



***CHALLENGES FACED BY REGISTERED HOMESTAY OPERATORS
FROM THE PERSPECTIVES OF SELECTED STAKEHOLDERS IN
SELANGOR, MALAYSIA***

SARINA BINTI MOHAMAD NOR

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SARINA BINTI MOHAMAD NOR

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Doctor of Philosophy**

April 2019

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Ministry of Tourism, Arts and Culture (MOTAC's) homestay in Selangor encountered a decrease in the number of registered homestays because homestay operators pulled back from being registered as homestays. Increasingly, registered homestay operators went to be idle homestay business led to the all-out number of active MOTAC's homestay diminishing from 16 homestays to 13 homestays in 2016. Innovative improvements and the development of digitization are the main thrusts behind the rise and fast development of the sharing economy. The accomplishment of the sharing economy has negatively affected the traditional MOTAC homestay business operators who don't take into account these evolving patterns. Thus, this study aimed to analyze the challenges faced by registered homestay operators through the perspectives of selected stakeholders in Selangor.

The challenges are examined through the lens of the disruptive innovation theory of sharing economy, including internal and external challenges in homestay business practice and whether the MOTAC's registered homestay operators can endure the challenges ahead. This study is exploratory in nature. A mixed methods approach was applied, and methodological approach stakeholder inquiry was conducted comprising three groups: (1) Registered homestay operators (2) Unregistered homestay operators and (3) Officer of governing authorities to elicit stakeholders' views on the homestay business. A total of 206 registered homestay operators via 15 registered homestays in Selangor were chosen from MOTAC's list, followed by another 30 unregistered homestay operators in Klang Valley selected randomly from homestay business sites and Airbnb who use the name of "homestay".

The third group is of 17 officers of governing authorities, like MOTAC and local government in Selangor, Malaysia. For the first objective, this study aims to identify the problems and challenges faced by registered homestay operators when running the homestay business. The result reveals the sharing economy like Airbnb has emerged as an alternative supplier of the conventional accommodation business models, overhauling the traditional concept of homestay business. Registered homestay operators also face internal and external challenges in homestay risks and uncertainty of transformed homestay business practice. Awareness of the monetary benefits from the collaborative economy together with the rapid growth of sharing economy and innovations in ICT have disrupted established MOTAC's homestay business, leading to the mushrooming of unregistered homestay operators in the exciting growth market. This phenomenon is projecting a false image of a true Malaysian homestay experience to tourists and influenced many controversies, threatening the traditional homestay business, creating fierce competition in the industries and challenges by various stakeholders.

This study also encounters many issues and problems such as unethical, unregistered homestay operators that may tarnish the good name of registered homestays as well as lack of homestay regulation and monitoring by the ministry, state and local government. Results of internal challenges indicate that registered homestay operators face weak homestay administration and management, lack of creativity and entrepreneurship skills lead to over-dependence on outside assistance, incompetent community leadership and commitment, inadequate infrastructure facilities and conflict of interest among homestay coordinators. Realizing the good potential of homestay community-based rural tourism (HCBRT), a few critical factors need to be taken into account, such as community capacity building and participation. Communities are more likely to support HCBRT when the perceived homestay benefits are more than the homestay costs.

Therefore, the analysis of community participation levels in this study is made based on the various levels of motivation, opportunity, and ability (MOA). Hence, the second objective of this study is to investigate community capacity building and participation levels of registered homestay operators from the homestay business. The result demonstrates that the registered homestay operators face inadequate community capacity building and passive participation; lack of coordination and collaboration among homestay coordinators, homestay operators and the local community; noncompliant homestay product designing and development; instability and unavailability of investment and incentives; lack of homestay marketing approach; and limited homestay business networking. Homestay monetary adequacy is one of the inspirational factors were the homestay business capable of bringing enough profit, thus the homestay operator finds the business is worthwhile to keep going for the foreseeable future.

In line with these facts, the last objective in this study attempts to measure homestay cost of operations, and revenue/income earned by registered homestay operators from homestay business. The result from the comparison of the homestay business income between registered homestay operators and unregistered homestay operators indicates there is a big gap in homestay business income generation. The average homestay income received by registered homestay operators is between RM191.00 and RM529.00 per month to the lack of homestay tourist arrivals, whereas compared with the average unregistered homestay operator's income is between RM4,000.00 and RM15,000.00 without homestay activity depending on the season. This study reveals not all registered homestay operators who engaged in homestay business received a good income after a long involvement in the homestay business. In this manner, increasingly registered homestay operators are becoming demotivated, hesitant to give full commitment and prone to pull back when they see little advantage and no adequate income generated from being a registered MOTAC homestay. The overall findings of this study offer some recommendations to improve existing guidelines on homestay business for authorities, particularly MOTAC and local authorities who give licenses for homestay business. Lodging houses business for all residential apartments, condominium, flats, and the gated private house should be regulated and must operate the homestay business with the license irrespective of whether they use "homestay" or not in promoting their homestay business. Hence, the findings in this study may contribute to the importance of homestay business sharing economy via collaborative economy model among homestay stakeholders that gives an energy practice of the longevity of the traditional homestay business in an effort to serve the customer better from competition to network collaboration.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**CABARAN-CABARAN YANG DIHADAPI OLEH PENGUSAHA INAP DESA
YANG BERDAFTAR MELALUI PERSPEKTIF PIHAK BERKEPENTINGAN
TERPILIH DI SELANGOR, MALAYSIA**

Oleh

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Perniagaan inap desa Kementerian Pelancongan, Kesenian dan kebudayaan (MOTAC) di Selangor menghadapi penurunan jumlah inap desa berdaftar disebabkan oleh pengusaha inap desa menarik diri daripada menjadi inap desa yang berdaftar dengan MOTAC. Ketidaktifan pengusaha inap desa yang berdaftar menjalankan perniagaan inap desa didapati turut meningkat. Ini menjadikan angka bilangan inap desa MOTAC yang aktif berkurangan daripada 16 inap desa kepada 13 inap desa pada 2016. Penambahbaikan inovatif model inap desa dan pembangunan pendigitalan adalah teras utama di sebalik kemunculan ekonomi perkongsian. Pencapaian perniagaan daripada ekonomi perkongsian didapati telah menjejaskan perniagaan MOTAC inap desa ekoran daripada pengusaha inap desa masih mengamalkan model perniagaan tradisional yang tidak mengambil kira trend inovasi perniagaan ekonomi perkongsian. Oleh itu, keperluan kajian bagi mengenalpasti cabaran yang dihadapi oleh pengusaha inap desa berdaftar melalui perspektif pihak berkepentingan terpilih di Selangor perlu dijalankan. Di dalam kajian ini, cabaran dilihat melalui kanta teori inovasi kesan daripada terjejasnya model perniagaan tradisional inap desa ekoran daripada ekonomi perkongsian mengubah model perniagaan inap desa. Cabaran dalaman dan luaran perniagaan inap desa juga turut diberi perhatian bagi mengenal pasti sama ada pengusaha inap desa berdaftar mampu bertahan dengan cabaran yang mendatang. Kajian ini bersifat exploratori. Pendekatan kaedah kajian campuran digunakan, dan pendekatan metodologi terhadap pihak berkepentingan terpilih telah dijalankan dengan penglibatan daripada tiga kumpulan (1) pengusaha inap desa berdaftar (2) pengusaha inap desa tidak berdaftar dan (3) pegawai pihak berkuasa pentadbiran yang terlibat secara langsung atau tidak langsung dalam perniagaan inap desa. Sejumlah 206 pengusaha inap desa daripada 15 inap desa yang berdaftar di Selangor dipilih daripada senarai yang diperolehi

