




Homestays in India

A Functional and Economic
Impact Analysis





TABLE OF CONTENTS



EXECUTIVE SUMMARY.....	03
INTRODUCTION.....	04
HOMESTAYS' CONTRIBUTION TO ECONOMY.....	05
IMPACT OF DIGITAL PLATFORM ON HOMESTAYS.....	06
CONTRIBUTION OF HOMESTAYS TO COMMUNITY WELLBEING.....	09
REASONS FOR STARTING HOMESTAY.....	10
PROFILE OF HOMESTAYS.....	11
REGULATORY IMPACT.....	12
POLICY RECOMMENDATIONS.....	14
METHODOLOGY.....	15

EXECUTIVE SUMMARY

HOMESTAYS' CONTRIBUTION TO ECONOMY*

- **Rs. 2577.4 crore**
estimated total value of output of homestays in India
- **Rs. 879.5 crore**
estimated total GVA of homestays segment in India
- **2.04**
Estimated output multiplier
- **4.38**
Estimated employment multiplier
- Interestingly, homestay as an accommodation providing sector within tourism industry, shows higher output and employment multiplier compared to overall tourism industry which is a combination of several other sectors. The output multiplier of overall tourism industry is 1.83 and employment multiplier of the same is 2.29 as estimated by Tourism Satellite Account of India.



CONTRIBUTION OF DIGITAL PLATFORM TO HOMESTAY BUSINESS

- **90%**
reported increase in outreach
- **79%**
reported increase in revenue
- **81%**
reported diversification in type of guests
- **67%**
reported starting offline and later adopting online platforms
- **75%**
reported peak season occupancy have gone up by 26 to 50 per cent
- **60%**
reported higher income as their tariff rate increased in a range of 26 to 50 %
- **20%**
revealed that their tariff increased in a range of 51 to 75%

CONTRIBUTION OF HOMESTAYS TO COMMUNITY DEVELOPMENT

- **15%**
homestay owners spent their earnings for community wellbeing
- **18%**
homestays were owned by women, irrespective of ownership status, women managed the majority of the operations in homestays and were confident and empowered.
- **74%**
of the homestay owners reside in the same property during most part of the year.



MOTIVATION FOR STARTING HOMESTAYS

- **78%**
income generation is the prime reason
- **15%**
to become an Entrepreneur
- **7%**
social interaction was the prime motive
- **19%**
sole source of earning
- **23%**
primary source of income & critical for their livelihood.
- **58%**
secondary income



INTRODUCTION

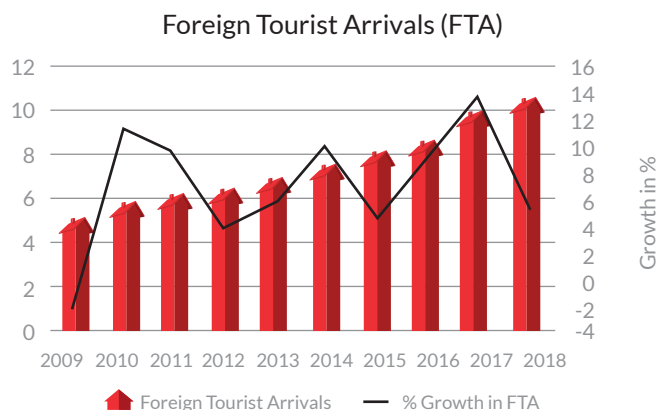


Fig1

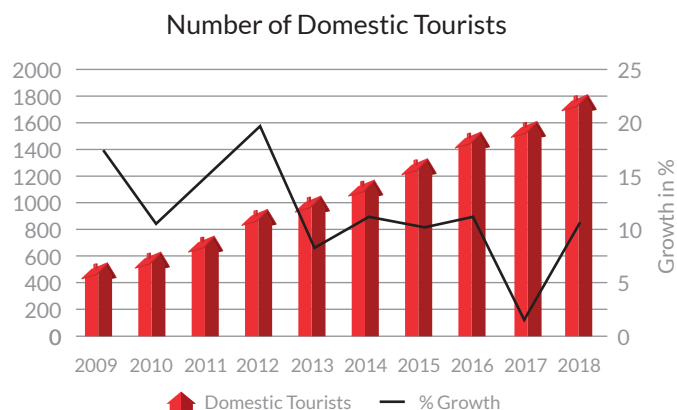


Fig2

India has witnessed considerable growth in the number of tourists (**both domestic and international**) but there are not enough tourist accommodation services, even in well-known tourist destinations. The situation is not much better for new destinations or rural and remote areas that can be potentially developed as new tourist attractions. A study by the Ministry of Tourism estimates that there is a shortage of nearly **2 Lac rooms for tourists in India**. In addition, the new age millennial traveler is looking for a more authentic, bespoke and real experience that she can call her own.

