which stops in Xi'an through code sharing (ticket sales sharing between different airlines), which is actually operated by Beijing Capital Airlines. There are flights between TAP Air Portugal and Frankfurt, Paris, London, Dubai, and other countries. These flights are the more common transit routes before direct flights between China and Portugal. In 2019, TAP's chairman said he 'does not rule out' the possibility of 'opening direct flights to China' between Lisbon and Beijing-Macao soon. But under the influence of the COVID-19 epidemic, TAP Air Portugal is one of the companies which is most affected by Covid-19. In 2020, the Portuguese government reached an agreement with the private shareholders of TAP Air Portugal to increase the government's stake in TAP Air Portugal from 50% to 72.5%. This change of shareholders was in order to avoid bankruptcy of TAP Air Portugal due to the impact of the COVID-19 epidemic. In the first half of 2021, TAP lost 493.1 million euros, which was a decrease of about 88.8 million euros when compared with the corresponding period of 2020. It can be seen that although the recovery plan of TAP Air Portugal is slow, it is having a 'positive impact' despite successive losses, under the background of nationalization, the government aims to promote the recovery of the aviation industry and the development of international trade. It is believed that TAP Air Portugal has the strength and opportunity to carry out a financing lease.

It is also mentioned during the interview since financial leasing is a global business, the operation of leasing companies is not subject to geographical restrictions. The choice of registration place is mostly based on local preferential policies, financing facilities, and professional talents. The attractiveness of a region to the financial leasing industry is mainly determined by the degree of tax incentives and incentives (Informants #1 & 3). With the promulgation and implementation of the preferential policies in Macao, developing financial leasing business in Macao will be another excellent option for the capital of all parties besides Ireland, Singapore, Hong Kong, and other places in China (Informant #3, 5 & 6).

However, the aircraft leasing business involves law, taxation, insurance, finance, market, valuation, asset management, risk management, aviation technology, and other

areas, requiring practitioners not only to be proficient in the industry but also to have a basic understanding of professional knowledge in other links (Informant #5,6,7 &9). For example, aviation technicians are an extremely important part of the asset management process. They are responsible for organizing and managing the formulation of technical solutions in aircraft leasing business/projects, participating in the formulation and negotiation of technical terms of lease contracts, and organizing and managing the technical process of aircraft delivery, lease back and modification, cooperating with the business team to manage the entire aircraft sub-lease process, responsible for organizing and managing aircraft post-lease technology and asset management, etc (Informant #3). Technicians also need to understand the market, asset management, risk management, and other areas. These efforts are to ensure that the performance of aviation products and their configuration is maintained at the best state in the industry, so as to protect the value of assets (Informant #4). Macao's aviation industry has introduced and trained a group of aviation technology professionals since the airport was built in 1995 and Air Macao made its maiden flight. Limited by the scale of the local aviation industry and labor policies, there are not many local aviation technicians, and even fewer have a solid technical foundation, multi-faceted skills, and knowledge, and are able to engage in the aircraft leasing business (Informant #4 & 9). Fortunately, in the initial development stage of financial leasing in Macao, professionals in this field can still be found. The training of such technical personnel in the future depends on the growth of Macao's aviation industry and leasing industry so that the industry can have room to select talents from the local aviation industry (Informant #3). Macao's local legal, taxation, insurance, and financial industries have a much longer history than the aviation industry, and their business scope is more comprehensive, its knowledge and skills are easier to supplement and improve (Informant #1, 5 & 8). The Macao Monetary Authority is organizing financial talent training programs through local law associations, financial societies, and universities so that more local legal and financial professionals can master a variety of professional knowledge through cross-training and industry certification to enhance external competitiveness (Informant #5,6,7). The interview results are summarized in [Table 2](#).

Table 2. Summary of interview result.

