

ESTIMATING OUTPUT MULTIPLIER OF HOMESTAY PROGRAMME IN SELANGOR, MALAYSIA

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ABSTRACT

Well-developed agriculture products have the potential to enhance local economic activities by promoting tourism activity and local business opportunities for the rural communities. Homestay is an agritourism hybrid concept that merges two complex industries of agriculture and tourism to create a profitable market for farm products in Malaysia. Homestay programme has the potential to develop the rural community by fostering various tourism activities and regional development through economic multiplier effects. The homestay multiplier effects representing the interdependence of economic activities that correlated to additional operator's income, generating more local supplier purchases, inducing jobs and finally increased in overall community incomes and expenditures. The results of the study show that the development of Selangor homestay programme has successfully generated significant income and output opportunities for the participated villages. The average Type 1 output multiplier is 1.57, while Type 2 output multiplier is 2.19 representing high total benefits that contributed to the overall economy. This study is pivotal to the homestay stakeholders who participated in this programme especially to estimate the economic contribution of homestay programme to Selangor income. This study has proven to be a valuable and efficient means of uncovering how the rural communities are benefited from the utilisation of their natural resources.

Keywords: Agritourism, homestay programme, economic impact, multipliers and economic benefits.

Introduction

The basic idea of homestay programme is to provide an accommodation in a homely rural environment to visitors by offering local cultural hospitality for domestic and foreign tourists. Malaysian homestay is an alternative form of agriculture and tourism niche product that is consistently gaining grounds as one of the newest rural community opportunities from revitalising natural resources. The programme's fundamental principles are to generate additional income to the participating households while representing the local cultures and actively contributing to the economic well-being of host communities as well as the stakeholders involved. Since 1995, the development of homestay programme has become one of the most important agritourism products to promote rural tourism destination that has potential to grow in Malaysian tourism industry (MOT, 2016).

There are 3,653 registered homestay operators spread across 325 Malay villages in 2015 compared to only 2,553 operators in 135 villages in 2010 (Ministry of Culture, Arts and Tourism, 2011). In 2015, Selangor registered among the highest number of licensed homestay operators, total rooms availability and the most significant income performance. A total of 5,056 rooms available showed that this programme is gaining interest. Table 1 shows the number of homestay operators in Malaysia.

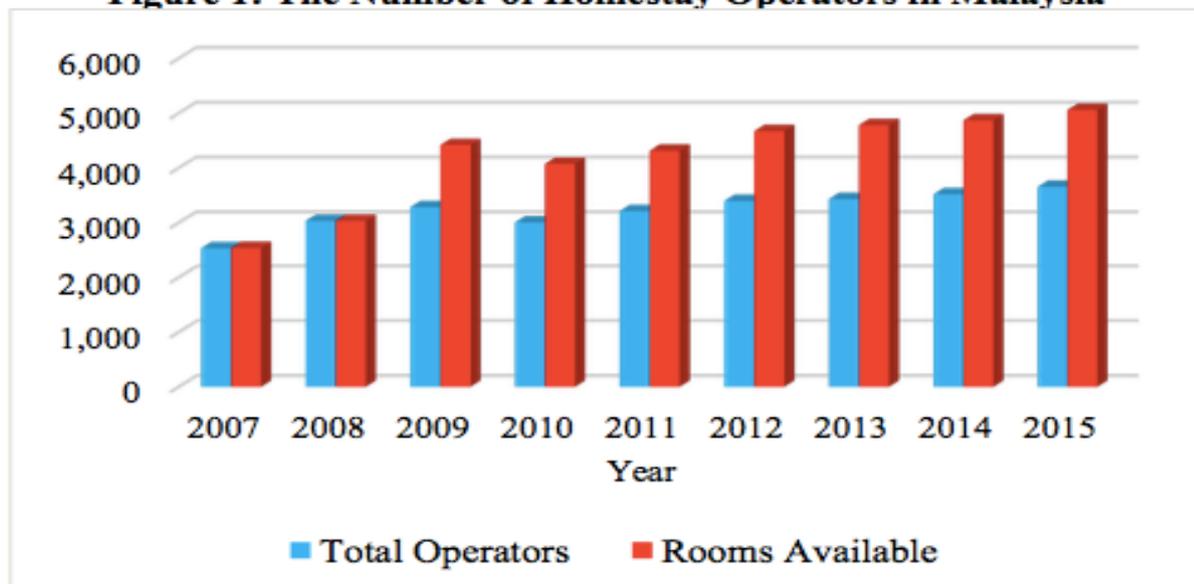
Table 1: Malaysian Homestay establishments until 31 December 2015

