



The effect of the rural tourism policy on non-farm income in South Korea



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HIGHLIGHTS

- This study investigates the effect of the rural tourism policy on non-farm income.
- A quantitative ex-post evaluation design is employed for the evaluation.
- The policy is proved to play a positive role in increasing non-farm income.
- The study concludes with proposing some policy and managerial implications.

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ABSTRACT

There has been growing concern as to whether the growing investment in rural South Korea is achieving the desired ends. Empirical evidence is required to assess the current policies. Based on the logic of those policies, this study conducts an ex-post evaluation of outcomes following the termination of the Rural Traditional Theme Village program previously operated by the Rural Development Administration, a central government agency in South Korea. The research adopts farm households' non-farm income as an ex-post quantifiable indicator and assesses the impact of the Program on this indicator. It is found that the Program was evaluated positively and as being effective from both cross-sectional and longitudinal perspectives. It is concluded that in the absence of the program the farms would have experienced difficulties in making non-farm income due to the lack of internal competitiveness and the deterioration of human resources.

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1. Introduction

Public programs are designed to achieve given objectives and outcomes. Identifying whether the program accomplishes the intended goals is one of key factors to guarantee public welfare and social advancement in societies (Bovens & Hart, 2012). At times though, unintended consequence results, and these often ambiguous or negative outcomes must be included in any assessment of the program's achievements (Vedung, 1995; Yang, 2009). The objective of the present study is to conduct an ex-post evaluation of outcomes following the termination of the Rural Traditional Theme Village (hereafter RTTV) program previously operated by the Rural Development Administration, a central government agency in

South Korea (hereafter Korea). This study adopts farm households' non-farm income as an ex-post quantifiable indicator and assesses the impact of the Program on this indicator.

The current rural policy discourse has been converted into a viewpoint that emphasizes the spatial value of rural areas by putting rural space on a par with the agricultural sector (Brandth & Haugen, 2011; Seong, Cho, Lee, & Min, 2004; Woods, 2005). This discourse also transforms functions of the space from rural areas that are limited to food production to areas that attract experience- and leisure-oriented external consumers. In paralleling with the transformation, the agricultural and rural policy paradigm in Korea has been changed (Lee & Kim, 2011; Park & Yoon, 2009). With a huge investment on agricultural sector during the last two decades (OECD, 2008), latest agricultural policies in Korea have been expanded to spatial policies that focus on enhancement of settlement environment and community livability in rural communities. There are many reasons that Korean society feels responsible for the decline of the vitality in rural society. Rural areas in Korea have

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been marginalized because of an urban-centered growth pole strategy since the mid-1970s. Rapid urbanization has aggravated such rural problems as aging, the collapse of rural communities, and the degeneration of residential environment, etc. (OECD, 2008: 80–87).

Accompanying by the massive investment, the agricultural and rural policies to revitalize rural societies in Korea are confronted with harsh criticism. Some parties draw questions about the effectiveness of the policies (Lee, 2009; Lee & Nam, 2005), and even raise the moral hazard problem and distrust the policies (Lee & Kim, 2010). Nevertheless, agricultural and rural policies have been relatively free from rigorous evaluation measurements, with an emphasis on characteristics of the public property of agricultural sector and rural space. Although the increase in governmental investment can be justified by the multi-functionality of rural areas, limited budget and duality² of rural policies demand an objective evaluation of the agricultural and rural programs (Lee & Yun, 2008; Leeuw & Vaessen, 2009). A strong claim to construct a credible scientific schema that enables researchers to evaluate agricultural and rural policies is also true for diverse international contexts (Walker, Ryan, & Kelly, 2010).

This study begins to fill the academic and practical vacuum with one major research hypothesis: Does a public program that has been implemented in rural areas contribute to intended outcomes? Two sequential questions arise to satisfy the hypothesis. The first question is related to the “evaluation of what?” This paper evaluates the RTTV program,³ which reflects the transition in the rural policy paradigm in Korea and is regarded as a representative rural tourism program. The program was introduced as a project to increase the non-farm income for farmers during the periods from 2002 to 2009.⁴ The other question is the “evaluation based on what?” Previous studies have tended to focus on the evaluation of the implementation process, which includes the budget, financial effectiveness, or human resources. In contrast, this study maintains an ex-post evaluation based on the outcomes after the termination of the program. This study applies stochastic processes of binary logit model and decomposition method to evaluate the efficacy of the program. The binary logit model is applied to identify causal effect on cross-sectional and longitudinal approaches, and then the coefficients of the logit models are decomposed by Blinder–Oaxaca decomposition technique.