Ref.	Key resources/competitive advantages	Informant No.
A.	The Sino-Portuguese platform has been well-established in Macao.	#5,10
B.	Macao adopts a simple and low taxation system which leads to low financing costs and great tax incentives.	#1,2,3,5,6
C.	The Government has a large number of financial reserves to support the development of Sino-Portuguese air routes and promote the financing lease.	#5
D.	Macao has a large pool of bilingual professionals as well as many Portuguese expatriates and immigrants who can provide support in related areas.	#5, 9
E.	Legal, taxation, insurance, and financial industries have been well developed which can support the development of aircraft leasing.	#1,5,8
F.	Macao has a potential group of aircraft technicians who can be further trained to provide support in the leasing industry, such as evaluating the performance of aviation products and their configuration.	#4,9
G.	The related government bodies are collaborating with industry associations to provide more resources and support to this industry.	#5,6,7

Based on the VRIO framework, the above interview results help to assess the competitive advantage of a firm or location based on its resources and capabilities. Macao offers several factors that create value for aircraft financial leasing. It enjoys the status of a free port and a separate customs territory, with a simple and low taxation system that includes a corporate profit tax rate not exceeding 12%. Macao also possesses significant financial reserves to support the development of Sino-Portuguese air routes. These attributes make Macao an attractive platform for financial leasing aiming to operate in both the Chinese and Portuguese-speaking markets.

Furthermore, Macao's combination of attributes is relatively rare in the region. Its status as a free port, separate customs territory, and its adoption of a public administration and legal system based on those of Portugal set it apart. Macao's bilingual professionals, including a large number of Portuguese expatriates and immigrants, provide translation/interpretation, accounting, and legal services to facilitate commercial negotiations and cooperation between mainland China and Portuguese-speaking countries.

The results also reveals that Macao's advantages are difficult to imitate. Its unique financial incentives, low taxation system, and financial reserves are not easily replicated by other locations. Additionally, the bilingual professionals and the public administration and legal system based on Portuguese practices are not easily imitated either. These factors contribute to Macao's sustained competitive advantage in attracting financial leasing demanders from Portuguese-speaking countries.

Lastly, the organizational efforts by the Macao government play a crucial role. The development of the Sino-Portuguese platform and the training programs organized by the Macao Monetary Authority enhance the local talent pool and improve the knowledge and skills of professionals in areas such as law, finance, and aviation technology. These organizational mechanisms effectively leverage Macao's resources and capabilities, further enhancing its attractiveness as a platform for aircraft financial leasing from Portuguese-speaking countries.

5. Discussions

Based on the information obtained from interviews, it is believed Macao has the potential to develop an aircraft financial leasing business. In order to promote Portuguese-speaking countries to carry out financial leasing of aircraft and further promote the development of China-Portugal air routes, this research proposes two strategic plans. The analysis of the interview results supports these two strategic by highlighting Macao's resources and capabilities that can be leveraged to facilitate cooperation between Macao's local finance leasing company, Portuguese-speaking airlines, and mainland professional aircraft finance leasing companies. The first plan is to take advantage of Macao's huge fiscal reserves. Macao's local finance leasing company can directly act as the lessor, buy the plane and then lease it to Portuguese-speaking airlines. The interview result highlights Macao's significant financial reserves. The availability of substantial fiscal reserves enhances the credibility and financial capacity of Macao's finance leasing company, making it an attractive option for airlines seeking leasing services. This plan aligns with Macao's advantage of having the necessary resources to support such transactions, as highlighted in the VRIO analysis.

The second plan is to choose the Macao government as a provider of funds or a guarantor of the transaction, and then cooperate with mainland professional aircraft finance leasing companies to promote cooperation between mainland finance leasing companies and Portuguese-speaking airlines. The analysis of the interview result also emphasizes the organizational efforts made by the Macao government, which can be leveraged in this strategic plan. By collaborating with the Macao government, Portuguese-speaking airlines can benefit from the government's role as a provider of funds or a guarantor for transactions. The Macao government's involvement adds credibility and financial support to the cooperation between mainland professional aircraft finance leasing companies and Portuguese-speaking airlines. This plan leverages Macao's organizational capabilities, as identified in the VRIO analysis, such as the government's commitment to developing the aviation and leasing industries.