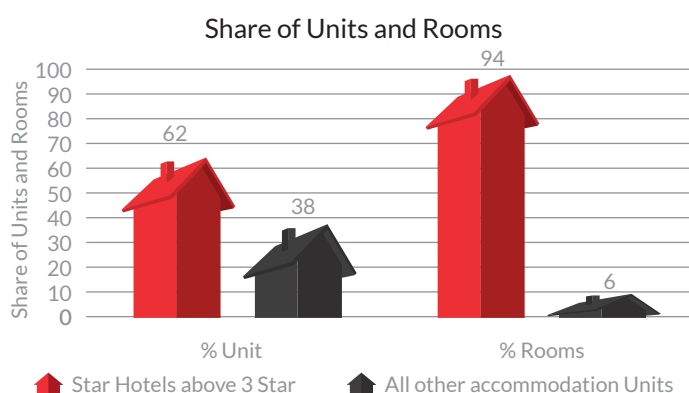
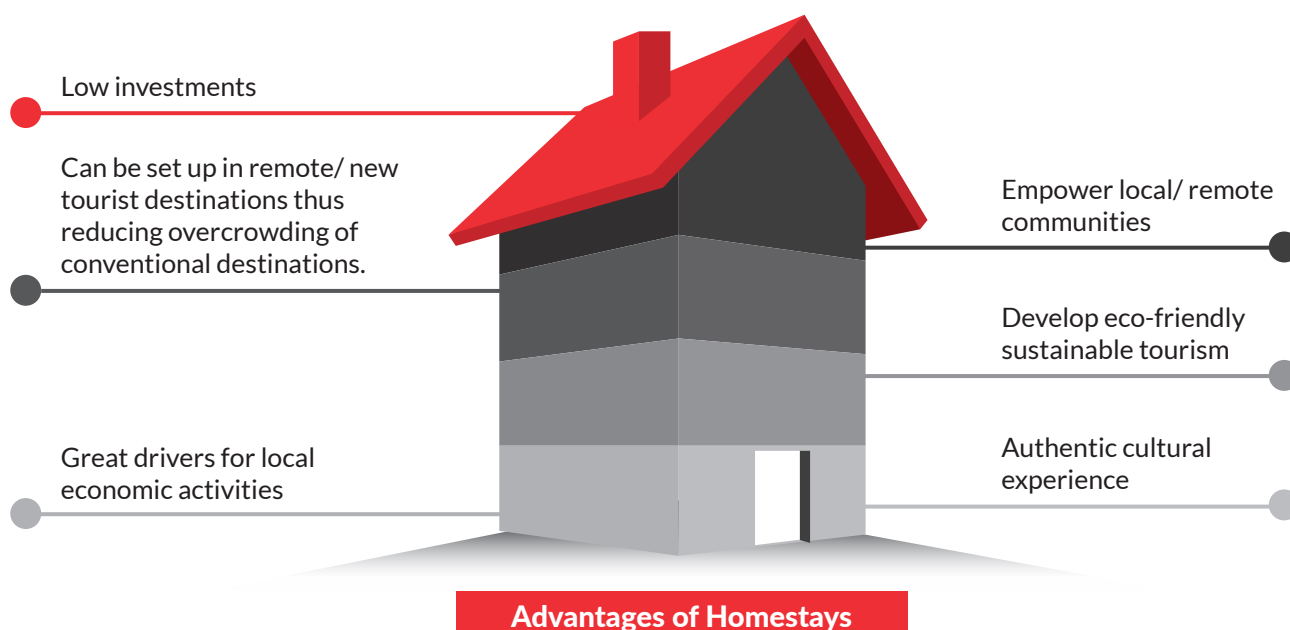


Fig3

This creates space for alternate accommodations such as Homestays and Vacation Rentals to emerge as suitable alternatives.