No.	States	Total Homestay	Total Villages	Total Operators	Total Rooms
1	Perlis	3	3	56	64
2	Kedah	15	20	334	431
3	Pulau Pinang	10	27	220	244
4	Perak	10	39	292	396
5	Selangor	15	34	443	709
6	Melaka	7	7	115	173
7	Negeri Sembilan	12	32	275	409
8	Johor	21	45	445	588
9	Kelantan	8	9	152	182
10	Terengganu	8	8	153	155
11	Pahang	16	21	323	450
12	Sarawak	32	36	473	622
13	Sabah	21	41	293	536
14	Labuan	3	3	79	97
	TOTAL	181	325	3,653	5,056

Source: Homestay Unit, Industry and Development, MOT Malaysia, 2016

Since the first homestay was officially introduced in 1998, the number has increased to 612 operators in 2000 (Liu, 2006). There were 3,211 in 2009 and 3,519 in 2014 of homestay operators registered with the Ministry of Tourism (MOT, 2015) scattered in several Malay villages throughout the country. By December 2015, the total number of homestay operators has reached 3,653 with a total of 5,056 rooms available for this programme. Figure 1 below shows the establishment of homestay over the years in Malaysia.

Figure 1: The Number of Homestay Operators in Malaysia



(Source: MOT Malaysia, 2016)

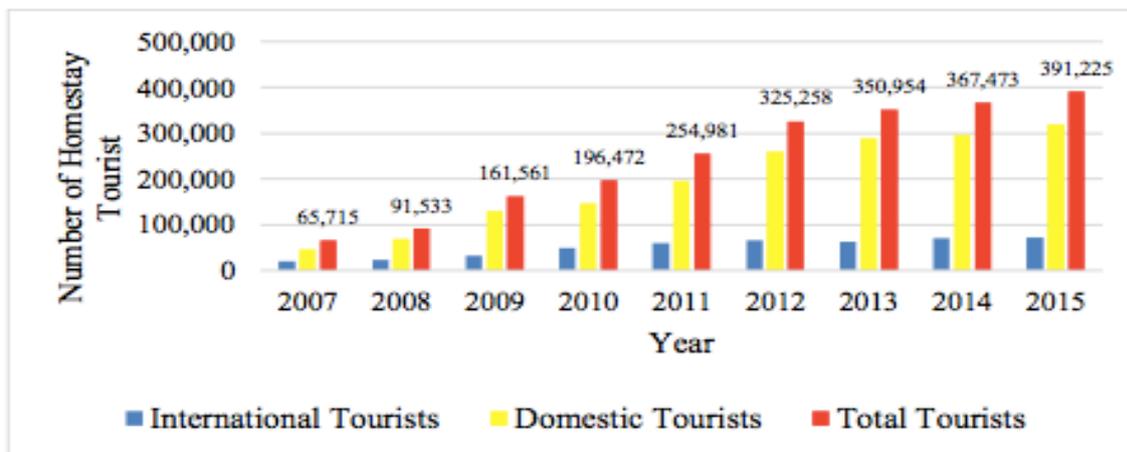
Selangor homestay programme promotes leisurely lifestyle involving opportunities to stay with “Malays” families to experience the native lifestyle, daily routine, cultural, heritage, customs and traditions, and relish authentic cuisine. It stimulates the local economic activities and social wellbeing of the villages and at the same time preserving the natural environment and cultural heritage. Lynch (2003), defined “homestay” as a type of

accommodation that allows visitors or guests to pay and stay in a private home, with greater or lesser degree of interaction with the host or family members. Hamzah (2008), pointed out that homestay applied greater interactions between host families and tourists upon cultural exchange, respect and generosity of rural people warm hospitality. Based on Ministry of Tourism (MOT, 2016), RM 28.3 million total income was generated from homestay programme with 391,225 tourists arrival in 2015. Thus, Malaysian homestay is consistently gaining grounds as one of the newest rural community opportunities from agriculture activities.

