



**AN ASSESSMENT OF HOMESTAY OPERATORS IN
THE STATE OF TERENGGANU**

BY

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ABSTRACT

Tourism sector in Malaysia is offering various destinations, activities, and product to tourists from both national and international origins. Tourism is one of the more important commercial activities driving the national economy towards greater success, namely by contributing to about 13% towards national growth, quantified as Gross National Product (amounting to some RM153 worth of outputs). Agro-tourism is beyond just a tourist product as it includes many services that accompany the product. It is a way of understanding the journey as a new sensation or positive behavior in relation to the environment, the community, and their culture. It also one of the diversified sub-sectors provide opportunities and choices for rural community, commonly associated with agricultural activities to enhance and maintain their economic sustainability. This research focuses on the quantification of tourism sector income specifically related to homestay program. This is an area mostly void of literature, especially those within the Malaysian contexts. Therefore, the research aims at exploring the vitality and robustness of agro-tourism based homestay activities in Terengganu, a state which is rich with natural resources and cultural heritage. Four objectives have been developed based on the gaps highlighted by a thorough search of literature. First, is to assess the homestay operators and motivational factors of participation in homestay program in Terengganu. Second, is to examine the location, distribution, and quality of homestay in Terengganu. Third, to assess the factors leading the successful homestays program in Terengganu. Finally, to provide recommendations on how to elevate the income from homestay program while facing the unstable income from the agriculture sector in Terengganu. In order to produce concrete analysis, the quantitative data has been collected for this research. There are 76 of respondents (Homestay operators) have participated in the interview session that is conducted in Terengganu. The finding shows that majority of homestay operators agree on the reason for their participation in homestay program is due to interest and they are not totally depending on tourists' income to sustain their living. Besides, it is found that tourists' preferences of stay in Terengganu homestay are influenced by the location, distribution, and quality of homestay program. Furthermore, the third finding is the challenges faced by homestay operators affect the successful homestay in Terengganu. Lastly, several recommendations have been made in order to stabilize the income generated from agriculture sector.

Keywords: *Homestay, Agro-tourism, Homestay operators, Tourism, Terengganu*

خلاصة البحث

يقدم قطاع السياحة في ماليزيا العديد من الوجهات والأنشطة والمنتجات للسائحين من أصول وطنية ودولية. السياحة هي واحدة من الأنشطة التجارية الأكثر أهمية التي تدفع الاقتصاد الوطني نحو مزيد من النجاح ، أي عن طريق المساهمة بنحو ١٣ ٪ في النمو الوطني ، والمقدر كمنتج إجمالي وطني (تبلغ قيمته بعض المخرجات حوالي ١٥٣ رينجيت ماليزي). تتجاوز السياحة الزراعية مجرد منتج سياحي حيث تشمل العديد من الخدمات المصاحبة للمنتج. إنها طريقة لفهم الرحلة كإحساس جديد أو سلوك إيجابي فيما يتعلق بالبيئة والمجتمع وثقافتهم. كما يوفر أحد القطاعات الفرعية المتنوعة الفرص والخيارات للمجتمع الريفي ، المرتبط عادة بالأنشطة الزراعية لتعزيز والحفاظ على استدامتها الاقتصادية. يركز هذا البحث على التقدير الكمي لدخل قطاع السياحة المتعلق بالتحديد ببرنامج الإقامة المنزلية. هذا مجال غالبًا ما يخلو من الأدب ، لا سيما تلك الموجودة في السياقات الماليزية. لذلك ، يهدف البحث إلى استكشاف حيوية وقوة أنشطة الإقامة المنزلية القائمة على السياحة الزراعية في تيرينجانو ، وهي دولة غنية بالموارد الطبيعية والتراث الثقافي. تم تطوير أربعة أهداف بناءً على الفجوات التي أبرزها البحث الدقيق في الأدب. الأول ، هو تقييم مشغلي الإقامة والعوامل التحفيزية للمشاركة في برنامج الإقامة المنزلية في تيرينجانو. ثانيًا ، هو فحص موقع وتوزيع وجود الإقامة في تيرينجانو. ثالثًا ، تقييم العوامل التي تقود برنامج الإقامة المنزلية الناجح في تيرينجانو. أخيرًا ، تقديم توصيات حول كيفية رفع الدخل من برنامج الإقامة المنزلية مع مواجهة الدخل غير المستقر من قطاع الزراعة في تيرينجانو. من أجل إنتاج تحليل ملموس ، تم جمع البيانات الكمية لهذا البحث. هناك ٧٦ من المشاركين (مشغلي الإقامة) شاركوا في جلسة المقابلة التي أجريت في تيرينجانو. وتبين النتيجة أن غالبية مشغلي الإقامة المتفقيين على سبب مشاركتهم في برنامج الإقامة المنزلية يرجع إلى الاهتمام وأنهم لا يعتمدون بالكامل على دخل السياح للحفاظ على معيشتهم. علاوة على ذلك ، وجد أن تفضيلات الإقامة للسائحين في تيرينجانو هومستاي تتأثر بموقع برنامج الإقامة المنزلية وتوزيعه وجودته. علاوة على ذلك ، فإن الاكتشاف الثالث هو أن التحديات التي تواجه مشغلي الإقامة تؤثر على الإقامة الناجحة في تيرينجانو. أخيرًا ، تم تقديم العديد من التوصيات من أجل تثبيت الدخل الناتج عن قطاع الزراعة.

