



UNIVERSITI PUTRA MALAYSIA

***GUESTS' SATISFACTION WITH SERVICE QUALITY PROVIDED BY
HOMESTAYS IN SELANGOR, MALAYSIA***

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HOMESTAYS IN SELANGOR, MALAYSIA**

By

MUNIELESWAR A/L RAJU

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in
Fulfilment of the Requirements for the Degree of Master of Science**

August 2015

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DEDICATION

This thesis is dedicated to my Creator, my beloved country Malaysia, the Soul of my Mother, Father, family members and my respective lecturers and friends in UPM.



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the Degree of Master of Science

**GUESTS' SATISFACTION WITH SERVICE QUALITY PROVIDED BY
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MUNIELESWAR A/L RAJU

August 2015

Chair : Associate Professor Nitty Hirawaty Kamarulzaman, PhD
Faculty : Institute of Tropical Forestry and Forest Product

Homestay is a type of tourism program that permits the guests to rent a room from a local family so as to experience the lifestyle and culture of the locals. Thus, homestay tourism allows the general public or tenants of a village with available space or unoccupied rooms to rent out to tourists. Based on a report by MOTC, the number of homestays in Malaysia has increased since 2012. As at 2014, a total of 166 homestays have been established across all the states in Malaysia.

Despite positive increase and economic contribution, the homestay program in Malaysia is faced with challenges stemming from many complaints and reports by both local and international guests about the low standard of accommodation facilities and services provided by homestay operators. Among the frequently reported complains are poor quality standards and sanitary systems, language barriers between the guests and host family which contributes to the low satisfaction level of guests. Also, homestay operators are reported to lack experience in providing good services and poor advancement in current technologies.

Thus, this study was carried out with the main objective of investigating the satisfaction level of guests towards service quality of homestay. The specific objectives are 1) to identify the factors that influence guests to stay at homestay, 2) to determine the service quality of homestay using service quality (SERVQUAL) model, 3) to investigate the satisfaction level of the guests at homestay, and 4) to determine the effect of SERVQUAL dimensions and socio-demographic characteristics towards satisfaction level of guests at homestay.

A total of 301 homestay guests (both locals and internationals) participated as respondents in this study. Responses were obtained by multi stage convenience sampling technique. All the homestays involved in the study were located in the state of Selangor and face-to-face interviews with the respondents were carried out using a structured questionnaire. The results revealed that the reason behind guests' preference for

homestay were the price, transportation, getting a new experience, good quality, convenient and food. The factors were measured based on a 7-points Likert scale.

Based on factors analysis, five dimensions of service quality were revealed to influence the satisfaction level of guests at homestay namely assurance, responsiveness, reliability, empathy and tangible respectively. The total variance explained by these five dimensions is 78.39%. Furthermore, gap analysis was carried out to test the satisfaction level of guests towards service quality at homestay based on the five dimensions. These results implied that most guests were dissatisfied with the quality of services provided by the homestay operators. To further determine the effect of SERVQUAL dimensions and socio-demographic characteristics towards satisfaction level of the homestay guests, multiple linear regression analysis was conducted using 13 variables as independent variables against dissatisfaction level as a dependent variable. The dimensions of assurance, responsibility, reliability, empathy, tangible, age, income, level of education, and family size variables were observed to significantly influence guests satisfaction level.

Based on the results, it showed that most of the guests were not satisfied with the services provided at the homestays in Selangor. Therefore, an improvement in government policy is urgently required to enforce better quality standards which would improve homestay quality and guests satisfaction level. The existing policy which is mainly focused on homestay operation in village should integrate quality assurance. Also, extension officers and relevant agencies should be proactive in carrying out knowledge transfer programs that emphasize guest's expectation on homestay, current situation of tourism and importance of quality improvement in homestay to the operators of homestay. This is pertinent to the long term survival of the country's tourism and homestay.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

KEPUASAN TETAMU TERHADAP SERVIS KUALITI YANG DIBERIKAN OLEH INAP DESA DI SELANGOR, MALAYSIA

Oleh

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Ogos 2015

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Fakulti : Institut Perhutanan Tropika Dan Produk Hutan

Inap Desa ialah sejenis program pelancongan yang membolehkan para tetamu untuk menyewa bilik dari sebuah keluarga tempatan untuk memahami gaya hidup tempatan. Program inap desa ini membenarkan tetamu untuk menyewa sebuah bilik dari sebuah keluarga tempatan untuk mempelajari cara hidup tempatan dan budaya orang-orang kampung. Berdasarkan laporan MOTC sejumlah 166 buah inap desa terdapat di semua negeri seluruh Malaysia pada tahun 2014.

Terdapat beberapa kekurangan di inap desa Malaysia. Antaranya ialah piawaian inap desa di Malaysia didapati lebih rendah berbanding dengan jenis penginapan lain. Sistem kebersihan didapati kurang dari segi kualitinya. Tambahan pula, terdapat juga masalah bahasa antara tetamu dan pengusaha inap desa. Seterusnya, pengusaha inap desa tidak begitu berpengalaman dan kurang mahir dalam kemahiran dan kemajuan teknologi.

