COVID-19 PANDEMIC: REVISIT THE CHALLENGES AND SUSTAINABILITY OF HOMESTAYS IN MALAYSIA

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ABSTRACT

The Malaysian Ministry of Arts, Tourism and Culture (MOTAC) has been promoting homestay programs among the local community as a means to enhance quality of life and facilitate sustainable development. The community's distinct characteristics and cultural significance have effectively attracted the tourism sector and aligned with the 'Truly Asia' Campaign. However, the Covid-19 pandemic has had a global impact, leading countries to implement four phases of Movement Control Orders (MCOs). The objective of this study is to examine the difficulties encountered by homestay operators in maintaining the viability of their businesses in light of the Covid-19 pandemic, as well as to propose strategies aimed at securing the long-term sustainability of Malaysia's homestay programs. This qualitative study investigates the impact of the Covid-19 outbreak on homestay operators, focusing on their struggles with limited support and income, increased operational costs, and the toll on mental health. The study reveals key challenges based on data from in-depth interviews conducted with operators in states with high Covid-19 cases. The respondents provided insights into various strategies employed to ensure the long-term viability of Malaysia's homestay programs, including diversification, business restructuring, government support, and digital marketing. This research contributes to the government's efforts to promote homestay programs in the tourism industry, shedding light on the industry's resilience during challenging times.

Keywords: Homestay, Sustainability, Rural Tourism, Challenges, New Norm, Covid-19
INTRODUCTION

The Homestay Business in the Southeast Asian region is widely recognized as a form of community-oriented tourism. Leisure travelling began to develop in Malaysia in the early 1970s and tourism has become the second-highest source of foreign exchange earnings. The Malaysian economy experiences a significant boost when there is an increase in foreign exchange earnings and subsequent expansion of the tourism sector, leading to a substantial rise in employment opportunities within this industry. The Homestay programs have been actively promoted by the Ministry of Tourism and Culture (MOTAC) and the Ministry of Rural and Regional Development (MRRD) with the aim of improving the standard of living for local hosts and fostering community development. The Homestay Program serves as a platform for international visitors seeking to explore Malaysia through active participation in the daily activities of their local hosts. Malaysia has about 4,000 homestay owners offering visitors a range of authentic rural and ecotourism experiences. The unique feature of this homestay system is that visitors can immerse themselves in firsthand village experience by living with a host family, allowing them to discover the simple lifestyle in the village up close. More attractions give Malaysian tourism a competitive edge.

The Ministry of Tourism and Culture, Malaysia (MOTAC) reported that the tourism sector was the sixth highest contributor to the Malaysian economy in 2015. This sector has expanded steadily over the past eleven years, with a rise in visitor arrivals and overall tourism receipts. The competitive advantage must be utilized in a highly competitive environment in order to ensure the sustainability of the tourism sector. According to the Malaysia Tourism Transformation Plan 2020, the tourism industry aims to achieve a total of 36 million tourist arrivals and generate RM168 billion in tourism receipts by the year 2020. With the capacity to offer employment to a substantial workforce of 3.4 million individuals, the tourism industry possesses the capability to generate additional prospects in alignment with Malaysia's objective of attracting 30 million international tourists by the year 2020, thereby generating revenues amounting to RM100 billion.

The recent Covid-19 pandemic, however, poses a significant challenge on Malaysia's tourism industry, especially the airline and hotel businesses. Covid-19 outbreak has revealed major danger to the Visit Malaysia 2020 (VM2020) campaign, as 50% of Malaysia's visitors come from Singapore and China. In order to fully contain the virus, The Prime Minister of Malaysia announced the 4 phases of the Movement Control Order (MCO) as they expected the number of Covid-19 cases would continue to increase. The prohibitions during the MCO also contracted the tourism industry in Malaysia and therefore it is imperative to have effective policies to assist the players in the field. Entrepreneurs suffer cancellation or termination of businesses and reduced sales due to the closing of many supporting industries such as retail and transportation. Prior to the crisis, Malaysia experienced a consistently high occupancy rate ranging from 80% to 90% for a majority of properties located in the Klang Valley, as well as select properties in Ipoh and Malacca. During the period of crisis, there was a notable decline in occupancy rates, specifically ranging from 30% to 40%, with the most significant decrease observed in the months of March and April (Lim, 2020). Most home operators were worried that occupancy rates would take a long time to recover to a minimum of 60% in order to survive in the market.

The domestic tourism industry, based on local operators, is growing stronger soon, especially for boutique hotels and forest retreats in rural areas (Theedge, 2020). Nonetheless, due to the constraints of maintaining the company infrastructure, not all small businesses in rural areas will follow this alternative approach. Previous research has argued that micro-enterprises located in underdeveloped regions face a higher degree of vulnerability compared to their counterparts in urban and developing
areas. Throughout the MCO period, many entrepreneurs started shifting to alternative approaches by selling and promoting their goods through social media and mobile applications such as Facebook and WhatsApp (Halim, 2020). The effect of a crisis or catastrophe on an organization should be of great concern to businessmen because it impacts the current and future success of companies. Statistics have shown that within three years of a catastrophe or crisis occurring, around 75% of companies without a recovery plan would fail (Cook, 2015).

