

The Contribution of Homestay Tourism to the Socio-Economic Well-Being of Rural Nepalese Communities

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Abstract

This paper examines homestay tourism as a tool for socio-economic well-being in rural Nepal, focusing on the Amaltari Homestay in Nawalpur district. Data were collected from 69 respondents (62.3% male, 37.7% female) using a 5-point Likert scale survey, and reliability was assessed via Cronbach's Alpha. Results indicate neutral to moderately positive perceptions, with mean scores near 3 for socio-economic benefits, including business opportunities (2.91), cultural preservation (2.87), and lifestyle stability (3.09). Challenges such as infrastructure gaps and limited marketing persist. The findings suggest that while homestays contribute to rural development, stronger policy support, skill training, and promotional efforts are needed to enhance their impact. The study underscores homestay tourism's potential in fostering sustainable livelihoods and cultural preservation in Nepal's rural communities.

Keywords: community-based tourism, homestay tourism, rural development, socio-economic well-being

INTRODUCTION

Homestay tourism in Nepal fosters socio-economic development in rural areas by integrating travellers with local communities. As an alternative to mass tourism, it provides villagers with additional income, empowers women, and preserves cultural heritage. Popular in regions like Ghale Gaun and Sirubari, homestays offer authentic experiences while supporting sustainable livelihoods. However, challenges such as poor infrastructure, limited marketing, and insufficient government backing restrict its growth. Despite these barriers, successful cases prove that homestays can reduce urban migration and enhance rural well-being.

Homestays are a distinct form of accommodation that significantly contributes to the tourism sector. In 2008, Nepal's government implemented a strategy to link rural tourism with poverty alleviation, aiming to boost tourism in remote regions (Pangeni, 2019). Shortly after, in 2010, the government introduced the Homestay Operation Code of Conduct 2010, defining homestays as privately or community-

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managed tourism initiatives that provide meals, lodging, and additional services to guests within residential settings (Lama, 2013). Homestay has been directly or indirectly helping local communities in boosting socio-economic position by creating entrepreneurs, engaging them at the local-level, and enhancing their livelihood.

Homestay tourism plays a vital role in engaging local communities by leveraging their cultural heritage, history, and natural resources to promote sustainable development. The study findings indicate that homestay tourism enhances household incomes, diversifies livelihoods, and fosters community-led development. However, persistent issues such as inadequate infrastructure and the need for skill development remain critical barriers to sustainable growth (Anwar et al., 2025).

Studies highlight the socio-economic benefits of homestay programmes for rural communities. Bhuiyan et al. (2011) noted that such initiatives create employment opportunities, enhancing residents' living standards. Similarly, Chaityatorn et al. (2010) emphasised that homestays contribute to economic, social, and cultural growth while promoting sustainable development. This study builds on prior research to further examine how homestay accommodations support rural well-being.

Additionally, Lynch (2005) and Lynch et al. (2009) observed that homestays stimulate local supply chains by enabling nearby residents to offer supplementary services, such as cleaning, handmade goods, or specialty food items that homestay hosts may not provide. Moscardo (2008) added that by generating rural employment, homestay programmes reduce urban migration, helping retain skilled individuals in smaller communities and alleviating pressure on overcrowded cities.

The lack of local motivation, unequal income distribution, and seasonal dependence create financial and social instability, while skill gaps and cultural erosion threaten long-term sustainability. Poor infrastructure further limits tourism growth and community well-being. These challenges weaken the homestay's authenticity and economic viability, requiring balanced solutions to ensure equitable benefits and cultural preservation. These are the concerns for the local community residing around the Amaltari homestay of Nawalpur district as well. Hence, this study examines how homestay tourism benefits Nepal's rural communities and suggests strategies for its sustainable expansion, ensuring long-term economic and social gains.

Empirical Review

Kimaiga (2015) further investigated the economic implications of homestays, arguing that while they may not directly benefit the poorest populations, indirect and induced economic impacts can still be significant. The study emphasised that homestays contribute to local employment and stimulate demand for ancillary services, thereby fostering broader community development.

Ismail et al. (2016) examined the homestay programme's role in various nations, noting its significance in promoting local culture and generating income for communities. However, despite the rapid expansion of homestays in Malaysia, the industry continues to face multiple challenges, with moderate service quality being a key factor hindering performance.

Banjade (2018) indicated that homestays contribute substantially to household incomes in Nepal, particularly in rural and semi-urban areas near the Kathmandu Valley. A study focusing on different hinterland locations found that homestay operators experienced improved financial conditions due to increased earnings from tourism. Many households reported higher savings and enhanced access to credit, leading to overall economic uplifting. However, despite these positive trends, there remains a need to improve service quality to attract more tourists and further boost income levels.

Kimaiga and Kihima (2018) showed that income was the main factor for locals to participate in the homestay programme, and most operators thought the programme significantly improved their socioeconomic well-being.

Kafle (2023) examined the economic contributions of homestay tourism in rural areas, highlighting its role in generating income, creating jobs, and improving living standards for local communities. The study found that homestays stimulate local economies by increasing household earnings and supporting small-scale entrepreneurship. However, persistent challenges-such as underdeveloped infrastructure, weak policy frameworks, low utilisation of local products, and insufficient operator training-limit the sector's full economic potential.