daripada MOTAC, diikuti 30 pengusaha inap desa yang tidak berdaftar yang menggunakan nama "inap desa" di Lembah Klang dipilih secara rawak daripada laman sesawang perniagaan inap desa dan Airbnb. Kumpulan ketiga pula terdiri daripada 17 pegawai yang bertindak sebagai pihak berkuasa pentadbiran, seperti MOTAC dan kerajaan tempatan di Selangor, Malaysia. Bagi objektif yang pertama, kajian ini bertujuan untuk mengenal pasti masalah dan cabaran yang dihadapi oleh pengusaha inap desa berdaftar dalam menjalankan perniagaan inap desa. Hasil daripada kajian mendedahkan ekonomi perkongsian seperti Airbnb telah muncul sebagai pembekal alternatif model perniagaan penginapan konvensional telah mengubah model tradisional perniagaan inap desa. Pengusaha inap desa berdaftar juga berhadapan dengan cabaran luaran dan dalaman disamping berhadapan dengan risiko model perniagaan baru dalam era yang mudah berubah. Kesedaran akan manfaat yang boleh diperolehi daripada ekonomi kolaboratif disamping pertumbuhan pesat dalam ekonomi perkongsian dan inovasi teknologi maklumat dan komunikasi (ICT) telah menjejaskan operasi perniagaan inap desa MOTAC hasil daripada kewujudan pengusaha inap desa yang tidak berdaftar dalam pasaran yang sedang berkembang. Fenomena ini mewujudkan imej palsu pengalaman inap desa Malaysia yang sebenar kepada pelancong menyumbang kepada pelbagai kontroversi dan pertikaian ke atas perniagaan MOTAC inap desa seperti mewujudkan perselisihan dalam kalangan industri perniagaan tradisional.

Kajian ini juga menemui beberapa isu dan permasalahan yang tidak beretika daripada pengusaha inap desa yang tidak berdaftar dalam menjalankan perniagaan inap desa yang boleh mencemar nama baik pengusaha inap desa berdaftar ekoran daripada kurangnya pemantauan ke atas perniagaan inap desa oleh Kementerian, kerajaan negeri dan tempatan. Hasil kajian juga mendapati, pengusaha inap desa berdaftar berhadapan dengan cabaran dalaman dari segi pentadbiran dan pengurusan inap desa yang lemah, kepimpinan dan komitmen di dalam masyarakat yang tidak cekap, tiada kemahiran keusahawanan, tidak kreatif, tiada daya saing, kemudahan infrastruktur yang tidak mencukupi, konflik di kalangan penyelaras inap desa serta terlalu bergantung kepada bantuan luar.

Menyedari akan manfaat yang memberangsangkan daripada perniagaan komuniti inap desa berasaskan pelancongan luar bandar (HCBRT), beberapa faktor kritikal seperti pemboleh daya dan penglibatan komuniti perlu diambil kira. Komuniti akan lebih cenderung untuk menyokong HCBRT jika perniagaan inap desa yang dijalankan menjanjikan pulangan yang lumayan dan memberangsangkan. Oleh itu, tahap penglibatan komuniti dalam kajian ini dikaji berdasarkan model motivasi, peluang dan pemboleh daya (MOA). Oleh itu, objektif kedua kajian ini adalah untuk mengenal pasti tingkat pemboleh daya komuniti dan penglibatan pengusaha inap desa berdaftar daripada perniagaan inap desa. Hasil kajian menunjukkan pengusaha inap desa berdaftar mempunyai pemboleh daya komuniti yang masih lemah dan

penglibatan komuniti yang pasif, penyelarasan dan kerjasama di kalangan penyelar, pengusaha dan komuniti setempat yang lemah, pembangunan dan penghasilan produk inap desa yang tidak inovatif dan kreatif, ketiadaan insentif kewangan, pemasaran inap desa yang lemah dan rangkaian perniagaan yang terhad.

Pendapatan yang boleh diperolehi daripada perniagaan inap desa merupakan salah satu faktor inspirasi ke atas perniagaan inap desa. Selaras dengan itu, objektif terakhir dalam kajian ini adalah untuk mengukur kos operasi inap desa, hasil dan pendapatan yang diperolehi oleh pengusaha inap desa berdaftar daripada perniagaan inap desa. Hasil daripada perbandingan pendapatan perniagaan inap desa di antara pengusaha berdaftar dan pengusaha tidak berdaftar menunjukkan terdapat jurang pendapatan yang besar. Pendapatan inap desa secara purata yang diterima oleh pengusaha berdaftar adalah di antara RM191.00 ke RM529.00 sebulan manakala berbanding dengan pengusaha inap desa yang tidak berdaftar purata pendapatan yang boleh diperolehi adalah di antara RM4,000.00 hingga RM15,000.00 tanpa aktiviti inap desa dan ianya bergantung kepada musim. Kajian ini turut menunjukkan tidak semua pengusaha inap desa berdaftar yang terlibat dalam perniagaan inap desa menerima pendapatan yang baik selepas penglibatan yang panjang dalam perniagaan inap desa. Oleh itu, beberapa pengusaha inap desa berdaftar telah memilih untuk menarik diri daripada menjadi pengusaha MOTAC inap desa ekoran kekangan yang besar dari segi ketiadaan pelancong dan pendapatan yang kecil dijana melalui inap desa berdaftar. Pengusaha inap desa berdaftar juga dilihat tidak bermotivasi dan teragak-agak untuk memberikan komitmen penuh.