Objektif kajian ini adalah untuk mengenalpasti tahap kepuasan tetamu terhadap kualiti perkhidmatan inap desa. Objektif khususnya adalah 1) untuk mengenalpasti faktor-faktor yang mempengaruhi para tetamu untuk menginap di inap desa, 2) untuk menentukan kualiti perkhidmatan di inap desa menggunakan kualiti perkhidmatan (SERVQUAL) model, 3) untuk menyiasat tahap kepuasan tetamu di inap desa dan 4) untuk menentukan kesan dimensi SERVQUAL dan unsur-unsur sosio-demografi ke arah tahap kepuasan para tetamu di inap desa.

Seramai 301 tetamu inap desa telah menjadi responden termasuk tetamu tempatan dan antarabangsa di negeri Selangor melalui persampelan mudah pelbagai peringkat. Faktor-faktor yang terlibat ialah factor harga, pengangkutan, ingin mendapatkan pengalaman baru, kualiti yang baik, keselesaan dan makanan. Faktor-faktor yang diukur adalah berdasarkan 7- mata skala Likert.

Lima dimensi kualiti perkhidmatan telah dikenalpasti bagi kepuasan tetamu di inap desa iaitu dimensi jaminan, responsif, kebolehpercayaan, empati dan ketara. Jumlah varians faktor bagi kelima-lima dimensi adalah 78.389%. Selepas itu, kesan analisis jurang digunakan untuk menguji tahap kepuasan tetamu terhadap kualiti perkhidmatan di inap desa menggunakan lima dimensi. Para tetamu inap desa di Selangor tidak mendapat kepuasan dengan semua dimensi ini. Analisis regresi linear pelbagai telah dijalankan untuk mengenalpasti kesan dimensi SERVQUAL dan komponen sosio-demografi ke arah tahap kepuasan para tetamu di inap desa. Terdapat 13 pembolehubah utama telah diuji ke atas rasa ketidakpuasan tetamu inap desa. Dimensi jaminan, responsif, kebolehpercayaan, empati, ketara, umur, bangsa, pekerjaan, tahap pendidikan dan saiz keluarga merupakan pembolehubah yang bersignifikan yang mempengaruhi tahap kepuasan tetamu.

Hasil kajian ini jelas menunjukkan bahawa tahap kepuasan para tetamu masih memerlukan penambahbaikan yang lebih baik. Peningkatan dalam dasar kerajaan amat diperlukan. Dasar sedia ada yang lebih tertumpu kepada operasi inap desa di kampung perlu lebih fokus kepada jaminan kualiti inap desa. Pegawai lanjutan atau agensi dikehendaki melakukan pemindahan pengetahuan seperti jangkaan atau harapan tetamu inap desa, isu-isu semasa yang berkaitan tentang pelancongan dan cara peningkatan kualiti inap desa kepada pengusaha inap desa. Perkara ini akan menjadi akar umbi untuk memastikan industri pelancongan dan inap desa maju pada masa jangka panjang.

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This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfilment of the requirement for the degree of Master of Science. The members of the Supervisory Committee were as follows:

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
APEC	Asia-Pacific Economic Cooperation
CAN	Culture, adventure and nature
CBT	Community Based Tourism
EFA	Exploratory Factor Analysis
ESCWA	Economic and Social Commission for Western Asia
GDP	Gross Domestic Product
KMO	Kaiser-Meyer-Olkin
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of Trade and Industry
MOCAT	Ministry of Culture, Arts, and Tourism
MOTAC	Ministry of Tourism and Culture, Malaysia
NGO	Non-government Organisation
NTMP	National Tourism Master Plan
P – E	Perception minus Expectations
PCA	Principal Component Analysis xxii
RPCITR	Real Per Capita International Tourism Receipts
SERVQUAL	Service quality
SGE	State of the Ghanaian economy
SPSS	Statistical Package for the Social Science
TDC	Tourism Development Corporation
UNWTO	United Nations World Tourism Organization
W.O.M	Word Of Mouth
WTTC	World Travel and Tourism Council

CHAPTER 1

INTRODUCTION

This chapter covers introduction on tourism industry and homestay in Malaysia, problem statement, research questions, research objectives, and significance of the study. The first section of the introduction highlights tourism industry and homestay in Malaysia and its contribution to the country's economy. Furthermore, problems related to homestay in Malaysia are discussed in the problem statement. This is followed by the research questions and objectives as well as the significance of the study to highlight the impact of the study.

