

Vlasyuk, Tatyana

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**“Institutions in Transition –
Challenges for New Modes of Governance”**

IAMO Forum 2010, 16-18 June 2010 | Halle (Saale), Germany

**Development of small business in the sphere of rural tourism
by the example of the Kirov region**

Tatyana Vlasyuk

Lomonosova Str. 20-32
610033 Kirov, Russia
tanjavl@rambler.ru

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Abstract:

The small-scale business is an important element of the market economy, which influences rates of economic growth, structure and quality of the gross domestic product. Nevertheless poor agricultural commodity prices, rising input costs combined with low productivity and out-of-day agricultural machinery erode small farming enterprises and result in social and economic problems. On the other hand small farming enterprises can play a significant role in the developing and designing new policy modes for rural areas. In this situation rural tourism can provide new ways to diversify farm products and supplement agricultural incomes for existing agro industrial and farming enterprise. It can also provide new jobs for those not involved in the agricultural production directly. The algorithm for development of small business in rural tourism for the Kirov region aims at stimulating the development of small business in rural tourism combined with proving necessary conditions for recreation and tourism of the urban population of the Kirov region and neighbouring regions. It includes working out of the blueprint for development of rural tourism in the Kirov region, identification of tourist potential of municipal districts, working out of target municipal programs.

Keywords: small family enterprises, rural tourism, social development

The small-scale business is an important element of the market economy, which influences rates of economic growth, structure and quality of the gross domestic product. The high share of small business enterprises is an indispensable condition for well developed economy. Small enterprises are largely presented in the service industry, in the tourism industry in particular, and can play a significant role in the developing and designing new policy modes for rural areas. Small business has a great potential for attraction resources, does not demand big capital investments as, for example, heavy industry, and is the industry number one for creation of new jobs (BERR, 2003).

However choosing tourism as a platform for the development of small business it is necessary to take into consideration social and economic problems facing a region. The most acute for Russia as a whole and for the Kirov region in particular are those of the rural areas. Farming can't be considered as the only income for the rural population any more. New modes of governance are necessary to meet the modern requirements and to solve the problems mentioned above. Rural tourism can act as a social shock-absorber, allowing to transfer labour surplus into the alternative service industry and to create new jobs in countryside (LATCHENKO, 2003; BERR, 2003).

In this paper the special attention is paid to the problems of the rural areas since the Kirov region represents a large amount of various villages. The specific feature of the region is that even the so-called district centres are inherently big villages. It means that the greater part of the region is rural in its character with such problems as unemployment, migration of the rural population to cities, low income, loss of traditions and other negative phenomena. It is also necessary to notice that 70 % of the region population is urban population who are potential consumers of tourist services in sphere of rural tourism.

Therefore, the problems mentioned above, and the fact that the mode of development of small business in the tourism industry is insufficiently developed in scientific literature, has defined the theme of the research and its urgency.

The main goal of the research is working out an effective mode of functioning small business enterprises in the rural tourism and development of recommendations for the organisation of a small family enterprises network in the region.

In order to achieve the main goal the following objectives have been set:

- To analyse the level of rural tourism development in Russia and in the world, and to define the role of small business in the sphere of rural tourism for economic and social development of the region;
- To work out the algorithm for development of small business in rural tourism for the Kirov region including the blueprint for development of rural tourism;
- To develop a mode for evaluating the tourist potential of various districts of the Kirov region;
- To work out business plan recommendations for small business family enterprises.

The object of the research is the present patterns or models of rural tourism in the world, and the possible adaptation or introduction some of them in the Kirov region.

Theoretical and methodological basis of the research are works of Russian and foreign scientists in the field of entrepreneurship, theory of tourism, tourism economics, tourism management. Legislative and regulatory acts of federal, regional and local authorities of the Russian Federation, statistical data, monographs and studies, periodicals and the electronic network "Internet", statistical data and recommendations of the World Tourist Organisation, findings and results of the self-made marketing research considerably contributed to the paper.

The following research methods have been used: analysis, synthesis, qualitative marketing research, analyses of data, program planning, conceptual designing, sociological research, comparison, an economic evaluation.

The author is from the Kirov region by origin. She lives and works there. That is the reason of the fact that the Kirov region is taken as an example.

The Kirov region (the Kirov Oblast) is situated in the north-east of the European part of Russia (figure 1). The total area of the region is about 120,8 square kilometres, the population is 1 million 400 thousand. More than 70% of the population lives in cities.

Figure 1. The Kirov region. Source: Official website of Government of Kirov region
<http://www.ako.kirov.ru/en/>



The agro industrial complex presents a considerable share in the economy of the region (about 11% of the region GDP) with 7,2% of the economically active population. There are about 2 thousand agro industrial and farming enterprises. The main activities are flex and crop production and processing, milk processing, animal breeding.

Nevertheless poor agricultural commodity prices, rising input costs combined with low productivity and out-of-day agricultural machinery erode farming enterprises and result in social and economic problems mentioned above.