HOMESTAYS' CONTRIBUTION TO ECONOMY¹

Direct Impact

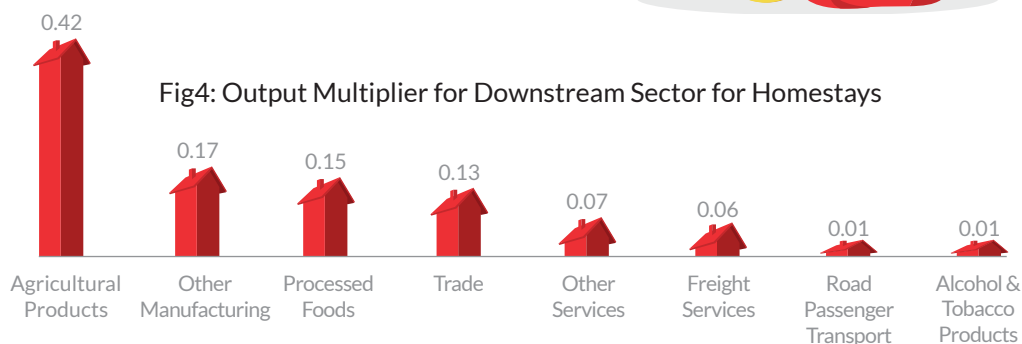
Total output²
Rs. 2577.4 crore

Gross Value Added³ (GVA)
Rs. 879.5 crore



Indirect impact

Output multiplier⁴
2.04



Agriculture products show the highest backward linkage for the homestay sector as when homestay sector output increases by 1 unit, output of this sector increases by **0.42 unit**. This means that homestay can be a critical value add to the rural economy and the government should provide special incentives for supporting homestays in rural areas.

Other sectors like manufacturing, processed foods and trade are also impacted significantly by the growth in the homestay sector.

Employment multiplier
4.38

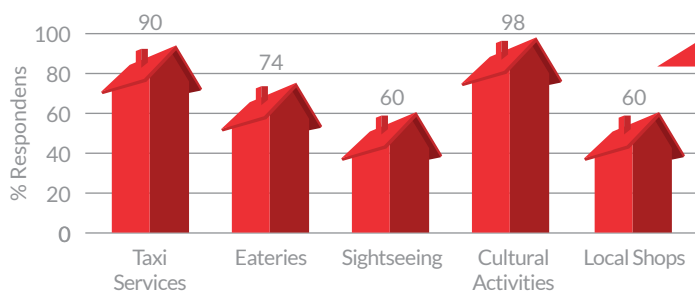


Fig5: Recommending Local Business

Homestays also generate demands for local guides, gardeners, drivers, cultural activities, local shops, eateries and similar services that tourists require in any destination.

>90%

of the respondents recommended cultural activities and taxi services to their tourists.



75%

homestay operators recommend local eateries



Case Study

Gauriben's Homestay
Gauriben Brahman
Gujarat, India



Gauriben Brahman was working as an agricultural labourer and used to put in long hours of work, and still had no security of income. Gauri Ben's house is situated in the village of Bakutra village in Gujarat - a thatched-roof house with three small rooms with cots topped with intricately hand-embroidered sheets. Through her homestay, she has welcomed guests from around the world and now earns more in a month from hosting than from the efforts of the entire family for an entire year of harvesting crops.

¹Economic contribution of homestay sector is estimated via input output analysis:

²Output is defined as total value of goods and services produced by homestay sector

³Gross value added is the value of output less the value of intermediate consumption by a sector. It is a macro-economic measure of the contribution to GDP made by a sector through its labour and capital.

⁴Output multiplier signifies that if output of homestay sector increases by 1 unit because of increase in demand for goods and services produced by homestay sector, the output in entire economy increases by 2.04 units due to inter-industry linkages.

IMPACT OF DIGITAL PLATFORM ON HOMESTAYS

Impact on Outreach

90%

reported increased outreach reflected in increased number of enquiries/booking requests.



Impact on Revenue

79%

affirmed rise in overall annual revenues after going digital⁵



Impact on Guest Diversity

81%

reported increase in guest diversity - origin and segments



60%

reported tariff rate increase in a range of 26 to 50 per cent

20%

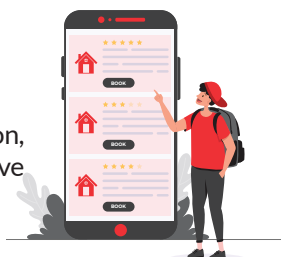
reported tariff increased in a range of 51 to 75 per cent

Basic	Standard	Premium
2.99	5.99	9.99
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓
Book	Book	Book

Impact on Occupancy

75%

reported that post digitalisation, peak season occupation rates have gone up by 26 to 50 per cent.



