

Economics of Sustainable Village Tourism

Experiences and Lessons from Sirubari, Nepal

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A rich endowment in natural and cultural heritage gives the Himalayan region a comparative advantage in nature-based mountain tourism. Small pockets of tourism such as the Everest and the Annapurna regions in Nepal have performed well and contributed to improving the livelihoods of many a mountain family. But despite tourism's positive impacts in such areas, many poor and secluded groups have been unable to benefit.

A major problem that tends to choke the wider distribution of tourism's benefits is the high leakage in tourism income which arises in the purchase of items that cater to tourist needs and preferences. Instead of locally purchased food items, many lodge owners prefer to import food because the tourism sector in these rural areas is not linked to local production systems.

How to protect the environment, and the natural resource base and improve the distribution of tourism income to a wider segment of the population are important questions that have received a great deal of attention. It was with a view to try and answer these questions that village tourism was initiated in Sirubari in 1997. Sirubari is the first 'village tourism product' in Nepal. The concept of having paying guests and exposing them to interaction with the local people and their way of life is central to this tourism product. This article reports and reflects on lessons learnt from the project, which have implications for the sustainability and replicability of the 'village tourism model' in other parts of the region.

Key features of Sirubari village tourism

Sirubari is located in Syangja district in Nepal. The village lies at an altitude of 1,700m and is about five hours walk through an unfolding mountain landscape from the road that connects Pokhara with Butwal. From the ridges, a tourist can view the Dhaulagiri, Machhapuchhre, and Annapurna peaks, some of the most spectacular mountain ranges in the Himalayas. The village itself has a rich Gurung culture. Most households have at least one male member in the Nepali, Indian, or British army.

Village tourism in Sirubari was promoted as a partnership between the Tourism Development and Management Committee (TDMC) of Sirubari and a marketing and promotion agency named the Nepal Village Resort (NVR) based in Kathmandu. TDMC had 11 members, with the

Panchamul VDC as chairperson. The two parties, TDMC and NVR, entered into a three-year contractual agreement. According to the contract TDMC receives NRs 1,700 for every tourist that arrives in the area, regardless of the size of the package tour. TDMC pays the guestroom owner Rs 1,000 per tourist for two nights accommodation that includes three meals a day. TDMC keeps some of the remaining money and gives some to the occupation group of the village who are also given the role of welcoming and providing a farewell ceremony for the visitors. Some of the money goes to paying for a group that provides afternoon tea, and for porters. In sum, about 14 families in the village have accommodation and toilet facilities with running water and can accommodate visitors. All families with guestroom facilities had to be members of TDMC first and agree to the TDMC rules and regulations. To distribute benefits more equitably, TDMC has



In Sirubari, tourists interact with local people and immerse for a few days in the village's way of life.

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decided to distribute visitors across available guestrooms. Income leakages were minimised as tourist guestroom operators imported less and guestrooms and toilets, furniture, and handicraft shops used mostly local materials and sold local products.

Under the 'village tourism model' visitors in groups of between two and four live with their host families and spend two nights on average with their hosts. The village tourism product, as currently practiced, offers visitors an opportunity to experience the traditional culture of the Gurung people first hand. Visitors usually take their meals with their host family. Meals are typical Nepali style with a strong village character. Visitors travel around the village to see the lifestyle of the villagers and their culture and way of life. The following morning, the visitors usually travel to the Thumura Hills for sight-seeing. Evenings are programmed for cultural shows and dance. The next day, after breakfast, tourists begin their journey back to Pokhara.

Economics of guestroom establishments

A most interesting feature of village tourism is the economics of investment in guestrooms and toilets. Villagers themselves are the small investors. Members of TDM made investments to upgrade rooms in their homes and constructed toilets so they can host tourists. Some owners invested in two-room guestrooms that can accommodate four guests at a time; others in single room (two-guest) accommodation.

ICIMOD and partners conducted a survey of village tourism operation in Sirubari in late 1999. During the survey year, an average guestroom owner in Sirubari accommodated 12 tourists and received Rs 1,000 per tourist for two nights stay. Average income per guestroom was Rs 12,000, compared to average investment and annual

operating cost per guestroom of Rs 50,299 and Rs 10,422, respectively. The upfront investment costs when amortised under alternative lending terms provide annual repayment cost to a guest room owner. For example, if the base investment cost (Rs 50,299) is financed at 18% annual interest rate over a five-year loan maturity period, the annual repayment to a guestroom owner is Rs 15,989. In other words, the guestroom owner would find difficulty in recovering investments. However, if a more favourable lending term of 10 years at 16% interest is applied, annual costs decrease to Rs 10,345 – barely sufficient to recover the investment.

Since the guestroom owner faces both an upfront fixed investment cost and annual operating costs, net income per guestroom owner is total annual tourism income minus annuity of fixed investment cost, amortised over different lending terms. Since the current level of income was not sufficient to meet the full cost (Rs. 10,422 + annual repayment Rs 15,989), alternative income determinant scenarios which play around change in price, increase in visitor numbers and duration of stay per guestroom were assessed. Given the tariff structure agreed upon by the TDMC and NVR for the guestroom, owners, to recover their costs, length of visitor stay has to increase from the present two nights to four nights, and tariff rates must increase by 20%.

Can the villagers afford to invest?

A fundamental question important to address is whether the initial investment cost borne by an average guestroom owner in Sirubari (Rs 50,299) is within the reach of an average mountain household. If rural households willing to invest in and build guestrooms have access to institutional credit, it is essential to know the affordable size of annual loan repayment (annuity) rate that a rural borrower will be able to bear given the level of income in the area. A typical household in Nepal spent Rs 35,834 in 1996, based on the National Living Standards Survey (1996), out of which it is assumed the household will spend about one-third (Rs 10,750) on loan repayment. With this level of income, the affordable loan that can be amortised varies anywhere from Rs 33,617 (at an interest rate of 18% and loan maturity period of 5 years) to as high as Rs 51,958 (16% interest rate and loan maturity period of 10 years). What this exercise illustrates is that the present level of investment cost for making a



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Village tourism creates markets for local products and services.

guestroom is within the reach of an average rural household if comfortable lending terms are offered.

Summing up

The village tourism model in Sirubari is a new and novel concept and experience. Even without prime tourism assets such as the snow-capped mountains found in the Annapurna area, Sirubari has been able to develop a new tourism product that relies entirely on what the villages have and what they do on a daily basis. They have been able to share tourism benefits with the occupational groups by involving them in the welcome and farewell ceremony for visitors. Sirubari as a village is, however, very different from the typical village one finds in Nepal. It has a strong social capital base because of its rich Gurung culture and strong sense of solidarity. As already indicated, many people in the village have joined the

army and have sent back remittances. To build good houses and village infrastructure, the Gurung community had invested good money. Not many villages in Nepal have resources to invest in infrastructure or in rooms and toilet facilities. However, the analysis indicates that the initial investment cost for making guestrooms is within the reach of average rural households if credit facilities are available under comfortable lending terms.

The study results further indicate that if tourist numbers can be increased and if loans can be provided to villagers, village tourism can be a viable source of income. The size of the tourism market (visitor numbers and duration of stay) has to be fairly assured to establish economic links with the local production system to generate wider impacts. If numbers cannot be increased, tariff rates that match investments need to be designed.