كلمات البحث: الإقامة ، السياحة الزراعية ، مشغلي الإقامة ، السياحة ، تيرينجانو

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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LIST OF ABBREVIATION

ASEAN	The Association of Southeast Asian Nations
ATSP	ASEAN Tourism Strategic Plan
EPP	Entry Point Projects
ETP	Economic Transformation Project
FGD	Focus group discussion
GDP	Gross Domestic Product
INFRA	Institut Kemajuan Desa
JKKK	Jawatankuasa Kemajuan dan Keselamatan Kampung
JKKKP	Jawatankuasa Kemajuan dan Keselamatan Kampung Persekutuan
JKN	Jabatan Kesihatan Negeri
KETENGAH	Lembaga Kemajuan Terengganu Tengah
KKLW	Kementerian Pembangunan Luar Bandar dan Wilayah
KLIA	Kuala Lumpur International Airport
KOBEMAH	Koperasi Bersatu Maju Hulu Chucoh Berhad
MADA	Muda Agricultural Development Authority
MaTiC	Malaysia Tourism Centre
MOCAT	Ministry of Culture, Arts and Tourism (Malaysia)
MOTAC	Ministry of Tourism, Arts and Culture Malaysia
NKEAs	National Key Economic Areas
PLUS	North-South Expressway
RMC	The Royal Malaysian Customs Department
RTC	Rural transformation centre
SKVE	South Klang Valley Expressway
SPSS	Statistical Package for the Social Science

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Agro-tourism is a tourism concept offering tourists variety of activities relating to the agriculture sector (MOTAC,2017). Rural Malaysia is still developing and being very dependent upon agricultural activities and products, including primary industry such as fishing and animal husbandry. Among the agro-tourism activities engaging rural communities and well-liked by tourists are orchards and animal farms visits, regional, state and national parks explorations, sea and beaches front activities as well as managing and staying in homestays. Agro-tourism is beyond just a tourist product as it includes many services that accompany the product. It is a way of understanding the journey as a new sensation or positive behavior in relation to the environment, the community, and their culture. It also one of the diversified sub-sectors providing opportunities and choices for rural community, commonly associated with agricultural activities to enhance and maintain their economic sustainability.

This research focuses on tourism sector income specifically related to agricultural destinations, activities, and products, evaluated in the selected communities offering tourists visits and stays within the former's villages or settlements. This is an area mostly void of literature, especially those within the Malaysian contexts. This study centers around the analysis of income generation basing on agro-cultural-tourism among rural communities. The focus is made on homestay operations and economic opportunities generated, specifically concentrating on case studies of Terengganu.

1.2 Problem Statement

The unstable income generated from agriculture sector by villagers in Terengganu

Khadijah (2014) argues that agriculture sector is unstable in term of income to the farmer due to the instability of market price. The other factors affect the income of farmer such as the age of palm oil; 25-year-old palm trees need to be cut down as they cannot provide a satisfactory return to farmers and lack of market demand (Shamsuddin, 2008).