Hasil kajian turut mendapati faktor utama peningkatan pengusaha inap desa yang tidak berdaftar adalah disebabkan pendapatan lumayan yang boleh dijana daripada inap desa tidak berdaftar, kuasa pasaran dalam talian dan manfaat daripada ekonomi perkongsian. Selain itu, hasil daripada kajian turut menawarkan beberapa implikasi bagi penambahbaikan garis panduan perniagaan inap desa sedia ada disamping membantu pihak berkuasa terutamanya MOTAC dan pihak berkuasa tempatan mengeluarkan lesen permit perniagaan inap desa. Perniagaan rumah penginapan untuk semua jenis kediaman seperti pangsapuri, kondominium, rumah pangsa, dan rumah persendirian yang berpagar perlu dikawal selia dan mempunyai lesen bagi menjalankan perniagaan inap desa tanpa mengira sama ada mereka menggunakan "inap desa" atau tidak dalam mempromosikan perniagaan mereka. Oleh yang demikian, hasil kajian ini dapat menyumbang kepada kepentingan model perniagaan ekonomi perkongsian inap desa melalui kolaboratif ekonomi kepada pihak berkepentingan inap desa untuk memastikan MOTAC's inap desa mampu bertahan dalam mengharungi cabaran mendatang, menawarkan perkhidmatan yang berkualiti, berdaya saing dan efektif kepada pelanggan dengan mengubah persaingan perniagaan inap desa kepada rangkaian kolaborasi.

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LIST OF ABBREVIATIONS

AHS	Asean Homestay Standard
CBRT	Community Based Rural Tourism
CBT	Community Based Tourism
CCB	Community capacity building
CCM	Companies Commission of Malaysia
HCBRT	Homestay community based rural tourism
HYCEM	Homestay collaborative economy model
INFRA	Institute for Rural Advancement
JKKK	<i>Jawatan Kuasa Kemajuan dan Keselamatan Kampung</i>
MDEC	Malaysia Digital Economy Corporation
MHTC	Malaysia Healthcare Travel Council
MMR	Mixed Methods Research
MOA	Motivation-Opportunity-Ability
MOCAT	Ministry of Culture, Arts and Tourism
MOTAC	Ministry of Tourism, Arts and Culture
MOTOUR	Ministry of Tourism
MRRD	Ministry of Rural and Regional Development
NGO	Non-Governmental Organization
PPT	Pretty's participation typology
RIDA	Rural and Industrial Development Authority
RTMP	Rural Tourism Master Plan
SHO	Self-Help organization
UNWTO	United Nations World Tourism Organization

CHAPTER 1

INTRODUCTION

1.1 Background of Study

In the late 1980s tourism began to be accepted and established as one of the important industries globally (WTO, 1995). The statistics in 2016 indicate the economic importance of the tourism industry: the fastest growing of international tourist arrivals worldwide from 25 million in 1950 to 278 million in 1980, 674 million in 2000, and 1,235 million in 2016 but also international tourism receipts earned by destination worldwide have surged from US\$2 billion in 1950 to US\$104 billion in 1980, US\$495 billion in 2000, and US\$1,220 billion in 2016 (UNWTO, 2017). According to UNWTO (2017), international tourism represented 7% of the world's exports in goods and services in 2016, after increasing by one percentage point from 6% in 2015. Worldwide export category shows tourism ranks third after chemical and fuels and ahead of automotive products and food. Thus, many developing countries especially the countries with strong tourism resources such as China, Turkey, Thailand, Indonesia, Vietnam, India and Malaysia, have taken tourism as an opportunity to generate their economy, and tourism became the top export category (UNWTO, 2017).

In Malaysia, awareness of the importance of leisure started from the early 1970s when tourism became the second highest contributor of foreign exchange earnings to the national income after manufacturing (NTP, 2004). The rise in the standards of living, increasing foreign exchange earnings, as well as the number of people employed in tourism have identified the tourism industry as one of the major contributors to the gross domestic product significantly boosting Malaysia's economy (MIDA, 2017). All around, Malaysia remains one of the top travelers' goal. According to MOTAC (2016) Malaysia's tourism industry shows a positive sign of recovery in tourist arrivals by 4.0% after the slowdown in 2015. The country received 26.8 million tourists compared with 25.7 million tourists in 2015. Correspondingly, tourist receipts rose by 18.8%, contributing RM82.1 billion to the country's revenue compared with RM69.1 billion in 2015 (Table 1.1).

Table 1.1 : Tourist Arrivals and Receipts

Year	Arrivals (Million)	Receipts (MYR) (Billion)
1987	3.4	1.8
1988	3.6	2.0
1989	4.9	2.8
1990	7.5	4.5
1991	5.9	4.3
1992	6.0	4.4
1993	6.5	5.1
1994	7.2	8.3
1995	7.5	9.2
1996	7.1	10.4
1997	6.2	9.7
1998	5.6	8.6
1999	7.9	12.3
2000	10.2	17.3
2001	12.7	24.2
2002	13.2	25.8
2003	10.5	21.3
2004	15.7	29.7
2005	16.4	32.0
2006	17.4	36.3
2007	20.9	46.1
2008	22.0	49.6
2009	23.6	53.4
2010	24.6	56.5
2011	24.7	58.3
2012	25.0	60.6
2013	25.7	65.4
2014	27.4	72.0
2015	25.7	69.1
2016	26.8	82.1

(Source: Tourism Malaysia, 2017)

At present, to turn Malaysia into a high-income economy by 2020 through the tourism transformation plan, the government continues its effort and set on the number of tourists arriving at 36 million and RM168 billion worth of tourists' receipts, is expected to generate 49,700 additional jobs (PEMANDU, 2011). Thus, to stimulate, promote and market Malaysia as a tourist destination internationally and domestically, the government has invested billions of ringgit for tourism development. A total of RM3.5 billion was announced under the 2018 budget as (Table 1.2).

In addition, according to Malaysia Healthcare Travel Council (2017) a sum of RM2 billion is allocated for SMEs Tourism Fund, RM1 billion to Tourism Infrastructure Development Fund as soft loans, and an additional sum of RM500 million is provided for upgrading infrastructure facilities and promoting homestay programs.