1.1 Overview of Tourism in Malaysia

Malaysia is a tropical country located in Southeast Asia with its land mass separated into Peninsular and East Malaysia by the South China Sea. It covers an estimated 329,847 square kilometres land mass, with a botanical diversity ranked among the top countries in the world (Blanco, Lokanathan, Marker, & Verma, 2008; Saw, 2007). Malaysia is characterized by warm and humid climate throughout the year. It is full of many natural attractions; sandy beaches, fascinating islands, diverse flora and fauna, tropical forest retreats and glorious mountains that are among the best in the region. Malaysia offers extensive attractive activities on leisure and recreation throughout the country such as; entertainment, beach and island tourism, adventures, sports, and rural tourism in the form of homestay programs (Eliot & Bickersteth, 2002).

According to the 2014 *Economic Report*, Malaysia's service sector contributes about 5.9 to the country's Gross Domestic Product (GDP) growth (Economic Report, 2014). According to the Second Finance Minister, Datuk Seri Ahmad Husni Hanadzlah, the government would keep on prioritizing certain divisions, especially the tourism business, which helped the matters of trade and profit of the 2013. Under the 10th Malaysia Plan (2011 to 2015), the service sector is projected to grow at 7.2% annually until 2015, increasing its contribution to the national GDP to 61% by the end of the current Malaysia (economic) plan. An estimated new investment of RM44.6 billion and increase foreign direct investment is required for the services sector to reach the targeted GDP contribution (Malaysian Industrial Development Authority (MIDA, 2011).

According to the Minister of Tourism and Culture in 2013, Datuk Seri Mohamed Nazri Abdul Aziz, Malaysia is expected to welcome around 28 million tourists during "Visit Malaysia Year 2014" with estimated RM76 billion in revenue to be generated around same period. Also, Deputy Minister of Tourism, Datuk Dr. James Dawos Mamit reported that the World Travel and Tourism Council (WTTC, 2012) of Malaysia's overall travel and tourism sector was projected to directly and indirectly account for RM124.7 billion or 15.8% of Gross Domestic Product (GDP) in 2011. Thus, the country saw an increase of 7.2% in tourist arrivals in 2009 despite the global trend of

decline in the tourism, where the international tourist arrivals across the world declined by 4.2% (Malaysia Reserve Online News, 2011).

In most developed and developing countries, tourism is an industry that spreads and produces a diversity of economic impact, emerging to be a consistent source for economic development. Developing countries need to view tourism industry as a boost for their economic development and growth. For the past 50 years, the Ministry of Tourism Malaysia has embarked on different efforts to promote Malaysia to the world as the best country to visit. Tourism was highlighted for further expansion for its economic base relative to other rapidly developing economic sectors in the country, such as, petroleum and gas, palm oil, rubber, sawn log, and timber production (Mazumder & Ahmed, 2011).

The Tourism Ministry was officially inaugurated in 1959 and transformed to Tourism Development Corporation (TDC) in the early 1970's. As a beginning of 'new era' for the Malaysian tourism industry. The TDC was formed in 1972 under the Ministry of Trade and Industry (MITI), which is accountable for the coordination, development, and promotion of domestic and international tourism (Din, 1984; Wong, 1986). During the same period, the government had planned to develop tourism with several development goals such as, increasing employment and income levels, increasing foreign exchange earnings, raising regional development, increasing government revenue and expanding the economic base (Khalifah & Tahir, 1997). The basic infrastructure for tourism was developed during this period. In the 1980s, the tourism industry became more significant to the Malaysian economy due to debilitating state of the traditional export sectors because of the 1980s global recession.

In 1987, the Ministry of Tourism and Culture, Malaysian tourism showed a drastic development. Nonetheless, the Ministry of Tourism and Culture was later renamed in 1990 as the Ministry of Culture, Arts, and Tourism (MOCAT). Due to the changes, the industry was boosted in terms of funding, planning, coordination, regulation and enforcement (Musa, 2000). However, the current composition of the tourism ministry would not last as it (MOCAT) was upgraded to the Ministry of Tourism in 2004. The purpose of upgrading is to coordinate, direct, and ensure that all tourism development initiatives and programs are implemented according to National Tourism Master Plan (NTMP). Furthermore, the formation of the Ministry of Tourism is to encourage and accelerate the domestic private sector and as well to stimulate the tourism sector to lead the growth of the economy.

Table 1.1 shows detailed statistics of tourists' arrival from 2008 to 2013. There are two types of tourists in the Malaysia tourism industry; domestic and international tourists. The number of domestic tourists has seen impressive growth for the past six years. In 2008, a total numbers of 68,416 domestic tourists were recorded compared to 130,038 in 2009. This increase continues to 2010 though small relative to 2009, with a total number of 147,346.

Table 1.1: Total Number of Tourists from year 2006-2013

Types of Tourists	2008	2009	2010	2011	2012	2013
Domestic Tourist	68,416	130,038	147,346	195,324	259,423	288,107
International Tourists	23,117	31,523	49,126	59,657	65,835	62,847
Total Tourists	91,533	161,561	196,472	254,981	325,258	350,954

Source: Ministry of Tourism and Culture Malaysia (2014)

The number of international tourists likewise demonstrated an increment in the previous five years. In 2008, the total number of international tourists was 23,117. In the ensuing year, the number of international tourists expanded by a simple margin of 8,406 tourists compares to 2010 with a 25 % increase (49,126). The gains in the number of international tourists continue to 2012 with 65,835 visits, before a decrease of about 17 % was noticed in 2013 with total 62,847 visits.

