

Analyzing Homestay Operation for Community Tourism Development: A Case Study of Sigiriya Destination, Sri Lanka

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Abstract

Homestay is a community-based tourism product that can be used as a strategy for community development. The actual contribution of the homestay business towards community development has not been analyzed yet in the country. This research aims to answer the question of the extent to which and how the homestay business operation influences community tourism development. This survey was conducted in Sigiriya, Sri Lanka. A sample of 120 homestay owners was selected by employing the judgmental sampling technique for the investigation. Statistical Package for Social Scientists (SPSS) version 20 was used to analyze the primary data collected from a questionnaire survey. Results confirm homestays have contributed to improving living standards, education and awareness, empowerment, and social status of the homestay community and led to community socio-economic development (Aggregate mean/ $\mu=4.14$). Also, findings from the study have proven that there are Agreed Level responses, and not Strongly Agreed Level responses, which indicates that community development can be expanded through the homestay program. The study further reveals that an increase in the earnings of homestay owners will support the development of their community. Finally, the study has given several recommendations to enhance the contribution of homestays for community development by focusing on resolving the problems associated with homestay businesses.

Keywords: Homestay Operation, Community Development, Homestay Households' Earnings

1. Introduction

A homestay is an emerging form of lodging where tourists stay with local families and experience a home away from home. It allows them to participate in daily life by sharing spaces, cooking, working, and dining with the host family, which is not possible in most other types of accommodation. The program appeals to tourists seeking interaction with locals, cultural experiences, social connection, and natural attractions (LTSN, 2003). Key elements of homestays include education, entertainment, food, accommodation, and hospitality (Bhuiyan, Siwar & Ismail, 2013). According to Cooray (2016), homestays benefit host families, visitors, and the national economy by directing income to lower-income groups and accelerating grassroots development. They also support other sectors through direct, indirect, and induced employment. Nunkoo and Ramkissoon (2011) add that homestays enhance infrastructure, generate investment, and help host families improve their socio-economic status, especially those unable to invest in mass tourism.

In Sri Lanka, homestays operate in three forms: Homestay Villages, Bed & Breakfast Providers, and Individual Homestay Operators (Wijesundara & Gnanapala, 2016). This study focuses on individual operators in rural areas with village-style living. In 2013, there were 173 registered homestays offering 532 rooms, which grew to 442 units with 1,337 rooms by 2018 (SLTDA, 2018). The rise in participation reflects the program's success and the perceived benefits of operating homestays. However, many community members run homestays without legal registration. For example, while SLTDA registered 300 units by the end of 2016, Booking.com listed around 600, and Airbnb recorded 10,080 in 2016. These informal operations suggest the actual number of rooms is much higher than official records. Due to a lack of legal oversight, the full contribution of homestays to community development remains under-evaluated. This highlights the need to assess the extent and impact of homestay operations on community tourism development, which is a key focus of this study.

Problem Statement and Objectives

The research problem of this study is to examine the extent to which and how homestay operations influence community tourism development and what are the most suitable policy measures and strategies that can be used to enhance the contribution of homestays towards community tourism development in Sri Lanka. Therefore, the objectives of this research are a) to analyze the current practices associated with the homestay operation and community involvement of homestays in Sri Lanka b) to examine the extent to which and how such an operation in Sigiriya influences community tourism development, thereby enabling the researcher c) to make recommendations

with suitable policy measures and strategies to enhance the contribution of homestays towards community tourism development in Sri Lanka.

2. Literature Review

2.1. Community Development

Community development is essentially about improving people's quality of life. Brophy and Shabecoff (2001) identify its three main goals: transforming the local economy, enhancing the physical environment, and strengthening social bonds. Garkovich (2011) emphasizes that it involves residents addressing their own needs, concerns, skills, and knowledge. Talbot and Verrinder (2005) note that tourism creates jobs and supports local economic growth, making tourism development a form of community development. The aims of Community-Based Tourism, such as poverty reduction, economic sustainability, and environmental conservation, can be achieved through homestay programs (Parveen, 2016).