Successful homestay operators may have invested a substantial amount of capital and resources to upgrade their services and strive to comply with the strict operating guidelines set by MOTAC. It poses a potential health hazard not only because of COVID-19, but also many other diseases. Disinfection, body temperature monitoring, protective equipment for the worker and more will incur additional costs that a small-scale homestay cannot afford. They must clean, repair and improve their homes so that they can convince potential customers. Covid-19 will be around for a long time but some company activities with assured SOPs will be opened when the time comes. It is partly due to the way the Malaysian government addressed the public health issue, and the perception of foreigners of Malaysia as a safe place to go. Hotels can also open but not homestays. Homestays have no future if the MCO phases continue to be implemented.

There is still a lack of research exploring on the challenges of a pandemic outbreak on microenterprises such as homestay businesses in developing countries, especially in relation to business continuity and recovery strategy. It is crucial to explore how micro-entrepreneurs experience crisis and the decisions they make for business survival. Hence, the focus of this research is to investigate the challenges faced in sustaining their businesses from homestay operators’ perspectives during and after the movement control order (MCO) due to the Covid-19 outbreak. In addition, this research also addresses strategies to ensure the sustainability of Malaysia's homestay programs. Ultimately, this research provides useful insights to small business development programs, particularly for rural micro-enterprises, so that effective interventions can be implemented to assist the sector, especially during the crisis cycle.

**LITERATURE REVIEW**

**Impact of Covid-19 on Tourism Industry: An Overview**

Numerous researchers have documented the impacts of natural and human-induced disasters, which have brought the tourism industry to a standstill, as these events significantly diminish the demand for recreational activities within the society (e.g. Dahles & Susilowati, 2015; Kuo, Chen & Tseng, 2008; Zheng et al., 2015). Most recently, preventive measures in curbing the spread of Covid-19 such as social distancing, international travel restrictions, lockdowns and quarantines have the most prolonged impact on the tourism sector (Kravchenko, 2020). Hence, this section reviews the existing literature on the challenges of pandemics in the tourism industry.

**Liquidity**

The cancellation of tourist bookings due to the Covid-19 has drastically reduced the hotel occupancy rates around the world, ultimately affecting the financial strength of this industry (NHO Reiseliv, 2020). A survey conducted by the NTO Reiseliv reported that more than half of tourism businesses have
difficulty paying invoices and are most affected in terms of liquidity compared to other industries during Covid-19. The situation worsened for small and medium-sized tourism accommodation providers such as homestays and BnB providers who have to tap into their savings to generate cash for both their living and business maintenance. Despite the cash shortage, these providers must invest in room renovations to suit the tastes of domestic tourists (Alagesh, 2020; Alonso et al., 2020, Dahles & Susilowati, 2015). According to Kutukiz et al. (2012), liquidity has a negative impact on the crisis because tourism providers are not able to generate enough cash to pay their financial obligations. This result is supported by Fry-McKibbin et al. (2017) and Zheng et al. (2015) who showed that the U.S. tourism industry experienced the greatest impact on liquidity during times of crisis. Both authors reached the conclusion that liquidity plays a significant role in elucidating the transmission of the crisis within the tourism industry.

**Employment**

According to the Department of Statistics Malaysia (DOSM), employment in the tourism industry and recreation industries are among the most affected and a decrease of 1% was recorded only in April (Bernama, 2020). A job survey conducted by the Malaysian Association of Hotels (hereafter MAH) revealed that as of March 20, some 4% of employees had been laid off, 17% put on unpaid leave, and 9% had taken pay cuts as a sign of ‘desperation’ among 3.5 million employers in the tourism industry (Ganesan, 2020). Nonetheless, MAH hoped that the tourism industry in Malaysia is able to recover gradually because Malaysians are allowed to travel within the country with the expenditure contributed will help the country's tourism industry.

Meanwhile, Lock (2020) has predicted global tourism will lose 100.8 million jobs by 2020 and of that amount, the Asia Pacific region is expected to record the largest loss from Covid-19. In a recent empirical study conducted by Mao, He, Morrison, and Coca-Stefaniak (2020), the researchers examined the impact of the Covid-19 crisis on the psychological capital of 430 employees within the Chinese tourism industry. The results showed that the income uncertainties caused feelings of panic, substantial disruptions in both their professional and personal lives, as well as a pervasive sense of anxiety and frustration. Prior to Covid-19, there was evidence linking the impact of SARS outbreak in 2003 to a 30% reduction in employment in the tourism industry in Asian countries (World Travel and Tourism Council, 2003).