Consequently, there has been increment in the total number of tourists during period 2008 to 2013. In 2008, the total number of tourists in Malaysia was about 91,533. This increased to 161,561 in the year 2009. An increment of about 34,911 was observed in the year 2010. Meanwhile, in 2011 and 2012 the numbers of tourists were about 254,981 and 325,258 respectively. In 2013, the number of tourists was increased by 25,696 from the preceding year 2012 to a total number of 350,954 tourists in 2013. This was a good improvement in the country's tourism sector for the six-year period.

With the reinforcing surge of tourists into Malaysia, the country is concentrating on introducing various vacation destinations that offers world class attractions, for example, culture and heritage, ecotourism, meetings, incentives, Conventions and Exhibitions (MICE), shopping, international events and wellbeing tourism, which shows visitors from everywhere throughout the world a plenty of decisions (options) to appreciate. Understanding this potential, the government, through different activities under the Government Transformation Program (GTP) has mapped out a set of deliverable for the Tourism Ministry to stimulate sustainable tourism to accomplish its high-income status by 2020. According to the former Minister of Tourism, Datuk Seri Dr. Ng Yen Yen, there is still available potential within the tourism sector that can deliver a sustainable growth platform for the country. She added that, one of the most successful programs that have been known by the ministry was the 'Homestay program'. Homestays were very much related with culture, adventure and nature (CAN) that was broadly supported and promoted by the Ministry of Tourism Malaysia (www.theborneopost.com, 2012; Ministry of Tourism Malaysia, 2014).

1.2 Overview of Homestay Development in Malaysia

Homestay is a form of tourism program that allows the guests to rent a room from a local family, enabling them to learn the local lifestyle (Ministry of Tourism, 2011). By operating homestays, the local family would also benefit financially in the form of additional income from rents (Hadi, Hamzah, Khalifah, Mohamad, Mustafa & Razzaq, 2011). Homestay cannot be regarded as a commercial activity only, but rather as a cross cultural exchange with little financial incentives. In Malaysia, homestay is applied as friendly traditional communities, especially villagers that offer their homes to foreign guests. It is for the purpose of making the guests to taste and understand the '*kampung*' or village lifestyle and culture and to cherish for a lifetime. According to the Ministry of Tourism (2011), one of the fastest and easiest methods to promote the real Malaysia is homestay program. It will enable guests to experience and understand the village lifestyles, foods and cultures.

The routine activities and things in villages move at a slightly slower pace than the city, and for those who relish the quiet calm of the rustic life, this is possibly as good as it gets. Homestay guests will not just be immersed in the lifestyle of the locals; they will also quickly establish a bond with their warm and welcoming families who will treat them like family. Guests will experience the full spectrum of village life. Home-cooking lessons and meal times will surely be a memorable part of their stay coupled with learning exercise on how to prepare the different food recipes. Guests also will learn how to prepare the food.

The guests will get a good opportunity to spend time with the children after they return from school and indulge in popular traditional games, such as kite flying, top spinning, and '*congkak*'. The guests could also choose to explore the surroundings, spend some time at the local pond, riverside fishing and perhaps indulge in farming and cultural dances if so moved. Musical performances and even a mock-wedding are some of the many activities at their disposal.

In addition, homestay will provide a better experience from the charm of Malay traditions that have been preserved over centuries. The '*kampungs*', or villages, that are involved in the homestay program are committed to ensure that the guests experience village-style living first-hand and are used to welcoming variety of foreign guests from around the world. These '*kampungs*' are carefully selected and with a strict guidelines set by the Ministry of Tourism so as to bring out the best of Malaysia (Ministry of Tourism, 2011).

Table 1.2 shows the number of homestay in Malaysia by states from the year 2008 to 2013. Currently, there are 166 homestays that are officially registered under the Ministry of Tourism and Culture (2014).

Table 1.2: Statistics of Homestay by States during 2008-2013						
State	2008	2009	2010	2011	2012	2013
North Region						
Perlis	2	3	3	3	3	3
Kedah	10	14	14	14	15	15
Pulau Pinang	9	9	9	9	9	9
Perak	6	6	6	6	8	8
Central Region						
Selangor	16	15	15	15	15	15
Negeri Sembilan	8	8	8	9	12	12
Southern Region						
Johor	15	15	15	16	17	17
Melaka	4	5	5	7	7	7
East Coast Region						
Kelantan	8	8	8	6	8	8
Terengganu	7	6	6	6	8	8
Pahang	23	12	13	14	15	15
East Malaysia						
Sarawak	16	19	18	26	29	29
Sabah	19	18	16	16	17	17
Labuan	3	3	3	3	3	3
Total	146	141	139	150	166	166

Source: Ministry of Tourism and Culture Malaysia (2014)

From 2008 to 2013, the number of homestay saw a slow increase in the state of Perlis and remained stagnant for the rest of the duration examined. Like Perlis, Labuan one of the states in Eastern Malaysia, has maintained 3 homestay from 2008 to 2013. This trend with constant number homestay in a given state for the period considered in further noticed for Pulau Pinang.