5.1. The finance leasing company located in Macao directly acts as the lessor

According to the data of the Macao Monetary Authority, as of 19 January 2022, Macao has two licensed finance leasing companies, one is Zhuguang (Macao) International Finance Leasing Co., Ltd. and the other is ICBC Finance Leasing Macao Co., Ltd. In December 2021, Zhuguang Group acquired 100% equity of Rhine (Macao) International Finance Lease Co., LTD., which was approved by the Macao Monetary Authority and renamed Zhuguang (Macao) International Finance Lease Co., LTD., and went through the renaming procedures of its wholly-owned subsidiary in Hengqin. Through this acquisition, Zhuguang Group obtained both Macao and mainland financial leasing licenses in one fell swoop. In the future, it will give full play to the advantages of both licenses and carry out domestic, overseas, and cross-border business to help Macao's moderately diversified economic development. Zhuguang Group proposed to give full play to the characteristics of Macao's free trade port, vigorously explore the markets of Portuguese-speaking countries and countries along the 'Belt and Road Initiative' line, and carry out leasing business of transportation and logistics vehicles such as aircraft and ships. As a subsidiary of ICBC Leasing, ICBC Financial Leasing Macao Co., Ltd. is the parent company of ICBC Leasing, which is the largest leasing company with assets in mainland China. The company has delivered more than 500 commercial aircraft with total assets of more than USD20 billion (see [Figure 1](#)).

Both local financial leasing companies have their own advantages. As a state-owned enterprise rooted in Zhuhai and Macao, the Zhuguang Group plays a huge role in cross-strait infrastructure and economic development. The Group is responsive to the development opportunities of Zhuhai, Hong Kong, and Macao, and continuously enhances its comprehensive strength. In China, financial leasing companies have become a leading force in China's aircraft leasing industry. As a financial leasing company, ICBC Financial Leasing can conduct transactions with airlines in Portuguese-speaking countries by virtue of its parent company's professional experience in aircraft leasing. Through the investment development fund, the Macao government can provide funds for two current

finance leasing companies, which are exclusively used to purchase aircraft and lease them to airlines in Portuguese-speaking countries.

5.2. Macao acts as a provider of funds or as a guarantor of the transaction

The second strategic plan is that Macao cooperates with mainland aircraft finance lease companies as a provider or guarantor of funds. Macao's finance lease industry started relatively late and its volume is very small. At present, Macao's financial institutions are the main providers of funds to participate in finance leases, and mainly cross-border financing for mainland leasing companies. In Mainland China, Chinese aircraft leasing companies can be roughly divided into four categories: banking financial leasing companies, airlines' subsidiary leasing companies, aircraft manufacturers' subsidiary leasing companies, and independent aircraft leasing companies. Among them, financial leasing companies have become the leading force in China's aircraft leasing industry. This kind of company has more outstanding advantages. First, it has strong brand, more customer resources and wide coverage. Second, it has strong financing ability and low cost. Third, it has strong capital and sufficient funds to purchase planes on a large scale. The fourth is the ability to manage risks. The aforementioned ICBC Financial Leases are of this type. For the airlines' subsidiary leasing companies, their advantages in aircraft leasing are also obvious. In terms of business operations, aircraft sources and leases are relatively secure. In terms of management, its personnel planning and resource management can directly refer to the parent company. However, such companies also have their own disadvantages. These companies have poor independence, weak capital strength and insufficient risk diversification. The other two types of leasing companies are small in number and relatively weak in strength.

Therefore, Macao's role is to facilitating the cooperation between the airlines of Portuguese-speaking countries and the leasing companies affiliated with the mainland airlines. Take TAP Air Portugal as an example, there are several reasons. The first reason is that Air China Limited ('Air China') owns China Aviation (Beijing) Finance Leasing Co., Ltd. ('ABC Finance Leasing') as a leasing subsidiary to launch the aircraft leasing business. And Air Macao is also the holding subsidiary of Air China. Before the China-Portugal route of Capital Airlines, Air China and TAP Air Portugal started code-sharing cooperation on 14 October 2010, connecting the two sides' routes from Beijing and Shanghai to Lisbon and Porto through Madrid, Rome, Milan, and Frankfurt serving as intermediate points, and linking up code-sharing cooperation. Under the background of such cooperation in the past, Air Portugal and Air China's subsidiary specializing in financing leases cooperate to lease planes and open China-Portugal routes. Air Macao can share the code with Air Portugal and the route Macao - Beijing - Lisbon would be smoother. Secondly, as mentioned above, the capital strength of the leasing companies affiliated with the airlines may be weak. In addition, although the mainland government has lowered the reserve ratio, deposit interest rate, and loan interest rate several times to speed up the transformation and upgrading of the industrial structure, it still lags behind the developed countries in terms of financing costs. The cost of foreign capital is much cheaper than that of RMB, and the pressure on mainland enterprises is much greater than that of developed countries. For mainland finance leasing companies, absorbing cross-border capital is the best way to reduce the capital cost of domestic enterprises. At this time, similar to the first option, the Macao government with huge financial reserves can provide low-cost funds to ABC