Table 1.2 : Malaysia Plan – Tourism Budget Allocation

Malaysia Plan	Tourism Budget Allocation (MYR Million)
First Malaysia Plan (1966 – 1970)	No allocation
Second Malaysia Plan (1971 – 1975)	9
Third Malaysia Plan (1976 – 1980)	27
Fourth Malaysia Plan (1981 – 1985)	40
Fifth Malaysia Plan (1986 – 1990)	141
Sixth Malaysia Plan (1991 – 1995)	434
Seventh Malaysia Plan (1996 – 2000)	606
Eighth Malaysia Plan (2001 – 2005)	1,009
Ninth Malaysia Plan (2006 -2010)	1,848
Tenth Malaysia Plan (2011 -2015)	2,729
Eleventh Malaysia Plan (2016 -2020)	3,516*

(Source: Economic Planning Unit, Prime Minister's Department, Malaysia 2017)

*Tourism budget allocation from 2016 to 2018

According to Zhang et al. (2009), tourism is known as a cross-field industry. To achieve the tourism transformation target, the development of tourism industry needs collaboration, good networking and support from related stakeholders. Malaysia has many types of tourism products such as domestic tourism, shopping tourism, sports tourism, medical tourism, education tourism and eco-tourism. Among these types of tourism products, the focus of this study is eco-tourism specifically in homestay program as a community-based tourism development in Malaysia.

1.2 MOTAC'S Homestay in Malaysia

In Malaysia, the homestay program was introduced by MOTAC, formerly known as the Ministry of Culture, Arts and Tourism (MOCAT) in 1988 as an alternative accommodation for the tourists. The program was launched officially in 1995 in Temerloh, Pahang, as an example the unique concept of accommodation that involves tourists staying with selected families. The objective of homestay program is not to offer inexpensive accommodation but more to give tourists an opportunity to experience other cultures and lifestyles through exchange with the homestay operator's families (MOTOUR, 2012).

Each homestay program has something unique to offer to tourists and organizes its own special activities for their tourists, such as jungle trekking, fishing, rubber tapping, fruit picking, and handicraft-making. Every homestay operator will try to give the best services and make it different from other homestays. For example experiencing multiple languages like Bahasa Malaysia, Cantonise, English, Hokkiean, Mandarin and Tamil, in a real life setting; cultural shows such as "*pecak silat*"—a fascinating Malay martial art; the traditional shadow play theater or "*Wayang kulit*," which is performed by casting animated puppet shadows on a white cloth screen where the puppet characters and stories are usually

adapted from ancient epics; mock weddings like the “*bersanding*” ceremony where the bridal couple will be seated on a dais and authentic Malay food such as “*dodol*”, a sticky soft cake similar to a toffee, “*nasi kerabu*” a Malay rice dish in which blue-colored rice is eaten with dried fish or fried chicken, crackers, pickles and other salads; and “*keropok lekor*”, a traditional fish cracker (Kayat, 2009).

Through homestay program, tourists can learn and experience the daily “kampong” lifestyle such as poultry, husbandry, production of traditional Malay cookies, handicraft, traditional games and farming that put tourists closer to the culture and friendly people of Malaysian homestay (MOTOUR, 2012). Homestay accommodation is usually in traditional wooden houses on stilts set with landscaped garden. The “kampong” (traditional village) that is involved in the homestay program is committed to ensuring that tourists experience village-style living first-hand and welcome a variety of tourists from around the world. These “kampong” have been carefully selected and conform to strict guidelines set by the MOTAC to bring out the best of Malaysia (MOTOUR, 2012). Malaysian homestay Program, also known as community-based tourism, began in 1988 (Kayat, 2009). Desa Murni, the first homestay operator located at Temerloh Pahang, Malaysia, participated and benefited from the homestay program. Homestay Desa Murni consists of five rural villages: Desa Murni Sanggang, Desa Murni Sonsang, Desa Murni Kerdau, Desa Murni Ketam and Desa Murni Perangap (MOTOUR, 2012).

In 1995, MOCAT and the State Economic Planning Unit, worked on a concept with community members and village elders from Desa Murni to boost the homestay program. The government provided certificates to the homestay operators, developed brochures, and helped with promotion as well as replication of the program in other areas of Malaysia. Over time, this led to the development of the Malaysian homestay Association (MOTOUR, 2012). Homestay program is a tourism-based activity directly linked to the community where local people being the homestay operator, organize and host the homestay program and enjoy the extra financial benefits from that program. Homestay programs fall under the Rural Tourism Master Plan, with the objective to encourage the rural community to participate in the tourism sector. Currently, more than 3,800 homestay operators in Malaysia or 193 homestay coordinators are registered and approved by the Ministry of Tourism, Arts and Culture (MOTAC) (Table 1.3). According to MOTAC the number of homestay coordinators showed a positive growth compared with 1995 when the program was first launched with only 65 homestay operators (MOTAC, 2017).

Table 1.3 : Ministry of Tourism, Arts and Culture (MOTAC) Homestay in Malaysia

No.	MOTAC's Homestay	2008		2012		2016	
		No. of Homestay Coordinator	No. of Homestay Operator	No. of Homestay Coordinator	No. of Homestay Operator	No. of Homestay Coordinator	No. of Homestay Operator
1	Selangor	16	535	15	458	15	443
2	Johor	15	435	16	508	21	445
3	Pahang	23	336	15	259	16	323
4	Negeri Sembilan	8	234	11	265	13	288
5	Sabah	19	228	16	228	22	293
6	Pulau Pinang	9	202	9	200	11	234
7	Kedah	10	200	14	324	16	345
8	Perak	6	178	8	260	11	305
9	Sarawak	16	172	28	419	35	515
10	Kelantan	8	163	8	152	8	152
11	Terengganu	7	149	6	101	10	185
12	Melaka	4	103	7	115	9	137
13	Labuan	3	65	3	79	3	79
14	Perlis	2	34	3	56	3	56
TOTAL		146	3,034	159	3,424	193	3,800

(Source: Industry Development Division, MOTAC 2017)

Note: Detail refer Appendix A.1

To be a MOTAC's homestay operator, local hosts have to adhere to a set of strict guidelines to ensure tourists get a real experience of living in the local culture. All homestay operators must occupy the premises and are not allowed to just rent out their house to tourists using the homestay status. For the registered homestay operators, the MOTAC will provide Homestay Malaysia trademark logo, holds the copyright of the logo to prevent other manipulators, especially unregistered homestay operators, from using it (Figure 1.1).



Figure 1.1 : Malaysia's Homestay Logo, Ministry of Tourism, Arts and Culture, Malaysia

(Source: Tourism Malaysia)

The growth of homestay business could potentially increase income and job opportunities to the local community. Hence, the success of a homestay program inspired many other communities to create their own homestay business. The performance of homestay has generated tourist arrivals and tourist receipts (Table 1.4). In 2016, the number of tourist arrivals increased by 0.78 percent compared with 2015. Unfortunately, the overall homestay's income decreased by 8 percent to RM26,086,384.20 compared with RM 28,400,633.50 in 2015.