On the other hand, Kedah has 10 homestay in 2008 with an increment of 4 in 2009 and maintained same number to 2011. Kedah ended the duration with 15 homestays for 2012 and 2013. In Perak, there were six registered homestays in the year 2008 to 2011. Two additional homestay were registered in Perak for 2012. Perak ended 2013 with eight operational homestays. In year 2008 there were four homestays registered in Melaka and seven in operation as of 2013.

In the central region of Malaysia, Selangor has the highest number of registered homestays. However, one of the homestay was deregistered in the year 2009 and thus maintained 15 homestay from then to 2013. In 2008, in Peninsular Malaysia, Pahang is one of the states with the highest number of registered homestays (23). Nevertheless,

the number in Pahang was drastically reduced to 12 homestays in 2009 before experiencing a slightly increased in the following year with one more homestay was registration. From 2009 to 2013, there was a sustained additional increase of one homestay in Pahang with a total number of 15 at the end of the considered period.

In East Malaysia, Sarawak is one of the states with the highest number of registered homestays. In 2008, 16 homestays were in operation in Sarawak, then the number increase year by year and ends up with 29 registered homestays in the year of 2013. Nonetheless, Sabah showed inconsistent changes in the past six years. In 2008, there were 19 homestays operating in Sabah. But in 2009, only 18 homestays, and then decreases again to 16 homestays and maintained same number to 2011. Sabah ended the period with 17 registered homestays.

Table 1.3 shows the number of homestay guests stayed in Malaysia by states in 2013 in a descending order of total number of guests hosted. Total domestic guests that stayed in homestay were 288,107 and 62,847 guests for international tourists. The numeric difference between domestic and international guests was about 225,260 from the total guests that stayed at a homestay in Malaysia during the year 2013.

Table 1.3: Number of Homestay Guests by States for year 2013

State	Domestic Guests	International Guests	Total
Pahang	122,584	2,838	125,422
Selangor	48,492	15,765	64,257
Johor	22,424	24,716	47,140
Melaka	13,861	8,296	22,157
Kedah	19,165	352	19,517
Sabah	13,030	5,002	18,032
Sarawak	12,959	2,989	15,948
Negeri Sembilan	8,288	1,309	9,597
Pulau Pinang	6,536	428	6,964
Perak	6,142	298	6,440
Perlis	4,981	0	4,981
Terengganu	4,457	521	4,978
Kelantan	3,061	140	3,201
Labuan	2,127	193	2,320
Total	288,107	62,847	350,954

Source: Ministry of Tourism and Culture Malaysia (2014)

In 2013, Pahang state recorded the highest number of guests that stayed in homestays with 122,584 domestic guests and 2,838 international guests. Second to Pahang was the state of Selangor with total 64,257 guests. About, 15,765 international guests stayed in Selangor, while the others were domestic guests. According to Ministry of Tourism and Culture, Malaysia (MOTC), in the year 2012, total homestay guest arrivals were 37,599. The domestic guests were 30,737 and international guests were 6,862 and

increased about 70% in the year 2013. About 26,658 additional guests were staying in the homestay in Selangor in the year 2013.

In Johor, 22,424 domestic guests and 24,716 international guests were staying in homestays. Though, the total number of guests who stayed in Pahang was the highest in 2013, more international guests favored homestay in Sarawak. The contrast between the number of domestic and international guests' arrival in all the states demonstrated close distinction (see Table 1.3).

Labuan has the least total number of homestay with just 2,320 guests, 193 of which were international guests. In Peninsular Malaysia the total number of guests that stayed in the homestays was about 314,654 guests.

1.3 Contribution and Scenario of Homestay in Malaysia

1.3.1 Economic Contribution of Homestay in Malaysia

Tourism is one of the core sources of revenue for Malaysia. Tourism activities contribute to the country's economy by producing foreign exchanges and create employment (Dayang-Affizah, Edmanc, & Rahmana, 2013; Bhuiyan, Islam, & Ismail, 2011). In 1995, Malaysia announced homestay as an official tourism product since it is one of the important tools for Malaysian tourism, coupled with its contribution to the national economy.

