

# **RURAL TOURISM**

## **1. INTRODUCTION**

There are various streams of tourism – physical features (mountains, beaches, desert) cultural history, architecture, lifestyle, dance, music, etc.), adventure (trekking, rafting, water sport, etc.). However, middle/upper class tourists, irrespective of the nature of vacation–destination which they go to, stay-in most cases at conventional hotels, eat routine/rich food and go for sightseeing/excursions. While the destinations bring variety into the vacation experience, most vacations continue to be marked by “sameness” in terms of stay, food and such other elements.

At another level, urban residents are now fairly disconnected from village life; having been born and having grown up in a city. There are aspects of village life which, if packaged appropriately, have the potential to offer a new, exciting and fulfilling holiday experience to city dwellers. Rural tourism is a way of delivering such experience.

## **2. PROJECT PROPOSAL**

It is proposed that the promoter establishes a rural tourism project in a village. The location should possess all or some of the following features.

- ✓ The location/surrounding area should be sparsely populated
- ✓ The location/nearby area should offer some natural beauty
- ✓ There should be scope for fulfilling village-level experience, e.g., farming, milking cattle, cart-ride, artisanal work (e.g., pottery, carpentry), craftwork, dancing, singing, local sport, cooking local cuisine
- ✓ the climate should be congenial at least during six months in a year

The project will consist of following components

- ✓ First establishing huts/housing units and furnishing these in local architectural/aesthetic style. In addition, there will be facility for food and beverage and relaxation
- ✓ Organization of events at the site, e.g., dance, music, cookery demo, craftwork demo, story-telling.

- ✓ Organization of experiences – nature trail, fruit picking, farming, fishing, water-drawing from the well, craft/artisanal work, cooking, local sport, visit to monuments/heritage, donning local clothes.

In other words, the soft or experience based elements to be woven into the project are as important as the physical facilities to be set up under the project.

The project will utilize local events - cattle fair, sport meets, cultural fairs, etc. - to enrich tourist experience.

Depending on weather, the project may operate the whole year or some months in a year. Likewise, events/experiences may vary from time to time, depending on what is feasible to offer.

### **3. DESIRABLE PROMOTER BACKGROUND**

It will be useful, if the promoter hails from the village/area. If he is a permanent resident of the village/area, it is an added advantage.

The key competencies required are:

- ✓ Setting up a facility which showcases village-life and ambience in an authentic yet pleasant way
- ✓ Networking to get other stakeholders to come to the project site or engage with tourists at off-site venues
- ✓ Imaginative scanning of various elements in/around the village and formulating tourist-experiences around these.

On the whole, this is an experience-based (not merely stay, food and recreation) project and the promoter preparedness for delivering a memorable experience, depending on the profile of the tourist, matters most.

### **4. INDUSTRY OUTLOOK AND TREND**

In the wake of tourism growth, it is natural for the tourism market to become segmented and new segments to emerge. Rural tourism is a segment of relatively recent vintage. Any form of tourism, which showcases the rural life, art, culture and heritage at rural locations,

thereby benefitting the local community in economic and social ways and promoting meaningful engagement between the community and tourists is called 'rural tourism'. The underlying objective is to preserve ecology, culture and traditions. It is experience-oriented; farming, fishing, participation in local fairs/events.

There is a positive nexus between growth in urbanization and demand for rural tourism. In addition, it is a form for which expansion of location-choice and establishment of few more enterprises will lead to market growth. There is an enhanced awareness among villagers regarding rural tourism business prospects; they are quickly learning to put together attractive packages and this will ensure health growth of rural tourism in India.

## **5. MARKET POTENTIAL**

The market potential for rural tourism stems from the following drivers.

- ❖ There is growing urbanization. Several urban dwellers are disconnected from rural life. Given perception regarding simplicity and purity of rural lifestyle, there is interest among city dwellers in rural tourism experience.
- ❖ The vacation experiences rooted in conventional hotel stay have become routine and holidayers crave for change. Rural tourism offers a cost-effective and environment-friendly change.
- ❖ Rural tourism offers such rewards as de-stressing and organic food and beverage. It is important to remove misconceptions, in some quarters, that rural tourism suffers from weak hygiene and sanitation. Likewise, it is essential to assure customers about safety.