RESEARCH METHODS

The paper tries to find homestays as a tool of socio-economic well-being tools to the local community of the rural communities of Nepal. Hence, the paper considered the residents around one of the community homestays operating in Nawalpur district. The community homestay, which was started with 20 households of the Tharu community at Agyauli-5 on May 19 in 2013, covered a total of 1398 households (CBS, 2001). There are around 200 households residing at the periphery of the Amaltari Homestay. Among the mentioned households, the paper randomly surveyed the 69 locals residing around the Amaltari Homestay. The paper used a 5-point Likert scale to capture the opinions of the selected respondents. A reliability test was conducted for the questionnaire, where the following results of Cronbach's Alpha were generated. The paper used a basic arithmetic mean, standard deviation, and skewness to interpret the opinions of the respondents.

The dropped items were either not strongly correlated with the rest of the scale or were reducing internal consistency. All the five items for motivation factors (MF)

are dropped and of five items two items are dropped for socio-economic benefits (SEB) from the questionnaire.

The final Cronbach's Alpha is at 0.657 with retained three items from the questionnaire. The questionnaire used only two constructs, namely, motivation factors and socio-economic well-being factors, of which only later one items remain reliable for further survey.

Table 1
Reliability Result

Items Dropped	Alpha Value
Earn income for the household. [MF1]	0.578
Interact with different cultures. [MF2]	0.520
Preserve heritage and culture. [MF3]	0.508
Support tourists for community well-being. [MF4]	0.611
Diversify sources of income for the household. [MF5]	0.496
Create employment opportunities. [SEB2]	0.657
Provide an opportunity to interact with other cultures. [SEB5]	0.545

Note. Field Survey 2025

Table 2
Retained Items after Reliability Test

Retained Items	Alpha Value if deleted
Increase business opportunities for the local people.	0.559
Encourage us to preserve traditional culture.	0.574
Increase stability of local people's lifestyle.	0.547

Note. Field Survey 2025

DATA ANALYSIS

This part of the paper presents the analysis of the data collected from the respondents.

Respondents' Profile

A total of 69 respondents are sampled for the paper residing around the Amaltari Homestay. The sex, age group, and qualifications of the selected sampled respondents are explained hereafter. The table below illustrates the profile of the sample respondents:

Table 3
Respondents' Profile

Sex		Age Group		Qualifications	
Male	43 (62.3)	20-30	13 (18.8)	Literate	16 (23.2)
Female	26 (37.7)	31-40	27 (39.1)	SEE	20 (29.0)
		41-50	19 (27.5)	SLC (+2)	22 (31.9)
		51-60	8 (11.6)	Bachelor's	10 (14.5)
		61 and above	2 (2.9)	Master's	1 (1.4)
Total	69 (100.0)				

Note. The value of parentheses is percent.

Note. Field Survey 2025

The study sample consisted of 69 participants, with most males (62.3%), followed by females (37.7%). The largest age group was individuals aged 31-40 years, followed by those aged 41-50. Younger participants represented 18.8%, while older age groups were smaller. Most participants had completed at least a School Leaving Certificate (SLC) or higher secondary, with a smaller proportion having basic literacy. The sample was predominantly male, middle-aged, and moderately educated, with few highly educated or elderly individuals.

Opinions on Socio-Economic Well-Being

The respondents were asked to provide opinions on socio-economic well-being through homestay tourism. Although the opinions on motivation factors are not reliable, hence, further analysis of socio-economic benefits is only conducted as follows:

Table 4
Opinions on Socio-Economic Well-Being

Items	Mean	Std. Deviation	Skewness
Increase business opportunities for the local people.	2.91	1.11	-0.09
Encourage us to preserve traditional culture.	2.87	1.06	+0.04
Increase the stability of the local people's lifestyle.	3.09	1.10	-0.24
Overall Average	2.96		

Note. Field Survey 2025

The data reveal a neutral to moderately positive perception of socio-economic well-being, with mean scores close to 3 (on a Likert scale, likely 1–5), indicating neither strong agreement nor disagreement. The highest mean (3.09 for 'Increase stability of lifestyle') suggests slightly better recognition of stability improvements, while 'Encourage preservation of traditional culture' (2.87) and 'Increase business opportunities' (2.91) reflect weaker perceived impacts. Standard deviations (~1.10)

indicate moderate response variability, meaning opinions are somewhat divided. Skewness values near zero (ranging from -0.24 to +0.04) show roughly symmetric distributions, though the slight negative skew for 'Increase stability' hints at a minor tendency toward higher agreement. Overall, the findings suggest lukewarm or mixed attitudes, with stability viewed more favourably than cultural preservation or business opportunities, possibly signalling areas needing targeted policy attention or better communication of benefits.

CONCLUSION AND IMPLICATIONS

The study highlights the potential of homestay tourism as a tool for enhancing the socio-economic well-being of rural communities in Nepal. While respondents acknowledged moderate benefits—such as increased stability in lifestyle and some business opportunities, the overall perception of socio-economic gains was neutral, indicating room for improvement. Challenges like inadequate infrastructure, limited marketing, and insufficient government support persist, hindering the sector's full potential. However, successful cases demonstrate that homestays can diversify income, preserve culture, and reduce urban migration, aligning with broader sustainable development goals.

Implications: To maximise the impact of homestay tourism, targeted interventions are needed. Policymakers should prioritise infrastructure development, skill training for locals, and stronger marketing strategies to attract more tourists. Community engagement and government support are crucial to address existing gaps and ensure equitable benefits. Additionally, fostering partnerships between homestay operators and local businesses can amplify economic spillover effects. By addressing these challenges, homestay tourism can become a more effective driver of rural socio-economic development, improve livelihoods while preserve Nepal's cultural heritage.

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Conflict of interest

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