Table 1.4 shows the total income earned from homestay operations in Malaysia by states. The total income of homestay in the year 2013 was RM21.57 million. The state that earns the highest income in the year 2013 by the homestay program was Pahang (RM7.26 million). The second was Selangor state with income of RM3.82 million. This is followed by Sabah state with estimated amount of RM2.43 million. Although, the number of homestay in Sarawak was higher than other states, less income was earned from homestay with just RM 1.96 million. Perlis state was the lowest income state in a homestay program with only RM170,391. Although, Labuan and Perlis have the same number of homestays of three, the income from the homestay program in Labuan was higher compared to Perlis with amount of RM302,299.

Table 1.4: Annual Income of Homestay by States in Malaysia Year 2013

State	Income (RM)
Pahang	7,263,919.00
Selangor	3,822,168.30
Sabah	2,433,501.70
Sarawak	1,964,900.20
Melaka	1,356,530.00
Johor	1,301,025.00
Negeri Sembilan	960,022.00

Kedah	722,882.00
Pulau Pinang	418,411.00
Terengganu	327,601.00
Labuan	302,299.00
Perak	292,340.00
Kelantan	234,959.00
Perlis	170,391.00
Total	21,570,949.20

Source: Ministry of Tourism and Culture Malaysia (2014)

Based on the Ministry of Tourism (2013), the total income from homestay program in the year 2012 was RM18.54 million. This number increased in the year 2013 by 16% from the year 2012. This is could be regarded as a positive contribution of homestay program in the country. The income from homestay will be useful for the development of tourism, infrastructure and implementation of the country's social reforms.

Table 1.5 shows the list of ten Homestays with the highest income in the year 2012. As per the table, Homestay Taman Sedia that is located in Cameron Highlands, Pahang, has generated the highest income of RM5.67 million. Its average monthly income was about RM516,001 and RM43,000 for average monthly income of a household.

Table 1.5: List of Ten Homestays with Highest Income in Year 2013

Homestay	Total Income (RM)	Average Monthly Income (RM)	Average Monthly Income of Household(RM)
Homestay Taman Sedia, Cameron Highlands, Pahang	5,676,010.00	516,001	43,000
Homestay Air Manis, Sabak Bernam, Selangor	1,155,805.00	67,989	5,666
Homestay Banghurus, Sepang, Selangor	893,160.00	11,165	930
Homestay Kuala Medang, Kuala Lipis, Pahang	855,403.00	12,048	1,004
Homestay Parit Penghulu, Sg.Rambai, Melaka	788,660.00	46,392	3,866
Homestay Miso Walai, Kinabatangan, Sabah	770,827.10	40,570	3,381
Homestay Misompuru, Kudat, Sabah	513,827.10	15,113	1,259

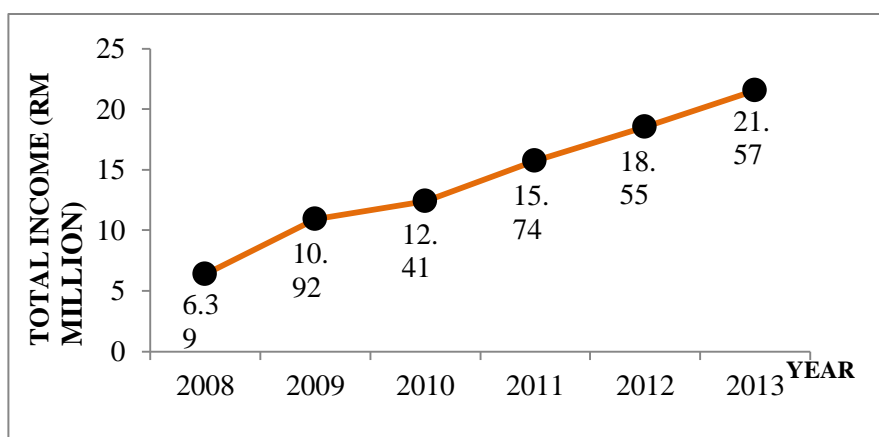
Homestay Sungai Sireh, Kuala Selangor, Selangor	427,507.30	10,688	891
Homestay Walai Tokou, Sinisan, Sabah	425,677.00	16,372	1,364
Homestay Gunung Pulau, Johor	385,634.00	17,529	1,461

Source: Ministry of Tourism and Culture Malaysia (2014)

Out of the top ten spot, three were homestays (Homestay Air Manis, Homestay Banghunis, and Homestay Sungai Sireh) from the state of Selangor. Total income of Homestay Air Manis, which is located at Sabak Bernam, Selangor was RM1.15 million. The average monthly income of this homestay was RM67,989 with an average household monthly income of RM5,666. The total income of Homestay Banghunis and Homestay Sungai Sireh were RM893,160 and RM427,507.30 respectively.

Moreover, Homestay Miso Walai and Homestay Misompuru are the two homestays that represent the state of Sabah placed among the top ten lists in Malaysia homestay earnings. The total income of both homestay were RM770,827.10 and RM513,827.10 respectively. The average monthly income of both homestay were RM40,570 and RM15,113. However, the average household income for both homestay were RM3,381 and RM1,259, respectively. Homestay Miso Walai, Kinabatangan, has a higher total income compared to the number of tourist arrivals, especially foreign tourists who choose to stay at homestay for 1-2 weeks to participate in the homestay program and program of eco-tourism and conservation of forests around the homestay, such as, wildlife and others (Ministry of Tourism and Culture Malaysia, 2014).