Farih (1996) has agreed in his paper that the agriculture producers are facing unstable net income from agricultural production due to changes in climatic and environmental conditions as well as unstable agriculture policies. He also argues that behind the low and the unstable net income of agricultural producers, there are the fluctuations in output and price of the major agricultural commodities.

Thus, rural tourism is one of the initiatives to elevate activities related to agriculture to another level. It is an initiative from government namely called homestay program since this program has great potential to generate stable side income for local people.

The improper physical maintenance of Homestay infrastructure in Terengganu

Development of homestays has been in the rise since the last two decades (MOTAC, 2016). Whilst many homestays have been registered with Ministry of Tourism, to ensure the quality of provision is controlled and monitored, there are many other homestays that have been developed haphazardly (Ministry of Tourism, Johor Office, 2015). Unplanned and not properly maintained homestays are susceptible to many health and well-being issues as well as subject to lower quality of sanitation,

hygiene and emergency services. Hence, it is highly considered by the stakeholders in this area to provide proper and appropriate homestay infrastructure.

Limited number of participations by villagers that have potential to operate homestay in Terengganu

According to MOTAC (2017), there are 10 registered homestays clusters operating in the Terengganu. These figures are smaller compared to 29 in Sarawak, 17 in Johor, 15 in Selangor, 14 in Kedah and 12 in Negeri Sembilan. Most of homestay operators also lack of creativity and only accepts any form of program provided to them (Hamzah and Khalifah, 2010). As stated by Aminah (2015) in her research, she said that Terengganu has great potential in Homestay program especially on the promotion the uniqueness of gastronomy, beautiful beaches, river, and activities. It would be beneficial to the stakeholders of Terengganu to learn from the success stories of homestays in other states, be them registered with the Ministry or otherwise.

1.3 Research Question

1. What are the motivational factors of local people participation in homestay program?
2. Do the homestay location, distribution, and quality of homestay influence the tourists' preferences?
3. What are the factors leading the successful homestays program in Terengganu?
4. How could the solutions be derived in facing the unstable income generated from agriculture sector in Terengganu?

1.4 Research Objective

1. To assess the homestay operators and motivational factors of participation in homestay program in Terengganu.
2. To examine the influence of location, distribution, and quality of homestay towards tourist preference in Terengganu
3. To assess the factors leading the successful homestays program in Terengganu
4. To provide recommendation on how to elevate the income from homestay program while facing the unstable income from the agriculture sector in Terengganu

1.5 Background of study

In Malaysia, tourism falls under the jurisdiction of Ministry of Culture and Tourism in 1987. The ministry is responsible for tourism, culture, archives, library, museum, heritage, arts, theatre, handicraft, visual arts, convention, exhibition, Islamic tourism, craft. The ministry was subsequently upgraded to the Ministry of Culture, Arts and Tourism Malaysia (MOCAT) in 1990. With the establishment of this ministry, it will further boost development in the tourism industry (Marzuki A., 2010).

The tourism sector is one of the 12 major National Key Economic Areas (NKEAs) that have been identified as a major contributor to the Malaysian economy. The capabilities in the tourism industry have proven where the country has been ranked among the top ten world-famous tourist destinations. The government will continue its efforts to bring the tourism and cultural sectors to a higher level. Through the success of the Visit Malaysia Year in 1990, it led to an increase in contribution to the Gross Domestic Product (GDP) despite the economic downturn in 1997 and 1998 by promoting inflow of money into the country and reducing the country's currency

outflow and restoring the of national economy crisis. Various initiatives have been taken by the government to enhance the basic facilities associated with the tourism industry for example the provision of financing facilities for Tourism Fund lending namely the Tourism Infrastructure Development Fund which purposely to assist employers wishing to develop tourism products (6th Malaysia Plan, 1990-1995). This is in line with the aspiration of the country under the Malaysia Tourism Transformation Plan which targets the arrival of 36 million tourists and generates revenue of RM168 billion by 2020.