The private entrepreneurs as well as Govt. of India have recognized the significance of rural tourism. The Govt. of India has supported 153 rural tourism projects. UNDP is assisting 36 rural local locations to build capacity for rural tourism. The Govt. of India extends financial assistance to rural tourism projects for such purposes as improvement in village surroundings, construction of roads, solid waste management, provision of adventure/sport equipment, signage, reception, refurbishment of monuments and provision of accommodation. However, the assistance is routed to state-level official tourism agency and hence private entrepreneur needs to coordinate with such agency.

The following rural tourism projects have received considerable praise.

- ❖ Hodka village, Kutch, Gujarat
- ❖ Naggar Village, Kullu, Himachal Pradesh
- ❖ Itmnaan Lodges – Punjabiyat, Punjab
- ❖ Ecosphere Spiti, Himachal Pradesh
- ❖ Tora Eco Resort, Sunderbans, West Bengal
- ❖ The 4 tables Project, Himachal Pradesh
- ❖ Chhotaram Prajapat, Rajasthan
- ❖ Lakshman Sagar, Rajasthan
- ❖ Green Pastures, Assam
- ❖ Grassroutes, Maharashtra

The rural tourism projects, in some cases are marked by emphasis on a theme, e.g., agriculture, food routes, community ecology, ethnicity/culture.

In addition to individual tourists, rural tourism offers scope for attracting corporate groups, student groups, senior citizen groups and other groups. The project can be located either at popular tourist destination or within convenient reach from major cities. In the later case, the project will be a stand-alone or exclusive attraction for the customers.

## **6. PROPOSED SIZE OF THE PROJECT**

The project will be spread over an area of 20,000 sq. mtrs. (five acres). The site will be characterized by old and traditional trees and shrubs. A part of the site will be devoted to regular farming activity. The project facility will consist of

- ✓ 15 huts/residential units, with a sit-out area, built and furnished in local style.
- ✓ 10 of these 15 huts will be air-conditioned to accommodate the tourist-need during unfavorable weather period.
- ✓ A common dining area, preferably half open, marked by local style furniture/furnishing and decorated with local/regional artwork-textile, metal, terracotta.
- ✓ An area, where artists/craft persons can perform and tourists can assemble for easy viewing.
- ✓ A cattle and poultry area – cows, buffaloes, camel/yak (if any), chickens, ducks. These will be looked after by the project management and put to productive use.
- ✓ A fruit-cum-vegetable growing area

The project will possess/hire transport facility for fun as well as functionality – carts, bicycles, jeep, SUV. It will have a traditional well from which tourists can draw water. There will be hammocks tied to tree branches. There will be a camp fire site

## **7. MANUFACTURING PROCESS**

This is a service sector project and hence the following is pertinent.

### **TECHNICAL REQUIREMENT**

The project would require a reliable supply of utilities – water supply, electricity. The architecture, though ethnic in character, should serve the functional needs efficiently; it should not cause leaky roofs or bathrooms. The complex layout, design, material for construction and other elements should produce authentic and pleasant village ambience. Based on weather, tourist profile and other conditions, management will have to decide upon the number of months for which the complex would work in a year.

### **OPERATIONAL REQUIREMENT**

We presume that the complex will work for eight months in a year. It will remain closed during four months on account of harsh weather (heat or cold). It will provide meals on buffet basis (barring special needs) because it is not a conventional hotel and its menu will have a rural character. In terms of activities/experiences, it will provide a choice. It will not charge fee for activities/experiences which the customer does not wish to avail of. On the other hand, there will be activities/experiences which will be built into the package and will not be charged extra. An illustrative list of such apparently free activities is as follows.

- ✓ Farming, milking cattle
- ✓ Cultural/sport events at the complex
- ✓ Cookery demonstration

The complex will not provide any cable TV or internet facility.

There will be a separate charge for excursions, donning local clothes, fishing and such other activities.