2.2. Community sharing of economic and socio-cultural benefits from homestays

Anand et al. (2012) explains that income from homestays goes directly to host families, ensuring tourism benefits stay within the community rather than being taken by external actors. Since homestays require minimal investment, they are accessible to households of various economic backgrounds. As noted by Pusiran and Xiao (2013), homestays create livelihood opportunities, additional income, and jobs, making them a tool for poverty reduction and sustainable development. Dahles (2000) adds that homestays often provide supplementary income, allowing operators to maintain other jobs and fulfill social and religious duties (Dias, et, al., 2022). Jamaludin, Othman, and Rahim (2012) confirm that women play a key role in the development of homestays in Malaysia. Bhuiyan et al. (2012) state that homestays help improve rural living standards through economic and social progress. Devkota (2008) sees homestays as a means of economic development, contributing to foreign exchange earnings, job creation, reduced income disparities, sectoral linkages, youth retention, poverty alleviation, land rights protection, and reduced deforestation (Bandusena, et al, 2020). Homestays allow locals to experience diverse cultures without leaving their homes, offering a unique benefit unmatched by other tourism products (Kayat, 2009). According to Colton and Whitney-Squire (2010), the social benefits of homestays include preserving cultural and natural heritage, enhancing business and tourism skills, promoting economic diversification, supporting environmental sustainability, sharing local traditions, improving infrastructure, rewarding sustainable traditional lifestyles, and reducing social issues. The Malaysian homestay program emphasizes sustainability, community involvement, equitable benefits, and local ownership (Kontogeorgopoulos et al., 2014). Its success

is largely due to strong collaboration among government agencies (Muslim, Numata & Yahya, 2017). Nepal's Sirubari homestay model demonstrates grassroots tourism development through active community participation and coordination with urban travel agencies for marketing (Subedi, 2016). The Tourism Development and Management Committee oversees all visitor arrangements, assigning guests to host families on a rotational basis (Thapa, 2010).

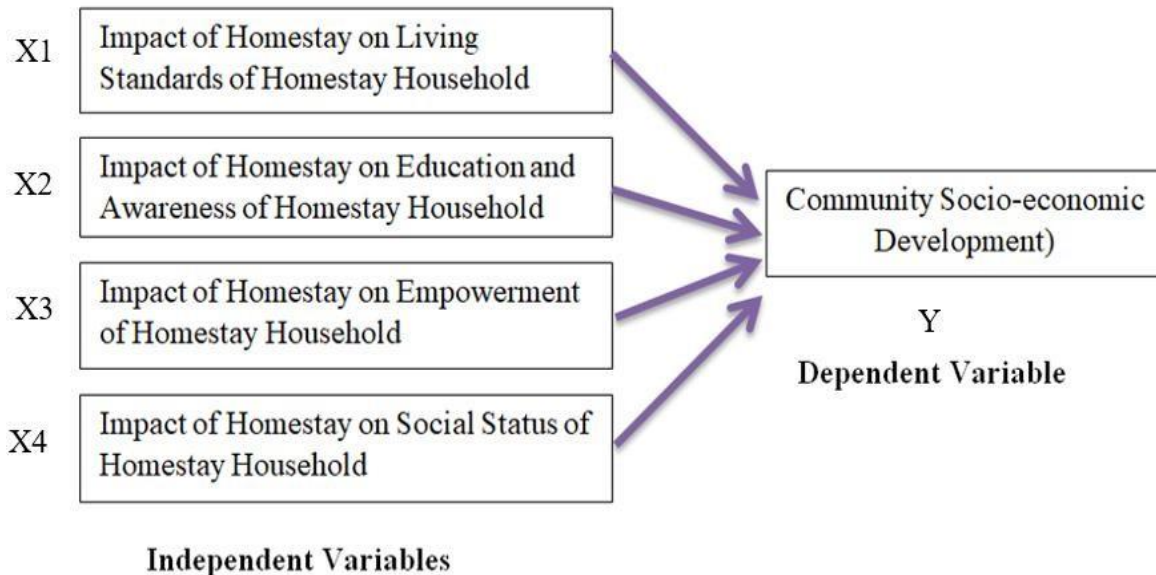
2.3. Tourism Theories Relevant to Community Development

Social Exchange Theory (SET), developed by George Homans (1958), explains social behavior as a result of perceived benefits and costs in exchanges. In tourism, individuals who perceive benefits from tourism are likely to support it, while those who perceive more costs tend to view it negatively. Members from any community will get involved in different activities to fulfill their own needs and requirements. Maslow (1943) suggested that there was a particular range of personal needs that had to be met for people to live and prosper. He presented this as a hierarchical pyramid, maintaining that the lower-level needs had to be met before a person (or society) could 'progress' to the higher levels, as respectively Physiological, safety, social, esteem, and self-actualization needs. Maslow's Hierarchy of Needs Theory helps explain community participation in homestays to satisfy various personal and collective needs.