**Business Survival**

Discussions on corporate survival in the tourism industry have focused on crises and disasters such as the SARS pandemic (Chen, 2010; Kuo et al., 2008; Siu & Wong, 2004), Swine Flu in 2009 (Keogh-Brown, Smith, Edmunds & Beutels, 2010; Russy & Smith, 2013), and the 9/11 (Arana & Leon, 2008; Bonham, Edmonds & Mak, 2006; Korstanje, 2018.). Chen (2010) studied the three crises namely, the 921 earthquake, the 9/11 (the 911 terrorist attacks) and the SARS outbreak that substantially deteriorated hotel stock performance in Taiwan. Although the current Covid-19 pandemic is not the first crisis faced by the tourism industry, it is seen to have a more violent, devastating and widespread impact on business survival by the industry (Gossling, Scott & Hall, 2020). The Covid-19 pandemic has paralysed the tourism industry since the travel restriction has led to a sharp decline in travel demand, and deteriorated market capital and performance. The situation became worse for small tourism accommodation providers due to financial limitations and the need to strengthen their business strategies to survive (Dahles & Susilowati, 2015).
In the Malaysia context, MHA projected that Malaysia would lose at least 60% of its tourism business by 2020. A survey conducted by MHA found that 35% of hotels in Malaysia had to be temporarily closed due to inability to survive and about 15% of hotels believed they could not survive the covid-19 pandemic and the probability of being completely closed was high (Teoh, 2020). As of June 2020, 19 hotels in Malaysia have closed their business permanently due to the inability to survive as a result of zero occupancy during the Movement Control Order (MCO) period (“The Stringer,” 2020). The question of how the tourism and hospitality industry around the world are able to survive and revive in the post-Covid-19 world is still vague (Baum & Hai, 2020). In relation to the above, tourism is susceptible to the effects of the Covid-19 pandemic. Therefore, building resilience is essential in aiding hotels to return more quickly to operational status and protecting both lives and livelihoods.

**Government**

The Malaysian government has provided various initiatives to stimulate and revive the tourism industry, including incentives under the Prihatin Economic Stimulus Package and the National Economic Recovery Plan (Penjana) (Carvalho et al., 2020). The incentives to Malaysian tourism include to provide a 15% discount on electricity bill in the tourism sector; exemption of tourism tax; exclusion of service tax for hotels; income tax relief for tourism expenses; and deferment of tax instalment payment (Prime Minister’s Office, 2020; Ministry of Finance, 2020). These tax incentives aid in easing the cash flow of Malaysia’s tourism industry players. Additionally, the National Economic Recovery Plan (PENJANA) puts into focus recovery supports towards tourism SMEs. RM1 billion PENJANA Tourism Financing (PTF) facility which was made available to finance transformation initiatives by SMEs to operate in the new normal amid Covid-19 in the tourism industry was one of the good initiatives (Ministry of Finance, 2020).

In light of these incentives, several efforts have been done by the government to protect jobs and promote employment. A wage-subsidy program has been introduced and tourism front-liners have been offered a one-off payment of RM600 to curb potential rising unemployment. Besides the stimulation of the tourism sector and aid for those affected, double deduction will be given on money spent on approved tourism-related training to encourage employers to further invest in raising their employees’ productivity during the economic slowdown. The government also provided up to RM100 million on a matching grant basis to Human Resource Development Fund (HRDF) to fund an additional 40,000 employees from the tourism and other affected sectors. There was a separate RM50 million subsidies for short digital skills courses and highly-skilled courses for 100,000 Malaysians. Furthermore, hotels and travel-related companies were also exempted from the Human Resource Development Fund levies from April to September 2020 (Lim, 2020).

**Technology**

To withstand disruptions from the pandemic, homestays need to revert to their earlier business models or establish a new equilibrium. Firms need to be agile and rapidly develop capabilities that can help them survive the changes that the environment imposes upon them. Such dynamic capabilities are related to specific strategies such as capitalising on the opportunity for digitization. The use of digital platforms such as social media, blogs, websites, as well as e-marketing could help to rebuild the confidence of the public to travel again and thus assist the tourism industry to recover from the effects of Covid-19 (Bernama, 2020).
In the post-Covid-19 era, customers have developed a renewed preference for contactless services supported by the digital platform and intelligent technology and these services are expected to continue after the covid-19 pandemic (Hao et al., 2020). It requires homestays to implement technological solutions to provide contactless service and assure customers of service safety. Additionally, the implementation of digital and intelligent technologies can also improve a hotel’s operational efficiency. Homestays can develop an integrated management marketing-service digitalization plan and extend the loop from marketing to operation management (Hao et al., 2020).

Adaptation of New Normal

In order to counteract the effects of the Covid-19 pandemic, homestays must implement stringent restrictions and overcome formidable obstacles, as well as devise methods to help their businesses become more adaptable. The tourism sector needs to adjust to the post-pandemic new normal, chiefly to address hygiene, safety, and ultimately consumer and business confidence in line with the United Nations World Tourism Organisation’s (UNWTO) Global Guidelines to Restart Tourism 2020 (Ministry of Finance, 2020).