The tariff will provide two options

- Accommodation, breakfast, afternoon tea and lunch or dinner
- Accommodation, breakfast, afternoon tea, lunch and dinner

## **8. MANPOWER REQUIREMENT**

The promoter will be in overall charge. The manpower requirement is as follows.

Reception/Housekeeping:	4 persons
Food and Beverage: (kitchen and dining area)	6 persons
Admin/account/marketing:	1 person
Event/Experience Coordination:	1 person
Other staff	3 persons
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**Total 15**

In addition, there will be part-time persons to look after agriculture, animal husbandry and such other tasks.

## **9. COST OF THE PROJECT**

The land will be secured on a long term lease basis. The cost of the project is estimated as follows (Rs.in lacs)

Land lease for one year	10.00
Expenditure on site development and reliable utility	5.00
Supply arrangement	
15 huts complete with bathroom, dining area/ Reception/office	25.00
Furniture/furnishing for 15 huts (including air-condition in 10 huts), dining, reception/office areas	15.00
Crockery, utensils, pots and pans, kitchen equipment	7.00
Housekeeping equipment, DG set	
Special utility vehicle, bicycles, carts, livestock	13.00
Preliminary and Pre-operative expenses @ 10% of 1 to 6	7.50
Working Capital Margin	5.00
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<b>Total</b>	<b>87.50</b>
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## **10. WORKING CAPITAL REQUIREMENT**

This is estimated at Rs. 5.00 lacs and we do not envisage working capital loan.

The working capital margin is on account of salaries and wages, payment to artists/craft persons, utilities and stock of food, beverage and maintenance spares/parts.

## **11. MEANS OF FINANCE**

The investment in land, since it is on lease basis, will not qualify for loan. The ethnic style of construction may cause the bank to stipulate a higher margin. On the whole, we expect a debt-equity ratio of 1.5 to 1, implying a term-loan of Rs.52.5 lacs and equity of Rs.35 lacs. The term loan will carry interest @ 11%, it will be repayable in five years after a moratorium period of six months during which interest will be payable.

## **12. MACHINERIES AND ILLUSTRATIVE LIST OF SUPPLIERS**

The project would require mainly kitchen equipment & housekeeping equipment.

### **KITCHEN EQUIPMENT**

- ❖ Gas bank, steam cooking devices, tandoors, preparation equipment, warmers, brain maries, trolleys, washing equipment, sinks, exhaust system, ventilation equipment, refrigerated equipment, freezers and grills, pots, pans, safety equipment.

### **HOUSEKEEPING EQUIPMENT**

Vacuum cleaners, water tank cleaning equipment, janitor multifunction carts.

### **SUPPLIERS**

#### **KITCHEN EQUIPMENT**

1. Hotel Kitchen Equipments India, Ahmedabad
2. Vibhu Kitchen Equipment, New Delhi
3. Mehta Kitchen Equipments, New Delhi
4. Galaxy Engineers, Pune

#### **HOUSEKEEPING EQUIPMENT**

1. SGT Multiclean Equipments, Bengaluru

2. Yuva Safety India, Hyderabad
3. Blue Ocean Cleaning Solutions, Mumbai
4. Anakali, Delhi
5. Amsse Products India, Delhi

### **13. PROFITABILITY STATEMENT**

The main streams of income are as follows

- ✓ Tariff for accommodation, food and beverage
- ✓ Fees for excursions/events/experiences
- ✓ Group events-retreats or brainstorming, small social/personal celebrations or such other group bookings. The groups will choose the menu/events/experiences and there will be an all-inclusive package tariff.

The tariff including all meals will be Rs.3000 per hut-night (double occupancy) while that for hut/breakfast/one meal will be Rs.2500 per hut night in the second year. We expect the project to realize Rs.2750 per hut-night in the second year.

We expect hut-occupants (two) to spend @ Rs.600 per day for excursions/events/experiences in the second year.

We assume a group tariff realization @ Rs.3000 per hut-night (double occupancy) covering accommodation, all meals, and excursions/events/experience

Our estimate of hut occupancy in the second year is 50%...