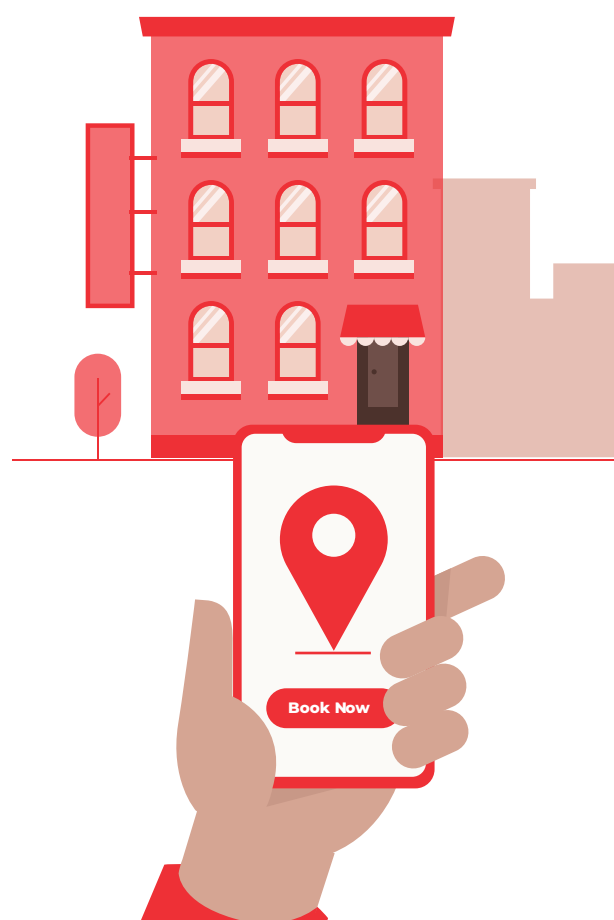
Impact on Business Acquisition

68%

of the homestays made their listings available on one or multiple online travel platforms



After switching to online platforms, the role of third parties and personal visits declined significantly.



⁵Revenue refers to overall collections; tariff refers to per day rack rate

Impact on Operations

67%

of all homestays started as offline only businesses but then adopted digital platform in various forms.

Presently:

65%

of homestays use digital platform only for day to day operations



24%

operate in hybrid model utilising both online platform and offline channels.



11%

still prefer offline operations only, because it enabled them to select and bargain with guests better.



Mode of Booking

Pre Digitalisation

77%

reported telephone and email was the prime mode of booking

56%

reported bookings through personal visits

65%

reported third parties played a critical role in bookings

Post Digitalisation

67%

booking through digital travel portals

38%

booking through own portal

30%

through other third parties

27%

through personal visits

Impact on Promotion and Visibility

Mode of Promotion

Pre Digitalisation

80%

homestays depended on "word of mouth"

36%

reported direct promotional activity through hoardings, billboards, on location promo

Post Digitalisation

85%

homestays get support from online travel platform and government websites

45%

homestays promoted their property through their own websites as well

40%

of homestays use social networking sites

Homestay owners acknowledged that digital platforms have played a critical role in increasing their visibility, outreach and revenue. For homestay owners to fully release the potential of digital platforms, training and capacity building from other stakeholders such as government and online travel platforms are needed.



Case Study

Going Digital

Chhotaram & Mamta Prajapat

Jodhpur, India

Chhotaram is a weaver and wanted to improve the economic wellbeing of his family by supplementing his income through home sharing. He used to depend upon tour operators and word of mouth publicity for his bookings. A guest suggested that he leverage the online platforms and created his profile on these platforms. Homestay has now become the primary source of his income. He now has 6 listings and 15 members of his extended family are able to generate livelihood from this homestays. He has 6 huts and all his family helps him in this business. They help in giving guests a tour of the surrounding villages, play with them and even eat with guests.



CONTRIBUTION OF HOMESTAYS TO COMMUNITY WELLBEING

15%

homestay owners spent their earnings for community wellbeing, such as:

- Enhancing cleanliness through removal of garbage from nearby areas
- Plantations around the neighbourhood
- Building approach roads
- Hosting cultural activities
- Supporting education of underprivileged children etc.

18%

homestays were owned by women

- Irrespective of ownership status, women managed the majority of the operations in homestays and were confident and empowered.



Case Study

Contribution to Society
Inderjeet Ghorpade
Pune, India

Jeet used the income from his homestay to help Wadkars - his caretaker's family and educate their two daughters. Jeet's mother worked with the Wadkars to educate them about different cuisines and now the Wadkars hold cooking demonstrations for foreign guests. While the additional income from the food business was helping them improve their quality of life, Jeet's father worked with the Wadkars helped them to open a bank account and started a fixed deposit for a secure future. Today, the Wadkars are happy owner of an independent house in their village and Mr. Wadkar has been able to purchase a scooter that allows him quick transportation to market, guaranteeing the freshest ingredients for their guests.