The focus was predominantly on compliance with health and safety requirements and awaiting on further decisions regarding future protocols associated with these aspects. Besides, hotels and homestays need to engage in making some adjustments to the new normal include enhancing business models, deploying new practices such as refurbishments to align with Standard Operating Procedures (SOPs), contactless check-in, hygiene procedures and digitalisation such as online payment gateways, digital presence, digital marketing (Ministry of Finance, 2020; Liang, 2020).

METHODOLOGY

Data Collection

This study is qualitative in nature. In the preliminary phase, researchers have identified the list of homestays to be selected in this study. Homestays in states with a high number of Covid-19 cases (https://ukkdosm.github.io/covid-19) such as Selangor, Negeri Sembilan, Johor, Pahang and Perak were selected as the sample in this study. The reason for selecting these homestays is because of the challenges received by the homestay operators due to the high number of Covid-19 cases. Besides, the states chosen were also active in promoting homestays program in Malaysia (MOTAC, 2019). The owners and/or managers of these homestays had been considered as the key informants in this study. Thus, 17 key informants from these states had been approached for this study. For the pilot test, around 3 homestays in Perak had been chosen. The selection criteria for overall key informants, which is (a) must be registered under MOTAC; (b) be an owner or manager or both of the homestays; (c) must have been involved in the hospitality industry for at least three years. The data collected include the evaluation of the developed model through a wide range of issues on the implementation and challenges on maintaining the sustainability of the homestays during and after this pandemic.

Data Analysis
All of the interview information had been transcribed in two stages, from a rough transcription to a fine transcription (Moore & Llompart, 2017). Data analysing involved transcribing, coding and categorizing using NVIVO. Subsequently, an inductive coding method was performed to quantify the data. A good fundamental way to name the codes is based on length: the “word or short phrase” is ideal; a longer phrase or sentence is not (Elliott, 2018). The interviews were mostly conducted online due to movement restrictions order (MCO). The interviews lasted between 45 minutes and 1 hour. The interviewees preferred to speak in Malay as it is the first language used for daily communication in Malaysia. Initially, the themes of the interviews were created by the researchers, and they were generally the same. The responses obtained from the interviews were translated into English and verified by the language instructor for internal consistency. Next, the transcriptions were ready for the process of data analysis. The interview data were analysed using the thematic analysis technique (Braun & Clarke, 2006). The themes were generated from the responses to be analysed and yield the findings for the study.

**FINDINGS**

**Challenges**

This section discusses the findings of this study. It is separated into challenges and strategies. The challenges identified in this study are lack of support, less income and operation and maintenance cost, and mental health.

**Lack of support**

Data collected from the interview reveals that lack of financial and technological support are among the challenges faced by the homestay operators. They pointed that there are limited financial support from the government during the pandemic. They only received RM600 one-off cash assistance to cover the two years non-business operation. Hanafiah, Balasingam, Nair, Jamaluddin, and Zahari (2021) are in the opinion that despite financial support, it may still be insufficient for the business in the tourism sector. In addition, informant 4 emphasized his difficulties in getting the financial support for renovation and extension of their homestays. Similarly, informant 3 stated that no financial assistance was received for paying the electricity bill, as explained below:

“The electricity bill for the village hall to conduct the tourism activities are paid by the homestay owner”

Notwithstanding the above challenges, the informants encountered that there are various documentation and criteria to be fulfilled to obtain financial support from the government and banks, as recorded from informant 1:

“The paperwork for borrowing RM20,000 is similar to getting an RM100,000 loan”.

From another perspective, it was found that there is also lack of technological support to use digital platforms. As the majority of homestay operators are elderly and technologically illiterate, the majority of informants acknowledged that digital literacy is a significant problem for them, as expressed by Informant 12:
“We never make it online. The reason is that, in this village, there is lack of knowledge about the online order system”

 Nonetheless, they acknowledged that there are government initiatives to develop the homestay website. However, it was not fruitful due to weak coordination and inadequate planning. The homestay owners need to maintain their own website and it leads to unstandardized information, as supported by informant 4:

 “I’m old to do online and not know how to use it, but the children know how to use it. The young generation who is the child of the homestay participants, assisted in maintaining the website.”

 In another scenario, there is a misunderstanding on online booking and payment. For instance, the guest mentioned that they have paid online but the homestay owner did not receive such payment. The above finding is consistent with the research conducted by Ayupp et al. (2021) who concluded that most homestay operators are not favorable to using online payment and lack technology encouragement on their business decision.

 Additionally, the findings show that informants are confused about the latest standard operation procedure (SOP) for homestays as there are no specific guidelines. They also received late notification on the SOP for homestays, as mentioned by informant 12:

 “...all are tired of SOP as most of the people are not even following it ..”