Homestay programme has potential to grow and economically viable, however, both domestic and international tourists' arrival is a crucial component. Despite extensive promotion and government supports, homestay have not developed in the way they are desired (in terms of visitors' arrival trend, low participation from international visitors, and low occupancy rates). Therefore, it is believed that if homestay visitor low occupancy and participation rate problems have not been tackled soon enough, it could significantly impact the Government's objectives in increasing the rural community participation, designed under the Malaysia Village Action Plan Strategy. Unfortunately, until now there is no solid evidence provided by any researcher that the homestay programme in Malaysia has seen consistent success as some operators gained high extra revenue, some operators received low profit and some decided to withdrawn or became "non-active" operators due to unsuccessfulness in getting the visitors to stay in their homes. Thus, the study findings could contribute to the understanding of the successful or failures factors of homestay operations, particularly in Selangor. This will help to provide insight and direction for community participation in homestay industry, and may provide some guidelines for a new homestay operator to gain knowledge before joining the programme.

Each homestay community could produce similar or different economy potential or impact on its community based on the availability of local culture and heritage attributes attached to the homestay itself. Hence, the majority of existing Malaysian homestay research analysed the performance and visitor satisfaction aspects rather than the evaluation of the economic impact of this programme. Furthermore, Selangor, in particular, registered the highest number of total rooms' available, licensed homestay operators and among the most significant income performance as per current report produced by MOT (2016). A total of 443 homestay operators with 709 rooms available show that Selangor is one of the dominant states for homestay development in the country (MOT, 2014). Indeed, it is an evidence of growing demand from both domestic and international tourists that significantly influence the homestay's incomes. However, there are significant gaps between the lower level participation among international visitors' compared to domestic participation as presented in Figure 2 below.

Figure 2: Comparison of Homestay Domestic and International Visitors.



(Source: Industry Development Division, MOT Malaysia, 2016)

The homestay programme evidently has provided economic benefits to the local community. Local people organised and hosted the programme, thereby making them the primary recipients of the benefits, financial or otherwise, that accrue from the tourism activity. Thus, homestay programme can be used as a "money spinner" to the host families and many of the small businesses in the local communities that benefit directly from the influx of tourists to their area. Normally a visitor is charged based on the services provided by the homestay operator. This charge varies from one location to another homestay location as the factor of endowments and activities provided are different between areas or locality. A 2-day 1-night homestay package in Selangor ranges between RM150 and RM250 inclusive of the accommodation, food and related activities. The charges would also vary accordingly based on to the visitors' participation in activities involved such as paddy harvesting, livestock and nature, farming practices, arts and crafts, culture preservation, small and medium enterprises (SME's) visits, orchard tour and festival

celebration. Although agritourism establishments of any kind significantly generate additional income possibilities to the community economic impact studies of income accrued or employment opportunities are hardly seen in any literature particularly in Malaysia. Economic impacts of homestay can be viewed in terms of many aspects which include, business output or sales volume, value added or gross regional product, wealth, personal income including wages, or jobs. Any of these impact measurements can be viewed as an indicator of economic improvement and changes in a well-being of area residents. Thus, the main objective of this study is to estimate the output multiplier of homestay development in Selangor to the operators and community in the region studied.

2. REVIEW OF LITERATURE

The agritourism product of the term "homestay" might be different in different countries. In the United Kingdom, farm stay offers an English tradition of hospitality by providing accommodation for a seasonal stay that contributed to the development of farm-based holiday, and become an attractive recreational activity that contributes significantly as a form of business diversification to the farmers (Busby & Rendle, 2000). An attractive and vibrant rural tourism business would have a viable effect to customers as the investment in the countryside should not be seen as an extra capital but rather as a core component of successful rural tourism development (Garrod, Wornell, & Youell, 2006). In Australia, the homestay concept is also associated with farmhouse and student accommodation (Moscardo, 2009). Australian government portrays the concept of agritourism as a viable economic development of community project (Porcaro, 2010). However, in the United States, homestay is mostly related to agricultural or education homestay (Ahmed, Abraham, & Zakaria, 2011). While in Italy, rural agritourism considered as a broad and innovative tourism products range with extensive government supports to develop this industry.