3. Methodology

This study adopts a post-positivist research philosophy, integrating both quantitative and qualitative methods. A deductive approach was used to test hypotheses and explore relationships between dependent and independent variables. Primary data was collected through a survey strategy, while secondary data was sourced from academic journals, SLTDA publications, and newspaper articles on homestays. The main data collection tool was a structured questionnaire, covering 51 questions, including multiple-choice, yes/no, and Likert scale items (5 = Strongly Agree to 1 = Strongly Disagree). The questionnaire focused on homestay practices, household involvement, and community development, cross-checked using various variables. The study was conducted in seven villages around the Sigiriya World Heritage Site: Sigiriya, Kalapuraya, Kayanwala, Thalkote, Ehalagala, Hathare Kanuwa, and Nawagammanaya. From the estimated 180–200 homestays in the area (Sigiriya Tourism Association, 2018), 120 homestay owners (60% of the population) were selected using judgmental sampling. Data collection was supported by the Sigiriya Tourism Association. Data analysis was conducted using SPSS version 20. Methods included descriptive analysis, reliability testing (Cronbach's alpha), and the Pearson correlation coefficient to assess relationships between variables.

Figure 1: Conceptual Model



Source: Developed by researchers, 2021

The study defines community development solely in terms of socio-economic development, focusing on four key variables identified through empirical research: improvement in living standards, education and awareness, empowerment, and social upliftment. The conceptual framework was developed based on these factors, as established in the literature review. The dependent variable, community socio-economic development, was derived by averaging responses to opinion-based questions on the impact of homestays in these areas. An aggregated scoring method was then used to assess the overall level of community development.

4. Findings and Discussion

4.1. Practices and Involvement of Homestays

The majority of homestay owners (84.20%) are male. Women-led homestay business operations are limited at the selected Sigiriya Destination. Based on age, the majority of respondents (83.30%) belong to the middle-aged category of 30 – 59 years. However, the homestay program ensures the participation of rural youth, as 15.80% of young respondents are interested in the homestay operation. Since 15.8% are young entrepreneurs, it is an indication of the program's ability to support the retention of local intellectual capital in the region and control the out-migration of the youth workforce. From the sample, a proportion of 69.2% of homestay owners have been in operation between 1 and 5 years (2014-2018). This demonstrates that within 5 years, the supply

of homestay facilities has increased rapidly in Sigiriya. Increased participation could be a result of the benefits openly evident from the operation and witnessed by the community. Like Dahles' (2000) research findings, homestay is a source of supplementary income for 81.7% of operators in Sigiriya, as they often take on other forms of employment. In terms of other occupations, 47% of farmer families are in the homestay program in Sigiriya. Factor demonstrates program supports to employment of rural labor more effectively and productively in income generation activities without creating a shift in traditional occupations. Nearly 90% of households charge below LKR 3,000 for a single room, for a double room majority (74.1%) of households' charge LKR 2,000 $\geq$ LKR 4,000, and for a triple room majority (61.6%) charge LKR 3,000 $\geq$ LKR 5,000. However, 2% of households even charge more than LKR 6,000 for a single room, and 3.6 % of homestay owners charge above LKR 6,000 for a double room, which is indicative of a pricing disparity (no specific price mechanism for each room category). Even though a majority of 86.7% of homestays operate for more than half a year, only 41.7% of homestays can operate throughout the year. 75% of homestay owners have invested through bank loans. It further demonstrates that 3/4 of the households have taken a risk in developing homestay units with loan facilities. A proportion of 66.7% of the sample consists of homestay owners with a monthly income of above LKR 50,000.00. Out of them, 10% of owners can earn above LKR 150,000 per month from their business. Income created through the program positively supports financing the household by improving the economic decision-making capacity of 91.7% of respondents, as well as improving household savings for 76.7% of respondents by increasing their future spending power. The majority (88.3%) of respondents run homestays with the support of family members. The study revealed that, other than the homestay owners (120), a total of 305 members are involved in the business affairs of the homestay, and altogether 425 members are involved in managing homestay businesses. Of the 305 family members, 50.8% are male and 49.2% are female, who provide equal support in running the business. Out of the female members, 72.6 % are fully involved with homestay management. This factor is in line with prior studies by Jamaludin, Othman & Rahim (2012) that women could play a significant role in the development of homestay businesses by deploying their labor in it. Comparison with sole homestays with family-run homestays could reveal a worthy scenario where family-run businesses can achieve more community development than individual homestay operators. Study results confirm the Brophy & Shabeocoff (2001) view on community development by changing the economy of the neighborhood (Ex: the creation of direct and indirect jobs); by improving the physical nature of the neighborhood (Ex: improvement of individual health, economic development, and housing needs); as well as by changing social bonds between people in the neighborhood. In effect, it confirms homestay operation has led to community development in Sigiriya. Results show that out of 120 respondents, 94.2% provide local food and beverages to their guests, which implies that the remaining 5.8% have completely misunderstood