The homestay programme and tourism development and infrastructure funds are among the supports provided by the Ministry of Tourism, Arts and Culture Malaysia. Through these two schemes, rural population involved in agricultural activities and possessed dwelling facilities to offer experiences of cultural and agro-based daily activities were facilitated to engage in income generation opportunities. The two objectives of the infrastructure funds are to support the development of tourism industry and to assist tourism entrepreneurs who wish to develop or expend projects that contribute to the development of tourism industry (MOTAC, 2014).

Officially registered homestays in Malaysia generated total Homestay income in January-December 2017 is as much RM30,124,466.06 which is an increase of 8.7% compared to January of December 2016. Until December 2017, some 206 homestay clusters were registered, involving about 3994 owners offering some 5604 rooms (Malaysia Statistics of Homestay, 2017). During the same period, homestay among domestic tourists were 382,961, a decrease of 6.7% compared to January-December 2016. It can be concluded in Table 1.1 that the rate of international tourists has been much increase about 8.2% than those of domestic tourists with the percentage of 9.1% decreased from the past year. This warrants investigation because, despite the rigorous

promotion and available infrastructure funds to increase the number and quality of homestays, the number of visitors and stayers was still low.

Table 1.1: Table shows Terengganu Tourist arrival, 2016-2017)

Tourist	2016	2017	Different (%)
Domestic	353,344	321,115	-9.1%
International	57,178	61,846	+8.2%
Total Tourist	410,522	382,961	-6.7% -

Source: Statistics of Homestay, Ministry of Tourism and Culture, 2016

Tourist arrivals in Terengganu have been shown in Table 1.1. It can be concluded that tourist arrivals in Terengganu have decreased from year 2016 until 2017. The difference goes to the inbound tourists staying at homestay in Terengganu (Table 1.2). Referring to table below, there was an increase of domestic homestay's stayers to 4598 in 2017 from only 2796 in 2016. However, there was some decrease on international tourist to 90 in 2017 from 263 in 2016.

Table 1.2: Table shows inbound tourists staying at homestay in Terengganu

Tourist	No. of Tourist / Year						
	2011	2012	2013	2014	2015	2016	2017
Domestic	4,303	4,303	4,457	2,775	2,521	2,796	4,598
International	506	451	521	291	203	263	90
Total	4809	4754	4978	3066	2724	3059	4688

Source: Statistics of Homestay, Ministry of Tourism and Culture, 2016

Many unsuccessful stories of homestays have been attributable to an unattractive destination such as the homestays and support facilities including infrastructure (Palmer et. al, 2008; Chew 2009; Lussetyowati, 2014; Ismail et.al, 2014; Huibin et al, 2013). Success has been indicated by the increasing number of inbound tourists staying at homestay and sustained income received. In these cases, homestay of Terengganu only received 4688 of tourist with income of RM 1,025,322.00 in year 2017. Compared to inbound tourists staying at homestay of Selangor which were 4476 tourists with successful income received of RM 1,833,436.00 in 2018. This successful comparison may lead to the choosing of Selangor as a successful benchmark for this research. Hence, it is the gap in the paper that this proposed research is focusing to bridge, in order to come out with relevant improvements to the existing homestays. By increasing homestays' attractiveness for both the domestic and international tourists, more arrivals and more income generated from these activities can be realized.

1.5.1 Agro-tourism & Homestay Program

The tourism industry in Malaysia is increasingly growing since 2000, as demonstrated increased revenue and the number of tourist arrivals to Malaysia. In the period 2015-2016, the number of tourist receipt increased from 69 billion in year 2015 to 82 billion in year 2016, an increase as much as 13billion from 2015. (My Tourism data, 2016). It shows that tourist arrivals have an increasing pattern. Tourism industry became one of the main contributors to the growth of GDP where the tourism industry is the second major contributor after manufacturing. The total contribution of Travel & Tourism to GDP in 2016 was RM167.5 billion which are (13.7% of GDP) and is expected to grow by 4.2% to RM174.6 billion (13.7% of GDP) in 2017. It is forecast to rise by 5.4% to RM295.6 billion by 2027 (15.9% of GDP). In realizing the importance of the industry

of tourism and to promote tourism activities, there are numerous programs conducted by the government for instance the “Rural Tourism Master Plan”, implemented in 2001. This masterplan has been formulated to further develop agro-tourism or the homestay industry as a key driver of rural community development. (Bhuiyan et.al, 2012). Even though it would seem to be a useful idea to develop agriculture and local communities’ income and quality of life, there are little research such as from Z Fahmi, M.A.H Bhuiyan, C Siwar, S.M Ismail, & R Islam (2012) on agro-tourism in Malaysia especially in the state Terengganu. Hence, this research will fill the gap by providing detailed information on agro-tourism in this state.