An economic impact is usually viewed as an expansion or a contraction of the economy in a study area resulting from changes in economic activities that are directly or indirectly produced from visitors' spending for the programme. In Malaysia, most of the rural communities have participated in a homestay programme to diversify their income base (Nor & Kayat, 2010; Fauziah & Mohd, 2012; Siwar, 2013). In many developed nations, agritourism is often perceived as a means of catalyst for national and regional economic development to nourish and revitalising communities, while providing a significant benefit to the local population (McGehee & Andereck, 2004). Thus, considering the potential effects on the community well-being, homestay should be developed in coordination with the local community's value, a potential for added income and rural economic development (Hussin & Kunjumar, 2014). Generally, in developing countries, there have been limited quantitative studies about the impact of local tourism. Much of tourism studied in Malaysia literature has dealt extensively on sustainability, satisfaction and environmental impacts of tourism development rather than giving due attention to the regional economic aspects. Thus, multiplier approach analyses able to analyse a micro sector-specific multipliers to estimate changes in economic benefit due to visitors spending. Yacob (2006) and Yacob et al., (2007) has applied this method in accessing the economic valuation of several marine parks and ecotourism sector in Malaysia.

3. METHODOLOGY

The methodology in this research consisted of two key stages. Firstly is the estimation of homestay visitor expenditure. Secondly is the calculation of the economic impact of homestay programme development in Selangor. The economic impact of Selangor homestay development programme explains the evaluation of benefits accrued in the local area. The determinations of some influential variables are required through comprehensive data collection efforts in order to access Selangor homestay programme in term operators and local community economic benefits. A particular strength of this form of analysis is the ability to measure the overall effects from the initial visitor's expenditure that can have significant additional effects throughout the rest of the economy, which resulting in increased of income and expenditure by a range of different groups, many of whom are not directly connected with tourism.

The sampling frame for this study comprised of 206 visitors, 160 operators and 200 local communities who participated in 2014 are utilised to estimate the total economic impacts of homestays in Selangor. Eight homestays have been selected to provide a scale representation of the homestay population or operators in Selangor. The selection of sample size is based on Yamane (1967). Based on the secondary finding, a close-ended questionnaire was developed to generate a primary source of data. During data collection, systematic random sampling approach was used to select the operators which represent the sampling frame designed to obtain a minimum of 10 operators for each homestay from different villages which participated. A face to face interview was held with the homestay operators by using stratified data sampling prior to homestay lists of operators and individual homestay financial report provided by the MOT coordinator/homestay appointed administrator. The operators questionnaire contained four main sections; firstly on operators' demographic background, secondly on financial information and homestay expenditure including, room charges, workers employed and activities offered, thirdly on the types of employment created and percentage of local people involved, lastly is the revenue and expenditures occurs within and outside of the local area. Concisely, the expenditure analysis for this study is an extrapolation from secondary data and also a survey data.

A study of the homestay programme economic impacts locally that allows quantification of the local financial, expenditure and revenue generation which involves the multiplier analysis of income structure, spending pattern and impacts on local development. The first step of multiplier computation is by looking at the number of tourists registered, a number of job creation, operators' expenditure pattern and finally the measurement of total economic impact from this programme in Selangor. Thus, the economic impact analysis for Selangor homestay is based on three stages of estimating direct, indirect and induced effects. These estimations can be classified as upstream and downstream impacts that are widely applied in estimating the economic impact to the local economy. The economic impact of tourism is typically estimated by some variation of the following simple formula:

Economic Impact of Tourism = Number of Visitor * Average spending per visitor* Multiplier

Keynesian multiplier concept is deemed suitable for this type of study since it able to show the direct estimate of financial flow and secondary impact of employees' expenditure. The specific theoretical framework for this research is to measure the income economic multiplier impact from homestay development in Selangor to capture or estimate the sum of direct, indirect and induced effects within the region. Type I multipliers refer to the ratio of (Direct + Indirect) impacts and Type II multipliers is the ratio of (Direct + Indirect + Induced) impacts to the direct impacts (Stynes, 1999; Willis & Garrod, 1999; Yacob et al., 2007). Primary data which were obtained from survey interviews with both homestay operators and visitors were analysed in this current study.