Table 1.3 : Ministry of Tourism, Arts and Culture, Malaysia (MOTAC) Homestay Generated Income and Tourist Arrivals

No.	MOTAC's Homestay	2015		2016	
		Homestay Income (RM)	Tourist Arrivals	Homestay Income (RM)	Tourist Arrivals
1	Perlis	394,356.00	3,574	330,041.00	4,111
2	Kedah	1,917,206.00	17,943	1,111,584.00	22,092
3	Pulau Pinang	728,846.00	8,127	532,686.00	5,699
4	Perak	550,746.00	10,851	622,160.00	7,889
5	Selangor	3,127,511.00	59,011	2,769,157.00	48,075
6	Melaka	1,686,275.00	39,951	1,81,305.00	30,841
7	Negeri Sembilan	853,691.50	8,640	584,846.00	5,798
8	Johor	2,095,211.60	57,826	1,682,605.00	67,334
9	Kelantan	270,295.00	5,991	223,395.00	3,972
10	Terengganu	268,624.00	2,724	762,751.00	3,059
11	Pahang	10,625,492.00	118,518	11,005,178.00	133,807
12	Sarawak	3,070,792.80	26,192	3,378,588.60	26,365
13	Sabah	2,329,718.60	27,592	2,678,722.60	29,842
14	Labuan	481,868.00	3,550	404,620.00	4,719
TOTAL		28,400,633.50	390,490	26,086,384.20	393,603

(Source: Industry Development Division, MOTAC 2017)

Note: Detail refer Appendix A.2

This study focuses on homestay business in Selangor. According to MOTAC (2017) MOTAC's homestay business in Selangor experienced a 19 percent drop in the number of tourist arrivals in 2016 from the year before, leading to a decrease in homestay generated income at RM 2,769,157. Its rank also dropped from 2 to 3 behind Sarawak homestay out of 14 MOTAC homestays in Malaysia. In addition, Banghuris homestay from MOTAC's homestay in Selangor was recognized among top 5 out of 181 MOTAC homestays in Malaysia, and received the Asean Homestay Award for fulfilling the criteria set by the Asean Homestay Standard (AHS) which benefit from branding and international recognition (MOTAC, 2016). The other four MOTAC homestays received the AHS award from Kampung Santubong Homestay (Sarawak), Homestay Miso Walai (Sabah), Homestay Kampung Lonek (Negeri Sembilan) and Homestay Kampung Taman Sedia (Pahang).

According to MOTAC (2016), AHS aims to create high-quality homestay offer to tourists and in return, homestay certified under AHS can charge higher rates commensurate with the quality of experience offered. Hence, this motivated the author to identify the underlying causes of problems and challenges faced by registered homestay operators in Selangor.

1.2.1 MOTAC's Homestay in Selangor

Selangor is the most developed and the richest state in Malaysia with a population exceeding 6 million. Selangor is located on the west coast of Peninsula Malaysia, covering about 125,000 sq. km. Selangor's climate typically consists of warm, sunny days, and cool nights all year round with occasional rain in the evenings. The state capital of Selangor is Shah Alam

and its royal capital is Klang. Selangor is divided into nine districts: Sabak Bernam, Kuala Selangor, Hulu Selangor, Petaling Jaya, Gombak, Klang, Kuala Langat, Hulu Langat and Sepang. Selangor's economy is well-diversified with a good mix of agricultural, industrial, commercial and tourism activities. State authorities have put in much effort over the years to promote Selangor for international and local tourists. At present 15 MOTAC homestays in Selangor has been developed in all almost districts in Selangor (Figure 1.2). In the state of Selangor, there are variants of the MOTAC's homestay program that have been customized to suit the tourists needs (appendix A.3.)



Figure 1.2 : MOTAC's Homestay in Selangor
(Source: Tourism Malaysia, Selangor)

Tourists are drawn to visit MOTAC's homestays in Selangor for their culture and heritage experience. Most homestays are operated by small-scale farmers and villagers with help from the state government, the MOTAC, Tourism Malaysia and Tourism Selangor Sdn. Bhd. The number of active registered homestay operators in Selangor dropped. The number of registered homestay operators in Selangor has decreased from 443 in 2014 to 423 in 2016, leading to a decreased in the number of rooms from 709 to 679 (Table 1.5). Originally, Selangor had 16 MOTAC homestays. However, in 2009 Homestay Setangkas withdrew from being a MOTAC homestay.

Table 1.4 : Ministry of Tourism, Arts and Culture, Malaysia (MOTAC) Homestay in Selangor, Number of Homestay Operator and Room

No.	MOTAC's Homestay	District	2014		2016	
			No. of Homestay Operator	No. of Room	No. of Homestay Operator	No. of Room
1	Banghurus	Selangor	80	100	80	100
2	Bouganvilles	Gombak	15	20	15	20
3	Kanchong Darat	Kuala Langat	50	75	50	75
4	Kg. Kundang	Kuala Langat	25	55	25	55
5	Kg. Batu Laut	Kuala Langat	17	22	17	22
6	Sg. Lang Tengah	Kuala Langat	20	36	20	36
7	Kg. Endah	Kuala Langat	32	47	32	47
8	Sg. Sireh	Kuala Selangor	40	50	40	50
9	Sg. Tinggi	Hulu Selangor	30	60	30	60
10	Papitusulem	Sabak Bernam	32	79	32	79
11	Sepintas	Sabak Bernam	20	20	20	20
12	Batu 23	Sabak Bernam	25	30	25	30
13	Air Manis	Sabak Bernam	17	45	17	45
14	Sg. Haji Dorani	Sabak Bernam	20	40	20	40
15	Seri Kayangan	Sabak Bernam	20	30	n/a	n/a
TOTAL			443	709	423	679

(Source: Industry Development Division, MOTAC 2017)

Detail refer Appendix A.4

The performance of MOTAC homestays in Selangor was translated in the number of tourist arrivals and tourist receipts. The number of tourist arrivals declined to 48,075 from 59,011 in 2015, leading to a decrease in generated income at RM2,769,157 (Table 1.6). Besides, the data show homestay Seri Kayangan has withdrawn from MOTAC's homestay business since 2014 followed by Homestay Sepintas in 2015, reducing the number of active MOTAC's homestays from 16 to 13 homestays in 2016. Challenges and problems are important parts of life that give people experiences, make people learn and help people to become wiser and stronger.