Finance Leasing Company to purchase planes. The funds are specially used for the finance leasing transaction of direct flights between China and Portugal by TAP Air Portugal.

In addition to providing funds, investment fund companies owned by the Macao government can also participate in finance lease transactions as third-party guarantors. There are two types of guarantee contracts in the leasing process with the lessor and the airline as the main body. One is the guarantee of the ownership of the aircraft. This is to say that the lessor's ownership of the leased aircraft is the main guarantee to realize the rental creditor's rights. Under this guarantee structure, the parties to the guarantee are the lessee and the lessor, and there is no third party involved. The guarantee model is relatively simple. The other type is the third-party credit guarantee. That is to say, the third party acts as the guarantor to guarantee that the airline will assume the guarantee obligation of rent repayment to the lessor when it fails to fulfill the obligation of rent payment. The amount of funds involved in aircraft financing is huge. Once the airline encounters unexpected risks and falls into default, it will still face huge losses even if the lessor can successfully retrieve the aircraft and dispose of it again. Especially in the practice of international aircraft finance lease guarantees, the lessor often requires the lessee or other third party to provide additional real rights or credit guarantees to ensure the full realization of the creditor's rights and profits. During the financing transaction between the mainland lessee and the Portuguese-speaking airlines, the mainland finance leasing companies have full trust in the Macao government. The Macao government, as a third party, also easier to understand the operation of the Portuguese-speaking airlines. Macao can give full play to its advantages and play its role in promoting economic and trade cooperation between China and Portuguese-speaking countries under the guidance of the construction goal of 'three centers' on the platform of China and the Portuguese-speaking countries.

5.3. *Selecting and evaluating a course of action*

The aforementioned two plans involve cross-border finance lease transactions. Under normal circumstances, in cross-border financial leasing activities, it is very difficult for transaction participants to have a comprehensive understanding of each other's national policies, cultural background, economic situation, legal supervision, and other aspects, and it is very likely that conflicts will arise in the transaction, and even contract disputes will arise. In this part, Macao's advantages are further analyzed based on the VRIO framework from the four pillars of finance lease-law, accounting standards, supervision, and taxation. It is also an extended discussion of the interview results.

5.3.1. *Legal advantages*

Finance lease transactions involve complicated legal relationships. To carry out cross-border finance leases, the leasing companies should fully connect with the relevant functional departments of the local government and understand the relevant legal system of finance leases in the host country. Macao's close legal ties with Portuguese-speaking countries can provide a more convenient environment for the transaction. Before the reunification, Macao fully accepted Portugal's legal system, legal culture, and legal tradition and became a typical civil law region. After the reunification, in order to maintain the continuity of Macao's legal system, Article 8

of the Macao Basic Law conditionally retains the original laws, decrees, administrative regulations, and other normative documents of Macao. According to this, the five codes in Macao's laws before the reunification which were derived from Portuguese laws were localized to obtain the original legal status of Macao. After the reunification, Macao's laws still have certain inheritance and connection with Portuguese legal culture, legal tradition, and legal theory. Macao's laws have great similarities with the legal systems of other Portuguese-speaking countries, and their basic composition and content are relatively close. Macao also has the advantage of cooperating with Portuguese-speaking countries in legal language. Article 9 of the Macao Basic Law stipulates that 'the executive, legislative and judicial organs of the Macao Special Administrative Region may use Portuguese in addition to Chinese, and Portuguese is also the official language.' This has laid a solid foundation for Macao's legal language and talents. In the legislative field, according to the Rules of Procedure of the Legislative Council of Macao, the Legislative Council Journal is published in the official languages of the Macao SAR. According to Macao's 'Publication and Format of Regulations,' the publication of laws can be made in Portuguese in addition to Chinese. Similar laws and common languages are favorable factors for Macao to connect with Portuguese-speaking countries as a platform between China and these countries.