4. RESULTS AND DISCUSSION

In order to evaluate the economic impacts of homestay in Selangor, the direct, indirect and induced economic impacts were estimated. The information obtained from homestay operators, employees' and local community provide the estimation for the amount of expenditures to determine the percentage of local spending. A total of 160 operators were asked on how they spend their income within and outside the region study. Table 1 shows the results of expenditure analysis and computed multipliers:

Table 1: Expenditure Analysis and Output Multiplier

Items	RM	RM
A. Total Output of Homestay Operators		905,141
B. Total Input (within the local economy)		638,066
TE Salary, wages and benefits	233,850	36.6%
TE1 Nondurable goods (e.g. soap, towels, newspapers, etc)	64,360	
TE 2 Food and beverages (e.g. food supply)	78,564	
TE6 Other services (e.g. housekeeping service)	52,770	
TE7 Maintenance & Facilities Repair (e.g. landscape, plumbing)	15,550	
TE8 Marketing & Public Relations (advertisement, signboard, etc)	320	
TE9 Homestay activities (e.g. Cultural activities, farm visit, etc)	38,645	
TE10 Miscellaneous Expenses (e.g. training, travel cost)	35,715	
Sub Total	285,924	44.8%
TE3 Communication (e.g. internet, Astro, telephone)	23394	
TE4 Utilities (e.g. water, electricity, Astro, etc)	58,808	
TE5 Land/House Rent & Loan Interest	36,090	
	118,292	18.5%
C. Net Profits (A – B)		267,075 29.5%
D. Total Output spent locally (B11+B12)		519,774
E. Percentage output spent locally(D/A)		57.4%
F. Additional Income generated locally (D*Regional Multiplier)		559,641
Regional multiplier =1.0767		
G. Number of additional jobs created if each job is RM14,400/years(F/RM14,400)		38.9
H. Type 1 Output Multiplier (A+D/A)		1.57
I. Type 2 Output Multiplier (A+D+F/A)		2.19

(Source: Own survey, 2014)

The operators' expenditure on 16,000 homestay visitors amounted 0.638 million or 70.5% of revenue collected. The net profit to operators was 29.5%. About, 57% of output or the total expenditure accrued within the local area. High spending also took place within the local region that accounted for 81.5%, however only 18.5% of the total expenditure "leaks out" from the region studied. Thus, homestay development in Selangor contributes significantly to the rural community as expenditure circulates more within the local area and very minimal percentage of leakages outside the area. Type 1 output multiplier is 1.57, which representing 57% more local outputs were generated from homestay programme that contributes towards the overall benefits of the local community. While Type 2 output multiplier is 2.19 representing high total benefits that contributed to the local society and region studied. Type 2 output multiplier is higher than Type 1 due to the facts that more cultural, heritage, custom and agriculture activities are involved in homestay packages when visitors demand for a homestay programme.

CONCLUSION

The economic impact of homestay development in Selangor emphasised on the positive benefits and contribution to the local activity and rural community from tourist receipts. The economic impact study also tested the variety of popular spots for homestay locations in the Selangor state to dimensionally access the programme contribution of homestay tourism in Malaysia. The findings will contribute significantly to quantify the total economic impacts on local population in a rural tourism. This is especially applicable when a government effort is to link the planning of positioning Malaysia rural tourism as a niche and profitable industry in the future. Furthermore, output multiplier from homestay programme has shown a bigger impacts level comparatively from previous studied done in Redang Island, Perhentian Island and Tioman Island (Shuib et al., 1994; Yacob et al., 2007). There are practical evidence and implications of these multipliers on how homestay programme can be viewed as money spinner to enhance greater potential economic growth in the rural areas.

Although this study has highlighted the positive contribution of homestay in Selangor rural areas, the importance of comprehensive homestay tourism research should involve a larger area in comparison to these findings especially in other 13 states for future endeavours. Therefore, realising the potential gain of this sector, homestay programme must be designed to capture more international and domestic tourists receipt to ensure the sustainability of the programme. More specifically, homestay programme needs to focus on 2 vital tools by either "increasing the number of visitor arrivals" or "increasing the amount of visitor spending" at the site. In addition, the finding of this research has highlighted that homestay programme improves local residents' economic well-being, higher utilisation of local resources and preservation of culture, heritage and natural environment.

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