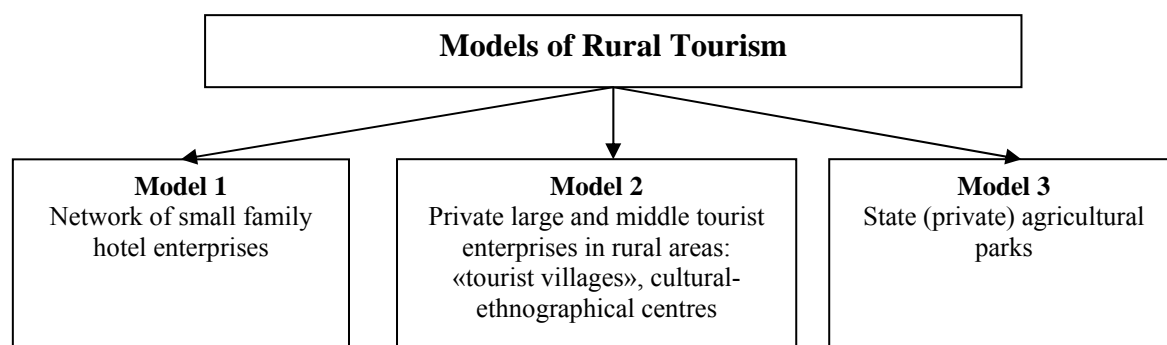
In this situation rural tourism can provide new ways to diversify farm products and supplement agricultural incomes for existing agro industrial and farming enterprise. On the other hand it can provide new jobs for those not involved in the agricultural production directly.

The present definition of a small enterprise, which is adopted in this paper, is represented in the Federal Law of the Russian Federation passed on July, 24th, 2007 «About development of small and middle business in the Russian Federation» № 209-FZ. According to article 4 of the given Law, small business enterprises are commercial organisations, cooperative societies, legal persons, natural persons and individuals, farming enterprises with an average number of workers up to 100 persons. Some other characteristics such as sale proceeds and the structure of the business capital are taken into account as well (№ 209-FZ).

Rural tourism is defined as a form of the ecological tourism, taking place in rural areas, based on sustainability principals defined by the World Tourist Organisation, namely environmental, economic and socio-cultural aspects (UNWTO, 2004).

The analysis of available sources on rural tourism has shown that there are three models or patterns of rural tourism in the world which are presented in figure 2 (www.rustowns.com, LATCHENKO, 2003, 3006; BOTCHKAREVA, 2003).

Figure 2: Models of Rural Tourism



The first model is assumed to transfer labour force from the agricultural sector into the service sector by contributing to the development of accommodation (private micro hotels, holiday apartments etc.), agricultural (farms, apiaries, fisheries etc.) and specialised objects (stables, boat stations, etc.) in rural areas. This model is used mainly in the European countries.

The second model represents modern tourist enterprises offering "all inclusive" package (culture and entertainment, contact to "wildlife", traditions and local crafts etc. included) and decorated in the traditional style. This model is mostly used in developing countries with exclusive tourist potential, for example Sri Lanka. Such projects need large amount of investments and state support.

The third model is the establishment of state, rarer private agricultural parks. For example, in Malaysia there is a network of such parks. This model is assumed to promote traditional way of agricultural production. Such parks are multipurpose centres and can also do research and selection work, simultaneously being tourist centres. Such park are financed and supervised by departments responsible for development of agriculture.

The most appropriate and suitable model for the Kirov region is the one of creation a network of small family hotel enterprises using the available resources (cultural, historical, natural etc.). This model has been chosen, as it contributes to the development of small business; does not need a great amount of investments; creates new jobs; in other words it can solve the social and economic problems mentioned above.

In order to promote some model or to create a network it is necessary to determine how to organise the work, to motivate and to monitor the work progress. These are management functions. The performance of these functions is a part of the tourist policy in any region which represents a set of forms, methods and means for achieving specific goals in the tourism sphere by regional or local authorities. The realisation of management functions in tourism consists mostly of two steps: 1) working out a blueprint or a concept for development of tourism or its certain kinds in a region; 2) working out target programs on tourism development, both at regional and at municipal levels with concrete measures, means and financing sources. (VIDYAPIN, STEPANOV, 2002).

In order to promote the chosen model of rural tourism the algorithm for development of small business in rural tourism for the Kirov region was developed. The author follows the offered

above succession though adding an extra point. Thus the algorithm for development of small business in rural tourism for the Kirov region includes working out of the blueprint for development of rural tourism in the Kirov region, identification of tourist potential of municipal districts in order to find out the most suitable ones for the development of rural tourism, working out of target municipal programs.

The blueprint aims at stimulating the development of small business in rural tourism that will diversify the economic income of rural population, provide protection and preservation of existing socio cultural and natural resources, combined with providing necessary conditions for recreation and tourism of the urban population of the Kirov region and neighbouring regions.

The blueprint is worked out on the basis of the “Strategy of Kirov region social-economic development for a period up to 2020”, the region target program “Social development of rural areas for a period up to 2012”, the region target program “Development of small business in the Kirov region for a period 2010-2014”, the region target program “Development of a modern tourism complex for a period 2009-2013”.