5.3.2. Advantages of accounting standards

Macao's accounting system basically follows IAS. The 'new financial reporting standards' apply to the financial reporting parties of Macao-applicable entities for annual periods beginning on or after 1 January 2022. Macao's 'new financial reporting standards' on the one hand converge with IFRS; On the other hand, in response to economic development. The new financial reporting standards" adopt all the standards of the 2015 edition of IFRS. The Mainland's accounting standards for Business Enterprises and IFRSs also continue to converge.

The accounting standards of Portuguese-speaking countries also converge with IAS. Portugal has two sets of financial accounting standards in parallel, namely International Accounting Standards (IFRS) and Portuguese Accounting Standards. According to the law, listed companies in Portugal must adopt IAS, and unlisted companies can adopt either IAS or Portuguese Accounting Standards. Brazilian listed companies and any banks that are required to publish their financial statements (including domestic and foreign, listed and unlisted banks) must prepare and publish their consolidated financial statements in full compliance with IFRS; SMEs may prepare and publish their financial statements in accordance with the Portuguese version of IFRs for SMEs adopted by the Brazilian Accounting Announcement Board (CPC), in which small and micro enterprises (with total revenue of less than US\$ 1.1 million) may prepare and publish their financial statements in accordance with the simplified accounting standards adopted by the Brazilian Federal Accounting Commission (CFC).

In Portuguese-speaking countries, Macao and Mainland China, the accounting systems of the three parties are now in line with the International Accounting Standards, which facilitates the processing of financial statements of transaction entities. And this reduces the time cost of many exchanges and communications in transnational trade cooperation.

5.3.3. Regulation

Macao is one of the core cities in the Guangdong-Hong Kong-Macao Greater Bay Area. The target of the ‘Guangdong-Hong Kong-Macao Greater Bay Area Development Plan Outline’ clearly supports the development of specialized financial services such as leasing in Macao. The policy catalyst of the Macao government to promote the development of finance leasing was released continuously in 2019. Policies such as ‘Guide for Application for License of Macao Monetary Authority to Establish Finance Leasing Companies,’ ‘Tax Preferential System for Finance Leasing in Macao Special Administrative Region’ and ‘Legal System for Finance Leasing Companies in Macao Special Administrative Region’ were successively issued. The Financial Leasing Company Legal System has appropriately relaxed the supervision of financial leases. It redefined financial leasing companies as financial institutions that are not credit institutions and no longer applies the requirements of the Financial System Legal System on credit institutions, such as capital adequacy ratio and restrictions on single customer risk exposure. As for the form of establishment of the company, the finance leasing company is allowed to be established as a joint stock limited company or a limited company. The capital requirement for the finance leasing company is reduced from MOP 30 million to MOP 10 million. These legal adjustments have achieved a great breakthrough in Macao, not only lowering the access threshold for finance leasing companies but also making the operation of finance leasing companies more convenient. What’s more, the regulatory agencies’ risk management measures for finance leasing companies are more practical. This is beneficial to the growth of Macao’s finance lease industry and provides regulatory conditions for the innovation of more trading schemes, thus accelerating Macao’s participation in the finance lease transactions of Portuguese-speaking airlines.

5.3.4. Taxation

The ‘Financial Leasing Tax Incentives System’ issued by Macao in 2019 mainly includes tax incentives from stamp duty and income supplement tax. In respect of income supplement tax, the maximum replacement and amortization rate of finance lease fixed assets as tax expense deduction was increased to three times; Provisions for bad debts of financial leasing enterprises are treated as operating expenses and can be deducted for tax expenses. The maximum amount can be increased to 10% of the total accounts receivable; A supplemental income tax rate of 5% is applied to the finance lease business income earned by the operating finance lease enterprise, and the supplemental income tax is exempted from the finance lease business income earned and paid overseas. In respect of stamp duty, stamp duty is exempted for acts relating to the establishment of finance lease companies or subsidiaries of finance lease projects and the increase or addition of their capital, finance lease contracts relating to capital goods (but excluding real estate), interest and commissions relating to finance lease activities. It can be seen that Macao’s support for the lessee’s acquisition of accelerated depreciation of fixed assets through finance leases (lessee’s tax saving effect) and the lessor’s tax incentives is significantly stronger than that of the mainland.