 **Less Income**

 Based on the information gathered during the in-depth interview, homestay operators shared their emotions and experience of having less income during the pandemic. They pointed out that the government's financial support during the pandemic is quite limited. Only RM600 one-off financial assistance was given to all operators who registered under MOTAC. This is basically insufficient for tourism-related businesses especially homestay operators with limited income to survive. Few operators mentioned that they still have to spend to maintain the place even though there is no local or international tourist coming in. Examples of expenses included utilities and additional costs for sanitization as well as personal protection equipment costs.

 Informant 2 shared that:

 “... I have to hire local villagers for all the activities instead of fixed employees to cover the cost. Therefore, I still managed to run my homestay even the income has reduced more than 50%”

 From the response, it can be concluded that financial issues have become the main challenge to the homestay operators to sustain their business during the pandemic. Although they were able to survive, the substantial drop in their income was undeniable. It is also important to note that some of the homestay operators also provide the ‘kampung-stay’ concept for tourists. With less visitors and activities during the movement control order, most of the operators were pushed to diversify their business and increase promotion in order to sustain their business. As commented by Informant 3 and
Informant 5, restrictions in interstate travel and international borders have reduced the number of tourists.

“...the border is closed due to MCO and no promotion is allowed to be done in other states. Therefore, the number of visitors has reduced a lot even after MCO had been lifted”

Furthermore, Informant 15 commented as follows:

“...people have started to save money instead of spending for vacation due to limited income and safety reasons.”

Consequently, every respondent mentioned that their income is decreasing, but they believe that people have begun to conform to the norm. To maintain their businesses, operators must be more optimistic and begin adopting technology and diversification.

**Operating and Maintenance Cost**

In achieving business sustainability, one could not avoid the issue of cost management. It is known that the Covid-19 pandemic has adversely affected the income stream of the homestay operators. This, coupled with the burden of operating and maintenance costs, have only made it more challenging for homestay businesses to stay afloat.

Based on the interviews, it was found that the homestay operators still have to bear a certain amount of fixed maintenance cost despite not having any visitors and activities during the movement control order period. This includes the costs for lawn mowing, cleaning, and repairing of the homes as well as other common facilities such as the community hall. The maintenance work is very important to be undertaken periodically so that once the travel restriction is lifted by the government, the homestay operators would be readily prepared to be open to visitors. This can be drawn from the comment made by Informant 16:

“We have to take care of it so that when we finally start operating again, there won’t be much to repair.”

This is also similarly experienced by Informant 11:

“We must do the maintenance every month even if there are no visitors. In terms of internal and external cleaning, we need cost. It means even if we don’t have income, we have to cover the cost from other sources. Although we do not have visitors, we still have to bear monthly costs that incurred – to do cleaning, to take care of the repair of any damage occurred. So, if the homestay income is not there, we really felt it.”

In addition, pursuant to the new norm due to the pandemic, a set of guidelines has been issued to the homestay operators which emphasizes the aspect of hygiene, cleanliness, health safety, and standard operating procedures (SOPs) compliance. It is indeed a good effort to restore public confidence to travel post-pandemic. However, it also increases the operating costs borne by the homestay operators. Some examples of the new operating costs which have to be considered are sanitization and hygiene costs (hand sanitizer, hand soap, disinfectant spray), as well as personal protection equipment costs (masks, gloves). Some of the informants highlighted that so far, these additional costs are not so burdening.
However, it is believed that as the volume of visitors starts picking up, these costs would appear to be significantly affecting the profitability of the homestay operators.

On another note, homestay operators are considerably less affected in terms of its cost obligation compared to other hospitality industry players. This is because the houses offered for homestay programs are in fact owned by the operators themselves. Based on the feedback received from the informants, those houses are basically free from debt – no longer under any mortgages or other kinds of financial obligations. Therefore, this fact has at least moderated the financial impact of the pandemic on the homestay operators. Informant 16 shared that:

“The house doesn’t cost anything. We usually pay when the homestay owners receive guests. We don’t have other costs like marketing or whatsoever. It is all based on commission; when people come in, then only we pay commission.”

It is also important to note that some of the homestay operators also provide ‘kampung-stay’ experience to the visitors. Unlike the homestays, visitors will not be staying together in the same house with the owners when they opt for kampung-stay. However, visitors may still join the activities prepared by the homestay operators. In the case of kampung-stay, the operators still need to bear some operating expenses such as electricity, even during periods with no visitors, and when no one is staying in the house. Informant 2 further elaborated:

“... I have three refrigerators switched on all the time. Two houses (for kampung-stay), with a total of three refrigerators. Therefore, in terms of financial, I am affected.”

In view of the above discussion, financial obligation for the operating and maintenance costs proves to be a challenge to the homestay operators in their effort to sustain their business. Although the extent of its impact may not be as significant as the substantial drop in its income, it still plays an important role in determining the sustainability of these homestays following the severe outbreak of the Covid-19 pandemic.