The Agro-industrial integration can be defined as “an organic connection between agriculture and industries that uses agricultural raw materials on one hand and manufactures agricultural in-puts and agriculture that uses them on the other hand” (V. Venkaiah,1985). Tourist agro-based activities can be defined as an agriculturally-based operation or activity that fetches visitors to the ranch or farm activity includes a wide variety of activities, product direct from a farm stand, navigating a corn maze, slopping hogs, picking fruit, or staying at a bed and breakfast (B&B) on a farm (Emily & Biuso, 2007).

Agro tourism or also known as agribusiness activity is when a local farmer or a person of the area offers tours to his / her agriculture farm and allow a person or a visitor to view or experience vegetation growing, harvesting, and the processing of locally grown foods, such as coconuts, pineapples, sugar canes, corns, or any agriculture product that they would not find in their city or home country. Often the farmers would provide a homestay opportunity and education relating to these agriculture crop production processing (Maruti, 2009). Agro tourism is a specific form of rural tourism

with close relation to the nature and the countryside of and has direct relationship with agricultural activities (Joshi and Bhujbal, 2012). Thus, it can be concluded that homestay program is part of agro-tourism product for the state.

Malaysia's National Key Economic Area (NKEA) focuses on transforming a traditionally small-scale, production-based sector into a large-scale agrobusiness industry that contributes to economic growth and sustainability. This transformation is based on an integrated and market-centric model that comprises four key themes: capitalising on competitive advantages, tapping premium markets, aligning food security objectives with increasing national gross income, and participating in the regional agricultural value chain. Sixteen Entry Point Projects (EPP) have been identified to spur growth in this sector. This EPP helped to facilitate the companies' expansion in the regional and global markets, increasing their market share (ETP Annual Report, 2014).

1.5.2 Homestay program in Terengganu

Homestay program in Terengganu has started in 1997 and the economic growth seems increase on the next three years. Homestay under the auspices of the ministry is the one form of experience in which tourists will be staying with host family entrepreneur. The tourists have the opportunity to interact and experience the daily lifestyle of the villagers and their culture or nature experience. (Azmi, 2000).

On 1 January 1985, a new area of Setiu is formed and became the seventh district in the state and every district have homestay programs. By 2016, there are ten (10) homestays operating in Terengganu. Table 2.10 overleaf shows the homestays in Terengganu and number of homestay owners. There are two new homestays; Homestay

Kubang Depu, Setiu and Homestay Seri Bandi, Kemaman. Both these homestays just only operate for two years. However, Homestays Kg. Pulau Duyong and Homestay Homestay Kg. Buloh have been closed due to lack of maintenance and lack of tourist come to visit.

Beside the accommodation, the visitors have the opportunities to experience variety of activities in homestay program. The activity that is offered to the tourist including the agro-based activity which are rubber tapping, palm oil processing, aquaculture, fishing, turtle hatching, agriculture product and handicraft, and Trigona/Kelulut Honey farm visit. On the other hand, the non agro-based activity also provided in this homestay program including visiting to famous places, river cruising, village touring, fireflies watching, traditional culture night, visiting historical sites, cooking traditional food activity and visiting cultural and norms places (MOTAC, 2016). Through this program, tourists get the experience to interact directly with the people's way of life and culture of Terengganu.

Table 1.3: Table shows the list of Homestay by room numbers in Terengganu

NO	LIST OF HOMESTAYS IN TERENGGANU	NO. OF HOMESTAY OWNERS
1.	Homestay Kg. Pasir Raja, Dungun	30
2.	Homestay Rhu 10, Setiu 1 Kg. Rhu 10	17
3.	Homestay Teluk Ketapang, K. Terengganu	44
4.	Homestay Kg. Buloh, Hulu Terengganu	11
5.	Homestay Felde Selasih, Jerleh	18