The group bookings will be in addition to these. There will be 10 group bookings during the second year (10 huts double-occupancy). The operating income during the second year is computed below (Rs. in lacs).

The operating income (second year)

<b>Sr. No.</b>	<b>Year</b>	<b>1</b>
1.	Occupancy (no. of huts)	7.5
2.	Working Days	240
3.	Average Package Tariff Realization (Rs.)	2750
4.	Package Tariff Income (Rs.in lacs)	49.50
5.	Extra meal income @10% of 4	4.95



6.	Fees for excursion @Rs.600 per occupied hut	10.80
7.	Group-booking income	4.50
8.	Miscellaneous income (extra bed, transport, activities, etc.) (@5% of 4 to 7)	3.50
<b>Total operating income</b>		<b>73.25</b>

The operating expenses are estimated as follows (second year)

	<b>(Rs. in lacs)</b>
✓ Manpower (10 months)	18.00
✓ Utilities	4.00
✓ Housekeeping, toiletry supplies, laundry, etc.	2.00
✓ Cost of food and beverage	
- Individual package tariff @10% of package tariff	4.95
- group booking @12.5% of group tariff income	0.56
✓ Marketing, admin, taxes, insurance	3.00
✓ Special activities, e.g., dance/music	2.00
✓ Repair, maintenance	5.00
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<b>Total Operating Expense</b>	<b>39.50</b>

#### **Profitability Over Five Years (Rs. in lacs)**

Sr. No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
1	Operating income	65.93	73.25	76.91	80.76	84.80
2	Operating Expenses	39.50	39.50	40.29	41.09	41.92
3	Operating Surplus	26.43	33.75	36.62	39.67	42.88
4	Interest on Term-loan	5.49	4.62	3.47	2.31	1.16
5	Depreciated and Amortization	12.38	12.38	12.38	12.38	12.38
6	Profit Before Tax	8.56	16.75	20.77	24.98	29.34
7	Tax (30%)	2.57	5.03	6.23	7.49	8.80
8	Profit after tax	5.99	11.72	14.54	17.49	20.54

We have assumed operating income growth @5% per annum, beginning third year and operating expense hike @2% per annum from third year onward. The operating income

during the first year will be 10% lower than second year but operating expense will be identical.

The unit cost of power is taken at Rs. 6. The depreciation is taken at the rate of 15%.

#### **14. IMPLEMENTATION SCHEDULE**

It will take eight months, since possession of land, to implement the project.

The milestones will be

❖ Cleaning and sprucing up of premises	1 month
❖ Interior design and plan	simultaneous
❖ Execution of interior plan	3 months
❖ Hiring of manpower	1 month
❖ Pre-opening promotion	1 month
❖ Trial Run	1 month
❖ Opening	1 month

#### **15. BACKWARD AND FORWARD LINKAGES**

The project can diversify into experience tourism and offer packages built around farming, fishing, forestry and such other experiences.

#### **16. STATUTORY / GOVERNMENT APPROVALS / CLEARANCE**

The project needs to carry out general formalities pertaining to firm establishment; tax registration and shops/establishment registration. The fire safety clearance is the specific requirement.

The following specific permits are required

- ❖ Pollution Control Clearance from the state government board; National Green Tribunal in some cases.
- ❖ Protected Area permit, if the site is in forest area.

#### **17. TRAINING / COURSES**

Udyamimitra portal ( link : [www.udyamimitra.in](http://www.udyamimitra.in) ) can also be accessed for handholding services viz. application filling / project report preparation, EDP, financial Training, Skill Development, mentoring etc.

Entrepreneurship program helps to run business successfully is also available from Institutes like Entrepreneurship Development Institute of India (EDII) and its affiliates all over India.

**Disclaimer:**

Only few machine manufacturers are mentioned in the profile, although many machine manufacturers are available in the market. The addresses given for machinery manufacturers have been taken from reliable sources, to the best of knowledge and contacts. However, no responsibility is admitted, in case any inadvertent error or incorrectness is noticed therein. Further the same have been given by way of information only and do not carry any recommendation.