Case Study

Contribution to Society
Nitin & Deepti
Jaipur, India

Nitin and his wife Deepti are the founders of the nonprofit organization -SAKSHAM- Center for child education and women empowerment. They started this project about five years ago with two children and three women. They started hosting to sustain their project. Their entire earning from hosting is funneled into the project. So far, they have educated 150 kids and 90 women, free of cost.



Case Study

Women Empowerment
Ranjana
Mumbai, India

As a single parent, Ranjana taught in a school in Ladakh for 27 yrs. She returned to Mumbai, to stay in her mother's house. It was quite a challenge to sustain living in a city like Mumbai and maintaining a bungalow for a single mother. But things turned out well when she met a Russian girl during a Vipassana course whom she later invited to her home. She expressed the need to remain financially independent and her friend suggested hosting on an online platform. Hosting has not only made her very confident but has given her the courage to fulfill her dream of being an independent successful woman, an entrepreneur. She even supports her daughter who lives in Srinagar.

REASONS FOR STARTING HOMESTAY

78%

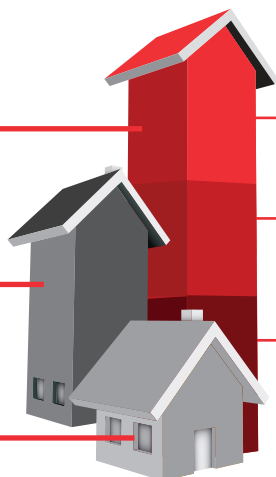
income generation is the prime reason

15%

to become an Entrepreneur

7%

social interaction was the prime motive



19%

sole source of earning

23%

primary source of income and critical for their livelihood.

58%

secondary income



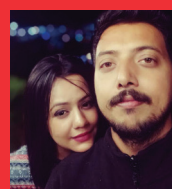
Case Study

Strong contributor to local economy - hosts who have given employment to others.

Akshay Seth

Delhi, Gurgaon & Uttarakhand, India

Akshay stumbled upon the idea of becoming a host when he interviewed with an online travel platform. During the interview, he had a lightbulb moment of becoming a host himself. What started as an idea to monetize his unutilized asset, has now evolved to Akshay pursuing Hosting and Property Management as a full time profession. In the last 2.5 years, Akshay has expanded his property management portfolio to ~30 properties and provides employment opportunities to over 55 people.



Case Study

Promoting local culture & sharing benefits of tourism

Priya & Mangaldeep Sharma

Gangtok, India

In Bangalore, Priya used to run a restaurant and Deep was employed with a foreign language translation firm. Although successful in their respective careers, they felt that their creativity was diminishing and lifestyle was becoming unhealthy. They considered returning to their hometown in Sikkim and starting a farmstay. Today, they are amongst many homestay hosts who contribute to Sikkim's tourism growth by providing an authentic farmstay experience and support the local economy.



Case Study

Anita P Jyrwa

Shillong, India

Anita has a lifelong commitment to supporting the development of rural communities in her state. She loves to research and share the traditional cultural stories associated with communities and places throughout Meghalaya. Having travelled widely in India and abroad, she had the opportunity of meeting many travelers. This motivated her to set up her own homestay so that she can in some way return the easy and relaxed hospitality which she has enjoyed from other hosts and meet new people and share the warm hospitality of Meghalaya with the rest of the world.

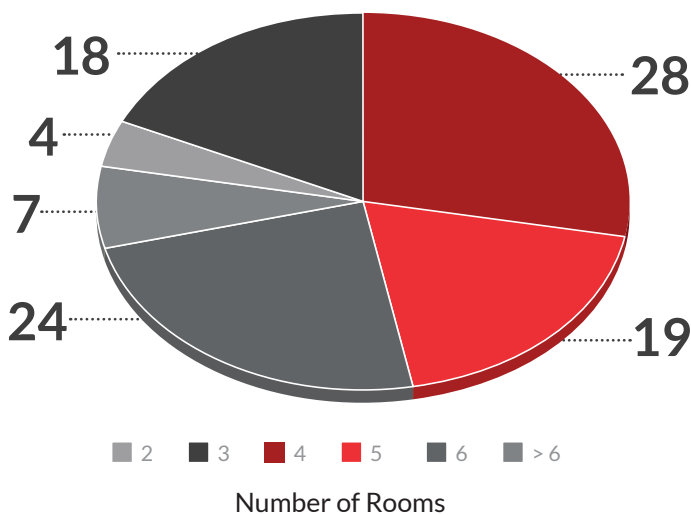
PROFILE OF HOMESTAYS

Homestays are micro-enterprises for self-reliance

Most professionally run homestays have more than 2 rooms on offer.