Table 1.5 : Ministry of Tourism, Arts and Culture, Malaysia (MOTAC) Homestay in Selangor, Income Generated and Tourist Arrivals

No.	MOTAC's Homestay	2015		2016	
		Homestay Income (RM)	Tourist Arrivals	Homestay Income (RM)	Tourist Arrivals
1	Banghurus	801,740	12,205	667,650	8,526
2	Bouganvilles	156,685	2,412	133,780	2,114
3	Kanchong Darat	211,650	5,991	198,234	3,854
4	Kg. Kundang	497,910	1,250	288,900	1,694
5	Kg. Batu Laut	17,100	400	28,175	360
6	Sg. Lang Tengah	37,790	932	28,880	776
7	Kg. Endah	59,270	8,710	118,660	10,483
8	Sg. Sireh	468,850	9,696	389,248	6,304
9	Sg. Tinggi	64,400	610	55,650	600
10	Papitusulem	39,100	419	89,070	306
11	Sepintas	400	30	300	20
12	Batu 23	60,821	2,595	198,450	3,557
13	Air Manis	331,553	3,770	188,702	979
14	Sg. Haji Dorani	380,242	9,991	384,458	8,502
15	Seri Kayangan	n/a	n/a	n/a	n/a
TOTAL		3,127,511	59,011	2,769,157	48,075

(Source: Industry Development Division, MOTAC 2017)

Detail refer Appendix A.5

In conclusion, by looking the declining trend in the number of MOTAC homestays due to homestay operators withdrawing as registered homestays as well as increasing number of registered homestay operators being idle homestay business led to the all-out number of active MOTAC's homestay reducing from 16 homestays to 13 homestays in 2016. Therefore, the first objective of this study aims to identify the challenges and problems faced by registered homestay operators when running the homestay business. It attempts to investigate the root cause of declining trends in homestay performance and the reasons why registered homestay operators decided to become inactive in their homestay business and withdrew from being MOTAC's homestay. Secondly, the study attempts to investigate community capacity building (CCB) in terms of human capital, organizational structure and social capital as well as the participation level of registered homestay operators when running their homestay business, and whether their attitudes and behavior influence the outcomes of CCB and the types of participation level leading to the declining trend in homestay performance.

Third, this study attempts to measure homestay cost of operations, and revenues/income earned by registered homestay operators from homestay business. The aim of this study is to determine whether income generated from homestay business can be one of the main motivation factors that encourage the local community to be a homestay operator. I also investigate whether registered homestay operators engaged in homestay business received a good income after a long involvement in the homestay business. Knowing the overriding challenges faced by registered homestay operators in conducting homestay business, it is hoped that the results will help various homestay stakeholders to understand the root cause of the challenges faced by registered homestay operators and endure the challenges ahead.

This chapter provides an overview of the proposed study. The description of issues and the problem statement identified for this study will be provided next. This will be followed by Section 1.3, objectives of the study, Section 1.4 provides the significance of the study, Section 1.5 operational definition of variables and Section 1.6, the organization of the thesis.

1.3 Problem Statement

One of the major challenges faced by registered homestay operators is the decline in the number of Ministry of Tourism, Arts and Culture (MOTAC's) homestays from 16 homestays in 2008 to 15 homestay in 2009, due to homestay operators withdrawing from being registered homestays like *Homestay Setangkas* and in the year 2015, the number of MOTAC homestays in Selangor further dropped when *Homestay Seri Kayangan* became inactive homestay business followed by *Homestay Kampung Sepintas*. Increasingly, registered homestay operators choosing to be idle homestay business, leading

to the all-out number of active MOTAC homestays reducing from 16 homestays to 13 homestays in 2016 (MOTAC, 2017).

In addition, the trend of declining MOTAC homestays in Selangor can be seen through the number of tourist arrivals and the income generated from homestay business, which declined to 48,075 in 2016 from 59,011 in 2014, leading to a decrease in income generated at RM2,769,157. The number of total registered homestay operators and rooms offered decreased from 443 to 423 in 2016, leading to a decrease in the number of rooms offered from 709 to 679 (MOTAC, 2017).

The first issues showing declining trends in the performance of the MOTAC homestays in Selangor was found when we compared registered homestay operators with unregistered homestay operators. We have all seen the rise of sharing economy, and many of us have made use of it to earn or save extra money. Home-sharing owner uses online platforms to advertise and provide a booking channel to tourists. One of the well-known platforms is Airbnb. Airbnb is a trusted web-based business that connects people to varieties of accommodation and travel experiences at any price, in more than 65,000 cities and 191 countries (Heo, 2016; Ert et al., 2016; Richard and Cleveland, 2016). But as we move toward a skill-and-asset-swapping culture, there are challenges ahead. Based on industry evidence, according to Malaysia Healthcare Travel Council (MHTC) innovative improvements and the development of digitization are the main thrust behind the rise and fast development of sharing economy. Thus, the accomplishment of the sharing economy has negatively affected the traditional MOTAC homestay business model especially for operators who don't take into account these evolving patterns (MHTC, 2017). In the tourism and hospitality sector, the rise of the sharing economy is highly visible and many companies are actively participating in the sharing economy to survive from endogenous and exogenous challenges in tourism risks and uncertainty of transformed tourism business practice in which significant factors shape the severity of tourism crisis (Heo, 2016; Ert et al., 2016; Richard and Cleveland, 2016).

In Malaysia, those who advertised their homes or budget hotels on short-term rent on Airbnb or other business website are classified as unregistered homestay operators if they did not register their homestay business with MOTAC. These unregistered homestay operators operate their homestay business without following the guidelines and procedures stipulated by MOTAC (MOTAC, 2012). Furthermore, according to MOTAC (2012), unregistered homestay operators used the brand of 'homestay', projecting a false image of a true Malaysian homestay experience to tourists. In addition, according to MOTAC (2014) many complaints had been lodged against unregistered homestay service apartment providers as tourists have complained of having been cheated in homestay programs. Unregistered homestay operators only provide normal accommodation without giving the

tourists an opportunity to experience other culture and "Kampong" lifestyle with homestay operator's families (MOTAC, 2014).

The second issue regards the CCB in terms of human capital, organizational structure and social capital as well as the participation level of registered homestay operators when running their homestay business. According to Abdul Rashid et al. (2011) CCB of local communities must go parallel with the homestay community-based rural tourism. Without proper planning on CCB, the homestay development at community level will lead to negative outcomes. Therefore, it raises a question regarding whether registered homestay operator attitudes and behavior influence the outcomes of CCB and the type of their participation level, leading to the declining trend in homestay performance.