6. Challenges and suggestions

Cross-border finance leases face greater uncertainty in terms of policy culture, legal supervision, credit system, exchange rate, and interest rate, and are more vulnerable to the impact of these factors, causing losses to the parties. At present, Macao has many favorable conditions. In order to better promote the development of financial leasing in Macao, based on the research results, this paper identified some main challenges and also puts forward the following suggestions.

Macao's relatively small market size may limit the demand for leased aircraft, making it challenging to find lessees or lessees with favorable creditworthiness. Intense competition among lessors can affect lease rates and terms. To cope with this potential challenge, major industry players can conduct thorough market research to identify potential lessees and assess their creditworthiness. Besides, they can differentiate leasing offerings by providing additional services or flexibility in lease terms and build relationships with local airlines and operators to secure long-term leasing agreements.

In addition, Macao's economic conditions and stability can impact the demand for leased aircraft, especially during economic downturns or fluctuations in tourism. This can affect airline profitability and lessee's ability to meet lease obligations. To avoid this potential problem, companies can consider diversifying their lessee portfolio across different regions to mitigate the impact of local economic conditions and monitor economic indicators and industry trends to anticipate potential changes in demand. They can also consider offering lease incentives or flexible payment structures during challenging economic periods.

Currency and Exchange Rate Risks is also a key area of concern. Fluctuations in exchange rates between Macao's currency (MOP) and the lessee's currency can impact lease payments and financial returns for lessors. Therefore, it is suggested the industry players can consider incorporating appropriate currency risk management strategies, such as currency hedging or using lease contracts denominated in stable currencies. They also need to work closely with financial advisors to assess potential currency risks and develop suitable risk mitigation plans.

Another potential challenge is related to political and geopolitical factors. Changes in government policies, trade relations, or regional tensions can impact the aviation industry and lessee operations in Macao. The effective coping strategy is to monitor political and geopolitical developments that may affect the aviation sector; diversify lessee portfolio across different regions to reduce reliance on a single jurisdiction and maintain open lines of communication with lessees and stay informed about any potential impacts on their operations.

Last but not the least, asset value and residual risk is also a factor to place attention. The residual value of aircraft at the end of the lease term is subject to market conditions, demand projections, and technological advancements in Macao. The proper coping strategy is to conduct thorough market research and consult aircraft appraisers to assess the potential residual value of the leased aircraft. Include provisions in lease agreements for lessees to maintain the aircraft in good condition and comply with return conditions. Companies can consider residual value insurance or agreements with specialized aircraft remarketing firms to mitigate potential losses.

Besides the above challenges and coping strategies, there are still several improvement areas in the Macao market. The first is to speed up the issuance of finance lease licenses. The Macao government has given strong legal and tax support to the development of the financial leasing business, which reflects the favorable treatment of the Macao government toward the financial leasing industry. However, there are not many financial leasing companies in Macao. At present, there are only two financial leasing companies in Macao. According to internet information, at least eight mainland finance leasing companies have visited Macao, but no new companies have been established.

Second, financial leasing enterprises should improve their professional level if they want to improve their business level. The company should expand the business scope, introduce an advanced management level, and establish a risk prevention and control system in line with the industry's characteristics. It should master the practical theory of financial leasing, import and export regulations, and tax policies of the domestic and foreign financial leasing business, and timely understand the macro development situation and business development status of the financial leasing industry in various countries in the world. If there is any innovation in financial leasing, it can be used for reference in combination with the actual situation. In addition, with the diversified and personalized development of customers' needs, finance lease enterprises should also enhance their ability to meet customers' personalized needs and design finance lease products based on finance lease items, customers' repayment levels, and repayment terms.