the concept by providing only lodging to the guests. Moreover, 65.8% provide transport services, 60% provide bicycle rental services, 41.7% provide laundry services, 33.3% provide local tour activities and excursions, and 27.5% homestays give tour guidance to the guests as homestay services. Except for 19.2% of homestay owners, the majority (80.8%) are not registered with the SLTDA. The complicated process of registering with the SLTDA may have affected operators in running the business without proper legal sanction. However, in the absence of registration, there is no assurance of standards and quality in the homestay spaces. On the other hand, operators do not have any idea of the advantages they could receive by registering with SLTDA. Results identify the absence of the homestay owners' involvement with a Community-Based Organization (CBO) to gain business. However, the success stories of Malaysian and Sirubani homestays in literature reveal the necessity of running homestays in collaboration with a CBO rather than individually. Homestay owners depend heavily on OTAs to market their properties, as 98.3% of owners stated that the majority of their reservations come from online booking platforms like booking.com, Airbnb, Agoda, Trip Advisor, etc. Such a situation has resulted in the government losing out on tax revenue and 'revenue leakage' to OTAs.

4.2. Community Socio-economic Development

4.2.1. Impact of Homestay on the Living Standards of Homestay Households

92.5% of homestay owners reported an increased income, and 80.8% noted additional earnings for family members through related jobs, indicating the potential for indirect employment and reduced underemployment. Additionally, 91.7% agreed that the business improved family decision-making power; 80% saw improvements in food and clothing, 85.9% in healthcare and hygiene, and 69.2% in asset-buying capacity. Notably, 76.7% said homestays boosted household savings, reflecting potential for better future spending. Overall, responses show that homestays have significantly improved household living standards.

4.2.2. Impact of Homestay on Education and Awareness of Homestay Households

The majority (88.3%) of respondents agreed that homestay businesses improved their children's education; 96.7% reported increased use of foreign languages within families, and 90% gained exposure to new technologies. Additionally, 87.5% noted greater awareness of eco-friendly practices and responsible tourism, while 90.9% gained knowledge about other countries, cultures, and lifestyles. Overall, most owners Agreed or Strongly Agreed with these statements, confirming that homestay operations have enhanced education and awareness among families.

4.2.3. Impact of Homestay on the Empowerment of Homestay Households Out of 120 respondents, 92.5% Agreed or Strongly Agreed that homestay businesses enhanced family leadership; 85% said it created opportunities for women, and 75.9% for youth, to engage in business. Additionally, 69.2% acknowledged receiving external training in hospitality and business, while 75.9% noted increased self-driven capacity building and skill development. These findings confirm that homestays have significantly empowered households, with the majority at an Agree Level on all statements.

4.2.4. Impact of Homestay on the Social Status of Homestay Households 90% of homestay owners agreed that the business strengthened family and community bonds. Additionally, 95% reported increased self-confidence and pride; 90.8% noted improved social recognition; and 88.3% saw better business networking. Overall, most owners Agreed or Strongly Agreed with these statements, showing that homestays contribute to the family's social upliftment.

Table 1: Statistics

	Living standards of the family (X1)	Education and awareness of the family (X2)	Empowerment of the family (X3)	Social status of the family (X4)
Mean	4.09	4.20	4.06	4.21
Std. Deviation	0.62	0.49	0.54	0.54

$$Y = \frac{\mu(X1) + \mu(X2) + \mu(X3) + \mu(X4)}{4}$$

Aggregate Mean	4.14
Std. Deviation	0.47

Descriptive statistics show that all mean values exceed 4, indicating respondents are at an Agreed Level regarding the variables. This suggests homestays have improved living standards, education and awareness, empowerment, and social status, contributing to socio-economic development. However, since responses are not at Strongly Agree, there is room for further development through homestay operations in Sigiriya. The aggregate mean ($\mu=4.14$) also confirms socio-economic development is at an Agreed Level.