Moreover, highlighted by Funnell and Scougall (2004), CCB is an important principle of the Stronger Communities Strategy for tourism development programs. Hence, CCB increases the personal and collective resources of individuals and communities, helps them to develop skills and capacities they need, and respond to the challenges and seize the opportunities that come their way. According to the results of the literature review, although CCB is the key to developing successful tourism development, there are limited researches on the CCB of eco-tourism especially in developing countries (Tang Z, 2019; Moscardo, 2008; Woodhouse, 2006; Balint, 2006; Reid and Gibb, 2004). Thus, this study intended to address this gap in the literature by exploring the issues and suggestions of CCB from the homestay context.

The third issue in this study sought to understand the registered homestay operator's business through the eyes of selected stakeholders in which consumers' needs, wants and demand are tied. Understanding "what do customers want" plays a vital role for MOTAC's homestay business success as customers are the key for business growth and profitability, while technological change is causing all the change in customers behavior, experiences and thinking that require homestay operators to change in order to meet changing customer needs. The question of how much disruptive innovation shifting away revenue from MOTAC's homestay traditional business model is a big concern.

Scholars such as Fradkin (2017), Heo (2016), Ert et al. (2016) and Richard and Cleveland (2016) revealed Airbnb online business model is the most recognizable international brand in the emerging "accommodation sharing economy" which refers to the growing number of property owners who are making their houses available for short-term rentals. Unfortunately, empirical evidence of the benefits and costs of the sharing economy and its implications is very limited and inconclusive (Murillo et al., 2017). Thus, the available research is too limited to give us a comprehensive and coherent picture of the

sharing economy in the homestay business context and often presented by stakeholders in the current controversies.

Moreover, according to Murillo et al., (2017) the sharing economy can have positive or negative effects for society as a whole in terms of innovation, security risks and the tax base. It has also driven entrepreneurship and reinvigorated the concept of sharing, leading to the mushrooming of unregistered homestay operators in the exciting growth market. The exciting growth market for alternative accommodation like a homestay encourages more people to rent out their underutilized or unused home for a short-term period (Fradkin, 2017; Heo, 2016; Ert et al., 2016; Richard and Cleveland, 2016). Many tourists use online marketplace scouting for homestay because the prices are cheaper compared with hotels (Oskam and Boswijk, 2016). Established registered homestay operators stand to lose if the sharing economy competes with unregistered homestay operators in an unregulated market. Aware of the power of large network offers through the online marketplace as well as monetary benefits that can be earned from the collaborative economy, most homeowners use the online marketplace as a medium to advertise their homes (Zhang et al., 2009). This phenomenon is projecting a false image of a true Malaysian homestay experience to tourists (MOTAC, 2012). Therefore, it raises the question whether income generated from the homestay business can be one of the main motivation factors that encourage the local community to be a homestay operator, as well as to investigate whether registered homestay operators engaged in homestay business received a good income after a long involvement in the homestay business.

There are much fewer studies on homestay income received by homestay operators in the context of homestay in Malaysia. For instance, from the results of literature, there are limited researches on the homestay income. Only six studies mentioned the average income received by homestay operators in general (Amran and Hairul, 2003; Liza et al., 2007; Yahaya et al., 2009; Abdul Rashid et al., 2011; Md. Anowar et al., 2013 and Bachok et al., 2018). The literature related homestay cost of operation, revenues and profit received by homestay operators from homestay business are hardly to found, motivating the researcher to address this gap. Moreover, many studies done on the homestay program in Malaysia focused on measuring the satisfaction level of tourists with the services provided by homestay operators and tourism development from the perspective of the local community (Yusnita et al., 2012; Md. Anowar et al., 2012; Jabil et al., 2011; Ismail, 2010 and Yahaya, 2004), measuring the tourist satisfaction level from homestay program (Salamia et al., 2011; Ismail, 2010; Amran, 2004; Fazliana, 2004 and Julaili, 2001), local community participation in the implementation of homestay program (Norlida et al., 2014; Fauziah et al., 2012; Ismail, 2010; Rosazman, 2008 and Kayat et al., 2006) and the success of the homestay program (M. Zaki et al., 2011; Nor Ashikin et al., 2010; Ibrahim, 2004 and Kayat, 2002). Studies are rarely done on the homestay supply-side perspective: whether registered homestay

operators can survive into the challenges ahead which guided tourism authorities and relevant government agencies in coming up with better policies (Nor SM et al., 2012).

Hence, to respond to this expression and fill the gap of the literature, this study aimed to analyse the challenges faced by registered homestay operators through the perspectives of selected stakeholders in Selangor, Malaysia. The challenges are examined through the lens of the disruptive innovation theory of sharing economy including internal and external challenges in homestay business practice whether the MOTAC registered homestay operators can endure the challenges ahead.

In conclusion, established registered homestay operators stand to lose if the sharing economy competes with unregistered homestay operators in an unregulated market. Moreover, there will be plenty of finger-pointing if tourists have been confused with the actual homestay concept in Malaysia and should tourists have many complaints about the unethical issues of unregistered homestay operators. This may tarnish the good name of registered MOTAC homestays as well as the Malaysian reputation as a winner of international recognition of the UNWTO Ulysses Award for innovation in public policy and governance as well as the AHS branding and international recognition. Despite the rapid growth of sharing economy, innovation in ICT has disrupted established industries and led to the emergence of new business models that promise to democratize socio-economic relations, bringing new value to customers, workers and society at large. But as the new business models emerge, they have stirred up many controversies, threatened the traditional business, created fierce competition in the industries and challenges by various stakeholders for example complaints of unfair work practices, protests by people whose livelihoods are affected, concerns expressed by law enforcers in a tussle for new legitimacy (Anna, 2015). These factors become the main obstacle in Malaysia to achieve the tourism transformation targeted toward a high-income country.

1.4 Objectives of the Study

The general objective of this is to investigate the challenges faced by registered homestay operators through the perspectives of selected stakeholder in Selangor, Malaysia. The specific objectives are:

- i. To identify the problems and challenges faced by registered homestay operators when running homestay business.
- ii. To investigate community capacity building and participation level of registered homestay operators from homestay business.
- iii. To measure homestay cost of operation, revenues and income generated by registered homestay operators from homestay business.

1.5 Significance of the Study

This study investigates the challenges faced by registered homestay operators through the perspectives of selected stakeholder in Selangor, Malaysia. For the first objective, this study contributes to the literature by presenting new evidence at the industry level of the success the sharing economy has had a negative impact on traditional homestay businesses model across various industries that do not cater to these changing trends. Moreover, according to Murillo et al. (2017) empirical evidence of the benefits and costs of the sharing economy and its implications is very limited and inconclusive. Yet, there is no research focused on the sharing economy in the MOTAC's homestay business context; this has become a problem and dilemma for policymakers –how to plan for an informal set of exchanges using an online platform. Thus, the results from this research give a comprehensive picture of the MOTAC's homestay sharing economy that will help policymakers and other various stakeholders to understand the root cause in the current controversies.