The main goal of the blueprint is to work out new policies stimulating the development of small business in the sphere of the rural tourism, job and career prospects, the income growth and the sustainable development of socio cultural and natural systems.

The Kirov region has enough natural, historical and cultural tourist attractions for developing the tourism complex. Among natural resources the most significant are the national park “Nurgush”, three state wildlife sanctuaries, nine regional hunting sanctuaries, mineral water basins, peloid deposits. Historical resources are presented with 12 ancient towns and villages ranked as historic, folk arts and crafts – more than 10 kinds. Cultural resources include more than 40 museums, 862 state-protected cultural property sites, 248 are under federal protection. (VORONCHIKHIN, 1996; RED LIST, 2004).

It gives a wide range of opportunities for farming enterprises to increase their income through a variety of service initiatives such as bed and breakfasts, campgrounds, school group tours, farm vacations, harvest festivals, selling products produced on the farm combined with organized daily trips to nearby natural, historical or cultural attractions.

Additional recreation activities and events can be offered, for example, fishing, skating, skiing, rafting, kayaking, biking, horseback riding, hunting, bird watching, hiking, sky surfing, rock climbing etc.

The practical realization of the blueprint includes the following policies:

- establishment of the Association of rural tourism business;
- introduction of an information portal with a database on all small enterprises engaged in tourism business;
- introduction of effective crediting system for small enterprises;
- organization of professional training and workshops, introduction of manuals and guides.

A proposal to make the presented in this paper blueprint a part of the regional concept for tourism development was submitted to the Government of the Kirov region. The concept for the development of tourism in the Kirov region is at its elaboration stage at the moment.

The key point of the blueprint is the establishment of the Association of rural tourism business. The Association is a network of rural tourism enterprises, public and private sector, natural and judicial persons, who are interested in developing the rural tourism in the region.

The advantage of the matrix is that each criterion is evaluated twice. Moreover it is possible to add additional criteria or to strike off unnecessary ones. If necessary weight factors can be changed as well, depending on the importance of this or that criteria.

The evaluated criteria offered by the author for the Kirov region and their weight factors are presented in table 3.

Table 3: Evaluated criteria and their weight factors for the Kirov region.

| Criteria | Weight, % |
|---|------------|
| 1. Ecology and environment | 30 |
| 1) level of environmental pollution | 25 |
| 2) degree of industrial development | 5 |
| 2. Tourist attractions | 25 |
| 3) natural (national parks etc.) | 15 |
| 4) historical, cultural, archaeological, architectural | 10 |
| 3. Transport accessibility | 20 |
| 5) railway and bus service with the regional centre Kirov | 5 |
| 6) remoteness from Kirov | 5 |
| 7) density of roads with durable surface | 5 |
| 8) density of roads with asphalt surface | 5 |
| 4. Communication services | |
| 9) landline and mobile telephone service | 5 |
| 5. 10) health services | 20 |
| Total | 100 |

On the territory of the Kirov region there are 39 municipal districts that are presented in figure 3.

Figure 3: Administrative division of the Kirov region. Source: Official website of Government of Kirov region <http://www.ako.kirov.ru/en/>



The following ranking results have been received. The top six municipal districts for the development of rural tourism are Kymyony (6,625), Kotelnich (6,150), Sovetsk (6,150), Nagorsk (6,100), Urzhum (5,750) and Slobodskoy (5,600). They are situated not far from the city of Kirov, there are railway and bus services between Kirov and these areas. These areas also have

enough tourist attractions, good health care system (health care access points and centres) and full coverage by mobile communication.

Slobodskoy has the greatest number of tourist attractions. But the fact that it is one of the most industrially developed areas in the region and is situated very close to the regional centre greatly contributes to the environmental pollution. However this area still remains an attractive place for tourists, especially the northern and northeast part which can be used for the development of the rural tourism.

The Kymyony municipal district has the top ranking. It is located rather close to Kirov with low environmental pollution, good health care system and high transport accessibility. There are two resort centres "Nizhne-Ivkino" and «Vyatka Uvaly», some nature sanctuaries, several architectural and archaeological attractions on the territory of the district.

The last step of the algorithm is working out of target municipal programs. In this paper the recommendation for development of such programs are given. There is no sense to work out target programs for some municipal districts because the blueprint had not been passed by the government of the region yet.

- Target programs are worked out for municipal districts which have the highest ranking according to the matrix of tourist potential.
- Complex approach should be used which includes recreational, inter-branch, economic and marketing approaches, and business planning (investment business plans) (ZDOROV, 2004; Tourism management, 2004).
- The recreational and inter-branch approaches give general characteristics of an object - (area, population, transport network, administrative division, climate, natural resources, tourist attractions, economic infrastructure, geographical position, landscapes, present tourist routes, most promising areas for tourism development etc.) (ZDOROV, 2004; Tourism management, 2004).
- The economic and marketing approaches consist in calculation of costs, marketing research, market segmentation (ZDOROV, 2004; Tourism management, 2004).

Economic and social benefits for the region include creation of new jobs; development of the infrastructure of the region; increase in tax revenues by means of introduction new economic agents (e.g. small family hotel enterprises); protection of a local cultural and natural heritage.

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