Table 2: Correlation

Correlations		Aggregate mean (community socio-economic development)
Average monthly earnings through homestay services (LKR)	Correlation coefficient	0.305
	Sig. (2-tailed)	0.001

*N=120

According to the correlation analysis, the P value is highly significant at a 5% significance level. It shows there is a significant positive relationship.

4.3. Theories Align with Community Development

Based on the 1-5 Likert scale, the impact of homestay on the social status of a household is the highest of the overall impact, with a mean score of 4.21, followed by education and awareness of household with 4.20, living standards of household and empowerment of household at 4.09 and 4.06, respectively. Overall, from the perspective of homestay operators, the program in Sigiriya has positively impacted each factor. Results are partly consistent with the Social Exchange Theory, where operators who perceive themselves as benefiting from the homestay are likely to deal with it positively. Maslow's Hierarchy of Needs Theory shows the particular range of personal needs that must be met for people to live and prosper. Findings from the study show that the community involved in homestays could improve those needs by engaging in the business. This, for a majority, is through better food and clothing (80%); improving physical safety through employment (80.0%); improving healthcare and hygiene (85.9%); improving closer bonding and unity among homestay families and community (90%); and improving business networking of family with others (88.3%). Further, the program has supported self-esteem needs by increasing self-confidence and self-pride (95%); improving social recognition (90.8%); and increasing capacity and skills (90%). Such a scenario demonstrates, to a certain extent, the possibility of an improvement in the fulfillment of needs through homestay, which could, in turn, address community development.

4.4. Problems and Challenges in Homestay Operation

60% of homestay households say that their business is influenced by seasons, and 52.5% point out that they do not have sufficient networking to acquire the business. Further, half of the respondents (50%) admit that they need further skills to improve homestay services, which highlights the

necessity for training in the community. Moreover, a considerable proportion (45.8%) of respondents highlighted issues regarding public infrastructure in the area, and 47.5% lack the capital to improve housing facilities, while 37.5% of homestay owners are struggling with insufficient marketing and promotion.

5. Conclusion and Recommendations

To address challenges in homestay operations and enhance their contribution to community tourism development, several integrated strategies are essential. Establishing a clear legal framework and encouraging the registration of homestays under SLTDA through simplified procedures and reduced fees will help formalize the sector. At the community level, setting up Community- Based Organizations (CBOs) can streamline homestay operations by providing guest information, maintaining records, coordinating visitor services, and ensuring quality standards, while also acting as intermediaries between the community, government, and private sector. Financial assistance in the form of concessional loans and subsidies is crucial for upgrading accommodation and service quality, and funding support from corporate social responsibility initiatives can also boost infrastructure development. Marketing and promotion must be strengthened through collaboration between tourism authorities and the private sector, using media campaigns, public displays, and television programming to raise visibility. Capacity-building is a key priority, particularly in language skills, hospitality management, hygiene, and digital literacy, with training programs needed to empower homestay operators and enhance service delivery. Improvements in basic infrastructure—such as roads, electricity, water, and communication—are fundamental for operational sustainability, and local authorities must maintain these facilities to support tourist access. The commercialization of homestay tourism should be encouraged by developing value-added experiences like cultural performances, handicrafts, wellness services, and farm-based activities that involve the wider community, especially women and youth. A regulatory framework is also required to guide pricing, construction standards, and service quality while preventing misuse of the homestay concept. Strengthening stakeholder networks involving travel agents, media, researchers, and local communities will ensure better coordination and promotion of homestays. To address seasonal fluctuations in occupancy, strategies like targeting domestic tourists, urban students, and cultural exchange programs should be promoted, while standard room charges and assessments of homestay capacity can help ensure consistency. Raising awareness among residents on the long-term benefits of homestays is equally important, and tourism planners and academic bodies must take the lead in organizing outreach and education initiatives.

The findings of the study, based on data collected in Sigiriya, confirm that homestay operations have had a meaningful impact on community socio- economic development specifically through improved living standards, education and awareness, empowerment, and social status. Using the average and aggregate score method, the results reveal a mean value of 4.14 across key variables, reflecting an Agreed Level of positive impact, though still with room for growth toward a Strongly Agreed Level. A statistically significant correlation was also found between monthly income from homestays and community development ($r = 0.305$, $p \leq 0.05$), indicating that increased earnings among homestay owners directly contribute to broader community improvement. This study fills a significant gap in understanding the role of homestays in local development and offers practical recommendations to expand their positive influence. Strengthening institutional support, enhancing capacity, improving marketing, and building strong community networks will ensure that homestay tourism continues to benefit rural communities both economically and socially.

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