The third is to strengthen the management of interest rate and exchange rate risk. It is better for enterprises and finance lease companies involved in cross-border finance lease transactions to adopt floating interest rate surcharge points when borrowing foreign funds, i.e. add a certain number of points to the borrowing interest rate to avoid risks. Although this will bear the loss of interest rate increase during the lease term, it can obtain the benefit of an interest rate decrease and reduce the impact of an interest rate change on the company's operation. When the interest rates of the two countries are likely to change, enterprises and finance leasing companies can also use interest rate swaps, forward interest rate agreements, interest rate swaps, and other financial derivatives, while locking forward exchange rates and hedging the risks of interest rates and exchange rates.

The fourth is to strengthen the examination and credit supervision. In terms of credit risk, we should not only consider the micro-level credit problems of enterprises such as lessees, guarantors, and suppliers but also comprehensively measure a country's risk and carry out country risk rating. First, establish a dynamic credit risk assessment mechanism. Strict implementation of customer credit review, guarantor credit review, ownership confirmation, mortgage guarantee, and other systems. In the process of financial leasing, a dynamic credit risk assessment mechanism should be set up to understand the credit of the partners in time, so as to prevent the problem before it occurs.

By being aware of these challenges and implementing appropriate coping strategies, lessors can navigate the aircraft financial leasing landscape in Macao more effectively and mitigate potential risks. It is essential to engage a team of experienced professionals, including legal advisors, financial experts, and market analysts, to ensure a successful and sustainable leasing operation.

7. Conclusion

Under the background of the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Macao's Sino-Portuguese platform is facing greater opportunities. For the sustainable development of Macao in the future, Macao should promote its diversified economy by enhancing the platform functions of China and Portuguese-speaking countries. According to the data of the Macao Monetary Authority, in recent years, Macao's financial leasing business is mainly cross-border business, and mainly for mainland enterprises. This paper explores Macao's potential to participate in the aircraft financial leasing sector and puts forward two strategic plans from the perspective of direct flights between China and Portugal, hoping to expand Macao's thinking of developing a financial leasing business and promote the construction of the Sino-Portuguese economy and trade cooperation platform.

The theoretical contribution of this paper lies in its exploration of Macao's potential to participate in aircraft financial leasing between China and Portuguese-speaking countries. As such, this provides a foundation work to establish an interdisciplinary research area between tourism and finance. Building upon existing literature on financial leasing and its relationship with the tourism industry, this paper provides a comprehensive analysis of the advantages and challenges specific to Macao's context. By examining the potential benefits of aircraft financial leasing for Macao's tourism and hospitality sector, the paper contributes to the understanding of how financial leasing can drive economic growth and enhance the competitiveness of tourism destinations. In addition, the hybrid application of the VRIO framework and resource-based theory provides a micro basis for this study. The current study combines the VRIO framework and resource-based theory may foster a firm to attain a competitive advantage and, eventually, enhance its superior performance outcomes. Indeed, the VRIO framework generated required structure around accurately what fosters a resource to generate firm performance improvements (Kull et al., 2016).

Furthermore, this paper offers practical insights and recommendations for policymakers, industry stakeholders, and investors interested in exploring aircraft financial leasing as a means to foster collaboration between Macao, China, and Portuguese-speaking countries. By identifying the key factors that influence Macao's participation in this market, the paper aims to inform strategic decision-making and contribute to the sustainable development of the tourism and hospitality industry in Macao.

The findings of this research provide valuable insights to the Macao government and industry practitioners in developing the aircraft leasing sector. Theoretically, this study extends the application of RBT to the area of the aircraft financial leasing sector while integrating the VRIO framework in identifying the competitive advantages of Macao in this area. As for the future research direction, under the influence of various uncertain factors such as the epidemic, and political/regulatory changes, more in-depth research is needed on how to deal with the related issues of complicated financial lease transactions.

Acknowledgments

The support of Macao Foundation is gradually acknowledged. This paper is extended from the research work funded by the Project of Macao Foundation (Ref. No.100673-2212-421).

Disclosure statement

No potential conflict of interest was reported by the author(s).

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