74% of the homestay owners reside in the same property during most part of the year.

Some owners leased out their properties as leasing provided a more secured revenue stream.



Distribution of Homestays by number of Rooms (in%)

Challenges of Seasonality

Homestay owners in every state reported that they experienced distinct peak and lean seasons. This affects their annual revenue streams and creates uncertainties.

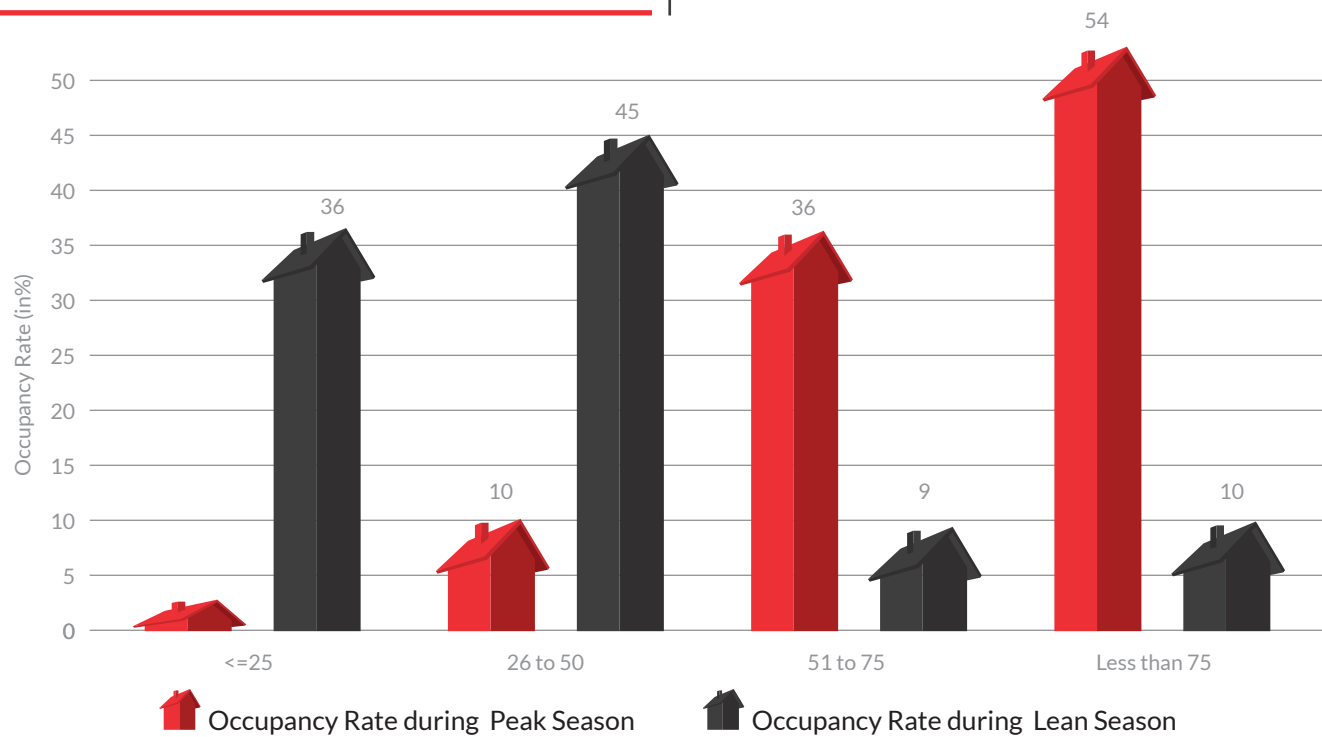
Peak Season

54% reported an occupancy rate more than **75%** during peak season.

36% reported occupancy rates between **50 to 75%**.

Lean Season

>80% reported occupancy level, **<50%** during the lean season.