Figure 1.1 shows the comparison of homestay income from year 2008-2013. The chart shows that there is an increase of revenue during the years 2008-2013. In the year 2008, total income was about 6.39 million and 10.92 million in 2009. The year 2008 - 2009 saw a large amount of revenue amounting to RM4.53 million generated. The increment of the income of homestay showed a yearly consistency.



Source: Ministry of Tourism and Culture Malaysia (2013)

Figure 1.1: Total Incomes of Homestay from Year 2008 to 2013

In year 2013, the income of homestay increase to RM21.57 million from 6.39 million in 2008. About RM3 million increased from the year 2012 to 2013. The consistent gain in homestay shows positive contribution to the national yearly GDP of the country. Figure 1.1 reinforced claims of positive contribution of homestay to the country's development.

Table 1.6 shows the comparison of the number of total guests and total income of homestay for year 2012 and 2013 during January to June. In year 2012, during the months from January to June, the numbers of total guests were about 168,218 and 168,718 during same period in 2013. The changes were about 0.3%. The domestic or local guests during the months from January to June 2012 were about 136,316 and 136,644 in 2013. A fraction of 0.2% (328) increase was observed for the total number of domestic guests during same period.

Table 1.6: Total Number of Local and International Guests and Total Income of Homestay for January-June for Year 2012 and 2013

Total Tourist and Income	Jan-Jun 2013	Jan-Jun 2012	Changes (%)
Total Tourist	168,718	168,218	0.3%
Domestic	136,644	136,316	0.2%
International	32,074	31,902	0.5%
Total Income (RM)	9,596,334.90	9,576,287.50	0.2%

Source: Ministry of Tourism and Culture Malaysia (2013)

The changes in the number of international guests from year 2012 to 2013 during the month of January to June were about 0.5%. The total income for the same period in the

year 2012 was RM 9.57 million and RM9.59 million in 2013. The observed increment was about 2% from 2012 to 2013 during the month of January to June. Data from the table shows positive contribution of homestay to the economy of the nation and optimism of consistent guests' arrival in the homestay industry.

1.3.2 Scenario of Homestay in Malaysia

Despite the positive contribution of homestay in Malaysia, there are still some negative scenarios associated with homestay in Malaysia. To begin with, it is reported that homestay operators in Malaysia provide a lower standard of accommodation and poor sanitary system. This has made the guests unsatisfied with this kind of services rendered (Bhuiyan *et al.*, 2011; Adrianna, Cindy & Nor'ain, 2007). Homestay operators are also faced with lack of hospitality experience (Leisure, Sport & Tourism, 2003). This is because most homestays are being operated by owners with little or no experienced in tourism activities, and lack of exposure to foreign cultures (Liu, 2006). Another setback to homestay operation in Malaysia is communication. Most tourists who visit would prefer to be attended in English language, which is the common conversation medium in other parts of the world. However, due to the localization of homestays in the country, most are situated in rural settings with operators' low level of English language, thus creating scenario where guests could not interact with host operator and as such the essence of homestay being defeated on the side of the guests (Bhuiyan *et al.*, 2011).

Moreover, homestay operators still have not succeeded in attracting a large amount of guests compared to hotels and resorts. Hotel and resorts in cities attract tourist through current communication tools such as websites, blogs, social networks and mobile applications (Goldsmith, Litvin, & Pan, 2008; Scott, 2013). Since, this strategy is less utilized by homestay operators; they failed to attract both domestic and international guests compared with the hotels and resorts who employed these technologies (Chhachhar & Hassan, 2013). Moreover, the internet or mobile phone signal connection in rural areas needs to be improved. So, homestay operators are struggling to attract more guests to their place or premise for successful operation. Skills training for homestay, management courses, IT courses, e-booking courses are necessary for the operators of homestay. Homestay operators are not so experienced and lack of professionalism in these skills and technology advancement (Scott, 2013).

In addition, homestay program was introduced to promote the village culture and lifestyle. However, some operators have built premises that are located in town and cities and called them homestay. For example, Andalas Boutique Homestay, Bukit Mewah Kajang Homestay and Hananah Homestay promote its homestay and provide facilities such as rooms with air-conditioner, television, microwave oven, and refrigerator. These types of facilities are similar to the facilities provided by resorts or hotels. Noteworthy, Sakura Homestay is located in the heart of Klang, Kajang and at Taman Tasik Puchong which do not show(have) any village culture, lifestyles and activities such as farming, gardening and livestock keeping (Ahmad, Hussain, & Rostam, 2006).