Mental Health

With all other challenges due to the pandemic combined, it is expected to have taken its toll on the mental health of the homestay operators. When asked about how they felt especially during the beginning of the pandemic and MCO where all tourism activities were put to a halt, most of the informants shared that they were facing negative vibes like never before. Down, frustrated, stressful, discouraged, anxiety, give up – these are among the words used to describe how the pandemic had affected their mental health.

Informant 2 shared that:

“Personally, I am an outdoor person, So, I felt really down during the first MCO. I’ve had anxiety, and it was really a pressure to me. The anxiety was really bad, that I had a weightloss of 12 kg in 3 months’ time.”

The same feeling was also experienced by other homestay operators. It is believed that the pressure coming from the individual movement restriction, added with the challenges to sustaining the homestay
business when all tourism activities were blocked, collectively affected the mental health of the homestay operators. As told by Informant 10:

“Feeling frustrated because we have just started the homestay business. In fact, the return on investment has not shown any favourable result yet. Felt frustrated.”

It is afraid that it could significantly affect the homestay owners who are mostly elderly with other illnesses. Consequently, there were some elderly homestay owners who decided to not continue with the homestay business because of their health and safety concerns. Informant 16 explained that:

“We also had some discussion with homestay owners, many of whom are old. I think those who are over 65 comprised about 40%. They said that during this pandemic, they are quite reluctant to accept guests, they don't want to take the risk. Since many of them already have some illness, they don't want to accept guests yet for safety reasons.”

On another note, Informant 16 informed that its visitors are mainly coming from overseas:

“We indeed do not have strong demand from domestic. The only domestic market we have is the kampung-stay.”

Therefore, although domestic travel has been allowed, the homestay business is expected to only be fully recover when the international borders are completely open. Nevertheless, as the government started to ease the movement restriction in phases, domestic tourism is expected to help revive the homestay businesses. For instance, Informant 8 who readily focused on both the domestic and international market had at least seen incoming local tourists during the opening of state borders for domestic tourism:

“After two months of phase one, we have received some tourists, but all are from domestic. They are mostly family trips or the backpackers.”

With that, the operators began to feel relieved and became more optimistic that it will slowly return back to business as usual.

Strategies

On the other hand, the strategies discovered in this study are diversification, restructuring the business, government support and digital marketing.

Diversification

Queried about the most pressing disruption of their homestay business as a result of Covid-19, all participants voiced about the temporary cessation of operations due to the implementation of MCO by the government which completely prevented them from operating their homestay business as usual. Furthermore, from the interviews it was found that although the participants were severely affected in terms of income because of the pandemic, yet they strived to diversify and develop new income streams to maintain their livelihood.
Following the approach of diversifying income streams for better revenue management and income and cost control, homestay operators in this study have taken several approaches such as by opening night market and car boot sales, selling local traditional food and having other businesses as strategies to cope with the effects of the pandemic to sustain their lives. This is similar to a study by Baker et al. (2020), who suggested that business owners should be forewarned about survival strategies to sustain them throughout these unforeseen circumstances and in the future.

Informant 1, for example, acknowledged this strategy by developing innovative new sales channels and expanding their customer base as the best resilience in adapting in response to the challenges during the pandemic:

"We have our own coffee-based products. In addition, we diversify our income through cattle and deer farming, small-scale industries (selling cakar ayam and making kites), agricultural activities such as paddy field and oil palm. Moreover, we organize Hajj courses for prospective Hajj pilgrims. Not only that, we also sell our food products abroad."

From the interviews, it was clearly understood that mostly homestay operators managed to narrow the homestay business’ uncertainty gap due to the pandemic by unlocking the other potentials of the rural economy more widely by diversifying their businesses, creating new sales platforms, and finding innovative ways to reach new customers. The resilience and adaptability shown by these homestay operators is remarkable where business barriers can be turned into the growth of new business opportunities. Also shared by Informant 5 where:

"We have many other businesses besides homestays such as souvenir, strawberry farm and also ice cream and jam business."

Apart from the businesses mentioned above, participants also have other alternative sources of income such as pensions for those who are government retirees and allowances earned from their spouses. There are also homestay operators who believe the homestay business is not their primary source of income, so they are not overly impacted by the Covid-19 pandemic, as the homestay business is merely a passive source of income used to increase wealth and cash flow.

Restructure Business

The Covid-19 pandemic has changed the way businesses operate as well as undergoing a massive transformation and pivoting to a new direction could be the only way many companies could survive (Morgan, 2020). Given that Covid-19 creates a great blow to businesses, so developing a rolling strategy and adopting a business model are important considerations to ensure that a business is resilient in dealing with an ever-changing environment.

Based on interviews with homestay operators, there are 4 ways for them to restructure their business models to adapt to this pandemic situation. The first approach is to change the homestay business model by setting goals based on their strengths and weaknesses and reassessing the goals to reflect current realities. Among the changes made are organizing events and activities such as weddings, upgrading homestays to houseboats, operating chalets and providing room rental services. Among the statements made by the homestay operators during the interviews:
Informant 12:
“As the homestay had to cease operations during the MCO, so we took the approach by organizing courses as well as events.”