REGULATORY IMPACT

Apart from studying the tourism policies of the Tourism Ministry and different states and Union Territories, the study also collated all homestay related schemes, policies and regulations as notified by the respective state governments that are available in the public domain. It was found that most states, through the various schemes attempted to extend the following benefits :



An overview of statewise homestay related regulations, policies and schemes

State	Tourism Policy	Specific mention about homestay	Registration mandatory	Incentives given	Tax benefits	Other benefits
Andhra Pradesh	2015	Supportive	Not supportive	Not supportive	Not supportive	Not supportive
Assam	2017	Supportive	Supportive	Supportive	Not supportive	Not supportive
Bihar	2009	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Delhi	2002	Supportive	Supportive	Moderately supportive	Moderately supportive	Supportive
Goa	No overall tourism policy exists	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Gujarat	2015	Supportive	Supportive	Moderately supportive	Supportive	Moderately supportive
Haryana	2008	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Himachal Pradesh	2019	Supportive	Supportive	Supportive	Moderately supportive	Supportive
Karnataka	2015	Supportive	Supportive	Moderately supportive	Moderately supportive	Not supportive
Kerala	2017	Supportive	Supportive	Not supportive	Not supportive	Not supportive
Madhya Pradesh	2016	Supportive	Supportive	Supportive	Supportive	Not supportive
Maharashtra	2016	Supportive	Supportive	Not supportive	Not supportive	Not supportive
Manipur	2014	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Meghalaya	2011	Supportive	Supportive	Supportive	Not supportive	Not supportive
Mizoram	2017	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Nagaland	2001	Supportive	Supportive	Not supportive	Not supportive	Not supportive
Odisha	2016	Not supportive	Not supportive	Not supportive	Not supportive	Not supportive
Punjab	2017	Supportive	Supportive	Moderately supportive	Not supportive	Not supportive
Rajasthan	2015	Supportive	Supportive	Not supportive	Not supportive	Not supportive
Sikkim	2018	Supportive	Supportive	Moderately supportive	Not supportive	Not supportive
Tamil Nadu	2019	Supportive	Not supportive	Not supportive	Not supportive	Not supportive
Telangana	2018	Supportive	Supportive	Not supportive	Not supportive	Not supportive
Uttar Pradesh	2018	Supportive	Supportive	Moderately supportive	Supportive	Moderately supportive
Uttarakhand	2018	Supportive	Supportive	Supportive	Moderately supportive	Supportive
West Bengal	2016	Supportive	Supportive	Supportive	Supportive	Moderately supportive

- Supportive of homestays
- Moderately supportive of homestays
- Not supportive of Homestays

However, whether it was under schemes, policies or regulations, the survey found that

- The Tourism Department and local administration often, in direct contravention to the Guidelines issued by the Tourism Ministry, imposed and mandated cumbersome, opaque and complex registration requirements
- The registration process involved application for NOC to multiple government agencies, physical inspection of properties by nominated individuals or committees and validity of certification that often lasted only one year.
- In some cases, it was found that the homestay owner had to convert their home into a commercial establishment and pay commercial rates for utilities before any registration was possible.
- The states continue to use and impose the traditional hotel licensing and classification on homestays
- Some states even fixed the pricing for homestays

Case Study

Regulatory Challenges

M P Sivadathan

Kerala, India

"One big challenge for homestays in Kerala is the process for applying for the classification certificate from the tourism department. For the tourism department to issue the classification certificate, a homestay has to get clearance certificates from the Local Self-Government Department besides NOC and owner certificates. However, when someone approaches for these certificates, they ask us to submit a new building plan for converting our home into a commercial building. There is no point in calling it a 'homestay' if it is turned into a commercial building. If the buildings are commercialized, the owners will have to pay building tax, water tax and electricity charges according to the commercial tariff. Homestays need to be classified under the domestic category."

Case Study

Pratibha

Goa, India

In Goa, hosts need 3 separate NOCs before applying to the Tourism Department for registration. The process takes many months and the certificate is valid only for one year. The hosts like Pari shared their concerns "I feel that there is a need for a much simplified and a unified process that helps in getting a go ahead from the relevant authorities. That will be one of the motivating factors for more hosts to join this community."

POLICY RECOMMENDATIONS

Need for consistent and enabling policy & regulatory framework:

- There is wide variation in the way the term homestay is defined by different government agencies. It is recommended that the definition as given in the MOT Guidelines for homestays and B&B should be uniformly adopted by all states and its agencies and the registration should be valid as per the time suggested in the MOT Guidelines.
- Compliance requirements are varied across states and still follow the traditional hospitality economy requirements of licensing, physical inspection, multiplicity of NOCs from various authorities, offline processing etc. In order to promote ease of registration, the processes should be made online, based on single window clearance, self certification, deemed approvals and technology enabled verification to replace the need for physical verification.