1.4 Problem Statement

Favorable places are easily accessible in Selangor. The public transportation makes it easy to move around from one place to another. However, the state despite its flourishing tropical rainforest, infrastructure, facilities and attractive tourist attractions, and the range of places to be visited has experienced some declined in number of homestay guests. The Tourism, Consumer Affairs and Environment Committee (2013) reported that the number of tourists visiting Selangor has dropped from 2012 with the state income from tourism declining to RM3.62 billion as compared to RM4.24 billion in 2013 with 5,165,703 tourists visiting the state, way short of the targeted 6.4 million. According to the Selangor Tourism Action Council (MTPN) executive chairman Datuk Subahan Kamal, the state was concentrating on educational, health, and homestay tourism program. Homestay program is a prominent sector and could be a potential source of income for various tourism industry players for the long term (Aziz & Yeen, 2009).

It is being noticed that some homestays failed to attract guests, particularly foreigners, most of whom would prefer to have a better sanitary system and more comfortable, good, and healthy conditions (Ibrahim & Razzaq, 2010). Guests' perception of the accommodation service quality is the key for effective management (Kumar, Gill, & Kunasekaran, 2012) and promoting. Return visits and generation of income likewise rely upon how the guests esteem the value of quality during their stay (Baker & Crompton, 2000; Bigne, Sanchez, & Sanchez 2001; Kozak 2001; Kumar, Gill, & Kunasekaran, 2012; Tian-Cole & Crompton 2003; Tian- Cole, Crompton, & Willson 2002; Cyprian, 2012).

Apart from the quality of homestay, international guests coming from different countries with different native languages are more disposed to use the English language because it's international application for communication (Van Bael *et al.*, 2002). Based on a personal communication with Tuan Hj. Yakob bin Adni, owner of a homestay in Kanchong Darat, Selangor further justified that there are language barriers at the homestay. According to Tuan Hj. Yakob, English is not well spoken by local homestay operators thus, the language barriers between both guests and host family will always be a major problem. Yip (2012) in his study also reported similar problem with local homestays. Because of this problem, many guests were reported not to be satisfied with the service provided by the homestays. This problem of language barrier has led to homestay operators unable to understand guests' needs and wants (Bhuiyan, Siwar, Ismail, & Islam, 2011; Kumar & Kunasekaran, 2012).

As for hotels and resorts, international standard and facilities for their guests' satisfaction are always prioritized. The homestays on the other hand, seemed not concerned on the international standard. This is likely due to lack of proper training of homestay operators in operations, homestay management courses, IT courses, or e-bookings courses. To overcome these types of limitations require homestays to carry out various approaches for effective business like; homestay programs and good advertising in providing information on homestay. Without a proper approach, homestay might not be successful in attracting expected large number of international guests (Cyprian, 2012).

1.5 Research Questions

In this study, four specific research questions are addressed:

1. What is the factor that influences guests to stay in homestay?
2. Which dimension in service quality contributes to improve service quality in homestay?
3. What is the gap (expectation and perceive) between service quality and satisfaction level of the guests?
4. What is the effect of service quality (SERVQUAL) dimensions and socio-demographic elements towards service quality in homestay?

1.6 Objectives of the Study

The general objective of this study is to investigate the satisfaction level of guests towards service quality of homestay.

The specific objectives of this study are as follows:-

1. To identify the factors that influence guests to stay at homestay.
2. To determine the service quality of homestay using service quality (SERVQUAL) model.
3. To investigate the satisfaction level of guests at homestay.
4. To determine the effect of SERVQUAL dimensions and socio-demographic characteristics towards satisfaction level of guests at homestay.

1.7 Significance of the Study

This study is important because it will help researchers, operators and policy makers identify the relationship between service quality of homestay and satisfaction level of the guests. This study will also help new researchers in search of relevant information on homestay, their administrations, services and satisfaction level of homestay guests'. Furthermore, this study is essential for policy makers such as the Ministry of Tourism and Culture Malaysia and homestay operators. Outcomes will aid in new policies that will therefore lead to the development and improvement of homestays in Malaysia. In addition, this study is significant because, it will help responsible parties such as government, Non-government Organisation (NGO) and private sectors, to give more attention on the rural areas or villages. Consequently, it will help to promote some rural areas and villages in Malaysia directly or indirectly. In addition, this study will create a good opportunity for the villages to contribute to the national GDP.

1.8 Organization of the Study

This thesis is structured into five chapters. The first chapter starts with the introduction which discusses about the history and the development of tourism and homestays in Malaysia, contributions and scenarios of homestay in Malaysia, problem statements, the research questions and objectives. Reviews on past studies and information which are related to the study are discussed in the second chapter. The third chapter explains the research methodology, including discussion about theory, sampling techniques, data collection, and explanation about the location of the study and tools for data analysis. Apart from that, the fourth chapter is discussing about the analysis of the study or finding of the study. In the last chapter, the conclusion, limitation of the research and as well as recommendation for future research are also discussed.



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