Incorporating the existing arguments regarding rural tourism and multi-functionality in agriculture, the present study is expected to provide two major anticipated outputs. One is the program effect which directly affects an increase in non-farm income. The other is the program effect which indirectly promotes the opportunity to increase non-farm income in spite of changes in endowment resources and time differences. Although these two expected outputs sound analogous, this study employs a binary logit model and decomposition method to investigate the program impact on farmers' non-farm income and separate the program net effect from the observed program impact.

² Lee and Yun (2008) explain that rural policy in Korea has a duality: financial resource providers and direct beneficiaries of the policy.

³ In this paper, the evaluation is performed at the program level and is not performed system-wide or by project. This approach is appropriate because “the most appropriate level for impact evaluation is at the program level, which includes costs of all successful and unsuccessful projects, thus, avoids selection bias, and may involve evaluation of one or more products of the research program” (Maredia, Byerlee, & Anderson, 2000).

⁴ The program operated by the Rural Development Administration invested approximately 178,000 USD to each rural village and total number of villages benefited from the program was 163 during the project period.

2. Research background

2.1. Rural tourism and public policy

Rural tourism is one of the major components representing the transition from an economy of production to an economy based on consumption in rural area (Woods, 2005: 172). It has brought a considerable change to the identity of rural areas from a place for food production to the consumption of rural amenities. It is widely accepted that the rural tourism is a composite of agricultural products, eco-products, cultural resources and spatial amenities, which includes diverse functions, such as economic, social, educational, environmental, recreational, and therapeutic activities (Lee & Kim, 2010).

Rural tourism may facilitate rediscovering the values of rural resources that have hitherto been disregarded in the modernization process of the world economy. It provides insights to both farmers and policymakers to adopt a wider perspective than to only focus on agricultural products. In this sense, rural tourism generally encompasses such holistic rural activities as agricultural production, lifestyle and rural amenities to attract people from both urban and rural areas. In this regard, historic buildings and traditional rural folklore as well as nature and landscape conservation in rural areas are receiving increasing attention. It also offers diverse implications for farm-based rural businesses and sustainable rural development plans (Lane, 1994).

Although there exists a fundamental debate about the driving agency of rural tourism, common understandings are converging to accentuate the importance of the public sector (Devine & Devine, 2011; Logar, 2010; Wang & Xu, 2011). Rural tourism, also called eco-tourism or agro-tourism, has been adopted by many countries in the world as one of the major rural policies to generate rural vitality (Brandth & Haugen, 2011; Cawley & Gillmor, 2008; Cawley, Halseth, Markey, & Bruce, 2009; Getz & Page, 1997; Lee & Nam, 2005; Liu, 2006; Logar, 2010; Ohe, 2006; Sharpley & Vass, 2006). Nonetheless, the policy implication of the boundary and application of rural tourism could be ambiguous because this program includes the multi-functionality of rural areas and is conducted in a variety of forms (Liu, 2006; Ohe, 2007).

In this line of reasoning, Fleischer and Felsenstein (2000) and Sharpley (2002) argue that rural tourism needs to overcome ongoing major challenges because diverse rural tourism practices remain invalid or as political rhetoric. Skeptical proponents of rural tourism maintain a position that rural tourism is a form of governmental intervention against market failure of rural areas. They argue that it has failed to meet the proper accomplishment of goals such as creating job opportunities, favorable employment conditions, and new revenue sources. Although it appears that rural tourism is not a panacea for a rural renaissance and is still a controversial entity, the rural tourism policy can arguably be considered as a way to revitalize rural societies around the world (Devine & Devine, 2011; Knowd, 2001; Sharpley, 2002).

At the other end of recent debate on public policy and rural tourism is on the methodological perspective. Although there exists a huge literature with regard to the implication of public policy on tourism research, the art and science of attributing ex-post scientific method to constructing better public programs is still in its infancy. Assessing the impact of agricultural and rural policies is in particular fraught with the drought of credible scientific premises (Walker et al., 2010).

Although tourism researchers have started to inquire the deficits of ex-ante approaches such as input–output analysis and cost–benefit analysis, the approaches are not completely equipped to explore questions of the achievements of anticipated objectives. This is particularly true for policy oriented agricultural and tourism researches (Das & Rainey, 2010; Dwyer, Forsyth, & Spurr, 2007;

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