Meanwhile, informant 10 added:
“We rent out guesthouses to those who are interested…”

The second strategy is technology-oriented, and this approach is one of the most relevant to be implemented due to the physical absence of guests at the homestay. After more than a year hampered by the pandemic and with an uncertain business future for the rural tourism industry, this has opened an alternative interaction aspect pursued by homestay operators namely virtual homestay tourism to run remotely. In other words, the Covid-19 pandemic has accelerated the launch of forward-looking technologies that have potential in marketing and promoting businesses.

Informant 10 shared that:
“We organize virtual tours as a new kind of engagement to allow spectators to explore a scene and facilitate the tourism experience, without having to go here.”

The same approach was also implemented by informant 16:
“In addition to joining AirBNB as an experience host, we also held virtual tours with the international parties to experience the uniqueness of our homestay, virtually. If the live visit is interrupted due to a severe internet problem, it is changed to a recording session.”

At most, it is reasonable to argue that e-hospitality, exemplified by virtual tourism, can complement traditional face-to-face hospitality. It has the potential to help rural tourism operators overcome marketing constraints during crises like Covid-19, allowing them to remain competitive in their business. The third is by targeting different types of guests than guests who had visited before the Covid-19 pandemic. Among the targeted groups are contract workers and students who need long-term stays. According to Informant 7 and Informant 8:

“We aim for different types of customers to stay in our homestays, in this way it can provide income to us.”

The last one is to adapt to the Kampung-stay business model. Among the main justifications given by them in choosing to operate a Kampung-stay business is because this business model is still allowed to receive guests during the pandemic. This means that if they opt for Kampung-stay, it has the potential to generate income as their homestay operations have been fully closed during that period. According to Informant 2, Informant 13 and Informant 14:

“Most of the homestays here are starting to change to Kampung-stay.”

For other homestay operators who have not yet done so, adopting the Kampung-stay business model is one of the plans that is being considered. For instance, Informant 7 indicated:

“We have a vision and future plan to grow this business. Among the plans is to change the business model where we aim to implement the Kampung-stay program in the future.”
This supports Hong et al.'s (2012) assertion that, among businesses that do not appear to have a specific long-term recovery plan, only a few consider diversifying operations to reduce risk.

**Government Support**

Homestay program is a community-based tourism program used to develop and improve the quality of life of rural communities. According to Yusof et al. (2012), the success of homestay programs often depends on the involvement of the surrounding community, effectiveness of marketing and operations, the level of infrastructure, government support, and sustainability factors. The study by Amir et al. (2015) exhibited that the increased focus of the Malaysian government on homestay development before Covid-19 is significant due to the potential and ability of the program to promote the uniqueness of Malaysian culture.

Among the essence of the Tourism Rehabilitation Plan (TRP) under the National Tourism Policy 2020 - 2030 is to focus on reskilling and upskilling to increase the capacity and credibility of the profession by adapting to new habits especially digital literacy training (MOTAC, 2021). This strategy could be a solution to the concern raised by Informant 9 related to the lack of digital training by the government as follows:

“For homestay operators who are not familiar with the latest technology trends, they need to be trained in using digital tools such as virtual tourism to enhance the current skills.”

Based on this response, it is likely that when this interview was conducted, the government had not yet implemented this action plan. Nevertheless, from another perspective, Informant 6 commented:

“MOTAC does provide training to us in managing this business.”

In addition, Majlis Keselamatan Negara (MKN) and MOTAC have assisted homestay operators on compliance with SOPs while conducting routine operations in preparation for the tourism sector to be reopened to the public although the speed of recovery back to its former glory is unknown. Furthermore, MOTAC and the state government are also involved in the sanitation procedure and provided personal protection instruments such as hand sanitizers and thermometers to homestay operators as a precaution against the spread of Covid-19. Informant 6 shared that:

“During Covid-19, Perak Tourism helped us by providing hand sanitizer and thermometer. They also provided sanitation services.”

The same experience was also shared by Informant 9:

“MOTAC helped us with sanitation process.”

Meanwhile, informant 5 described:

“MOTAC is very concerned and responsible for the welfare of homestays. Information is constantly updated to us by MOTAC.”

In terms of financial assistance, MOTAC has also introduced several economic stimulus packages with the aim of reviving the economy and ensuring business continuity. Among the exclusive assistances to homestay operators is one-off special assistance of RM600 under PEMERKASA for homestay
operators under the Malaysian Homestay Experience Program (MOTAC, 2021). Informant 8 further explained:

“We received RM600 assistance from the federal government. Meanwhile, for the Perak state government, a one-off payment of RM2,000 was given to the Homestay Association.”

This is consistent with the study conducted by Amir et al. (2015) where the government through MOTAC, supports the development and growth of rural tourism program by granting specific funds to the operators. However, Informant 16 commented on the amount of financial assistance they had received:

“The amount of RM600 may not be a strategy, but it does help reduce the burden of homestay owners who lost their source of income in the homestay business.”