Need to revise tax and other charges:

- GST rates for Homestays continue to be at par with large resort and other hotels. However, homestays are devoid of resort-like facilities and often the host resides on the premises with her family. As such, it is recommended that the GST rate may be reduced and a flat rate of 2-5% may be charged as against a current slab of 12-18%.
- Many states continue to treat homestays at par with large industries and impose similar compliance requirements including payment of commercial rates for utilities. It is recommended that all states be advised not to apply commercial rates for utilities on homestays. This will help improve the viability of the homestays especially during the lean season.

Need for Industry status:

- Homestay ecosystem in India is still in a nascent stage. To meet the shortage of rooms and promote tourism beyond a few locations, it is important to recognise homestays as an important contributor to the tourism economy. It is recommended that homestays should be recognised formally as a part of small scale industry, hosts as micro entrepreneurs and access to same/similar benefits should be extended to homestay owners including access to capital, working capital loans etc.
- Homestays are often located in either rural or remote areas or in multistory apartments in cities. Imposition of NOC or payment of dues to the pollution control board is a significant compliance burden as homestays are essentially non polluting. It is recommended the homestays should be declared a 'Green Industry' and made exempt from the requirement from seeking NOC from the Pollution Control Boards.

Need for government support:

- Marketing of the homestays is considered as the biggest challenge by the homestay owners. The marketing activities by the government should focus on including homestays in their promotion for various state events and educating tourists about unique experience and expectations one can have from the homestays.
- Leave Travel Assistance (LTA) plays an important role in selection of location and accommodation type. The government should formally declare homestays as a recognised mode of accommodation to claim LTA benefits.

METHODOLOGY

The study has used both primary and secondary data for analysis purposes. The primary survey covered 6 Indian states:

- Maharashtra
- Himachal Pradesh
- Kerala
- Rajasthan
- Sikkim
- Goa

Primary survey was conducted for homestay owners/managers and tourists. From each of the states 30 homestays and 90 tourists were covered in the survey. A total of 180 homestays and 540 plus tourists were surveyed.

Apart from the primary survey data, the study has used extensive secondary data to analyse economic contribution of this sector that include:

- Enterprise Survey by NSSO
- Domestic Tourism Survey by NSSO
- Supply and Use Table by CSO
- National Accounts Statistics, CSO
- Tourism Satellite Account, Ministry of Tourism
- State tourism policies and schemes

Input Output Model

The study has used Input-Output modelling which is an extensively used macroeconomic model for economic impact analysis, based on the estimates of macro-economic parameters by different production sectors are provided by the Central Statistics Office (CSO) in their annual publication on National Accounts Statistics (NAS).

Since homestays are not identified as a separate category but is included under the overall hotel and restaurant sector, this study has used inputs from the primary survey conducted for this study and some plausible ratios from secondary data to establish the contribution of homestays in the economy, such as:

- Enterprise Survey by NSSO (Unincorporated Non-Agricultural enterprises during 2015-16 as part of their 73rd round of survey)
- Domestic Tourism Survey by NSSO (An all-India household survey on domestic tourism the NSSO as part of its 72nd Round of sample surveys.)
- Tourism Satellite Account (TSA), prepared and published by National Council of Applied Economic Research (NCAER) for the Ministry of Tourism.
- Supply and Use Table (SUT) that provides the processes of production and consumption of individual types of goods and services is provided by CSO. To obtain homestay Output, GVA and employment, NSS data was used to obtain the ratios which was further used to extract homestay industry from Hotels industry to construct relevant SUT.

About IAMAI

The Internet and Mobile Association of India (IAMAI) is a young and vibrant association representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers but, in the last 15 years, has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile and digital payments among others.

15 years after its establishment, the association is still the only professional body representing the online industry. The association is registered under the Societies Act and is a recognised charity in Maharashtra. With a membership of nearly 300 Indian and overseas companies, the association is well placed to work towards charting a growth path for the digital industry in India.

Contact: Dr Amitayu Sengupta (amitayu@iamai.in);

About ACRA

Ascension Centre for Research and Analytics (ACRA) is a Noida based research and analytics firm working on economy, business and consumer fronts. ACRA provides comprehensive solutions to stakeholders by integrating data from various authentic sources including primary surveys with meaningful and actionable insights. ACRA is also a database provider relating to consumption behaviour of households at a granular geographic level and Indian economic and development sectors. ACRA also conducts PAN India primary survey along with capabilities to execute online and telephonic surveys.

For more information, please visit www.ascension.org.in

Research Conducted by:

Ascension Centre for Research and Analytics (ACRA)

001, 2nd Floor, Plot No. 69, Block G

Sector 63, Noida- 201301, India

Contact: Dripto Mukhopadhyay: dripto@ascension.org.in