In addition, this study also contributes to knowledge creation and will benefit various stakeholders who are interested in studying the Malaysian homestay. Most of the important issues highlighted in this study could be an opportunity to exchange ideas, provide better understanding of motivation among registered homestay operators to survive with the challenges ahead, explore new and appropriate strategies in emerging homestay business model through the network collaboration by developing the links between the world of academia and policymakers that may help bridge the gap and bring more academics and policymakers to work together in the decision-making process.

For the second objective, the study regards CCB in terms of human capital, organizational structure and social capital as well as the participation level among registered homestay operators. The results from this study would help the registered homestay operators and homestay coordinators to identify their strengths and weaknesses, help them to develop skills and capacities needed and respond to the challenges and seize the opportunities that come their way as well as prepare them with sound knowledge of homestay development for better development and implementation. As highlighted by Funnell and Scougall (2004), CCB is an important principle of the Stronger Communities Strategy for tourism development programs. The results from CCB and participation level in this study would help homestay stakeholders to understand whether attitudes and behavior influence the outcomes of CCB and the type of their participation level, leading to the declining trend in homestay performance.

For the third objective, this study is among the pioneer work that provides new evidence of the homestay cost of operation, revenues and income generated by registered homestay operators from MOTAC's homestay business. To date, the MOTAC's homestay cost of operation, revenues and income generated by

registered homestay operators has not been adequately discussed in the Malaysian literature. According to Amran and Hairul (2003), not all homestay operators who engage in homestay business receive a good income after a long involvement in the homestay business. Thus, the people's quality of life involved in the homestay does not show any significant changes in terms of increasing the total household income. In addition, according to Liza et al. (2007), direct income earned by the homestay operators in Terengganu is very low. Average income received by the operator is only about RM51 for the one-night stay or RM17 for each one of the visitors, after deducting other expenses.

An investigation of MOTAC's homestay business performance to determine whether income generated from homestay business can be one of the main motivation factors that encourage the local community to be a homestay operator as well as to investigate whether registered homestay operators engaged in homestay business received a good income after a long involvement in the homestay business is important to solve the declining trend of MOTAC's performance not only in terms of tourist arrivals and income generated but also the issues of homestay operators withdrawing from being registered homestays. Homestay Setangkas, Homestay Seri Kayangan and Homestay Kampung Sepintas became inactive homestay business leading to the total number of active MOTAC homestays reducing from 16 to 13 homestays in 2016 (MOTAC, 2017).

Meanwhile, for policymakers with scarce resources to allocate between competing policies, the overall findings in this study offer some implications to improve existing guidelines on homestay business for authorities particularly MOTAC and local authorities who give licenses for homestay business. Lodging houses business for all residential apartments, condominium, flats, and the gated private house should be regulated and to operate the homestay business with the license irrespective of whether they used "homestay" or not in promoting their homestay business. Hence, the findings in this study may contribute to the importance of MOTAC's homestay business sharing economy via collaborative economy model among homestay stakeholders that gives an energy practice of the traditional homestay business longevity in an effort to serve the customer better from competition to network collaboration.

1.6 Operational Definition of Variables

Below are the main variables and their definitions used in this study:

1.6.1 MOTAC's Homestay Program/Business

The establishment of homestay business under Ministry of Tourism, Arts and Culture, Malaysia (MOTAC) where a tourist will be hosted by a host family and share their meals and enjoy the daily routines of a village life.

1.6.2 Registered Homestay Coordinators

Refer to the total number of MOTAC homestay establishments in Malaysia responsible for organizing quality accommodation.

1.6.3 Registered Homestay Operators

Are local hosts participating in MOTAC's homestay program/business, refer to families who offer their own home to tourists.

1.6.4 Unregistered Homestay Operators

Are local hosts participating in homestay business who offer their own home to tourist without registering their business with MOTAC.

1.6.5 Local Community

A group of people who live in the same area (such as a village, city, town, or neighborhood) and who have the same cultural, socio-political, religious and racial backgrounds and interests.

1.6.6 Selected Stakeholders

Selected people having some self-interest directly or indirectly in homestay, either because they might use the findings or because decisions made by others in light of the findings might have an impact on them.

1.6.7 Problem(s)

Something that is a source of intolerable trouble that may hinder the provision of homestay services.

1.6.8 Challenge(s)

A certain degree of difficulty that still allows the homestay services to take place.

1.7 Organization of the Study

The organisation of this study is structured as follows. Chapter 1 discusses the background of the study, the problem statement, objectives of the study, the significance of the study related to various homestay stakeholders and operational definition of variables. Chapter 2 provides a theoretical review from the literature according to the objectives of the study. Specifically, Chapter 2 starts with a review of the homestay concept covering the homestay definition and the community-based rural tourism followed by destructive innovation theory, sharing economy, homestay income, CCB and the theory of local community participation and motivation.

Chapter 3 provides the methodology of the study. This chapter starts with the theoretical model that addresses the overall research approach and research process using the mixed methods research (MMR) approach. The notation system for this study can be written as QUAL + QUAN.

Chapter 4 provides the results of the challenges faced by registered homestay operators through the perspectives of selected stakeholder in 2016. The first section presents the demographic profile of registered homestay operators in Selangor, followed by discussions on the root cause of declining trends in homestay performance and the reasons why registered homestay operators decided to become inactive in their homestay business and withdrew from being MOTAC homestays. The external and internal challenges are also taken into account. The second section in Chapter 4 discusses the level of CCB and participation of registered homestay operators and the last part of Chapter 4 discusses the comparison registered homestay operators and unregistered homestay operator's income generated from homestay business. Chapter 5 provides a summary and conclusion, policy implications and limitations of the study and suggestions for further research.

The study attempts to investigate CCB in terms of human capital, organizational structure and social capital as well as the participation level of registered homestay operators when running their homestay business, whether their attitudes and behavior influence the outcomes of CCB and the types of participation level leading to the declining trend in homestay performance.

Third, this study attempts to measure homestay cost of operations, and revenue/income earned by registered homestay operators from homestay business. The aim of this study is to determine whether income generated from homestay business can be one of the main motivation factors that encourage the local community to be a homestay operator as well as to investigate whether registered homestay operators engaged in homestay business receive a good income after a long involvement in the homestay business. Knowing the overview challenges faced by registered homestay operators in conducting homestay business it is hoped that the update will help various homestay stakeholders to understand the root cause of the challenges faced by registered homestay operators and can endure the challenges ahead.

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