Besides, since its introduction by the government as a medium to promote rural tourism, the homestay program has been well-received due to its unique features that are able to raise awareness of the culture and customs that are still strong in the community. The efforts of the federal and state governments in promoting homestay programs have never stopped since its inception and this was agreed by some of the homestay operators in this research. Below are some views shared by some informants:

Informant 13 mentioned:

“The government is indeed helping in promoting local tourism.”

Informant 9, Informant 10 and Informant 14 also added that:

“State government is very helpful in promoting our homestays.”

From this study, it can be observed in the efforts and dedication of the government to restore and reduce the adverse effects of Covid-19 in the tourism and hospitality sector. The findings of this study are similar to the study done by Allaberganov et al. (2021) who showed that government strategies and support for business are relevant to the sustainability of the sector to alleviate pandemic-related difficulties in the tourism business. The global observations by He and Harris (2020) further reinforced these findings where governments around the world are seen to have implemented economic stimulus packages to reduce impending pressure on businesses, especially the most vulnerable, such as small-scale tourism and hospitality businesses.

**Digital Marketing**

Digital marketing is defined as using electronic media to promote a product or service as well as interacting the brand to the market across digital media to attract customers as the main objective of the marketer (Yasmin et al., 2015).

As a result of the pandemic that hit the world causing most of us to be at home for work, school and even leisure time as a result of the implementation of MCO by the government, people are spending more time online than ever before. Thus, this digital marketing strategy put the business close to people. The same rationale is also given by operators for example Informant 6 and Informant 10 asserted:
“Yes, we use online marketing as one of the ways to inform the existence of this homestay.”

The use of social media marketing seems to be common across almost all operators interviewed. Homestay operators in this study use online marketing extensively in line with the development of evolving technology to create a constant buzz about their homestays.

In addition, one of the important techniques in digital marketing is social media marketing and this is agreed by homestay operators in this study where they use social media platforms (e.g., Twitter, Instagram, YouTube, WhatsApp, Facebook, Google) to promote their rural destination business. For example, Informant 1 explained:

“We have our own website where the public can see for themselves the deals and packages offered by us. In addition, we also promote our homestay through YouTube and get involved in television documentaries related to this homestay as well as highlighting Javanese/Bugis culture.”

The same method is also used by Informant 6, Informant 8 and Informant 9. They added:

“.. We do have online booking platform with some flexibility features.”

However, Informant 16 emphasized the constraints related to online promotion:

“Indeed it (online promotion) can spread information to the public. However, since homestay requires large groups to break even, we still have to rely heavily on agents.”

Therefore, homestay operators are not alone in promoting their business because there are other parties that also need to play a role in the same effort. This digital marketing also needs to be driven by other parties, as posited by Informant 2:

"Chairman and coordinator also help in promoting homestay."

In addition, teaming up with other operators can offer complementary approach and leverage synergies, which can be very effective in advancing the business. For example, Informant 5 explained that:

“We have networking with all homestay operators in Pahang where we help each other in terms of promotion.”

To conclude, rural orientation by urbanites has not disappeared and still exists even during Covid-19. Hence, it is important for continuous marketing channels on the internet to enable rural business owners to take advantage of this rural orientation and continue to develop rural tourism and hospitality (Ohe, 2020).
CONCLUSION

In a nutshell, this study investigates the challenges faced by homestay operators in Malaysia to sustain their businesses during and after the movement control order (MCO) due to the Covid-19 outbreak. Additionally, this study also addresses strategies to ensure the sustainability of Malaysia's homestay programs. The findings of this study were based on the 16 key informants of homestays in Selangor, Negeri Sembilan, Johor, Pahang and Perak, where the data were analysed using NVIVO software. Notably, this study highlights that most of the homestay operators are facing challenges, i.e. lack of support, less income and operating and maintenance costs, and impact on mental health due to the situational circumstances of the Covid-19 pandemic and the enactment of the Movement Control Order (MCO) which impeded Malaysians from carrying out numerous physical activities. The analysis findings indicate that the informants face a deficiency in both financial and technical resources required to effectively utilize digital platforms amidst the Covid-19 pandemic. The majority of the informants acknowledge that digital literacy poses a significant challenge for them, particularly among the elderly homestay operators who lack proficiency in technology. Meanwhile, their income stream has been adversely affected due to the mobility restriction and closures of businesses during MCO. This, coupled with the burden of operating and maintenance costs have made it more challenging for homestay businesses to stay afloat. Accordingly, homestay operators have experienced feelings of down, frustration, stress, discouragement, anxiety. This study takes pride in contributing to the literature on the challenges and sustainability of homestays. This study illustrates scenarios and thereby reveals valuable coping strategies in light of Covid-19, which will shed light on the resilience and sustainability of homestays. Furthermore, this study can inspire homestay operators to understand the disaster scenarios, adopt coping strategies, and strive for industry activation and revitalization.

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